Analysis of the Bank of China's Product Policy

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ABSTRACT
The banking system is a core component of the economic system, and asset management products, as key offerings of banks, are closely linked to the stability and operational performance of financial institutions. Against the backdrop of fierce competition in China's financial market and evolving consumer demands, this study focuses on the product policy of Bank of China, with an emphasis on its financial product strategy. Using SWOT analysis and ABC economic models, the research examines the strengths, weaknesses, opportunities, and risks of BOC's asset management product policy, as well as the segmentation of target customer groups for these products. The analysis reveals BOC's advantages in brand credibility, global network coverage, and professional management, alongside challenges such as limited product liquidity and market competition. Additionally, ABC analysis identifies the critical value of high-net-worth customers to BOC's profitability. The conclusions of this study provide references for Chinese banks to optimize risk management and product innovation, offer guidance for investors in selecting asset management products, and serve as a basis for the formulation of financial regulatory and monetary policies.

Keywords: *Bank of China, product policy, Financial products, SWOT analysis, ABC analysis, Asset management.*

1. INTRODUCTION

The banking system is an important part of the economic system. There is also a close link between economic development and the banking sector. Banks perform certain functions as credit intermediaries, namely the accumulation of cash flows and the distribution of funds to economic sectors. With changes in the macroeconomic situation and the continuous development of Chinese society, competition in the financial market has become increasingly fierce. At the same time, the consumption patterns of the Chinese people have gradually changed. Companies, both large and small and medium-sized, need financing and investment. The support and relaxation of financial products by the government and banks have, to a certain extent, solved the problem of difficult and expensive financing for companies, while helping to increase the vitality of Chinese companies and promote the sustainable and stable development of the economy and society.

BOC has a wide range of products, each with its own product policy, such as corporate financing, personal financing, and financial market transactions. The corporate financing business includes deposit business, credit business, and business with financial institutions. BOC Wealth Management is a personalized, high-quality investment and asset management service brand created by the Bank of China for its customers. It adheres to the principle of "customer-oriented and continuous innovation." Our professional customer advisors provide customers with high-quality asset management services in an area exclusively reserved for them. At the same time, we rely on a global service network at home and abroad, experienced financial experts, and diversified investment and financial products to meet the financial needs of our customers and help them preserve and increase the value of their assets. Ultimately, BOC will be able to create internationally recognized quality services and a more comprehensive and harmonious banking service system. [1]

2. THEORETICAL FOUNDATIONS

This section sets out and explains the definitions used throughout the text.

2.1 Definition of Products

A product describes all "objects" that can be sold on the market. This includes both tangible and intangible goods as well as information and data, people, or places.

In marketing, product policy generally deals with designing a product in such a way that it meets the needs and desires of the user as much as possible and enables optimal market positioning in order to differentiate itself from the competition.

Product policy should never be viewed in isolation from other marketing mix instruments; rather, all instruments should always be coordinated and combined with each other. Learn about the main tasks of product policy now. [2]

2.2 Product Policy

Product policy refers to all planning and measures relating to the product. This includes the initial decision to launch the product on the market, its development, and, after market launch, product maintenance and elimination.

In practice, product policy is a highly complex field with many variables and tasks. Product maintenance alone requires a high degree of attention and flexibility. Under certain circumstances, the product range may need to be adapted from time to time to changes in consumer behavior or new technical developments. The goals that companies want to achieve with their product policy are identical to their marketing goals. After all, the first of the four Ps in the marketing mix contributes significantly to overall performance.

There are five possible goals. The primary economic goals include increasing sales, maximizing profits, expanding market position, and reducing costs. Secondly, psychological objectives include improving image, increasing affinity, customer satisfaction, and customer loyalty. Thirdly, communication policy and human resources play a particularly important role in achieving psychological objectives. Finally, the task of product policy in the marketing mix is to offer products that meet customer needs, attract new customers, differentiate the company's products from those of its competitors, support the achievement of corporate goals, and are technically feasible. In doing so, it is necessary to design not only the product itself, but also the services and the entire product range.

The tasks associated with the broader product comprise the following three phases: The first is product development, where the customer, rather than the product, should be the focus of initial considerations. Customer orientation centers on the question of how the product can be designed to meet the customer's wishes and needs. Detailed target group analyses and market observations are essential for this. If companies react too late or not at all to these changes in their product policy, it will cost them their market position. One example of this is Hainan Development Bank: originally the leading bank for stock trading in China, it was the first bank to fail after China's reform and opening up due to a flawed product policy. China Merchants Bank and SPD-BANK replaced the former market leader.

The second point is product maintenance. Products that are excellently positioned in the market are therefore no guarantee of lasting success. Product maintenance therefore means that continuous development must take place. However, this should be done cautiously, as excessive or abrupt changes can upset existing buyers. Possible options include product variation (individual elements or features are changed or additional services are offered) and product differentiation (new variants of the original product are launched on the market). Let's take the banking sector as an example: a bank has differentiated its product by offering more favorable terms for an existing financial product. As a result of product differentiation, the financial product now no longer has a single yield point, but also a lower risk rate and an additional yield.

The third point is product elimination. At some point, the end of the product life cycle is reached, either because a successor product replaces the previous model or because other providers launch a more attractive product on the market. Sales decline. Product variation and product differentiation, as well as life-extending measures from other areas of the marketing mix such as pricing and communication policies, have too little effect. In the banking sector, for example, going to the bank counter to deposit or withdraw money with a savings book is outdated compared to mobile banking. [3]

3. STATE OF RESEARCH

This chapter introduces SWOT and ABC analysis and uses both analyses to analyze product policy in the banking sector.

3.1 SWOT Analysis

SWOT analysis is an internal analysis of the company's current strengths and weaknesses and an external analysis in comparison to its competitors. External analysis of future developments, i.e., opportunities and risks arising from the environment. The necessary measures can be determined based on the analysis of the current situation. In this way, available company potential can be exploited and risks mitigated. The following table provides an overview of the SWOT categories with their respective definitions.

Strengths are characteristics of the company that describe a competitive advantage. Real-life examples include innovative products, a suitable location, qualified employees, and low fixed and production costs. Weaknesses are all characteristics of the company that represent a disadvantage in competition. Examples include low financial strength, high sales prices, lack of digitalization, low new customer growth, and dependence on business partners. Opportunities are all factors and developments in the business environment that can be advantageous. Risks are all factors and developments in the business environment that can be dangerous or disadvantageous. These include, for example, changes in consumer behavior, legal restrictions, new competitors, etc.

SWOT analysis makes it possible to build on strengths, minimize weaknesses, exploit opportunities, and identify threats. To perform a SWOT analysis, you always start with information research. Here you analyze what is happening in your company and in the environment surrounding your company. In terms of corporate management, SWOT analysis can be used to improve corporate management. In company formation, e.g., it can present the strengths and weaknesses of a business idea. In marketing planning, i.e., it can improve marketing business strategies and sales plans. In project planning it can implement product projects more effectively. In self-management it can improve the quality of leadership.

Advantages: Quick and easy to perform. Simple and clear presentation of results. Strategies can be derived that show you how to deal with the individual categories. In order to draw meaningful conclusions from SWOT analysis, it must be preceded by extensive research. No clear assignment to a category: It is not always clear whether something belongs to the weaknesses or risks, or to the strengths or opportunities. This means that clear conclusions are no longer possible. There are two disadvantages: Firstly, SWOT analyses are not strategic planning tools and can only provide you with information about existing and future conditions and rough recommendations for action. You must use this information to develop a detailed strategy for future action.

Secondly, SWOT analyses do not provide a complete picture of the information and often only show the information needed to strengthen strategic decisions. [4]

3.2 ABC Analysis

As already mentioned, there are advantages and disadvantages to SWOT analysis. Sometimes it is not comprehensive enough to analyze a problem.

ABC analysis is a business management method for evaluating the current situation and deriving improvements. The division into A, B, and C categories enables efficient and economical planning and decision-making.

It divides the items of analysis into three classes or value shares:

A: High value share

B: Medium value share

C: Low value share

As shown below, 20% of consumers generate 80% of the added value. Specific application of ABC analysis in the banking sector, i.e., segmentation of the customer base. 20% of customers generate 80% of bank revenue. Therefore, maintaining major customers is important for all types of banks.

4. ANALYSIS OF THE BANK OF CHINA'S PRODUCT POLICY

In this chapter, we will present background information on the Bank of China's product policy and analyze and elaborate on it using two analyses, SWOT and ABC.

4.1 Introduction to ICBC

Stauder is a traditional German brewery based in the German town of Essenstaude in North Rhine-Westphalia, which was founded in 1876 and has existed for more than 100 years. The company was founded by Heinrich Stauder and has always been family-owned. The company has a high market presence and influence in mainland Germany, especially in the western region, with a large market share in and around the city of Essen. Stauder beer has attracted many beer lovers and consumers through its high-quality brewing process and adherence to the traditional brand image. In addition, Stauder is involved in many areas, such as: B. in sports, 28in the social and cultural sector, and thus assumes social responsibility.29

4.1.1 An Overview of the Bank of China's Product Policy

The Bank of China is the largest continuously operating state-owned commercial bank in China. The Bank of China is the most internationalized bank in China, with branches in 64 countries and regions worldwide and an extensive network of institutions to provide customers with comprehensive and high-quality financial services. The Bank of China has a large number of branches and a strong customer base. This makes it the most globalized and integrated commercial bank in China. The products that form the core of the company are the micro-carriers for commercial banks, which offer customers added value in services, and the smallest granularity of business units that carry out operational and management activities.

The banks' product policy is in the early stages of a highly competitive buyer's market. BOC has solid mechanisms in place to break through the inertia of traditional thinking and improve the flexibility and sustainability of its products. Its product development and marketing are based on a customer-, market-, and product-centric mindset. Optimization of the planning model from an internal bank perspective to an external market perspective, coordination between the business front and product development departments and staff, and timely and effective feedback of consumer and market responses to the decision-making level and R&D organizations for medium- and long-term strategic development.

4.1.2 Various Product Categories of the Bank of China

The Bank of China's products are divided into different categories, which mainly include the following:

The products can be divided into three categories based on their investment direction. The first is the fixed-income category, which mainly invests in central bank bills and short-term corporate bonds with lower risks. The second is the credit category, in which credit assets are converted into financial products that are sold through trust companies and have higher expected returns. The third category is the equity category, which mainly invests in stocks and equity funds with higher risks and returns. Finally, there are offshore valet financial products, which help investors invest in foreign varieties, such as crude oil treasures, through banking channels. Broken down by product type, first, there are deposit products, including demand deposits and time deposits. Second, there are loans.

Inclusive finance was tailored by the Bank of China for SMEs to promote the development of SME industry clusters with specialization, characteristics, and clustering. It is also an expression of the Bank of China's support for government policy and the development of product and service features. [5]

4.2 Analysis of Bank of China Financial Products Using Economic Models

4.2.1 With SWOT Analysis

The strengths of BOC's financial products: Firstly, as one of the four major state-owned banks, BOC's financial products offer stable returns and low risk, making them suitable for prudent investors. Due to its long history and the intangible guarantee of the state or government, customers trust BOC and are willing to invest in its financial products. In addition, the share reform and listing have significantly strengthened BOC's overall strength. As one of the 100 largest banks in the world, with a market capitalization of $339.484 billion, BOC ranks fourth in the world in the 2023 Global Banking 1000 ranking.

Second, BOC has strong network support. With the application of technology in daily life, the Bank of China has launched mobile banking. Customers can download the Bank of China app to their

mobile phones and independently select and handle financial services via the network at any time. This advantage not only saves customers' time, but also increases the sales volume of BOC's financial products.

The third point is that BOC financial products have higher interest income. Especially for short-term financial products, customers can increase their value more quickly through financial products.

The fourth point is the variety of investment options. The Bank of China offers a wide range of financial products, including currency funds, bond funds, stock funds, etc. The first two in particular are BOC's most important financial products.

The final point is the large number of branches worldwide. As one of the four major state-owned banks, BOC is the most globalized Chinese bank. This makes it easier for customers to understand financial products and purchase them across borders.

BOC's financial products have three main weaknesses: The first is the lock-in period. Bank of China financial products typically have a specific lock-in period, which means that a customer who urgently needs to withdraw money may be restricted and have to wait until the lock-in period expires, i.e., they are less liquid and flexible. The second is market risk. Although less likely, BOC's financial products carry some market risk. In particular, the value of equity and hybrid products can fluctuate. The final point is the tax implications. Interest on BOC financial products usually has tax implications that need to be taken into account. The Bank of China's risk book for wealth management products mentions that risks also include legal risks, credit risks, management risks, operational risks, etc.

There are several opportunities for BOC's financial product policy:

The first is the growth of Chinese wealth. The Global Wealth Report 2023 published by the Boston Consulting Group shows that the number of millionaires in mainland China will reach 1.5 million in 2022, a slight increase from 1.498 million in the previous year, ranking fourth globally. Economic development and the accumulation of wealth have fueled customer demand for financial products. A solid customer base and an increasingly prosperous Chinese economy offer opportunities for the development of BOC's wealth management business. Second, through wealth management, the Bank of China enables its customers to gain a feel for financial management while increasing the bank's brand awareness and customer loyalty.

The risks to BOC's wealth management products come mainly from two sources:

One is competition within the same industry. City banks, for example, can adapt well to local conditions and also have unique geographical advantages. For residents of China's third- and fourth-tier cities, city banks' financial products are more relevant to their needs.

The second point is that since China joined the WTO in 2001, more and more foreign banks have entered the Chinese banking market. With the development and growth of the Chinese capital market, insurance industry, funds, etc., a large amount of capital will flow out of the banks. Both of these factors will encourage customers to choose BOC's financial products. [6]

4.2.2 With ABC Analysis

ABC analysis has also played an important role in BOC's asset management products. In early 2002, Citibank Shanghai was the first bank to use ABC analysis. The Chinese banking sector is beginning to adopt the concept of customer segmentation based on ABC analysis.

Customers are the preferred target of competition for commercial banks, and this also applies to BOC. Customers are the most direct result of ABC analysis in the practice of banks' financial products. With the increasing homogenization of commercial banks' financial products, customer resources have undoubtedly become one of the most important strategic resources for companies. At present, BOC must, on the one hand, firmly control existing high-value customers and, on the other hand, continuously develop new high-value customers.

Eighty percent of customers are small customers, i.e., retail customers who mainly purchase small, low-risk financial products such as pension funds, deposits, etc. Twenty percent of customers are mainly large customers. Although the number of these customers is small, their purchases of financial products are large, they make frequent repeat purchases, and the Bank of China's financial products yield higher returns. Therefore, they contribute more to the profits of BOC's products. In other words, they occupy an important position in the customer base.

The BOC offers private banking services to customers with an average monthly daily financial asset value of RMB 6 million or more (i.e., large customers). This will not only promote the development of BOC's asset management products, but also help increase the loyalty of large customers. [7]

5. CONCLUSION

This thesis analyses the Bank of China's product policy, particularly its financial product policy, uses SWOT and ABC economic models in particular. The Bank of China has numerous advantages in its financial product policy, including: good loans, higher returns, a professional quality team, and so on. As one of the four major state-owned banks in China, the Bank of China has the longest history and the highest degree of internationalization. This shows that the Bank of China's product policy has certain competitive advantages. Customers can trust the Bank of China's products, especially its financial products.

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