CHAPTER I

INTRODUCTION
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Marketing is a multiperceptive term having a wide range of concepts. Marketing starts with the determination of consumers’ wants and ends with the satisfaction of these wants. It focusses constantly the needs of the consumer. The consumer is the centre of the business world as all the activities of business follow the consumer and his needs. Marketing is interpreted in many different ways by various management experts. There are varying perceptions and views on the meaning in the context of marketing.

The agricultural cum handicraft economy is the key characteristic of the pre-industrial revolution world. The agriculturists dispose of the surplus in their immediate neighbourhood. These products are required in the neighbourhood by those who are not engaged in the same activity. There were no elaborate systems as the needs, habits and preference pattern of the people and the prevailing technology did not demand such a system.

Subsequently, on the reaching of the stage of money economy in the evolution of marketing, no fundamental or far-reaching changes took place in this stage in the production and distribution of goods and services, resulting the replacement of the barter system by the money system, pricing becoming the mechanism of the exchange process. The increasing complexity of the modern industry on the problems faced by the industrial revolutionists brought a basic change in the concept of marketing. Thus, the industrial scientists felt the urgency of adding a new word in the industrial vocabulary i.e., Marketing but this could be possible several years after the World War-II.
Paul Mazur defined marketing as "the delivery of a standard of living to society"\(^1\). This was further explained by Prof. Malcolm Mc Nair to "the creation and delivery of a standard of living"\(^2\). Peter F. Drucker feels that "it is marketing as we understand it that we satisfy individual and social values, needs, wants – be it through producing goods, supplying services, fostering innovation or creating satisfaction. Marketing, as we understand, has its focus on the customer that is, on the individual market decisions within a social structure and in his personal and social value system. Marketing is, thus the process through which economy is integrated in society to serve human needs\(^3\). According to the modern marketing concept, in addition to consumer orientation the profitability aspect is of prime importance. The latest definition of marketing given by Council of the Institute of Marketing is "the management function responsible for identifying, anticipating and satisfying customer requirements profitably"\(^4\). IM News Quarterly Review of Markets, Institute of Marketing London July, 1983 used the term "marketing' and selling as if they have the same meaning. But this is not so. Marketing is concerned with the idea of satisfying a customer's needs by means of the product as well as by providing the customer with value-satisfaction service. Marketing concentrates on the needs of the buyer whereas selling is concerned with the sales volume. Thus, marketing is a view of the entire business with profitability and consumer satisfaction as the key note.

Marketing starts much before the production exists, and continues after sales have been made. The Marketing thinking starts much before production activities are undertaken and continues long after sales are achieved in order to keep constant abreast with customer.
The term marketing has been defined under two different concepts – Traditional Concept and Modern Concept.

Traditional Concept:

Under this concept, different views are being offered by different marketing experts like Pyle, Tously Clark and Clark, Converse, Huegy and Mitchell and American Marketing Association.

Marketing comprises both buying and selling activities says Pyle\(^5\). Tously Clark and clark observed that marketing consists of those efforts which affect transfer in the ownership of goods and services and which provides for physical distribution\(^6\). Converse, Huegy and Mitchell opine that marketing includes activities involved in the flow of goods and services from production to consumption\(^7\). According to the report of the American Marketing Association, “marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user”\(^8\). The American Marketing Association revised the definition of marketing as follows, “Marketing is the process of promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives”\(^9\). According to the traditional concept all the views are very narrow based that these are concentrated on product as almost all have treated marketing product oriented.

Modern Marketing Concept:

Various views on this concept are being offered by a group of experts like Philip Kotler, William, J. Stanton, Peter F. Drucker and Cundiff Still and Govoni, Mc Carthy and Council of the Institute of Marketing, U.K.
According to Philip Kotler, "Marketing is a set of human activities directed at satisfying needs and wants through exchange process"\textsuperscript{10}, W.J. Stanton says, "Marketing is a total system of business activities designed to plan, price, promote and distribute want satisfying products, services and ideas to target markets in order to achieve organisational objective"\textsuperscript{11}.

Management expert Peter F. Drucker opined, "Marketing is not a function of business but a view of the entire business seen as the economic organ to provide goods and services. Everything the business does in that respect is marketing. This is the marketing view of the business. Marketing is not only much broader than selling, it is not specialised activity at all. It encompasses the whole business concern and responsibility for marketing must, therefore permeates all areas of the enterprise"\textsuperscript{12}.

Cundiff, Still and Govoni feel, "Marketing is the managerial process by which products are matched with markets and through which transfer of ownerships are effected\textsuperscript{13}. According to Mc Carthy, "Marketing is the response of businessman to the needs to adjust production capabilities to the requirement of customer demands"\textsuperscript{14}.

According to the Council of the Institute of Marketing, U.K., "Marketing is the management function which organises and directs all those activities involved in assessing and converting customer's purchasing power into effective demand for a specific product or service in moving the product or service to the final consumer or user so as to achieve profit target or other objectives set by a company"\textsuperscript{15}.
There are two important factors which play an important role in Marketing i.e. product and service.

![Diagram: Fig. 1.1 Role in Marketing]

(i) Role of Product in Marketing:

Product is the gateway from which roads to the success of an enterprise begins and leads to a blissful state of industrial prosperity. It is the engine that pulls the rest of the marketing programmes. An enterprise may have a highly sophisticated channel of distribution, extremely successful and attractive packaging models, quite reliable and judicious pricing policies but without a socially accepted product they all prove in vain. "If the product fails to satisfy consumers' demand, no additional cost on any of other ingredients of the marketing mix will improve the product performance in the market place. Thus the very existence of the business is because of the fact that it manufactures some suitable product that will serve the consumer and also which will perpetuate the business.

According to Alderson, "A product is a bundle of utilities consisting of various product features accompanying services".

According to Schwartz, "a product is something a firm markets that will satisfy a personal want or fill a business or commercial need, and includes, "all the peripheral
factors that may contribute to consumers’ satisfaction”. These factors may include reputation of the manufacturer, the warranty, credit and delivery terms, the brand name and courtesy shown by the sales and service personnel.17

Product is often referred to as ‘bundle of utilities’ or ‘a bunch of value satisfactions’. It is this concept of product that has made Levitt to opine that “management must think of itself not as producing products but as providing customer creating value satisfactions. The organisation must learn to think of itself not as producing goods or “services but as buying customers”.18

(ii) Role of Services in Marketing:

Services sector has been growing at a phenomenal rate since the last decade. We have monolith banks, insurance companies in the business sector and Government in the non-business sector as immensely big service organisations. In USA, between 1982 and 1984, 85 per cent of the new jobs created have gone to the service sector. Today out of every dollar consumers spend in the United States, almost half (47 cents) goes for services. Though the data about the size of service sector in India are not available, one does discern a sudden growth in the number of service organisations. Increase in the number and size of a variety of service organisations, like banks, fast food outlets, utilities – like electricity generation, transport, etc. speaks of the importance of the emerging phenomenon.

Unlike goods, services are intangible or impersonal activities or the anticipated satisfactions. The American Marketing Association defines services “as activities, benefits or satisfactions which are offered for sale or are provided in connection with the
sale of goods to the consumers which may also be classified into two parts, viz., pre-sale and after-sale-services\(^{19}\). The marketing of services consists of the following:

**Personal and Household Services**: Such services include banking, insurance, medical, transportation, power, financing, education and all personal services like dyeing, repair, saloons, etc.

**Business Services**: The business services include advertising, credit, collection, repair, transportation, light, communication and so on.

Besides, we also include advertisements and hotel and tourist services under the marketing of services.

The marketing of services carries an outstanding significance. As and when a consumer buys services, he buys the time, knowledge, skill or resources from the supplier of the services.

In a virtual sense, marketing is a function by which a marketer plans, promotes and delivers goods and services for the consumers concerned. To be more specific, it is the creation and delivery of customer-satisfying services at a profit to the suppliers or to those who render the services. When marketing is considered, a device to relieve the standard of living of the society, the customer satisfying service carries an outstanding value. In this respect, the important thing is to see that the consumers are satisfied. When a customer buys services in the service market, he expects a satisfaction. Hence, in the marketing of services, the whole thing is the generation of satisfaction. The modern
marketing concept has paved wider avenues for the marketing of services because the modern authorities have often treated marketing a media of generating satisfaction.

The issue of marketing of services would assume greater importance as the competition would hot up gradually. In the ensuing race, winners would be those who have sensed the characteristics of services that set them apart from products and have accordingly designed their marketing strategies.

(iii) Characteristics of Service:

The services have unique characteristics that differentiate from goods or manufactured products. The four characteristics most commonly described to services are:

Intangibility :- Services are to a large extent abstract and intangible.

Heterogeneity :- Services are non-standard and highly variable.

Inseparability :- Services are typically produced and consumed at the same time, with customer participation in the process.

Perishability :- It is not possible to store services in inventory. These characteristics by no means fully describe all services and some manufactured products have one or more of the four characteristics. Services such as education are highly intangible, however the customers of a restaurant seek a highly tangible product – food of high quality. There is a continuum of tangibility ranging from highly intangible to highly tangible. When considering each of the four distinguishing characteristics of service this concept of continuum is useful. The emphasis on each of the four service characteristics can vary from a given service, as it can also be a source of comprehensive differentiation. Both
service and goods differ in their degree of tangibility. Out of the four distinguishing characteristics of services, at least some characteristics may also apply to goods. Services can only be described as having a tendency towards intangibility, heterogeneity, perishability and inseparability. Any given service will display a different combination of each of the four factors, as illustrated in Figure 1.2.

![Diagram of Service Marketing Characteristics]

Fig. 1.2 Nature of Service Marketing


The three factors determining whether or not a specific element included in a firm’s marketing mix are:

The level of expenditure on a given ingredient in the marketing mix i.e. how important that element is in the firm’s overall expenditure.
The perceived level of elasticity in customer responsiveness, for example, in the case of a monopoly or government body, prices may be set externally and thus need not be included in the marketing mix.

Allocation of responsibilities is based on the belief that a well defined and well structured marketing mix needs a clear cut allocation of responsibilities.

The complex nature of a service and the restrictiveness of the traditional 4Ps of the marketing mix—product, price, promotion and place are considered unnecessarily restrictive, an expanded marketing mix is more appropriate. The diversity of the service economy at the same time is recognised. The expanded marketing mix is shown in Figure 1.3. This reflects the traditional element of the marketing mix including three additional elements—people, processes and provision of customer service.

Fig. 1.3 Expanded Marketing Mix for Services.

Marketers all over the world have concurred that services are distinct from products on account of the following characteristics.

a) Services are intangible: Leonard Berry captured the distinction well when described a product as "an object, a device, a thing" in contrast to a service which is "a deed, a performance, an effort". Marketing a soap entails a different strategy from marketing a concert.

b) Customer is involved in production: Performing a service involves assembling and delivering the output of a mix of physical facilities and mental or physical labour. Often customers are actively involved in helping to create the service product – either by serving themselves (as in fast food restaurants or in banks by using AIMS) or by co-operating with service personnel in settings such as hair saloons, hotels, colleges or hospitals.

c) Production and consumption are simultaneous: Many services are consumed as they are produced. A train journey, consumption of power by households, availing of a tour package, etc. are cases in point. The consequence faced by the marketer is that a prior quality checkup is not possible before rendering the service. This often results in inconsistent service deliveries as a marketer is not able to ensure a standardized service delivery due to the impossibility of a prior quality check. For example, when one buys a detergent cake, one can be 99 per cent sure that it would work to clean the clothes. But when one buys a room in a hotel, one is sure at a lesser percentage that it will give one a good night sleep without any hassle.
d) Services cannot be stocked: The characteristic follows from the above three characteristics, because a service is a deed or performance, because customers are involved in production and because producer and customer are inseparable, services cannot be stocked or inventoried. Of course, the necessary equipment, facilities and manpower can be held in readiness to create the service, but these simply represent the productive capacity and not the product itself. Unused capacity in a service business is like having a running tap with no plug: the flow is wasted unless customers are present to receive it. And when demand exceeds the capacity, customers are likely to be sent away disappointed, since no inventory is available for backup. An important task for service marketers, is to find ways of smoothing demand level to match capacity.

e) There are no intermediaries involved in service distribution: Unlike manufacturing firms, which require physical distribution channels for moving goods from factory to customers, service business either use of electronic channels (like in broadcasting or telecasting or electronic fund transfer by international banks) or else combine the service factory, retail outlet and point of consumption into one. Most of the service organisations belong to the latter class.

Because goods are tangible and can be seen and touched, they are generally more convenient to evaluate than services. The intangibility of services prompts customer prospects to be attentive to tangibles associated with the service for clues of the service's nature and quality.

A prime responsibility for the service marketer is to manage these tangibles so that the proper signals are conveyed about the service. There are a number of ways in
which service marketers can manage the tangible clues. One way is by shaping the ‘right’ physical services environment. For instance, the Airlines paint their aircrafts with bright colours, pay a lot of attention to their interior decoration, menu served on board etc. to convey an appropriate image about the services they provide. Another way is by managing the appearance and conduct of the service delivers. Hotels, for example, take a lot of pains to ensure that their stewards and waiters are impeccably dressed and are cheerful in disposition. Yet another way is pricing. By pricing a service, a service company is able to establish a quality image that it may desire. This is because consumers face a paucity of material data with which to evaluate services. As a result, price is one of the important indicators used by them to form an impression about the quality of a service. This is accentuated further in case of those services where buyers expect differences in quality of a service from one seller to another and where the personal risk of buying of lower quality service is high.

Because of the non-stockability of the services, one of the critical challenges in many service industries is to find ways to better synchronize supply and demand to minimise the lost demand in case of demand exceeding the productive capacity, on the one hand, and to minimise the idle cost of the delivery system when it faces underdemand, on the other. Service marketers attempt synchronizing by either reshaping demand or supply or both. Demand is reshaped by charging differential prices to encourage customers to buy services in nonpeak periods. For example, the telephone department charges half the normal rate for the outstation calls between 7 p.m. to 8 a.m. Many banks have been able to reduce the traffic in their lobbies by installing Automatic Teller Machines in public places and also keeping them operational on the holidays.
Another option available to the service marketer is to attempt altering service capacities to better match the demand patterns. The possibilities are many and include the following:

* Using part-time employees during peak time demand periods.
* Involving customers in the service delivery process like self-shopping in the super markets or self-serving in fast food outlets, are cases in point.
* Training employees to perform multiple jobs so that they can switch from one to another in accordance with the demand dictates.
* Automating the repetitive, mechanical elements of the service delivery task, thereby making the service delivery system more productive, e.g., automatic car washes, automatic teller machine, etc.

16 CLASSIFICATION OF SCHEMES

Development of classification system for services has become a new area of study by many researchers. Classification schemes help service managers to cross their industry boundaries and gain experience from other service industries which share common problems and have similar characteristics. Classified schemes use a wide range of factors such as:

Types of service
Types of seller
Types of purchaser
Demand characteristics
Rented versus owned services
Degree of intangibility
Buying motives
Equipment based versus people based
Amount of customer contact
Service delivery requirements
Degree of customization
Degree of labour intensity.

Although some of these classification schemes are useful, many have shortcomings in terms of helping to develop marketing strategies.

There is a need to develop service classification schemes that enable service managers to compare their firm with those of other service industries sharing common characteristics and learn from them.

Christopher Lovelock suggests the following key issues with respect to the classification of services:

Service industries remain denoted by an operations perspective, with managers insisting that their industry sector is different from other service industry sectors.

A managerial mind sets evident in many service sectors argues, for example that the marketing of airlines has little in common with the marketing of banking, insurance, motels or hospitals.
Some classification of schemes of services are not sufficient as they should offer strategic marketing insights if they are to have managerial value.

Therefore, classification of services in a manner more meaningful to the services marketer have recently been sought by researchers. They have been concerned with classification schemes that give insight into the strategic dimensions of services marketing.

MARKETING OF BANKING SERVICES

Not too long ago, if one told a banker that marketing services were part of his job he would have thought that he had walked into the wrong office that way. Marketing was akin to hustling and something that people in the soap or shoe business did. Banker looked down at all that with disdain. They had been nurtured in a scenario where customers walked in through their portals and conducted business strictly on their terms.

“Though most bankers won’t care for this analogy they were essentially shopkeepers who sat around waiting for the buyers and sellers of money to come to them” says Chittaranjan Kaul, the head of Bank of America’s investment banking operations in India. “Until recently in most of the developed countries and to this day in India, banking is still perceived in those terms by most bankers”. But the banking environment has changed fundamentally in the past fifteen years, and it is only those banks and bankers that have realised, adapted to and have been innovative in this rapidly changing environment that have managed to ride the waves.
Three major factors contributed to changing the face of the financial services industry. The first was a recognition by the buyers of money that it was not necessary to use a bank as an intermediary to get money. "What the banks had been capitalising on was their image of being solid and risk free", says Kaul. "But large borrowers gradually began to realise that they had the same image (or better) among investors and could therefore tap their funds directly at considerably lower costs. And investors too began to recognise that there were far better pickings to be realised from the market than what the banks offered". What this added up to was a substantial reduction of the banks' role as a rentier of money. New services had to be designed to fill this gap and stay profitable.

The second was the dissolution of the Bretton Woods Agreement in 1971. "This was reflective of the global society's need to get away from what had become a thoroughly inefficient system in terms of managing relative rates of exchange between different countries", says Kaul. "The fixed rate parity system, that was in place as a result of the Agreement, was out of tune with the realities of the global economy".

The dissolution of the Agreement led to the exchange market becoming far more volatile. Customers then needed better and more information on the markets to better understand their exposure and risk and better ways of hedging them. This triggered a demand for systems and products that met these needs.

The third factor that has made a tremendous impact on the banking industry is technology. The advancements in computer and communications technology over the past decade have revolutionised most service industries and banking is no exception. To the average consumer ATMs might be the most visible manifestation of these
advancements, but their effect on back-office operations has been far more significant. What follows is discussion of how the banking industry has responded to these very significant changes in its operating environment.

"When bankers saw their role as rentiers of money diminish, they began to look more closely at how they could use their strengths and skills", says Kaul. "The skills that banks have traditionally had are excellent credit appraisal skills. What this means is that banks had a pool of experts who were capable of evaluating the capability of companies to stay solvent, generate cash flows and be profitable. The major strength that banks had was their presence of network. Almost every bank, except the very small ones, had a larger network than most corporate customers. This gave them the capability to provide services over a wider geographical area more cost effectively. And when banks started to use these two strengths to meet customer needs, they really became a 'service' industry". Marketing these strengths has become critical to gaining and retaining profitable market shares.

Banks started to take on the role of financial advisors and traders and developed specialised cells to handle special customer needs. In some cases the activity grew large enough to warrant setting up separate institutions or corporate institutions or corporate bodies to handle them. The evolution of institutions to handle activities such as merchant banking, investment banking, mortgages, leasing, etc. are being witnessed. Depending on the legislation in different countries, these activities are now independent of average commercial banking. In Europe, where there are no regulations governing the financial services industry, barring a self-imposed one of healthy survival, a very number
of quasi-financial bodies offer highly specialised services. It is a very competitive market driven by the need to keep one's bottom line healthy by creating new needs and finding new niches in the market. "One is limited only by one's own ingenuity in the offshore market", avers Kaul. And what bankers are cashing is on its information and expertise, not money.

Figure 1.4: Expectations of relationship market/stockholders.

To a large extent, the developments in computer and communication technology have played a pivotal role in enabling bankers to be ingenious and match customer needs more precisely. In terms of meeting individual customer needs, technology has extended services virtually to the customers' doorstep. In the more developed societies the volume of cash transactions has dropped sharply as the banks have set up systems to receive electronic instructions pertaining to individuals' funds transfers. This has allowed for a far more efficient economy and the speed and volume of the turnover of money had also dramatically increased. Technology has driven and supported all of this.

When it comes to providing financial services to match corporate customers' needs, technology has provided the ability to speedily undertake the vast number crushing exercises that these customers generally require. "What the relatively cheaper computer power that has come on the market over the past decade, bankers would have been severely restricted in their ability to deliver solutions to their customers", maintains Kaul. "And communications technology has given banks the ability to serve customers anywhere in the world".

Industrialisation and the growth of trade, both national and international, gave the banks far more scope to use their networks to arrange for necessary funds transfers. Here besides their network, they have cashed in on their reputation as reliable intermediaries. Fund transfers and other payment products are essentially fee-based services and there are enough players in this market. This puts pressure on the banks to understand their customers' special needs and to design and implement services to meet them. Cost effective and efficient solutions are the keys to success here, and the banks that have
upgraded their systems to incorporate the latest development in communication
technology are the ones seeing the greatest returns from this business.

Volatile foreign exchange markets have put a lot of pressure on managing
international payments. Here again banks which have incorporated the infrastructure to
ensure that they have the best information on the FX markets and the skills to analyse and
contain customers' exposure to the various currency markets are once again the ones who
are seeing the best returns form this business.

"But, it is not enough to merely say that these are the services we can provide and
expect customers to take them. What Bank of America believes in doing is to understand
what the customer wants and develop services that match those needs. Making the
customer the starting point of all the decisions that makes in the organisation is of
primary importance which is as it should be in any service industry".

Banking however is not quite at this stage yet. It will be in the future but right
now banks are beginning to realise and develop their unique strengths and are going out
to the market place to find customers who can capitalise on them. Corporate treasurers
are now getting sophisticated enough to recognise that they can use several banks and use
the best supplier of a particular financial service and not a mediocre supplier of all.
Individual customers will always need a bank close to them which will allow them to
save, run an operating account and borrow for the unexpected shortfall in cash. But here
again varying customer profiles require differentiated services. Banks that can anticipate
and capitalise on this will be the ones who get the best returns from the retail business.
What this in all likelihood will result in is greater specialisation and niche banking. Some niches are bigger than others, but all banks will have to concentrate on their specialities, be the regions, a few functional some skills, or certain types of customers, in order to make profits and survive. Even to find these niches will require close to customers and markets, it will require the ability to recognise and anticipate customers’ needs and the ability to aggressive market ones specialised skills.

(iv) Customer Service Rendered by Banks:

The quality of customer service needs a major differentiating factor for services companies. Customers are, therefore, more concerned about their requirements and increasingly expecting higher standards of service. Many major service companies have tried to improve customer service in order to compete in today’s highly competitive service environment.

Customer service is often considered to be part of ‘place’ marketing mix element in the marketing literature and to be concerned with the distribution and logistic component of that element. This idea of customer service as the outcome of the distribution and logistic functions seeks to explain its significance in terms of the way in which the services are delivered and the extent to which customers are satisfied, specially in the context of reliability and speed of delivery.

A WIDER PERSPECTIVE OF CUSTOMER SERVICE

Customer service is concerned with the building of bonds with customers and other markets or groups to ensure long-term relationships of mutual advantage which reinforce the other marketing mix elements. Customers service can thus be considered as
an activity which provides time and place utilities for the customer and which also involves pre-transaction and post-transaction considerations relating to the exchange process with the customer. A few of the key elements of customer service are shown in Table No. 1.4.

In the wider contexts of customer service the major study views it as a separate mix element and sees the logistics function as being subsumed within the customer service activity. Although the study focuses on manufactured goods it is clear that service is a major component of the business.

Because of the inseparability and intangibility characteristics of services, customer service in service business is usually more important than it is in manufacturing companies. Leading service firms are recognising the warranties, unconditional service guarantee and free phone-in-advice centres such as General Electrics are critical to creating differential advantage in services marketing.

The importance of building upon their existing client base, increasing their understanding of client needs, creating additional cross-selling opportunities to tie their customers more closely to them is now realised by the service companies. For doing this, employees need to be trained to take a pride in providing the best possible customer services to match the clients requirement. Services have particular value only when there is a close personal contact between the service provider and the customer. This not only extends an opportunity to provide excellent customer service but also provides equal opportunity for a more intimate personal relationship with customers. This invariably lead to sustained patronage by them.
### Table 1.4 Elements of customer service.

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<th>Pre transaction elements</th>
<th>Transaction elements</th>
<th>Post-transaction elements</th>
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<td>1. Written service mission and customer service policies</td>
<td>1. Managing demand patterns</td>
<td>1. Warranties</td>
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<td>5. People and structure supporting service objectives</td>
<td>5. Anciary services</td>
<td>5. Service blueprinting to correct problems</td>
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<td>6. Technical support and back up.</td>
<td>6. Ambience</td>
<td>6. Post purchase anxiety reduction</td>
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<td>8. Information on use.</td>
<td>8. Demonstrations</td>
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<td>9. Convenience of acquisition</td>
<td>9. 'Loyalty' clubs</td>
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<td>10. Off-peak promotional offers.</td>
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According to Webster's New Collegiate Dictionary, 'Bank' means "An Institution which trades in money establishment for the deposit, custody and issue of money, as also for making loans and discount and facilitating the term transmission of remittance from one place to another".
‘Customer’ means "A person becomes a customer of a Bank when the latter agrees to open an account of the former". Thus a customer is a person who has some sort of account with a Banker.

Customer service is one area which has acquired great importance in the banking industry. This has been particularly so in the last few decades, when the availability of a number of alternative and lucrative avenues of investment have become available to the customers. Banks are today confronted with a series of priorities and the voluminous increase in workload without commensurate increase in the manpower resources have led to mix-up of these priorities eventually affecting the bank’s relationship with their clientele.

There has been a tremendous increase in the number of bank branches. Following the phenomenal expansion of branches, average population served per office declined from 65,000 to 13,000 and aggregate deposits of the banking system have risen from Rs.4,641 crores to more than 1,00,000 crores. With regard to credit also, substantial increase has taken place from Rs.3,599 crores in June 1969 to 60,000 crores.

In terms of the number of customers, the depositors increased from 18 million in March 1991 to 280 million. The number of borrower accounts rose from 1.7 million in December 1970 to 38 million, the number of priority sector borrowers went up from 0.3 million in June 1969 to 28 million at present.

Deposit scheme for customers

For the purpose of this study the customers have been divided into three categories. They are (i) Individuals, (ii) Businessmen and (iii) Enterprises.
The deposit schemes for these customers are:

A. Demand Deposits:
   (i) Saving Deposits
   (ii) Current Deposits

B. Time Deposits:
   (i) Fixed Deposits
   (ii) Short Term Deposits
   (iii) Notice Deposits
   (iv) Recurring Deposits/Cumulative Deposits.

Customer services rendered by Banks:

Banks are rendering numerous services to customers. Special mention could be made of the following:

A) Safe Custody Service
   i) Safe Custody Service
   ii) Safe Deposit Lockers

B) Personal Loan

C) Bank Credit Loan

D) Teller System

E) Travellers’ Cheques

F) Gift Cheques

G) Consultancy Services

H) Advances against Life Policy
1) Guarantees given by Bank

2) Collection of Cheques, Demand Drafts, Bills of Exchange, Promissory Notes etc.

QUALITY OF CUSTOMER SERVICE OF BANKS

In response to a general observation that the customer service of commercial banks is constantly deteriorating every banking organisation as well as the regulatory authorities have been devising ways and means to improve the quality of banking service. Without exaggeration, one has to admit that the popular sentiment in this regard is quite intense and banks have, universally, been emphasising the need for corrective steps like observance of time discipline in the matter of encashment of cheques, collection of outstation cheques, appraisal of credit proposals, etc. The endeavours, however, appear to be principally restricted to cover the counter services and time denominated activities. Beyond a pale of doubt, these are important and they hit the customers immediately and adversely if these services are not to their satisfaction. Courier Service for collection of cheques and prescription of maximum periods for encashment of cheques or for appraisal credit proposals are some of the methods adopted to obviate customer irritation. Some improvement in this area is already perceptible, thanks to very regular and critical monitoring by the controlling authorities so far as branch transactions are concerned. But these are rather obvious elements of customer service. An examination in depth of the various facets of customer service would convince one that these alone would not meet all the conceivable demands of customer service in its total context.

In order to establish rapport with the customers, many banks have introduced the systems of customer calls and customer meets as well as strict control over the disposal
of customer complaints at the branch level. Procedures have been prescribed as to how to keep track that these activities are meaningfully performed; and, whether these are regularly followed or not is periodically verified by the branch auditors and the branch controller. But what should be more important than following the procedures is whether the data that emerge out of these contacts is collected and whether it is then processed and analysed for drawing up specific schemes or plans of action. More often than not, the relative routine is attached more importance than the contents and outcome of these efforts. If the contacts made in customer calls or customers meets are to be fully utilised, the following issues would need to be tackled. Then, can these be strictly deemed to be endeavours towards improving customer service and not merely for improving the bank’s own business somehow. Improvement in the bank’s business will flow from the improvement of customer service and not the other way round.

An approach of “buy what we have to sell” can make the person contacted irrelevant to the customer or another prospective customer. Do customer needs for new services come out of the contacts? And, if so, how is that knowledge utilised?

The efforts may be directed only to identify such customers as have needs which can be met by the bank’s existing policies, schemes, systems and procedures. That is only a myopic approach. The concept of customer service which emanates from the larger concept of “Marketing” has to accept the customer as the central element and the satisfaction of his needs the superordinate goal.

For the satisfaction of customer needs, the bank’s systems and procedures or even policies may sometimes have to be bent rather than customers being bent to conform to
the bank's rules. No doubt, all that a customer needs cannot always be met or provided. But here comes the ingenuity of the organisation to "re-position" its services while trying to come as near as possible to what the customer desires.

MARKETING AND SELLING – A THEORITICAL VISION

"Marketing", basically, comprises four activities, namely:

1. Market Survey,
2. Product Planning,
3. Sales Promotion and
4. Distribution.

In the context of banking, "Product Planning" would denote devising new schemes and services and "Distribution" would mean authorising certain branches (or all branches) to offer certain services.

The latter two activities are the sales activities. Unfortunately, however, customer contacts in banks which are a part of "Market Survey" are often deemed to be total marketing and the data generated were rarely processed for the purpose of "Product Planning". After all, commodity marketing and services marketing are not much different from each other. Social market is, of course, a third kind of marketing and is vital in relevance in regard to banking activities, especially in the rural areas. In this context, it would be also worthwhile to examine the subtle nuances of customer needs. What have been discussed are with reference to the felt needs of the customer. Additional needs can be induced in customers through innovative services to enlarge their cognitive area. A classic example in this regard is the invention and marketing of "Walkmen"; in
banks, also tax counselling, merchant banking factoring, etc., would fall in the category of induced needs. Both felt needs and induced needs have a time dimension in the sense that the environmental developments at a future point of time would indicate the necessity of certain banking services for the satisfaction of customer needs that will be generated then. On top of all this is the element of competition. Banking in India exists in a fast changing environment and has to constantly meet the challenge of competition. Thus it is that "Market Survey" will not only mean the survey of customers or their needs but also the strengths and weaknesses of the competitors. The entire survey, therefore, will have to be in four dimensions: Customers (present and future) and Competitors (present and future). Unfortunately, even if the present customers and competitors and sometimes (though not in a properly organised manner) receive attention, their futurity as may emerge from study of the environment (and its projection to the foreseeable future) is out of focus. In other words, protection in bank marketing or customer service is conspicuous by its absence.

Banks in India are refi nancial super-markets and they serve customers with very desperate needs. For facility in dealing with the situation, banks have almost universally decentralised decision making to conform to the regional preferences, socio-economic obligations or open market operations. Some banks have also segmented the customers into broadly homogeneous groups. These are, generally, corporate customers, individual customers, small business customers and rural customers. Though this is more in the right direction, this segmentation, at best, is rather crude; for, each of these segments is basically a compendium and, therefore, heterogeneous. Corporate customers would include manufacturers, exporter/importers, traders, service organisations like road
transport or shipping, etc.; individual customers would comprise professionals, executives (serving or retired), students, house-wife, etc.; small business customers may be either industrialists or involved in service activities like repairer shop, transportation, retail business, etc. Lastly, rural customers may be large/progressive farmers or small/marginal farmers or artisans or even landless labourers. The economic needs of these stratified groups may be met by banking services only if they are beamed to them specifically. They consider how best the customer service can be up-dated, one has to examine the impact on these various segments of customers. These discussions highlight the fact that customer service, as such, is not a very simple idea; it has multiple and complex dimensions. The million dollar questions can be raised now as to how to go about it. It will no more serve to continue to flog the existing systems and procedures or just to offer services with a smile at the counter. These are necessary but certainly not sufficient.
References:


