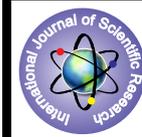


## Marketing Challenges – Bank's Financial Products



### Finance

KEYWORDS :

**Ramesh. Pai. A**

Research Scholar, & Assistant Professor, Srinivas Institute of Management Studies, Pandeshwar, Mangalore-575001.

**INTRODUCTION:** As a consequence of LPG reforms of 1990s, the entire Banking and Insurance structure has undergone a major change. As part of the economic reforms, Banking industry has been deregulated and made competitive. New players have added to the competition. I.T. revolution has made it possible to provide ease and flexibility in operations to customers. Rapid strides in information technology have, in fact, redefined the role and structure of Banking in India. Further, due to exposure to global trends after Information explosion led by Internet, customers – Individuals and Corporates – are now demanding better services with more products from their Banks. Financial market has turned into a buyer's market. Banks are also changing with time and are trying to become one-stop financial super-markets. Market focus is shifting from mass banking products to class banking with introduction of Value added and customized products.

**OBJECTIVES OF STUDY: This paper intends to –**

- (1) Define bank Marketing
- (2) Explain the application of Marketing Mix in Banks
- (3) Describe different strategies to sell Bank-products
- (4) Discuss various distribution channels of Banks.

**RESEARCH PROPOSAL:** Eventhough the Banks in the Public and Private sector (also the foreign banks to certain extent) have been deregulated to a great extent, the individual banks will not be allowed to go beyond the threshold limit when they formulate marketing strategies, especially in respect of interest rates, statutory compliances and social responsibilities. This

regulatory task on each of the Banks is always been taken care of by the Reserve Bank of India. Within the purview of the deregulated environment, how each bank could succeed in framing and implementing their marketing strategies so as to maximize their business turnover and profits, is the research proposal. For which, the existing 'best practices' have to be understood in detail, and how they can be modified as 'next practices' for the benefit of the Banks as well as the clientele-base.

**BANK MARKETING:** A Bank is a financial institution that accepts deposits and channels that deposits into lending activities. Bank marketing refers to all those activities that cater to the financial and other related needs of the customers, keeping in mind the objective of customer satisfaction. Customers deposit their money with banks only if the bank is a trusted in the Industry and banks give loans only to the trusted customers who have passed all credit norms. For Banking industry, trust is more important than capital. With ever increasing financial needs of the people and their changing preferences and beliefs, banking has gained a lot of importance for all classes alike. Market is expanding a big time for this industry. Corporate lending has become important area of business for many Banks. With advent of non-banking financial institutions, banks are facing an aggressive competition in the market, banks need to gear up to thrive in this new market.

**FORMULATION OF MARKETING MIX:** The marketing mix for the banking sector consists of 4+3Ps. This is called an extended marketing mix. The marketing mix for banking sector would now include:

**(1)Product/Service Offer:** The services offered by a Bank would be its products. Banking products include Savings account, Current account, Term deposit account, Cash Credit, Car loans, Certificate of Deposits, Housing loans, Commercial papers, Personal/consumption loans, Consumer-durable loans,

Loans against shares/gold, Pledge/key loans, etc. All these products are designed according to the need of the customers. Different banks have given them different names to attract and retain their customers.

**(2)Price:** The price paid by the customers decides the demand for the service and also the margins and revenues generated by it. Banks have been generating revenue mainly by charging interest on loans. But with changing times, banks also have many other sources of income like annual credit and debit card charges, penalties, commission on cross-selling etc., these pricing policies may be cost based, customer based or competition based.

**(3)Promotion:** Banks are advertising heavily these days to attract customers. Due to heavy competition the sector, even major players like SBI, PNB have started extensive promotions. Designing a promotional strategy involves advertising, sales promotion, publicity, public relations, personal selling and direct marketing. However, they also run interesting and creative advertisement to attract customers. Banks also provide various schemes to attract the customers like lowered interest rates on loans, increased interest rates on fixed deposits, free gifts, customer oriented schemes etc. All these promotional strategies are aimed at increasing the customer base while retaining the old-ones.

**(4)Place:** (Distribution/Service Channels)-The Banks are almost direct in their approach. But nowadays they also provide alternate channels for banking like Internet banking, telephone banking, ATMs, Plastic cards and Mobile banking.

**(5)People:** People are very important aspects of banking marketing. The human resource plays vital role in deciding the fate of the company. Banks should hire people who have adequate knowledge about the banking products and current scenario. People at bank should be helpful and have patience. People who came to the bank for opening an account or for loans often do not know the procedures. Therefore, it is the responsibility of the assigned person at the bank to deal with them patiently and solve their problems.

**(6)Process:** It is a tactical tool for service marketer to achieve his goals. People tend to include the service delivery in the service itself. All the work can be described in the form of a process.

All the activities, procedures, tasks and mechanisms are part of the service delivery process. In Banks, the process starts right from the reception of customers. It includes processing documents, giving feedback, dispatching necessary documents and all. It also includes policy decisions regarding level of customer involvement and employee discretion. Even the decision making process is a part of service delivery. There has to be a constant co-ordination between marketing and operating personnel.

**(7)Physical Evidence:** It refers to the service-scope and all the tangibles attached to the service. It includes the facility design, the equipments, signage, employee dress, documents, reports, slogans, business cards, logo, statements etc. They give a tangible feel to the service. In banks, the temperature, air quality, noise level, odor, layout, furniture, fixtures, furnishings, personal dress, style of décor etc., matter a lot. People feel good when all these things are taken care of.

**PROMOTIONAL STRATEGY IN BANKS:** The banking industry has been facing intense competition since the opening up of the economy and entry of foreign players. Indian banks have also

geared themselves up by upgrading their services and promoting themselves extensively. Banks use different promotional techniques like personal selling, advertising, discounts, melas etc. State Bank of India held Home loan melas and property fairs as markets became competitive. ICICI and HDFC opened up call centers to assist customers. Their customer care executives contact the customers personally and on phone to recommend new services to them. Banks have also tied up with various other companies, for mutual benefit as well as customer's benefit. For instance, ICICI bank has tied up with HPCL to offer a credit card to its customers, which offer them many discounts and freebies. Banks have also tied up with various Petrol-pumps to open up their ATMs at the petrol-pump to facilitate customer usage. Banks also tie up with Malls and Retail outlets for setting up their ATMs and increase usage of their bank's debit cards.

Banks also advertise heavily; they put up hoardings specifically in commercial areas, where the working professionals and businessmen can notice them. Banks also do segment advertising like they advertise for children education loans, travel loans, car loans, etc.

**RELATIONSHIP MARKETING:** According to Berry and Parasuraman, "Relationship Marketing is attracting, maintaining and in multi-service organizations, enhancing customer relationships". According to Shani.D and Chalassani.S, relationship marketing "is an integrated and coordinated effort to identify, maintain and build up a network with individual consumers and employees and continuously strengthen the network for the mutual benefits of sides, through interactive, individualized, and Value added contacts continuously and over a long period of time".

The customer is the main compelling feature for focusing the activities of the service marketer. Here, the service marketer should concentrate on the service transaction process-less with the intent to hook the customer and turn the encounter into a successful sales transaction and more with a view to completely satisfy his need. The service marketer should build long term relationships which results in repeat encounters and successful customer retention. Many banking firms, cushioned by monopoly and control regimes, did not have customer orientation and instead followed the transactional route, looking for short-term objectives. It was easier and required less involvement on the part of the service marketer. But many realized that it was turning out to be expensive to create customers- and then keep creating more. It was cheaper to have effective customer retention strategies in place.

Relationships between the customer and the banking service provider keep changing from the time of their acquisition to their retention. In the beginning the relationship is that of prospects, of mutual evaluation. After they have decided to choose each other, the banking firm re-designates the prospect as a customer. He has potential and there is tremendous scope for them to symbiotically grow with each other. Need analysis of the customer is made and the customer feedback in strength-weakness analysis of the provider for his range of services.

The customer begins to trust the provider and the provider categorizes him as a high network entity. The customer metamorphoses as a client. He now merits individual and personalized attention from the service provider. With stronger relationship, to varying degrees, becomes an unpaid salesman of the service him. From a supporter of the firm he becomes an advocate, recommending the firm to whoever seeks referrals. He often eulogizes the service provider, unsolicited. In other words, so delighted is the customer with the service that he has metamorphosed into a missionary. That would be termed as successful service marketing exercise. Thus, for a Banking form, its marketing philosophy should be:

- (1) To acquire customers,
- (2) To retain customers,
- (3) To deal only with profitable customers.

**DISTRIBUTION CHANNELS IN BANKING:** A distribution channel consists of a set of people, or, firms who are intrinsically involved in the transfer of goods or services from the producer to the end-user. The end-user could be an individual customer or an Industrial consumer. A channel of distribution includes the producer of the goods and services, the consumer of the same and a series of middlemen like wholesalers, dealers, retailers, agents etc.

Specifying the role of distribution, the service form should be clear about the role it envisages of distribution in the context of the other elements of its marketing mix. A distribution should synchronize with the other marketing orientation and objectives. ICICI Bank was the first to extensively use ATMs to achieve quick growth, market penetration and avoid the dangers of variability; Ceat tyres was the first off the mark in setting up company-owned Ceat-Shoppe stores. In brief, the service banking firm should choose a distribution channel in line with its strengths, which would satisfy its customers and beat the competition. These strategies of Marketing are also gaining place in the domain of new private sector banks and some of the foreign banks.

**CONCLUSION:** The traditional banking firms never thought of marketing their products and services; only the neo banking institutions and foreign banks which entered into this service industry in the post LPG era felt the necessity of 'approaching' the prospects for any type of business, and by applying marketing strategies convert the prospects into a customer, and by extending him need-based services at his door step make him a 'missionary' of the Bank. The scope of banking service has totally transformed itself over the last two decades due to the setting up of separate 'marketing department' in each of its controlling offices as well as in big branches located in metropolis and trade-centered cities. There is scope for conducting research in these areas where the strategy adopted in each bank might vary quantitatively as well as qualitatively. The performance of marketing departments on the basis of "present practices" adopted by each of these banks can also be taken up on a comparative basis for Analysis and for future corrective actions.