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Pricing Financial Services in Turkey: Cost Based vs. Parity Based Pricing Approach

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Abstract

IIncreasing competition in banking and insurance sector, leads companies to differentiate their financial services and products and their pricing strategies. Refining and redefining pricing strategies for financial companies have great importance because of the effects of higher and lower prices on profitability. In literature, pricing strategies for financial services and products have been categorized into four main groups: Cost Based Pricing – one of the ancient pricing strategies, Parity Pricing – based on competition, Value Based Pricing – based on consumers' perceived value (CPV) and Regulation Based Pricing – build on regulations. In this study, it is examined applications of cost based and parity based pricing approaches in Turkey and the challenges the companies in finance sector are confronted.

Keywords: pricing, financial services, cost based pricing, parity based pricing

1. Introduction

Recent technological developments in world, the increasing global competition, shorter product life cycles and changing customer demands have led the pricing strategies in market to be restructured. Either the companies acting in industries such as pharmaceutical, food and textile which providing tangible goods to market or the companies providing service in sectors such as tourism, hospitals, banks and other finance institutions give importance to their pricing strategy in order to protect their competitive force in market.

Especially service providing companies, can leave positive opinions in minds of customers, improve their market shares and keep acting in such a fertile competitive environment only through high service quality level (Ustasuleyman, 2009).

On the other hand, the price is one of marketing's 4P's, and plays an important role in marketing activities of any company. The price affects the customers from logical and psychological aspects, and play important role in purchasing decisions of them. Customers demand affordable price for high quality products and services. The way to draw their attention to a company is to implement qualified and modified pricing strategy.

The increased price may create a high-quality product effect on customers' minds, and indicates a higher status of owners of those products (Dibb et al., 2001). On the other hand, the increased price levels decreases the loyalty of customers and clients due to decreased affordability.

Especially the banks and other finance institutions providing service in finance industry are the companies acting in financial service sector. The marketing in finance sector is significantly different from marketing in other services because of its unique characteristics. There are many reasons of that. It arises from complex structure of financial products (services in fact), the complicated calculation requirement of many similar financial product for choice of clients, the relatively less advertisements and product promotions, and that sometimes the special favors provided to special customers and clients may lead them to make mistakes. The companies providing financial services are commercial banks, investment banks, insurance companies, foreign exchange companies, and investment services. Some of the services provided by those companies are saving and checking accounts, money transfer, insurance policies, credit accounts, mortgages, and etc.

In order to win and protect the competitive advantage, the price is one of the most important constituent especially in finance sector. That's why; this component plays direct role in revenue and profitability. The pricing strategy in finance sector is very complex and tangible, much more than other traditional sectors in fact. That's why; the price comparison may be hard to perform for clients. As stated by Cracknell and Messan (2006) in their article, the same kind of saving accounts may have deposit, withdrawal, money transfer and other fees varying among companies. The interest rates for loans may also change among companies besides the various implementation and monitoring fees.

In this study, by comparing the two main pricing strategies implemented in finance sector – Cost Based Pricing (an ancient pricing strategy) and Parity Pricing (which is based on competition between financial service companies in Turkey), we have investigated the highly specialized pricing strategies in financial service marketing.

2. Literature Review

Price is not only a label or a tag on a product or comes with a service. It has various forms, while it fulfills various duties. Some of the prices which we pay when we make profit or use some products or receive some services are rents, tuitions, fares, fees, rates, tolls, retainers, wages, and commissions (Kotler and Keller, 2012). From the basic point of view, price can be described as the amount of money paid for any product or service. A more detailed description, the price is the sum of all the values given by customers to make the benefits of having or using any product or service. (Kotler and Armstrong, 2012)

Price is the marketing mix's (4P) unique component creating income for the company while others produce costs. Main factors which affect the pricing strategies are fixed and variable costs, competition, company objectives, proposed positioning strategies, target segments and willingness to pay.

While the price can be showed in various ways, it is obviously important to understand that the aim of the price is to quantify and emphasize the value of the goods in any market exchange (Dibb et al., 2001). Estelami (2013) expressed 3 functions of the price in financial services sector:

1) Price has the unique income resource of the financial services organization.
2) The secondary function of price is to establish the interaction between the marketplace and the identity, market positioning, and intentions of any financial services organization.
3) The third function of it is to act as an indicator of quality for customers.

The word of "Financial Service" is frequently used in the literature. As a basic description, financial services are the services produced by financial services companies (banks, insurance companies, microfinance companies etc.) and concludes services like basic banking services (money transfers, EFT etc.), foreign exchange services, insurance policies, international money transfer services, credit and debit card services etc. The most tangible element of marketing strategy of any financial service institution is the price (Estelami, 2013).

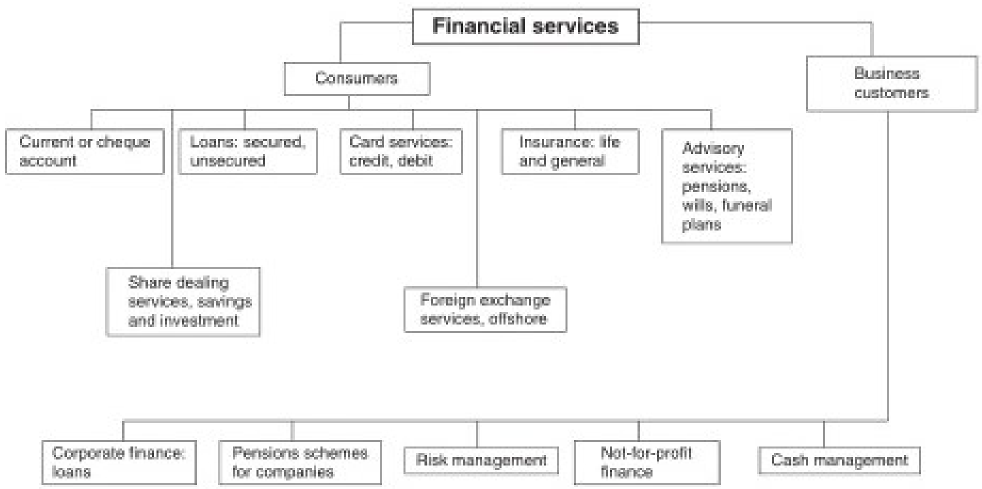
Numerous studies in literature have focused on various pricing strategies of finance sector institutions. Biener (2013) has stated that price of any insurance product is one of the most tangible risks in micro-insurance market, and has examined the conventional techniques as possible solutions for enhancing the pricing of insurance risk in micro-insurance markets. Battalio et al. (2001) have stated that the broker identity may allow market decision-makers to prepare individual pricing offers when market makers can provide separate quoted prices for each order size. Opiela (2004) has examined the pricing of financial services companies' risks in his study, and finally found out that risk pricing varies among finance company and bank deposits and between small- and large-scaled deposits. Gupta et al. (2008) have examined the role of liquidity in pricing strategy of financial service companies. Benaroch and Appari (2011) have investigated the risk pricing of e-service quality in financial services, and by using an event for generating market data required for pricing the risk, they have implemented a well-configured financial risk pricing method to the case of pricing a single idiosyncratic IT investment risk. Fields et al. (2004) have examined the audit pricing in financial organizations, and then adopted a standard audit fee model to industrial companies by involving measures of risk and complexity which have been either unique to or more related with banks, and which have been used by bank regulatory agencies.

The worldwide financial crises and depressions have pushed the financial sector companies into an obviously volatile and competitive market environment. As a result of obviously hard competition conditions and governmental regulations, the finance sector organizations have to make more effort in order to achieve their financial goals (http://www.nomissolutions.com/solutions, 2013).

The concept of pricing has not been such an important in marketing strategy concept of finance sector companies as it is for companies in other sectors. The competition has never been such deep in retail financial services. The competition through the price has become more tangible and significant part of marketing strategy of retail financial services, because the competition's itself has become intensified (Llewellyn and Drake, 1995). Estelami (2013) has expressed in his book that the key characteristics of financial market products apply pressure on financial service marketers. Llewellyn and Drake (1995) have also mentioned in their study that pricing strategy in any sector is defined mainly by dominant competitive environment. The main strategic point in retail financial services is the pricing, and the importance of pricing in marketing strategies has been increased.

Financial services offered by financial services companies are targeting both individual customers and clients from other companies. B2C and B2B financial services are given in Figure 1 below.

Figure 1. Financial Services



Hanson et al. (2010) have mentioned in their article that financial service companies have many fresh opportunities and high growth and profitability chance in especially emerging economies. And the environment of those economies brings many significant challenges. The economy and competition become more variable nowadays, and the request of clients have never been as complex as they are now. The environment where the financial services are being offered is now more competitive, and this makes the marketing of financial services more challenging and specialized (Estelami, 2013). In this flexible environment, the companies in financial service sector have to focus on this strong and sustainable profit resource, because the pricing is the best and unique profit-creator instrument in this industry.

In order to control complex product portfolios in effective way, to classify the customer more accurately, and to create the analytical power which they need to have for operating in this flexible economy, the financial service companies need to achieve excellence in pricing (Hanson et al., 2010).

Financial service companies operating in current market conditions face with many major challenges. The operation models of many of those institutions are considered to be ancient nowadays due to the expanding and shifting customer demands, as well as the remarkable differences between customer groups from the aspects of attitudes and preferences (Hanson et al., 2010).

As Estelami (2013) explained in his article, the price has unique power in financial services and it is important to recognize it while developing marketing strategies and analyzing consumers' decision dynamics. Under these conditions, marketing professionals being responsible for pricing financial services face with many challenges.

Llewellyn and Drake (1995) have explained main pricing problems of financial services to be the contingency of the value of a financial service and problems derived from information such as characterizing the quality. As a result, they have stated that these evaluations indicate that financial services and contracts include some matters which cannot be seen in most of other products and services; some of those matters significantly affect the pricing strategies and impress the decisions of customers and clients.

Many factors affect the pricing mechanism in financial service sector. Legal regulations in global and local level, growing importance of customer loyalty, competition and economic forces and the development of new technologies and internet are considered to be the leading factors.

2.1. Global and Local Regulations

Sometimes the regulations of governments direct the decision process of marketing professionals about the pricing strategy. In order to suppress the inflation, the governments can utilize the price control mechanisms, keep the prices at determined level, and/or declare the allowed price increase rates (Dibb et al., 2001).

The total value of asset size of the Turkish financial services sector is TRY 1,122.6 billion as of the date of June 2010. The growth of financial service sector between 2004 and 2009 is 19.1% (CAGR); the CAGR of the banking industry was 21.6%, while that of insurance industry was 27.7% (BDDK, 2010).

The control on banking sector and the regulations about banking have significantly enhanced after 2001 crisis as a result of establishment of the BDDK. The Banking Regulation and Supervision Authority (BDDK) is an independent financial authority which has been established on 23 June 1999. One of the main roles of BDDK is to harmonize the Turkish banking regulations with international norms, and to ensure the compliance with international financial reporting standards (Deloitte, 2010). Within this context, Turkey has started to construct the infrastructural components of the new Basel Capital Accord (Basel-II) in 2002. The upper limit of 20% has been set for the ratio of net general foreign currency position/banks' equity, and this limit has been implemented properly, as well as the minimum capital adequacy requirement of 8% has been enforced. The Banks which were not able to comply with these requirements have been taken under control by the Savings and Deposit Insurance Fund (TMSF). And, as an important event, the 100% guarantee of state on deposits in banks (this guarantee has been introduced in 1994 crisis) has been decreased to TRY 50,000 (Deloitte, 2010).

2.2. Rising Importance of Customer Loyalty

The loyalty of customers has never been more important than today. Since gaining a new client is much more expensive than sustaining the relationship with existing customers, the companies need to establish and sustain the long-term relationships with especially the profitable customers.

The level of importance to the people in targeted market or segment is an important question for the marketing professionals while setting the pricing strategies (Dibb et al., 2001). But the calculation of the price of any financial service is generally very complex; understanding it may be very hard for many regular (maybe profitable also) customers. The service quality can be as complex as a puzzle for those customers. The memory of customers about the financial services is obviously weak, and it should be remember while preparing the pricing strategy for financial services (Estelami, 2005). Financial services have unexciting and complex characteristics, and it leads to poor recall of financial service prices (Estelami, 2013).

In some cases, the customers may leave obtaining a service from a company or even being a customer of that company when they learnt that the financial service given has a price. This situation is very negative for companies seeking for long-term loyalty relationships.

2.3. Competition and Economic Forces

The competition between financial service institutions cannot be overlook. The prices of financial services may lead companies to have and sustain the competitive advantages while efficient methods are implemented. Since the general economic conditions affect the attractiveness of financial services, it makes pricing the financial service more difficult. While determining the prices of certain financial product and services, the service provider institutions should pay attention to related economic indicators such as interest rates and stock market returns (Estelami, 2013).

2.4. Development New Technologies and Internet

The institutions in modern era need to keep up with technology in order to survive. The human behaviors have been significantly altered especially by mobile technology development after 2000s. Nowadays, customers have more efficient and powerful instruments for comparing the companies from which they want to buy service or product. The technological instruments which customers have led to transparency among competitors and the typical customer of nowadays listen to his logic rather than senses. Financial service institutions have to be able to utilize newly developing technologies and internet properly and continuously, this is very important to keep their relationship with their customers. The customers of the organizations which have gained and sustained this skill are less sensitive to the price changes.

3. Financial Services Pricing Methods and Applications In Turkey

3.1. Banking Sector and Financial Services in Turkey

Turkish economy is one of the emerging economies. Its financial markets and stock exchange market have not such a deep structure. One of its reasons, besides that Turkish economy is one of the emerging economies, is that the previous economic crises in world economy have affected the banking sector.

Turkey has experiences a financial crisis which started in November 22nd, 2000. Turkey has been able to repulse the intense speculative attack on foreign currencies in November 2000 through (a) excessively high interest rates, (b) significant foreign exchange reserve losses, and the most important (c) additional 7.5 Billion USD IMF credit and it could protect foreign exchange rate level at the expense of high costs. But its protection power for any similar attach in future has significantly decreased. While people thought that the November crisis has been defeated, the crisis between Prime Minister and the President of the Republic in February 19th, 2001, just 3 months later, has induced a second speculative attack and then the foreign currency crisis has started (Uygur, 2001).

The consecutive crises have resulted in transfer of many commercial banks to fund, and financial damage of some other banks.

The global crisis which started in 2006 as a result of pay-back problems in American mortgage market has transformed into global liquidity and credit crisis in 2007 and 2008, and damaged the “trust” component in markets. Then it has appeared as a new crisis in banking and finance sector due to bankruptcy of giant finance companies in 2008, the dramatic decreases in stock exchange markets and serious increases in foreign exchange rates have been observed (Coskun and Balatan, 2009).

Being the main participant of Turkish finance sector, the banking sector has proceeded on its way after the crisis with a healthier and stronger structure than other countries affected from crisis. The funds obtained from international markets have significantly decreased as a result of global crisis, and the cost has significantly increased.

The other effect of crisis is the suppressing effect of possible economic depression in Europe where the most of exportation activities have been directed to on Turkish economy and consequently on the Turkish finance sector (Selcuk, 2010).

During the period in which Turkey left the crisis behind, the positive developments have occurred in banking sector. According to Deloilette’s report (2010), there have been positive developments in banking sector in years following financial crisis. 49 banks operate in Turkish economy. As a result of financial market recovery, the total number of personnel in this industry has increased 2.3% from the end of 2009 to August 2010. As of the date of August 2010, the total number of banking sector personnel is 188,472. The increase in the number of branches is not as rapid as before: the number of branches grew by 3 percent in 2009, compared with 2008, then by 2.3 percent between August 2010 and 2009 (Deloitte, 2010). As of the date of June 2013, the Turkish banking sector operates with 49 banks, 11,445 branches and 208,409 employees. The banks operating with highest number of branches are private banks having 45.7% share (5,234 branches), public banks having 27.8% share (3,180 branches) and foreign banks having 18.3% share (2,099 branches) (BDDK, 2013).

The Investment Support and Promotion Agency (2013) has declared the main characteristics of Turkish financial service sector as follows:

- Finance sector in Turkey is obviously liberal.
- The regulatory structures of Turkey have been enhanced after 2001 continuously, and the Turkish economy has become robust to domestic and international financial fluctuations.

- The Central Bank of the Republic of Turkey (CBRT) is able to manage the liquidity and flexibility for offering emergency lending support through its highly effective tools.
- In spite of global crises in finance sector, Turkish banking sector has kept being powerful and profitable.
- The "toxic" effects of global crises have not significantly affected the Turkish finance institutions.
- The capital adequacy ratio of banking sector is 19% as of the date of 2010, and it is much higher than the legal limit of 8%.
- As of the date of 2010, the household liability ratio to GDP was 17%, and that of Euro region was 66%.
- The Istanbul Stock Exchange (ISE) has commenced its operations in 1986, but it has grown very rapidly and become one of the leading emerging market exchanges of the world.
- As stated in the BRSA's 2010 statistics, Turkey's ISE 100 index has grown 26% in terms of US dollars and 28% in terms of Turkish Lira in proportion to 2009.
- Foreign and local investors are considered to be equal, and the number of banks having foreign originated capital is more than 20.
- As of the date of October 2011, over 60% of total value of treaded stocks in ISE is held by foreign investors.
- Istanbul will be the financial center of region when Istanbul Financial Center Project will be accomplished, and it will be a global finance center in a few decades.
- In order to draw attention of international finance investments, the government continuously keeps improving the tax system, legal and fiscal environment, political and economic stability, and the regulatory structure.

SWOT analysis of Deloilette (2010) provides some information about the situation of Turkish financial service sector. Some of the information is given below.

The strengths of Turkish finance sector are its nationwide branch network and distribution channels, high capital adequacy ratios of banks, high liquidity reserves, large amount of well-educated personnel, and the resilient regulatory structure. On the other hand, it has also some weaknesses such as dependence on short-term capital entrance which limits the significant decrease of interest rates, and the low amount of GDP per capita.

The opportunities stated about the Turkish finance sector are the beginning level of mortgage loans and the derivative instruments, high loan/deposit ration keeping increasing, successful privatization of 3 of large-scaled public banks, and the low penetration ratio of insurance industry. The points stated about threats are increasing NPL (especially in consumer credits and credit cards), short-term characteristic of deposits, hard conditions for accessing to syndication and securitization credits of international institutions, Dubai international finance center as a rising star, the VAT increase from 1% to 18% in leasing transactions.

3.2. Comparing Pricing Strategies and Processes

As mentioned before, the banking and finance sector is a sector providing service. The bank products are deposit, borrowing or other product like credit card or foreign exchange transaction which are tangible and measurable whereas service can be such products plus the way/manner in which they are offered that can be expressed but cannot be measured i.e. intangibles (Uppal, 2010). Because the financial sector is a service sector, the marketing strategies in this field are different from tangible product marketing strategies.

The marketing strategy for banking services include some components such as identifying financial requirements of customers, providing suitable banking outputs optimized for customer requirements, charging the affordable prices and fees for those products, introducing the developed product and services to customers both potential and existing, establishing the appropriate distribution structure consisting of channels and branch offices, and the constant focus on keeping up with market requirements changing in time (Popli, 2012).

SERVQUAL is a very popular quality measurement scale which has been developed by Parasuraman et al. (1998) for service sector as mentioned in Naik et. al. (2010). The RATER model is a simple and practical method for investigating and evaluating the service experiences of customers quantitatively. That's why; it has been utilized by many service dealer organizations. The components of service quality as he stated are 'tangibles', 'reliability', 'responsiveness', 'assurance' and 'empathy'.

The tangibles can be exemplified with physical facilities, equipment, and personnel, while the reliability can be defined as an ability to sustain the customer loyalty in service and to ensure the accurate service procurement. Responsiveness can be described as willingness to understand and respond to customer requirements, while the assurance can be defined as an ability of staff to inspire confidence and trust. And the final component "empathy" is described as the extent to which caring individualized service is given.

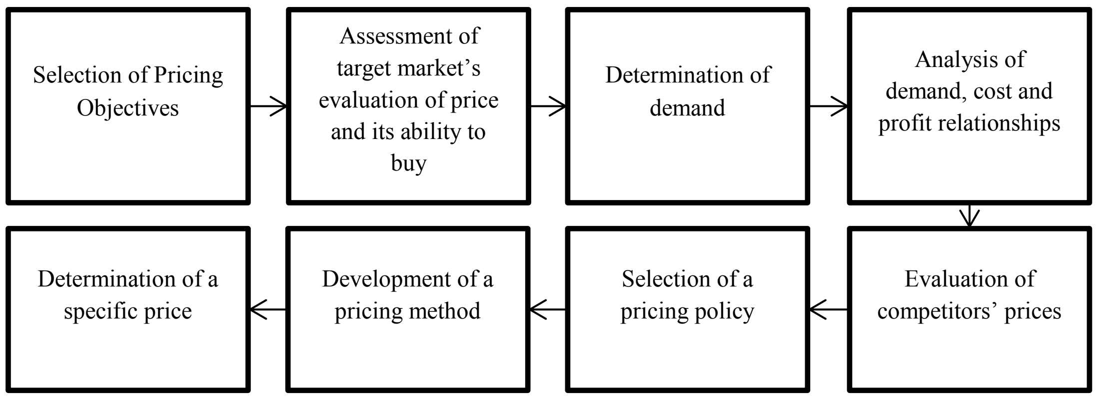
Focusing on customers for making profit, banks have started to pay more importance to providing the individualized services in order to enlarge the customer base and especially to hold the customer in hand, in other words, to create customer loyalty (Tolon, 2004). The importance of pricing strategies gained has increased in financial markets. Enlarging the customer portfolio is important for creating additional income resources for banks. Banks use different pricing strategies within this context.

When considering the market, we will see the investments on technology and the various financial service packages which are different from each other and designed in accordance with customer requirements. Thus, the commitment of customers to banks increases and the customer loyalty can be ensured. The products of private banking can be summarized as customer loans, savings deposit, bank cards, and alternative distribution channels (Acar, 2006).

There are some prices in banking sector such as interest, commission and expenses. The unique marketing variable component producing income is the price, while other elements produce costs. The price is the unique Marketing Mix element which has direct effect on profit and sales volume, because others cannot directly affect the profit. The pricing strategies and the prices of banks must be prepared very carefully. Any failure in pricing process may lead customers to prefer the rivals offering similar services. The traditional service pricing methods utilized by banks are "cost-plus", "transaction volume base" and "challenging leader" (Once, 2000).

The goals of pricing process are in fact the indicator of what the organization desired to have in future as a result of those operations. The pricing is main concern in banking sector too. The result of pricing progress has to meet both short-term and long-term goals, because the competition is harder nowadays and getting harder every day (Dibb et al., 2001) The progression of an ordinary pricing process is given below:

Figure 2. Ordinary Pricing Process



Source: Dibb et al., 2001

Having a structure different from good pricing, service pricing becomes more specific in especially the banking sector. Financial services generally have non-standard prices. The numeric structure of financial service prices is very complicated, while minimum number of calculations is required and desired. Those issues lead the financial service prices to be one of the most complicated issues which the purchasing decisions of customers are based on (Estelami, 2013).

The financial service quality concept has not a tangible structure and nature, and it is the second difficulty in financial service pricing process (Estelami, 2013). Their complex nature makes them to be very hard to asses in terms of quality level.

In cost-based pricing method, the costs of financial services are utilized as inputs of the price. The price in this model consists of direct costs, indirect costs, and the profit margin. It is very simple and brings high flexibility. The service price modifications are easier in this method. Some of the issues overlooked in this model are the competitors and the brand positioning, and it doesn't induce any cost efficiency effort. The different forms of cost-based pricing are as follows:

- Cost-Plus Pricing: In this model, a fixed percentage value is determined by financial service provider company in order to add to average cost.

- Full-Cost Pricing: This model consists of fixed and variable costs of service which are offered by the organization. The price of each of services varies depending on variable costs.

- Target Profit Pricing: In this method, a specific profit level is set by organizations, and they also mark-up in harmony with break-even point.

- Marginal Cost Pricing: Marginal cost is the cost of production of one more unit and utilization of marginal costs is useful when the fixed costs are relatively higher.

Cost based pricing strategy can be utilized by companies providing goods or services. The company determines a minimum and a maximum price for a product or service. The company releases the product between the maximum and minimum prices by assessing the competition environment of market. The production, advertisement and distribution costs are required in order to compute the product cost. The price is calculated by adding the profit margin to sum of the costs. The size of profit margin can be determined by 3 different methods.

In other words, the company determines a mark-up rate while providing a service or product. It is related with the level of profit targeted by the company. The mark-up can be defined as trade or functional discount allowed by the previous channel members. Any retailer or wholesaler utilizing this approach adds a mark-up to the delivered cost of goods or services. The pricing process can be simplified by determining a fixed mark-up for all goods and services, and some retailers and wholesalers utilize this approach. But others may determine higher mark-up rates for goods or services seeming to have higher quality or having slower turnover. And some retailers (and sometimes wholesalers) think that the customers wouldn't accept the utilization of traditional mark-up while determining the price.

In the cost based pricing approach, there is no assurance that the determined prices will appeal to consumers in the marketplace. The increasingly competitive nature of financial services, driven by the deregulation of the industry in recent years, has many forced financial services organizations to pay closer attention to prices offered by their competitors (Estelami, 2013).

In the study, several factors that limit the usage of cost-based pricing in the financial services sector have been detected: (1) Costs of a service are not meaningful for customers, they usually care the value they have by using a financial service. (2) Price expectations of customers are not based on the costs and the quality of the financial service; they have the tendency to compare financial services' prices with company's competitors. (3) Customers never care about low or high costs of a financial service; their willingness to pay a price does not change with the costs.

Financial service prices in parity based pricing approach depend on competitors' prices for the same service. In this pricing approach, financial services company may decide to set service prices lower or higher than its competitors.

In the study, it is detected that financial services companies in Turkey prefer to set higher prices for some of their services and lower prices for others. This mixed parity based pricing approach is confusing for customers who are mostly in a tendency to have all financial services from a single provider. Higher prices are leading them not to use any of the services from that company even if the quality of the service is relatively better than competitors. Since customers search for both quality and lower prices at the same time, parity based approach which neglects quality and directly in control of other companies is not preferable by itself. In some situations, financial services companies which use this approach are in need to use lower prices than their costs and it is not feasible for them either.

Financial services companies frequently use those methods while determining the fees and commissions to be requested from their customers. The profit margins are determined in accordance with strategic targets of banks, and adding this margin to costs allows the provided services to contribute on profit of the banks. Each of different tasks includes different workloads and the variable costs are complex variables. That's why; to compute the variable costs is very difficult from the aspect of executives.

Although the organizations can enter into business fields of their rivals, decrease the costs and have the opportunity to achieve the level of business volume and service quality similar with the rivals (Erdoğdu, 2002), banks determine their pricing strategies in accordance with certain goals. The leading one among strategies is the "Profit Maximization". The banks preferring this strategy charge the highest prices to their customers. The banks believing that they can carry the highest price in the market utilize this strategy. Besides it, there is also the "Market Share Relationship" approach. In this approach, the pricing strategy of the bank is designed in order to increase the market share. But the difference between costs of bank and market prices should be assessed by top management. The third pricing strategy is the "Product Quality Leadership". The bank may have the leader position in market for certain product or product group, or may introduce itself to have this position. The customers may be expected to pay more for such different, high-quality product requiring additional value. The banks focusing on product diversification (Ganbat, 2007).

But the credit pricing in banks is conducted by considering some factors. Those factors are demand, cost structure of the bank, and rarity of the determined product in market and the procurement of different service (Karabulut and Kaya, 1991).

The credit pricing methods can be divided into 5 classes as Cost + Profit Pricing, Marginal Pricing, non-Cost-Based Methods, Average Fund Cost Approach, and Weighted Average Costs of Funds (Ganbat, 2007).

While determining the credit prices, banks determine their own prices by grouping their own customers in terms of mutual relationships. The customers are divided into 3 groups in terms of credit price as premium customers, the customers with effective projects, and customers with intense relationship (Karabulut and Kaya, 1991).

4. Results, Recommendations and Conclusions

Financial service organizations usually prefer to utilize a combination of pricing strategies not only cost-based and parity based but also value based, regulation based approaches. The determination of final price can include a managerial consideration about which price should be charged for any financial service (Estelami, 2013). The requests of target markets and the price sensitivity of customers of financial service provider companies need to be taken into account, estimated and characterized before implementing them. The fully competence with legal regulations can only be ensured through close cooperation of marketing, finance and legal departments of any organization; marketing and finance departments need to receive senior leadership's approval. Any feedback of senior manager or legal department about the necessity of any action has to be taken into account. Any new fee should be introduced to customers through notifications prepared by marketing team. In order to obtain a sustainable success, the implementation of new fees has to be scheduled.

As a result of this study, we obviously see that price-sensitivity of Turkish customers is clearly high, while their knowledge about the mechanisms of pricing in finance sector is very low. The implementation of aggressive pricing methods will result in customer losses. We provide some suggestions and recommendations below in order to obtain effective pricing strategy in any financial service organization:

- Using No Pricing Approach as a Marketing Communication

To provide price-free financial services may significantly increase the total number of customers, but it will also significantly decrease the most of profits; so, it is not logical to implement such a strategy (Estelami, 2013). But if any organization seeks for just increasing the number of customers no matter what it costs, then this approach may be useful. The strategic aspects of the organization and its services must be taken into account during planning to increase the number of customers. The unexpected (and maybe undesired) results may come with short-time planning activities.

- All-in-One Pricing Experiences

As mentioned before, the price decisions are very important for organizations and their customers. The price can be easy to understand and very simple through implementing the all-in-one pricing method. While using all-in-one pricing strategy, the customers pay for services in daily, weekly or monthly period. The representative of this method in Turkey is the Ingbank which is implementing it in its daily, professional, classical service packages. For example; the daily package of Ingbank includes basic banking services such as money transfer and EFT (without limits), account operation cost and credit card membership fees.

- Using a Combined Pricing Strategy to Increase Efficiency

Financial service provider organizations have to prepare a pricing strategy which is in harmony with the whole marketing strategy of organization, and it should take customer needs and requests and the competitive position of organization into account (Hanson et al., 2010). Since there are various financial services in markets, the utilization of only 1 pricing strategy cannot answer all of the requests which financial service companies face with. The pricing strategy or the combination of strategies must be optimized by companies in order to ensure the compliance with the characteristics of services.

- Establishing a Proactive Pricing Organization and Clearly Defining Roles

There are some gaps between strategic managements and sales results. In order to fill these gaps, the finance service provider companies need to utilize effective pricing groups within the organization because this is vital for sustainable success of the organization. The price perfection which has been and is sought by any financial organization can be obtained by unambiguously describing the progress, roles and responsibilities during the pricing process, and by properly implementing this optimized pricing result throughout the institution (Hanson et al., 2010).

The centralized pricing departments are easy to control and manage. But when the organizations have strategic business units, the decentralized responsibilities about the pricing may create better and proactive approach throughout the institution. The roles of pricing departments of teams and their responsibilities have to be in harmony with collective targets and institutional strategies of organizations.

- Sustainable Customer Loyalty through Communicating

Financial service provider institutions have to utilize any communication instrument they can, because the technology and internet become more important day by day and the (potential and actual) customers are really utilizing every source in this area.

- Adopting New Pricing Technologies

Today's pricing practices need adopting new technologies. Financial services companies should determine prices for their services by using appropriate software.

In this study it is examined the pricing methods and implementations of financial sector in Turkey. The importance of the price among the finance sector can be seen in any literature research. But this issue is obviously specific, and there are not so many studies in academic literature focusing on this matter. There are many new developments in pricing techniques and technology. That's why; it is now easier to access larger amount of data for academicians in this field. The research on innovations in this pricing field is recommended for further studies.

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