

## **BANK MARKETING PROBLEMS AND SOME ASPECTS OF THEIR MANAGEMENT**

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### ***Abstract***

*In order to identify existing problems in the realization of Georgian banking products, correct management of the solution and realization of their solutions, it is important to determine what the customer is based on when purchasing the bank product. During the acquisition of bank products, the customer draws attention to their ability to fulfill the obligations, family budget, and solvency. Debt payment schedule, terms, interest rate, etc. In particular, the basis for decision-making on the purchase of a bank product depends on the specifics of the work performed by the consumer's obligations. The commercial banks of our country should take into account the reasons for the decision making and the approaches to the purchase of bank products by consumers during the development of marketing strategies for banking products.*

*Due to the low cost of population in Georgia, the problems of selling bank products were gradually accumulated. The regulations introduced by the National Bank have further fueled the problems of banking products. Especially this was the issue of issuing consumer and deposit loans by commercial banks. From this point of view, banking products are very urgent for our country, the purpose of which is to study the article.*

**Keywords:** *Banking Marketing, Banking Management, Banking Product, Client, Marketing Research of Banking Processes, Banking Technologies*

**JEL Codes:** *G21, D41, M31*

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### **1. Introduction**

In the conditions of modern unstable market conjunction, banking products are problematic not only for highly developed, but for developing countries, including

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Georgia. Internationalization of banking sector, opening of new banks, creation of new banking products, reduction of Georgian customers' bank efficiency has further fueled competition and consequently hindered the banking products of our country's credit market. Competition has grown between local commercial banks as well as banks and other financial institutions. Escalation of banking competition led to a decrease in profits. In order to survive in such a fierce competition, Georgian commercial banks have been forced to periodically optimize the internal organizational structure to reduce costs, resulting in negative processes as well as loss of qualified staff and experience.

Academics and practicing managers have developed numerous models and frameworks to assist in strategic decision-making in the context of complex environments and competitive dynamics (Ghemawat, 2002). Business culture, the skills and competencies of employees, and organizational structure are important factors that influence how an organization can achieve its stated objectives (Stamevski, et al. 2018).

In order to eliminate the problems of banking products, our country's commercial banks need to develop a marketing strategy through which it will be possible to maintain existing clients and attract new ones. The specific bank activity and the high intensity of communication and interaction with own customers require banks to modulate their products to the market and the customers' needs and requirements as well as to adapt them to the constantly changing environment and technology (Yordanova, 2013). Productivity changes in European cooperative banks have been examined by Carlos et al. (2005), who found that technology and its use between 1996 and 2003 led to productivity augmentation. In particular, the outcomes refer to larger and centralized banks than to smaller cooperative banks. A research on commercial and cooperative banks in Greece for the years 2003-2004 (Kosmidou and Zopounidis, 2008) gave the evaluation of their performance and efficiency. They used a ranking measurement which analyses the strengths and weakness of banks in a combination to their competitors, as Greek banks are rated based on their performance. They showed that commercial banks have an unconventional way to increase their profits by increasing their accounts, something that strikes enticing to customers and enhancing their financial indices. However, the cooperative banks' outputs varied as many of them presented high profitability and market sharing, while other were going into a decline (Koletsa, 2019).

Therefore, due to the realities of our country, commercial banks should advertise marketing strategies for banking products in accordance with customer recommendations.

Marketing management of banking products in Georgia should include activities as: planning, organizing, analyzing, regulating and controlling banking products. In order to satisfy the needs of our country's banking sector, the management and resources concentration of commercial banks should be done. The satisfaction of the demand on banking products in Georgia, formation of new demand and stimulus will contribute to the bank's market share, social responsibility and liquidity increase. For the purpose of improving the management of key banking products of our country, marketing policy of

commercial banks is oriented to study customer demand, banking research of unified information base.

***Methodological basis of the article.*** Methodological basis for processing the article is scientific works by Georgian and foreign economists; Method of statistical data collection, combinations, interaction, synthesis, generalization, history and logical analysis.

***The results of the survey and its spread area.*** With the elimination of existing problems in the banking key management, it will be possible to receive high financial, scientific, technical and social results in commercial banks. Research results can be disseminated in Georgian commercial banks.

## **2. Decision-Making Specifics about the Purchase of Bank Products in Georgia**

Banking products and the acquisition of rational decision-making in order to analyze its customers for the purchase of bank products and their ability to assess the commercial bank liquidity, collect and analyze information about banking products, to select the best among the options, assess loan payment Resort Ari opportunity. The selection of these types of variants from banking products should be based on the specific work specifications. Therefore, the decision to buy banking products in Georgia requires deep knowledge of the specificity of the work to be realized by the buyers, and the rational approach to decision-making.

Unfortunately, consumers do not pay much attention to many important issues related to the purchase of banking products in Georgia. Although the Georgian customer can not fully evaluate his banking product, but it can analyze the chosen banking interest in the interest of him: let's sum up the monthly payments to his family budget (how much money does it need for covering current expenses and how much savings can be saved for banking) and only then take a decision on the purchase of a bank product. All this requires that the banking products of our country are aware of the specific banking issues.

## **3. Introduction of Innovative Methods of Banking Products in Georgia**

Users of our country's bank products unfortunately are not fully aware of their risks and advantages. In these conditions, sales managers of Georgian commercial banks should develop and distribute credit markets to the banking products that are easy to understand for Georgian consumers and will help the bank attract new customers and, consequently, gain competitive advantage. In addition, the banking products sales manager in our country should introduce innovative methods of banking products.

Creating a favorable financial environment in the banking sector will contribute to the development of the national innovative banking system relevant to international standards. The introduction of innovative methods of banking products in our country ensures

the improvement of relations with bank management clients, establishing differentiated approaches to standard and corporate clients. That is why we should pay special attention to our country orientation on the banking products sales management customer's business. The advantage of the introduction of a client-oriented model is that the optimization process increases the level of customer satisfaction towards banking products, reduces the cost of banking products for corporate clients, but this marketing model of banking products often leads to loss of experienced staff. Therefore, our country's banking products sales managers should develop a marketing strategy that will protect the banks from staffing and increase the level of sales of bank products.

#### **4. Internationalization and Deregulation Trends in Commercial Banks in Georgia**

After obtaining national independence, commercial banks of our country did not pay close attention to marketing strategies for marketing of bank products and creating appropriate favorable conditions. By the time they were oriented on the use of standard, modeling of banking products. Since the first decade of the XXI century only Georgian commercial banks have started to advertise their activities. In the modern stage they have fully acquired all the main means of banking products. As a result, banking market has acquired an aggressive character.

The reason for the aggressive banking market in Georgia is the deregulation of the national banking system and the internationalization of banking products. The internationalization of commercial banks of different countries has led to the spread of banking problems in the country, including in our country, which had previously been the only one in the country's internal borders. Global problems of banking products have been imported in Georgia. Deregulation of banking activity was reflected in the disruption of differences between credit institutions, and this was reflected in the merger of national and international banks.

As a result of the internationalization and deregulation of commercial banks, banking products became single, both in the world and in Georgia. For the purpose of reducing financial risks and strengthening market positions, Georgian commercial banks are increasingly intensively pursuing the marketing strategy of banking products that are focused on reduction of cost of banking products and introduction of new technology (Vukotić, et al. 2015).

*Table no. 1- The volume of debt with consumer loans issued by commercial banks*

	<b>The amount of debt, total</b>	<b>Short term loans</b>	In national currency	In foreign currency	<b>Long - term loans</b>	In national currency	In foreign currency
<b>Thousand GEL</b>							
01/01/19	<b>3,912,526</b>	<b>524,897</b>	464,478	60,419	<b>3,387,629</b>	2,851,618	536,011
01/02/19	<b>3,820,233</b>	<b>258,998</b>	202,724	56,274	<b>3,561,235</b>	3,050,438	510,796
01/03/19	<b>3,827,904</b>	<b>255,711</b>	197,631	58,081	<b>3,572,193</b>	3,062,443	509,750
01/04/19	<b>3,788,412</b>	<b>261,795</b>	204,471	57,324	<b>3,526,616</b>	3,032,326	494,290

Source: National Bank of Georgia, <https://www.nbg.gov.ge/index.php?m=306>

As indicated in Table N1, by the end of 2018, bank regulations introduced by the National Bank in the first four months of 2019 led to the reduction of total debt to 3,788,412 thousand GEL from 3,912,526 thousand GEL from consumer loans issued by commercial banks. The reduction was noticeable in both short-term and long-term loans. Including short term loans decreased from 524,897 thousand GEL to 261,795 thousand GEL. In particular, short-term loans issued in national currency decreased from 464,478 thousand GEL to 204,471 thousand GEL and foreign currency decreased from 60,419 thousand GEL to 57,324 thousand GEL. The volume of long-term loans decreased from 3,561,235 thousand GEL to 3,526,616 thousand GEL. The long-term loans issued in national currency decreased from 3,050,438 thousand GEL to 3,032,326 thousand GEL, while long-term loans issued in foreign currency decreased from 536 thousand GEL to 494,290 thousand GEL (National Bank of Georgia, 2019a).

*Table no. 2 - The volume of term deposits placed in the national currency in commercial banks by categories of owners*

	Interbank Deposits		Other clients deposits			
			Legal entities deposits		Deposits of individuals	
	Residents	Non - residents	Residents	Non - residents	Residents	Non-residents
january-2019	2.090.420	14.874	1.122.677	70.450	239.058	18.411
February -2019	1.719.918	14.963	797.746	1.750	226.930	30.498
March - 2019	1.095.023	-	733.393	39.368	224.476	14.365

Source: National Bank of Georgia, <https://www.nbg.gov.ge/index.php?m=306>

As indicated in Table N2, by the end of 2018, bank regulations introduced by the National Bank during the first four months of 2019 led to the reduction of the amount of term deposits issued by resident deposits in national currency, according to the categories of owners, in commercial banks during the first four months of the year from 2.090.420 thousand GEL to 1.095.023 thousand GEL and in commercial banks during the reporting period, to categories, the national currency deposits placed by non-resident persons fell by 14,874 thousand GEL from 0 up. Including deposits issued by resident legal entities declined from 1.122.677 thousand GEL to 733.393 thousand GEL and the deposits issued by non-resident legal entities decreased from 70.450 thousand GEL to 39.368 thousand GEL, while deposits issued by resident individuals decreased from 239.058 thousand to 224.476 thousand GEL, non-resident By individuals Deposit is associated with decreased 18,411 thousand GEL from 14,365 thousand GEL (National Bank of Georgia, 2019b).

*Table no. 3 - Interbank deposits according to maturity*

Thousand GEL	Total Bank Interbank Deposits							
	Deposits are required				Term deposits			
	In foreign currency		In national currency		In foreign currency		In national currency	
	Lorry accounts		Lorry accounts		Lorry accounts		Lorry accounts	
01.01.19	<b>850.852</b>	207.020	14.472	14.436	192.547	145.671	673.832	125.277
01.02.19	<b>989.048</b>	165.741	10.460	10.424	155.281	114.956	823.307	189.874
01.03.19	<b>820.189</b>	166.866	14.760	14.724	152.106	107.132	653.323	164.063
01.04.19	<b>842.912</b>	168.050	12.458	12.424	155.593	108.619	634.861	93.900

Source: National Bank of Georgia, <https://www.nbg.gov.ge/index.php?m=306>

As indicated in Table N3, by the end of 2018, bank regulations introduced by the National Bank during the first four months of 2019 led to decrease of interbank deposits from 850.852 thousand GEL to 842.912 thousand GEL, including demand deposits decreased from 207.020 thousand GEL to 168.05 thousand GEL And deposits before the national currency demand emtsirda 14,472 thousand GEL from 12,458 thousand GEL, in particular, according to the national currency loro accounts, demand deposits decreased by 14,436 thousand GEL from 12,424 thousand GEL. By the end of 2018, bank regulations introduced by the National Bank in the first four months of 2019 led to a decrease in term deposits in both foreign and national currency. The volume of term deposits in foreign currency decreased from 145.671 thousand GEL to 108.619 thousand GEL and the volume of term deposits in national currency decreased from 673.832 thousand GEL to 634,861 thousand GEL, While the lorry account Deposits in national currency decreased from 125.277 thousand GEL to 93.9 thousand GEL (National Bank of Georgia, 2019c).

Making international demands by the world's leading stock exchanges to Georgian commercial banks will contribute to internationalization of the realization of our country's banking products. But it is not yet possible to say that Georgian commercial banks have solid strategic positions in the world banking system. The best way to effectively integrate Georgian commercial banks in the world banking system is to create a favorable financial environment that will facilitate the expansion of bank products overseas, as well as the increase in the size of the purchase by Georgian consumers of foreign banking products. The integration of the Georgian banking system in the Unified World Banking System is the introduction of shares issued by JSC "Bank of Georgia" on the London Stock Exchange, after which the primary placement of JSC "TBC Bank" stocks. As a result, more than half the shares of these two banks are placed on the London Stock Exchange (Vukotić, et al. 2015).

## **5. Effective Effect of Innovative Banking Products in Georgia**

At the modern stage, leading banks of our country are trying to introduce innovative methods of banking products and actively involve them in the global banking system. One of the key components of the marketing strategy of Georgian commercial banks should be the introduction of innovative bank products, which will facilitate the elimination of banking products in our country. There are following methods of introduction of innovative banking products:

- Technology;
- The need of product diversification;
- Search for opportunities to enter new markets and increase market shares;
- Following the increasing customer requirements;
- Competitive advantage over other members of the industry (Yordanova, 2013).

The effect of new banking products in Georgia is determined by different aspects, it can be financial, technical, social or ecological effect. The use of innovative methods of new bank products key management will bring great success to our country's commercial banks in the field of banking products and maintaining stable cooperation with clients. A key factor in the strengthening and successful position of Georgian commercial banks on the credit market should be the realization of customer-oriented banking products. The sales manager of the innovative banking products of our country's banks should be well aware of the product on which segment the user is oriented and how many potential customers will be.

## **6. Conclusion and Recommendations**

### *6.1. Recommendations for attracting corporate clients of the banking sector of Georgia*

The segmentation of our country's banking segment can be based on basic criteria (income, number of employees and salaries), allocating corporate and special (privileged, individual) clients. The specifics of the banking products segmentation should be studied according to the Customer category and therefore should be assessed as potential customers solvency, property status, their consumer strategy and etc. Sh. After obtaining information about specific customers, the banking products sales manager should be able to calculate the potential of key banking products (credits, deposits) on a particular segment of the banking sector.

In order to study the actual and potential requirements of banking buyers, information about the access to banking products offered on a particular segment of customers is used in Georgia. For our country's commercial banks, this tool is a guide to settlement and settlement with corporate clients. Formation of these relationships should be based on factual data analysis and specialized customer inquiry. Consequently, our country's commercial banks must prepare a special package for each priority sector with improved conditions.

For the purpose of avoiding the duplication of contacts with the corporate clients by individual functional subdivisions of Georgian commercial banks (which effectively affect the banking effectiveness of the bankruptcy of interest) it is necessary to create a separate client branch in our country separately Customer Relationship with Customers Corporate clients have territorial structural units at the city, region and country, and the head office location often does not match the legal address, so the particular client is attached to the specific branch of our country's commercial bank, eliminating the duplication of functions, dual relations and conflict between interests.

It is important for Georgian banking sector to attract corporate clients, for which the sales managers of commercial banks should develop a special package of bank products. Package sales of banking products should include the development of complex proposals that will benefit both parties. The price of the package offered for corporate clients of our country's commercial banks is crucial, and the interest of the Bank is to attract and retain corporate customers by offering a comprehensive package of packages and differentiated prices. In spite of the differentiated prices offered by the commercial banks of our country, such commercial policies will increase their total revenues, and the cost of the client's expenses on the purchase of banking products will be reduced (Vukotić, et al. 2015).

Sales managers of banking companies of Georgia are obliged to support corporate clients. This approach will increase the level of corporate customers' satisfaction. Besides,



the attachment of sales managers to corporate clients and the scale of the proposed preferences is determined by the banking service cost. However, if the "personal managers" of the sellers do not lobby the interest of banking buyers, it is necessary to restrict "personal bankers" in our country to offer valuable preferences on attached clients; Regularly rotate "personal bankers" between clients groups; Results of negotiations and contacts with corporate clients should be recorded in a single electronic information network.

Similar changes in the commercial banks of Georgia will be effective if the "personal bankers" will be competent in all types of offered bank products and will not perform the role of ordinary coordinator between bank buyer and bank functional subdivisions. In order to evaluate the effectiveness of the efficiency of the customer service of our country's banking products, it is of great importance to developing marketing strategy to regulate relations between commercial banks and its corporate clients. It should reflect the full package of bank products offering, which will benefit potential corporate clients of banking products. The transparency of reporting of our country's bank products sales managers should be ensured in accordance with the marketing strategy developed on the basis of negotiations with corporate clients. Complex evaluation of banking products allows negotiation with corporate clients, to differentiate orientation of profit oriented commercial banks.

In determining the efficiency of banking products of Georgia, it is desirable to integrate the methodology of evaluation with automated accounting system that allows automatic calculations to be calculated automatically. In Georgia, the efficiency of the "personal managers" of corporate clients should be evaluated by general revenue, profit and profitability.

## *6.2. Recommendations for the optimization of bank products in the banking sector of Georgia*

Optimization of key banking processes in the banking sector of our country should be focused on operational responses to customer requirements. While the reality of the effect of the scale, commercial banks' corporate clients is crucial for banking products at a discount, they still have several proposals Comparisons bank and banking products with a competitive price, a lot of focus on the needs of the Operator Response operations.

Depending on the level of banking products, the term of determining the bank's individual requirements package should not exceed two working days. The long-term wait for issuing consent on the sale of banking products creates a negative attitude towards the clients of the bank and thus significantly reduces the competitiveness of this particular bank. The elaboration of an efficient system of motivation for banking products sales is a prerequisite for the successful operation of Georgian commercial banks.

Organization of this system should be based on the long-term strategy of developing our country's commercial banks.

Thus, in order to eliminate the problems existing in the realization of banking products in Georgian commercial banks, the following measures are needed to improve the management of banking products sales processes:

1. The wage rate of the bank's "sales department" of the bank products shall not be lower than the basic indicator of salaries of the other banks of the same banks;
2. The determination of the bank product sales plan should be considered factor of production cycle and seasonality of client activities;
3. In the plan performance assessment system, when presenting the factors that are available for sale of bank products, the main manager of the commercial bank should be able to make corrections from the bank product sales manager independently;
4. Client-oriented model of the bank products or its individual items should be introduced in the form of special programs, indicating specific terms of performance and persons responsible for the performance.

### 6.3. Conclusion

As a result of studying the problems discussed above in the banking products, we can find out that marketing management of modern Georgian banking products should be based on a customer-oriented marketing model that will contribute to the sharp increase in the volume of bank products sales in our country. In turn, this is a major prerequisite for increasing the competitiveness of Georgian commercial banks in the unified world banking system.

In order to eliminate the existing problems in the field of banking products and to improve the management of these processes, the following measures are required: 1. New banking products should be distributed in all regions of Georgia, based on local specifications; 2. New banking technologies should be introduced to promote banking products; 3. In order to improve banking management, structural optimization of commercial banks is required. 4. In order to attract corporate clients it is necessary to introduce a marketing oriented marketing strategy in commercial banks. Only if needed.

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