

BANK MARKETING MIX: NEW STRETEGY IN TODAY BANKING SECTOR

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ABSTRACT

Bank marketing in general and Customer Relationship Management (CRM) in particular are of vital importance for Indian banks, particularly in the current context when banks are facing tough competition from other agencies, both local and foreign, that offer value-added services. The Role of marketing in the banking industry continues to change. For many years the primary focus of bank marketing was public relations. Then the focus shifted to advertising and sales promotion. That was followed by focus on the development of a sales culture. Today banking sector all elements of the marketing concept – customer satisfaction, profit integrated framework and social responsibility are all equally important.

When applying marketing to the banking industry, the bank marketing strategy can be said to include the following:-

- A very clear definition of target customers.
- The development of a marketing mix to satisfy customers at a profit for the bank.
- Planning for each of the source 'markets & each of the use 'markets.

Main principal aspects of Bank Marketing are- Customer Oriented Services, Design & Delivery of Such Services Corporate Objectives of the Bank, Environmental & Other Constraints. The second element in formulation of marketing strategy in banking sector is development of proper marketing mix (product, place, price, promotion, people, process, physical evidence) so as to satisfy the needs of the target group of customers. With the help of 4'Cs (customer solution, customer cost, communication, convenience) use of marketing mix in banking sector is increasing day by day. The bank marketing mix concept is very important for every bank in tough competition. Use of 7'p and 4'c for bank and implementation of these concepts in banking sector shows the Role of marketing in bank in present Era. In bank marketing, marketer uses both "**Collective**" and "**Selective**" approach to attract and convince the target customer .It is the aggregate of functions, directed at providing services to satisfy customers' financial (and other related) needs and wants, more effectively and efficiently .

Keywords: Bank Marketing Mix, Social Responsibility, Collective & Selective approaches, Customer Relationship Management.

INTRODUCTION

The Role of marketing in the banking industry continues to change. For many years the primary focus of bank marketing was public relations. Then the focus shifted to advertising and sales promotion. That was followed by focus on the development of a sales culture. Although all the

elements of the marketing concept – customer satisfaction, profit integrated framework and social responsibility – will remain important, customer satisfaction must receive the greatest emphasis in the years ahead. The chief concerns of most bank executives still focus on legal and regulatory issues, according to most surveys. Community banks are particularly concerned with eliminating barriers that give unfair advantages to financial services competitors, such as credit unions. However, another concern pertains to technology.

Table-1: Bankers Identify Near Term and Long Term Concerns

1995	2015
<ul style="list-style-type: none"> • Maintaining profitability • Credit Portfolio Management • Service Quality • Regional Economy • Cost Management / Expense reduction • Declining Earnings/ more failures • Market / customer focus • Capital adequacy • Stock market value • Industry Overcapacity 	<ul style="list-style-type: none"> • Service quality • Maintaining profitability • Market / customer focus • Operations/systems/technology • Credit portfolio management • Productivity improvement • Investment to stay competitive • Stock market value • Asset/liability management • Electronic Banking

When this gateway system was first proposed, access to the Internet was very new and few banks had the resources and knowledge to set up their own direct-access lines for customers. Customers have shown a growing interest in online banking services, and banks have responded by quickly putting in place proprietary sites on the World Wide Web and offering PC banking. With 24-hour access to either automated information or live operators, customers do everything from check their accounts to apply for a loan. Bank executives also identified PC banking as having the most promise for the future, followed by Interest access and broad function kiosks.

Marketing Concepts

Its application to Banking, when we apply marketing to the banking industry, the bank marketing strategy can be said to include the following –

- i) A very clear definition of target customers.
- ii) The development of a marketing mix to satisfy customers at a profit for the bank.
- iii) Planning for each of the source ‘markets & each of the use’ markets (A Bank needs to be doubly market – oriented – it has to attract funds as well as were of funds & services. Organization & Administration.

Marketing =?

Marketing is the sum of all activities that take you to sales. Marketing is all about creating a pull, sales is all about push and about managing the four P’s –

- product
- price
- place
- promotion

Scope – What do we market

- Goods , Services ,Events , Experiences ,Personalities ,Place , Organizations, Properties , Information , Ideas and concepts

(Source: **Marketing Management-A South Asian Perspective, 13th Edition by Kotler, Keller, Koshy, Jha**)

Core Concepts of Marketing

Based on:

- Needs, Wants, Desires / demand
- Products, Utility, Value & Satisfaction
- Exchange, Transactions & Relationships
- Markets, Marketing & Marketers

BANK MARKETING

We define bank marketing as follows: —**Bank marketing is the aggregate of functions, directed at providing services to satisfy customers’ financial (and other related) needs and wants, more effectively and efficiently.** This aggregate of functions is the sum total of all individual activities consisting of an integrated effort to discover, create, arouse and satisfy customer needs. This means, without exception, that each individual working in the bank is a marketing person who contributes to the total satisfaction to customers and the bank should ultimately develop customer orientation among all the personnel of the bank. Different banks offer different benefits by offering various schemes which can take care of the wants of the customers. Marketing helps in achieving the organizational objectives of the bank. Indian banks have dual organizational objective – commercial objective to make profit and social objective which is a developmental role, particularly in the rural area. Marketing concept is essentially about the following few thing which contribute towards banks’ success:

- 1) The bank cannot exist without the customers.
- 2) The purpose of the bank is to create, win, and keep a customer.
- 3) The customer is and should be the central focus of everything the banks does.
- 4) It is also a way of organizing the bank.
- 5) Ultimate aim of a bank is to deliver total satisfaction to the customer.
- 6) Customer satisfaction is affected by the performance of all the personal of the bank.

All the techniques and strategies of marketing are used so that ultimately they induce the people to do business with a particular bank. Marketing is an organizational philosophy. This philosophy demands the satisfaction of customers needs as the pre-requisite for the existence and survival of the bank. The first and most important step in applying the marketing concept is to have a whole hearted commitment to customer orientation by all the employees. Marketing is an attitude of mind. This means that the central focus of all the activities of a bank is customer. Marketing is not a separate function for banks. The marketing function in Indian Bank is required to be integrated with operation. Marketing is much more than just advertising and promotion; it is a basic part of total business operation. What is required for the bank is the market orientation and customer consciousness among all the personal of the bank. For developing marketing philosophy and marketing culture, a bank may require a marketing coordinator or integrator at the head office for effective coordination of different functions, such as marketed research, training, public relations, advertising, and business development,

to ensure customer satisfaction. Hence, the total Bank marketing function involves the following:

- a. Market research
- b. Product Development
- c. Pricing of the service
- d. Developing market.

Bank Marketing Approach: Banking industry is essentially a service industry which provides various types of banking and allied services to its clients. Bank customers are such persons and organizations that have surplus or shortage of funds and those who need various types of financial and related services provided by the banking sector. These customers belong to different strata of economy, different geographical locations and different professions and businesses. Naturally, the need of each individual group of customers is distinct from the needs of other groups. It is, therefore, necessary to identify different homogenous groups and even sub-groups of customers, and then with utmost precision determine their needs, design schemes to suit their exact needs, and deliver the most efficiently. Banks, generally, have been working out various services and products at the level of the Head Office and these are traded through their retail outlets (branches) to different customers at the grass-roots level. This is the so called '**Top to Bottom**' approach. However, bank marketing requires a change in this traditional outlook. It should be 'bottom to top' approach with customers at the grass-roots level as the focal point for working out various products / schemes to suit the needs of different homogenous groups of customers. Thus, bank marketing approach, in general, is a group or "**Collective**" approach. Customers Relationship Management, on the other hand, is an individualistic approach which concentrates on certain select customers from the homogeneous groups, and develops sustainable relationships with them for adding value to the bank. This may be termed as a "**Selective**" approach thus, bank marketing concept, whether "collective" approach or "selective" approach, is a fundamental recognition of the fact that banks need customer oriented approach. In other words, bank marketing is the design and delivery of customer needed services worked out by keeping in view the corporate objectives of the bank and environmental constraints.

The following chart gives an overview of the Two Pronged Approach to Bank Marketing

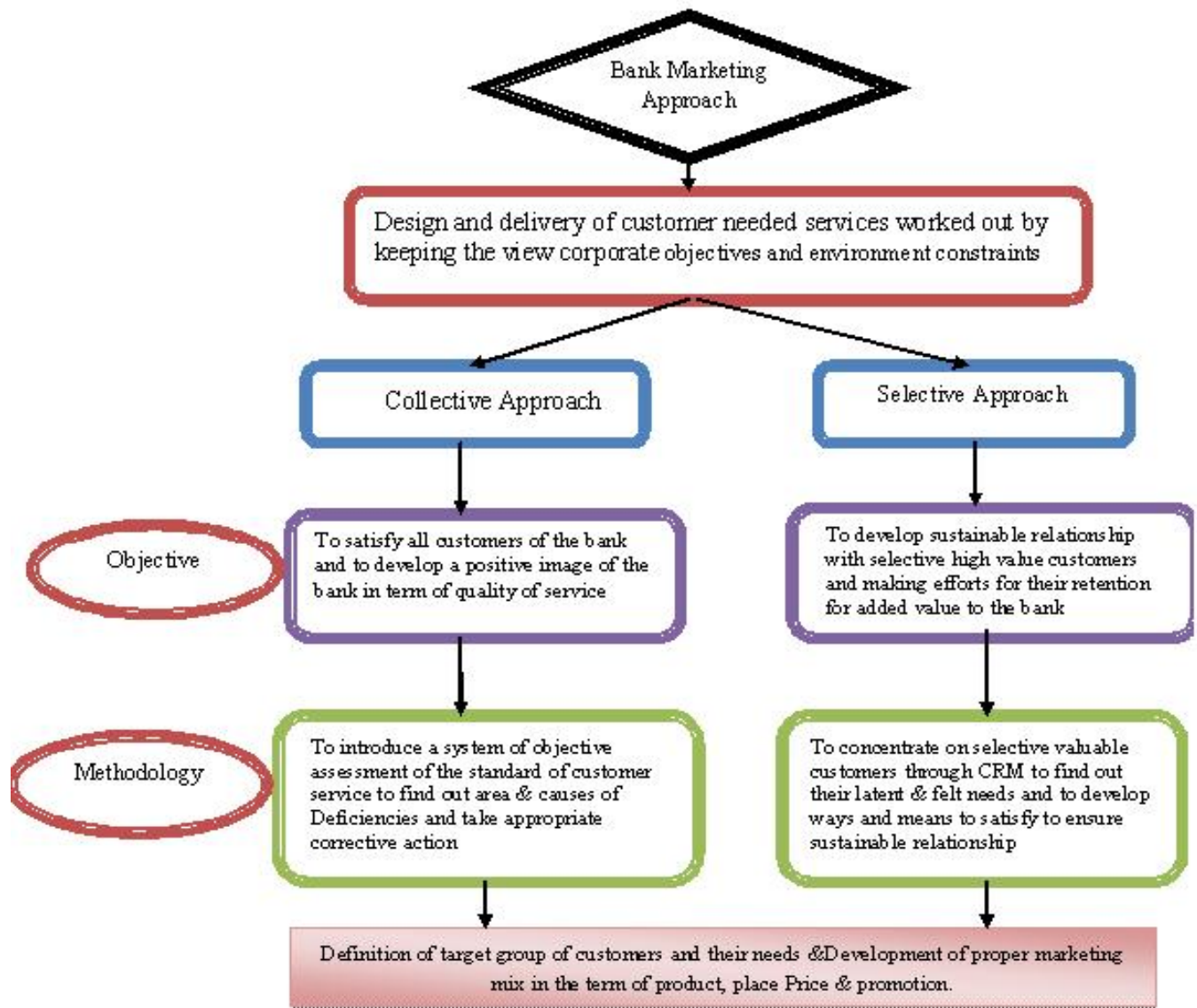


Figure-1

Principal aspects of Bank Marketing

➤ Customer Oriented Services

Services offered by the banks are to be worked out in such a manner that they fulfill the needs of the customers. Traditionally, bankers have been accustomed to think in terms of what banks can offer and not what customers want. However, bank marketing concept requires them to change this orientation, and start working out schemes and services by keeping changing customer needs as the focus of their new and novel products. In order to design and deliver customer needed

services, the banks must learn to seek information about the existing and potential customers, and their perceived and latent needs on a regular and systematic basis.

➤ **Design & Delivery of Such Services**

The word design implies that good marketing services need to be properly designed and crafted so as to suit a particular well-defined group of clients. Moreover, such properly designed services must be properly traded. The quality of delivery is to be ensured not only through focused advertisement, but also through proper customer services offered at the bank's retail outlets. Customer satisfaction is a dynamic process and it is necessary to keep pace with rising expectations of the customers. Further, the development of IT and spread of Internet are opening up newer mechanisms of customer contact and services.

➤ **Corporate Objectives of the Bank**

The corporate objectives of the bank are to be worked out within the broad framework of the national policy. The corporate objectives are of two types, Short Term and Long Term.

1. The **Short Term Objectives** could be of the type: -

a) Increasing profitability of the bank next year. **b)** Widening customer base by offering new services, **c)** Increasing growth rate of credit next year, etc.

2. The **Long Term Objectives** could be: - **a)** To rise to number one position in five years,

b) To become the universal bank over the period of next 3 years, etc.

Once the corporate objectives are clearly spelt out, various schemes can be designed to fulfill the needs of the customers within the framework of the chosen corporate objectives. Further, the resources made available for systematic marketing efforts are also constrained by policies, vision and attitudes of the management.

➤ **Environmental & Other Constraints**

Environmental and other constraints play an important role in bank marketing decisions. Generally, the environmental constraints fall into four categories: **Economic, Cultural, Legal and Political**. A thorough understanding of local and national economy is essential for taking effective decisions about what product to be offered, where it is to be offered, at what price it is to be offered, and how it is to be offered? Thus, the knowledge of environmental constraints is an essential factor in the designing and delivery of various types of customer-oriented schemes and services.

Marketing Concepts – Its Application to Banking

When we apply marketing to the banking industry, the bank marketing strategy can be said to include the following:

- I. A very clear definition of target customers.
- II. The Development of marketing mix to satisfy customers at a profit for the bank.
- III. Planning for each of the source 'markets.
- IV. Organization and Administration.

Marketing Strategy in Banking Sector

➤ **Consumer Behavior and Segmentation**

Banks deal with individuals, group of persons and corporate, all of whom have their likes and dislikes. No bank can afford to assess the needs of each and every individual buyer (actual or potential). Segmentation of the market into more or less homogenous groups, in terms of their needs and expectations from the banking industry, provides a solution to this problem. This

involves dividing the market into major market segments, targeting one or more of these segments, and developing products and marketing programs tailor-made for these segments.

In the **first segmentation**, the market is divided from a unitary whole, to groups of buyers who might require separate products and marketing mix. The marketer typically tries to identify different segments in the market and develop profiles of resulting market segments. The **second step** is market targeting in which each segment's attractiveness is measured and a target segment is chosen based on its attractiveness. The **third step** is product positioning which is the act of establishing a viable competitive position of the firm and its offer in the target segment chosen. In the process of segmentation, the market can be divided into major segments which are gross slices of the market, or into smaller specially formed segments, otherwise known as niches. Niche customers have a specific set of needs which the marketer tries to address. While a market segment attracts several competitors, a niche attracts fewer competitors and therefore, a company should clearly define its target segment and devise strategies to target the customer, so that it has a competitive advantage in the segment. An important criterion for market segmentation is the economic system in which we find agricultural sector, industrial sector, services sector, household sector, institutional sector and rural sector requiring of weight age while segmenting.

➤ **Customer Relationship Management**

The marketing strategy consists of a very clear definition of prospective customers and their needs and the creation of marketing mix to satisfy them. A recent development in this regard is Customer Relationship Management (CRM). It is a business strategy to learn more and more about customer behavior in order to create long term and sustainable relationship with them. It is a comprehensive process of acquiring and retaining selective customers to generate value for the bank and its customers. Under CRM, acquisition of customers is done through personal visits, media advertisement or word of mouth from existing customers. Customer retention is carried out through data warehousing and mining tools, customer service and call services, and improved customer value is obtained through cross-selling and up selling to the retained customers. The concept of data warehousing and data mining used in CRM helps in seeking information about individual customers and their needs on a regular and systematic basis. Data warehousing builds customer wise data by mapping it from various services and products used by the customers such as deposits, credits, foreign exchange, e-business, safe custody, lockers, bill collection, etc. Data mining carries out various types of analysis on collected data to determine customer behavior with respect to product, price and distribution channels, and offers a holistic view of every customer at a given point of time. The customer information gathered by the bank in their day-to-day banking operations is often sufficient for effective data storage. However, many times, it needs to be supported by data collected from outside sources and agencies.

➤ **Identification of Target Customers & their Needs**

This is an important area in formulation of a marketing strategy. Unless the bank has clear idea about the customers it wants to serve, it is not possible to work out products to satisfy their needs. This identification process involves: -

- ❖ Finding out profile of present customers in terms of their education, occupation, income, geographical location, population group, age, sex, marital status, products and services their purchase, their habits, tastes & preferences, their businesses & future prospects ,etc.
- ❖ Finding out opinions of existing customers about the services provided by the bank and their suggestions for improvement in present services and introduction of new services.

- ❖ Collecting such information from the persons who are not currently customers of the bank.

All this can be done by conducting a survey of customers and non-customers of the bank. Moreover, this process of seeking information about the market must form an integral part of the system and must be done on a regular basis. The survey would give valuable information about profiles and opinions of customers and non-customers of the bank, and it can be analyzed to find out the target group of the customers and their felt and latent needs.

Marketing Mix in Bank

The second element in formulation of marketing strategy is development of proper marketing mix, so as to satisfy the needs of the target group of customers. This would involve decisions regarding product, place, price, promotion, process, physical evidence, and people.

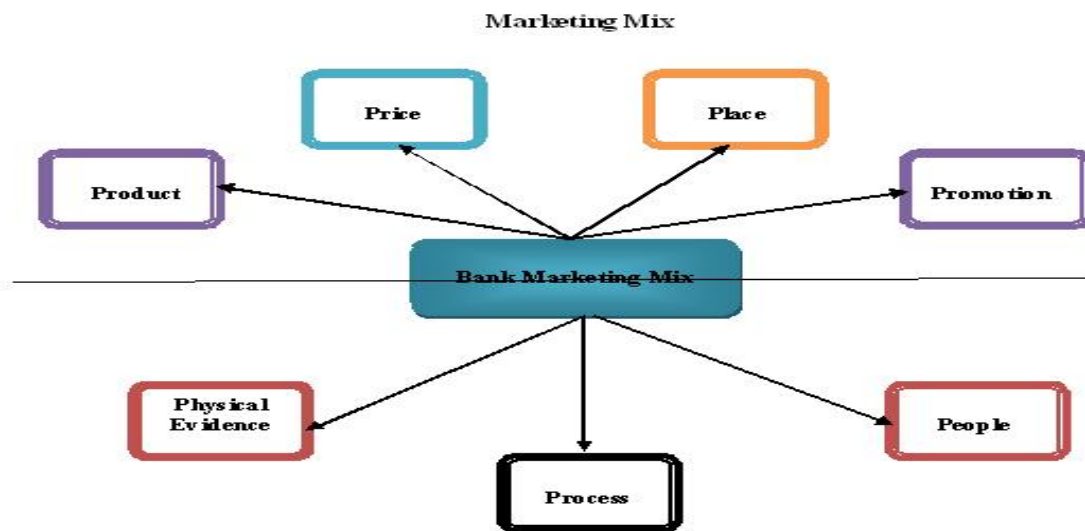


Figure -2

1. Product

Decisions about product would answer questions about the design of the services offered to suit customer needs, the desirable hours for offering such services, the attractive names of such services and so on. Various alternative ways to provide the basic services might have to be worked out depending on the needs of the various target groups. A very good example of formulation of a market strategy under the "collective" approach is development of the product, "**Kisan Credit Cards**". The target group identified for this was farmers with the purpose of dispensation of agricultural and rural credit to them. Agricultural credit cards and cash credit facilities which were niche-marketed and were exclusively preserved for the privileged class of farmers were, thus, extended to the small and marginal farmers since 1999. Keeping this need of target group in mind, the decision on product was made. This product decision involved questions regarding types of needs to be covered, number of withdrawals and repayments to be permitted, basis of determination of limits, validity period of the cards, its re-scheduling, the name of the product, and so on.

2. Place

Decisions about place should answer questions about location of the prospective customers and, therefore, location for offering such services. The place decision answered questions about the

location where the KCCs can be obtained. This involved all branches engaged in agricultural lending. Price decision required answering questions on margins, collateral, interest rates to be charged for different slabs, and so on.

3. Price

Decisions about price should answer questions about right price for services offered, worked out by taking into consideration the cost of such services, competitor's charges and other factors.

4. Promotion

Decision about promotion answers questions about communication with the customer. After getting information on needs and location of the prospective customer and after designing schemes to suit their needs, it is necessary to take decisions on making schemes known to the prospective customers through proper communication media and through proper words, so as to bring out the salient features of the scheme. Actual delivery of the schemes at the counters and at the manager's desk also plays a vital role in determining the success of the scheme. Expectations of the customers in post-reforms period have been changing very fast and customers have started shifting loyalty to better banks. It is, therefore, all the more necessary to ensure that not only the felt needs but also the latent needs of the customers are foreseen and satisfied. The promotion decisions answered questions regarding mode of advertising the KCCs so that it becomes widely known. These methods included radio and TV commercials and personal contacts by the employees of the bank apart from news paper insertions.

5. People

All people directly or indirectly involved in the consumption of banking services are an important part of the extended marketing mix. Knowledge Workers, Employees, Management and other Consumers often add significant value to the total product or service offering. It is the employees of a bank which represent the organization to its customers. In a bank organization, employees are essentially the contact personnel with customer. Therefore, an employee plays an important role in the marketing operations of a service organization. For instance to realize its potential in bank marketing, ICICI is conscious in its potential in internal marketing - the attraction, development, motivation and retention of qualified employee-customers through need meeting job-products. Internal marketing paves way for external marketing of services. In internal marketing a variety of activities are used internally in an active, marketing like manner and in a coordinated way. The starting point in internal marketing is that the employees are the first internal market for the organization. The basic objective of internal marketing is to develop motivated and customer conscious employees. A service company can be only as good as its people. A service is a performance and it is usually difficult to separate the performance from the people.

6. Process

Flow of activities: All the major activities of banks follow RBI Guidelines. There has to be adherence to certain rules and principles in the banking operations. The activities have been segregated into various departments accordingly: **Standardization, Customization, Simplicity, Customer involvement etc**

7. Physical Evidence

Physical evidence is the material part of a service. Strictly speaking there are no physical attributes to a service, so a consumer tends to rely on material cues. There are many examples of physical evidence: 1.Paperwork 2.Brochures 3.Furnishings 4. Business cards 5.The building itself

The physical evidences also include signage, reports, punch lines, other tangibles, employee's dress code etc.

Signage: each and every bank has its logo by which a person can identify the company. Thus such signage is significant for creating visualization and corporate identity. **Financial reports:** The Company's financial reports are issued to the customers to emphasis or credibility. **Tangibles:** bank gives pens, writing pads to the internal customers. Even the passbooks, cheque books, etc reduce the inherent intangibility of services. **Punch lines:** punch lines or the corporate statement depict the philosophy and attitude of the bank. Banks have influential punch lines to attract the customers. **Employee's dress code:** For example ICICI bank follows a dress code for their internal customers. This helps the customers to feel the ease and comfort.

CONCLUSION

Project is all about identifying the Role of marketing in banking industry. Use of marketing mix in banking sector is increasing day by day with 4'Cs. So bank marketing concept is very important for every bank. The main purpose of this study is to get an overview of bank marketing and to find out of role of marketing in the banking industry and see that how marketing mix (product, price, place, & promotion) is most important for a bank. Use of 4'p and 4'c (customer solution, customer cost, communication, convenience) for bank and implementation of that thing in bank marketing concept and way marketing is making important for a bank? And combination of extra 3'Ps (people, process, Physical evidence) are also very important for a bank in present scenario. To summarize all these, the project comprises detailed study of the role of marketing in banking sector. Bank Marketing has become a necessary survival weapon and is fundamentally changing the banking industry worldwide. The rise of Bank Marketing is redefining business relationships and the most successful banks will be those that can truly strengthen their relationship with their customers. Technology innovation and fierce competition among existing banks have enable a wide array of banking products and services, being made available to retail and wholesale customer through an electronic distribution channel, collectively referred to as e-banking. Technology is altering the relationships between banks and its internal and external customers.

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