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CREATING A COMPETITIVE ADVANTAGE THROUGH DIGITAL COMMUNICATION CHANNELS IN FINANCIAL INSTITUTIONS

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Abstract

The impact of technology has greatly affected the development and supply of products and services in financial institutions, especially in the banking sector, as well as their availability. Understanding customers and their needs, individualized approach and meeting expectations in terms of benefits and values of offered products and services are the basis for creating competitive advantage, retaining customers and transferring positive experiences, gaining new customers and positioning products and services as well as institutions in the target market. The benefit and value of products and services is greater the more the client uses them and has confidence in the product/service, and the price perception must be less than the created value of the product/service, which makes a satisfied and loyal client who has confidence in the financial institution user experience.

Digital technologies are changing the habits and needs of the customer, and expectations from products and services are rising. An effective customer-oriented marketing strategy is based on identifying and profiling different customer groups that differ according to their needs and preferences (market segmentation), is focused on target markets and positioning not only products and services but also institutions.


The purpose of this paper is to point out the importance of developing digital marketing strategies and digital channels of communication with target groups as a basis for creating a competitive advantage based on optimal user experience through brand experience, transaction experience and interrelated experience that contribute to customer satisfaction.

The aim of the research is to show how important customer orientation through digital communication channels is for customer satisfaction and user experience, customer retention, meeting his expectations, availability of products and services and creating a competitive advantage.

Keywords: marketing strategies, digital distribution channels, competitive advantage, marketing of financial institutions

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1. INTRODUCTION

In the last twenty years, numerous transformations have taken place in banking as a result of political, economic and demographic changes, and especially as a result of technological innovations. Due to its specific characteristics such as speed, availability, adaptability and low price, the Internet is an ideal distribution channel for banking services (Milanović Glavan and Ćibarić, 2015: 69).

In order to successfully overcome the impacts of a changing macro environment, ensure long-term survival, prosperity and competitiveness and respond to customer requirements and needs, banks must strategically plan; develop digital marketing strategies and communication channels with clients based on individualized approach with microenvironment stakeholders (potential customers, employees, strategic partners, suppliers, etc.). The basic goal of strategic planning in banking is to increase the value of the bank. Unlike operational planning, which deals mainly with projections of current operations (up to one year), the strategic approach emphasizes the long-term survival of the bank in an increasingly competitive and uncertain environment. Strategic planning as a tool of (strategic) management helps guide members and parts of the organization towards the same goals. The most important questions that this concept seeks to answer are: what should the bank do in the future, what should be done today to prepare for an uncertain tomorrow, what activities should be focused on in the long run, how to develop business activities to achieve sustainable competitiveness? (Sekso and Sekso, 2011: 2).

Customer satisfaction stems from meeting his expectations based on his perception. Expectations as well as satisfaction are variable categories and due to this fact, it is necessary to continuously monitor and listen to customer reactions, respond in a timely manner and adjust products and services in accordance with customer requirements and needs. Satisfied and loyal customers represent a real wealth of the company because they are:

- customers who prove that the company's customer and relationship orientation was successful,
- customers with whom the company has successfully created a relationship that is then successfully maintained and developed,
- customers who repeat purchases and from which future purchases can be expected with high probability,
- customers with whom it is easier to communicate due to the established relationship,
- customers who will be interested and buy services from the entire range offered by the company,
- customers from whom can be collected an extremely important information for business success (their satisfaction, remarks, complaints and reclamations, needs and wishes...) (Alerić, 2007: 53).

The paper presents the results of research on the importance of developing digital marketing strategies and digital communication channels for customer satisfaction

and user experience, customer retention, meeting his expectations, availability of products and services and creating a competitive advantage.

2. METHODOLOGY

The methodology used in the paper explains the purpose, goal and structure of the paper. The paper in the first part talks about the specifics of marketing of financial institutions and the characteristics of products and services they offer as well as the client's experience which is of particular importance for marketing of financial institutions because it creates value for the client, affects his satisfaction and loyalty.

The second part deals with the importance of relationship marketing for developing customer relationships and its importance for creating a competitive advantage, while the third part points out the importance of developing digital marketing strategies and communication channels to influence customer experience and all the benefits of such communication.

The results of the research conducted through a questionnaire are presented in the continuation of the work, and relate to research questions:

1. How important is the availability of products and services to users through digital communication channels?
2. How do digital communication channels affect user experience and customer satisfaction?
3. Did the marketing campaigns of the product/service that is new in the offer meet the expectations of the clients?
4. How much did digital marketing strategies affect the image of the institution or the choice of the client?

In the concluding part of the paper, the main conclusions of the paper based on the conducted research are presented.

3. SPECIFICS OF MARKETING OF FINANCIAL INSTITUTIONS

The (un) attractiveness of financial products/services represents a special challenge for developing marketing strategies of financial institutions. Financial institutions are oriented towards the client who has his role in the service and cocreating value as well as the fact that the client creates his own value based on how to use the service, which is one of the key assumptions in marketing financial products/services.

Marketing itself faces a number of challenges in relation to the products /services that financial institutions offer/sell because it is difficult to differentiate between a wide range of financial institution products and its competitors given that customers themselves find it difficult to spot differences and usually make decisions depending on price. It is this asymmetry of information about products/services and the fact that the financial institution has a better understanding of products/services than customers that seeks to reduce through marketing activities by grading differentiation

and introducing product levels that include key product benefits (functionality, performance, price) to properties (brand, quality, advice) and improved offers (communication, relationships, delivery channels). The general characteristic of financial products derives from the fact that these products are not purchased as a subject of final use but to achieve some other outcome. One of the forms of creating value and benefits for clients is the packaging of products that achieve mutual benefits for both the client and the financial institution. The client realizes special benefits and advantages according to his specific needs, and the financial institution realizes the differentiation of products and services in relation to the competition as well as the creation of a package of attractive and somewhat less attractive benefits that should increase overall sales of more products/services.

The client experience is of particular importance to the marketing of financial institutions as it creates value for the client through brand experience, transactional experience and financial institution relationship experience. Ease of access, developing customer relationships, trust in the institution, product and service offerings, staff quality, web interactions, digital communication channels, product and service availability, customer support are just some of the elements that affect customer experience and customer value more than the product itself.

Customers base a product/service on the quality based on evaluating the levels of service they expect. Meeting customer expectations is the task of marketing either in traditional or digital form. When clients evaluate the quality of service, they evaluate the following components such as: tangibility, reliability, speed, security, empathy (identification) and these elements are used to build differentiation in relation to the competition. The components of quality or experience also contribute to customer satisfaction: their retention, developing loyalty and attracting new customers.

The user evaluates the service by comparing perceptions with expectations. Perception is defined as the process by which an individual selects, organizes, and interprets stimuli into a meaningful picture of the world. It can be described as the way we see the world around us (Schiffman and Kanuk, 2004: 141). The image of what a product leaves in the minds of consumers - i.e. its positioning - is probably more crucial to its ultimate success than the actual characteristics of the product. Bidders try to differentiate their product by emphasizing properties that they believe will meet consumer needs better than competing manufacturers' brands. Positioning strategy is at the core of the marketing mix; it complements the company's segmentation strategy and selection of target markets. Positioning communicates the concept, or meaning of a product or service in terms of the way it meets the needs of the consumer himself (Schiffman and Kanuk, 2004: 141). Satisfaction is a subjective value that differs from user to user depending on the perception or expectations in relation to the service itself. The competitive advantage of one institution over another is achieved in the part of creating the highest possible subjective value of the service for users (Guzovski and Smoljić, 2017: 509). When designing a marketing strategy for services, one should start from the specific characteristics of services: intangibility, indivisibility,

incompatibility, heterogeneity and absence of ownership, as well as understanding the relationship between the financial institution and the client.

Customer requirements change under the influence of globalization, changing environment, changed lifestyle and changed needs, so all businesses, including financial institutions must monitor and adjust the way of doing business, identify newly created needs and trends to shape such a product/service offering that will meet customer requirements and meet their expectations.

4. RELATIONSHIP MARKETING - A KEY ELEMENT OF CUSTOMER RELATIONSHIP DEVELOPMENT

Customer relationship marketing is the key to customer retention and involves building financial and social benefits, as well as structural relationships with customers. Customer relationship marketing systems integrate strategy, IT and relationship marketing in delivering value to customers and take them into account individually. Companies need to decide at what level they want to build relationships with different market segments and individual customers, choose between levels such as basic, reactive, responsible and proactive to full partnership. Which is best depends on the lifetime value of the client in relation to the costs required to attract and retain that client (Kotler, Wong, Saunders and Armstrong, 2006: 485). Building long-term relationships with customers and influencing their behaviour with the application of integrated marketing communication (advertising, personal sales, sales promotion, direct advertising, etc.) achieves a synergistic effect that affects business improvement, thereby increasing value and benefits for customers by improving products and services.

Given that clients differ in their characteristics, preferences, habits and have different needs and desires, marketing strategies and activities of financial institutions must be aimed at creating satisfaction and meeting or exceeding expectations. In order to do that financial institutions apply marketing relationships and create databases about their clients depending on their desires, needs, habits, requirements and the like aware of the fact that it is not enough just to attract a client, but it is extremely important to keep him. The cost of winning new customers is high, and dissatisfied customers rarely complain, but rather simply turn to another competing institution with a similar or the same product/service offering. The application of CRM (Customer Relationship Management) increases sales per customer, the loyalty of existing customers and develops relationships because it takes into account the needs and desires of customers through two-way communication and all the benefits of digital communication channels. Relationship marketing affects: strengthening competitiveness, making additional profits through alternative sales channels, setting barriers to market entry, the ability to develop new products and services, and thus faster conquest of new markets (Merlin and Woodcock, 1996: 57).

For the client, the choice of product/service is an important process that includes a series of sub-processes from recognizing the need, seeking the necessary information, evaluating alternatives based on the information collected (choice) and the purchase

of a particular product or use of a particular service. In the process of making a purchase decision, the client forms his expectations, which in the post-purchase process as the last phase of the purchase process evaluates and expresses his satisfaction or dissatisfaction with choosing among all other alternatives that he had a choice and disposal. Post-purchase dissonance is the difference between customer expectations and choices in the buying process. If the difference is greater in the post-purchase process, there is dissatisfaction that the client expresses through negative communication or giving up future purchases.

Developing relationships with customers and continuous work on their satisfaction, repeat purchases, loyalty activities are marketing strategies that companies apply in the post-purchase period through: providing information and assistance (instructions) related to product use and providing information on its application and system development feedback on the product itself, guarantees confirming product quality and consumer rights within the warranty period, meet customer expectations or provide them with higher-than-expected value through loyalty programs, complement basic services, adjust relationships to individual consumers, adjust prices to expectations, develop basic service that will affect the creation of long-term relationships. Every customer strives to maximize his satisfaction. He will most often opt for the bidder who offers him the maximum benefits from the product (Gutić and Barbir, 2009: 334).

5. DIGITAL MARKETING STRATEGY AND DIGITAL COMMUNICATION CHANNELS

The growth and development of technology has influenced the development of new forms of communication with customers as well as the availability of products / services and the development of new forms of distribution. Under the influence of technology and modern lifestyle, consumer habits, their needs and desires have changed, they are increasingly informed and demanding in search of those products and services that will give them the greatest value and benefit for a certain price and meet their expectations. In order to respond to the requirements of their customers, and due to the specifics of products and services offered by financial institutions must quickly adapt to a dynamic environment to be competitive in this market and develop customer-oriented marketing strategies using the benefits of digital communication and distribution technologies products and services.

Digital transformation, as a transformation of a company's business based on digital technology, is an unavoidable part of the company's business cycle. It signifies change and transformation of the business model of the company by using different digital technologies (Pihir, Križanić and Kutnjak, 2019: 126). The application of digital technology enables faster and easier identification of the target group, market segmentation and adaptation of all marketing activities to the target segment according to their preferences, characteristics, needs and direct communication. The digital revolution has brought new technologies into all, both private and business, aspects of people's lives. Accordingly, marketing approaches and ways of its operation

are changing. New technologies in marketing are already popular, and their potential in the future is guaranteed (Šestak and Dobrinić, 2019: 251).

Marketing campaigns through digital technologies enable accurate selection of segments and targeting of ads according to specific characteristics such as age, occupation, gender, certain habits, frequency of use, preferences, etc., and with the help of analytical tools the effectiveness of the marketing campaign is measured in number of new users and similar depending on the goal of the promotional campaign itself. In marketing campaigns, various forms of integrated marketing communication are used, which provides the client with as many experiences as possible of the product/service being promoted. In terms of promotion, interactive marketing has the ability to process data in digital form, multimedia, interactivity that allows communication between two or more people and the ability to connect information.

Implementation of the Act on the Implementation of the General Regulation on Data Protection (OG 42/18), the Electronic Communications Act (OG 73/08, 90/11, 133/12, 80/13, 71/14 and 72/17), the Protection Act consumer (OG 41/14, 110/15, 14/19) any direct communication requires well-thought-out action which must have a legal basis. Direct communication for marketing purposes via e-mail, telephone, SMS, social media profiles, etc. for promotional purposes or sales must give the possibility to unsubscribe, especially if the legal basis is a legitimate interest in the user by the advertiser, not consent. Thus, some of the banks have designed their own channels of communication with clients in order to protect their clients, but also themselves from possible misuse of personal data and take advantage of digital technology and the possibility of developing their own digital channels of communication with clients.

Some of the forms of direct communication with clients and digital marketing that banks use are social networks, e-mail communication; newsletters, chat (conversation with the agent - customer support), user suggestion (user opinions and evaluation of experience) or social share or sharing information via social networks (Facebook, Twitter, Instagram, etc.), virtual branches and more. Collected information about clients and communication builds relationships in the long run, retains clients and affects satisfaction and loyalty, especially if the bank listens to the reactions of clients and meets their requirements, which is the main goal of this communication. Two-way communication through digital communication channels, among other benefits, motivates customers to use products and services, achieve greater values and benefits, and personalized communication allows monitoring the customer life cycle, which is again used in creating new forms of products and services for customers.

Competitiveness has a direct impact on customer demand for services. The more the service is adapted to the needs and wishes of users, the more it will enable the company to fight the competition on an equal footing and to survive in the market in the long run. In this way, several goals are achieved from key to the success of the company's business: getting to know the user better; services tailored to individual users are created; access to each individual user is unique and tailored to the individual user; user problems are solved better (Alerić, 2007: 56).

6. RESEARCH - THE IMPACT OF DIGITAL MARKETING STRATEGIES AND COMMUNICATION CHANNELS ON CUSTOMER EXPERIENCE

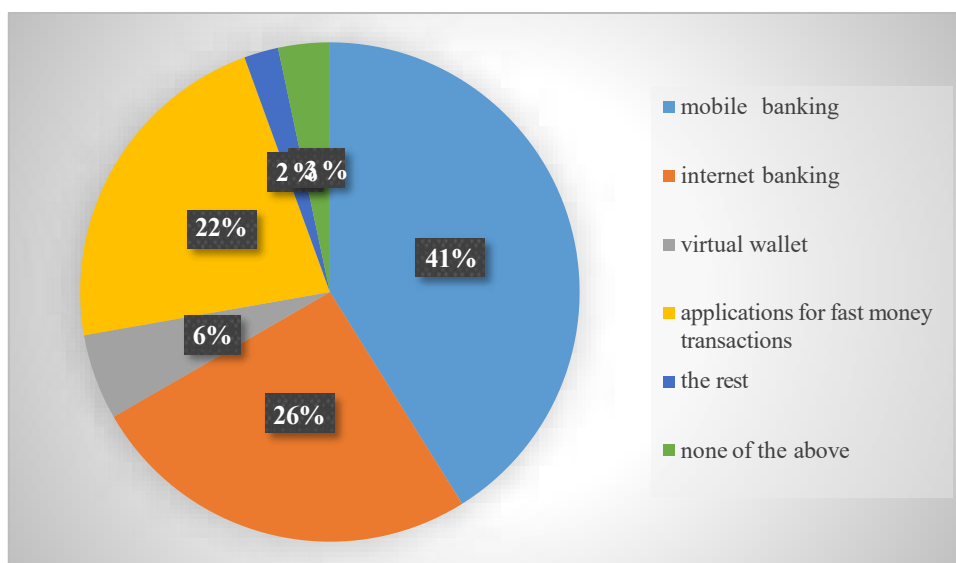
The results of research on the importance of developing digital marketing strategies and digital communication channels for customer satisfaction and user experience, customer retention, meeting their expectations, availability of products and services and creating a competitive advantage conducted in the period from March 20 to April 1, 2021 are presented tabular and graphical followed by interpretation of results. The research was conducted through a random sample survey in the city of Vukovar, Republic of Croatia.

The study involved 90 respondents, of which 60% were women and 40% were men. Between the ages of 19 and 25 participated 10 respondents (11%), from 26 to 35 years, 23 respondents (26%), from 36 to 45 years, 26 respondents (29%), from 46 to 55 years participated 16 respondents (18%), from 55 to 65 years participated 12 respondents (13%) and from 65 years and older participated 3 respondents (3%).

Regarding the level of education, 36% of respondents have completed secondary education (SSS), 29% of respondents have completed higher education (university degree), 30% of respondents have a university degree (VSS), and 5% of respondents have a master's degree or doctorate (M.Sc. (Ph.D.)). 76% of respondents are employed, 21% of respondents are unemployed and 3% of respondents are retired.

In the continuation of the questionnaire, the respondents were asked the question: What type of digital communication channels do you use? Only 3% of respondents do not use digital communication channels while 97% use them in various forms. They are mostly used by mobile banking (41%), Internet banking (26%), applications for fast money transactions (22%), virtual wallet is used by 6% of respondents, and 2% of respondents use other services through digital communication channels. The structure of responses is shown in Figure 1.

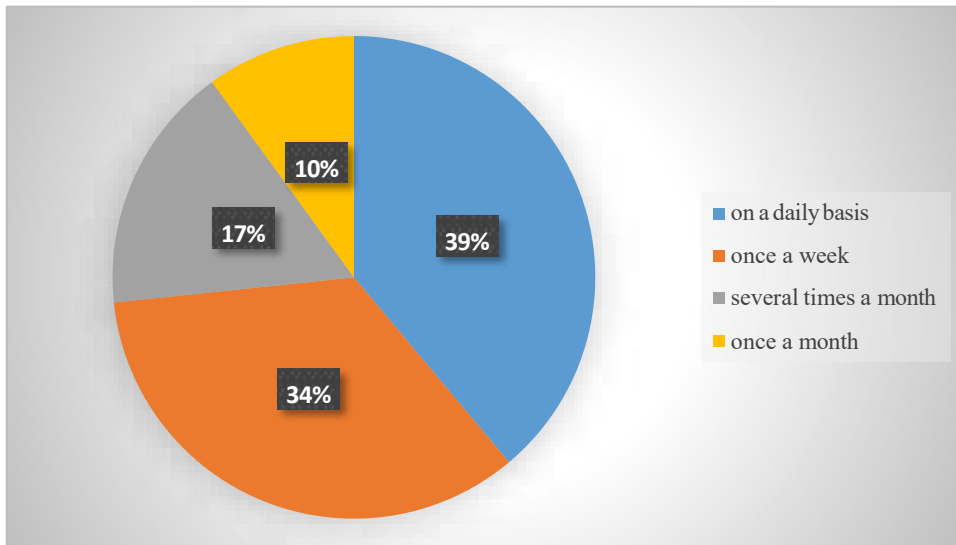
Figure 1. Forms of using digital communication channels



Source: author's research

Given the frequency of use of products/services through digital communication channels from the structure of respondents' answers, it can be seen that 73% of respondents use products/services daily or once a week, while the other 27% use products/services once or several times a month. The structure of responses is shown in Figure 2.

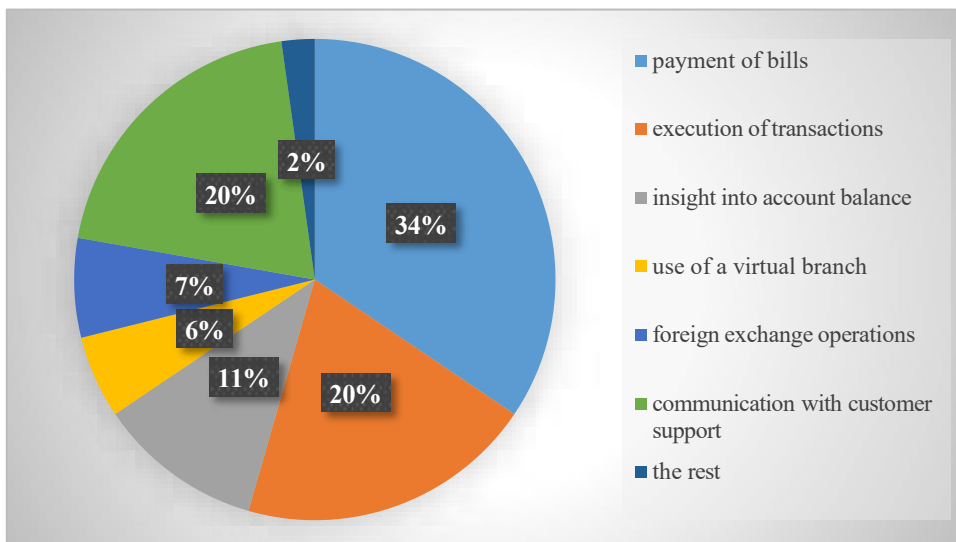
Figure 2. Frequency of using products / services through digital channels



Source: author's research

The most common reasons for using digital communication channels through the Internet and mobile banking are bill payment (34%), execution of various transactions (20%), communication with customer support (20%), insight into account balance (11%), foreign exchange operations (7%), use of a virtual branch (6%) and other services (2%). The structure of responses is shown in Figure 3.

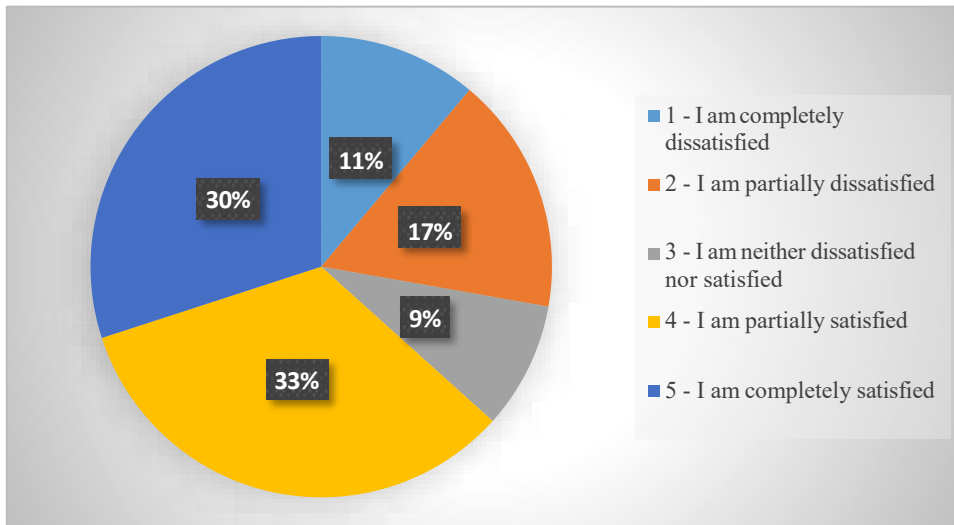
Figure 3. Reasons for using digital communication channels



Source: author's research

In the continuation of the questionnaire, the respondents assessed their satisfaction with the quality of products/services of the selected bank. 66% of respondents are satisfied with the quality of products/services at their chosen bank, while 28% of them are dissatisfied. 9% of respondents are indifferent, ie neither satisfied nor dissatisfied. The structure of the answers is shown in Figure 4.

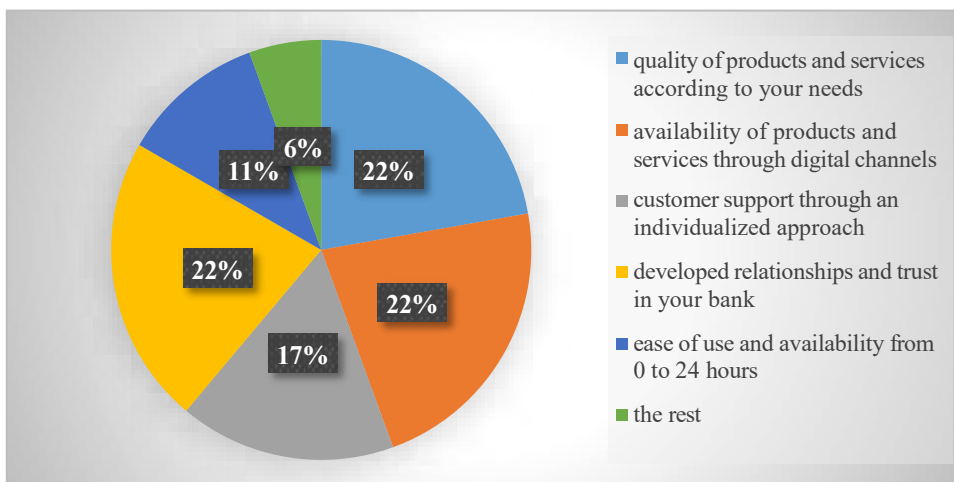
Figure 4. Assessment of satisfaction with the quality of products / services of the selected bank



Source: author's research

When assessing the satisfaction, ie the most important user experience of respondents in communication with the bank, respondents state in the same proportion that they care about: quality of products and services (22%), availability of products and services through digital channels (22%), developed relationships and trust (22%). Customer support and individualized approach was stated by 17% of respondents, and 11% of respondents stated ease of use and availability from 0 to 24 hours. 6% of respondents stated the answer remained. The structure of the answers is shown in Figure 5.

Figure 5. Assessment of the most important customer experience



Source: author's research

In the following, the respondents expressed agreement/disagreement with the stated statement where 1 means u do not agree at all, and 5 completely agree with the stated statement. Table 1 shows the response structure.

Table 1. Respondents agree / disagree with the stated statements

Claim	1	2	3	4	5
Digital communication channels influenced my bank's choice	11,11	13,33	16,67	34,44	24,44
Availability through customer support is extremely important to me	2,22	20,00	13,33	22,22	42,22
An individualized approach to communication helps me choose products and services	7,78	16,67	22,22	25,56	27,78
Availability in communication instils confidence and security in me	3,33	8,89	18,89	36,67	32,22
Following trends in the offer of products and services affects my satisfaction	2,22	10,00	15,56	38,89	33,33
Marketing campaigns have met my expectations in terms of benefits and value	4,44	15,56	27,78	22,22	30,00
Although sometimes I am not completely satisfied with the product or service, trust, security and relationships are more important to me and I will not change the institution.	6,67	5,56	16,67	46,67	24,44
The positive experience of my close ones (friends, relatives...) also influenced my choice of the same institution	11,11	18,89	32,22	20,00	17,78

* data in the table are in%

It can be seen from the table that the majority of respondents agree with the stated statements. For 59% of respondents, digital communication channels and the availability of products and services through digital channels are important, and they also influenced the choice of the bank. Accessibility through customer support is important for 64% of respondents, as well as accessibility in communication that instils confidence and security, and was emphasized by 69% of respondents. When choosing products and services, an individualized approach is important for 53% of respondents. Satisfaction of 72% of respondents is influenced by monitoring trends in the offer of products and services, and marketing campaigns met expectations in terms of benefits and value for 52% of respondents. 71% of respondents agreed with the statement that although sometimes they are not completely satisfied with the product or service, trust, security and relationships are more important to them and will not change the institution or go to the competition. The positive experience of relatives influenced the decision to choose an institution on 38% of respondents.

CONCLUSION

The development of digital marketing has had a significant impact on the continuous development of banks and the growing demand of customers for digital access seeking simplicity, security, uninterrupted use of digital services and the ability to access wherever they are. Developing digital marketing strategies as well as digital communication channels to build relationships with customers as well as the availability of products/services and monitoring trends in technology development and proactivity is important for the visibility of a financial institution.

The conducted research shows that 97% of respondents use various forms of digital channels from Internet banking, mobile banking, applications for fast money transactions, virtual wallet and other forms of products/services mostly on a daily basis (73% of respondents) for: bill payment (34%), execution of various transactions (20%), communication with customer support (20%), insight into account balance (11%), foreign currency business (7%), use of a virtual branch (6%) and 2% other services.

Respondents' satisfaction in their user experience is influenced by quality and availability of products and services through digital channels, developed relationships, trust and security, customer support, individualized approach, ease of use of products/services and availability from 0 to 24 hours, tracking, application of the latest technology and meeting product/service expectations in terms of value for money.

The use of data collected from various channels of communication with clients are the basis for creating a positive user experience in order to create a loyal customer base and attract new ones through their positive experience.

All highlighted elements by respondents are the basis for developing digital marketing strategies and digital communication channels to target groups, listening to reactions, meeting expectations and shaping product/service offerings in accordance with customer requirements and needs as a basis for positioning, differentiation, recognition and competitive advantage target market.

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