



RESEARCH ARTICLE

STRATEGIC MARKETING PRACTICES: THE CASE OF THE FINANCIAL INSTITUTIONS IN THE PHILIPPINES

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ABSTRACT

Financial institutions go through some steps to create compelling and well-organized strategies for sustainable business success. This paper aimed to determine the strategic marketing practices of financial institutions mainly in Region IX, in the Philippines. The descriptive survey method was used aided with the standardized questionnaire by Jaakkola *et al.* (2010). Market orientation, innovation orientation, and marketing assets and capabilities were variables used to determine the strategic marketing of selected financial institutions. There were ninety (90) respondents of the study. Frequency count, percentage, and weighted mean used as a statistical tool. Results of the study showed that rural banks employ strategic marketing to an extreme extent on market orientation and has a definite advantage on innovation orientation. It also showed that rural banks had power in marketing inside-out capabilities while having a particular edge in marketing outside-in capabilities. The researchers' recommendations are highlighted in the paper which is helpful to rural banks to meet their clients adequately. Additionally, there should be future studies on other important aspects of bank services such as deposit interest rate, loan interest rate, and accessibility of responding to the questionnaires.

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INTRODUCTION

In the modern economic world, banking plays a significant role, and it is necessary for trading and business industry. Thus, it is one of the great agencies of business, and its presence is beneficial to the economic activity and industrial progress of a country. On the other hand, the term 'Bank' defined in different ways by different researchers. According to Walter Leaf "A bank is a person or corporation which holds itself out to receive from the public, deposits payable on demand by cheque." Horace White has defined a bank, "as the manufacture of credit and a machine for facilitating exchange." According to Prof. Kinley, "A bank is a financial industry which makes advances of money to individuals which may be required and safely made, and to which individuals entrust money when not required by them for use." A bank is a financial institution that accepts deposits and channel deposits into lending activities. Primarily, they provide financial services to customers in the form of investment funds, insurance services, and the most popular one is the loan service. A bank is a financial institution which deals with debts and credits.

It accepts deposits, lends money and also creates wealth. It bridges the gap between the investors and borrowers. Banks are not merely traders in money but also in a meaningful sense as manufacturers of cash. Moreover, the banking system in the Philippines characterized by internal and external competition. According to Johnson *et al.* (2002), increased competition in banking industry threatens the attractiveness of the sector, and it reduces the profitability of the players in the industry. It exerts pressure on banks to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive. With this, banks should, therefore, focus on gaining competitive advantage to enable them to respond to, and compete effectively in the market. By identifying their core competencies, banks can concentrate on different areas that give them a lead over competitors, and provide a competitive edge (Pearce and Robinson, 2005). Furthermore, banks use strategic marketing to identify customer needs and to create a marketing plan to achieve customer satisfaction, improve company performance and increase profit. Unachukwu (2016), the strategic marketing objectives of most banks are found out to be the expansion of customer base. A bank that has increased its patronage customer base or market share by 20% and profit by 100% was judged to have outperformed its competitors with profit increases of 39% and market share of 5%. This based on the long-term nature of strategic marketing objective of the bank. Creating an effective strategic marketing plan dictates the

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type of marketing programs used during a given time frame. It is how those applications implemented in becoming a more innovative bank and better penetrate the market. Rural banking is a form of service designed to bring business to the most remote and rural communities. However, today the industry is facing dramatically aggressive competition in a new deregulated environment (Reynolds, 2005). Moreover, the values of rural banking are on the mobilization of deposit and the provision of credit to farm and non-farm activities to ensure the expansion of the rural communities to enhance rural development. It helps to promote savings culture and financial empowerment which gives the rural populace the ability to better their economic circumstances with their money in building a sustainable livelihood. Rural Bank is a privately owned and managed firm and is one of the most popular types of banks in the rural communities. It is one of the financial institutions that help promote the rural economy in an orderly and efficient manner by providing people in the rural communities with essential business services. Rural banks geared toward the development of the non-urban areas and cities. Besides, the philosophy of rural banking is growth-oriented and seeks to generate credit from within the communities for enhancing the development of productive activities and improving the economic status of the populations and their members (Onugu, 2000). Likewise, the powers and functions of a rural bank shall be subject to such rules and regulations as may be promulgated by the BSP. The study aimed to determine the strategic marketing practices of financial institutions mainly in Region IX, the Philippines on market orientation, innovation orientation, and marketing assets and capabilities.

MATERIALS AND METHODS

The descriptive survey method was used aided with the standardized questionnaire by Jaakkola, *et al.* (2010). The sample consisted of ninety (90) respondents of the selected financial institutions, mainly in Region IX, Philippines. The respondents were requested to answer the standardized questionnaire as pioneered by Jaakkola *et al.* (2010). The researcher interviewed with the bank managers to solve the research problems. Three (3) sets of measures were used in this study to assess the strategic marketing practices of selected financial institutions, namely: market orientation; innovation orientation; and marketing assets and capabilities versus competitors. All measurement items measured on subjective Five- or Seven-point Likert-type scales, mainly related to a company's primary competitors.

RESULTS AND DISCUSSION

As presented in Table 1 is a profile of the financial institutions such as rural banks concerning types of financial products offered. Three common types of financial products provided by rural banks such as deposits, loans, and other services. As to deposits, it showed that all rural banks offered savings and time deposits; three rural banks provided kids deposits; two rural banks provided checking and ATM savings deposits, and only one bank provided organization savings account and golden savings deposit. Savings and time deposits are everyday financial products offered by the rural banks because of very favorable interest rate. As to loans, it showed that all rural banks offered an agricultural credit, 6 out of 7 rural banks provided a salary loan, and only one rural bank provided bonus

loan. The agrarian credit is the most secured loan provided by rural banks. The primary purpose of a rural bank to offer agricultural credit is to finance the processes involved in farming such as planting, harvesting, gathering, and others. Further, a rural bank is one of the most popular kinds of financial institutions in the rural communities. Its role is to promote and expand the rural economy in an orderly and efficient way by providing the people in the societies with essential financial services for development most especially in agriculture, trade, and commerce. Moreover, the salary loan was also commonly offered in every rural bank in which most of the clients availed this kind of credit. Besides, some rural banks also provided other services like water bills and electricity payments and safety deposit box. Table 2 shows the strategic marketing practices of financial institutions in terms of market orientation. Financial institutions were in extreme extent with regards to objectives and strategies driven by the creation of customer satisfaction ($M=6.71$), and business strategies driven by increasing value for customers ($M=6.71$). It found out also aggressive plan based on understanding customer needs ($M=6.29$); managers may understand how employees can contribute to value for customers ($M=6.29$), and business functions integrated to serve market needs ($M=6.14$). Overall, as to market orientation, it found out that all of the respondents indicated to an extreme extent in all indicators under market orientation and also with evidence of 6.43 grand mean. It means that these rural banks serve to the highest level and satisfy their clients' needs to an extreme extent. It supported by the study of Walker, Mullins, Boyd, Larréché (2006) that the primary focus of a market-oriented company put on customers' needs and market opportunities. Further, according to Shalk (2008), in market orientation, it is where employees throughout the organization committed to creating superior customer value continuously, or as a sequence of marketing activities that lead to better performance. From the findings on the level of agreement on statements relating to innovation orientation presented in Table 3, the study found out that most of the respondents indicated strongly agree under innovation orientation having the same figure on an average weighted value in every indicator and also in the grand mean with a total of 4.67. It implies that these financial institutions possess high innovation orientation and they can introduce new products, services, and systems that may add value to their organizations and customer satisfaction. Financial institutions such as rural banks also strongly agreed that they were more innovative than their competitors as to deciding what methods to use in achieving targets and objectives; initiating new procedures or systems; developing new ways of reaching our aims and objectives and startling changes in the job content and work methods of staff.

Talke *et al.* (2011) argued that strategic innovation orientation gives guidance and direction, collectively leading to lasting competitive advantages. This guidance reflects the organizational philosophy base on a set of values and beliefs that guide innovation activity across the organization. As to marketing assets and capabilities versus competitors presented in Table 4, the study found out that rural banks had a definite advantage regarding financial management with an average weighted value of 4.33. The last three (3) indicators of inside-out capabilities had the same average weighted value of 4.00 with "advantage" interpretation. It means that these rural banks were able to plan and manage well the company's resources to attain its objectives and to be able to return maximum value to their shareholders.

Table 1. Profile of financial institutions in terms of types of financial products offered

Types of Financial Products Offered	Products	Frequency (n = 7)	Rank
DEPOSIT	Savings	7	1 st
	Time Deposits	7	1 st
	Kids Deposits	3	2 nd
	Educational Deposits	2	3 rd
	Checking Deposit	2	3 rd
	ATM Savings Deposit	2	3 rd
	Organization Savings Account	1	4 th
LOAN	Golden Savings	1	4 th
	Agricultural Loan	7	1 st
	Salary Loan	6	2 nd
	Micro-finance Loan	5	3 rd
	Commercial Loan	4	4 th
	Multi-Purpose Secured Loan	4	4 th
	Pension Loan	4	4 th
	OFW	3	5 th
	Back to Back Loan	2	6 th
	Car Loan	2	6 th
	Jewelry Loan	2	6 th
OTHER SERVICES	Bonus Loan	1	7 th
	Water bills payment	3	1 st
	Electricity bills payment	3	1 st
	Safety Deposit Box	2	2 nd

Table 2. Strategic marketing practices of financial institutions in terms of market orientation

Market Orientation	Average Weighted Value (AWV)	Interpretation
1. The objectives and strategies had driven by the creation of customer satisfaction.	6.71	To an extreme extent
2. Competitive market strategies based on understanding customer needs.	6.29	To an extreme extent
3. Business functions are integrated to serve market needs.	6.14	To an extreme extent
4. Increasing value drives business strategies for customers.	6.71	To an extreme extent
5. The managers understand how employees can contribute to value for customers.	6.29	To an extreme extent
Grand Mean	6.43	To an extreme extent

Table 3. Strategic marketing practices of financial institutions in terms of innovation orientation

Innovation Orientation	Average Weighted Value (AWV)	Interpretation
1. Our banks are more innovative than our competitors in deciding what methods to use in achieving our targets and objectives.	4.67	Strongly Agree
2. Our banks are more innovative than our competitors in initiating new procedures or systems.	4.67	Strongly Agree
3. Our banks are more innovative than our competitors in developing new ways of achieving our targets and objectives.	4.67	Strongly Agree
4. Our banks are more innovative than our competitors in initiating changes in the job content and work methods of our staff.	4.67	Strongly Agree
Grand Mean	4.67	Strongly Agree

Table 4. Strategic marketing practices of financial institutions in terms of marketing assets and capabilities

Marketing Assets and Capabilities versus Competitors	Average Weighted Value (AWV)	Interpretation
<i>Inside-Out Capabilities</i>		
1. Strong financial management	4.33	Strong Advantage
2. Effective human resource management	4.00	Advantage
3. Good operations management expertise	4.00	Advantage
4. Good marketing management ability	4.00	Advantage
Grand Mean	4.08	Advantage
<i>Outside-In Capabilities</i>		
1. Good at using information about markets, customers, and competitors.	4.00	Advantage
2. Good at understanding what customer needs and requirements are.	4.67	Strong Advantage
3. Good at creating relationships with key customers or customer groups.	4.67	Strong Advantage
4. Good at maintaining and enhancing relationships with key customers.	4.67	Strong Advantage
Grand Mean	4.50	Strong Advantage

Besides, it found out that respondents indicated a substantial advantage on the three (3) indicators under marketing outside-in capabilities with the same average weighted value of 4.67. It means that these rural banks were good at understanding, creating, maintaining, and enhancing customer needs and relationships in which these are very fundamentals to sustainability. According to Saif (2014) that, efficiency in financial performance of banks is significant in all societies and

economic systems and one of the most critical challenges faced by bank managers, therefore, is how to use their scarce financial resources optimally. In-depth analysis and evaluation of the financial performance of different banks can identify the strengths and weaknesses of the system for further improvement. It is, therefore, necessary to evaluate the financial performance of banks to determine their strengths and also possible flaws in their managerial skills and competencies

which can be strengthened to enhance the services they provide. According to Baron (2014), the performance of business organizations is affected by the strategies and operations in the market and non-market environments. He further emphasized that successful executives can integrate market strategies with the non-market plan to position their firm for optimal effectiveness.

Conclusion and Recommendation

The researcher at this moment concludes that there were three common types of financial products offered by rural banks such as deposits, loans, and other services. The financial institutions were in extreme extent on market orientation with evidence of 6.43. It means that these financial institutions serve to the highest level and satisfy their clients' needs to an extreme extent. Besides, most of the respondents indicated strongly agree under innovation which implies that these financial institutions possess high innovation orientation and they can introduce new products, services, and systems that may add value to their organizations and customer satisfaction. Further, as to marketing assets and capabilities versus competitors, rural banks had a definite advantage regarding financial management. It means that they were able to plan and manage well the company's resources to attain its objectives and to be able to return maximum value to their shareholders. With this, it is at this moment recommended that the financial institutions under studied may continue to render best practices towards their clients. There should be a future study on other important aspects of bank service such as deposit interest rate, loan interest rate and accessibility in the questionnaires. Other reviews can also relate overall service quality with customer satisfaction and customer retention in financial institutions.

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