CHAPTER - II

SERVICES AND SERVICES MARKETING - CONCEPTUAL DIMENSIONS

Service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. This intangible attribute of service has been referred to by Kotler\(^1\) in his celebrated book on marketing. The intangible character of services has been elaborated by Shostack\(^2\) who views services as fulfilling certain wants. He states that services are those separately identifiable, essentially intangible activities which provide want-satisfaction and are not essentially tied to the sale of a product or another service. He further underlines the fact that to produce a service may or may not require the use of tangible goods. However when such use is required there is no transfer of title to these tangible goods. Leonard I Berry\(^3\) has conceptualised services as deeds, efforts or performance. Gronroos\(^4\) has perceived services as objects of transactions that generally offer services or that consider themselves as service organs. This is a broad definition of services which allows any organisation that considers itself to be a service operator to make use of the range of research developed specifically to deal with services.

W.J. Regan\(^5\) has suggested that services represent either intangibles yielding satisfaction directly (transportation, housing) or intangibles yielding satisfaction jointly when purchased either with commodities or other services (credit, delivery). Robert Judd\(^6\) perceived services
as a market transaction by an enterprise or entrepreneur where the objective of market transaction is other than transfer of ownership of tangible commodity. Bessom\textsuperscript{7} proposed that for the consumer services are activities offered, for sale that provide valuable benefits or satisfactions; activities that he can not perform for himself or that he chooses not to perform for himself. However Blois\textsuperscript{8} considered a service as an activity offered for sale which yields benefits and satisfaction without leading to a physical change in the form of a good Stanton\textsuperscript{9} comprehends services as separately identifiable intangible activities which provide want satisfaction when marketed to consumers and/or industrial users and which are not necessarily tied to the sale of a product or another service. Lehtinen\textsuperscript{10} perceived services as an activity or a series of activities which take place in interactions with a contract person or a physical machine and which provides consumer satisfaction. Gummesson\textsuperscript{11} highlights the nature of services when he describes services as something which can be bought and sold but which you cannot drop on your foot. He implies that services can be exchanged even though they are not tangible. According to Gronross\textsuperscript{12} a service is an activity or series of activities of more or less intangible nature that normally, not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or system of the service provider, which are provided as solution to customer problems.

The implications of the above concepts of services provided by the various experts indicate the following important features of services.
I Services are by and large “activities” or they are series of activities rather than things,

II As a result services are intangible,

III They take place in the interaction between the customer and service provider, which means, that services are produced and consumed simultaneously, and

IV Customer has a role to play in the production process as the services are provided in response to the problems of customers as solution.

It is briefly described that services are intangible activities. They involve customer participation and there is no ownership transfer. The following exhibit provides the implications of service characteristics.

Implications of Service Characteristics

<table>
<thead>
<tr>
<th>Service characteristics</th>
<th>Implications</th>
<th>Marketing Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Intangibility</td>
<td>Difficult to judge quality and value in advance - sampling is difficult relatively difficult to promote</td>
<td>Use brand names. Focus on benefits. Use personalised service. Develop reputation.</td>
</tr>
<tr>
<td>2. Inseparability</td>
<td>Involves presence of performer/producer sale is direct, limited scale of operations</td>
<td>Learn to work in larger groups. Work faster. Train more service performers</td>
</tr>
<tr>
<td>3. Heterogeneity</td>
<td>Standardisation of quality is difficult</td>
<td>Careful selection and training of personnel, define behaviour norms, mechanize and automate maximum possible operation</td>
</tr>
<tr>
<td>4. Perish ability</td>
<td>Cannot be stored demand fluctuation poses a problem</td>
<td>Advisable to match between supply and demand by a price reduction season wise</td>
</tr>
<tr>
<td>5. Ownership</td>
<td>Customer has access to service; but no ownership of facility or activity</td>
<td>Impress advantages of non-ownership such as easier payment scheme</td>
</tr>
</tbody>
</table>
Classification of Services

Services are classified on the basis of the following major factors according to Silvestro et. al.\textsuperscript{13}

i. Service operations,

ii. Level of Intangibility,

iii. Customer employee presence, and

iv. Customization/empowerment.

Service Operations

This classification of services is based on the nature of operations of the service organisation viz.

i. Service with people focus (i.e. banker) or equipment focus i.e. ATM,

ii. Extent of customisation (i.e. services tailored to meet the needs of individual clients),

iii. Source of value added (i.e. is it front office i.e. a beautician) or back office (i.e. a bank),

iv. Service with product focus (i.e. Tata Car Service Centre) or process focus (i.e. higher education course).

Level of Intangibility

Services are classified on goods-services spectrum. If a product is more tangible it is easier to evaluate in terms of quality, suitability etc.
If the product is more intangible then the evaluation becomes that much difficult.

A service provider may have to give increased attention to the consumers concern about the product.

Customer-Employee Presence

This classification of service organisations may be of the following order:

- Self-service (customer only) i.e. playing squash
- Interpersonal services (customer and employee) i.e. dry cleaning services
- Remote services (employees only) i.e. Insurance providers.

Customisation / Empowerment

The following classification of level of customisation of service is provided here;

Classification Done by Lovelock

<table>
<thead>
<tr>
<th>Empowerment of Employees</th>
<th>Level of customisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
</tr>
<tr>
<td>Low</td>
<td>Food Retailing superstore</td>
</tr>
<tr>
<td>High</td>
<td>National health dental</td>
</tr>
</tbody>
</table>

General Agreement on Trade in Services (GATS)

The GATS has identified as many as 155 activities as services and classified them in the following 11 major categories.

1. Business services
2. Communication
3. Construction and Engineering
4. Distribution
5. Education
6. Environment
7. Finance
8. Health
9. Tourism
10. Recreation
11. Transport

Impact of Economic Growth on Services Sector

Growth of national economy results in the changes in relative share of employment among agriculture, industry and services. The evolution to a service dominated employment base is likely to take place over time as percapita income rises. "The combination of increased productivity and automation in agriculture and industry on the one hand and the rapid increase in the demand for both new and traditional services on the other jointly result in a rapid increase in the percentage of a country's labour force that is employed in services".  

Dominance of the service sector is not limited to highly developed nations, World Bank statistics show that the service sector accounts for
more than half the gross national product (GNP) and employs more than half the labour force in many Latin American and Caribbean nations too. Most of these countries have large underground economy that is not covered by official statistics.

Higher disposable incomes have led to a proliferation of personal services, particularly in the entertainment sector. Growth has meant an increase not only in the overall volume of services, but in the variety and diversity of services offered. "In economic terms the service sector now accounts for 58 percent of workable gross national product (GNP). In 1980 service business worldwide was valued at #350 billion and accounted for 20 percent of world trade, whereas by 1990 that figure had nearly tripled to 1000 billion.15

Factors Promoting the Growth of Services

The following factors have been responsible for the growth of services.

Affluence

The increase in per capita income is responsible for increased demand for certain type of services like personal security, better living conditions etc.

Leisure Time

Services of travel agencies, resorts, hotels etc. are in demand when people get time to travel on holiday. Others try to utilise their time for taking distance education etc.
Life Expectancy

The improvement in health programmes has led to increase in life expectancy. This has led to services like oldage houses, nursing homes etc.

Working Wives

When more and more women take up to services, demand for day care for children has increased and so is the case for packed food.

Product Complexity

Purchases of large number of consumer durables on large scale such as water purifiers, home computers has led to the demand for after sale services, maintenance services etc.

Life's Complexity

The complexity of life due to busy schedules of services, business and compliances of Govt. rules and regulations has led to the demand for certain services like tax consultants, legal advisors, property advisors etc.

Resource Scarcity and Ecology

A demand for services of pollution control agencies, car pools, water management etc. as the natural resources are depleting and the need for conservation is increasing.

New Products

There has been a demand for the services of PCO, pager services, web Shoppe etc. in the wake of developments in information technology.
Services accounts for a very substantial part of the national income of many countries in the world. Major part of the Gross Domestic Product of large number of countries is derived from the services sector compared to the other sectors like industry and agriculture.

Bahama for instance had derived 92.0 percent of its GDP from services sector in the year 2000. Other countries who had larger part of their GDP derived from services sector are Hong Kong (84.0 percent), Israel (81 percent), USA (75 percent), Lebanon (73 percent), Singapore (72 percent) and Belgium (70 percent).

Countries with more than 60 percent of their GDP derived from services sector are Denmark (69 percent), France (69 percent), Greece (65 percent), Mexico (68 percent), Norway (68 percent), Poland (68.3 percent), Austria (67 percent), UK (67 percent), Canada (66 percent), Hungary (66.7 percent), New Zealand (66 percent), Switzerland (66 percent), Australia (65 percent), Finland (63 percent), Italy (63.7 percent), Taiwan (62 percent), Czech Republic (61.2 percent), Azerbaijan (60 percent), Japan (60 percent), Portugal (60 percent).

A few countries have more than 50 percent of their GDP derived from services sector. They are : Argentina (56 percent), Cuba (56.1 percent), Turkey (56.9 percent), Ukraine (56 percent), Bahrain (53 percent), Egypt (53 percent), Morocco (53 percent), Ecuador (51 percent), South Korea (51 percent), Jamaica (50 percent).

A smaller number of countries including India have more than 40 percent of their GDP derived from services sector. They are : Pakistan (49.4
percent), Thailand (49 percent), Kyrgyzstan (47 percent), India (45 percent), Ghana (45 percent), Vietnam (42 percent) and West Bank (42 percent).

**Growth of Services Sector in India**

The Indian service sector grew at an average annual rate of 9 percent during the 1990s contributing nearly sixty percent of the overall growth rate of the economy. Exports of services from India displayed one of the fastest rates of growth in the world. Over 17 percent per annum in the 1990s and grew two and half times faster than the domestically focussed part of the services sector.

Today India accounts for 1.4 percent of global exports in services compared to 0.7 percent in goods. The following table provides details of the contribution of different sectors to India’s gross domestic product (GDP).

**Table 2.1**

<table>
<thead>
<tr>
<th>Sector</th>
<th>1950</th>
<th>1990</th>
<th>2000</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture (percent)</td>
<td>59.9</td>
<td>26.6</td>
<td>25.2</td>
<td>24.1</td>
</tr>
<tr>
<td>Industry (percent)</td>
<td>16.0</td>
<td>32.8</td>
<td>26.7</td>
<td>27.2</td>
</tr>
<tr>
<td>Services (percent)</td>
<td>28.2</td>
<td>40.6</td>
<td>48.1</td>
<td>49.5</td>
</tr>
</tbody>
</table>

Source: CSO.

It is clear from the details in the above table that there has been a continuous increase in the share of income of services sector in the Gross Domestic Product between 1950 and 2002 while there is a continuous
decline in the share of income of agriculture during the corresponding period. The share of income of industrial sector has gone up from 16 percent of GDP in 1950 to 27.2 percent in 2000 though the rise is not continuous.

Sectoral Distribution of Employment in India Services sector’s share in the overall employment in the country has gone up from 16 percent in 1950 to 30 percent in 2000 while the share of primary sector declined from 72 percent 1950 to 52 percent in 2002. The share of secondary sector has gone up from 12 percent in 1950 to 18 parent in 2002.

The following table provides the details:

| Table 2.2 |
| Sectoral Distribution of Employment in India |
| (Percent) |
| Sector | 1950 | 1990 | 2000 | 2002 |
| Primary sector | 72 | 62 | 58 | 52 |
| Secondary sector | 12 | 14 | 16 | 18 |
| Tertiary sector | 16 | 24 | 26 | 30 |

Source: CSO.

The details in the above table clearly indicate the faster rate of growth of employment in tertiary sector (services) compared to the slow rise in the secondary sector and the declining employment in primary sector.
Liberalisation and Performance of Service Sector

India has made considerable advances in reducing the role of the state in the provision of key infrastructure services and opening service industries to domestic and foreign competition in telecommunications, banking, insurance, business and health services. These reforms have undoubtedly produced economy wide benefits both in terms of sectoral efficiency and growth performance. The reforms combined with access to global market seem to have played a role in raising the growth rates of a number of services sectors. Some sectors that have witnessed limited opening like air transport, legal services, real estate, dwellings, railways, post and storage have grown less slowly than the rest of the services sector.

Services Marketing

Services have special characteristics like intangibility, individuality, perishability, heterogeneity and ownership. The special characteristics of services result in a wider dimension of marketing than the normal 4 Ps of marketing. It is therefore suggested that marketing of services should be looked into 7 Ps viz. product, price, place, promotion, people, physical evidence and process of service delivery system.

Service Product

Service product refers to a bundle of features and benefits relevant to a specific target market. This obviously implies that while developing a service product the benefit package must have customer’s perspective.

Kotler\textsuperscript{16} has defined five product levels for a hotel industry as indicated in the following table.
Table 2.3

Five Product Levels

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Core Benefits</td>
<td>The fundamental benefit or service that the customer is buying (hotel rest/sleep)</td>
</tr>
<tr>
<td>2. Basic Product</td>
<td>Basic functional attributes (room, bed, bath)</td>
</tr>
<tr>
<td>3. Expected Product</td>
<td>Set of attributes/conditions the buyer normally expects (clean room, large towel quietness)</td>
</tr>
<tr>
<td>4. Augment Product</td>
<td>That meets the customer's desires beyond expectations (prompt room services and check in/out music, ceroma).</td>
</tr>
<tr>
<td>5. Potential Product</td>
<td>The possible evolution to distinguish the offer (all suite hotel).</td>
</tr>
</tbody>
</table>


A new service that is offered in the market should take into account the specific consumer benefit, the services offered, service delivery system and the effective management of communication. The quality of the service expected by the customer is to be assessed from the information offered by the market research. Effective marketing communication strategy can enhance the image of the services package.

Pricing

Price of a product or service should be competitive if it is acceptable to the customer. Customers often link the price with the quality of the product or service. The following issues have to be handled while pricing the services offered.

1. Demand fluctuations: The service offering company should encourage customers to make use of the service since offering cannot be kept in inventory.
2. Price of the service package should be based on the tangibles where the customer can perceive its cost implications.

3. The price should be such that the customer must feel that he is paying the price for the value addition with quality indication.

4. Price of the service should also be related to competition.

5. Pricing of services should be based on the product life cycle and competitors strategy to finalise its pricing.

**Place**

Services production cannot be separated from selling. They are intangible and they can not be stored, transported and inventoried. Distribution channels used for product marketing are not likely to be useful for services because of the inseparability characteristic of services from service providers i.e. musician rendering music. Agents and brokers are the key since they try to bring the producer of the services and the consumer together. Another aspect of service is that the location, keeping in view the potential markets is likely to play an important role in the channel selection decision. Sassar\textsuperscript{17} says locational considerations and personal information sources are the two critical factors in the final purchase decision of many services.

**Promotion**

Proper communication is critical factor in promoting services marketing. Consumer would prefer more personal information about the services. The objective of promotion with respect to services would be any one of the following.

1. Develop personal relationship with the prospective customer.

2. Make an honest, sincere impression of competent services on the prospective customer.
3. Create a derived demand for the service.

4. Positive packaging and customisation of the services offer is needed in good promotion.

These objectives should be addressed first to the employees of the organization and then to the target audience. Lovelock and Quelch\textsuperscript{18} have suggested six elements in consumer promotion in services market viz.

- Product scope
- Market scope
- Value
- Timing
- Identification of beneficiary and
- Protection against competition.

Quantity promotion can help in services marketing i.e. group discounts for travel. Tying promotion with a privilege can be frequently used as a promotional method, for example user of a travel service being given a bonanza of an extended holiday or an additional product.

**People**

People as the fifth element in the services marketing was introduced by Jodd.\textsuperscript{19} He mentioned that since services are to be provided by employees, the firm has to first market the service to them to be effective. He was referring to internal marketing aspects. This internal aspect of marketing has been endorsed by Gronroos\textsuperscript{20} and others. Gronroos set forth two objective levels of internal marketing i.e. strategic objective and tactical objective.
I) Strategic level objective aim at creating an internal environment that supports customer consciousness and sales mindedness among the personnel. This is accomplished through,
   i) Management methods
   ii) Personnel policy
   iii) Internal trading policy and
   iv) Planning and control procedures.

II) Tactical level objective aim at selling services supporting services, campaigns and single marketing efforts to the employees.

Physical Evidence

Physical evidence refers to physical environment, facilities and atmosphere, evidence for a service can be both peripheral and essential. Peripheral evidence like existence of buildings, furniture, layout, colour, interior, carry bags etc. are part of the service but have little value with respect to core services. For example when Maruti Zen car is taken to the authorised service station, peripheral evidence does make an impression on the customer. Essential evidence refers to those that can not be possessed. Physical evidence is summarized by Baker into three factors viz. ambient, design and social.

<table>
<thead>
<tr>
<th>Ambient Factors</th>
<th>Design Factors</th>
<th>Social Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Air quality</td>
<td>• Aesthetics</td>
<td>• Appearance behaviour</td>
</tr>
<tr>
<td>(temperature, circulation)</td>
<td>• Architecture, colour scheme, material used, shape and style of accessories</td>
<td>and number of service personnel</td>
</tr>
<tr>
<td>• Quality of scent</td>
<td>• Functional Dimension of design in terms of layout comfort</td>
<td>• Quality and quantity of other customers.</td>
</tr>
<tr>
<td>• Degree of circulation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Physical Environment
Ambient, Design and Social Factors of Physical Environment physical evidence can support the marketing programme by providing adequate service to a customer and influencing his perception.

Process Management

Process management issues refer to availability of services and their consistent quality. The issues involve process, planning and control, operations, planning, facilities, design scheduling, inventory planning, and control, quality control, operation control, forecasting and long-term planning.

Marketing of Banking Services

Marketing of banking services is an approach to give right direction to banks vis-à-vis multidimensional benefits to the different segments using the services of banks. In an age of electronic banking the perception of bank marketing requires a new vision. Use of sophisticated technologies by the banking organisations has made possible a major change in the quality of services.

The marketing of banking services is an approach to market the services profitably. It is a device to maintain commercial viability. It is an art to project a positive image. It is a method to energise performance-orientation. It is a tool to activate employee orientation and more so, it is a managerial approach to excel competition. The changing perception of bank marketing has made it a social process. The holistic concept of management has made bank marketing a device to establish a balance between the commercial and social consideration often considered to be a
balance between the two opposite wings. The major thrust of marketing of banking services thus relate to,

1. Marketing of banking services is a managerial approach to market the services.
2. It is a social process to subserve social interest.
3. It is a fair way of making profits.
4. It is an art to make possible performance orientation and
5. It is a professionally tested skill to excel competition.

The total marketing function of banks involves the following.

1. Market Research: This involves identification of customers' financial needs and wants and forecasting and researching future financial market needs and competitors' activities.

2. Product Development: Appropriate products to meet customers' financial needs.

3. Pricing of the service: Promotional activities and distribution system in accordance with the guidelines and rules of the Reserve Bank of India and at the same time looking for opportunities to satisfy the customers better.

4. Developing Market Orientation: Marketing culture-among, all the customer consciousness 'personnel' of the bank through training.

**Market Research for Banking Services**

Marketing begins with information about the market in which the bank operates. A bank's decisions are made through the eyes of the customers of the bank if a bank is market oriented. A bank which is market oriented while thinking of introducing a new type of cheques system or a new service for example will not make a decision on the alternatives until it
has found out what its customers want. The bank's main problem in marketing relates to -

I. knowing as much as possible about each of the bank’s markets customers and

II. knowing as much as possible about the plan's of the bank’s competitors in their attempts to exploit these markets.

Market research is the process by which a bank attempts to obtain such customer and competitor information. Consequently market research is an integral part of the decision making process. Forces affecting the market environment are becoming more and more complex. Hence decisions based on experience alone and an intuition without any support from information are likely to prove costly and unreliable while introducing a new service or while taking marketing and business decisions. Hence marketing research becomes relevant in taking appropriate business decisions and marketing decisions. “Market research is the study of consumers’ attitudes, habits and behaviour towards satisfying their needs and wants on the one side and the study of competitors activities on the other to help the management to take better marketing and business decisions. Market research is a systematic process of collecting, recording, analysing and interpreting information for the decision making process related to marketing function.

Market research in banking is an essential tool of marketing for effective planning. Banks can develop new services and improve existing services with the help of information collected through market
research. Better and more effective promotion programmes can be designed. Market research serves as a communication channel between the market and the bank. It helps in improving the quality of managerial decision making.

**Product Mix-Product Portfolio**

Banks deal primarily in services. Formulation of product mix has to be in the face of changing business environment conditions. The changing psychology, the increasing expectations, the rising income, the changing lifestyles, the increasing domination of foreign banks and the changing needs and requirements of customers at large make it essential that they innovate their service mix and make them to world class. It is pertinent that banks formulate a package in tune with the changing business conditions. The banking organizations magnify, combine and modify their service mix.

**Product Portfolio**

Product portfolio refers to the different types of services/schemes found at the different stages of the product life cycle. Product portfolio denotes a combination or an assortment of different types of products generating more or less in proportion to their demand. The quality of product portfolio determines the magnitude of success.

It is quite natural that all services/schemes included in the portfolio can't be equally profitable. It is not advisable to concentrate on profitable services and ignore the new services likely to be profitable. It is prudent to mix up the present with future and blending the less profitable and more profitable schemes.
The following chart provides a general model of product portfolio.

Fig. 2.1 Product portfolio for Banks Adapted from SM Jha: Services Marketing p.132.
Promotion Mix

Promotion mix has to be formulated in such way that different component of promotion such as advertising, publicity sales promotion, word of mouth promotion personal selling and telemarketing are given due weightage.

Financial products are advertised either through corporate advertising or product advertising. Marketing research in this field is being availed of by banking companies. Financial products are making use of branding and advertising.

Branding can be of two types viz. individual branding like the Reliance public issue or umbrella branding which makes use of the practice of labeling more than one product with a single brand name i.e. LIC's Jeevan Dhara or Jeevan Akshaya. Branding can command customer loyalty. It can help create differentiation and a successful brand will command a slightly higher price. It can also help in creating some insulation from the competitors promotional strategy.

Umbrella branding is helpful in reducing cost of advertising and promotion of subsequent product.

Financial advertisement is a very useful promotional tool to reach the burgeoning middle class. It can help to persuade these new breed of investors to put their money into the market. Financial advertisement is closely linked to the growth of capital market.

Pricing and Revenue Optimization

Pricing of financial products and services is very intricate and complex. Firms have tried to increase their revenues by optimum pricing. A
marginal tweaking of the price can result in increased revenue and thereby can have a healthy impact on the bottom line. In financial services industry profitability is highly sensitive to price as the gross margins are often relatively low and a small difference in price has a huge impact on the bottom line. Financial firms must focus on price optimization. The key issue is to understand how demand is affected by price. Due to the absence of any significant capacity constraints, there is opportunity for financial services companies to optimize their profitability by raising prices rather than by reducing them.

Pricing decisions of banks and finance companies were driven by factors like cost of funds, risk provisions, expense allocation etc. than on price optimization. But over a period of time volume of growth has slowed down, markets have matured and increased competition has depressed the margins. Declining interest rates are also responsible for shrinking profits from many products. The growth of e-business will make the prices increasingly transparent and the customer can discover the price in a more simple and a quick way which will lead to further deflationary pressures. In these circumstances price-revenue optimization can counter sub-optimal pricing and identify the opportunities for profit maximization.

The Place Mix

Banks have to select a suitable place for providing their services through their branches. The place should be accessible to the customers and safely and security should be ensured. Availability of infrastructural facilities should be ascertained. Civic amenities and parking facilities should be studied while opening a branch.
The number of branches, the location of branch office, the placement of bankers, the behavioural profile of bankers are some of the sensitive issues influencing the image of the bank and the quality of the services. The place mix is found an important decision making which requires due attention both at macro and micro levels. It is essential that the end users get the promises sold by the banking institutions without any distortions.

The People

A team of personally committed employees has an impact on the performance of a banking institution. A proper synchronization of new information technologies and a fully committed bank employees make a success of an institution like a bank or financial institution. Professional excellence and value based working are needed for a bank’s successful functioning. Management experts therefore advocate for developing quality people and banks should aim at improving the quality of human resources.

The banking organizations should overhaul the recruitment processes. They must assign due weightage to the ethical values. There is also need for innovating of the education and training facilities. There should be proper reward for efficiency and at the same time demotivate the inefficient bankers. There is need for value orientation among the employees of the banks.

The Physical Attractions

Customers are happy to transact with employees with better physical appearance and well disciplined and smart in their dealings. The banks can sell better their products or services when their operations are conducted by their staff with good physical appearances and smart ways. Professional
skill efficiency, personal commitment and value based approach towards the customers would enhance the image of the bank in the minds of the customers.

Foreign banks provide a better image because of the physical aspects of their employees who provide better services along with their professional skill technical superiority.

Marketing of banking services need proper management of the following factors for their successful operations.

- Product Differentiation
- Accurate credit appraisal system
- Strong management information system
- Effective account receivable management
- Regular debt follow up

**Strategy of Market Segmentation for Banking Services**

Market segmentation is significant in highly competitive market situation. Banks must have the ability to identify and develop market segments. This would help in achieving organizational objectives and effective performance. 22 Kotler has specified three criteria for market segments.

i. The market segments should be measurable

ii. Each segment should be accessible

iii. Each segment should be substantial.

Market segmentation or target marketing have definite advantages according to Engel, Fiorillo, and Cayley23 viz. efficient commitment of
limited resources, ability to spot opportunities in the market place, the whole ethos of the organization becomes outward looking by attempting to achieve its own objectives by giving customer satisfaction and developing customer loyalty. Customer becomes central to the adoption of a strategy based on market segmentation. However too many organizations still attempt to fit the customer to the existing product or service i.e. they remain inward looking rather than on market needs.

Reekie has referred to the five aspects of business of banks and these aspects provide the clues to the market segmentation of bank business viz. cash accessibility, asset security, money transfer, deferred payment, and financial advice. These relate to the customers’ needs in the process of marketing of bank services.

The business of an organization like the bank should not be viewed as a homogeneous entity, but rather as a collection of heterogeneous market segments comprising groups of customers with different needs each of which may be better satisfied by the introduction of marginally or wholly different services.

Traditional bases for segmentation i.e. age, income, geographical location are unsuitable for operations of a bank. Lifestyle status, organizational buying structure etc. may well be more suitable bases for segmentation.
References:


