CHAPTER-VI

MARKETING MIX IN
M.S.C. BANK LTD.
CHAPTER - VI

MARKETING MIX IN MANIPUR STATE CO-OPERATIVE BANK LTD.

Marketing Mix for Banking Services:

Times have changed and so naturally we find an analogous change in the man's need, wants and requirements. But its very nature, the banking services call for a dynamic marketing approach. Marketing is something intangible and no doubt, it is a difficult task. Today we sell credibility. And so, a basic change in the marketing concept assumes an outstanding significance. This is essential for savings optimisation, resource mobilisation and socio-economic transformation. The new strategies formulated by other financial intermediaries necessitate revamping of policies. The realigning of banking services with marketing would be fruitful, if we make possible dynamism in our marketing decisions. Initially, the attitude about the marketing of banking services was that it was not professional to sell one's services and even unnecessary. It was unnecessary in the sense that traditional relationships and quality of products were sufficient to do the job. Gradually, it was felt that they were suppliers of the required services and the customers have no option for delinking the same. Later on, the emerging trends in the corporate investments necessitated a change in the concept. This made possible realigning of banking services with the marketing concept.

The framing of marketing mix, particularly for services sector is a difficult task. The multi-faceted developments in the socio-economic environment have made it urgent that particularly the Indian public sector banks reformulate their marketing mix. To be more specific the numerous steps taken by other financial intermediaries have made it
urgent that line of services, place decisions, distribution of services, pricing strategies and promotional steps are reviewed. The certainty of better returns from non-banking investments, the severe credit squeeze, concentration of bankers on the desk-work are some of the important reasons for a sharp deterioration in the services offered by banks. Innovative and imaginative competition have virtually outwitted banks, specially in respect of mobilisation of deposits. The co-operative banks and other non-banking avenues also offer attractive dividends in return. A number of concessions for making investments into the small savings and the social security certificates also hamper the accretion of deposits. Moreover, when the bankers have to work with the depositors of such an organisation where managerial cadres are given an overriding priority by employing M.B.As; the marketing mix diverts a close attention. In this context, the product line, place decisions, distribution management, pricing and promotional strategies divert a close attention. In the formulation of marketing strategies, the following decisions are considered significant:

* What product to offer?
* At what price to offer?
* How to promote?
* At what place to offer?

Fig. No.6.1 Marketing strategies.

(i) What product to offer?

The banks primarily deal in services and so the formulation of product mix should be in tune with changing socio-economic conditions. Although the commercial banks
have launched a number of policies and programmes for the development of backward regions and welfare of weaker sections, still there are some loopholes in the designing of the product mix. It is due mainly to the traditional product line that the commercial banks have failed to exciting customers. A contraction in the number of actual and potential users is not a good sign. The changing psychology of customers, increases in the level of earnings, inclusion of more-and-more items in the family budget and growing Cultural-Intercourse between the East and the West have made it urgent that product mix has a new orientation. The development of new generic product, specially when the environment is regulated, becomes a difficult task. However, it is essential that banks formulate a package in tune with the changing environment. They need to minify, magnify, combine and modify their existing services.

In the designing of product mix, the banks can follow two guidelines – first: process product to market needs and second: process market needs to product. In the first process, the needs of the target market are anticipated and visualised and so we consider it pro-active. In the second process, the banks react to expressed needs and so we consider it reactive. It is essential that every product is measured upto the accepted technical standards. This is due to the fact that no consumer would buy a product which suffers from technical defects. Technical perfection in services is meant prompt delivery or quick disposal. Of late, we find a sharp dilution in this area. The magnitude of dilution is of high degree, specially in the public sector banks. This needs an intensive care.
Marketing aims not only at delivering (selling) whatever products (schemes and services) the banks have but also aims at creating new products as per customer needs. Creation of attractive schemes has to be coupled with efficient delivery system to optimise customer satisfaction.

The Manipur State Co-operative Bank Ltd. provides various products (schemes and services) to their customers i.e. cultivators, co-operative societies, etc. The main schemes offered by the bank have been discussed in detail in Chapter-V of this study.

The next important dimension in the formulation of the product mix is making of decisions and framing of policies regarding the implementation of development-cum-welfare programmes. Currently, the public sector banks have been facing multipronged social costs. It is natural that growing social costs influences the pricing management of commercial banks and endangers their financial viability. Hence, the policy makers should not be so liberal in the inclusion of new products that commercial banks are found in red. The following key points need an intensive care, specially while formulating the product mix:

Developing a new generic product, specially when the environment is regulated is a difficult task. Here the banks need to minify, magnify, combine and modify their existing products. Formulation of a package to suit the needs of actual and potential users of services, modifications in the existing products by adding some new features and elimination of products provided to be a barrier in the image building are found important in initiating qualitative improvements in the banking services.
It is pertinent that every product must measure up to the test of accepted technical standards. The measure of technical perfection in the banking services is its arithmetical accuracy and prompt delivery. This again helps banks in image projection.

Customers do not buy the core product; they buy the package or the benefits the package brings to them. In a competitive market, the task of selling is found more tough since the core products are the same. This naturally necessitates product differentiation.

Changing psychology of the potential customers, increasing level of income, inclusion of new items in the family budget of an individual, growing production activities, changing regulatory provisions, etc. are some of the important facets to be considered while formulating the product mix.

The behavioural scientists feel that a change in the users' behaviour influences the decision and policy making criteria. They argue that such a change in the behaviour of human beings governs their way of living, taste and temperament etc. Emerging new trends in the socio-economic parlance need an intensive care, specially while finalising the product line or the line of services.

In the context of formulating product mix, the banks can follow two processes – first product to market needs and the second market needs to product. Needs of the target market are anticipated and visualised in the first process which helps in making productive product decisions. But in the second process, the banks react to expressed needs and so we consider it reactive.
* What product to offer is not a static concept. In fact, it is a dynamic concept which moves with the changing needs of potential users. In the yesterdecades, we have seen a number of developments in the hierarchy of human needs. A marketer has to consider them while developing the product.

* The emerging trends in the non-banking investment have made it urgent that some modifications are made possible in the existing product line.

(ii) What price to offer?

In the formulation of marketing mix, the pricing decisions occupy a place of significance. The pricing decisions or say the interest or commission charged by banks are found instrumental in motivating or influencing the target market group. The Reserve Bank of India and the Indian Banking Association are concerned with this sensitive component of the marketing mix. The rate of interest is regulated by the RBI whereas other services by the Indian Banks Association. Particularly in the Indian perspective, this component carries an outstanding significance since the Indian Banks have to play developmental role with social approach. It is very natural that this specific role of the banks complicates their pricing decisions and also influences their overall marketing strategies. In making pricing decisions, the Government of India instrumentalises the whole process as a shadow policy maker. This naturally questions the managerial proficiency specially of the Indian public sector banks. Therefore, they have to follow the guidelines suggested by the Government of India.
Pricing policy of a bank is considered significant for raising the number of actual customers. However, it is not the lone factor influencing the customers' behaviour. A National Consumer Survey conducted by L.H. Associates reveals that the quality of customer service was one of the three top issues and the consumers ranked the quality of their bank relationships as even more important than the fees charged for their services. This makes it clear that specially in the banking services, customer service ranks first. However, by this it does not mean that we underestimate decisions regarding interest and commission. To be more specific when the customers have been getting more interest in other non-banking investments, pricing decisions become a significant part of marketing mix. The potential investors or say potential customers generally frame their investment strategies in the background of pricing decisions. It is right that the policy makers consider price as an important variable to be traded off against product quality and promotion rather than as an absolute factor where the lowest price is most desirable. While formulating pricing strategies, the banks have also to take the value satisfaction variable into consideration. The value and satisfaction cannot be quantified in terms of money. Naturally, it differs from person to person. Keeping in view the level of satisfaction of a particular segment, the banks have to frame their pricing strategies. In a competitive market, the buyers and sellers must have feeling of winning in the transactions. If this is not made possible, the transactions would hardly take place. As for instance, the sellers are satisfied with cost plus profit whereas the buyers look for satisfaction in return for the prices paid by them. The policy makers have to be confident that the services rendered by them are providing due satisfaction to the customers concerned. The pricing decisions may be a bit liberal, if the potential customers are
found shifting to non-banking investments. Or say, the liberal pricing policy may act as a motivating force.

The making of pricing decisions cannot be purposeful, if the RBI fails in assigning due weightage to some key factors like strategies by non-banking investment institutions or mainly investment strategies adopted by companies, socio-economic developments, rising level of income of the potential customers and a change in the customers' psychology. All these components are found sensitive, specially in the context of formulating pricing strategies. The banks are naturally required to frame two-fold strategies, e.g., strategies concerned with interest and commission to be paid to the customers and interest to be paid by the customers for the accretion of deposits.

![Diagram]

① Pricing Strategies
② Two-fold Strategies
③ Interest paid to the customers
④ Interest paid by the customers

Fig.No. 6.2 Two-fold Strategies.

Since both the strategies throw vice-versa impact, it is pertinent that banks attempt to establish a correlation between the two. It is essential that both buyer and seller have feeling of winning. The transaction would not take place if either of the two has a feeling of loss. The banks have to take this value satisfaction variable into consideration while formulating pricing strategies or while making pricing decisions.
Interest charged by Manipur State Co-operative Bank Ltd. differs from scheme to scheme and its duration i.e. short term, medium term and long term. The interest received by the bank on loans and borrowing have increased from 82 lakhs to 273 lakhs during the year 1984 to 1993 with an upswing of 191 lakhs. As far as interest paid by the bank is concerned it also shows a handsome amount in 1993 with a figure of 77 lakhs which was only 6 thousand in 1984. The following table shows the two-fold strategies of the MSCB Ltd.:

Table No. 6.1

Two-fold strategies of the bank (interest received and interest paid)

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</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>0.06</td>
<td>12.00</td>
<td>20.00</td>
<td>3.00</td>
<td>8.00</td>
<td>8.00</td>
<td>0.06</td>
<td>0.06</td>
<td>0.29</td>
<td>77.00</td>
</tr>
<tr>
<td>Interest received</td>
<td>82.00</td>
<td>103.00</td>
<td>107.00</td>
<td>100.00</td>
<td>94.00</td>
<td>100.00</td>
<td>169.00</td>
<td>107.00</td>
<td>160.00</td>
<td>273.00</td>
</tr>
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Source: Annual Reports of the M.S.C. Bank Ltd.

(iii) How To Promote?

Promotion is one of the third elements of marketing-mix. The marketing manager uses promotion to stimulate the buyer and obtain a desired response. It has rightly been said that nothing happens until somebody sells something i.e. the marketing manager has to take steps to inform customer about the availability of products/services. Hasty and Will classified the objects of promotion under three basic heads as follows:
Fig. No.6.3 Objectives of promotion.

There are two types of promotional strategies which can be adopted by the bank as

- **Personal Promotion strategies**
  - Person to person,
  - Persons to persons & Conferences

- **Impersonal Promotion**
  - Advertising, Publicity, Sales Promotion measures

Fig. No. 6.4 Types of promotional strategies.

Personal promotion helps us in creating impulse buying and generates selling with the help of impersonal communication. Sales do not occur automatically. A manager is found successful in transforming the potential customers into actual customers with the help of different promotional tools. Hence it is essential that a marketer develops new ways to move the market into action so that the impulse buying is stimulated. No doubt, the stimulation is a difficult task but promotional tools simplify it. It is difficult to reach at peak, specially for the longer period. Both the forms of promotion stimulate the impulse buying, affect the potential users, turn them into actual users and keep them moving behind the product.
Personal promotion or personal selling is an important sub-component of marketing mix. Particularly in the banking services, it assumes an outstanding significance due mainly to the impact of personal contact or personal dialogues on the potential customers. Personal selling is much more than salesmanship. It has to create awareness and interest, reinforce to overcome cognitive dissonance facilitate and cause the purchase to take place and ensure that buyers of services are satisfied with the product. And so, it is in a position to reach the realms that advertising cannot. Or say, personal selling swamps advertising. On account of some outstanding properties, it is found to be the largest component of promotion. In the banking service, the very success of personal selling depends on the activities and behaviour of bankers, particularly engaged on the public counters. Impersonal promotional tools are found ineffective, provided the customers are found dissatisfied, specially due to indecent behaviour. Hence this aspect of promotion mix is found very sensitive. In the present day world, advertising has also occupied a place of significance. It is used for mass-communication and can be possible with the help of vehicles like newspapers, movies, audio and visual sophisticated devices, display of postures etc. Advertisement is good when it is well read, heard, believed, remembered and acted upon by the potential users or target audience. It creates awareness and makes possible and attitudinal change in the target market. In the framing of advertising strategies, the composition of messages, selection of suitable themes and identification of most appropriate vehicles are found significant. Advertisement involves huge cost, no doubt, but also contributes a lot to the growth of business.
In developing countries and to be more specific in India, this aspect of the promotion mix is found neglected. A number of potential customers are found unilluminated of the new products. Particularly the rural users fail in going through the advertisement displayed in the urban areas. It is generally found that banks prefer to display advertisement in the urban areas but neglect rural areas. All efforts should be made to make the messages believable, desirable and acceptable to the users. Of late, the commercial banks have been offering a number of development oriented welfare programmes for the facelift of rural regions and development of agricultural sector but the target market or the agriculturists are not well acquainted with all these developments.

Publicity is found a bit different to advertising. It is an editorial comment about the ideas, products and organizations. Or say, it is an important part of public relations. Here the third party says about the organisation which is not well connected with that organization. And so, it is very natural that its imprints on the potential users of services are visible. The target market, if satisfied, is turned into actual users. Particularly today when we find social welfare an important part of banking services, the publicity measures also need due care.

The next sub-mix in the promotion mix is sales promotion measures. Displays, shows, exhibitions, gifts are some of the important measures instrumental in stimulating users' action and bankers' effectiveness. It is felt that like other promotional measures, the sales promotion measures would also be effective, provided the banks exhibit or display their services properly. The sensitivity of a particular measure depends on its
monitoring mechanism. It is not sufficient that we go through an effective measure. Indeed, it carries an outstanding significance that how, when and in what manner we utilise them.

Personal Selling in Banking Services:

Personal selling is an important sub-component of promotion mix. The managers have no discretion or very limited discretion. Contrary to it, the branch managers have full discretion in the personal selling of services. Personal selling is found instrumental in creating awareness and interest. It reinforces, facilitates and causes to the purchase to take place and ensures that buyers of services are satisfied with the product and so we consider it much more than salesmanship. In a true sense, it is an attempt to persuade customers to make purchase decisions through personal communication. It is extremely flexible and provides an immediate feedback and so we find entire process of persuasion. In this context, conceiving right opinion is found significant. For this, it is essential that branch managers go through the transactional analysis. No doubt, the transactional analysis is expected to be convenient, provided the branch managers have a descriptive idea of the personality of an individual. MSC Bank Ltd. used various types of promotional strategies like advertising, publicity, public relations display, personal selling, etc. to make the customers enable about the various activities of the bank.

(iv) What place to offer?

The next important element in the overall marketing decisions is the selection of a suitable place. It is meant sound locational decisions which help in activating the business. It is also meant searching a suitable point for offering the banking services or
locating the branch at a sensitive point. Further, it is also concerned with the extension counters. Paradoxically, the banks have no discretion for opening a branch wherever they like. The banks are required to obtain a licence from the Reserve Bank of India for opening a branch or extension counter. The policy for branch expansion keeps on changing. Sometimes the banks have locational advantages whereas sometimes they also face the consequences of wrong location. It is significant that banks have discretion in the maintenance and upkeep of their premises. The overall marketing decisions are influenced by the place or locational decision.

Convenient location or say location of branches at places accessible to the actual and potential users would bring momentum in the banking services. Of late, when the banks have been facing the problem of robbery, it is essential that branches are located at the points where security arrangements can be made available within a few minutes. Hence, the locational factors include a new dimension which could not be taken so seriously even a decade earlier. The banks have to be careful that general or industrial users of services coming to the banks return safely.

Manipur State Co-operative Bank Ltd. covers the whole of Manipur State with its eleven branches located in all the districts including two at Imphal.

Unfortunately, the new branches due to increased work-load have been facing the problem of congestion. Hence, it is important that suitable sites are selected and the required sanction is obtained from the concerned authority. Until just recently, people expected their banks to look a certain way – just as they expected their schools. Thus the architects of banking institutions tended to reflect those values the public believed in
most exemplified their functions—wealth, continuity, stability and permanence—they served well to reflect those standards demanded by their functions as guardians of the nation’s financial resources and economic well-being. The place where transactions take place cannot remain neglected. It is pertinent that place decisions are made in the background of target group of customers.