

<https://doi.org/10.29013/EJHSS-20-3-186-190>

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## MARKETING STRATEGIES IN BANKING SECTOR

**Abstract.** This study aims to summarize the marketing strategies in the banking services industry applied in different places through literature review. The literature review highlights applications of marketing strategies in different countries, but mainly in economically developed countries. In Albania, as in many other developing countries, it is either not found or it has not been studied until 1990. In Albania we find the term “Marketing” and “Marketing Strategy” in the literature mainly after the 90s. Marketing strategy is one the most important areas that needs to be carefully examined by the policy makers of banks. This stems from the need to improve the performance and ensure sustainable growth of banks as competition in the banking industry intensifies. The paper is review of marketing strategies prevalent in Banking Sector. In this era of mature and intense competitive pressures, it is imperative that banks maintain a loyal customer base. Review of the literature on marketing strategies applied in the banking services industry, various practices, their effectiveness, can orient all organizations in Albania or beyond that operate in this industry.

**Keywords:** Marketing, strategy, banking services, managers.

### 1. Introduction

In general, in economically developed countries, but especially in developing countries, including Albania, the service industry and specifically the banking services industry lead economic development. Under these conditions, organizations that are part of these industries, in Albania or beyond, are increasingly oriented towards finding and applying marketing strategies that will help them achieve the ever-increasing objectives in an increasingly difficult environment. The banking system in Albania currently consists of twelve commercial banks operating in the market. Alpha bank Albania, American Investment bank, Credins bank, United bank of Albania, First investment bank Albania, Intesa SanPaolo bank Albania, National commercial bank, OTP bank Albania, Procredit bank, Raiffeisen bank, Tirana bank, Union bank. The role of marketing strategies in the banking industry continues to change. For many years the primary focus of bank marketing was public returns. Marketing in banks can be stated as a new

phenomenon that is shaping well over the past few decades. This can be firmly said that well-designed marketing strategies are very important to promote banking services effectively. The role of the banking marketing strategies is to achieve competitive characteristic in banks as an important pillar for achieving the goals and success of these banks. The higher rates of knowledge to the marketing strategies of the human race have increased banks have elements of tangible and intangible assets that enable them to excel on banks that do not bother them and become the owner of the leadership in achieving competitive characteristics that wants to clients. As a result of the economic reforms that took place in Albania after the 1990s, the initial changes involved took place in industry, trade, finance and other areas of economic activity. The banking services industry in Albania has recognized also rapid changes with the country's economic reform. In a growing market, in an ever-evolving industry, capturing, growing and retaining the consumer is becoming increasingly difficult, and

as a result in Albania the application of contemporary marketing strategies is becoming a necessity.

## **2. Marketing strategy**

The term marketing strategy concentrates on planned decisions for marketing goods or services. As we are aware of the concept of strategy, the marketing strategy attracts our attention on the managerial expertise of a marketing manager in conducting a campaign that simplifies the task of achieving the marketing goals. Strategy can be defined from at least two different perspectives, first from the perspective of what an organization intends to do and second from the perspective of what an organization eventually does. From the first perspective, “the strategy is the broad program for defining and achieving an organization’s objectives and implementing the missions” [1, 57–72].

Regarding the marketing strategy, it is right to mention that marketing strategies are highly dependent on whether the company is a market leader, challenger, follower or a nicher [1, 77].

Marketing strategy is a broad plan for achieving marketing objectives. A marketing strategy that is well-articulated will enable one to focus on marketing activities to achieve the organizational goal. An organization’s strategy that combines all of its marketing goals into one comprehensive plan. A good marketing strategy should be drawn from market research and focus on the right product mix in order to achieve the maximum profit potential and sustain the business. The marketing strategy is the foundation of a marketing plan. It is one of the functional strategies of the company that collectively make up a common business strategy. Marketing strategy addresses specifically how to act to achieve the desired results [2, 77]. while explains that marketing strategy is a roadmap of how a firm assigns its resource and relates to its environment and achieves corporate objective in order to generate economic value and keep the firm ahead of its competitors. In laymen terms it is to determine the nature, strength, direction, and interaction between the marketing mix-elements

and the environmental factors in a particular situation. According to [3, 153–174], the aim of the development of an organization’s marketing strategy development is to establish, build, defend and maintain its competitive advantage.

The aforementioned views regarding the strategy make it clear that it is a broad plan that helps us in describing and achieving the organization’s objectives and further in implementing its mission. It is very common for managers to play an important and crucial role in the context.

## **3. Marketing strategies in banking sector**

The banking sector in every economy is generally ahead and is an integral part of the economy. Therefore, this sector is always of special importance and plays a key role in the well-being of the economy. Referring to marketing strategies, those banks that occupy a dominant position in the market and have established their reputation as leaders are said to have strategies for the market leader. These banks have the largest market share and are at the top as market leaders.

Banks considered industry leaders have positions in almost all areas in the command position, such as total deposits, loans, interest, promotional measures, number of branches, product and service facilities. Leading bank is an orientation point for competing banks and willingly or unwillingly, they must accept the leader’s dominance and be oriented by it.

The banking organizations that occupy the second, third and lower ranks are called smuggling organizations or industry followers. They can attack the industry leader and other rival banks in an aggressive bid for the market further by demanding as much of the market as possible, always based on the resources and opportunities available to the organization. A market challenger must first determine its strategic objective. The military principle of the objective assesses that any military operation should be directed towards a clearly defined, decisive and achievable objective in order to have a chance to be achievable. We cannot deny that the strategic objective of most

market challengers is to increase profitability with any means possible.

The follower is able to generate more profits as this organization does not invest money in the production process of the new product. Based on a strategy which is more than product innovation, it is oriented towards their imitation, which is argued and in previous studies [4, 153–174]. The follower is mainly focused and tries to keep current customers and gain a fair share of new customers. Each follower aims to bring distinctive advantages to its target market segment in terms of location, services and funding. In general, the market follower is a major target of attack by challengers and thus the follower must maintain the cost of production or the cost of low services and the quality of his high products and services so that he can resist. The niche strategy, identified as the type of strategy, has been found to be successful for smaller firms due to their inadequate resources. But we also encounter cases where despite the fact that they are not a single business with limited resources and practice strategies analogous to those with limited resources and are oriented towards niche strategy. The main advantage of such a strategy is that firms with a low market share and limited opportunity to grow it in general can be very profitable through smart niching techniques. The notary knows the market needs segment better than that of other firms that are accidentally sold in this niche and exploits them. It is considered better to meet the expectations of customers better than other firms and this is the main reason for its benefit. All the more so because of the added value offered by the niche, it can charge more leading to higher profitability. the mass market achieves high sales volume but that of wealth is the high margin that can be realized.

#### **4. Literature review**

A number of studies have been conducted abroad over a period of time regarding the marketing strategies applicable in the banking sector. Followings few of the studies are reviewed hereunder as they would facilitate

a clear backing for carrying out the present study [4, 190–195]; explains the marketing mix strategies such as product mix, place mix, promotion mix, price mix, people mix, physical evidence mix and processes mix for the service sector [4, 190–195]; explains that all the techniques and strategies of marketing are used so that ultimately they induce the people to do business with a particular bank. To create and keep a customer means doing all those things so that people would like to do business and continue to do it with a particular bank rather than with the competitors. A business is not a business if it cannot stay in business. It cannot stay in business if it does not attract and hold enough customers, no matter how efficiently it operates [5], noted that there was considerable ignorance about the facilities and services offered by banks and the roles they were required to play. Most bank customers are unaware of various schemes and services offered by banks. The group recommended educational campaigns to be carried out by banks illustratively and every customer of bank should be provided a booklet containing the range of services offered by banks. The survey conducted by the working group pointed out that by and large less educated people and females are far away from the banks [6, 47]; in his book “Services Marketing”, deals with bank marketing, marketing research, market segmentation, marketing mix for banking services, bank marketing [7, 31–36], places the branch bank manager in a central position in the business in respect of the marketing efficiency of the banks at the local level. The study identified three reasons which underlie the lack of marketing orientation: motivation, ability and time and says that banks need to move quickly to ensure that branch bank managers can speedily meet the challenge. It was suggested that managers be given knowledge and develop in them to implementing the principles in practice. The author feels that despite the existence of commercial banks, which were established to make available timely and adequate services to the customers. Banks suffered due to lack of adequate and appropriate strategies for marketing their financial services. He explained the

marketing mix strategies such as product mix, place, promotion, price, people, physical evidence and processes for the service sector [8, 253–271] tried to investigate the impact of relational benefits on customer satisfaction in retail banking through an empirical study using a sample of 204 bank customers at three large Spanish cities located in central Spain. They found that confidence benefits have a direct, positive effect on the satisfaction of customers with their bank. However, special treatment benefits and social benefits did not have any significant effects on satisfaction in a retail banking.

[9, 568–585] aimed to assess and compare the level of bank service quality provided in Greece and Bulgaria and to identify the dimensions of quality service in the two countries. [10, 15–23]; conducted a study on ‘Marketing of Banking Services, Constraints, Challenges and Strategy’ and found that mixed banking, complaints from customers about bank charges, competition from non-banking financial companies and growing investment consciousness of the public are some of the impediments to bank marketing. It is suggested that the branch manager can design appropriate marketing strategy through identification of customer needs and service efficiency with appropriate differentiation by understanding customer behavior. [11] presented a set of practical ideas and strategies for managing them, as seen by a practicing banker. A major aspect of his study was the concept psychological ownership and its relevance in bank marketing and an approach for developing customer satisfaction products, packages and need for local touch, training in bank marketing and its credibility, relationship marketing and niche marketing

[12, 380–394] investigated the quality perception of bank customers in five Balkan countries i.e. Greece, Albania, Bulgaria, Serbia and FYROM and the differences in relative importance they attached to the various quality dimensions. The research found that compared to Greece the customers in the rest four Balkan countries perceived receiving a lower level of service quality.

### Conclusions

Marketing orientation of banks is imperative for survival and success. With the increased competition and awareness about the banking sectors, customers are now becoming over demanding about the services offered. Already in the new conditions created in Albania in the banking services industry, the participating organizations must find themselves and adapt by designing analogous strategies with the business they do. Organizations in accordance with their resources on the one hand and analyzing the opportunities offered by the market must clearly define the objectives. Their role in this industry, as a leader, challenger, follower or adherent in niche strategy, will be the option to be selected by analyzing in addition to the resources and opportunities offered by the market and the competition of the industry in which it operates on the other hand. Specialized markets exist for each class of financial instruments and banks must determine which market segments to connect their business with. Another aspect is the fact that banks need to reorient themselves in new ways of financial intermediation. The growing competition in the financial sector in general is orienting organizations in finding the hottest parts of the market, otherwise niche strategies.

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