CHAPTER IV

FINANCIAL SERVICES MARKETING

TECHNIQUES AND STRATEGIES
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FINANCIAL SERVICES MARKETING - TECHNIQUES
AND STRATEGIES

Introduction

Rapid changes in the environment in which financial services firms operated forced many organizations to develop a much more proactive approach to their marketing efforts.

The diversity and speed of change that has occurred in the financial services sector due to deregulation and technical change have lowered the barriers between different institutional or strategic groups resulting in a redefinition of the market place.

Banks in India were more conservative than their counterparts in the west till 1969, when major commercial banks were nationalized. Environment became competitive and banks’ approach towards customers and market underwent change. Banks became conscious of their corporate image and its projection was attempted through public relation efforts. (Saxena)¹

Customer Needs

Need is a state of felt deprivation of some generic satisfaction arising out of human condition. Some needs are not created by society; they exist in the very texture of human biology and human condition (Kotler, 1984)²
The needs of customers are not static; they keep changing as environmental changes take place. They buy goods and services to meet the changing needs and evaluate their purchases based on their expectation.

In order for an organization to supply consumers with products or services they expect, marketers to understand the needs and motivations of existing and potential customers as they go about making buying decisions. This knowledge is crucial to the development of suitable product strategies, whereby a competitive advantage for an organization in its chosen markets is identified, built and maintained.

Needs of Financial Services Consumer

There is a set of basic needs that usually a financial consumer may have.

Cash accessibility: Customers need to have frequent access to cash and look to various money transmission tools that cater to these needs such as ATMs, credit cards and cheques as well as telephone banking which enables quick and easy movement of funds.

Asset Security: Consumers need physical security of assets and one of the most basic functions of banks is that of safekeeping. Consumers also need to protect one’s assets from depreciation by earning a return on their money.

Money transfer: This refers to the need to be able to move money around. Technological developments have made this possible and also have reduced reliance on cash.
Deferred Payment: This relates to the need for delaying payment of goods and services at a reasonable cost. The range of credit cards, loans and mortgages cater to this need.

Financial Advice: As financial products increase in number and complexity, consumers have a greater need for information and advice in order to make appropriate purchase decisions.

Financial needs or objectives form a hierarchy, which evolve over time. Figure 4.1 illustrates the hierarchy of financial needs or objectives.

**Figure 4.1 Hierarchy of Financial Needs**

```
Risk
And tax
protection

Growth to
Offset Inflation

Risk
Management
Emergency
Cash reserves
Foundation
Products

Cash availability
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Criteria for Investment

Investing in financial services is a crucial decision so far as a customer is concerned. Customers in the personal segment are more conscious and choosy, as their hard-earned money has to be invested wisely. Safety, Quality of service, returns and Liquidity are some of these aspects.

Safety: Safety of funds is of paramount importance to an investor especially in the personal segment.

Quality of service: One of the most important aspect that the modern customer looks for is quality of service which is a critical factor in attracting and retaining customers especially the high net worth individuals.

Returns: People who have investible surplus also look for returns commensurate with the risk they take. In financial services especially investments in banks gives returns to the customer in the form of interest. In a deregulated market banks do enjoy some freedom in quoting their interest rates depending upon the nature of deposit, period of deposit and currency of deposit.

Liquidity: Customers who invest their surplus savings may require the funds at the time they require it. Most of the customers do have plans for the future when they make investments. But then contingencies may occur and they may like to withdraw the money. In such cases, liquidity assumes importance to the customer.

The criteria for investment in financial services are given in Table 4.1.
Customers interviewed indicated gave their responses for more than one criteria as they considered more than one aspect while making investment decisions. However, the responses indicated that safety is of paramount importance so far as the personal segment customer was concerned. 39.81 percent of the responses was in favour of safety while quality of service came next as 27.62 responses indicated. Return and safety were seen to be of lesser significance in comparison to safety and quality.

The understanding of the reasons that influence the customers investment decision can give an idea to the service provider to design and redesign the services and products that he intends to market.

With the establishment of new domestic private sector banks and with the arrival of banks with foreign origin and participation, competition in the financial markets has heated up and this has made even consistently profit making banks with a
reasonable market share to have a relook at their ways of functioning in general and structure, systems, processes etc., in particular in order to identify its future markets and evolve marketing techniques so as to face the future more confidently.

Marketing Techniques in Banking

In simple terms application of marketing techniques in banking means a co-ordinated organizational effort to reach the customer to fulfil his specific needs for getting his patronage by maximizing customer satisfaction. In other words, the customer and his needs are central to marketing and the specific needs are satisfied through utilization of people, products or services, price, promotion, processes and branch location and distribution. In the analysis of marketing techniques, facilities and amenities inside the branch and the processes are being looked into in detail.

In recent years Indian banks have urged their branches to adopt more and more marketing techniques for achieving their business goals. The growing competition in the banking sector, both within India and outside, has made it imperative for them to adopt various marketing strategies to gain competitive edge over each other. Customer’s needs have been made the focal point of attention by banks.

Branch Location and Distribution

The starting point for the marketing of financial services to the customer is his local branch. Because the business of a bank is largely centralized through its individual branches, it is important to select the most promising locations wherever it is possible.
In marketing, distribution is the means through which a seller makes his product available to the buyer. The channels of distribution for bank’s services should be thought of as any means used to increase the availability and/or convenience of the services that help to maintain existing bank users or increase their use among existing or new customers. (Donnelly, 1976)

However, banking today is not about where the branch is but where the customer is and banks are resorting to the use of technology so that customers can access their accounts from remote locations.

Technology

Advancement in technology have had a profound effect on the delivery of financial services in the last decade, and the pace of change and level of impact is continually increasing. Technology was first used in branches of banks as a means of reducing the cost of many routine processes, but now it provides a cost effective and competitive solution to the delivery of products and communication with customers.

Technology has enabled banks to target customers, provide customised products and services to match their individual requirements. It has also enabled banks to strengthen relationships with its customers as they now use the convenience offered by technology to stay in touch with their branch and their accounts more often.
Computerisation

Public Sector banks have been doing Branch Automation since 1993. The historic agreement of October 1993 with the staff unions has opened up the vistas of computerization in every functional area of banking. Central vigilance commission has also directed the banks to computerize at least 70 percent of their total business by January 1, 2000, making it non-negotiable with the unions has cleared the road for bank managements to take advantages of banking technology to improve the efficiency and decision making process for customer value creation.

Branch Mechanization is given top priority in State Bank of Travancore. The Bank had 320 fully computerized branches and 76 partially computerized branches as on 31st March 2003. In order to harness technology for better advantage, a user-friendly back office automation software had been developed in-house and the package had been implemented in 71 non-computerized branches. Total business captured through computers reached 80% as at the end of March 2003.

630 branches/offices of the Bank have been provided with E-mail connectivity, with scope for further expansion. E-mail is extensively used by NRIs and for the Bank's inter branch/inter departmental communication. Online banking (with value added facilities like online requisition of cheque books, E-mail alert etc.,) and mobile banking products are made available in computerised branches. Comprehensive Forex Trade Finance Software package is implemented in 47 “B” category/forex intensive branches. Bank has a software development team that keeps on modifying the software packages to suit the specific requirements. The responses of customers on computerisation are given in Table 4.2.
Table 4.2

Availability of Facilities - Computerisation

<table>
<thead>
<tr>
<th>Computerisation</th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computerised</td>
<td>185</td>
<td>61.46</td>
</tr>
<tr>
<td>Not Computerised</td>
<td>116</td>
<td>38.54</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Source: Survey Data*

A good number of customers of State Bank of Travancore get the benefit of computerisation as revealed in the data collected. But at the same time the percentage of customers deprived of this facility is also quite significant at 38.54 per cent.

**Automated Teller Machines**

Banks are outdoing one another to attract retail clients with superior technology and much better service levels. One way banks are doing this is by expanding their ATM networks. ATMs are one of the latest variants of the ‘place’ marketing factor. They increase the convenience factor as well as saving the valuable staff time.

State Bank of Travancore is in the process of augmenting the fleet of ATMs which were 52 at the end of the year 2003, as an effective delivery channel, to live up to the customer’s expectations. The availability of ATM services is given in Table 4.3.
Table 4.3

Availability of Facilities - ATM

<table>
<thead>
<tr>
<th></th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available</td>
<td>77</td>
<td>25.6</td>
</tr>
<tr>
<td>Not available</td>
<td>224</td>
<td>74.4</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data

Vast majority of the customers interviewed has not availed ATM facility. Only one fourth of the customers interviewed - 25.6 per cent had the privilege of using the services of ATM, while 74.4 percent of the people had not been using this facility.

Online

Distribution and reach are also critical for efficient functioning of banks. A large and fast growing section of urban and semi urban population in India has woken up to the convenience of electronic channels and banks are offering facilities like Telebanking and Online banking. The responses of customers on the online banking facilities are given in Table 4.4.

Table 4.4

Availability of Facilities - Online

<table>
<thead>
<tr>
<th></th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available</td>
<td>97</td>
<td>32.2</td>
</tr>
<tr>
<td>Not available</td>
<td>204</td>
<td>67.8</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data
Financial Services Marketing – Techniques and Strategies

Online facility was also in being used by only a selected few as is evident from the data. While only 32.2 percent were aware of availability of such a facility, 67.8 percent of the customers interviewed state that such a facility is not available.

Telebanking

Face to face encounters are giving way to telephone encounters. Personal service is being replaced by self-service, often through the medium of computers or easy to use machines. Web sites are beginning to replace or supplement voice telephone contacts.

A selected number of branches of State Bank of Travancore have been offering this facility to its customers as a value added service. The details regarding the telebanking facilities available to customers are given in Table 4.5.

Table 4.5

Availability of Facilities - Telebanking

<table>
<thead>
<tr>
<th></th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available</td>
<td>11</td>
<td>3.7</td>
</tr>
<tr>
<td>Not available</td>
<td>290</td>
<td>96.3</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data

Lot of customers are not using the Telebanking facility as the results of survey indicate. Either because they are not aware or since the facility is available only in selected branches as 96.3 percent of the customers responded that the facility was not available.
The technological advancements are yet to be made available to many of the customers and the factors that have been considered to evaluate the availability of technology related products are summed up in Table 4.6.

Table 4.6

<table>
<thead>
<tr>
<th>Available</th>
<th>Computerisation</th>
<th>ATM</th>
<th>Online</th>
<th>Telebanking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available</td>
<td>185 (61.46)</td>
<td>77 (25.6)</td>
<td>97 (32.2)</td>
<td>11 (3.7)</td>
</tr>
<tr>
<td>Not available</td>
<td>116 (38.54)</td>
<td>224 (74.4)</td>
<td>204 (67.8)</td>
<td>290 (96.3)</td>
</tr>
<tr>
<td>Total</td>
<td>301 (100.0)</td>
<td>301 (100.0)</td>
<td>301 (100.0)</td>
<td>301 (100.0)</td>
</tr>
</tbody>
</table>

Source: Survey Data

Physical Evidence

At the branch physical evidence and processes play an important role in customer recruitment, customer retention and customer loyalty.

Physical evidence relates to the tangible objects encountered by the customers in the service delivery environment as well as to tangible metaphors used in such communications as advertising symbols and trademarks. The most powerful physical evidence is experienced by customers who come to a bank and experience employees working in a physical environment. The term ‘Serviscope’ describes the style and appearance of the physical surroundings where customers and service providers interact. (Mary Jo Bitner, 1992)

Physical surroundings help shape appropriate feelings and reactions among customers and employees. Physical evidence and accompanying atmosphere impact
buyer behaviour as an attention-creating medium, a message creating medium and an affect-creating medium.

Branches should be designed to have a uniformity of appeal. A design that is some sort of highest common multiple of attractiveness for each and every segment must be sought as banks would like to attract more market segments.

The interior design of the bank can be utilized to create a particular psychological environment for the customer. Design should create a feeling of ‘friendliness’ towards customers – to make bank appear less ‘official’ organizations.

The facilities afforded to customers who come to place orders and obtain service delivery is very important. Facilities like Comfortable seating arrangements; single window and May I help you counter affect both communication and image building.

**Comfortable Seating**

The responses of customers regarding the provision of facilities like comfortable seating are also elicited. The details regarding the seating facilities are given in Table 4.7.

<table>
<thead>
<tr>
<th>Table 4.7</th>
<th>Provision of facilities Inside – Comfortable Seating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Respondents</td>
</tr>
<tr>
<td>Available</td>
<td>253</td>
</tr>
<tr>
<td>Not available</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
</tr>
</tbody>
</table>

*Source: Survey Data*
Single Window

In Single window system employees manning the counter shall handle all types of transactions as desired by the management including payment and receipt of cash. This facilitates the customer to put through the transactions at one counter instead of moving from one counter to another and thus save time and the transactions are hassle free. The provision of single window facilities inside the branch reported by the customers is given in Table 4.8.

Table 4.8

<table>
<thead>
<tr>
<th>Provision of facilities Inside – Single Window</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available</td>
</tr>
<tr>
<td>Not available</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Survey Data

May I Help You Counter

May I help you counter functions almost like a reception counter from where customers can get all the information and guidance that is required, whether it be regarding deposits, loans and advances or other services. The required stationary items like vouchers, pay-in-slips, brochures etc., are also made available at this counter. The functioning of May I help you counter in the branch as reported by the customers is given in Table 4.9.
May I help you counter was not available to a significant percentage of the customers interviewed. Data collected indicate that only 22.6 percent of the customers were getting the benefit of such a service whereas the vast majority of 77.4 percent state that such a facility was not available.

Teller

In spite of technological development the usage of cash in our country remains quite high. Customers visiting a branch either for depositing money, withdrawing money for availing various services from the bank often have to spend more time at the cash counter. Also, they may have to move to other clerical counters as well to get the receipts for the deposits made which again takes more time depending on the processes involved. To reduce waiting time and for speedier disposal most of the banks have introduced the Teller system where Tellers facilitate single point acceptance and payment of cash as also acceptance of cheque and issue of receipts. This also substantially reduces customer complaints due to delays and increase customer satisfaction and customer retention.
In State Bank of Travancore in most of the major branches, Teller System has been introduced for quick service. The responses of customers on the functioning of the teller are given in Table 4.10.

<table>
<thead>
<tr>
<th>Availability of Facilities - Teller</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Available</td>
</tr>
<tr>
<td>Not available</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Survey Data

Among the customers interviewed, only 47.2 percent indicated that Teller facility is available indicating that majority of the customers were not getting the benefit of Teller facility.

To sum up, the technological facilities available to the large number of customers were inadequate. Customers are provided with comfortable seating inside the branch. But other amenities are not adequately provided as good number of customers are not getting the benefits of Single window, May I help you and Teller Facilities. The responses to these facilities and amenities inside the branch have been depicted in Figure 4.2.
Figure 4.2
Provision of Facilities Available inside the Bank: Responses of Customers

- Comfortable seating: 84.1%
- Single Window: 22.9%
- May I help you counter: 22.6%
- Teller: 47.2%
Processes

Creating and delivering product elements to customers require the design and implementation of effective processes that describe the method and sequence of actions in which service operating systems work. Banks procedures should be designed in such a way that they should be not only employee friendly but also customer friendly. The success of bank marketing rests heavily on the simplicity and operational ease of bank systems and procedures. Customers expect speedy opening of accounts, speedy acceptance of cash for credit to their accounts, legible written pass books, updated statements, collection of cheques with the least possible delay, intimation on maturity of deposits, prompt execution of standing instructions and so on.

Advice on Maturity of Deposits

Customers require advance information regarding the maturity of their deposits. It is possible that customers may forget the date of maturity and may lose interest by late renewal of deposits. Also, timely information regarding the prevailing rate of interest and any new product will serve to improve customer service and delight the customer. The responses regarding advice on maturity of deposits are given in Table 4.11.
Table 4.11
Prompt rendering of Service - Maturity of Deposits

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advised on time</td>
<td>235</td>
</tr>
<tr>
<td>Not advised on time</td>
<td>66</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
</tr>
</tbody>
</table>

Source: Survey Data

Accuracy of Pass books/Statements

Pass books and Statements are tangible evidence of the service that customers have purchased from Banks. These are to be neatly written or printed and should be accurate. The accuracy of statements received by the customers as responded by them is given in Table 4.12.

Table 4.12
Prompt rendering of Service - Accuracy of Statements

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provided on time</td>
<td>296</td>
</tr>
<tr>
<td>Not provided on time</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
</tr>
</tbody>
</table>

Source: Survey Data

Updated Pass books/Statements

Most of the customers would like to keep track of their accounts on an ongoing basis and banks should on a regular basis update the pass books or sent print
outs of statements. The updating of passbooks/statements have been reported by customers as given in Table 4.13.

Table 4.13

Prompt rendering of Service – Updated Passbooks/Statements

<table>
<thead>
<tr>
<th></th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provided on time</td>
<td>295</td>
<td>98.0</td>
</tr>
<tr>
<td>Not provided on time</td>
<td>6</td>
<td>2.0</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data

Standing Instructions

Customers have to make regular payments like insurance premium, pay utility bills like water charges, electricity bills or payment of children’s fees etc. This is facilitated by lodging a standing instruction with the bank. Timely execution of standing instruction is not only necessary from the point of customer service, but also to prevent other consequences due to delay or non-payment. Standing instructions executed by the branches have been indicated by customers in Table 4.14.

Table 4.14

Prompt rendering of Service – Standing Instructions

<table>
<thead>
<tr>
<th></th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executed in time</td>
<td>266</td>
<td>88.4</td>
</tr>
<tr>
<td>Not executed in time</td>
<td>35</td>
<td>11.6</td>
</tr>
<tr>
<td>Total</td>
<td>301</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey Data
The consolidated responses regarding the prompt rendering of services as reported by the customers is given in Table 4.15.

**Table 4.15**

**Rendering of services**

<table>
<thead>
<tr>
<th></th>
<th>Maturity of Deposits</th>
<th>Accuracy of statements</th>
<th>Updated Passbooks/statements</th>
<th>Standing Instructions</th>
</tr>
</thead>
<tbody>
<tr>
<td>On time</td>
<td>235(78.1)</td>
<td>296(98.3)</td>
<td>295(98.0)</td>
<td>266(88.4)</td>
</tr>
<tr>
<td>Not on time</td>
<td>66(21.9)</td>
<td>5(1.7)</td>
<td>6(2.0)</td>
<td>35(11.6)</td>
</tr>
<tr>
<td>Total</td>
<td>301(100.0)</td>
<td>301(100.0)</td>
<td>301(100.0)</td>
<td>301(100.0)</td>
</tr>
</tbody>
</table>

*Source: Survey Data*

**Ancillary Services**

Banks provide ancillary services apart from accepting deposits and extending loans and advances. The advantage of providing and developing existing ancillary services and introducing new services by banks, in the organizational and marketing context, can be identified as follows:

- to improve profitability of existing bank products by 'bolting on' fee earning ancillary services that will generate additional income.
- to help to lock in the customer as ancillary services require a high degree of staff-customer contact.
- Diversifying through an established customer relationship into new areas offsetting the problem of remaining in business, where intensifying
competition will erode margin and also to provide a mechanism for adopting the existing infrastructure to new and profitable purpose.

- Landing itself to the concept of a one-shop financial super market exploiting a full range of retailing possibilities.

- Creating new differentiated market positions through developing new business opportunities and by providing a unique set of customer packages. (Suneja, 1994)\(^5\)

Safe custody of articles, Safe deposit lockers and remittance facilities are the most prominent among the ancillary services offered.

**Safe Custody**

Safe custody of articles is an ancillary service rendered by commercial banks to its customers. The responses of customers on this have been examined and the responses are given in Table 4.16.

**Table 4.16**

<table>
<thead>
<tr>
<th>Provision of facilities – Safe Custody</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Respondents</strong></td>
</tr>
<tr>
<td>-----------------</td>
</tr>
<tr>
<td>Available</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Not available</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

*Source: Survey Data*
It can be seen from the Table that 55.8 percent of the customers are of the opinion that safe custody facilities are available to them while 44.2 per cent of them are of the opinion that it is not available.

**Safe Deposit Locker**

Safe deposit lockers are provided by banks as an ancillary service to its customers for the safe keep of their valuable items. Locker facility is used by banks to attract more business by making it more customer friendly by extending the usage hours, providing better amenities inside the locker room etc., Offering such facility also improves the image of the branch as well as the bank. Availability of safe deposit locker in the banks as reported by the customers is given in Table 4.17.

**Table 4.17**

<table>
<thead>
<tr>
<th>Provision of facilities – Safe Deposit Locker</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Respondents</strong></td>
</tr>
<tr>
<td>Lockers available</td>
</tr>
<tr>
<td>Lockers not available</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

*Source: Survey Data*

**Remittances**

Banks offer remittance facilities to its customers like demand drafts, mail transfers and telegraphic transfers apart from providing other services like safe deposit locker and safe custody of valuables. The responses of customers in this regard are given in Table 4.18.
Majority of the customers could get the remittance facilities as indicated by 98 percent of the customers. Only a very few respondent of 2 percent indicated that this facility is not available.

The consolidated responses regarding the ancillary services available to the customers are tabulated in Table 4.19.

**Table 4.19**

Ancillary Services

<table>
<thead>
<tr>
<th>Safe Custody</th>
<th>Safe deposit Locker</th>
<th>Remittances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available</td>
<td>168 (55.8)</td>
<td>274 (91.0)</td>
</tr>
<tr>
<td>Not available</td>
<td>133 (44.2)</td>
<td>27 (9.0)</td>
</tr>
<tr>
<td>Total</td>
<td>301 (100.0)</td>
<td>301 (100.0)</td>
</tr>
</tbody>
</table>

*Source: Survey Data*

Efforts in improving the marketing techniques in a service industry like bank should also focus on the various nuances of customer service.
Customer Service

Customer service in State bank of Travancore is accorded top priority and all efforts are made to improve the customer amenities and redress their grievances. The performance in this area is being reviewed at quarterly intervals by the Board of Directors. A full fledged grievance mechanism to address issues relating to customer complaints is in place. The customer service committee at the branches, Zonal Office and Head Office were quite active to ensure that there was no deficiency in this regard. The Bank continued its efforts to make SBT as the most preferred destination for the customers.6

Customer service can be improved if the can banks get a feel of what the customer thinks about the bank. To get feedback about the satisfaction of service rendered one technique would be to have regular customer meets. It gives an opportunity to customers to offer suggestions and help bankers redesign their marketing techniques.

Good customer service represents shining ‘moments of truth’. A moment of truth is any point in the interaction during which a customer has an opportunity to gain an impression of the service provided by the organisation. These are the critical interactions that leave the customers feeling positive, enthusiastic, pleasantly surprised and therefore satisfied with the customer service.

Customer service is not the job of frontline staff alone. It should be bank wide obsession. As marketing is concerned with mutually satisfying exchange relationships banks should evolve appropriate marketing strategies to strengthen relationships and enlarge the customer base.
Marketing Strategy

Marketing strategy is the basic approach that the business units will use to achieve its objectives, and it consists of broad decisions on target markets, market positioning and mix, and marketing expenditure levels. (Kotler, 1984)

As the financial services sector has become more competitive, financial institutions need to consider ways of developing relationships with their existing customers in order to defend their market share. As a result of this the emphasis has switched from transaction-based marketing focused on the single sale to an ongoing relationship over the long term based on high levels of customer service, customer contact and quality.

This necessitates a strategic approach to markets by carefully considering the products offered and markets served and should provide an organization with the means to allocate its resources effectively and efficiently in the pursuit of the specified objectives. Strategic dimension of marketing should focus on the direction that an organization would take in relation to a specific market or set of markets in order to achieve a specified set of objectives.

Bank Marketing Strategy

The Bank Marketing Strategy is a plan for action that determines how a bank can achieve its goals and objectives in the light of the existing pressures exerted by competition and other non-controllable variables on the one hand, and its limited resources on the other. It should be a strategy to enhance the bank's strength in the
market place and the banks have been achieving this through a process of performance budgeting.

**Performance budgeting**

Since 1974, banks have been doing performance budgeting exercise to develop business under all heads in a big way both at micro level as well as at macro level. In performance budgeting, there are three phases to be understood. The first phase is the budget formulation. This has to be done at the branch level. The manager has to convene a meeting of all his staff members and take them into confidence. The budget is a business plan for the branch that develops the area. This needs a thorough environmental study and market share analysis by the staff. Budgeting should not be merely an exercise for targeting. It becomes meaningful, if it is decided on a rational basis following objective standards. (Rao, 1984, pp.54-56)

By developing a planned strategic approach any organization should ensure that the marketing efforts are consistent with organizational goals, internally coherent and tailored to the needs of identified consumer markets.

The planning process also takes place at the macro level at the Head office of the bank. Both the micro level and macro level plans are matched and the bank releases the ‘Policy Guidelines’ for the year which outlines the various business parameters to achieved during the year for the bank as a whole. Branches are also then given specific quantitative budgets for each segments and sub segments.

Budgetary control is used to analyze the variances caused on a month to month basis based on the figures reported from the branches. This enables
management by exception, at the branch, regional and Head Office level by commenting upon the variance of a certain significance and investigation in depth. Budgetary control is also used as a motivational to congratulate and motivate the people whose performances caused positive variance.

From the marketing angle, budgetary control enables understand the way the market is moving and will help in redesigning the marketing strategy. Since the onset of liberalization process banks have been finding that they occupy a much larger share of the financial system. This has opened up tremendous potential for banks to grow in the retail banking segment and a paradigm shift in the focus of attention for banks as a whole is seen from deposits to loans in the personal banking sector.

**Retail Lending**

The services sector accounts for about 40 percent of India’s GDP but hardly one fourth of the total bank credit flows towards this sector. Consumer credit is growing at 6 percent of GDP and occupies 17 percent of the overall loans in the banking system. With spreads shrinking as alternative assets and corporate availing loans through other financial instruments and at reduced rates, banks have rediscovered retail lending which offer better margins.

Major products offered under retail lending to suit various segments of customers like salaried persons, professionals, businessmen, Non resident Indians, House wives etc., are housing loans, educational loans, personal loans, vehicle loans, consumer loans, gold loans etc.,
As banks are concentrating more and more on the personal segment for their loans, consumers in this segment also have become more discerning and now they are more discerning and demanding for choice and quality. They have become choosy among others timeliness of sanction of loan, favourable repayment period, simple documentation and easy security requirements.

**Timeliness of sanction of loan**

Out of the 301 customers interviewed 209 of them had availed some form of loan from the bank.

Today, speed is an important factor in a competitive strategy. Time period for sanction of a loan is important to the individual. Delay causes avoidable bad feelings in the customer and the bank also loses its competitive edge. Banks are vying each other to sanction loans within least possible time. Loans within a day or two, in principle sanctions and spot sanctions have made marketing of loans to individual much faster. Few banks have even started process loan application online and sanction also being given online.

State Bank of Travancore also had been trying to reduce the time lag between the receipt of loan application and the sanction of the loan. The time taken by the bank in disbursing loans to the customers as reported by them is given in Table 4.20.
Table 4.20
Timeliness of sanction of loan

<table>
<thead>
<tr>
<th>Time</th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than a week</td>
<td>102</td>
<td>48.8</td>
</tr>
<tr>
<td>1 to 2 weeks</td>
<td>80</td>
<td>38.3</td>
</tr>
<tr>
<td>3 to 4 weeks</td>
<td>26</td>
<td>12.4</td>
</tr>
<tr>
<td>Above 4 weeks</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td>Total</td>
<td>209</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Survey data*

A significant percent of customers could get the loans within a week. While 48.8 percent of the customers could avail the loan within a week, 38.8 percent of the customers stated that they availed the loan within two weeks. Only a minority of the customers had delays beyond three weeks, which may be due to reasons either from the bank, or that the borrower had not furnished the relevant papers in time.

In availing a loan from the bank, customers also look for other aspects like the repayment programme for the loan.

**Repayment of Loans**

In State Bank of Travancore, efforts are continuously made to keep the repayment period favourable to the customers. Both the interest and period of repayment will decide the instalment that the borrower has to remit at specified intervals. Repayment periods of some of the products in the personal segment are given below:
Gold Loan: Gold loans are sanctioned for a period of twelve months and the borrower is free to remit the amount as part payment or in one lumpsum any time during the currency of the loan.

Housing Loan: Housing loan market has been the most competitive with every bank trying to capture the maximum market share. Repayment for housing loans in State Bank of Travancore is depending upon the age of the applicant. For applicants up to 45 years of age a maximum period of twenty years is permitted. And for applicants above 45 years of age they have been given a maximum period of fifteen years. Customers also get a repayment holiday of a maximum of eighteen months. Repayment will begin on completion of the house or eighteen months from the disbursement of the first instalment of the loan, whichever is earlier.

Home Décor: In the case of Home décor which is given for furnishing the house customers need repay the amount only within a period of ten years in monthly instalments.

Education Loan: As the loans are given to pursue higher education to students the students are given time to complete their studies and then fetch a job. The repayment of the loan therefore will commence after one year after completion of course or six months after getting job, whichever is earlier. The beneficiary is given a repayment period of five to seven years to make it less burdensome at the commencement of one’s career.
Festival Loan: A start up period of one month is given to the borrower after the festival to commence the repayment of the loan. The loan need be repaid only in ten equated monthly instalments.

Sahaya Varsha: This personal loan meant especially for the salaried class has been made very customer friendly by fixing a higher repayment period of sixty months. The payment is to be made in Equated Monthly Instalments so that the customer pays a portion of principal as well as interest every month.

Suvidha: This is an all-purpose loan and generally availed by customers to meet their consumption needs. Hence a maximum period of eighty-four months is extended to these beneficiaries.

Prasanthi: Pensioners have less savings potential and more often they have to make repayment from the monthly pensions that they receive. Hence to make the scheme customer friendly the repayment has been permitted up to a maximum period of three years in equated monthly instalments.

Computer Loan: To contribute to the development of technology in the country the bank has been taking lot of initiatives and has been giving computer loans on liberal terms. Hence the maximum repayment period has been fixed as seventy-two months so that monthly repayment obligation for the customer is very low.

Two wheeler loan: Customers availing these loans also get the benefit of extended time period of seventy two months, the amount being repayable in equated monthly instalments.
Repayment programmes fixed by the bank for loans availed by the customers is given Table 4.21.

Table 4.21

<table>
<thead>
<tr>
<th>Repayment Period</th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenient</td>
<td>208</td>
<td>99.5</td>
</tr>
<tr>
<td>Inconvenient</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>209</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: Survey data*

Documentation

Banks obtain documents to establish the contractual relationship between the bank and its borrower customer. Looked at from the legal angle any document becomes more complicated and lengthy as they have to be produced in the court of law in case the customer defaults in repayment of the loan and the bank is compelled to resort to legal action. But from the marketing angle, customers prefer simple documents which can be easily read and understood.

State Bank of Travancore has been making consistent efforts to simplify the documents like application forms and agreements for various personal loans. Few of the documents that are taken by the bank for its various schemes are outlined below.

**Gold Loan:** The documents for gold loans have been revised from time to time to make it as customer friendly as possible. A pledge cum take delivery letter serves as the main document.
Housing Loan: The housing loan documentation is very simple as there is only an hypothecation agreement entered into by the bank with the borrower.

Home Décor: Just as in the case of Housing loans an Hypothecation agreement serves the purpose of a basic document.

Festival Loan: DPN in favour of the spouse/guarantor and endorsed by the latter in favour of the bank and ten post dated cheques is sufficient as document.

Sahaya Varsha: Documentation is simple as only a Demand Promissory note is obtained.

Prasanthi: A simple Demand Promissory Note in favour of the spouse/nominee for family pension and endorsed by the latter in favour of the Bank is sufficient.

Computer Loan: A single document hypothecating the computer purchased is alone taken and hence is very simple.

Two wheeler loan: Hypothecation agreement, hypothecating the vehicle is the main document that is taken.

The responses regarding the documentation process as reported by the customers is given in Table 4.22.

<table>
<thead>
<tr>
<th>Documentation</th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple</td>
<td>183</td>
<td>87.6</td>
</tr>
<tr>
<td>Complex</td>
<td>26</td>
<td>12.4</td>
</tr>
<tr>
<td>Total</td>
<td>209</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Survey data
Most of the customers were satisfied with the simple documents as indicated by 87.6 percent of the respondents. Only 12.4 percent of the respondents stated that the documentation is complex.

Security Aspects

From being purely a security-based operation where the strength of the collateral security was the key to lending, retail lending has come a full circle. Since liberalization banks have been making efforts to relax the security norms so that the lending process in the personal segment is accelerated. Today the cash flows and thereby the repayment capacity of the customer have become more important in assessing the credit worthiness of the customer.

Gold Loan: Gold ornaments including primary gold are accepted as security for gold loans.

Housing Loan: Security for housing loans is mortgage of property by deposit of title deeds which is hassle free and involves no cost to the customer.

Home Décor: The assets purchased by the customer to furnish the house are taken as security along with the extension of equitable mortgage by deposit of title deeds.

Education Loans: The security requirement of education loans are in tune with the Reserve Bank of India guidelines and are meant to encourage higher education. For loans up to four lakhs security is waived. For loans above Rs.4 lakhs collateral security equal to the loan amount or co-obligation of parents\guardian\third party along with assignment of future income of the student for payment of installments is
enough. Security can be in the form of land\building\ Govt. securities\public sector bonds\units of UTI, KVP, LIC Policy, gold, shares\debentures, bank deposit in the name of student\parent\guardian or any other third party with suitable margin.

**Festival Loan:** Festival loan is extended to customers on the personal guarantee of the spouse or parent. Where guarantee of spouse or parent is not available, the guarantee of one third person of sufficient worth will be taken.

**Sahaya Varsha:** The scheme is very flexible with regard to the security. The loan can be availed by creating Equitable Mortgage of property having value not less than 200\% of the loan amount, or third party guarantee of two or more persons of sufficient worth acceptable to the Bank, by having Check off facility with one personal guarantee for loan amount up to Rs.1 lakh, or Check off facility with one or two personal guarantee of sufficient worth for loan amount above Rs.1 lakh.

**Suvidha:** Suvidha being an all purpose loan is sanctioned against Equitable mortgage of non encumbered residential house/flat, agricultural urban landed property, commercial or industrial property in the name and possession of the borrower/spouse/close relatives.

**Prasanthi:** No specific security is insisted as the amount is recovered from the pension payable.

**Computer Loan:** Hypothecation of computer and the accessories purchased out of Bank Finance is taken as security for loans up to Rupees Fifty thousand. For Loans above Rupees Fifty thousand Equitable mortgage of property of value not less than
the loan amount or any other tangible securities of sufficient value or personal
guarantee of one or two persons of sufficient worth is sufficient.

**Two wheeler loan:** Hypothecation of the vehicle purchased out of bank finance and personal guarantee of one person of sufficient worth should be sufficient.

Customers also responded regarding the security aspects for extending loans by the bank which is given in Table 4.23.

<table>
<thead>
<tr>
<th>Security Aspects</th>
<th>Respondents</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simple</td>
<td>175</td>
<td>83.7</td>
</tr>
<tr>
<td>Complex</td>
<td>34</td>
<td>16.3</td>
</tr>
<tr>
<td>Total</td>
<td>209</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Source: Survey data*

Most of the respondents were happy with the security aspects of the loans as 83.7 percent of the respondents expressed their opinion that the security aspects are simple. Only 16.3 percentage of the respondents opined that the security aspects are complex.

Understanding the needs and developing relationships through various marketing strategies will enable increasing the mindshare. Physical evidence and the processes that form an integral part of the whole marketing effort will enhance customer’s loyalty and affinity to the employees at the branch and the bank. Marketing is one area where bankers have to rediscover themselves. Formation of
marketing teams at head office, zonal office and mini marketing groups at branches will improve the marketing techniques and strategies to bring in more business.

Mini Marketing Groups

State Bank of Travancore had established Mini Marketing Groups (MMG) as the marketing arms of branches for continuous and ongoing market thrust. The Mini marketing groups are formed out of existing staff members of branches with a general prescription as under:

Branches with a staff strength of 10 numbers of staff shall have a MMG of two, i.e., the Branch Manager and one member of staff. Branches with a strength of 20 members shall have a group consisting of the Branch Manager/Manager of a division and 2 members of staff. Branches with a strength of 300 members shall have a group consisting of the Branch Manager/Manager of a division and 3 members of staff and so on, depending on the size of the branch. MMGs will be totally engaged in marketing for deposits, advances as well as other business and also for recovery of bad debts. The groups will be continuously in the market so that there is a contact with the market everyday. It was also suggested that while the groups will be dealing with marketing the remaining members of staff will have to take care of the branch work including those handled by the members of the group.

Bank had also initiated other marketing techniques like Focussed marketing of selected personal segment products in a planned manner. In every years’ performance budget few products and quantum of achievement have been ear marked.
Focussed marketing

These products are also given wide publicity through advertisements in every media ranging from print to web.

Public Relations and Publicity

State Bank of Travancore continues to project its image through advertisements released from time to time. In 2002-2003, the Bank carried out two major advertisement campaigns in the print media to market the Bank's various products retail products under P&SB segment. Advertisements in the giant video wall at Cochin International Airport and Translite advertisements at the Domestic and International terminals of Thiruvananthapuram Airport elicited a very good public response and thereby boosted Bank’s image. 57 hoardings were put up at vantage points all over Kerala and Kanyakumari districts of Tamil Nadu to enhance the visual presence of the Bank and for effective recall value.
REFERENCES


