

# Characteristics of Marketing Plan in Commercial Banks of Armenia

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**Abstract**—A marketing plan is a comprehensive blueprint which outlines an organization's overall marketing efforts. A marketing process can be realized by the marketing mix, which is outlined in step 4. The last step in the process is the marketing controlling.

The marketing plan can function from two points: strategy and tactics (P. Kotler, K.L. Keller). In most organizations, "strategic planning" is an annual process, typically covering just the year ahead. Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead [1]. A marketing plan sets out how you are going to put your marketing strategy into practice. The marketing plan ensures that everyone in the business knows what you are trying to do and what they need to do to make it happen [2]. The purpose of marketing strategy should be to identify and then communicate the benefits of business offering to target market [3].

**Keywords**—Banking System, Financial Position And Results, Marketing Plan, Marketing Strategy, SWOT Analyze.

## I. INTRODUCTION

THE main sectors of the economy undergoing rapid growth include mining, energy, renewable energy, construction, IT, food processing and beverages, jewellery and diamond processing, as well as tourism (number of tourists having visited Armenia in 2013 - 957,240) and financial services. Construction, which receives large funding from foreign direct investment and remittances, is the most important sector of the economy. As a modernization attempt, Armenia has focused on development of small scale agriculture and small and medium enterprises to replace the old soviet agro-industrial model. Nonetheless, industry and agriculture remain outperformed by services.

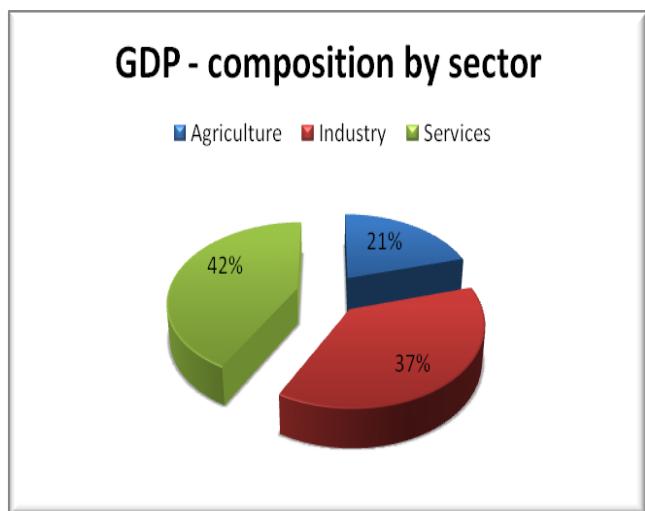


Fig.1. Gross Domestic Product – Composition By Sectors Of Economy In 2014

According to International Monetary Fund the Budget deficit in Armenia in 2014 will hit 1.5% of GDP, which is considerably lower than the state budget target of 2.3% of GDP.

According to IMF projections the inflation rate in 2014 will be 5%, while the World Bank projected 2.3%. Currently related to the events taking place in Russia, inflation has a tendency to increase. Armenian dram devalues significantly, and the prices for goods are rising.

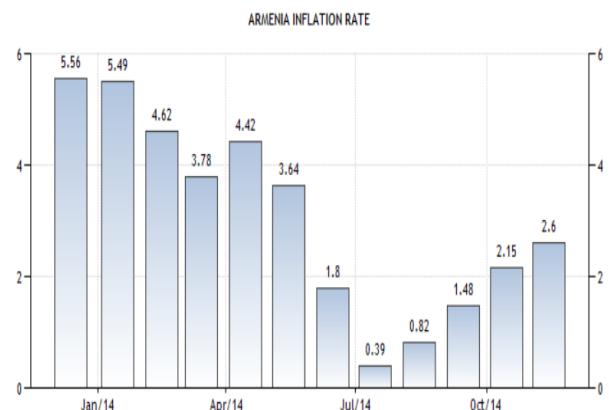


Fig.2. Inflation Rate In Armenia, 2014

The top three trade Partners of Armenia are Russia, China, and Germany. The top three exported goods are ores, beverages and precious stones and metals. The Export partners are Germany, Russia, Belgium, Georgia, USA, Iran, etc. Armenia mainly imports from Russia, Turkey, USA,

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Germany, China, Iran, etc. In Jan-Feb 2014 trade balance was -383.1m USD, while in the same period of the previous year it was -418.7m USD. The export decreased by 3.2% and the import by 6.7%. (National Statistical Service of RA).

#### A. Political Insight

Political instability is high as domestic opposition to Serzh Sargsyan, the president, is increasing. No resolution of the Nagorno Karabakh conflict with Azerbaijan is likely in the near or medium term. Following Armenia's shock decision in 2013 to join the Customs Union, Russia will consolidate its influence over Armenia's economy and regional security. The economy of Armenia is closely related and dependent from Russia, therefore any kind of events related to Russian economy directly impacts on the socio-economic life of Armenia. The current Russia's weakening economy leads to a decrease in demand of Armenian goods in Russia, which, in turn, leads to a reduction of export volumes. According to January-September, 2014 results, the volumes of export of goods and services from Armenia to Russia declined by USD 15.2 Mill or 6.5%. In the January-September period of the previous year the volume of export was USD 235 Mill, while in the first nine months of this year it fell to USD 219.8 Mill. Moreover, it should be noted that export volumes decreased primarily in a food product line [3].

Deterioration in Russia's economy also led to the decrease of private transfers entering the country. According to official statistics, in June of 2014, the volume of remittances from Russia (inflow) amounted to USD 118 Mill, while in the same period of the last year the inflow was USD 126 Mill. (Ministry of Finance)

It is worth mentioning that almost all of the most important objects of strategic importance in Armenia belong to Russia: Railways, Electricity, Gas, etc. On the other hand, a significant part of foreign investments in Armenia, about 40 %, also performs Russia.

According to the Armenian Development Agency the Banking sector in Armenia possesses three main characteristics:

According to KPMG Armenian banking sector overview 2014 Q1 results, as of 31 March 2014, there are 21 commercial banks operating in the Republic of Armenia having 489 branches from which 207 are located in Yerevan. The financial sector is regulated by the Central Bank. The law on banking is broadly consistent with international best practices. It is mostly regulated by three laws: the Law "On the Central Bank of the Republic of Armenia", Law "On Banks and Banking Activity" and the Law "On Bankruptcy of Banks, Credit Organizations, Investment Companies, Investments Funds' Managers and Insurance Companies". Banks are classified according to CAMELS international standards. (KPMG Armenia CJSC/ Armenian Banking sector overview 2014).

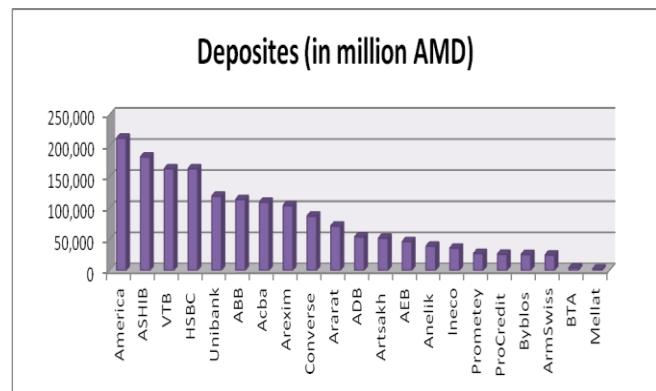


Fig.3. Deposits of Commercial Banks of Armenia In 2014

Source: © 2014 KPMG Armenia cjsc.

A SWOT analysis is used to monitor the internal and external position of the commercial banks of Armenia.

#### B. Strengths

The Banks has a number of marketing strengths, including:

- Skilled financial management
- High degree of flexibility and lean decision-making
- Good credit control and few bad debts
- Skilled employees, successful recruitment, effective training and development.

#### C. Weaknesses

• The areas where improvements are required are as follows:

- The banks has less penetration into the rural market
- The banks has less number of branches and ATM network compared to other major players
- The customer help desks are not performing efficiently and there are many unresolved issues of customers

#### D. Opportunities

The key opportunities available are:

- Rapidly growing market
- Building new client relationships
- Boosting the Bank's reputation as a reliable partner to the medium sized businesses

#### E. Threats

The Banks will need to be aware of and try to overcome the following threats:

- The bank faces tough competition in terms of new market development due to competition from both government and private banks
- It has to focus on improving the customer satisfaction in order to sustain the loyal customers
- Loss of several significant customers and employees

To reach the set goal first and foremost an optimization of the current products should be realized to figure out which areas of the business deserve more resources and investment. For this reason BCG Matrix will be used.

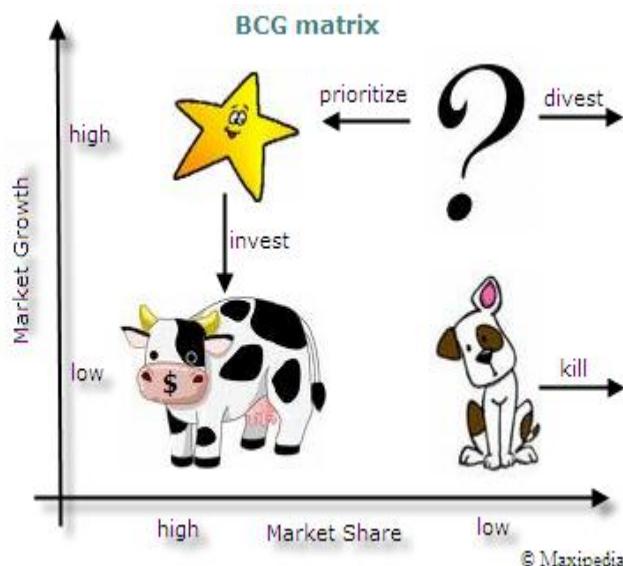


Fig.4. BCG Matrix For Commercial Banks of Armenia

If we look at the analyses of Very Small loan portfolio it is obvious that loans below USD 10,000 may be considered as “Dogs”: they have low growth, low market share, low potential, not profitable and require too many resources. Therefore, the Bank will stop providing Very Small loans below USD 10,000 and new limits will be set according to which:

- The minimum loan disbursement amount should be USD 5000
- The minimum outstanding exposure after disbursement will be USD 10,000 (the exposure is the total amount of all loans that the client has in the bank) [5].

If we look at the Small loan portfolio we will see that both the market share and market growth have positive tendency. There is a profit potential and the investments are justified. This portfolio is on its way to becoming stars.

Related to the Medium portfolio, there is a big potential and it is highly profitable, though the market share is still not big and investments are required. Thus, it is also on its right way to the “stars”.

The next step is to determine what marketing strategy to use to achieve the marketing objective. To do that Ansoff's Matrix will be used.



Fig.5. Ansoff's Matrix For Commercial Banks of Armenia

We will use market penetration strategy to gain higher market share and to increase the revenue. This strategy implies selling more in existing market which will be possible through the use of promotional methods, as well as by implementing additional packages that may attract more clientele and encourage the use of products. The key opportunities include providing good customer service that will put the Bank ahead of market perceptions and earn word of mouth advertising. Given that banks essentially sell the same services and products, differentiation is necessary to gain a competitive advantage by providing the consumer market greater value propositions.

## II. CONCLUSION

The Armenian banking sector accounts for approximately 92 percent of the assets of the Armenian financial system. As of 2012, the Armenian banking market included 22 commercial banks, with 442 branch offices. The collective equity of the banks equalled AMD 366 billion (\$897m USD); total assets, AMD 2.2 trillion (\$5.4b USD); and total liabilities, AMD 1.8 trillion (\$4.4b USD). Currently Armenian Banks provides the following services to its clients:

- Accounts\Deposits
- Visa cards \ Business Cards
- Business Loan for Investments\ for Working Capital \ Agro Loan
- Overdrafts \ Credit Lines
- Banking Guarantee \ Letter of Credit
- Loans to business owners to purchase business premises
- Housing\ Private Loans to Business owners
- Internet Banking Service
- Money Transfers
- SMS notification
- Regular payment of utilities

The main products that generate profit are loans. The Banks offers a variety of business loans to meet specific business requirements:

- Loans for Investments or Working capital are financial resources to boost working assets, make investments, acquire fixed assets, and buy and construct real estate. The resources can be either long -term or short-term, with fixed monthly installments or with a seasonal payment schedule to fit the cash flow.
- Business overdraft is the easiest way to create a liquidity reserve, which is always available to meet short-term needs, without requiring excessive amounts of documentation.

To be able to attract and keep small and medium sized business clients the Banks should be able to provide full package of services that business clients will need. In today's fast developing technology market it is essential to keep up with the time and constantly update the offered products and services. Today business owners prefer and largely use internet banking for their banking operations. Therefore an update of internet banking options will be implemented so that the Banks could provide advanced online banking facilities. From now on, business clients will have an opportunity to realize almost all operations via e-banking and

manage their financial resources on their own. The operations include:

- National / International transfers
- On-line loan applications
- Creating orders /applications
- Creating email and text alerts
- Paying Bills, etc.

In addition to Internet banking Mobile Banking service will be activated. This service is an innovation in Armenia and only HSBC has it. IT department will develop an App Store which will be available on the Banks official web site.

The options of Phone Banking also will be revised. Along with guiding clients, the call center staff will start to carry out transactions for the registered clients. The transactions include:

- Balance enquiry
- Transaction details enquiry
- Set up standing instructions
- Enquire on next installment and balance of loan account
- Change mailing/e-mail addresses
- Transfer funds between own accounts
- Repay a loan
- Activate a card, etc.

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