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DISTRIBUTION CHANNELS USED IN BANKING SECTOR

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ACRONYMS AND ABBREVIATIONS

ATM - Automated Teller Machines

BPK - Banking and Payments Authority of Kosova

BKT - Banka Kombëtare Tregtare

CBAK – Central Banking and Authority of Kosova

CBP - Credit Bank of Prishtina

ECB - European Central Bank

EU – European Union

GDP – Gross Domestic Product

ICS - Inter-Bank Clearing System

IMF – International Monetary Found

KM - Komercijalna Banka

KTA - Kosova Trust Agency

MEF - Ministry of Economy and Finance

MFI- Micro-Finance Institutions

SEE – South-East Europe

NLB - Nova Ljubljanska Banka

POS - Points of Sale

PTK - Post and Telecommunication in Kosova

TE- Transition Economies

TEB - Turk Ekonomi Bankasi

UNMIK –United Nations Mission in Kosova

VPN - Vertical Prıvate Networking

ABSTRACT

After 10 years since the war ended, Kosovo is still in the beginning of its development, but is continues to be achieved in the area of financial and banking sector. At the end of the conflict, Kosovo’s financial system was in chaos and also financial intermediation in Kosovo was nonexistent and virtually all transactions were settled in cash. Although this is still largely the case, banking activity started in earnest in late 2001 and was spurred by the replacement of the deutsche mark by Euros in 2002.

As an emerging market, Kosovo does hold a number of advantages. Kosovo’s greatest asset is probably its enterprising and self-reliant population. Its energy and creativity can be used to build a new and prosperous economy.

After deciding the topic, the methodology used for this objective, also was decided.

This methodology includes the source of information research methods and also gathering analyzing and comparing information were selected.

This thesis presents the strategies and the tools that financial and banking sector has used in order to market their products, and their opinions on the marketing as a business tool. The results are being presented due to the interviews that I conduct with the fıst and most succsessful bank in Kosovo (Procredit Bank). The focus is made on how to improve the current situation in marketing of banking sector.

ACKNOLADGEMENT

During the research process i have experienced both drawbacks and progress. However, my supervisor Dr. Edmond Hajrizi has given me a great support and helped in the difficulties that we've faced during the process, he motivated me. He gave freely of his time and provided the strategic and knowledgeable support I required to complete this thesis.

I would like to thank all of the representatives of interviewed banks for their time, effort and valuable information.

I also like to thank my large family and friends for their support and their words of encouragement.

My thanks are due to my family and all other people not mentioned who have provided material for this thesis and who allowed me to use their statements and data.
I hope that this Thesis will be interesting and useful reading material for other students, researchers and people interested in the subject area.

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1. INTRODUCTION

In the Marketing mix, Place refers to Distribution. Placing a product in the proper outlet- for example, a retail store-requires decisions about several activities, all of which are concerned with getting the product from the producer to the customer. Firm must also make decisions about the channels through which they distribute products. Many manufacturers, for example, sell goods to other companies that, in turn, distribute them to retailer.
The main method used in this work has been that of the theory combined with the present ground situation on that particular field. The need for using the internet (web-pages of the banks), annual reports of banks and other publications to collect most up to dated information to see the development of banking and financial sector. The collection of existing thoughts, reports and publications will of course be used to make possible comparisons.

1.1. DATA COLLECTION

Data was collected by usage of both primary and secondary research methodologies:

1.1.1 PRIMARY DATA COLLECTION

I have interviewed the selected personnel from Banking Sector individually. I have carried out the field research and interviews all over Kosovo from 22rd June 2009 to 17th September 2009.
During the field work, I have interviewed one bank whıch ıs the first and the most succsessful Bank ın Kosovo Pro Credit Bank and I dısscussed with marketing manager and coordinator.
The complete interview sheet is presented in the Annex A.

1.1.2 SECONDARY DATA COLLECTION

Having carried out the literature search and review in the reference books, reports, journals, newspapers, other related theses, and internet, in order to provide the academic theories, models and statistics that support this Thesis.
Secondary data, used to support and respond with the primary data, was collected also from the chosen study of financial instutions.

1.2 LIMITATIONS

The information in this thesis (paper) is my personal opinion. It should not be considered as the only method of describing the financial sector marketing strategies, or otherwise. It should not necessarily be given preference over other opinions or other recommendations. This Thesis does not intend to provide control or oversight. You are responsible to evaluate all information and recommendations for your own particular purposes. All the data and information collected are not 100% accurate, so we urge to read and evaluate this project as a product of a research conducted in Kosovo environment with well-known conditions.The recommendations come from this work are solely as a personal recommendation based on the theoretical view.

1.3 KEY QUESTION

This thesis was designed to carry out on investigation on the marketing strategies of banking sector in Kosovo.

The main question of this thesis is:

- Which Distribution Channels are used in Kosovo Banking Sector?

2. WHAT ARE CHANNELS OF DISTRIBUTION?

For marketers, the distribution decision is primarily concerned with the supply chain's front-end or channels of distribution that are designed to move the product (goods or services) from the hands of the company to the hands of the customer. Obviously when we talk about intangible services the use of the word "hands" is a figurative way to describe the exchange that takes place. But the idea is the same as with tangible goods. All activities and organizations helping with the exchange are part of the marketer's channels of distribution.
Activities involved in the channel are wide and varied though the basic activities revolve around these general tasks (Ebert, 1998):

- Ordering
- Handling and shipping
- Storage
- Display
- Promotion
- Selling
- Information feedback

2.1 CHANNEL REALTIONSHIP ISSUES

A good distribution strategy takes into account not only marketing decisions, but also considers how relationships within the channel of distribution can impact the marketer's product. In this section we examine three such issues (Griffin, 2007):

2.1.1 CHANNEL POWER

A channel can be made up of many parties each adding value to the product purchased by customers. However, some parties within the channel may carry greater weight than others. In marketing terms this is called channel power, which refers to the influence one party within a channel has over other channel members. When power is exerted by a channel member they are often in the position to make demands of others. For instance, they may demand better financial terms (e.g., will only buy if prices are lowered, will only sell if price is higher) or demand other members perform certain tasks (e.g., do more marketing to customers, perform more product services). Channel power can be seen in several ways:

- Backend or Product Power – Occurs when a product manufacturer or service provider markets a brand that has a high level of customer demand. The marketer of the brand is often in a power position since other channel members have little choice but to carry the brand or risk losing customers.

- Middle or Wholesale Power – Occurs when an intermediary, such as a wholesaler, services a large number of smaller retailers with products obtained from a large number of manufacturers. In this situation the wholesaler can exert power since the small retailers are often not in the position to purchase products cost-effectively and in as much variety as what is offered by the wholesaler.

- Front or Retailer Power – As the name suggests, the power in this situation rests with the retailer who can command major concessions from their suppliers. This type of power is most prevalent when the retailer commands a significant percentage of sales in the market they serve and others in the channel are dependent on the sales generated by the retailer.

2.1.2 CHANNEL CONFLICT

In an effort to increase product sales, marketers are often attracted by the notion that sales can grow if the marketer expands distribution by adding additional resellers. Such decisions must be handled carefully, however, so that existing dealers do not feel threatened by the new distributors who they may feel are encroaching on their customers and siphoning potential business. For marketers, channel strategy designed to expand product distribution may in fact do the opposite if existing members feel there is a conflict in the decisions made by the marketer. If existing members sense a conflict and feel the marketer is not sensitive to their needs they may choose to stop handling the marketer's products.

2.2 NEED FOR LONG-TERM RELATIONSHIP COMMITMENTS

Channel decisions have long-term consequences for marketers since efforts to establish new relationships can take an extensive period of time while ending existing relationships can prove difficult. For instance, Company A, a marketer of kitchen cabinets that wants to change distribution strategy, may decide to stop selling their product line through industrial supply companies that distribute cabinets to building contractors and instead sell through large retail home centers. If in the future Company A decides to once again enter the industrial supply market they may run into resistance since supply companies may have replaced Company A's product line with other products and, given what happened to the previous relationship, may be reluctant to deal with Company A. As another example of problems with long-term commitments, building contractors may be comfortable purchasing kitchen cabinets from industrial suppliers. If Company A decides to change their reseller network they may find it difficult to regain the building contractor customer base, who may continue to purchase from the industrial suppliers but are now purchasing products from Company A's competitors. In this case, Company A may have to give serious thought to whether breaking their long-term relationship with industrial suppliers is in the company's best interest (Griffin, 2007).

2.3 OVERALL DISTRIBUTION DESIGN

Mindful of the factors affecting distribution decisions (i.e., marketing decision issues and relationship issues), the marketer has several options to choose from when settling on a design for their distribution network. We stress the word "may" since while in theory an option would appear to be available, marketing decision factors (e.g., product, promotion, pricing, target markets) or the nature of distribution channel relationships may not permit the marketer to pursue a particular option. For example, selling through a desired retailer may not be feasible if the retailer refuses to handle a product.

For marketers the choice of distribution design comes down to selecting between direct or indirect methods, or in some case choosing both.

2.3.1 DIRECT DISTRIBUTION SYSYTEM

With a direct distribution system the marketer reaches the intended final user of their product by distributing the product directly to the customer. That is, there are no other parties involved in the distribution process that take ownership of the product. The direct system can be further divided by the method of communication that takes place when a sale occurs. These methods are:

ठ Direct Marketing Systems – With this system the customer places the order either through information gained from non-personal contact with the marketer, such as by visiting the marketer's website or ordering from the marketer's catalog, or through personal communication with a customer representative who is not a salesperson, such as through toll-free telephone ordering.

ठ Direct Retail Systems – This type of system exists when a product marketer also operates their own retail outlets. As previously discussed, Starbucks would fall into this category.

ठ Personal Selling Systems – The key to this direct distribution system is that a person whose main responsibility involves creating and managing sales (e.g., salesperson) is involved in the distribution process, generally by persuading the buyer to place an order. While the order itself may not be handled by the salesperson (e.g., buyer physically places the order online or by phone) the salesperson plays a role in generating the sales.

ठ Assisted Marketing Systems – Under the assisted marketing system, the marketer relies on others to help communicate the marketer's products but handles distribution directly to the customer. Other agents and brokers would also fall into this category.

2.3.2 INDIRECT DISTRIBUTION SYSTEM

With an indirect distribution system the marketer reaches the intended final user with the help of others. These resellers generally take ownership of the product, though in some cases they may sell products on a consignment basis (i.e., only pay the supplying company if the product is sold). Under this system intermediaries may be expected to assume many responsibilities to help sell the product.
Indirect methods include:

ठ Single-Party Selling System - Under this system the marketer engages another party who then sells and distributes directly to the final customer. This is most likely to occur when the product is sold through large store-based retail chains or through online retailers, in which case it is often referred to as a trade selling system.

ठ Multiple-Party Selling System – This indirect distribution system has the product passing through two or more distributors before reaching the final customer. The most likely scenario is when a wholesaler purchases from the manufacturer and sells the product to retailers.

2.3.3 MULTICHANNEL OR HYBRID SYSTEM

In cases where a marketer utilizes more than one distribution design the marketer is following a multi-channel or hybrid distribution system. As we discussed, some companies follows this approach as their distribution design includes using a direct retail system by selling in company-owned stores, a direct marketing system by selling via direct mail, and a single-party selling system by selling through grocery stores (they also use other distribution systems).

The multi-channel approach expands distribution and allows the marketer to reach a wider market, however, as we discussed under Channel Relationships, the marketer must be careful with this approach due to the potential for channel conflict. (Christ, 1998).

2.4. CHANNEL STRATEGY

Marketers face several strategic decisions in choosing channels and marketing intermediaries for their products. Selecting a specific channel is the most basic of these decisions. Marketers must also resolve questions about the level of distribution intensity, the desirability of vertical marketing systems, and the performance of current intermediaries.

2.4.1 DISRIBUTION INTENSITY

Distribution intensity refers to the number of intermediaries through which a manufacturer distributes its goods. The decision about distribution intensity should ensure adequate market coverage for a product. In general, distribution intensity varies along a continuum with three general categories: *intensive distribution*, *selective distribution*, and *exclusive distribution*.

2.4.1.1 INTENSIVE DISTRIBUTION

An **intensive distribution** strategy seeks to distribute a product through all available channels in an area. Usually, an intensive distribution strategy suits items with wide appeal across broad groups of consumers, such as convenience goods.

2.4.1.2 SELECTIVE DISTRIBUTION

Selective distribution is distribution of a product through only a limited number of channels. This arrangement helps to control price cutting. By limiting the number of retailers, marketers can reduce total marketing costs while establishing strong working relationships within the channel. Moreover, selected retailers often agree to comply with the company's rules for advertising, pricing, and displaying its products. Where service is important, the manufacturer usually provides training and assistance to dealers it chooses. Cooperative advertising can also be utilized for mutual benefit. Selective distribution strategies are suitable for shopping products such as clothing, furniture, household appliances, computers, and electronic equipment for which consumers are willing to spend time visiting different retail outlets to compare product alternatives. Producers can choose only those wholesalers and retailers that have a good credit rating, provide good market coverage, serve customers well, and cooperate effectively. Wholesalers and retailers like selective distribution because it results in higher sales and profits than are possible with intensive distribution where sellers have to compete on price.

2.4.1.3 EXCLUSIVE DISTRIBUTION

Exclusive distribution is distribution of a product through one wholesaler or retailer in a specific geographical area. The automobile industry provides a good example of exclusive distribution. Though marketers may sacrifice some market coverage with exclusive distribution, they often develop and maintain an image of quality and prestige for the product. In addition, exclusive distribution limits marketing costs since the firm deals with a smaller number of accounts. In exclusive distribution, producers and retailers cooperate closely in decisions concerning advertising and promotion, inventory carried by the retailers, and prices. Exclusive distribution is typically used with products that are high priced, that have considerable service requirements, and when there are a limited number of buyers in any single geographic area. Exclusive distribution allows wholesalers and retailers to recoup the costs associated with long selling processes for each customer and, in some cases, extensive after-sale service. Specialty goods are usually good candidates for this kind of distribution intensity.

2.5 FACTORS IN CREATING DISTRBUTION CHANNELS

Like most marketing decisions, a great deal of research and thought must go into determining how to carry out distribution activities in a way that meets a marketer's objectives. The marketer must consider many factors when establishing a distribution system. Some factors are directly related to marketing decisions while others are affected by relationships that exist with members of the channel. Next we examine the key factors to consider when designing a distribution strategy. We group these into two main categories: marketing decision issues and channel relationship issues. In turn, each of these categories contains several topics of concern to marketers.

2.5.1 MARKETING DECISION ISSUES

Distribution strategy can be shaped by how decisions are made in other marketing areas**.**

Product Issues-The nature of the product often dictates the distribution options available especially if the product requires special handling.

Promotion Issues-Besides issues related to physical handling of products, distribution decisions are affected by the type of promotional activities needed to sell the product to customers. For products needing extensive salesperson-to-customer contact (e.g., automobile purchases) the distribution options are different than for products where customers typically require no sales assistance (i.e., bread purchases).

Pricing Issue-The desired price at which a marketer seeks to sell their product can impact how they choose to distribute. As previously mentioned, the inclusion of resellers in a marketer's distribution strategy may affect a product's pricing since each member of the channel seeks to make a profit for their contribution to the sale of the product. If too many channel members are involved the eventual selling price may be too high to meet sales targets in which case the marketer may explore other distribution options.

Target Market Issues-A distribution system is only effective if customers can obtain the product. Consequently, a key decision in setting up a channel arrangement is for the marketer to choose the approach that reaches customers in the most effective way possible. The most important decision with regard to reaching the target market is to determine the level of distribution coverage needed to effectively meet customer's needs. Distribution coverage is measured in terms of the intensity by which the product is made available.

2.5.2 ESTABLISHING CHANNEL RELATIONSHIP

Since channel members must be convinced to handle a marketer's product it makes sense to consider channel partner's needs in the same way the marketer considers the final user's needs. However, the needs of channel members are much different than those of the final customer. Resellers seek products of interest to the reseller's customers but are also concerned with many other issues such as:

- **Delivery –** Resellers want the product delivered on-time and in good condition in order to meet customer demand and avoid inventory out-of-stocks.

- **Profit Margin –** Resellers are in business to make money so a key factor in their decision to handle a product is how much money they will make on each product sold. They expect that the difference between their cost for acquiring the product from a supplier and the price they charge to sell the product to their customers will be sufficient to meet their profit objectives.

- **Other Incentives –** Besides profit margin, resellers may want other incentives to entice them especially if they are required to give extra effort selling the product. These incentives may be in the form of additional free products or even bonuses (e.g., bonus, free trips) for achieving sales goals.

- **Packaging –** Resellers want to handle products as easily as possible and want their suppliers to ship and sell products in packages that fit within their system. For example, products may need to be a certain size or design in order to fit on a store's shelf, or the shipping package must fit within the reseller's warehouse or receiving dock space. Also, many resellers are now requiring marketers to consider adding identification tags to products to allow for easier inventory tracking when the product is received and also when it is sold.

- **Training –** Some products require the reseller to have strong knowledge of the product including demonstrating the product to customers. Marketers must consider offering training to resellers to insure the reseller has the knowledge to present the product accurately.

- **Promotional Help –** Resellers often seek additional help from the product supplier to promote the product to customers. Such help may come in the form of funding for advertisements, point-of-purchase product materials, or in-store demonstrations.

2.5.3 BENEFITS OFFERED BY CHANNELS MEMEBERS

- **Cost Savings in Specialization –** Members of the distribution channel are specialists in what they do and can often perform tasks better and at lower cost than companies who do not have distribution experience. Marketers attempting to handle too many aspects of distribution may end up exhausting company resources as they learn how to distribute.

- **Reduce Exchange Time –** Not only are channel members able to reduce distribution costs by being experienced at what they do, they often perform their job more rapidly resulting in faster product delivery. For instance, consider what would happen if a grocery store received direct shipment from every manufacturer that sells products in the store.

- **Customers Want to Conveniently Shop for Variety –** Marketers have to understand what customers want in their shopping experience. Referring to our grocery store example, consider a world without grocery stores and instead each marketer of grocery products sells through their own stores. As it is now, shopping is time consuming, but consider what would happen if customers had to visit multiple retailers each week to satisfy their grocery needs. Hence, resellers within the channel of distribution serve two very important needs:

  - They give customers the products they want by purchasing from many suppliers (termed accumulating and assortment services), and,

  - They make it convenient to purchase by making products available in single location.

- **Resellers Sell Smaller Quantities –** Not only do resellers allow customers to purchase products from a variety of suppliers, they also allow customers to purchase in quantities that work for them. Suppliers though like to ship products they produce in large quantities since this is more cost effective than shipping smaller amounts.

- **Create Sales –** Resellers are at the front line when it comes to creating demand for the marketer's product. In some cases resellers perform an active selling role using persuasive techniques to encourage customers to purchase a marketer's product. In other cases they encourage sales of the product through their own advertising efforts and using other promotional means such as special product displays.

- **Offer Financial Support –** Resellers often provide programs that enable customers to more easily purchase products by offering financial programs that ease payment requirements. These programs include allowing customers to: purchase on credit, purchase using a payment plan, delay the start of payments and allowing trade-in or exchange options.

- **Provide Information –** Companies utilizing resellers for selling their products depend on distributors to provide information that can help improve the product. High-level intermediaries may offer their suppliers real-time access to sales data including information showing how products are selling by such characteristics as geographic location, type of customer, and product location (e.g., where located within a store, where found on a website). If high-level information is not available, marketers can often count on resellers to provide feedback as to how customers are responding to products. This feedback can occur either through surveys or interviews with reseller’s employees or by requesting the reseller allow the marketer to survey customers. (Ebert, 1998).

3 DEFINITION OF MARKETING

Marketing (mar' ke ting), -n-the process of trading in a market; buying or selling, the taking of merchandise to market. Market (mar' kit), -n. It is a gathering where people buy and sell. -v. It is to buy or sell in a market. Marketable (mar' ke Te bel), -adj. Is which may be sold [3].
Marketing does influence the buying behavior of the costumers in providing the tools and strategy in order to give a persuasive message in selling the products or services.
Marketing, technically, is one way of promoting the business, and whatever tool chosen for advertisement has to fit in the marketing plan and overall marketing strategy.

"Marketing and innovation are the two chief functions of business. You get paid for creating a customer, which is marketing. And you get paid for creating a new dimension of performance, which is innovation. Everything else is a cost centre."

[Peter Drucker]

Marketing Plan –outlines the specific actions that are intended to carry out to interest potential customers and clients in the product and/or service and persuade them to buy the product and/or services. [4] The marketing plan implements the marketing strategy. A marketing plan can be as a separate document/plan or it can be a part of a business plan. Anyway, the marketing plan is a blueprint for communicating the value of the products and/or services to the customers.

Marketing Strategy - The definition of strategic marketing is usually divided into four functional areas [5]. In marketing these functional areas are described or known in Marketing Mix as The Four P's: Product, Place, Promotion and Price.

Product -is the concept which may be sold [6].
The word product qualifies a marketing concept. A product is more than a person, place or thing. Nothing is more important to a marketing strategy than the "product concept". In fact, finding the right product concept is one of the four critical objectives of marketing.

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3), 4), 5) and 6) http://www.mapnp.org/library/ad_prmot/defntion.htm Basic Definitions: Advertising, Marketing, Promotion, Public Relations and Publicity, and Sales, Carter McNamara, MBA, PhD

3.1 MARKETING IN KOSOVA

A banking industry must properly define the function of strategic product marketing before it can be effective. For example, one common mistake is thinking that marketing is advertising, another is that marketing is gathering information or finding new prospects. While these objectives are certainly key parts of marketing, the successful strategic marketer will seek far greater accomplishments.

With the new era that has come into our country, speaking for last five years (post war), the economy is rapidly changing. The aspect of ‘free’ trade and private own ‘companies’ it has been a one of the most obvious occurrences, even that the sense of producing has been left a side for a time being. New development in country, region and maybe in Europe are influencing and in some way influencing the people to do something on their own, to start businesses - even if that means to copy - , and for some ‘smarter’ or if we can say people with vision are starting businesses with the means that they have in the site and producing products that this market needs. When we see and foresee how these businesses are and will ‘survive’ or even expand in the country or few of them in the region it brings us to several questions that need an overview. We know one thing for sure that they are working, we even see their products or in our neighborhood, we see them on TV, we hear them on radio, we read about them on newspapers, but this is all we know. During the research we came up with very ‘blurry’ findings, the banking industry but also the local producers are having a lot’s of different problems in their businesses, such as: fierce market, no loyal consumer, no support from government, high taxes, high taxes on row material, no qualified people, prices in advertising industry . They find competitors but they use the phrase “people here are being used with *that* product, they used it before”; maybe its true that the people are used with those ‘neighboring country’ products, but the producers themselves have to work on the quality and awareness about what is good for the consumer.

4 FINANCIAL SECTORS IN KOSOVA

At the end of the conflict, Kosovo's financial system was in chaos. All the Yugoslav banks had pulled out, taking their customers' deposits with them, the centralized payments system had ceased to exist, the pool of persons with banking experience was limited, and the legal environment was weak.

Kosovo still has a low level of financial intermediation when compared to other countries in the region. This reflects a banking sector and a financial infrastructure recreated from scratch less than four years ago, after a 10-year absence of any kind of lending to the enterprise sector and the gradual dismantlement of the main elements of any financial infrastructure. Unlike most countries of the region, not only did Kosovo make almost no progress in the transition to a market economy in the 1990s, but it also suffered the consequences of a disruption in public confidence in the banking system for an extended period of time.

At the end of the conflict, financial intermediation in Kosovo was nonexistent and virtually all transactions were settled in cash. Although this is still largely the case, banking activity started in earnest in late 2001 and was spurred by the replacement of the deutsche mark by Euros in 2002

After the 1999 conflict, the financial sector in Kosovo was almost nonexistent, with limited liquidity, and inadequate intermediation and payment systems. Over the past seven years, the sector has been built on completely new foundations and has shown impressive growth.

The financial sector in Kosovo has been built from scratch over the past four years, and consists of seven registered banks, ten Savings and Credit Associations, twelve micro-finance institutions (MFIs), four other non-bank financial institutions, and eight insurance companies. There are currently 7 licensed banks and 15 microfinance institutions operating in Kosovo.

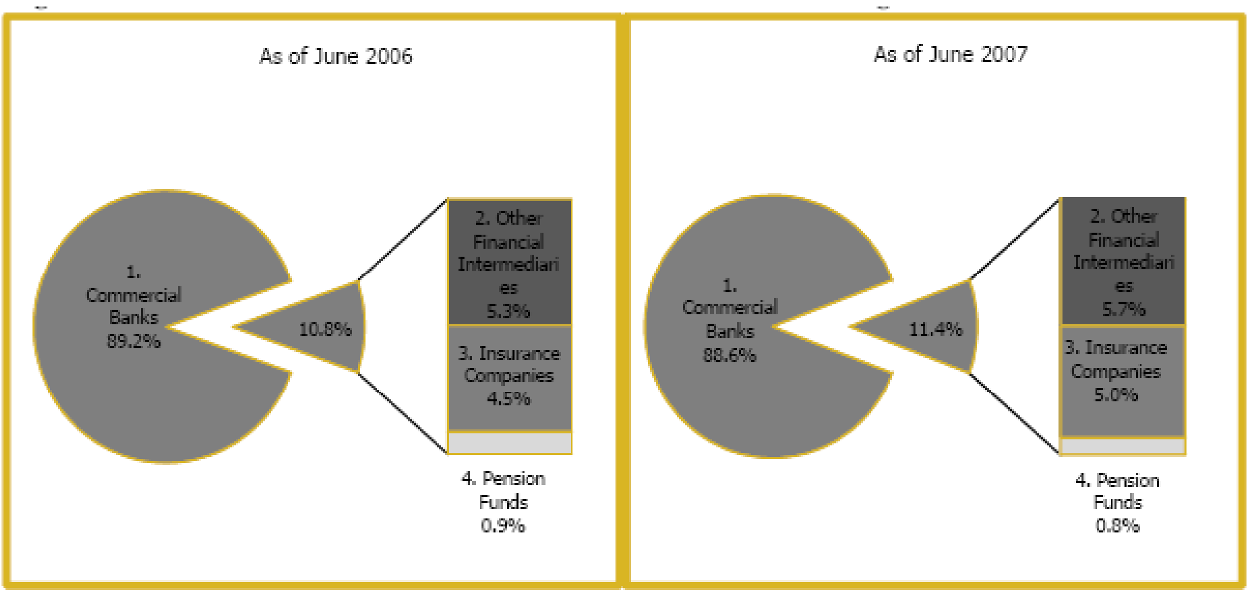

Figure1. The structure of the financial sector in Kosova (CBAK,2004)

4.1. FINANCIAL SECTOR DEVELOPMENT

Financial sector development in Kosova is facing formidable obstacles. Financial intermediaries have a critical role to play in evaluating and pricing risk, allocating savings, financing investment, and enforcing good accounting and management practices, thereby bringing the shadow economy into the light. However, Kosovo's financial sector is stunted by lack of confidence in banks, lack of trained, experienced managers and supervisors, and a weak legal framework for private business. In addition, political uncertainty deters potential foreign investors.

Kosovo's nascent banking system is growing rapidly, as deposits and a small but healthy loan portfolio are rising. The early introduction of a sound regulatory framework and the work of the BPK in establishing and enforcing high supervisory standards have contributed to this development, as have the process of the introduction of the euro. Structural reforms in other areas, such as passage of bankruptcy legislation, introduction of a property registry, and payment of public employees and suppliers through direct bank deposit, would help accelerate banking system growth. Above all, however, the BPK need to continue to exercise close oversight, as new banks with inexperienced management trying to acquire market share often take excessive risks if not properly supervised.

Moreover, as the banking system develops it will be important to ensure adequate rules on loan-loss classification, provisioning, and connected lending.

5. BANKING SECTOR IN KOSOVA

5.1. STRUCTURE OF BANKING SECTOR

The banking sector in Kosova consisted of six banks (June 2007). However, in August 2007, the CBAK granted the license of operation to two new bank branches: Banka Kombëtare Tregtare (BKT) and Komercijalna Banka (KM). In September 2007, Turk Ekonomi Bankasi (TEB) was granted a preliminary license by CBAK. Expansion of the sector by new banks is expected to increase the competition in Kosova banking sector.

Kosova banking sector attracted new foreign investors with strong banking background in the region and wider. With respect to the banking sector regulatory framework, amendments of several existing banking rules were introduced and approved during the first half of 2007.

Regarding the change in the ownership structure, Slovenian bank Nova Ljubljanska Banka (NLB) entered the market by buying more than 50% of the shares of two domestic banks, Kasabank and Banka e Re Kosovës, increasing the number of banks with foreign ownership. Thus, as of June 2007 from six commercial banks operating in Kosova, only two remain with full domestic ownership (managing about 8.0% of total banking sector assets. The ownership structure of the banking sector in Kosova, in terms of the number of the foreign banks to total banks, is similar to some countries in the region, where foreign banks dominate the banking sector.

5.1.1. DEVELOPMENTS IN THE BANKING SECTOR

Developments in the banking sector in Kosova have been significant in the last ten years. They resulted in improvement of public confidence in the banking sector and strengthening of the intermediation function of banks in Kosova economy. This took place without threatening the stability of the sector, and in comparison to other transition economies (TEs) - mainly in the region - the achievements are respectable. The banking sector in Kosova is based on prudent regulatory and supervisory framework established in line with the best international standards and practices. The intermediation costs and interest rate spreads, even though perceived as high at present, are not specific to Kosova only. All countries in the region face challenges related to important factors that determine high costs and insufficient availability of external finance, some situated within the banking sector (competition, efficiency, etc.) but also some outside banking sector control (legal environment and institutional development in general).

However, banks have recently shown ambition to expand the variety of products and services provided to the clients. At the end of 2006, six commercial banks were operating in Kosova, two with full foreign ownership and the remaining four with majority domestic ownership. In March 2006, the CBAK revoked the license of Credit Bank of Pristina (CBP) after reviewing that the CBP no longer fulfilled the necessary conditions in terms of capital and liquid assets to protect its depositors.

5.1.2. KEY DEVELOPMENTS IN THE BANKING SECTOR IN KOSOVA

One of the inherent characteristics of financial developments in TEs is that countries and territories are at different stages of development of their financial markets and institutions. Those in South-East Europe (SEE) and Kosova have lagged behind. Almost all SEE countries have experienced severe financial crises with negative repercussions to their financial development, economic growth, and the whole process of transition.

Kosova is a small-open economy that has lagged behind most of other TEs in financial sector development, although recent developments show that catch-up has become evident and the performance of the financial sector is now comparable with other areas in the region. Before the conflict of 1999, financial market system, in the sense of providing intermediation and payments system, was almost nonexistent. Therefore, Kosova had to establish its financial system from scratch.

5.2 COMMERCIAL BANKS IN KOSOVA

The financial sector in Kosova continues to be dominated by commercial banks. During the 2007, banks expanded their branching network, improved the services provided and increased their intermediation role. In general, the Kosova banking sector maintained its financial strength and the CBAK, as the supervisor and regulator of the banking sector, is persistent in developing sound and efficient financial system. Consequently, in March 2006 the CBAK revoked the license of one domestic commercial bank (CBP – Credit Bank of Pristina) due to non-compliance with the preset rules and regulations. And in 2007, the CBAK granted the license of operation to three new bank branches: Banka Kombëtare Tregtare (BKT) and Komercijalna Banka (KM), Turk Ekonomi Bankasi (TEB).

During the seven-year period (2001-2007) the population of banking sector in Kosova remained the same, totaling 8 commercial banks. In 2006, after the intervention of CBAK in closing down one commercial bank, 8 commercial banks are operating in Kosova, 6 with full foreign ownership and the remaining 2 with domestic majority ownership. The acronyms used for this distinction will be Group I - meaning foreign banks, and Group II for domestic banks.

The commercial banks are still expanding their branching network all over Kosova. At the end 2007 there were 260 banking units, with about 2,416 employees. Evidently, about 30.0% of the branching network, including the head offices, is concentrated in Pristina, the capital of Kosova. The Gjilan region with 22.3% or 49 banking units while other units are somehow evenly spread among three remaining main regions Peja/Pec, Prizren and Mitrovica (CBAK,2004).

6 CHANNELS USED IN BANKING INDUSTRY IN KOSOVA

Marketing Department Organization Chart used in a bank in Kosovo is :

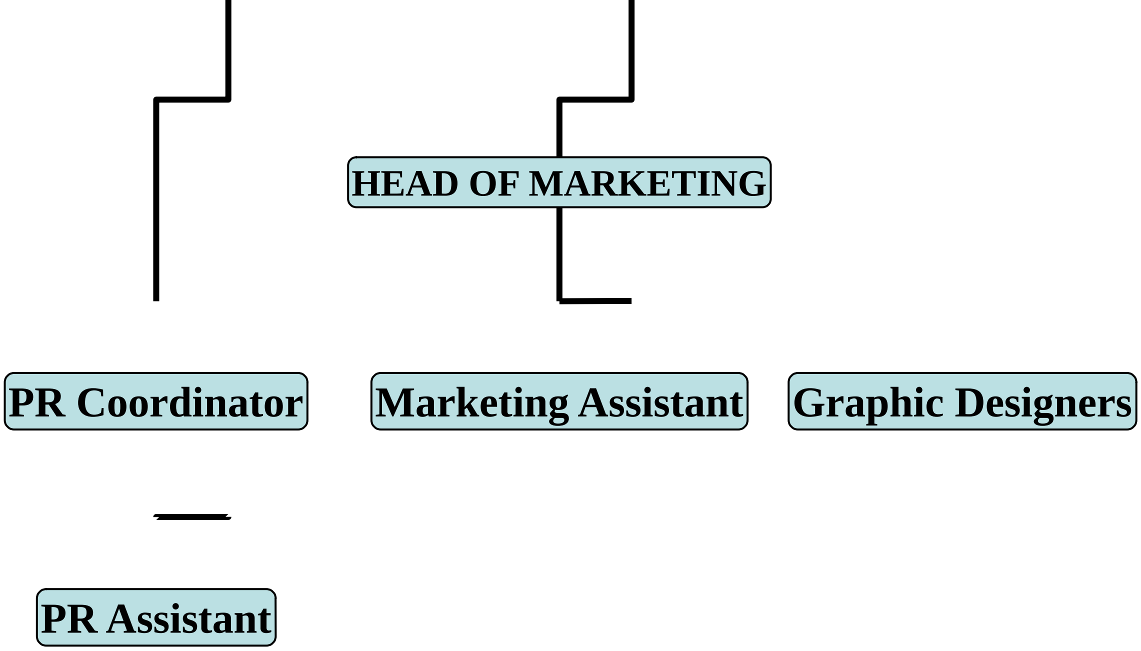

Fig 2. Marketing Departmen Organization Chart in Banks (Procredit Bank Kosova)

6.1 GRAPHIC DESIGNERS

Graphic designers or graphic artists plan, analyze, and create visual solutions to communications problems. They find the most effective way to get messages across in print, electronic, and film media using a variety of methods such as color, type, illustration, photography, animation, and various print and layout techniques. Graphic designers develop the overall layout and production design of magazines, newspapers, journals, corporate reports, and other publications. They also produce promotional displays, packaging, and marketing brochures for products and services, design distinctive logos for products and businesses, and develop signs and signage systems—called environmental graphics—for business and government. An increasing number of graphic designers also develop material for Internet Web pages, interactive media, and multimedia projects. Graphic designers also may produce the credits that appear before and after television programs and movies.

The first step in developing a new design is to determine the needs of the client, the message the design should portray, and its appeal to customers or users. Graphic designers consider cognitive, cultural, physical, and social factors in planning and executing designs for the target audience. Designers gather relevant information by meeting with clients, creative or art directors, and by performing their own research. Identifying the needs of consumers is becoming increasingly important for graphic designers as they continue to develop corporate communication strategies in addition to creating designs and layouts.

Graphic designers prepare sketches or layouts—by hand or with the aid of a computer—to illustrate their vision for the design. They select colors, sound, artwork, photography, animation, style of type, and other visual elements for the design. Designers also select the size and arrangement of the different elements on the page or screen. They may create graphs and charts from data for use in publications, and they often consult with copywriters on any text that accompanies the design. Designers then present the completed design to their clients or art or creative director for approval. In printing and publishing firms, graphic designers also may assist the printers by selecting the type of paper and ink for the publication and reviewing the mock-up design for errors before final publication.

Graphic designers use specialized computer software packages to help them create layouts and design elements and to program animated graphics.
Graphic designers sometimes supervise assistants who follow instructions to complete parts of the design process. Designers who run their own businesses also may devote a considerable time to developing new business contacts, choosing equipment, and performing administrative tasks, such as reviewing catalogues and ordering samples. The need for up-to-date computer and communications equipment is an ongoing consideration for graphic designers.

6.2 PUBLIC RELATIONSHIP(PR)

Public realtions, also known as PR, is defined as a set of communications techniques which are designed to create and maintain favourable realtions between an organization and its public. Advertasing controls the overall message of the organization and builds visibility, whle public relations reaches in and provide the advertising message with credibility and trust. While marketing builds brand, PR amplifies brand awareness.

PR can divided into a proactive and a reactive category. Proactive PR is concerning the company's marketing objectives. It is offensive, opportunity seeking, and a methos to communicate brand merits typically used in combination with other promotion tools. Reactive PR is used in response to outside infuences. It is undertaken as s result of external pressures an challenges brought by fo example competitve actions, shift in consumer attitudes or changes in government policies. With reactive PR a company typically deals with changes that have negative consequences, for example trying to repair a damaged reputation or regain lost sales.

Earlier research shows that PR is one of the most important parts when considering the promotion mix in the bank industry. The nature of the business with a need of high levels of trust, explains the importance of public opinion to be successful. The bank's most effective tool to monitor and manage this opinion is through extensive use of PR activites.

In the banking industry services provided are to a high degree similar, which makes it hard to make a comparison between banks and their offerings. Therefore in banking, credibility and value is mainly gained from the organization's reputation.

Due to the obvious importance of PR activities in the banking industry, and because existing research does not fully describe the PR aspects continuosly handled by bank to build upon their reputation, our aim in this study is to shed more light over the PR activities handled by banks. (Lynn, 1999).

6.2.1 PR TOOLS

There are three categories that divide the tools of PR, depending on the amount of control the company has in its communication.

Controlled PR - when a company can control the use and placement of their PR tools they are utilizing controlled channels. Examples of tools in this category are:

Publications: Brochures, flyers, newsmagazines
Annual reports
Displays, exhibits
Product placements
Speakers
Photographs
Staged events (open houses, anniversary celebration)

Uncontrolled PR - when Companies relies the use and placement of their PR to media, they are using uncontrolled channels, example of tools in this category are:

Publicity (radio, TV and print media)
News releases (print, audio, video, e-mail)
Press conferences and media advisory (media kits, fact sheets, background information)
By-lined articles
Talk and interview shows

Semi Controlled PR - when some aspects of the PR activities are controlled and initiated by the company but other aspects remain uncontrolled, they are utilizing semi- controlled channels. Examples of tools in this category are:

Special events and sponsorship
Interpersonal communication
Electronic communication (web sites, chat rooms)
Word of mouth

When utilizing above mentioned tools, PR teams needs to work closely with the marketing department. PR tends to complement advertising activities. While advertising is pushing a banks desired message to its markets, PR is there to sprinkle the message with credibility. Banks often realize the importance of PR activities, but may differ in the way they are utilized in the marketing mix. (Wells,2003).

7 OPTIMIZING BANKİNG CHANNELS

Faced with increasing costs and heightened customer expectations, financial institutions suggests a growing need for these organizations to focus, at a business-strategy level, on optimizing their distribution channels—from selecting target markets to using channels to their fullest to serve those markket. Financial institutions need to integrate distribution channels operationally in business processes, organization structure and IT infrastructure. Through channel integration, banks can enhance the ability to:

• Achieve competitive operational costs by improving efficiency and effectiveness.

• Become their target markets' provider of choice through superior customer service, thereby increasing their potential to grow revenues.

A necessary first step, though, is deploying a flexible, affordable and resilient infrastructure to support your channel integration initiatives. Following are some examples of banking channel-integration initiatives, and a discussion of their related IT infrastructure considerations.

Forty years of banking changes have given customers more flexibility and better service, while leaving most banks with an evolved—rather than crafted—set of delivery channels and supporting organizations.
Meanwhile, emerging communication capabilities have had profound leveraging impacts on the value of these channels:

• Originally deployed to give customers the convenience of doing their banking closer to home or work, bank branches typically provide the full suite of banking services to any customer at any location by connecting to centralized account information via networks.

• The capabilities of ATMs, initially introduced as standalone devices for cash dispensing, expanded dramatically as ATM network connectivity enabled real-time access to account information. Today, approximately 65% of all banking customers regularly bank through ATMs.

• . The model of a single, dedicated service center for all telephone requests benefited from emerging nationwide call-free telephone services in the mid-1980s and quickly spread to other industries, including banking.

• The value of personal computers, initially envisioned as standalone devices for personal productivity, exploded as they became access points to the Internet—enabling, among many other things, Internet Banking.

With each new distribution channel, banks have enhanced the ability to deliver customer service. With the right connectivity behind these channels, their value both to the bank and to its customers has been amplified. As banking customers choose to interact with their banks over a variety of channels, however, it becomes increasingly important for banks to provide a consistent customer experience across all channels.

While it was originally expected that banks could reduce costs by investing in alternative channels, most customers actually responded to new banking options by increasing bank interactions resulting in higher overall costs for banks. Additionally, customers are expecting more in terms of breadth of services, speed of execution and consistency across all modes of interaction with their banks.

The same comprehensive customer information can and should be made available to contact center representatives and to branch staff. Additionally, this customer information should reflect customer activity across all channels (including external customer service providers). Increasingly, it is also becoming financially attractive for banks to shift some customer service functions to external service providers or to offshore centers. Consistent customer information needs to be available at every touch point. Yet as that information increases in quality (data, photographs, document images, cross-selling information and so on), it becomes more important to establish processes to carefully assess and maintain the network capacity required to share that information. As customer information which needs to be made available at every customer touch point increases in quality (data, photographs, document images, cross-selling information and so on), it becomes more important to establish processes to carefully assess and maintain the network capacity required to share that information.

In the past decade, dramatic improvements in cost-effective network connectivity have enabled far greater collaboration including instant messaging, voice chat and video conferencing between bank employees and their customers (that may be in a branch, standing at an ATM or at home at their personal computers). These technologies can enable a bank to share product or services specialists (for example, insurance or investment advisors) across all channels, from click to talk on a Web page to special seminars or consultations in a branch conference room. For such collaborative voice and video technologies to share the single converged corporate network, however, requires greater network capacity and lower network delay than you may have in parts of your network today. Such network requirements must be coordinated with the IT infrastructure organization before application deployment, because it may require additional or upgraded network hardware.

Some banks are in early deployments of hybrid teller and self-service solutions, such as:

• Teller-assisted self service, where a teller is present to provide assistance with customer self-service transactions (comparable to similar solutions for airline check-in or grocery store purchases).

• Remote teller systems, through which customers interact with tellers using high-quality interactive video systems.

These solutions enhance branch responsiveness, expand cross-selling opportunities and allow tellers to support more customers, while utilizing automated cash-handling equipment that is designed to reduce risk and improve speed and accuracy. Remote teller systems require high-bandwidth networks with very stringent delay requirements, but they hold the promise of cost-effectively supporting multiple branches from a central pool of tellers (which can more effectively accommodate local peaks in branch requirements).

Through the 1990s, as banks sought to diversify and grow revenue base by imposing service charges and fees, customer satisfaction declined significantly. Today, even as many banks continue to impose charges and fees, it is a strategic imperative for each bank to establish itself as the provider of choice for its target markets. Fortunately, most of the efficiency-oriented initiatives discussed in the previous section hold the promise of improving customer satisfaction, while also reducing costs. Beyond those initiatives, banks are seeking innovative ways to both attract new customers and expand the scope of services provided to existing customers.

Realizing that it is easier to expand the scope of services provided to existing customers than it is to win new customer, banks are under pressure to offer an expanding set of financial services to their customers while at the same time trying to focus on their core competencies. These services include insurance and investment products and services, credit and debit cards, bill-payment services and access to financial information from customers' personal investing software packages. This trend toward "unbundling the corporation" and leveraging service providers for non-core functions drives banks to use the Internet for its ubiquitous connectivity and virtual private networking (VPN) technology to safeguard communication with their integration partners.

According to high-service branch banking is one of banking top ten trends. Banks are beginning to deploy innovative new branch layouts that reflect the much broader set of products and services that they are offering—often with brokerage and wealth management areas in addition to the more traditional banking services. The new branch format may also include conference rooms that can be used for consulting with clients, video conferencing, meetings with product specialists, multi-client seminars and employee training. Given the need for branch staff to be able to move freely around the branch still have all the information assets of the bank at their fingertips, the new branches can benefit substantially from wireless networking (with VPN technology). Additionally, the increasing use of digital media for security systems, e-learning, merchandising, remote teller systems and high-quality video conferencing will drive the need for higher network bandwidth with more stringent network-delay requirements.

7.1 BUSINESS AN TECHNOLOGY STRATEGY ALIGNMENT

Probably no other business has been more profoundly impacted by technological developments than retail banking, particularly with respect to service delivery channels. Therefore, it is incumbent upon banking business leaders to carefully consider potential future opportunities to leverage new IT developments in business planning. For example, what are the business implications of IP telephony, and voice and data network convergence?

Likewise, it is important for banking IT leaders to understand the business strategies and plans. Most IT executives have experienced situations where business application deployments were delayed as the result of inadequate testing or planning of required network capacity. As the quality of customer information provided to contact center or branch office staff increases, it will be increasingly important to verify that the network is ready to carry that information.

Most, if not all, today’s channel-related banking initiatives significantly impact the infrastructure. As your organization optimizes your distribution channels, you must integrate your business and IT infrastructure strategies to help ensure that your infrastructure is ready to support your business initiatives and that your business initiatives fully exploit the potential of your infrastructure.

8 CONCLUSION

The concept of marketing, again, have to be understood as a broader specter that contains organizing, planning, strategic thinking, professionalism and vision for organizations and institutions, it also involves the tools that will help them to implement the above; that are, TV, radio and newspaper ads, billboards, promotions, and sponsorship.

Here we should mention the efforts that have to be made in branding, PR, imaging, and packaging.

Therefore, the fate of the Kosova financial sector will to a large extent depend on the success with which its regulators manage to strike a balance between the urge to give a boost to private financial sector development through increased competition on the one hand, and the need to define capital requirements and reserve ratios and implement tight regulation in order to stimulate good governance and sound institution building on the other.

Ultimately, however, the fate of Kosova's financial sector depends most on the commitment of the financial institutions' stakeholders to market-oriented banking.

The marketing should be in conjunction with current developments in the market. This should be considered especially from the institutions that are located in different parts of the country, the marketing staff of banks should analyze the market – within the region or city where they are located – and then to analyze their ‘chances’ in the other regions of the country. To achieve this, the institutions have to be aware of risks and benefits in entering of new product in the (new) market.

8.1 RECOMMENDATIONS

All the issues and facts presented in this paper are leading to the conclusions and recommendations that I am suggesting to the Institiutions in order to understand and react in the marketing field.

According to the defined issues and necessities that the banks have, I am recommending and suggesting bellow presented actions that should be taken from banks's side:

Reform the structure of organization – meaning hire or give the competencies to a person that is qualified in marketing.

Have a Marketing Plan – plan the activities that will be conducted during a period of time at least a six month plan. This way it will be much easier to follow up the opportunities and threats in the market and have an overview of money spend in marketing.

Return on Investment – Marketing is an investment, but this investment should be returned; this means that if you pay a TV station an enormous amount of money that money should come to back in sales increase.

Meet the costumer needs – research the market, test it then start selling the product. Find out what the costumer needs and if it's ready to pay for it.

Brand name – coordinate the brand with the product, build the brand which will be appropriate for the brand's target and position, simple, repeatable, understandable, unique, limited colors, faxable, look good in shades of gray, constant (can make changes but rarely), must be professionally designed.

Target the audience – it is important that you know who you are selling the product, which is your potential consumer, sell to the consumer that want to buy and has money for it. Select the target audience by, geographic, demographic (social class, family characteristics, family life cycle), psychographic (life style), benefits (benefits sought, usage patterns).

Segment the market by measurability (information about segment), accessibility (identify and communicate with segment), sustainability (large enough segment).

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Appendix

Covering Letter

Dear Sir or Madam

Thank you for agreeing to participate in my research study. The study is a part of my bachelor thesis in research methodology.

The enclosed survey broadly focuses in Marketing Channels in Banks of Kosovo. The data's gathered here will be compared to see if the banks in this country are used a similar or different Marketing Channels and to understand the Marketing problems in Kosovo.

The survey will take no longer than 20 minutes to complete. Then the student will gather notes to be used in analysis. The student is sensitive to the time pressures upon the interviewee and will schedule a time that is convenient to the interviewee.

ALL RESPONSE WILL BE TREATED WITH THE UTMOST CONFIDENTIALITY.

Thıs study is being conducted under supervisions of Dr. Edmond Hajrizi, Lecturer in Operations Management, and Dr. Larry Stapleton, Lecturer in Research Methodology.

If you have any further comments, queries or concerns please contact UBT.

Questions:

1. **What do you think about the Marketing in Kosova?**

2. **How the banks do the Marketing?**

3. **Which Marketing Channels are used in your Bank?**

4. **Which are the most effective channels?**

5. **Which Channels are used more or less?**

6. How you makes a strategy and believes that customer will accept, will be effected from your Marketing for Loans and Credit Cards ?

7. How do you target the market?

8. How do you evaluate your Marketing Plan and how long does it need to see the effects?

9. What are the most needed steps to creating successful Marketing Plan?

10. Do you have any competition strategy?