CHAPTER I

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1.1 Marketing is an integral part of any organizational activity and encompasses the functions of all the activities of the organization for achieving its objectives. Marketing permeates into the daily lives and functions of any industry and users of the industry. Banking industry is not an exception to that. In the changing environment where technology holds the key for banking activities and the entire concept of banking undergoing a rapid change from the conventional approaches, marketing is a function, which has to be given the highest priority for success of the organisation. Marketing is the vehicle, which transforms organisation’s functioning into profits by effective strategies and implementation of the same.

In this context, let us try to understand what exactly is marketing. The American Marketing Association’s Board of Directors defined marketing as “the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives.”

Philip Kotler defined marketing management as, ‘the analysis, planning, implementation and control of programs desired to create, build and maintain mutually beneficial exchanges and relationships with target markets’.

Mc Carthy and Perrault (1984) gave the meaning of marketing as ‘an organisation’s efforts for satisfying its customers at a profit’.
Kotler and Zaltman (1971) explained marketing concept as ‘the effort to be spent on discovering the wants of a target audience and then creating the goods and services to satisfy them’.

Derek Vander Weyer (1980) explained marketing as "identifying the most profitable markets now and in the future; assessing the present and future needs of customers; setting business development goals and making plans to meet them; managing the various services and promoting them to achieve the plans, also adopting to a changing environment in the market."

Kotler (1984) further explained that, "the key to achieving organisational goals consists in determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than the competitors”.

The concepts of marketing are applicable very much for bank marketing also. As a financial service marketing, bank marketing has certain additional approaches with regard to marketing mix and also delivery systems. Let us try to understand what exactly is bank marketing.

According to Sir Frederik Seebohm (1971), ‘bank marketing is the creation and delivery of customers satisfying services at a profit to the bank’. He further explained that ‘as applied to banking services, marketing may be described as:

(i) identifying present and future markets for services,

(ii) selecting which markets to service and identifying customer needs within them,
(iii) setting long and short term goals for the progress of existing and new services and

(iv) managing the services so as to persuade customers to use them at a profit, and controlling our success in so doing’.

Derek Vander Weyer (1980) further emphasized that marketing is an essential element in the management of a modern bank.

Bank Marketing has additional qualities that differentiate it from other commodities / consumer goods marketing.

Kevin Sheridan (1998) explained bank marketing thus, '...indisputably, marketing is the main event for most banks in most circumstances. The profession has just not come of age, it has come into its own. But paradoxically it is this recognition that marketing is an essential component to strategic plans, business plans, and even day to day lobby operations...

Tony Martin (1991) explained the unique characteristics of financial services marketing as:

(i) Intangibility,

(ii) Heterogeneity,

(iii) Inseparability, and

(iv) Perishability.
Intangibility implies that a service cannot be physically evaluated. Banking products cannot be seen or touched like other manufactured products.

Heterogeneity refers to the fact that products and services have diverse characteristics to cater to the needs of different customer segments and also vary in quality. Hence standardising is very difficult.

Inseparability relates to the inseparability of the service and service provider and depends on the personality/attitude of the service provider.

Perishability refers to the fact that banking products are produced and delivered at the same time and they cannot be stored and inspected before delivery indicating that there is no shelf life for banking products.

With the special characteristics of financial services marketing, strategies should be developed keeping in mind the same. Again the concept of marketing strategies for marketing approach of banks is to be understood in its entirety.

Marketing strategy based on corporate objectives is a prerequisite for effective bank marketing. Then it is natural to discuss about what is marketing strategy, the need for the marketing strategy and the nuances of marketing strategy.

1.2 MARKETING STRATEGY

The need for developing marketing strategies by banks is highlighted by the fact that present day and future banking is different from banking yesterday. Financial liberalisation has brought into focus the force of competition in the banking scenario with other intermediaries posing a
tough challenge by introducing new and more attractive products and services. As the competition increased and regulatory prescriptions with regard to capital adequacy, asset quality and other prudential requirements are tightened, and also deteriorating operating results, banks recognised the need to redefine their objectives and develop effective competitive strategies for achieving them.

Wilbert O.Bascom (1997) observed that ‘the demands on bank management, combined with the unstable and often unpredictable economic environment in which the banks operate, create constraints on bank management and emphasize the critical importance of strategic planners for bank in these markets’. He further added that it is imperative for the banks, to identify the various sources of a banks competitive strength and strategies for its continuing viability, to review banking markets and marketing plans and finally, to focus on the roles of various management levels in the planning process and the phases of strategic management.

Colin Mc.Iver and Geoffrey Neylor (1980) suggested that the need for developing marketing strategies by banks should be broadly based on the following factors:

a) Changes in customers’ characteristics and related needs

b) Changes in the economy

c) The rising storm of competition

d) The influence of technological change

Mary Ann Pezzullo (1998) emphasized that a marketing planning process should address the following questions:
(i) Where we are now?

(ii) Where do we want to go?

(iii) How are we going to get there? and

(iv) How will we know when we have arrived?

The first question has to be answered by going through a detailed self-examination and situation analysis. The situation analysis involves gathering historical data about the bank, its competition, reviewing the markets and market segments in which the bank operates and would like to operate and evaluating the environmental factors like economic, demographic, social, cultural, political, legal and regulatory and their implications on the bank’s business. The situation analysis will give direction about the strengths and weaknesses of the bank.

The second question has to be answered by setting marketing objectives based on situation analysis. The marketing objectives should be realistic, measurable and attainable and should be in tandem with the bank’s strategic objectives.

The third question has to be answered by developing strategies for target markets encompassing the 4 Ps of marketing and implementing the same.

The fourth question has to be answered by evaluating the plan and reviewing the results to verify the achievement of marketing objectives and subsequently to fine-tune/retune the strategies.
Thus strategic marketing planning is an ongoing management process that involves planning, implementing those plans and evaluating their results and suitable adjusting mechanism should be built in the plan.

Wilbert O. Boscom (1997) observed that, `A well-designed strategic plan may perform many roles. For example, it may

1. state clearly the bank’s mission and objectives,

2. specify the bank’s target market while acknowledging the competitive forces at work,

3. provide guidance on the methods appropriate for profitable exploitation of these markets and

4. identify the human and the technological resources, as well as the products and services required for achieving the bank’s objectives.

A plan with these characteristics would provide a standard against which management could monitor and control the bank’s performance.

Lance Kessler (1998) highlighted the importance of developing marketing strategies for sustainable high performance. He highlighted the four areas, which a bank must address and master in order to reach long term success as:

(i) the changing environment,

(ii) strategy development,

(iii) creating structure and

(iv) superior execution.
He explained that 'understanding the changing environment involves being aware of and sensitive to, changing consumer preferences. The strategy development phase requires your bank to come to consensus on competitive strategy and communicate it in clear terms to your customer contact personnel. Creating structure involves building the infrastructure that supports your strategy and its execution by your customer contact personnel. Superior execution implies that everything comes together at the point of sales and service'.

I. Barry Deutsch (1998) highlighted that there are three interrelated areas that are most critical for sales success. They are aimed at
(i) developing a strategy,
(ii) establishing the target markets, and
(iii) positioning in terms of these targets.

Together, strategy, targeting and positioning forms the foundation of the entire discipline of marketing. Advancing technology permits faster and more accurate merging of information from various databases in a bank. This results in more confident and efficient marketing.

L.Biff Motley (1994) highlighted the areas, which are important for building up an effective bank marketing strategy. He has offered the following seven immutable laws of bank marketing:
a) Banking isn't fun
b) Customers are their money
c) Convenience is king
d) Trust is queen

e) Advertising works

f) Incentives work better

g) Being second is being better than last.

An effective marketing strategy should take care of the above points for achieving marketing objectives.

Tim Donnelly Jr. (1998) has come out with possible marketing strategies for the underdogs. He observed that the strategy should focus the following:

1. Look for vacant niches

2. Specialise

3. Improve on the competition

4. Be a smart follower

5. Focus.

He observed that an underdog to be successful, it must develop a differentiating, clearly defined strategy that recognise the organisations strengths and weaknesses and must build some kind of competitive advantage in some area. An underdog firm will never achieve any sustained success by imitating larger competitors or solely competing on price. Instead, they should look for vacant niches that must be large enough to be profitable, having growth potential and will be scripted to the company's strength. He suggested specialisation by competing only in carefully chosen
market segments with a limited product line rather than by attacking the dominant firms head on. He highlighted that there are many success stories in the banking industry where small banks have specialised narrowly emphasised marketing and abandoned most market segments. The third strategy is to improve on the competition. An underdog firm may succeed by not being a pioneer, but by waiting until a new product appears to be a sure bet and then entering the market with a better version. The reasoning is that the second or third bite of a big apple can be just as juicy as, or more so than, the first. This strategy will usually involve working closely with customers to identify product improvements. The fourth strategy is to be a smart follower. That would involve carefully monitoring market share, allowing absolutely no slippage, but avoiding confrontations with larger organisations by not attempting to glean their customers. This strategy requires strong top management and a profit emphasis rather than a market share emphasis. The fifth strategy is to focus all your competitive strength on smaller competitors. By following this strategy, any market share gains are accomplished by targeting your competitive strength at their weaknesses.

Sir Frederick Seebohm (1971) opined that a marketing strategy should be based on the general corporate objectives regarding profit, growth and size and market share and from those, specific marketing objectives. The specific marketing objectives should focus

(i) to increase the profitability and growth of investments and lending and share of the chosen market. Deposits are resources, which we hire in order to take a turn on investing them. They are no use in themselves. Thus investing deposits must be major marketing objective.
(ii) to expand services so as directly to improve the return on investment from existing resources by commission or by fund attraction.

Based on the above, the general strategy must be to continually identify in the environment, the faster growing and more profitable points and to adopt our total resources to their service in so far as our strengths and constraints allow.

Thus to enable a meaningful strategy to be formulated, one has to achieve:

(i) identification of markets,

(ii) the choice of market and segments of markets, and

(iii) the management of resources to serve those chosen markets.

This will help the banks to formulate effective marketing strategies.

Tony Martin (1991) observed, “marketing strategy involves two related tasks. The first is the selection of the firm’s target market in which it intends to operate and second is the development of a marketing mix for each selected target market. For financial products and service providers, the planning of the marketing mix can be problematic given that there is often no tangible product forming the core of the offer. Further, given that the sale of financial products and services is people intensive and hence, subject to fluctuations in performance, there are a large number of variables to consider for financial product and service marketing than for a sample product assemblage.”
Based on the above points, banks adopt different types of marketing strategies as detailed below:

Banks develop different strategies based on their business objective and their strengths and weaknesses and based on their customer segments and core competencies. These strategies may be broadly classified into the following three types:

(i) Retention strategies

(ii) Development strategies and

(iii) Penetration strategies

Retention strategies are mainly designed to keep the existing customer base intact, because losing a customer is a costly proposition and research studies have shown that it costs 6 times more to win a new customer than to retain a customer. These retention strategies are targeted to keep the existing customer base happy and developed in such a way that value addition with regard to all the elements of the marketing mix is offered to the customer. Value addition strategies make the customer more loyal to the bank.

Development strategies are involved to develop new customer base and eyeing on new markets. This is primarily done to expand business and customer base. These development strategies are not targeted only to create new customer base but also to develop new business from the existing customers.

Penetration strategies are aimed at to penetrate into the business of the competitors and try to cut the market share and earn a slice from the
competitors' market share. These strategies are devised after studying the competitors' products, market share, potential customer base and profitability and their core competencies. Penetration strategies are developed after analysing their ability to penetrate and scope for penetration in any area of the marketing mix. Penetration strategies will be successful only if they are able to penetrate and change the mindset of the customer about their competitors with regard to any specific plank of marketing mix.

These retention, development and penetration strategies are designed after analysing the area in which they are treading and how these strategies are going to help the organisation.

These strategies depend on the present business focus of the banks. Each bank will have a core focus regarding their types of banking business based on their core competencies. Some banks will focus on corporate banking or wholesale banking as their business strategy, while some other banks will focus on investment banking as their business strategy. Similarly one bank will focus on forex as their business strategy while other will focus retail banking and private banking.

Changing environment and potential in the areas in which they want to enter are the determinants of the strategy. In the Indian scenario, sensing the enormous potential available for retail banking, foreign banks and new generation private sector banks, which were originally having focus in investment and forex and wholesale banking are now entering into retail banking. They do this by innovative development and penetration strategies and expanding into these areas with their competitive advantages in the various areas of the marketing mix.
Since marketing mix is the backbone of developing suitable marketing strategies, a study of the marketing mix is a prerequisite for developing strategies.

The essential elements of a marketing mix are:

1. Product
2. Price
3. Promotion
4. Place
5. People
6. Physical evidence
7. Process

The above seven Ps should be considered in the marketing mix for financial products and services.

Booms and Bitner (1981) has explained the seven elements of the marketing mix as follows:

1. Product:
   ⇒ Range
   ⇒ Quality
   ⇒ Level
⇒ Brand Name
⇒ Service Line
⇒ Warranty
⇒ After service

2. Price

◊ Level

◊ Discounts
  - Allowances
  - Commissions

◊ Payment Terms

◊ Customer’s perceived value

◊ Quality/price

◊ Differentiation

3. Place

  - Location
  - Accessibility
  - Distribution Channels
  - Distribution Coverage
4. Promotion

- Advertising
- Personal Selling
- Sales Promotion
- Publicity
- Public Relations

5. People

- Personnel
- Training
- Discretion
- Incentives
- Commitment
- Appearance
- Attitudes
- Inter personal behaviour
- Other customers
- Behaviour
- Degree of involvement
- Customer contact

6. Physical Evidence

- Environment
- Furnishings
- Colour
- Layout
- Noise level
- Facilitating Goods
- Tangible lines.

7. Process:

- Policies
- Procedure
- Mechanisation
- Employee discretion
- Customer involvement
- Customer discretion
- Flow of activities

A successful and effective marketing strategy would depend on how the various components of the elements of the marketing mix are suitably taken care of by the banks to achieve marketing objectives. To understand the application of the above Ps, it will be order to track the evolution of bank marketing in the Indian scenario.

1.3 EVOLUTION OF BANK MARKETING:

Commercial banking worldwide is undergoing rapid changes. The distinct changes taking place in particular are:

a) consolidation of the banking industry in several parts of the world aimed at creating synergies and economies in scale of operations
b) emphasis on adoption of prudential norms and transparency in operations

c) greater use of technology in product design and delivery and

d) acquiring abilities to operate in an increasingly deregulated and volatile operational environment.

The changes that are taking place across the globe are happening to Indian banking sector also. Indian banking sector is no longer aloof and has embraced global banking. In fact, in certain areas, the changes that are taking place are more than the happenings anywhere.

The historical trends that have happened in the Indian banking sector can be broadly classified under four phases. As Sri M.S. Verma, Advisor, Reserve Bank of India has observed, “In the five decades since independence, banking in India has evolved through four distinct phases. These could be categorised as phase of foundation, expansion, consolidation and reform”.

The foundation phase refers to the period till nationalisation. The emphasis during that phase was to lay the foundation for a sound banking system and suitable legislature mechanisms were developed, and the focus of banking was character banking or class banking, catering to special types of customers.

The expansion phase refers to the post nationalisation period after 1969 where the focus was mass banking and all efforts were made to reach masses through rapid branch expansion not only in metro and urban centres but also in hitherto uncovered semi urban and rural areas. Credit flow was
channelised to preferred sectors viz. small scale, small business and agriculture, all classified as priority sector. The next decade and a half after nationalisation saw the emergence of a fast expanding banking system and banks emerged as an important instrument of socio economic changes. But the rapid expansion in branch network, geographical reach, social banking, and the resultant business expansion had its hit also in the form of asset quality deterioration and pressure on profitability and reduction in the competitive efficiency.

The consolidation phase refers to post 1985 period and result of the previous expansion phase. During this period, branch expansion slowed down and attention was given to customer service, credit management and staff productivity, profitability and also to house keeping. Measures were taken to rationalise the interest rates on credit and deposits and also attempts were made to reduce the structural constraints.

The reform phase referred to post liberalisation period after 1991. This reform phase was initiated as a part of aligning the Indian banks with global banks with regard to capital adequacy, prudential norms and transparency of balance sheets. This was initiated as the banks were in dire straits because of the poor financial conditions that have arisen out of previous happening and accounting procedures in the industry. Based on the recommendations of Narasimham Committee, new accounting and prudential norms relating to income recognition, provisioning and capital adequacy were introduced and banks were made to cleanse their balance sheets and were asked to develop suitable strategies for growth, based on the financial sector reforms and which made the banks to develop market oriented strategies to service and grow in a competitive environment. The
emergence of new generation private sector banks with advantage of better start up capital and technology has put more pressure on the public sector banks to sustain and improve their business.

The phased deregulation of interest rates both for deposits and advances of the commercial banks has made the banks to take stock and improve the efficiencies in the management of assets and liabilities. The deregulation of interest rates has thrown open pricing as an important business strategy and the banking industry has changed from a seller's market to a buyer's market.

Before liberalisation process, public sector banks (PSBs) were operating in a protected environment without much marketing orientation. The factors, which played a role in the performance of the bank at that time, were:

1. greater emphasis on directed credit
2. regulated interest rate structure
3. lack of focus on profitability
4. lack of transparency in the banks’ balance sheet
5. lack of competition
6. lack of grasp of the risks involved
7. exercising regulations on organisation structure and managerial resource
8. excessive support from government.
The above factors contributed for the growing lethargy in the performance of the banks and the resultant build up of deterioration among the banks’ profitability.

To align the Indian banking system with the global banking system, financial sector reforms were initiated on the recommendations of Narasimham Committee (1992) to bring out a paradigm shift in the banking industry. The reforms were mainly focused to set right the deficiencies existing in the banking system by suggesting new norms with regard to accounting practices, prudential standards and capital adequacy requirements. The recommendations, which were accepted mostly, brought about radical changes so far and revolutionized the banking industry and its operations. The reforms, inter alia, focused on the following areas:

a) Lowered entry barriers, which opened the floodgates for private sector banks and foreign banks and also allowed Indian banks to have tie-ups with the foreign banks. This resulted in a new competitive environment for the banks.

b) Interest rate deregulation in a phased manner to give more leeway for banks in their operations, which made the banks to develop pragmatic strategies in the price front.

c) Licensing restrictions and related norms were abolished with regard to branch expansion giving full freedom to the banks with regard to their organisational structures.

d) Reduction of statutory reserves lowering the prescriptions with regard to Statutory Liquidity Ratio and Cash Reserve Ratio which has resulted in
having excess resources for banks for asset creation and thereby improve the bottom lines.

e) Prudential norms to strengthen the bank balance sheet and enhance transparency, which put pressure on the bank regarding their quality of assets and their impact on the profitability.

f) Capital adequacy measures to strengthen the financial soundness as per international standards (Basle Committee) which made the banks to sit up and shore up the capital base which was affected by the implementation of prudential norms and asset classification and provision requirements. This has necessitated the banks to improve the capital through equity and debt route.

g) Profitability focus on account of strict compliance with regard to booking of profits and its erosion due to provisions, making the banks to rework their strategies towards their asset management and consequent management of Non Performing Assets (NPAs).

The above reform measures gave an opportunity for the Indian banks to reengineer themselves and the banks’ responses were very positive. Profitability and productivity have assumed centrestage and the banks cleansed their balance sheets with internal accruals in the case of strong banks and from budgetary support from the government in case of banks which had suffered huge losses because of switching over to prudential accounting norms. But the effect of NPAs was there in the banks and the focus on NPAs has become one of the prime business strategies of banks. But Indian banks had absorbed the shock of implementation of prudential norms. Mr. Bandi Ram Prasad, Chief Economist, Indian Banks Association
has observed “… True, a major fall out of the bank reforms is the sudden surge in the non-performing assets. However, significant improvements are evident in several operational aspects, which do not come to light so often as the bad debts and the severe losses...Indian banks are gradually inching up towards international performance and some of these are even bettering it.” However NPA menace still plague public sector banks and 23 of the 27 public sector banks ended up with NPA levels of above 5% while 9 of them had NPA levels of over 10%, which is way above the internationally accepted standards. But the NPA syndrome has not spared the new generation private sector banks also. The NPAs of these banks have shot up by 98% in financial year 1999 over the Rs.293 crore recorded in the previous fiscal. The average net NPA level of these new banks stood at 3.25% in financial year 1999 against 1.98% in the previous year indicating a 64% rise.

The financial sector reforms are directed towards making the Indian banking system stronger, more resilient and geared to meet the challenges of globalisation. As Dr. Bimal Jalan, Governor, Reserve Bank of India observed, “Looking beyond the problem of NPAs and prudential norms, there is need to move towards a more competitive, customer friendly, and transaction efficient financial system with standards of transparency and accountability that are comparable to the best in the world”.

The changed scenario has brought the concept of competition in the banking sector. As Mr.Martin Fish, Chief Executive, India, Standard Chartered Bank has observed, 'Of course, competition continued to intensify in every commercial sector in almost every economy. The financial services sector, in some ways, the slowest sector to compete in
many markets, had woken up to new competition... The competitors began to compete for commercial and retail customers using lower cost structures and new approaches to markets... Financial services too was in the midst of an upsurge of new product developments... Marketing too aimed in the financial services area with the provision of concepts such as 'brand' management, customers data base management, customer service management, channel management and product differentiation all being seen as routes to profitability in a highly competitive world... Finally, what we must not lose sight of is the Indian banking system has improved its customer service, its product range and its general health considerably over the last 7 or 8 years. Much of that has been caused by healthier competition amongst the participants both local and international players. It is to be hoped that appropriate levels of competition, will be encouraged in this sector...

In the competitive scenario, human resource development is another area, which is increasing attention. The competition to public sector banks has increased from the new generation private sector banks and the old private sector banks, which have refocused their business by innovative strategies. The new generation private sector banks, set up as high tech banks focused on service, have introduced automated teller machines and telephone banking to middle-class clients in several cities in India. Another interesting competition has emerged from urban cooperative banks that have carved out profitable niche and encashed the niches in the specific segment.

With the emergence of competition from foreign, old and new private sector banks, public sector banks faced a new market situation that if they do not redefine their business strategies to changing business
environment, they are going to lose the war. Most banks have geared up themselves to take the challenge head on.

The following are some of the business strategies adopted by new generation private sector banks, public sector banks and foreign banks:

Global Trust Bank has planned for aggressive retailing as their business strategy. Global Trust Bank has developed plans to enter auto finance, home improvement and high end consumer finance segments and also micro credit through the channel of NGOs.

IDBI Bank, the latest one to join the bandwagon of new generation private sector banks wooing the retail customers. They have expanded their strategy from midsize corporate to retail customers on a large scale.

ICICI Bank has also entered into retail banking in a big way and has entered into strategic tie ups with direct selling associates and reputed financial services companies like Integrated Enterprises Limited for marketing their retail credit products.

State Bank of Mysore hitherto having little exposure in retail segment had redefined their strategy towards retail segment. The bank has launched various loan products for meeting the different needs of individuals like education loans, consumer loans and housing loans for aggressive marketing.

Corporation Bank, the most efficient public sector bank has defined their strategy for the next millennium in three words: conviction, consistency and customer friendly, highlighting customer focus as their strategy.
But with all these strategies, the sheer size of the public sector banks has given the competitive strength to improve the market share considerably in 1998-99 with a market share of 56.9% and 55.5% in deposits and advances for nationalised banks compared to 1.5% and 2.4% and 5.6% and 7.3% for deposit and credit for foreign banks and new generation private sector banks respectively. The main reason for this is attributed to the large rural network possessed by the public sector banks in the context of a booming agricultural sector.

But one of the main areas of concern for the public sector banks is the personnel cost and labour ratio. The labour ratio, which is the ratio of personnel cost to total income, ranged from 11.7% to 27.2% with a median value 19.9%. Hence 14 out of the 27 public sector banks had a labour ratio of fewer than 20%, while the other 13 had a labour of over 20%. In the case of new private banks the labour ratio ranged from 1% to 5% with a median value of 3.1%. From a selected set of 10 foreign banks, which have a dominant position in India, the lowest ratio was 4.9% and the highest ratio was 10.2% with a median value of 8.2%. The labour ratio is a very useful gauge of efficiency and is free from subjective judgements. The indication emanating from this is that even a slight decrease in labour ratio will translate into substantial increase in the profits.

Inspite of all the bottlenecks for development, still public sector banks are gearing themselves up in the technology front to fathom competition. Some of the high tech innovations of public sector banks are:

a) Any Branch Banking (ABB) offered by Indian Overseas Bank by connecting all their branches in Delhi, Mumbai and Chennai.
b) State Bank of India has set up Electronic Funds Transfer (EFT) Link with the dial up facility for the bank’s internal transactions.

c) Corporation Bank has a satellite link up for cheque clearance and its branches are connected through e-mail.

d) A shared payment network system under the aegis of the IBA in Mumbai for use of ATMs by different banks customers.

Lot of changes are taking place in the banking system with new dimensions in banking like Local Area Banks, Universal Banking, Retail Banking thrust, are fast emerging. Unless the banks analyse their strengths and weaknesses and also the capabilities and core competencies and suitable niche strategies, the future is going to be very tough for these banks. As Mr. D.G.S. Dahotre has observed, ‘the future of Indian banking would be for the performing banks.... In 2000 and beyond the key element is that banks should strive to achieve significant increase in their productivity, efficiency and profitability’.

Success is a question of how proactive the banks are in reengineering themselves to face the challenges. As Mr. Docherty, Chief Executive, Standard Chartered Bank has observed, 'For all banks repositioning for competitive advantage in the rapidly changing market place will call for huge investment in information technology and communication networks... Offering the right product and right service would be crucial to successes’.

And this is the point where the banks had to develop marketing objectives based on business objectives and formulate and implement suitable marketing strategies and evaluate them on a continuous basis for further refinements that will ultimately clinch the business.
In the context of the emergence of marketing concept in banks in India, the researcher tries to understand the various elements of marketing mix in detail and how different banks are adopting strategies in the various marketing mix elements.

1.4 MARKETING MIX ELEMENTS

The various elements of the marketing mix explained earlier form the base for developing marketing strategies. A detailed look into these Ps and the dimensions of these Ps will enable the banks to approach and develop strategies successfully.

1.4.1. PRODUCT

Meaning and Importance:

Product is the most important P in the marketing mix and all the other elements revolve around the product. The other Ps and the resultant strategies are aimed at to effect marketing of the product. It is the centre of business activity and the reason for the firm’s being.

Kotler defined "a product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need"

Kotler (1998) observed, "the basis of any business is a product or offering. A company aims to make the product or offering different and better in some way that will cause the target market to favour it and even pay a price premium".
Theodore Levitt observed that "products are almost always combinations of the tangible and the intangible... to the potential buyer, a product is a complex cluster of value satisfactions.... A customer attaches value to a product in proportion to its perceived ability to help solve his problems or meet his needs. All else is derivative".

According to E. Raymond Corey, "the product... is the total package of benefits the customer receives when he buys".

Theodore Levitt explained the process of product formation by suggesting that a product consists of a range of possibilities as follows:

1. the generic product,
2. the expected product,
3. the augmented product, and
4. the potential product.

The generic product is the core product and the fundamental product a bank offers like Savings Bank, Current Account etc., The generic products are those products, which define business. The generic products do not have a strong marketing content. The generic product provides the basic benefits.

The expected products are products with features that customers assume that it will be part of the product. For example, monthly statements of accounts, clearance of cheques etc. which come along with the account.

The augmented product includes all the features and benefits that help the marketer differentiate the market from its competitors. The
augmentation may include features that the customer never thought about which include quality of customer service also.

The potential products include all the modifications that the product might undergo over time. Basically potential products are future products with value additions than other products and will be an outcome of product research.

According to Kotler products differ in the degree to which they can be differentiated. The challenge in structuring the product is to create relevant and distinctive product differentiation by different features. The differentiation feature may be physical features, availability, service, price and image. The features may be an addition, modification, elimination, supplementation and redesigning the existing feature as a whole also but the final outcome should be how the product is differentiated to that of the competitors. But a product to be successful should have essential features that are a must for the product and differentiation features that gives the competitive edge for the product.

1.4.1.1 PRODUCT LIFE CYCLE:

Any product has to pass through four stages in their product life cycle and the stages are introduction stage, growth stage, maturity stage and decline stage. In the introduction stage the product will undergo slow growth because of gradual awareness of the product. In the growth stage the product's growth accelerates as product awareness increases and product need match of customers increases. In the maturity stage, the product is undergoing stiff competition and under strain as product purchase has peaked and sales will slow down. In the decline stage, the product will
undergo negative growth (i.e.) sales will slow down as the acceptance will come down. Any marketing strategy should be based on the product life cycle and depending on the product's stay in the respective phases. If the relevant stage is not recognised and proper marketing strategies are not developed, the product will die without support from customers.

1.4.1.2 PRODUCT MIX & PRODUCT LINE

Banking is a business, which involves servicing different types of customers with different needs, and the same product may not satisfy different needs of different customers.

Basically banks design products in different product categories like Savings Bank, Current Account, and Fixed Deposits but offer variations in fixed deposits by offering different type of features in each category. The different term deposit products with varied features are known as product line and the different products that are offered are called product mix. The product line or product mix may depend on the business objective, marketing objective and the customer needs.

A bank's product mix has basically two characteristics (i.e.) breadth and depth. Breadth refers to the number of different products offered and also referred to as product range and depth refers to the number of products offered in each product line. Banks develop product range strategies as well as product line depth strategies depending on the customers' need and expectations.

There is another concept in products, which is referred to as 'product bundling'. It is basically bundling different products taking into account the product range and product line depth and this product bundling concept is
used in building customer loyalty. This product bundling concept will give rise to cross selling.

1.4.1.3 NEW PRODUCT DEVELOPMENT

In the banking scenario where competition and technology are the key words, the concept of shelf life of products undergo rapid changes, than in yesteryears. Products are not perennial. The changing customer needs change the life span of the products. Changing customer profile put pressure on the banks to evaluate their product portfolio and develop suitable product strategies. In that context, new product development is an area where banks are continuously focusing to keep their market share and develop new markets.

Banks focus on new product development in two dimensions:

(i) Developing new product that are new to the industry

(ii) Developing new products that are new to the bank.

Developing new products that are new to the industry requires a good amount of market research about the existing product gaps in customers’ needs and also about the business potential and profits for the new product.

Developing new products that are new to the bank is based on the feedback from the customers about their need gap or following competitors strategy in a specific product line which has attractive business propositions.
Development of new products normally result in either modifying existing product with attractive features, value additions, extension in the product line by a differentiated product or clubbing products for value added benefits or by research based innovative products.

There are basically eight stages in new product development programme.

(i) Exploration and idea generation from different sources viz., R & D, management, employees, competitors, government, customer, legal changes, distributors, new technology and marketing.

(ii) Screening- of product ideas against product objectives, product policy and company resources, profit objective and regulatory prescriptions.

(iii) Business Analysis - analysing the demand for the product and whether it fits with the company's goals and objectives.

(iv) Development - of the product including presentation and formulation of the product and development of other strategies of marketing mix

(v) Testing - test marketing the product in selected markets to assess the customer response and to fine-tune any gaps.

(vi) Launch - the product in a full scale with promotional strategies.

(vii) Monitor results- to monitor the progress of the product in relation to the company's goals and objectives.

The process adopted as above forms part of the new product development strategies.
1.4.1.4 PRODUCT BRANDING

Branding in banking has been defined as "bringing sharper focus to identification, positioning and competitive advantage of the personal banking products amongst the target audiences".

Kevin Sheridan (1998) explained branding as "branding something, be it a product, service or an experience, is inherently to declare that its one thing and not another". He further opined, "as banks increasingly embrace branding, they'll benefit from the process' strengths - but also find themselves grappling with new brand dynamics...."

Lynn Weinstein (1998) highlighted the benefit of branding as, "a brand promises consumers that they will enjoy a consistent experience when dealing with a particular business or buying a specific product. This consistency simplifies the customer's decision-making process and produces comfort and trust in the brand. Developing a brand identity may involve reengineering products and delivery systems, developing a new merchandising strategy, adopting a slogan or redesigning the institutions lobby, website or logo. One of the first steps in developing a brand strategy for your institution is to determine how your customers currently perceive your bank".

Jeff Sucec and Cheryl O' Donoghue (1997) observed that "though branding has been around for a long time but it is relatively new to banking and it is the next step in the migration from product to customer – centric
marketing". They further observed that the banking industry will see how branding can be as powerful a tool for relationship building as products and pricing have been in the past. The power of branding to create long term loyalty is going to change reality for the financial services industry unlike anything the industry has thus for experienced. According to them, to successfully implement a branding strategy, banks must achieve the following:

a) Name recognition: Branding creates customers / prospect awareness when it comes to seeing or hearing an advertising message.

b) Competitive positioning - existing markets: Banks stand a far greater chance of attaining the market share necessary to compete effectively when they are equipped with a strong brand identity.

c) Competitive positioning - new market entry: New market entry is eased considerably when it is done with an already established image. If customers or prospects are familiar with the name of one financial institution over another, it follows that those same customers are likely to direct their attention toward what is familiar.

d) Message consistency: Branding strategies demand consistency to the point where an institution is defeating its very purpose without them. All delivery channels must be scrutinised regularly to make sure a branding strategy is coming through clearly and consistently. This consistency goes beyond logos and words to become an experience in and of it.

Thus branding of products enhances the product's acceptability, scope for more business and a way of tangibilising the intangible nature of
service product. But a branding strategy to be successful, the brand name should reflect the features and value propositions of the product so that the customer identification of the brand name synchronises with the product features and value propositions.

1.4.1.5 PRODUCT POSITIONING

Positioning is the battle for a place in the consumer's mind. An article in the Journal of Advertising Research defined positioning thus, "product position refers to a brand's objective (functional) attributes in relation to other brands. It is a characteristic of the physical product and its functional features. Position, on the other hand refers to a brand's subjective (or perceived) attributes in relation to competing products. This perceived image of the brand belongs not to the product but rather is the property of the consumers’ mental perceptions and in some instances, could differ widely from a brand’s true physical characteristics".

Rosser Reeves defined positioning as, “the art of selecting out of a number of unique selling propositions, the one which will get you maximum sales”.

And Wind believed that product positioning, "serves as an integral part of situation analysis as well as a cornerstone of the firm’s product marketing strategy". Subroto Sengupta (1990) regarded, “positioning is both a fountainhead decision and an integrating concept. It provides the direction and thrust to marketing and advertising planning, and also integrates, that is, binds into a cohesive whole, all the elements of the marketing mix to serve the positioning objective of the brand."
A comprehensive definition of a brand positioning will embrace the following:

(i) The position of a brand is the perception it brings about in the mind of a target consumer.

(ii) This perception reflects the essence of the brand in terms of its functional and non-functional benefits in the judgment of that consumer.

(iii) It is relative to the perception, held by that consumer of competing brands, all of which can be represented as points or positions in his or her perceptual space and together, make up a product class.

To sum up, the concept of perceptual space forms the theoretical basis of positioning. Kotler (1999) opined that companies need to choose a specific positioning and the probable specific positioning can be on the following lines:

(i) Attribute positioning - positioning itself on some attribute or feature of the product.

(ii) Benefit positioning - highlighting the benefit the product promises.

(iii) Use / application positioning - positioning the product as a best in a certain application.

(iv) User positioning - positioned in terms of a target user group.

(v) Competitor positioning - suggesting the product's superiority or difference from a competitor's product
(vi) Category positioning - the company describing itself as the category leader in the product.

(vii) Quality / Price positioning - product positioned at a certain quality and price level.

The above are positioning situations that are focussing on specific benefits without mentioning anything about the price. But for the discerning value for money customer, value position is the answer because the customer will always like to derive maximum value for the money. There are five distinctions in value positioning:

(i) more for more - highlighting more value for more price,

(ii) more for the same - highlighting more value for the same price,

(iii) same for less - highlighting the aspect of same value for lesser price,

(iv) less for much less - offering relatively less value for much lesser price,

(v) more for less - highlighting relatively more value for less price.

The success of the positioning strategies will depend on how the firm selects the positioning platform depending on the market, product and customer segment they are targeting. A wrong positioning strategy will result in failure of the product because of the mismatch in positioning strategy and customers’ mental perception.
1.4.1.6 PRODUCT KNOWLEDGE

Mary Ann Pezullo (1999) highlighted that "the first element, and the foundation of a successful selling program is product knowledge. Individuals involved in direct selling should thoroughly understand all their bank's products and services their customers might need .... Studies have found that when employees are very confident that they know their products, they are much more likely to suggest them to customers. Employees who are less confident in their product knowledge don't want to risk being embarrassed by having to say to the customer 'I wasn't aware of the product' or 'I don't know how the product works'."

She further explained that the following elements of product knowledge are key for both the employee and the customer:

(i) How the product benefits the customer?

(ii) Its advantages compared with other services of the bank and its competitors.

(iii) Its disadvantages compared with the competitor's offerings.

James M-Payne (1998) emphasised the need for product knowledge thus, "Branch personnel would have the freedom to probe the customers' needs and then sell them the proper product directly. Early on in the process of change, management recognised that training in product knowledge and sales was necessary to be successful ... Ownership of the process by the branch employee is an important factor many times overlooked in the move to a different culture."
Colin McIver and Geoffrey Naylor (1980) stressed the need for knowledge about products when facing a customer, thus: "In principle, no interview should be entered on without some idea of the services or additional services which might benefit both company and customer. The ideas may be of course by totally wide of the market, but their dissection can generate new ideas.

This preparedness principle would not simply apply to managers and designated business development officers but to all staff in contact with customers or potential customers.... These company personnel should also be armed with the main selling points for the service or services at issue, recognising that emphasis to be placed on each of the main points may well differ from one prospective customer to another". They further emphasised that product knowledge is essential at the time of selling for gaining and keeping customers. They explained as follows:

"In the marketing context, management communications are likely in most cases to revolve around new devices for marketing existing services, special sales drives and promotions, or the introduction of new or repackaged services. For this the first essential is 'product knowledge' i.e. the individuals who are being asked to sell, identify opportunities for selling, or simply recommend new products, will not get very far unless they understand the benefits of the product or service well enough to be able to explain them clearly to others."

Sir Frederick Seebohm highlighted the effect of deficiency in product knowledge on the business thus: "... first it acknowledges that customers must be satisfied - we must learn what satisfactions our customers seek. Secondly the words 'creation and delivery' acknowledge that marketing is
an active, creative process involving all the bank’s staff. The perfect delivery of a badly conceived service is poor marketing; on the other hand, the bad delivery of a perfectly designed service can be just as disastrous”.

From the above observations, product knowledge is the differentiating factor between success and failure. The success of the marketing mix strategies depends on the product knowledge of the staff involved in marketing and any deficiency or lack of knowledge will have direct impact on the marketing mix effectiveness and the results will demonstrate that. Only if the staff (internal customer) possessed sufficient knowledge it can be transmitted to the external customer. All efforts and strategies in the other Ps of marketing mix will bear fruit only if product knowledge is properly embedded in the internal customer's mind. Sound product knowledge of the internal customer is the fundamental concept for success of the marketing mix strategies.

1.4.1.7 PRODUCT FAILURE

In spite of market research, customer surveys, potential available and internal marketing, product failure happen in the banking products also, especially in the case of new products. A new product launched will fail ab initio in the introduction phase itself. Some products will have an initial draw but flop subsequently. Some products will fail in the growth phase. This happens in spite of successful test marketing. The reasons for the failure may be due to some deficiency or weakness in one or more of the marketing mix elements. In addition to that, the reasons may be due to any one or more of the following:
i) Wrong assessment of customer needs and not looking from their viewpoints. The product will be marketed based on the intuition or perception of the bank based on their ideas.

ii) Wrong assessment of market segments by unrealistic estimates of the market segment.

iii) Wrong assessment of the degree of behavioural change required in the case of new product and the expected behavioural change is not forthcoming from the customer.

iv) Failure in internal and external communication about the product's benefits. The internal marketing communication as well as external marketing communication not approached properly will lead to product failure because the internal customer without proper product knowledge and benefits will not be able to communicate to the external customer and the external customer not aware of the product's features and benefits will not have the inclination / interest to avail it.

v) If the bank is able to find all the reasons for failure and the product is still good for marketing, the bank may adopt suitable corrective strategies and relaunch the product.

1.4.1.8 PRODUCT PRUNING

Product Pruning refers to phasing out the product from the product line and product range. Product pruning is resorted to depending on the stage of the product in the product life cycle. After the growth and maturity phase, in the saturation phase, competition multiplies with increasing pressure on price levels and profit margins and in the next stage, i.e.,
decline stage, both sales volume and profit contribution fall drastically. Depending on the period of life cycle in each stage and the effect of it in the saturation and decline stage, product pruning is resorted to. But product pruning can be postponed by attempting product improvement at the growth stage that will extend the maturity stage. But when product pruning is necessary, it has to be done, otherwise it will cost the bank and cut into other products' strategies also.

1.4.2 PRICE:

Pricing is another important marketing mix strategy that banks resort to for garnering market share. Banks use pricing in different combinations to attract customers and offer them the best combination so that the ultimate objective of customer bases and profitability are achieved. Pricing in banking refers to interest rates for deposit products and credit products and fees, charges, commission, discount etc. for other service products.

Colin McIver and Geoffrey Neylor listed the prerequisites on which a pricing strategy should be developed:

1. What is the range of `going rates' for this service?

2. What is the approximate cost to the company of providing it?

3. What are the cost sensitivities?

4. What on previous experience is the likely risk?

5. How important is this customer's (or this group of customers) business to the company?

6. How important is it to him/them to obtain that service from us?
7. How near the top of the `going rate' range can I pitch the figure without prompting him/them to shop elsewhere?

8. How great is his `experienced judgment'?

Marie Ann Pezullo observed that in setting the price of a product, eight objectives should be considered:

1. Survival: adjust price levels so that the firm can increase sales volume to match expenses.

2. Profit: Identify price and cost levels that allow the firm to maximise profit.

3. Return on investment: Identify price levels that enable the firm to yield targeted return on investment (ROI).

4. Market share: adjust price levels so that the firm can maintain or increase sales relative to competitor's sales.

5. Cash flow: set price levels to encourage rapid sales.

6. Status quo: identify price levels that help stabilise demand and sales.

7. Product quality: Set prices to recover research and development expenditures and establish high quality image.

8. Communicate an image.

The prices of the banks products directly affects the banks profitability and any pricing that will have effect on profitability has to be discouraged because pricing cannot be for making loss, which is against the business objectives.
The price strategies adopted by banks before deregularisation of interest rates was different in the sense that there was little leverage for the banks in the pricing decisions as interest rates and other fees were administered. But deregularisation has brought about a sea change in the pricing approach of banks. Pricing strategies were adopted keeping profit objectives and the affordability of prices offered and the development has gone to an extent where pricing is being used as a positioning strategy.

Pricing is a continuous strategy and the strategy will be a dynamic one taking into account the changing business environment, changing asset liability composition and asset liability management practices, composition of the various products in the product mix and the need for particular product line and also competitors’ pricing strategies. The pricing strategy will be different for new products and repricing existing products. The different pricing strategies adopted by banks are:

1. Cost plus pricing: This type of pricing is adopted on the basis of the cost plus the targeted profit margin expected for the product.

2. Perceived value pricing: This strategy is based the perceived value of the product to the customer. Depending on the tangible and intangible features added to the product pricing will be fixed.

3. Relationship pricing: Relationship pricing strategy is based on the pricing for the relationship instead of product as such. Here the pricing is determined on the basis of all the account relationship of the customer with the bank rather than for each product. It is also referred to as package pricing and mainly intended for customer retention. The pricing is based on the customer maintaining certain minimum balance
requirements or availing a loan or service product along with a saving product or card product, so that in totality the pricing will be advantageous for the bank as well as the customer. Differential pricing is an extension of relationship pricing and offered on more attractive price terms above certain limits.

4. Behaviour Modification Pricing – It is the pricing strategy intended to modify the behaviour of the customer. Here pricing is based on the behaviour or expected behaviour on account of pricing. For example, the pricing for using ATM of the bank and ATM of another bank will be different and will intend to change the behaviour by making the customer to use the bank's ATM instead of using other bank's ATM, which he was doing previously. Behaviour modification pricing success depends on the interest of the customer and the advantages of changing behaviour of the customer and the facilities offered by the bank for changing the behaviour.

5. Competitive pricing - Here the pricing strategy is based on the competitor pricing strategy. If the price is almost same for the product of the bank and its competitors, change in the price of the competitor's product, will put pressure to change the pricing of the bank to stay in the competition.

6. Skimming Pricing - is resorted to in the case of new products. The strategy will be to price the product high initially to take advantage of the demand for the product when it is new and to skim the cream of demand. When the product is new, there is little price sensitivity and price sensitivity will grow when the competitors also introduce similar products. The skimming strategy will allow the marketers to attract
customers who are lesser price sensitive and covering the prices to attract those who are more price sensitive. The strategy in the skimming prices is to start with a high price to test the demand and subsequently lower it.

7. Penetration pricing - is the opposite of skimming price strategy. Here the price is initially fixed low to penetrate the market and capture a large share of the market. The penetration strategy will be relevant in a price sensitive scenario and strong competition is already there for the product.

In the deregulated interest rate scenario pricing plays an important role because most of the customers are price sensitive and they see the ‘value for money’ concept when they avail products. Pricing strategy is one of the key factors for the success or failure of bank products.

1.4.3 PLACE

With the advent of marketing concept in banking, place as a strategy has gained importance and banks are developing a number of place strategies to bring more effectiveness to the other Ps of the marketing mix. Place refers to the site through which the products and services are delivered and distributed to the customer. The concept of ‘place’ has changed over the years. ‘Place’ normally referred to the branch of the bank. With the advent of technology, the ‘place’ concept has gone beyond the boundaries of branch and has extended to new delivery and distribution sites outside the branch. Inside the branch also, the ‘place’ concept has undergone a sea change. The branch ambience has transformed from a commercial, functional ambience to customer friendly boutique ambience to
enhance the value for the customer. 'Place' strategy has shifted from a transaction centre for the customer to 'experience and feel banking', which will lead to customer delight. The concept of 'place' has shifted from the branch to 'off' site locations where the strategy is on 'customer convenience.'

Some of the factors, which play a role in the 'place' strategy, are:

1. the general location of the place depending on the business objective for the branch.

2. the specific location within the general location.

The general location strategy is based on the positioning of business in that location, whereas specific location is concerned some of the factors which are considered are:

1. access to the location,

2. visibility of the location,

3. competitor's location,

4. time to reach,

5. access to public transportation,

6. cost attached, and

7. access to other conveniences.

A location strategy, taking into account these factors will be a good bet for customer satisfaction.
Banks innovate and implement various place strategies to stay firm in the competition and improve the share.

Inside the branch premises, constant efforts are taken to improve the ambience of the banking hall to make banking more a pleasure. Banks to differentiate from functional banking hall adopt suitable branch layout strategies, the customer has normally experienced. The concept revolves around location of the counters or designing the different desks for banking. To put it simply, the banking hall ambience is normally targeted in such a way that the customer should feel as if he is not banking and only experiencing some pleasure.

Outside the branch, with process improvement tools and new delivery tools like Automated Teller Machines, banks resort to off site locations at convenient places to offer maximum customer delight.

Another innovative place strategy adopted by banks is the 'kiosk' concept. Kiosk is something less than a branch. Banks offer virtual banking system, which looks like an ATM but conducts complex transactions well beyond the capability of a traditional ATM. These services are offered through a kiosk, which is an improved version of an ATM site. Thus 'place' strategies are constantly attempted to introduce innovation and improve the customer service and delivery mechanisms.

1.4.4 PROMOTION:

Promotion strategies basically focus on communicating about the bank and / or its products and services to the target market. Basically the four elements of a promotional mix are:
a) Advertising

b) Publicity

c) Sales promotion and

d) Personal selling

The objective of any promotional strategy would be to:

a) gain the prospect’s attention,

b) arouse the interest of the prospect,

c) stimulate desire for the product,

d) set buying action, and

e) build satisfaction into the transaction.

Promotional strategies are developed and implemented whenever a new product / service is offered or to strengthen/improve the level of sales of existing products. A promotional campaign may be attempted to achieve the objective. Promotional campaign is a co-ordinated series of promotional tactics having a central theme to achieve targeted levels of sales. The campaign may include one or more or all of the elements of the promotion mix.

Advertising refers to the communication through print media and other visual media to reach the customer with details of products and services. It involves cost for the bank.
Publicity is the second promotional element where the bank will get coverage without incurring any cost. The promotion mix is generated from sources other than the bank. It may be a customer opinion, public opinion, industry opinion and word of mouth communication across cross section of users. It may be also a result of coordinated communication effort or service quality of the bank or through the liaison with different sources of end users or opinion leaders.

Personal selling is a promotion mix element in which the internal customer is directly involved. The personal selling is aimed at the branch / place of business of the bank as well as outside the place of business also. The attitude / motivation level of the internal customer play an important role in the success of the personal selling strategy. Direct marketing and cross selling are two of the import personal selling strategies.

Sales promotion is the fourth element of the promotion mix that is directed towards maximising sales. The sales promotion may be based on price concessions, value concessions and entry level dilution of prescriptions, which are targeted as direct promotional measures. The other form of sales promotion that is referred to as indirect sales promotion will be attempted through participating in community relations programs, sponsoring arts, sports, cultural and scholastic programs. The promotions may be attempted by participating in social and environmental development programs.

Philip Kotler observed that public relations is also an effective sales promotion tool. Marketing public relations can be quite effective as a promotional tool and suggested the 'PENCILS' model of public relations. The 'Pencils' model consists of the following tools:
P Publications (company magazines, annual reports, helpful customer brochures etc.)

E Events (sponsoring athletic or art events or trade shows)

N News (favourable stories about the company, its people and products)

C Community involvement activities (contributions of kind and money to local community needs)

I Identity media (stationery, business cards, corporate dress codes)

L Lobbying activity (efforts to influence favourable legislation and ruling)

S Social responsibility activities (building a good reputation for corporate social responsibility)

Designing a good promotional strategy should take into account the above concepts. It is not a question of which promotion mix is to be chosen for maximum promotional effectiveness blindly. The target market, the target consumers' status and needs, relevant promotion mix element and relevant channel in the particular element based on the business and marketing objective will be the key factors that should be factored in for developing a pragmatic promotion strategy.

1.4.5 PEOPLE

The most important 'P' next to product in the marketing mix is people. Again there are two dimensions to people. People include both
internal customer and the external customer. The external customer is the ultimate customer to whom the product has to reach and the internal customers are staff through whom the products have to reach the external customer. The internal customer is the vital link between the product and the external customer. The internal customer translates the marketing strategies to ultimately culminate into business for the bank. A proper approach to people strategy will go a long way in improving the marketing mix effectiveness of the other Ps. If the people ‘P’ are not handled properly, it will affect the effectiveness of the other Ps. The important areas is which the bank develop strategies for the internal and external customers are explained as follows:

1.4.5.1 INTERNAL CUSTOMERS

Many Ann Pezullo (1998) observed, "the marketing concept must become the philosophy of the entire organisation, not just the marketing department. In banks, as in other organisations, the importance of effectively integrating and coordinating the activities of employees is based on a simple truth. The people who work for the business are the business. A firm is marketing it every time a customer interacts with an employee. A teller is engaged in marketing when greeting a customer. If the teller is rude, then, as far the customer is concerned, the bank is rude. The question is not whether the teller should engage in marketing, marketing is inherent in the job. The question is whether the teller will market the bank's services effectively... This customer-oriented attitude does not develop naturally; management must foster it. The commitment to customer satisfaction must be made and supported by top management and implemented in the form of
the corporate culture that places the customer at the centre of all the bank's activities."

Lance Kessler (1998) highlighted the importance of staff in the organisation for the successful implementation of the marketing strategies. He observed, "... The strategy development phase requires your bank to come to consensus on competitive strategy and communicate it in clear terms to the only people who can make the strategy work - your customer contact personnel. ... Any one should be able to ask any bank customer contact person why some one should deal with your bank instead of a competitor and the response should be consistent and in-line with the strategy of the organisation."

This highlights the importance of the internal customer to marketing success and banks must first attempt for internal marketing to carry the strategies to external customers:

The internal marketing should be designed to make the internal customer understand what is being done, why it is being done and what their role is in helping the bank reach its goals.

Colin McIver and Geoffrey Neylor highlighted the importance of internal marketing thus, "...the failure of internal communications has been a large contributory factor in the failure of the whole project. The product or service itself may be well designed to meet a customer need, well presented and competitively priced; the external communications may be soundly planned and efficiently executed. But if the various members of the organisation responsible for selling and sales promotion, or the many other necessary support services, do not understand or believe in the
product, it will not be as successful as it should be. Nor will an initial success be sustained and built on if there is not continuing provision for reporting, progress and sustaining interest among all those involved.”

With internal marketing, everyone in the organisation is aware of the promises made to the customers including the how, the why and the purpose of the promises.

The internal marketing strategies help the banks to effect smooth flow of products and services to the external customers. For that, the internal marketing should be focused, inter alia, to improve the skills and attitude of the internal customer.

Product knowledge and delivery attitude of the internal customer is the key factor for success of marketing strategies. Any level of internal marketing will be effective only if the staff have the attitude to accept the inputs.

To improve the skills and attitude of the internal customer, the best strategy would be to train them in these areas. The training program should broadly cover the following:

1. Corporate goals and objectives,
2. Marketing objectives,
3. Details of products and services and the features unique to products and strategies to market them,
4. Target market segments for different products and services,
5. Importance of customer service and behavioural tips for handling different types of customers.

6. Various promotional measures and other Ps in the marketing mix.

7. Cross-selling techniques and identification of cross-selling opportunities.

8. Customer education about various products and services after checking up their needs.

9. Handling customer grievances, dissatisfactions, and

10. Knowledge and skill sharing among staff and team dynamics and motivation tips for self and motivating others.

Well-trained, knowledgeable staff members who are responsive to customers needs with the right attitude will be a surefire success of marketing mix strategies.

As Wilbert O Bascom (1997) observed, "management must have an enlightened and proactive approach to the training function. In other words, management must see the training function as an investment aimed at acquiring the skills required for the bank to achieve its product, service and growth objectives.

Mr. Yashwant Sinha, Finance Minister, Government of India, in his inaugural address at Bank Economists Conference at Bangalore in March 1999, observed, "...The other issue in this regard which comes to my mind is the modernisation of the systems and the training of personnel to be able to take care of the technological challenges that we are facing."
Modernisation of the mind set of the people working in the banks is the major challenge and therefore the need to look at training...."

Thus, focus on the internal customers’ improvement with regard to product knowledge and attitude towards customer service is a prerequisite for success of other Ps of the marketing mix.

1.4.5.2 EXTERNAL CUSTOMERS

The importance of customer is best explained by Mahatma Gandhi as "The customer is the most important visitor in our premises. He is not dependent on us. We are dependent on him. He is not an interruption of our work. He is the purpose of it. He is not an outsider in our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so".

The existence of the bank itself depends on the customer. Without customers, the bank cannot think of a business. That necessitates the banks to have a customer orientation. The orientation approach consists of the need analysis of the customer and the bank’s effort to fulfill the needs for customer satisfaction.

As Barry I Duetch observed, 'marketing has three major goals - getting, keeping and developing customers'.

The entire organisation’s business and marketing strategies’ purpose is to ultimately reach the customers.

Maintaining customer stability is the most effective path to competitive superiority. As Jane Licata observed, ‘... studies have shown that profits can increase between 25% and 85% when customer switching is
reduced by 5%. The increase in profitability is due to greater customer stability'.

Vicky Jerson (1998) emphasised, "in the age of look-alike financial products, customer service has become a differentiating feature. In the drive to improve customer service, financial institutions must grapple with the following critical issues viz.,

1. defining what customer service means in practice,

2. evaluating what current customers define as good customer service, and

3. determining how to implement customer service improvement plans.

The accuracy, timeliness and accessibility determine customer service. In developing a customer service plan, elements that are common to all such plans include:

1. establish performance standards for customer service,

2. start commitment to service at the top,

3. train employees in service quality,

4. measure the level of service,

5. let customers define what service is.

6. set service standards and abide by them,

7. reward employees who do a good job,

8. have excellent internal communications.
9. thank customers for their business.

10. ask customers for referrals.

Banks develop and deploy customer service strategies primarily focusing on customer satisfaction. A satisfied customer is a public relations officer of the bank. Any element of dissatisfaction expressed by the customer should be immediately rectified and as James H. Donnelly Jr. has stated, "customers should never be required to restate their request or complaint to several employees before having it resolved.... Customers do not buy your products or services. They buy solutions to their problems..."

Dissatisfaction in the customers mind with the bank's services will have a negative impact or the bank's business and marketing strategies.

The customer service strategies should be broadly based on the following lines:

(i) Segmentation strategies - segmenting the customers, business wise and profit wise and offering products and services to meet their needs.

(ii) Retention strategies - to keep the customer base intact by offering product improvisations and improving service quality and delivery pace.

(iii) Cross selling strategies - to improve the profitability per customer by offering additional products with a two dimension effect; one to improve brand loyalty and the second to improve profitability.

(iv) Value strategies - by offering additional value propositions to the customers with little change in price propositions.
Ultimately the focus is to retain and improve the customer base by effective marketing strategies by the various elements of the marketing mix.

1.4.6 PHYSICAL EVIDENCE

Physical evidence as a marketing mix strategy is developed on the premise that banks market the intangible. The intangible nature of banking services without any physical form as a commodity pose a major challenge to the bank marketing strategies. Physical evidence strategy is primarily aimed at to tangibilise the intangible nature of bank services. The successful marketers will be one who will be effectively changing the intangible nature of the bank services into tangible one.

The tangibilisation strategies are broadly based on the following approaches:

(i) The first approach for tangibilisation is to create an image in the customer’s mind about the bank and branch. A customer visiting the branch will identify himself with the branch if he was satisfied with the interior and ambience of the branch. It includes the layout, the facilities provided to the customers, the furnishings, the decor and the degree of pleasantness in the branch.

(ii) The second approach for tangibilisation is to emanate from the people who are delivering the service. Since the quality of service depends on the quality of the service provider, tangibilisation will be best achieved by the service attitude of the staff concerned and the courtesy extended to the customer.
(iii) The third approach for tangibilisation is to offer the customers the products in an attractive delivery package. The channel of delivery or process instrument should carry an amount of innovation that will result in better tangibilisation. Packaging innovations are a natural and novel way for physical evidence strategies.

1.4.7 PROCESS

The 'process' element of the marketing mix is the ultimate decider of marketing success. The effectiveness and innovativeness of the other ingredients of the marketing mix can be successful only if the process strategy is properly designed and implemented.

Process refers to the flow mechanism from designing to delivery of the product to the customer. The designing may relate to different prescriptions and formalities for availing the product to the point of reaching the customer. The success of the process strategy depends on the simplicity and user friendliness of the process and the pace of delivery of the product to the customer. If any of these three aspects are not taken care it will result in process deficiency and hence may lead to rejection of the product even though other marketing mix elements are taken care of diligently, when marketing the product. Process gives the finishing and final touch for the success of the product.

Some of the process innovations attempted by bank were simplification of account opening forms, setting time limits for credit appraisal and delivery, speedy collection of cheques through networking and user friendly terms for availing products and setting up product/segment related specialised branches/counters for quick servicing.
Technology has played a major role in the process strategy. Computerisation has changed the whole approach to banking processes. Delivery mechanism has improved, delivery times have shrunk, quality of delivery has improved and customer satisfaction has enhanced. Those who take advantage of the technology improvements will be the winners of the marketing warfare. Laggards will fade away without excuses. In a competitive scenario where technology adoption is uniform by all the competitors, then whoever is proactive to the changing technology scenario in giving value addition to the customers will be the winners. This scenario is now happening in the case of ‘internet banking’ and ‘e banking’. As Gary R.Craft (1998) has observed, "The Internet is fast demolishing the US Banking model of the last 200 years, and a whole new approach is required-one that is network - centric. A select few banks seem to recognize the paradigm shift... The whole area of electronic billing offers vast potential for bank involvement, which would help the industry maintain its dominant role in the payments system".

As rightly pointed by banking analyst Marni Pant O'Doherty, "you have the Internet, an unknown quantity. We don't know where it's going. But if you don't make the investment, you might be left behind."

Those who recognizes the process capabilities available through the internet and redefine their business process strategies will zoom past others in the road for marketing success and those who don't will be a poor also-ran.

Information Technology (IT) as process tool has gained significant importance in the past decade and changing the concept of banking through branches. As pointed out by Mr.Nandan M.Nilakeni, Deputy Managing
Director, Infosys Technologies, a significant player in the IT scenario in banking, "Indian public sector banks can no longer rely on their size and branch network; technology has made geography irrelevant.... The information technology (IT) strategy for banks must be business driven. The erstwhile policy of being all things to all people will no longer work. Banks will have to find their niche and focus on that."

The scope for process improvement are endless and process improvement strategies have to be adopted by banks based on their competencies and their ability to enhance their competencies to face the challenges emerging in the technology front. A good process strategy will follow naturally if bank recognises the importance of technology and emerging issues in the technology front.

Banks as a new process intermediary use the Direct Selling Associates (DSAs). Almost all foreign banks and new private banks effectively use Direct Selling Associates as a process tool to reach the retail and corporate customers, and complete the formalities for availing asset and liability products to cut time and cost. Maintaining infrastructure, like manpower, space, computer network, telephones etc., will be the responsibility of the DSAs for a fee/ commission for each transaction, resulting in cost reduction for the bank for the process.

The concepts of marketing explained throw some important points, which lead to the following inferences:

i) Marketing strategies are important, all-pervasive and integral part of organisational activities.
ii) Marketing strategies are developed based on organisation’s business objectives.

iii) Marketing strategies are developed based on various elements of marketing mix.

iv) The effectiveness of the marketing mix elements will decide the successful implementation of the marketing strategies.

v) The effectiveness of the marketing mix elements depend on how these elements are translated to the respective target group and the absorption level of the target group (i.e.) the marketer and the customer who is the ultimate beneficiary.

vi) The two Ps of the marketing mix elements namely ‘Product’ and ‘People’ and the different dimensions of these Ps, inter alia, play a vital role for the effectiveness of the marketing strategies as a whole.

1.5. RATIONALE FOR THE STUDY:

The above concepts of marketing and the various elements of marketing mix and the effectiveness of the marketing mix triggered the thinking of the researcher to do a research study about the effectiveness of the elements of the marketing mix and analyse the marketing strategies of Indian Overseas Bank, a marketing oriented public sector bank in the mid size category and representative sample of public sector banks in India. The reasons for choosing Indian Overseas Bank as the subject of the study are:

(i) The researcher is working in the bank and data collection can be best achieved.

(ii) The bank is a marketing oriented bank with innovative and proactive banking products and also pioneers in product development and technology areas of banking.
(iii) The bank has a wide network of branches all over India covering rural, semi urban, urban and metro centres.

(iv) The bank is traditionally rated as one of the banks offering high quality customer service.

1.5.1 OBJECTIVES:

The objectives of the research are to study the marketing strategies of Indian Overseas Bank and their effectiveness. The effectiveness of marketing strategies depend on the various elements of the marketing mix and again, among the various elements of the marketing mix, the effectiveness, inter alia, depend on some of the key elements of the marketing mix. Based on the above objectives, the study is structured on the following lines:

(i) To study the marketing strategies of the bank by studying the various strategies in the elements of the marketing mix adopted by the bank.

(ii) To study the awareness level of the important element of the marketing mix ‘P’ (product) and the other important ‘P’ (people), since these two Ps, inter alia, play a crucial role for the success and effectiveness of the other Ps and the strategies as a whole. The awareness level about the products in the internal customer (staff) and the external customer is an important factor for the success of the marketing mix ‘P’ (product). The study is focussed to gauge the awareness level of the products (deposit products, credit products and other service products) of the internal customer, gauge the awareness level of the products of external customers (clientele) and to study the relationship between the awareness levels of the internal and external customers and also its effect on the business mix in the product range.
(iii) In addition to awareness level about products, the study is also aimed at to find out the level / factors with regard to other dimensions of the ‘product’.

(iv) The study also covers the other ‘P’ (people) both from the internal customer and the external customer angle under various dimensions.

(v) The objectives of the study is to broadly cover the following areas:

(1) **Internal and External Customers** :
   a) Awareness level (knowledge) of the products
   b) Reasons for the awareness level
   c) Sources of product knowledge
   d) Perception about product range
   e) Perception about quality of customer service
   f) Reasons for the service quality
   g) Level of team approach to customer service

(2) **External Customer** :
   h) Need satisfaction level
   i) Price sensitivity
   j) Potential for cross selling.

It is hoped that the analysis of the sample based on the above objective will provide definite clues about the effectiveness of the marketing mix elements selected for the study and will give directions for developing future strategies.

**1.5.2 HYPOTHESIS:**

As mentioned above while studying the various dimensions of the ‘product’ and ‘people’ and to establish the relationship between the product knowledge of the internal customer (Staff - Clerical, Assistant Manager /
Deputy Manager, Manager / Senior Manager) and the external customer (Customer) of different types of branches (Rural, Semi-Urban, Urban and Metro), a hypothesis was formulated on the following lines:

\[ \text{Ho = There is not much difference in product knowledge between staff members, (internal customers) and customers (external customers)} \]

Computerised statistical package SPSS (Statistical Package for Social Sciences) was used for testing the hypothesis and the statistical tool ‘t’ test was administered for the sample for testing the statistical significance of the data and the relationship.

The hypothesis is formulated on the principle that internal customers’ knowledge about products is translated into external customers’ knowledge about products and the resultant business and wherever internal customers’ knowledge is sound, external customers’ knowledge is also sound and whenever internal customers knowledge is poor, the same is poor in external customers also.

1.5.3 METHODOLOGY:

The methodology adopted for the study was structured on the following lines:

1. Collection of data relevant for the study from Indian Overseas Bank.
2. Collection of primary data by administering two structured questionnaires, one for internal customers (Appendix XXXIX) and the second for the external customers (Appendix XXXX). Purposive Convenience Sampling Method was used to administer the questionnaire. The internal customers were selected from different
branches viz. rural, semi urban, urban and metro branches and belong to the different cadres viz. Clerical, Assistant Manager / Deputy Manager and Manager / Senior Manager, thus forming a representative sample of the universe selected. The external customers were chosen from all types of branches viz. rural, semi urban, urban and metro and maintain different types of accounts with the bank. The questionnaires were administered with the help of Assistant Manager / Deputy Manager / Senior Manager attached to the branch, after explaining the expectations from the questionnaire. To generate free and frank response for the questionnaire, the name of the respondent was made only optional. The details of the sample for which questionnaires were administered are as follows:

a) The study covered 124 branches of the bank (about 9% of the total 1396 branches) covering all the 4 territories and 40 regions of the bank.

b) Out of the 124 branches covered, 42 branches are rural, 22 branches are semi urban, 32 branches are urban and 28 branches are metro branches out of a total of 579, 335, 266 and 216 of rural, semi urban, urban and metro branches respectively.

c) In the 124 branches covered, the questionnaires were administered to 598 staff members (internal customers) in different cadres viz., Clerical, Assistant Manager / Deputy Manager and Manager / Senior Manager.

d) Among the 598 staff members covered 350 are Clerks, 167 are Assistant Managers / Deputy Managers and 81 are Managers / Senior Managers.
e) Out of the 350 Clerks covered, 83 are from rural, 79 are from semi urban, 101 are from urban and 87 are from metro branches.

f) Out of the 167 Assistant Managers / Deputy Managers covered, 35 are from rural, 32 are from semi urban, 48 are from urban and 52 are from metro branches.

g) Out of the 81 Managers / Senior Managers covered, 29 are from rural, 9 are from semi urban, 25 are from urban and 18 are from metro branches.

h) The study covered 450 customers (external customers) in 124 branches, of which 126 are from rural, 83 are from semi urban, 151 are from urban and 90 are from metro branches.

i) The profile of the staff and customers covered under the study are detailed in Appendix I to Appendix XXXX

3. Secondary data relevant for the study were collected from the Central Office of the bank and from the balance sheet, house magazines, news clippings etc., for the data related to the bank.

1.5.4 CHAPTERISATION:

The research report will be analysing in detail the various concepts, and findings for drawing meaningful conclusions and to throw open ideas / suggestions for developing / fine tuning strategies to make marketing more pragmatic and market oriented for increasing marketing mix effectiveness for Indian Overseas Bank in particular and to give directions for future plans with regard to marketing strategies for the banking industry in general.
The report consists of the following chapters:

I  Introduction
II  Marketing Strategies Adopted by Banks in India
III  Marketing Strategies of Indian Overseas Bank
IV  Data Analysis and Findings
V  Summary of Findings and Suggestions.

1.5.5 LIMITATIONS OF THE STUDY:

The study, though covering the important areas, has the following limitations:

(i) The study is restricted to analyse the impact of product awareness of internal and external customers and its dimension on the business mix of the bank and also the service quality and attitude of the internal customer / bank as perceived by the internal / external customers and does not extend to other Ps exhaustively.

(ii) The study is restricted as a macro study on the bank covering the representative sample of branches in general and not a micro study of individual branches selected for the study.

(iii) The study does not cover the subordinate staff of the bank.

Having discussed above, the various concepts of marketing and also about the objectives, hypothesis, methodology, chapterisation and limitations of the study, it is intended to browse through the marketing strategies adopted by banks in India.

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