

Development and Creation of Competitive Advantages in the Function of Marketing Services in Financial Institutions

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The marketing of the financial services by financial institution is regarded as an easier job. This is due to the fact that, in most cases, when a client is gained, he/she remains loyal to the institution on a long term. Nowadays, taking into consideration the needs of the consumers - clients who are undergoing a constant change - financial institutions are faced with a necessity to have the required knowledge and information regarding what and how to meet the needs of their clients. Financial institutions have reached a stage of adapting their daily activities with the demands of their clients. Thus, this is due to the available information which deals with the needs of the clients, opportunities of financial institution themselves, structural changes in the services provided, and the changes in the market which includes competition. This paper will strive to present the stages of the marketing development in financial institutions through the acquisition of knowledge regarding the finances and marketing of these services. It also involves the current concept and approach towards marketing by financial institutions in Kosovo. Adopting new approaches would satisfy the client and would strengthen the position of financial institution. In addition, through this analysis, we will try to show the importance of including the concept of marketing in the operations and strategies of financial institutions for a successful business.

Keywords: financial institutions, information, communication, client, marketing.

JEL Classification: M30, M3.

1. Introduction

Based on the needs of people for goods and services, marketing was adopted and developed according to specificities of activity areas carried out by enterprises. For these purposes, the marketing of material goods or consumption products has been developed. Thus, the marketing of services came as a result of the development of numerous specialized industries that came to being recently in various areas, including the financial industry. Consequently, C. Ennew, T. Watkins and M. Wright (1991) in their article on banking marketing defined it as the "achievement of bank objectives by knowing the needs and desires of their target clients, and meeting their needs in a more efficient manner than their competition." (Ennew, Watkins, and

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Wright, 1991). Thus, we consider this definition to be applicable to other financial institutions in their activities in Kosovo. The setting of the operations of financial institutions has changed rapidly. Some authors, among them, Jain, pay great importance to the business setting (Jain, 2007).

However, the differences relate to the specificities of a country which is defined as marketing setting in this field. Taking this into consideration, importance is given to the fact that many financial institutions develop their activities in more than one country. Therefore, this should be clear to the marketing staff of these financial institutions that the marketing setting varies from country to country, and from population to population within one country as well as from region to region. This enables us to understand that, when a financial institution establishes and develops activities with other countries and on a global level, it should inevitably plan and set clear marketing objectives in every setting they operate.

Banking marketing has a history of its development. In Western Europe, it started developing during 1950s and so on. In Kosovo, the implementation of banking marketing started in different forms after 1999 and onwards based on the efforts of different existing banks to create a market for them. In 1999, Kosovo emerged from the war and no financial institution operated at that time. Thus, there was a gap during this period. The Financial System in Kosovo, in terms of activities and number, is structured as follows: commercial banks – 10, insurance companies – 13, pension funds – 2, financial facilitators – 44, and micro-finance institutions – 18 (CBK, 2015). The Central Bank of Kosovo (CBK) is the regulatory body in the financial market which applies the best international practices. CBK has been recently carrying out the role of the intermediary in the trading of securities of the Government of Kosovo. Since 2015, 21 auctions were organized with a total nominal value of 398.6 million euros.

Based on changes in the world settings including Kosovo, financial institutions have applied various necessary and useful marketing functions to their activities. This marketing function is characterized by its integrated approach of service delivery, efficient development of operations, and research clients' needs as a basis for the provision of those services and financial products which constitute their offer. Financial institution marketing deals with activities related to the provision of financial services in order to meet the demands and needs of clients in an effective manner. This is usually carried out in a timely and appropriate place. This has brought marketing to another phase known as "relationship marketing" which is the result of many factors (Ukaj, 2012).

The objective of the article is to explore and analyze the development of marketing in financial institutions. It is based on these findings that conclusions were drawn and possible activities that would move the financial sector forward in the provision of services to clients was proposed. The emphasis of this article is the financial industry in Kosovo, which is already consolidated, and each financial institution in its own way is operating successfully in terms of business. However, in the frame of the financial industry, there is a difference between "strong" institutions and "weak" ones. In terms of the capital structure, these institutions are divided into those with foreign capital and those with domestic capital.

2. Nature and Development of Marketing in Financial Institutions

Service marketing, particularly the one in the financial industry, is one of the areas where specialization of marketing has been done. Thus, it takes into account the introduction, development, and the division of services as something special in the market offer, apart from the goods (products). A definition of banking marketing is given by Ionescu who defines it as "management of processes which lead to the fulfillment of financial needs of clients, in a more profitable way for banks" (Ionescu, 2001). This brings us to the truth that financial institutions are profitable businesses with clearly defined objectives. This is proven also with financial institutions in the case of Kosovo, which is showing profit growth from year to year, according to official reports of the Central Bank of Kosovo.

Marketing in financial institutions was developed and has gained importance in developed countries at a time when the financial sector gained its importance in doing business and participating in the economy of countries. Thus, this is with an entry of competition from other countries, possibilities of covering the market demand, and the development of competitiveness to keep and gain clients. Within the market offer of financial institutions, we include financial services provided by commercial banks, specialized banks, insurance companies, markets of securities, and other non-banking financial institutions.

Nowadays, the financial market is characterized with strong competition. Also, financial institutions are opened to the public, while clients have become more critical and selective towards the offer by being better informed and familiar with the issue of financial services. Thus, it should be emphasized that the client now has the opportunity and space for advice on financial services. This has led participants in the financial market to

apply and develop a professional and efficient marketing directed towards their loyal clients. With the new developments in the financial institutions, a tendency was noted.

In addition to classical marketing, the focus is switching to the level of micro-marketing which focuses on an individual and clients specific needs and demands. Also, it accepts the particularities of a client in behavior, beliefs, and habits. Furthermore, banks, insurance companies, and other financial institutions in Kosovo based on their business activities have applied marketing and, in particular, planning of their activities to enable them put their products and services in the market. A change has to take place in their behavior towards clients. This is achieved by focusing on satisfying the needs of clients and establishing a loyalty. This is because, nowadays, financial institutions in Kosovo are behaving in a standardized manner, carrying out their activities as an "industrial" process. Clients in Kosovo need a creative approach from the banks, tailored services for them, and an increased care towards them. Thus, we have to mention that, for the financial institution, it is important for businesses to have available resources. They should, thus, have a good understanding of impact factors and the role of the regulator in financial activities to enable the application of the marketing concept. This cannot be achieved in a short period of time, but with a long-term commitment and involvement of available resources.

Most of the authors have identified at least 5 stages in the development of business associated with marketing activities (Önce, 2000; Ukaj, 2012). They are: Inclusion oriented marketing promotion; Inclusion of marketing in maintaining relations with clients; Marketing reform; Inclusion of marketing in specialization of specific sectors; Research, and planning and control as inclusion oriented marketing. When adopting and implementing marketing in financial institutions, the approach is based on several steps. This starts with the identification of the needs and desires of the clients, development of suitable products and services which fulfill the needs of clients, determining prices which are adjusted to the products and services provided, setting up proper distribution channels and ways, promoting and advertising products and services for existing and potential clients, and continuous forecasting and research on the market demand.

When the business of the financial institutions in Kosovo is analyzed, namely the report on the revenues and expenditures of the banks, the ratio shows a good return on investments and reduction in expenditures. The revenues for the year 2015 were 238.2 million euro's, while the presented expenditures were 143.5 million euro's. Hence, this shows a decrease compared to a year before. Within the bank expenditures reported, it can be distinguished that the general and administrative expenditures which constitute the bulk of the total expenditures, are the only category which shows an increase with a scale of 5.2% compared to the year 2014. This increase is mainly attributed to other expenditures, which are not related to interest rates, and where the funds for marketing, legal expenditures, and incidentals are allocated.

3. Elements of Marketing Mix for Financial Services

3.1. Financial Institution Product or Service Offer

In everyday communication of financial institutions in Kosovo in the market, one can observe, hear, and read messages about "their product" or "the package of their products". It is evident that in the development of financial institutions in Kosovo, same as in the financial markets of western countries and beyond, they earn money by rendering services to clients. This is in addition to the profit they make from "buying and selling money".

What about those who do not understand the issue of identifying activities carried out by financial institutions? Subsequently, confusion has been created as to whether they have or whether they offer products or services. Distinctive characteristics of services which include intangibility, inseparability, variability, and perishability, have great effect on the design of marketing programs (Kotler and Keller, 2006). The truth is somewhere in between, and majority of the authors are Kotler, Keller (2006) and Jakovski, Kadrioski (2006) and Babic-Hodovic (2012).

However, they qualify for the work of financial institutions as the provision of services have one feature that they are "untouchable" (Ukaj, 2016). We also support the view that when we talk about the activities of financial institutions, we talk about provision of services. These financial institution services are provided to clients in a number of forms such as: loans, deposits, transfers, insurance policies, brokerage, and financial advice. In reality, they are associated with "money", and they are presented to us in different forms and features at a time. Also, the client in most of the cases does not see them, does not submit to them, and does not accept them physically. This is important for marketers and those who deal with marketing in financial institutions. If we look at the provision of services as a process depending on whether we talk about insurance, deposits, or transfers, these services are included in the contract between parties. However, we also have cases when more than two parties are involved in different roles in one contract, for example, a loan or insurance.

In addition to the quality of services, the number or assortment of services provided by an institution for its clients also plays an important role in the success of the financial institution. In the frame of the factors that have an impact in the marketing of financial products and services, Dixit concluded that for a successful and more effective marketing, the needs of the clients have to be identified during the process of creating and designing new products which fit the needs of their clients (Dixit, 2004). Thus, it is important for the staff to have proper knowledge and adequate resources so as to be able to meet the needs of the clients. Furthermore, this should encourage financial institutions to design long-term strategies so that the entire institution is client-oriented. A new and important movement has been noticed in the approach of institutions towards clients in the form of "adviser". This is linked to the role of informing the client regarding offers from financial institutions which is a phase leading the client to the stage of his/her education. In the frame of advancing their offers in 2015, financial institutions got the permission from the CBK to introduce 29 new voluntary products into various insurance companies operating in Kosovo (CBK, 2015).

3.2. Price

It is not by chance that most of the people when first asked about the product or service inquired about the price. Therefore, the price in the mixed marketing concept occupies a special place as a mixed element. In fact, it expresses the income which in relation to other mixed elements is defined as investments. While the price in usual transactions of industrial products and services are expressed in monetary value, such as: euro, dollar, etc., in financial institutions, the element of price is expressed in interest, fee, provision, and commission.

In any case, when a price is set, one should take into account how the client evaluates the product. Environmental factors also have an impact in this regard. It is easier for a financial institution which has set the objective based on price policy to determine the price. In addition, the objective of the financial institutions can be multifold: survival, current profit maximization, and the maximization of participation in the market (Jakovski and Kadriroski, 2006). The objectives that the financial institution opt for, depends also on the method of determining the price. In different conditions, this determines the method of price formation. During the research, it has been noticed that most of the financial institutions determine the price based on the cost plus the anticipated profit. Nonetheless, each of the methods and strategies used must follow a well-known definition of a three-legged chair "tripod" where three factors have to be taken into consideration: cost, value for clients, and competition (Jakovski and Kadriroski, 2006).

The price policy is defined by "reference value" (where the interested client in our product takes into account the price of competitive products) and "distinguishing value" (when the client interested in our product makes the ranking of the product features by comparing them to the features of other products) (Needham, Dave, 1996). When we notice that it is a problem for a financial institution to define and implement market information on their price, it has to be directed through promotional activities directly or through other forms. Hence, this makes it necessary to understand the behavior of clients in relation to the works and services that the financial institution provides. During the analysis period, we have noticed a decreasing tendency in the prices of products and services provided by financial institutions in Kosovo. This takes as an argument the decline of the interest rate in term deposits to 1.5% in 2015, 1.6 % a year before, and at the same time the average loan interest rate was 7.4% in 2015; here, we observed a decline from the year before when the interest rate was 9.6% (CBK, 2015).

3.3. Distribution

Depending on the capital which is at the disposal of financial institutions, as well as the level of demand in the market and competition, financial institutions are interested to cover the market, or at least specific parts of it. Covering the market brings the financial institution to a position where it has to make the segmentation of the market, define targets, and position itself in the market. In coordination with other policies such as product, price and promotion, a financial institution strives to use the demand in the market, use its capacities (i.e., to sell the product or service), and raise the level of knowledge or the level of its image (i.e., communication with the market). Here, the distribution policy can be used as support of other policies or interact with them.

Distribution as an activity within the frame of the marketing concept has gained importance at a later stage. This was after understanding the importance of the inter-connection between the financial institution and the client. However, there is also a strategy of action to this function, but it should be noted that a number of factors should have an impact on it. These factors include: the market and its development, the country in which the financial institution operates (within the country or abroad), demand, environment, etc. This product or service, however, has distinguished features such as tangible, inseparable, delicate due to the inability to preserve, and is instantly consumable. Therefore, this is because the provision and consumption of this product is done in real time (Mak, 2004; Ukaj, 2014).

Furthermore, there are two ways of distribution in the financial institution: physical distribution and personal distribution. In terms of physical distribution, we deal with the services provided "in house", such as: cards, phone, and computer. In the personal distribution, we deal with the direct contact of sales force – client and electronic services such as: ATM, POS, EFT, online banking, etc. The definition of the product/service and its characteristics are of the first hand importance. However, one of these characteristics is "inviolability" which is related to the skills of the sales force.

In fact, it is related to the method of service provision prior to purchasing, during and after the purchasing, as a process "of activities which enable the flow of goods and services from the producer to the client or user" (Ukaj, 2012). Everyone should understand their role and duties in providing satisfaction to clients by focusing on the innovations of the offer against the ever changing demands. One of the factors which should be seen as an innovation is the information communication technology through an efficient information system which, in a way in this field, plays the role of the distribution channel (Ukaj, 2015). With an aim of bringing the provision of services closer to clients, during 2015, 91 requests for establishing new offices by insurance companies have been approved by CBK. Thus, these requests include new online marketing methods and innovations in some insurance companies. This was the case of Scardian Company which comes as a new entrance in this industry.

3.4. Promotion

The process of communication which we refer to as an element of marketing mix is the basis for the success of a business, be it a bank or other institution. Furthermore, the level of application of the marketing concept has shown the importance of communication between financial institutions with their clients. Therefore, the activities which accompany the implementation of them regarding the product, price, and distribution are promotional activities which are organized and coordinated well. Financial institutions use promotion in a continuous manner so as to inform, educate, and create a good image of the institution and its services. Facilitating the placement of new products in the market, price change, opening of new branches, etc., is dependent on, and is linked to the process that the promotion does for the financial institution through communication with clients, partners, and the public in general.

Therefore, the whole process of communication is linked to the message a financial institution wants to send out to the market. At the same time, it is the recurrent force which is the information that the client has understood the message which might be the product, price, or the distribution. A tendency has been noticed recently in Kosovo that financial institutions are being involved in the issues of so-called "social responsibility". Also, sponsorship is gaining a greater role compared to other promotional elements. Based on our research, we raise the issue of the need that financial institutions should pay particular attention, besides communication to parties outside the institution and communication "within the house." Thus, this factor is used for increasing the performance of activities which includes the performance of staff within the institution. In this regard, it is worth mentioning that the application of internal marketing, net marketing, and relations marketing is seen as a possibility of increasing the performance and success of financial institutions in Kosovo.

An objective of a financial institution can be achieved through different promotional strategies, but in reality, we deal with two basic strategies which they use in their communication with the public. Also, they are strategies "push" and "pull" which apart from informing the public, they are meant to increase the demand for their services. The budget allocated for marketing in a financial institution is considerable. According to the information provided, it is determined by the "ad hoc" method. Also, it covers most of the budget for economic propaganda or advertisements, sales promotion, relations with the public, sponsorship mentioned above, and personal sales.

4. Opportunities for Efficient Marketing Based on Selected Strategies

In our efforts to find data from the data collected about the application level of marketing in local financial institutions, we noticed an increasing trend of applying various marketing activities by members or financial institutions. Hence, this is also dependent on the different branches of this industry. In the field, we noticed an increase in competition through the introduction of new products, new distribution channels, introduction of new technology, and the striving to achieve objectives not only through price. Therefore, what is most important is recognizing the importance of the client as being the leader in their business. Based on the current situation in the business of financial services, we distinguish some areas where the marketing of a financial institution should be focused on. These areas include:

Technology - The means of providing services has undergone progress and most of the financial institutions are directed towards the provision of the so called e-services. This would, however, help them to

keep up the pace with the competition. For most of the financial institutions, the internet-based technology implementation remains a challenge.

Staff– By exploring the needs of the clients, knowledge is obtained and this knowledge should be shared with the financial institution staff, including sales and support staff. If financial institutions do not know or disregard the needs of clients, then the financial institution will lose potential clients. This is in addition to 10 other potential clients with whom he/she is in contact with. The attitude of staff towards clients should be analyzed thoroughly and trainings should be carried out on this issue. In order to increase the skills and the level of communication of staff with clients, time and investments are needed. However, different financial institutions are not at equal position in this regard.

Financial institution marketing should have such an approach that is not based only at the central level, and the opening of branches in big towns, but should be based on specific marketing in the most remote and small regions in terms of the number of clients.

Increased confidence of clients towards financial institutions on products and services they provide. Marketing is effective when there is an increase in the number of clients. Also, their interest is achieved when they gain trust and have a positive image of the financial institution.

Increased awareness of clients regarding the products and services provided by financial institutions. An informed client will easily select a product or service, and this represents a challenge for financial institutions to provide information to clients on what they offer. This in a way raises their knowledge regarding the financial institution and the products and services they provide.

As a result of the planning of work and based on well managed activities, financial institutions can achieve progress and can position themselves in the market. Analyzing the work of financial institutions in Kosovo, and based on their financial results and their capital strength with which they operate, we can distinguish few strategies which they should follow in the future. Being in a competitive market and in an environment where it is obvious that client's needs are constantly changing, we have to take into account the fact that financial institutions should adapt their activities according to these changes in the market competition and the needs of the clients. Therefore, this requires the financial institutions to be dynamic and flexible in meeting the needs of the market and clients.

Financial institutions in Kosovo, when designing their marketing strategies, should intervene to make the marketing effective and beneficial to them. This can be achieved if the focus is put on the issue of clients' deposits, particularly on term deposits in creating products in their offer for which there is a demand. Also, there is a possibility of sale which is based on the needs and desires of clients.

Our recommendations for financial institutions would be to focus on sustainable and long-term development. Besides the issues mentioned above, they should focus on creating products according to clients' desires, for specific segments, and for focus groups in financial institutions. Also, they should work in creating a brand which connects the client with the financial institution through emotions and love for the product, the way the service is provided, and how communication is being carried out. The importance of a client was mentioned above.

However, it must be taken into account that women constitute an important group. Also, much work has to be done in raising their awareness on the products and services provided by financial institutions. There are quite a number of segments in Kosovo which are not well covered by financial institutions for various reasons. Hence, this is an opportunity for financial institutions to present themselves with their offer in smaller and remote places of the market. The issue of maintaining the pace of informing clients through proper communication forms increases the possibility of financial institutions to provide their products and services based on the needs and desires of clients.

Therefore, this also includes the satisfaction of clients at the right time and at the right place. After concluding from the collected data that most of the financial institutions in Kosovo have been achieving positive business results with a considerable profit, we noticed that there is no competition for survival. This, however, makes them to make greater profit. In the situation where strong competition prevails, the possibilities of failing are greater. Therefore, the only weapon to combat competition remains the application of an effective and an all-inclusive marketing.

5. Conclusion

This article confirms the importance of the access of financial institutions to the market based on marketing concept. Also, it brought to the surface the challenges faced by financial institution marketing in Kosovo so as to achieve sustainability in the market. We have distinguished a historical division of periods in the application of marketing by financial institutions. Also, we have observed a changing environment in the

21st century as one of the key factors in determining access to these institutions towards clients and their needs and desires. This would help them to achieve business success. Financial institutions which use different marketing techniques and advanced methods of communication, including communication through the internet, are being provided with opportunities to achieve better results.

The marketing activities of a financial institutions is expected to increase the efficiency in the provision of different forms of quality services. Hence, this would raise their image and provide products and services in the most convenient time for clients. On the other hand, it would also pay more attention to expansion through branches and sub-branches throughout Kosovo. In this study, we propose that financial institutions should be guided by a market-oriented strategy, and not be oriented towards exploiting the situation and legal regulation to achieve results. This is without entering into a high risk, which includes understanding the impact of environmental factors and particularly the technological development, the status of the development of the financial industry in a country, the level of completion, etc.

Furthermore, an increase in the quantity and quality of services provided by the banks in Kosovo has been noticed in 2015. However, this is due to the application of marketing concept in their daily activities, with the client as the primary beneficiary, followed by the bank, and last the society as a direct or indirect beneficiary. In order to successfully achieve the marketing objectives, market analysis ought to be carried out. This is done by the analysis of the existing and potential clients, and by carrying out financial market analysis, client behavior analysis, and the analysis of the progress of the business, mediators, and competition. Therefore, all this should be part of the implementation of marketing strategies of financial institutions in their markets (understanding market segments) through their sales force that knows and wants to meet the needs and desires of clients. This is with proper and timely products and services in a way and in the place they prefer.

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