

INNOVATIVE SALES OF "E@SY LEASING" PRODUCT IN THE B&H LEASING MARKET

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Abstract

The paper is aimed at analyzing and determining whether the strategy of differentiation through introducing a new innovative product, „Easy Leasing“ results in the competitive advantage in the market. By means of new technological achievements, the „Easy Leasing“ product allows a more efficient and faster processing of the application for financing through leasing, and by means of intensive promotion allows better sales. The differentiation strategy used by VB Leasing relies on the process optimization through new technological achievements, and in this way achieves the differentiation. „Easy Leasing“ allows improvement of business efficiency in the B2B segment and thus leads to the company's greater profitability. This service requires a more intensive Internet use for e-sales, and allows a reduction of the time necessary for selling the product.

Due to market development and globalization, supply is becoming greater than demand; consequently, the role of marketing is increasing, with sales acquiring a vital role. The crisis impact on the leasing market is obvious, and its consequences will inevitably be reflected on the economic environment where leasing companies do business in the forthcoming period as well. If a leasing company wants to maintain its market share, all the company functions should be directed toward achieving the set goals. Sales has a central role in leasing companies, both from the aspect of implementing the business marketing concept and from the aspect of ensuring revenues for covering all the business costs and the remainder for business profit. The paper will also provide a review of the role of sales force, which is the link between the „Easy Leasing“ product and final service users.

The paper will use primary research among car dealers by means of survey questionnaire. Scientific analysis will determine their satisfaction with “Easy Leasing”, whether the innovative product singles the company out of the competition; it will also assess the new product’s recognizability, all from the aspect of increasing the leasing company’s business efficiency and an increase in its market share.

JEL Classification: M31, O15,

Keywords: Leasing service, differentiation, innovative product, marketing, sales determinants, customers, human resources.

INTRODUCTION

Market development and globalization make supply greater than demand; consequently, the role of marketing gains significance and sales obtains the vital role. The ultimate goal of marketing activities is the successful satisfaction of customer needs and ensuring its own successful business. It is impossible to separate strategy from marketing approach and expect results (Kotler; 2006, p.176).

Leasing companies’ activity in the Federation B&H is regulated by the Law on Leasing, which came into force in 2009. During 2012 and 2013, economic trends in the surroundings had a negative effect on local economy due to the overflow of debt crisis from the Eurozone and the region. This resulted in the trend of local production weakening, which has been present since 2010 and which has slowed down leasing companies’ business activities as well. The crisis impact on the real sector is evident, and in the forthcoming period its consequences will inevitably reflect on the economic environment where leasing companies operate. It also affected the balance total of leasing companies in the Federation B&H which, as of 30 September 2013, amounted to 26,037 thousand KM, which is by 9.84% or 68,327 thousand KM lower than on 31 December 2012. The above amount of assets refers to six leasing companies, while the amount of total assets as of 31 December 2012 referred to seven leasing companies (one leasing company’s license for performing leasing activity was revoked) (Banking Agency of the Federation of Bosnia and Herzegovina; 2013, p.45).

If a leasing company wants to retain its market share, all the functions in the company should be focused on achieving the set goals, the sales function obtaining the pivotal role. Sales department communicates directly with customers and by selling its products satisfies customer needs, and in the same time ensures income

and provides prerequisites for profitable business. This role places the sales department on the front line of communicating with customers and provides it the central role in achieving both customers' and the leasing company's goals. In order to keep the sales function successful, the company must permanently work on innovating its products, aimed at satisfying customer needs. Easy Leasing is a new, B2B module product, which offers a fast and efficient way of selling vehicles, equipment and machinery through leasing. The high-quality service via Easy Leasing allows the improvement of business efficiency in the B2B segment, and thus leads to greater efficiency and profitability of the entire company's business. Through a more efficient and faster processing procedure, the "Easy Leasing" product makes financing through lease more efficient and faster and thus, through intensive promotion, allows greater car sales. This service requires more intensive use of the Internet for e-sales, and allows the reduction of the time needed for service sales. "Marketing department can be efficient only in companies where all departments and employees joined forces in order to create a competitively superior system of the value delivered to consumer." (Kotler; 2006, p. 463).

Starting from the pivotal role of sales department in leasing companies both from the aspect of implementing the marketing concept and from the aspect of ensuring income for covering all business costs and the balance for business profit, it is necessary to analyze the quantitative and qualitative sales determinants.

QUANTITATIVE AND QUALITATIVE SALES DETERMINANTS

Qualitative indicators should allow the successful and efficient leasing service sales from the aspect of quality. Qualitative sales determinants can be defined as indicators that refer to the sales quality as: sales activities, sales organization, sales planning, sales management, sales human resources, running sales, sales control, sales and product/service range, sales and price policy, sales and promotion, sales and distribution. "With its active functioning, sales obtain the central role in the marketing concept. Some theoreticians' remarks that marketing development may result in the disappearance of sales and loss of its significance are unacceptable. It is necessary to point out that the increased competitors' efforts, increased supply and market globalization lead to the increased supply and that it is the sales department's task to sell the company's products in a bulk of same or similar offers that can successfully satisfy customers' needs and desires" (Grabovac; 2005, p.30).

Qualitative methods of forecasting the leasing service sales are based on professionals' estimates, and can include: estimates by the leasing company's sales representatives, estimate by the leasing company's manager and research into the leasing service customers' intentions.

Quantitative sales determinants refer to the physically expressed volume of sales, and are mostly expressed in sales quantities and values. It makes it possible to determine sales quotas for a defined product or a defined consumer segment, market share, etc. Quantitative sales determinants must be planned, their performance must be monitored and the achieved results analyzed.

Quantitative methods of forecasting the leasing service sales are based on: trend methods, correlation methods, regression methods, and econometric methods.

"The sales planning process is an activity based on analyzing the present sales conditions and forecasting future sales on the grounds of expected events. The sequence of activities in the planning process is defined, since one activity depends on the previous one and is conditions by its statements" (Grabovac; 2005, p.429).

Based on the combination of methods for forecasting the leasing service sales in the tabular comparison of obtained results, it is possible to make the final version of forecasting the leasing service sales, which will form a basis for developing the sales plan. In order to implement its strategy and position itself in the market, or else to keep its market position, the leasing company must permanently innovate its product. The differentiation strategy applied by VB Leasing relies on the process optimization through new technological achievements, and in this way achieves the differentiation through competitive advantage. "Differentiation can be built upon brand loyalty, product quality, product innovation, and company or product style and image" (Thompson et al.; 2008, p.115).

INNOVATIVE NEW PRODUCT "E@SY LEASING"

Every product or service must have a clearly defined market position, and therefore the VB Leasing company strives to be the leader in the leasing market. Easy Leasing, its slogan being "E@SY LEASING - FORMULA FOR THE FASTEST LEASING" is a new product by the leasing company, i.e. a new service that allows a sales person in the indirect distribution channel to use a B2B application and the Internet to send, to VB Leasing head office, documents necessary for leasing application processing. In this way, the application is immediately processed and

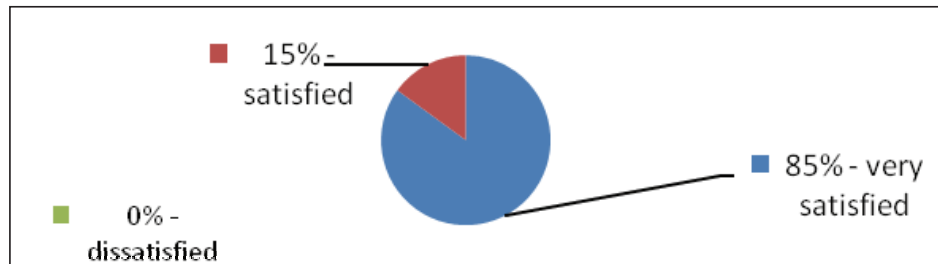
has the priority status. The entire processing procedure is completed in a very short time, considerably faster than by competition, and without the repeated client's visit before signing the contract.

By means of the new, innovative "Easy Leasing" product, i.e. service, the VB Leasing company will prolong the service life of its services. "Product is the most important marketing mix element. The essence of a product existence is reflected in satisfying a defined need. Understanding customer needs is certainly a good job. Clients' needs can be properly satisfied only if companies offer their services or products in a way better than their competitors', so that clients feel they have received more..." (Solomon et al.; 1999, p.11). Services, like products, have their service life, regardless of how successful they are in one business cycle. A company will inevitably experience a decrease in its business activity if it does not keep pace with clients' requirements and needs. The new product can ensure a competitive advantage for the company and attract leasing service users through indirect sales channels. In their discussion of competitive strategies, Prof. A. Thompson et al. (Thompson et al.; 2008, p.115) give priority to the question as to whether the target market segment is too broad or narrow, and whether the competitive advantage the company hopes for is related to low cost or product differentiation.

At the very point of sale, by means of B2B online module, dealers are directly linked to VB Leasing, and when offering their product (car sales) they have the opportunity to offer the leasing service as well and prepare the suitable offer for its financing. Dealers who have access to the B2B module, i.e. Easy Leasing application, prepare the offer and application for financing, which they can print with the already entered client data. The dealer forwards the described offer to VB Leasing for approval via the B2B online module, together with the quotation, application for financing and other documents. Immediately upon receiving the information that the offer has been accepted by the client, employees at the contract department set to analyze the client. The specific of this way of working is that the dealer has access to the offer status at any time. Client's acceptance of the offer takes place in the presence of the dealer, who confirms it by signing the filled-in application for financing. In the meantime, client is able to collect the necessary documents and have the financing application certified by his employer. The crucial advantage of Easy Leasing service for clients who deal with VB Leasing in this way is in that such applications have priority over others.

The research was conducted at the point of sale, i.e. at the car dealers' by means of a survey questionnaire. Research results revealed that 85% dealers are 'very satisfied' with the Easy Leasing application, and that 15% are 'satisfied'.

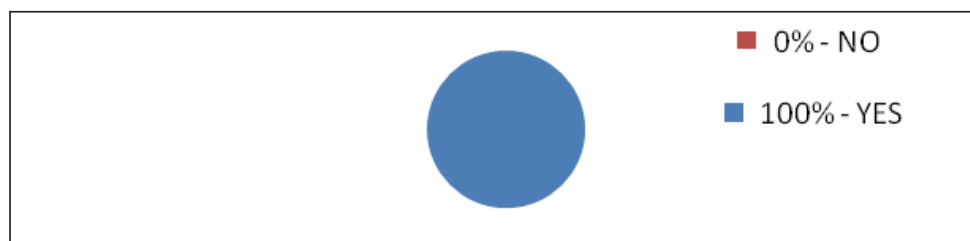
Figure 1: Dealers' satisfaction with the Easy Leasing leasing application



Source: Authors' creation (Own primary research)

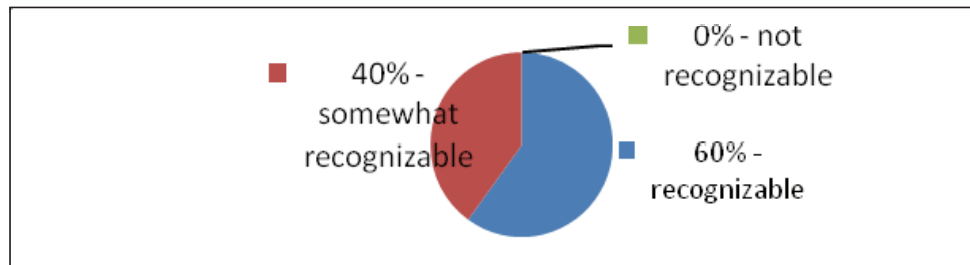
With respect to question "Does the Easy Leasing product differentiate the VB Leasing company from its competition", all the respondents replied that the Easy Leasing service differentiates the VB Leasing company from competition.

Figure 2: Does the Easy Leasing product differentiate the VB Leasing company from competition



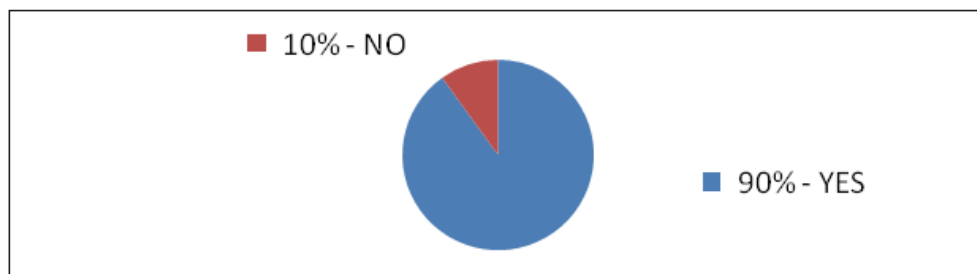
Source: Authors' creation (Own primary research)

Besides, the recognizability of the Easy Leasing product was assessed, with the following results: 60% respondents claimed that the Easy Leasing product is recognizable, while 40% responded that it is somewhat recognizable. "In order to create a positive image, the differentiation marketing strategy should offer, to customers, something unique and particularly valuable to them, which other suppliers cannot offer" (Porter; 1980, p.119).

Figure 3: Assessment of the "Easy Leasing" product recognizability

Source: Authors' creation(Own primary research)

In the course of primary research, all the respondents gave the affirmative answer to the question, "Has the promotion of Easy Leasing contributed to the increase in VB Leasing service sales?", while the question, "Has the promotion of Easy Leasing increased the sales of your product / cars?" was answered affirmatively by 90% respondents and negatively by 10%, which is shown in the graph.

Figure 4. Has the promotion of Easy Leasing contributed to the increase in your product sales

Source: Authors' creation(Own primary research)

The research leads to the conclusion that promotion is a visible part of marketing process, and a very important one, since the target market would perhaps not have heard of the Easy Leasing service had it not been for the promotion. Promotion is to be credited for the fact that target segment becomes aware of the existence and availability of the Easy Leasing product.

Easy Leasing clients, i.e. end users, form the opinion of the Easy Leasing service quality based on the people who represent VB Leasing.

HUMAN RESOURCES IN LEASING SERVICE SALES

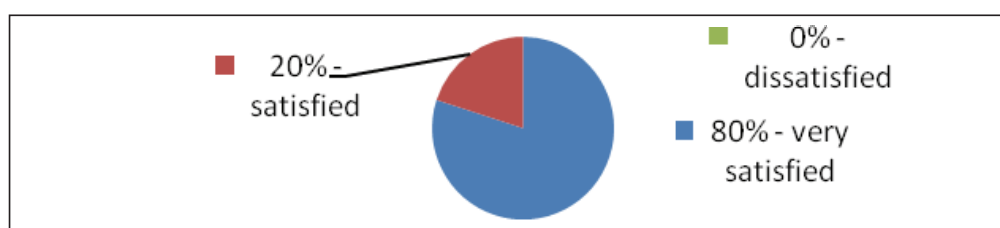
Modern role of human resources in leasing service sales derives from the leasing service complexity, maximum focus on customers and an increasing market compe-

tition. The modern role of leasing service sales representative does not include mere offering and selling of leasing services. Their role and task is increasingly becoming a factor that comprehensively satisfies customer needs. Sales representatives provide the customer with the needed means, as well as propose and resolve the problem of ensuring financial resources with which the latter will pay for the needed and acquired means through annuities. Due to the leasing service complexity, the seller also suggests, to the buyer, other solutions besides the use of leasing service.

Sales staff is a link between Easy Leasing and end users of Easy Leasing service, and they must therefore possess proper interpersonal skills, as well as the knowledge of Easy Leasing services.

Besides personal sales, leasing companies achieve a significant sales volume through the indirect sales channel, i.e. through dealers. In the latter case, personal sales proceed through the dealer's sales representatives. VB Leasing company regularly invests into the training of its own staff as well as of the dealers' sales staff, which can be seen from the responses to the question about the satisfaction with training and communication provided by VB Leasing employees related to Easy Leasing service: 80% are very satisfied, while 20% respondents claimed to be satisfied. No respondent claimed to be dissatisfied with the training.

Figure 5: Satisfaction with training and communication



Source: Authors' creation (Own primary research)

ANALYSIS OF THE LEASING COMPANY'S RELATIONSHIP WITH END CUSTOMERS

In the course of primary research, customers were surveyed about five elements as important for the leasing company's relationship with end customers; respondents were asked to grade their respective importance on the scale: unimportant, slightly important, important, very important, and extremely important.

All the collected data are presented in the table. Customers were surveyed about the following five elements:

1. direct communication,
2. simplicity of acquiring the desired equipment,
3. repayment of installments from future income,
4. maintaining liquidity, and
5. possibility to increase the leasing package.

Figure 6: Importance of individual elements for customers

No	RESPONSES	DIRECT COMMUNICATION	SIMPLICITY OF ACQUIRING DESIRED EQUIPMENT	REPAYMENT OF INSTALLMENTS FROM FUTURE INCOME	MAINTAINING LIQUIDITY	POSSIBILITY TO INCREASE LEASING PACKAGE
1.	UNIMPORTANT	0.0%	0.0%	0.0%	9.4%	5.2%
2.	SLIGHTLY IMPORTANT	3.4%	0.0%	0.0%	7.8%	13.9%
3.	IMPORTANT	47.3%	19.1%	10.1%	23.8%	19.9%
4.	VERY IMPORTANT	37.0%	48.9%	41.0%	34.1%	40.4%
5.	EXTREMELY IMPORTANT	12.3%	21.0%	48.9%	24.9%	20.6%
	TOTAL	100%	89%	100%	100%	100%

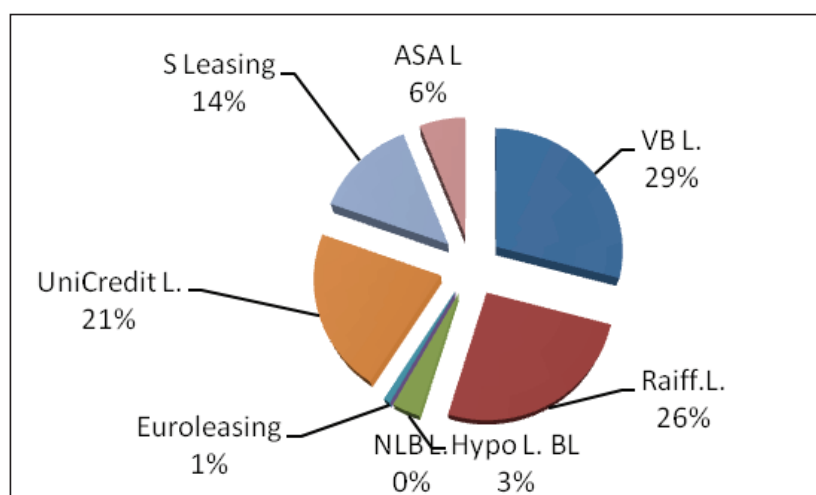
Source: Vujić S. Own research (2013)

With respect to the importance of direct communication, a total of 3.4% respondents pointed out that it is slightly important while all the others – 96.6% emphasized the importance of this element. As for the simplicity of acquiring the desired equipment, all 100% customers responded that it is important. As for the third element, the importance of repaying installments out of the future income, the entire sample, i.e. 100% customers claimed that it is a particularly important issue while no customers responded that it is unimportant. As for the question related to the importance of maintaining liquidity, 82.8% customers believe that the element is important, while 17.2% claim that it is unimportant or slightly important. A total of 80.9% respondents believe that the possibility to increase the leasing package is important, while 19.1% claim that it is unimportant.

LEASING MARKET ANALYSIS

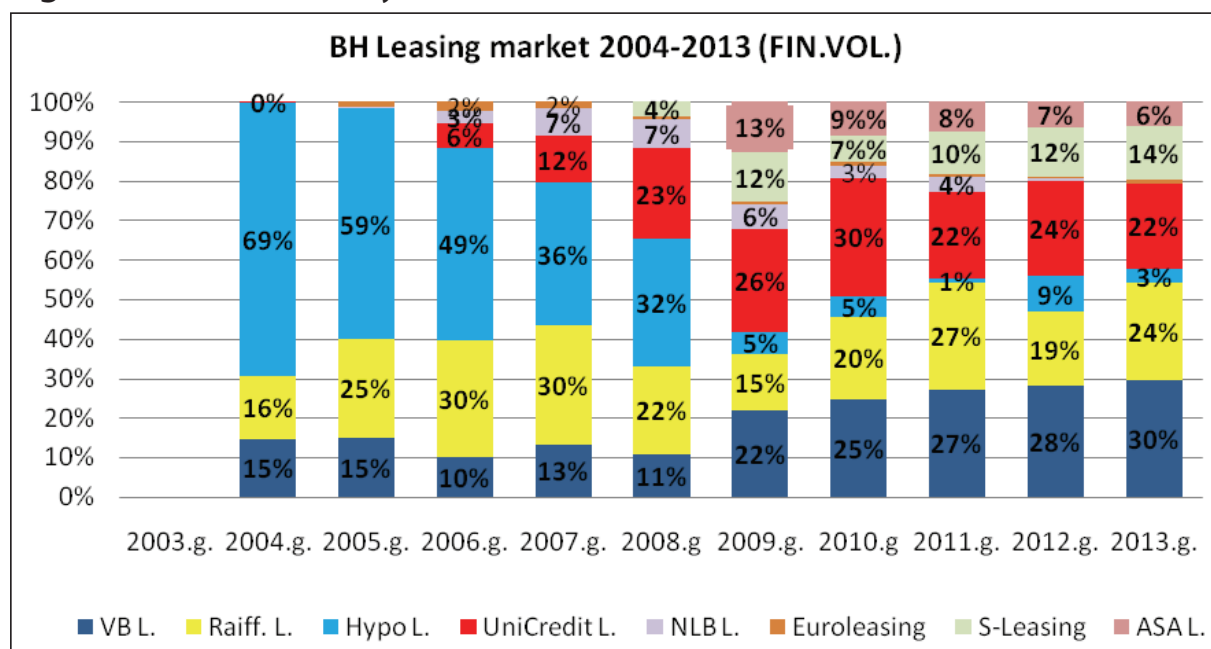
VB Leasing doo must take into account the best positioned competitors. At the moment, the direct competitors in the B&H market are companies Raiffeisen Leasing doo, UniCredit Leasing doo and S Leasing d.o.o. These competitors are actually members of the priority competitor category, and their strategies and plans must particularly be taken into account when choosing and developing the marketing strategy. A few factors at the global level affect building close ties between a company and its significant customers. Above all, they include the increase in global competition, increasingly strong requests for improving quality, fast technology development, and accepting the 'just in time' comprehensive business philosophy (Kesić; 2003, p.543).

Figure 7: Market share by financial volume, total at the end 2013 (in 000 KM)

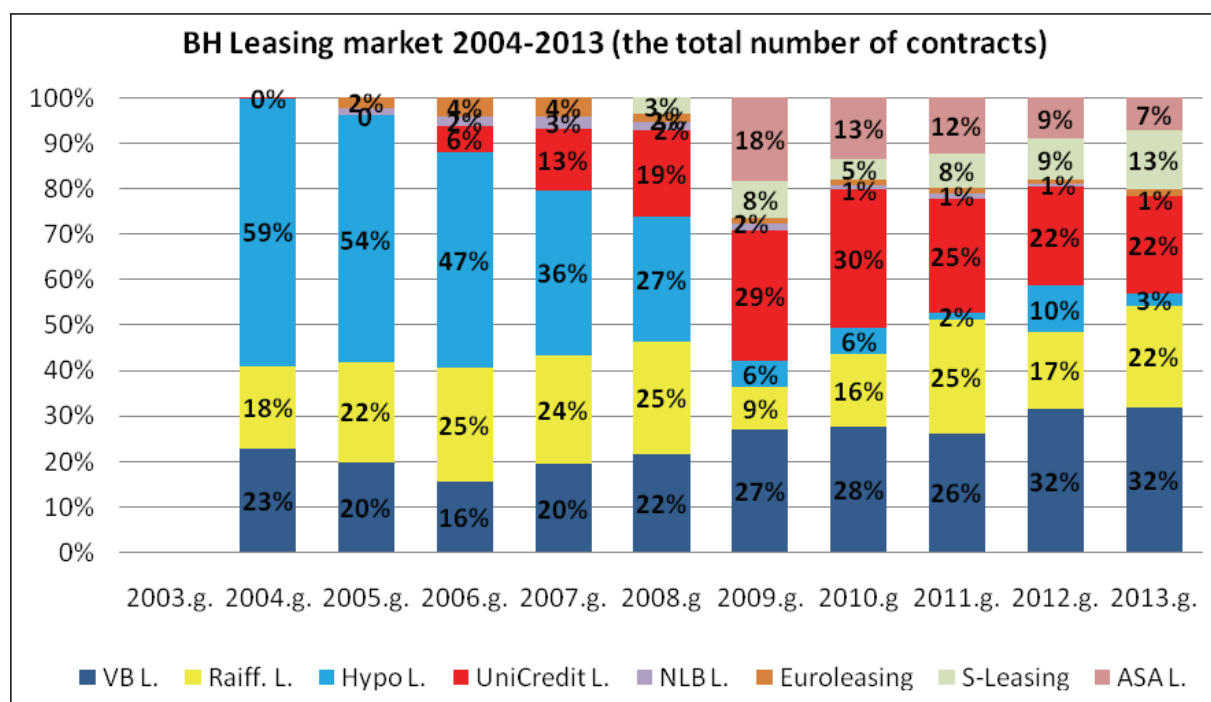


Source: Vujić, S. Own research (2013)

VB Leasing doo company has not always been the market leader, but it has had a significant share in the movables market (it has always been among the first three leasing service suppliers). In 2010, VB Leasing doo, with about cca 1100 contracts, was the second best company in the market, with UniCredit Leasing on the top position with somewhat over 1300 contracts in the same year. Viewed in a long term, VB Leasing has been constantly experiencing an increase in the number of contracts, and an increase in the financing volume, and thus in 2012 it signed somewhat over 1700 contracts and won the market leader position. By the end of 2013, these trends continued, and the VB Leasing company maintained its leading position. According to the financial volume, its market share amounted to 30%, while by the number of contracts it was 32% of the market.

Figure 8: Market share by volume (in 000 KM)


Source: Own creation, data by the Association of Leasing Companies of B&H

Figure 9: Market share by the number of contracts and years (in 000 KM)


Source: Own creation, data by the Association of Leasing Companies of B&H

Despite the volatile economic conditions in Bosnia and Herzegovina, VBLeasing is the leader by financial volume as well, owing to about 53,000,000 KM financial volume of new business in 2013. It can be concluded that by introducing the innovative product VB Leasing improved and strengthened its position in the leasing market.

CONCLUSION

Competition in the leasing service market is manifested through improving the service quality, faster application processing and providing additional incentives with the emphasis on the higher service quality and fast application processing. Innovative solutions that raise the company's service quality are the guideline for satisfying clients and the foundation for further company development.

Easy Leasing is a service that offers a fast and efficient way of sales through leasing. By means of B2B online module, dealers are directly linked to VB Leasing, and while selling their products, e.g. cars, they can also offer the leasing service and prepare the suitable offer for its financing. The greatest advantage of Easy Leasing service is that it offers the approval of leasing application within an hour. One of the most important details achieved by introducing E@sy Leasing is a long-lasting and permanent link, i.e. strengthening of ties between partners on a long-term basis. It makes the competition access more difficult since competition would have problems if they wanted to regain part of VB Leasing's market. In order to "penetrate" the market, competition must be willing to invest considerably, i.e. grant considerable discounts to clients and partners, which ultimately brings the entire financing business into the unprofitability zone.

In order to achieve a fast and efficient way of sales, all activities in the sales process must be clearly defined, in order to avoid confusion and promote service consistency. One of the pre-requisites for successful launch of Easy Service sales is a well-developed distribution network.

VB Leasing promotes Easy Leasing services to the following player in the distribution channel, i.e. to the dealer, and by improving their sales, i.e. allowing fast financing, the latter sells their products more easily, and thus promotes Easy Leasing services to the end user; in this way, successful promotion increases sales.

It is only with educated and professional staff that speed and flexibility can be achieved, and thus generate future success. Training should be viewed as a continu-

ous process which results in the increased interest in Easy Leasing services by new dealers, and strengthening of the existing partners. Training of the dealers' sales staff is aimed at achieving the long-term competitive advantage.

Primary research results indicate the total end users' satisfaction with dealing with the leasing company. The leasing company develops and nourishes its relations with end users, particularly in the direction of: creating and developing the database of end users and potential users, attracting, retaining and developing end users, building end users' loyalty to the leasing company, decreasing end user drain, and creating strong ties with end users.

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