Customer relationship management in financial industry of Albania

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The characteristics associated with financial services have a marked resonance with the features associated with customer relationship marketing. The long-term nature of many financial services products makes them a natural context within which CRM programmes can succeed. The crucial importance of carefully selecting the right customers in the first place is a prerequisite for customer longevity and lifetime value. There are a range of factors implicated in customer persistency. The aim of this paper is to present strategies aimed at facilitating customer retention in Albanian reality. All of these things should be integrated and should be vital to your overall marketing strategy.

The authors are presenting here the need to develop a strategy and putting that strategy into practice so that it guides which clients to build relationships with, how to build those relationships, and how to provide service to those chosen clients over time. In this way, this paper provides the tools to help become a more focused, efficient, and effective marketer.

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Client relationship management (CRM) refers to the practices of firms and the set of tools they use to recognize that clients are different and require different actions, both overall and at different times during their relationship. The success of a financial advisor rests solely on the ability to manage the relationships with his clients. CRM is about how many financial advisors have taken a systematic and quantitative look at their clients? Does the business have the correct mix of clients? Does it have too many clients? Does each of the business clients provide a positive net present value (NPV), a financial return, to the business practice? Which of the clients have strategic values and may be able to act as word-of-mouth ambassadors?

For some advisors, collecting and analyzing data and applying CLV techniques might seem to be a large stretch from where they are now. CLV methods can help prioritize the clients, track them over time, determine the ROI of particular tactics that one is trying out, and, most importantly, provide a structured way of looking at your practice. Through CLV calculations is much more likely to lead to improved decisions that are not subject to the biases inherent in more subjective methods.
Marketing Aspects in the Financial Industry

This paper focuses specifically on marketing communications which is a lot more than just advertising, especially in the financial services industry. The IMC approach argues that a firm should develop a communication strategy that uses all its marketing activities as opportunities to communicate the brand to its clients. The idea is that while each communication opportunity has some impact on its own, together they have an interactive effect that is greater than the sum of the individual parts; hence the I in IMC. The benefits of one type of communication option can be put to use to make up for the weaknesses of another. The IMC perspective makes it clear that marketers should realize these differences and use them to guide the nature of the messages sent out using these various options. An FA will want to use traditional advertising very differently from the way he will want to use her Web site. Each alternative should be put to its best use, and the entire bundle of alternatives should be considered together as a set of joint strategic decisions.

Each method of communication and each message that is sent must be integrated into the whole. The way in which the brand is positioned should be integrated across all of communication options. The associations tried to build and the differentiating path chosen should be portrayed consistently in each message delivered across every medium.

An integrated marketing communications plan begins with a comprehensive marketing strategy. Who is the target segment of clients that the business wishes to communicate with? What do you wish to tell them? How are you different from the competition? What promotion channels do the members of your target segment pay the most attention to? How are you uniquely relevant to their life goals? Once the business knows the answers to these questions, it can begin to develop a marketing communications strategy. A good marketing communications plan focuses on providing answers to a handful of questions about whom to communicate, what to say, etc. And of course, a budget for these objectives has to be specified. Good marketing objectives specify the target
market and the time frame for accomplishing the goal. It’s important that the objectives lend themselves to realistic measures of success and that the marketer specify in advance how the impact of the marketing communications will be measured.

Many marketers spend too little time in developing a marketing communications strategy; as a result, they minimize the potential impact of their messages before they have even delivered those messages. This means not only understanding their motivations for becoming the clients, but also understanding what they currently know and don’t know about working with the respective business. There is a smaller subset of communications options that FAs should be utilizing to their full potential: advertising, Web site design, and word of mouth. However, FAs using other types of communication vehicles should consider the same principles when putting together their promotions strategy.

**Advertising**

Regardless of the particular creative strategy, all advertisers should evaluate their messages in the relation with its consistency with the brand’s marketing and communication objectives, if it is appropriate for the target audience, if the message of the advertisement is clear and consistent and reflect integration of all the other touch points between the brand and the target. In their tests regarding what makes advertising effective, Gallup and Robinson have identified some best practices. First, they find that clearly indicating what the brand offers to the client is critical. Another important set of decisions involves where to place the advertising message. First and foremost, this should be guided by an understanding of what media the target audience actually consumes. Lastly, decisions about advertising should include some consideration regarding how to measure its effectiveness.
**Web site design**

Our survey clearly indicates the importance of an Internet presence for financial advisors. Overall, the survey found that affluent investors are Internet-savvy and use the Web for a variety of financial transactions. It found that 59% of affluent clients say that they rely on the Internet as their most important source of business information. Furthermore, 45% of them indicate that they use online banking services, and 15% say that they buy and sell stocks or other financial investments online.

In addition, about two-fifths of these affluent investors spend more time on the Web than with other media, such as TV, radio, magazines, or newspapers. On average, affluent investors spend 10 hours a week on the Internet, while 75% agree that their clients want to access their accounts online, and 79% of advisors think their clients believe that they are better served if the FA uses technology. 67% agree that clients want to view their financial plans (not just their current positions) online. These statistics speak to the relevance of the Internet as a communication channel for speaking with your clients.

**Word of mouth**

In our survey, we ask FAs to tell us the three most common ways by which prospective clients learn about their business. Word of mouth was the most frequent answer, either from other clients or from “centers of influence,” such as lawyers and accountants. It is mentioned more than four times as often as the next most common answers, which are direct personal contact from the FA and seminars. Word of mouth is common and has tremendous impact on consumer decision making - most of these conversations occurring face-to-face or via phone. We have asked FAs what
specific actions, they take to encourage or amplify word of mouth about their practice. Many FAs say that their most common tactic for encouraging word of mouth is simply to ask for it, while a good number of respondents indicate that they do nothing at all. Given the importance of word of mouth in every FA’s business, developing a strategy to encourage it and shape it is critical.

**Data analysis and findings presentation**

We have surveyed more than 800 advisors. These advisors are among the most successful in the business and work for a number of the largest financial services firms in Albania. We asked each of them to complete a short survey about their current marketing practices.

In general, they are very experienced. About 50% have been in the industry for at least 10 years and have more than 15 years of experience as financial advisors. Only 14% have fewer than five years of experience.

Over 58% of our survey respondents indicate that they have prepared a comprehensive marketing plan for their practice and only 41% who do not have one yet (figure 1). We suspect that in the broader marketplace, the percentage that have not created a marketing plan is even higher, as our respondents represent some of the most successful advisors in the industry and tend to have extensive experience.

From the other hand, all the advisors are looking to grow their businesses and to better serve their clients. There are many steps to take to improve the business, but few are likely to be as simple or to yield as many benefits as taking the time to put together a marketing plan. Furthermore, the marketing plan will provide the road map by which you will discover other low-hanging fruit opportunities.

When we asked the FAs why they choose not to create a plan, they respond they feel that doing so will be too time-consuming. In fact, it is known that investment in marketing will not necessarily have a short-term payoff. It is an investment in the long-term this perspective is
the key difference between a short-term, sales-oriented focus and an entrepreneurial, long-run, business-building orientation.

We further asked when that marketing plan was written, those who answered yes to the question “Do you have a comprehensive marketing plan?” The majority of respondents indicated that their marketing plan was less than a year old at the time they answered the survey. However, 35 percent of respondents clearly have an outdated marketing plan, written more than a year ago (figure 2). Those whose marketing plans are more than three years old are really behind. A marketing plan is something that should be updated on a yearly basis because the market changes. It is important to reevaluate the marketing plan and to become more efficient than ever.

There are 64 percent of our respondents who indicate that they do have a target segment on which they focus, and nearly 36 percent do not. Segmentation involves recognizing that different clients want different things and that not all clients share the same underlying preferences for the products and / or services that an FA might offer. Because different segments want different things, they will feel better served, and more satisfied, if you can give them exactly what they want and nothing else. We strongly believe that advisors with a clear target segment are at an advantage over advisors who pursue anybody and everybody who wants to invest with them.

The most common target segments identified in our survey were high-net-worth (HNW) individuals, the at-retirement market, and small business owners. While classifying clients as HNW and at-retirement narrows down the market somewhat, we consider these to be sectors that have more refined segments or niches within them. There are sub segments within the HNW (and other) segment. In addition to small business owners, advisors identified more narrow niches, such as nonprofit organizations and employees, particular school district employees, employees and executives of individual companies, specific ethnic groups, and specific groups of professionals.

Another question is aimed at understanding how FAs figure out whether or not a potential
client is in their target segment. To understand a prospective client’s current financial situation is important, and it may help an FA to determine whether or not a prospective client has adequate assets, to be a part of the target market. But information about a client’s current financial situation may not tell you much about the client’s actual need states. There are a number of different types of needs or motivational states that may drive a client’s purchases of financial services – needs like self-actualization, need for control, and need for esteem. Questions that try to assess these deeper needs and mindsets toward financial services are likely to better help to speak directly to that specific client. Motivational states (e.g., need for control) tend to be all-encompassing and permeate to wants and needs for all products and services.

The following question asks financial advisors to make themselves relevant to potential clients and to differentiate themselves from their competitors. Most FAs say that they are experienced and client focused, offer superior performance and outstanding service, and have a good reputation and integrity. These are all worthy attributes to have, but nearly everyone is claiming them. Everyone is positioning herself in the same way. This survey shows that there is virtually no differentiation in how the majority of FAs present themselves to clients. As a result, these attributes, as worthy as they are, essentially become table stakes. Everyone has to have them, but they don’t set the business apart from the competition.

Our survey results show that by far the most frequent way in which prospective clients learn about an FA’s business is through referrals or word of mouth. The word of mouth is mentioned more than three times as often as the next most common answers, which are seminars and direct personal contact from the FA. What is more surprising is how passive and nonstrategic many FAs are when it comes to trying to build word of mouth about their practices.

We asked FAs what specific actions, they take to encourage or amplify word of mouth about their practice, most say that they encourage it by providing good service to their clients. Good service is clearly important, as clients are not going to tell other people how happy they are with the service if
the business is not providing good service. However, providing good service is not a strategy for encouraging word of mouth. The next most common answer to how FAs are encouraging word of mouth is simply “asking for it,” either from clients or from centers of influence. But there are also a good number of respondents do nothing at all. Given the importance of word of mouth in every FA’s business, developing a strategy to encourage it and shape it is critical. You’ll also notice that some FAs say that they encourage word of mouth by serving on visible community boards. This is a terrific strategy. Individuals who are active in their communities are more likely to spread word of mouth. The more you are engaged with those “influentials,” the more likely they are to be able to talk about you to others (figure 3).

Then we have asked our financial advisor respondents to tell us what they spend most of their time doing and then what they believe is actually most important to the success of their practices. Most advisors rank the marketing of their products and services to their clients as something that they spend little time doing and as least important, among the offered alternatives, to their business success (figure 4). Many FAs think that marketing is not necessary, and they under invest in it. They equate selling with marketing. The activities that are ranked as taking the most time and as the most important include building relationships with clients and providing service to clients, and these are marketing activities too (figure 5).

Most FAs are doing marketing all the time, but they are doing it in an ad hoc, tactical way. All of these things should be integrated and should be vital to your overall marketing strategy.

**CONCLUSION AND RECOMMENDATIONS**

Different FAs will use a different assortment of marketing communication methods to speak to current and potential clients. Whatever ways they ultimately choose, a few simple strategies can enhance the overall impact on their brand that these communication efforts will ultimately have.
Marketing communications flow from the overall marketing strategy. It is important to keep the marketing communications squarely focused on the clients and to create the messages about them and how the business can be of help to them. The objectives for each communication effort need to specify very clearly and the outcome associated with each effort must be measured. Furthermore, the FAs have to be sure that all their efforts are integrated with one another and into the larger brand architecture that they are trying to build.

They have to speak to their target market and say the right things to position their brand as relevant to that market’s needs. All of these efforts should be integrated with one another and with the broader set of touch points between the brand and their current or potential clients. The FAs have to be sure they articulate very clearly and specifically their goals for all communications efforts they undertake very clearly so that they can really measure their success and implement changes going forward.

**Strategy should inform tactics.** Many advisors and large firms alike believe that tactical changes are the key to success. Tactics can move the needle in the near term, but to maximize effectiveness, tactics (the four Ps) should flow from a firmly grounded strategy (the five Cs). Tactics that are not integrated can interfere with one another. A clear and informed strategy is a must.

**Know your brand, and know that you are a brand.** One of the most important assets is FAs reputation. It must be treated like a brand. FAs must invest in it, protect it, cultivate it, and leverage it.

**Understand your value proposition and points of differentiation.** If a business can’t communicate clearly and concisely why someone should invest with it, how can it expect its clients to do it?
Be consistent. Everything in practice should reinforce the brand that the business is trying to build. Inventory and integrate all of your touch points and center your message on your three words.

Specialize. It is necessary to identify the niche by matching your strengths, relative to those of your competition, to a specific target group of clients. Gear your strategy to serve this niche better than anyone else.

Research and understand your clients. Along with the business brand, its clients are the most valuable asset. Invest time and effort in understanding them and better serving them.

Make relationship building routine. Client lifetime value (CLV) is the key driver of long-term profitability. The business must actively manage the relationships with its clients to maximize CLV.

Create the word-of-mouth army. The business must provide superior value, encourage the clients to refer to the business, and leverage collaborative centers of influence.

Figure 1. Do You Have a Comprehensive Marketing Plan for Your Practice?
Figure 2. If You Do Have a Comprehensive Marketing Plan, When Was It Written?

![Pie chart showing the distribution of when marketing plans were written.]

Figure 3. What Specific Tactics Do You Use to Encourage Referrals (Word of Mouth)?

![Bar chart showing the distribution of tactics used to encourage referrals.]

Figure 4. Rank the Following Items in Terms of How Much Time per Week You Spend on Each Activity

<table>
<thead>
<tr>
<th>Ranking of Amount of Time Spent</th>
<th>Activity</th>
</tr>
</thead>
</table>
5 (Most Amount of Time) Providing Service to Your Clients
4 Providing Service to Your Clients
3 Building a Relationship with Your Clients
2 Providing Good Investment Performance to Your Clients
1 (Least Amount of Time) Marketing Your Services or Products to Your Clients

**Figure 5.** Rank the Following Items in Terms of How Important Each Is for the Success of Your Practice

<table>
<thead>
<tr>
<th>Ranking of Importance</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 (Most Important)</td>
<td>Building a Relationship with Your Clients</td>
</tr>
<tr>
<td>4</td>
<td>Providing Service to Your Clients</td>
</tr>
<tr>
<td>3</td>
<td>Providing Good Investment Performance to Your Clients</td>
</tr>
<tr>
<td>2</td>
<td>Providing Advice to Your Clients</td>
</tr>
<tr>
<td>1 (Least Important)</td>
<td>Marketing Your Services or Products to Your Clients</td>
</tr>
</tbody>
</table>

**References**


6. Jaime Punishill with Ron Shevlin, Tom Watson, Steve Yonish, and Jeremy


