CHAPTER V

MARKETING STRATEGY

5.1 INTRODUCTION

The banking business in India has come a long way from traditional commercial banking functions. Today it has a very strong and extensive network which is more and more involved in strengthening the economic self dependence effort by mobilizing financial resources and affording need-based deployment of these funds in keeping with national priorities and regional experiences.

Marketing is usually associated with product producing (manufacturing) industries. Yet banking which performs service functions can develop its own marketing techniques which would differ in some details, but basics would remain unchanged.

"Marketing in banking is the activity associated with: (a) the identification of current and potential national, international, local and specific customer needs in those priority market sectors defined by the strategy of the bank; (b) the development and promotion of products and services that meet those needs in a manner acceptable to the customer at a price that is realistic and will produce a profit for the bank when provided through cost-effective, consistent and reliable methods of sale and servicing devised and supported by the marketing department."

To put the marketing functions in a more lucid manner means:
a. To understand the characteristics and traits of the human mass that would be existing in the command area of a bank - at corporate, regional or branch levels;

b. To sub-divide the target group into homogenous, distinctly identifiable sub-groups so that precise marketing efforts to concentrate on those sub-groups could be devised and commissioned;

c. To study the characteristics of each sub-groups to understand their physical, social, economic, cultural and financial heritage. To learn their attitude, beliefs and ethics so as such banking schemes as would be suited to them and would appeal them;

d. To disseminate information by various means for promoting the adoption of such schemes as are most wanted to those for whom they are coined;

e. To effectively monitor the progress achieved in popularizing the schemes and to introduce modifications as considered necessary based on the experience acquired as to how well these have been received by the target groups;

f. To maintain a continuous and uninterrupted flow of vital information to policy-makers with suggestions as to how and in which direction the changes be introduced;

g. To convert the employees of the organization into a well informed disciplines, and professional force committed to organization's values and objectives with customer orientation; and

h. To conduct marketing research continuously so as to gauge the changing social, religious, cultural and psychological values and also to advise the top management as to the likely impact on
specific banking services expected during years to come in view of these changes.

5.2 MARKETING APPROACH

To adopt marketing approach would ensure creation of scientific and systematic business customs and practices wherein the target group's needs, wants and intentions are fulfilled in very precise manner. This would be achieved if we consider as to what needs to be done at operative (branch) and policy level. Further, there should be a strategy for building customer orientation. There is also a need to understand the satisfiers and dissatisfiers of bank's customers, and managing differentiation in providing service so as to have an edge over the competitors.

5.2.1 MARKETING AT OPERATIVE (BRANCH) LEVEL

Marketing efforts at Branch level will aim to create a customer, to convert a customer into a client; and to continuously satisfy the needs of your customers.

i) Creation of a customer: Every branch must identify its area of operation and this be termed as command area. All efforts of the branch should be concentrated to create customers, preferably from this command area. For this purpose a survey of the area must be conducted to collect vital data about the target population living in the command area. The data must be regrouped into sub-groups possessing identical traits pertaining to profession, income and cultural togetherness.

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For example in a typical command area we may identify 30 practicing doctors, 1,000 shopkeepers, 500 pensioners, 1,000 service personnel, 500 businessmen, 2,000 industrial workers, 1,000 labourers, 1,000 agriculturists and 1,000 others. When we further analyze we may learn that out of 30 medical practitioners 10 pay income-tax of more than Rs.10,000 per year, 15 pay nominal income-tax and others do not pay any income-tax. Similarly out of 500 pensioners we may know that 100 people draw more than Rs.2000 per month as pension, another 100 draw between Rs.1000 to 2000, whereas the balance get below Rs.1000 per month as pension.

By having this information, the branch manager must try to attract the various potential customers by highlighting those schemes which are likely to attract the target group. To begin with it is immaterial as to what business comes to the branch so long as it succeeds in creating a banker-customer relationship, i.e., the target person opens a bank account.

The first objective is achieved.

ii) To convert a customer into a client: Once a banker-customer relationship, is achieved, the banker must try to evaluate the customer as to how important that customer can be to the bank depending on his potentialities. This is extremely important because every branch manager has limitations of time, energy and money which he has to spend judiciously to optimize the utility with a view to converting a customer into a client.

As per banker-customer relationship, a customer is one who
maintains an account with a bank. That means by simply opening an account, may be with only Rs.10, this relationship is established. But the banker would not stop at this. In fact, a banker should try to convert every customer into a client. A client is one who seeks professional advice from an established practitioner like advocate, doctor, tailor, etc. and a client would depend on him for all expert guidance. A client is normally a person who wholly depends on a particular professional for protecting his interests in all spheres and he would even consult him for things not directly connected with the profession practiced by the professional and the guidance received is taken seriously and in total confidence.

To reciprocate the client would part with even the confidential information and he would lay down the entire truth even though the truth may even be against the interest of the client himself. Yet a professional is expected to protect his client as far as possible.

Thus a professional-client relationship is one of utmost faith and understanding. By converting the customers into clients, a branch manager is creating emissaries of goodwill and they would become vital growth links for future expansion. Yet when such a linkage is established, the principle of total faith and protection of his interests must always be maintained.

At field level, a branch manager has limitations in terms of time, energy and money. Hence he is not able to provide the same type of treatment to all his customers. Hence the need is to
conduct an ABC analysis, i.e., to categories the customers into three categories A, B, C. Those customers who are potentially very important and can be very useful for business growth must be in category A, while Category B would include those customers who are not of very high business potential for a branch, yet they may prove to be important as contacts for fresh business. In this category would also be those persons who command reasonable respect and regard of fellow beings in the community. Category C would contain all others who are not that important for business growth.

According to this categorization, we must spend most of our efforts to satisfy 'A' category parties, whereas 'B' category personnel must also be looked after. Category 'C' individuals may not be much cared about. These lists must be continuously reviewed and new names added and old names recategorized. Thus this information must be kept updated at all times.

iii) Satisfying the needs of customers: A customer today is very demanding and it is virtually impossible to fully satisfy all his needs. A bank must make a policy to satisfies the customer needs, i.e., satisfaction up to a level so as to ensure that the expectations of a customer do not become too high to satisfy. Satisfying means achievement of satisfaction at a pre-determined avowed level. In a service-industry, it is not always easy to set out satisfying levels; yet an attempt must be made on following lines:

a. Identify the customer-sensitive areas of the branch,
e.g., drafts issue section, drafts section, saving ledger section, fixed deposit section, pension payment counter, cash receipt counter, etc.

b. All such sections be rated as most important, depending on the type of clientele and volume of business and also as to how significant is the role played by the section in improving its image in the area.

c. Allocation of available resources and staff with an objective that the most critical section be manned by the best person and most of the resources be directed to that section and so on.

5.2.2 MARKETING AT POLICY LEVEL

i) Marketing Research: Marketing research is the single most vital contributory factor that would make achievement of organisational goals a reality. This research should be carried out independently. Preferably this work should be got done through a private research body. The findings would be free from any bias and would give the true picture. On the basis thereof, the development of new schemes, modifications to the existing ones and evaluation studies to gauge the impact of bank's policy would be possible. The research must be a continuous one and the intelligence thus collected must be processed on an ongoing basis. For all policy directions this should form the foundation.

Whenever a policy shift is contemplated, the impact of such a change must be measured as it would entail an appropriate
adjustment in other resources available for ensuring success of the new directives. The most important input is in the form of human resources which must not be ignored at any cost.

ii) Identification of emerging markets: A bank must precede the economic development of a place by maintaining a continuous contact with the development agencies and to expand to such places as are under future economic growth plans of the Government. Also it must keep getting vital information pertaining to newly emerging business centres through its network of branches and integrated development plans must include expansion to such centres. The central office must also supply information to the branches if and when a new developmental plan is drawn by the Government in that specific area. Thus at policy level the marketing strategy should be one of continuous vigil and quick action as and when an opportunity arose.

iii) Public relations, publicity and advertisement support: In the modern competitive world, no business can succeed without exerting for creating a general awareness as well as by taking a specific position in the market. This can be achieved only by giving due importance to this function of marketing strategy.

Banking in India has undergone vast change during the last two decades and it is likely that over next five to seven years the following challenges will force the banks’ management to move closer to the marketing approach in their entire business philosophy. Thus the era of professional banking is not far.

a) Retardation in deposit accretion: The days of rapid
growth in Indian banking are over. This coupled with the Government's policy of controlling money supply and curtailment of non-development expenditure would further restrict the availability of bankable funds. This would generate stiffer competition among various banks during next five to seven years.

b) Controlled expansion of banking system: Since 1969, banking in India had multiplied at a considerable pace, but with the advent of regional rural banks and the Reserve Bank policy of controlled expansion there would be slower expansion of bank branches during the next five to seven years. This would exert greater pressure on existing network to mobilise resources at a higher rate in the face of stiff competition.

c) Ever-expanding demand for funds: The demand for funds will keep increasing and the gap between demand and supply of funds will increase. This coupled with the need to fulfil the commitments already made by the commercial banks, would render competition for scarce resources stronger.

d) Frustration among employees: Up to a couple of years back a clerk, if otherwise good, could become an officer with just three-four years service. Similarly fast promotion at various levels was the natural outcome of very fast expansion of banking industry. That phase is almost over and during the next five-seven years the promotional avenues would squeeze and this would bring in a sense of frustration among the employees. These frustrated employees would make the job of a branch manager difficult as the concepts of job-enrichment, job-rotation and
involvement of staff may not cut much ice in the wake of receding promotional avenues.

It is natural that to overcome the difficult times those banks which adopt the marketing approach in all their policies and operate instruction would survive and many would find it hard to retain their present position.

5.2.3 STRATEGY FOR BUILDING CUSTOMER ORIENTATION

Indian nationalised banks are not truly market oriented. They are more often sales oriented and are thus sooner or later likely to experience market shock. With this banks may ultimately lose a major market, experience slow growth or low profitability, or may find themselves facing more sophisticated competitors. Bankers traditional way of responding with traditional sales techniques are not even enough for the bare survival. Very few bank in India have structured their services based on the marketing concept. There is a enhanced need on the part of the management for better analyses of the changing forces in the market place; better marketing strategies and plans; developing products that meet the new and emerging consumer needs. In banks top management's challenge is to convert the bank from sales-driven philosophy to a modern market-driven philosophy based on marketing concept. In this context management has to take several steps to create a genuine marketing culture in the banking business.

A. Top management leadership: The bank chairman's leadership is
A key prerequisite to establishing a modern marketing approach to banking services. Marketing department cannot unilaterally direct officers of the bank branches to bend their efforts to serve customers. Banks' top management must fully appreciate how banking differs from sales, believe that marketing is key to bank's growth and prosperity, and build marketing into speeches and decision.

b. Marketing Task Force: The chairman should appoint a marketing task force to develop a plan for bringing modern marketing practices into the banking service system. The task force should include the chairman, market research department, corporate marketing department, divisional managers, regional managers, branch managers, marketing and sales executives. They should examine the needs of the customers and then examine the need of marketing, set objectives, anticipate problems in introducing it, and develop an overall strategy. This should be an ongoing process, this committee should meet periodically to measure progress and take new initiatives.

c. Outside Marketing Consultants: The marketing task force would probably benefit from outside consulting assistance in building a marketing culture in banking business. This can significantly help in bringing marketing thinking in the bank personnel as they have considerable experience in the marketing problems and can suggest approaches to bringing marketing culture in the banking methods.

d. A corporate Marketing Department: A key step is to establish
corporate marketing department. This department should review each regional division in term of its marketing resources, needs and performance. Further, each region will need a strong marketing regional managers for making marketing headway. They all must be actively associated with marketing research designed to provide better services to the customers.

E. In-House Marketing Seminars: The new corporate marketing department should sponsor in-house seminars for top management, regional managers, marketing, branch managers, executives, and so on. The seminars should be first presented to the higher levels of management and move to the lower levels. The marketing seminars should aim to change the traditional marketing beliefs, attitudes, and behavior of various executive groups.

F. Hiring Marketing Talent: The banks should consider hiring marketing talent from leading marketing companies and also new M.B.A's receiving their degrees from leading management institutes in the discipline of marketing. When City bank got serious in marketing it followed this approach.

G. Promoting Market Oriented Executives: Top management should send out signals indicating that market-oriented executives have better chances of promotion.

H. Installing a Modern Marketing-Planning System: An excellent way to train people to think marketing is to install a modern market-oriented planning system. The planning format will require executive to first think of the marketing environment, marketing opportunities, competitive trends, and other marketing issues.
The job of creating a marketing orientation in the banking staff at various levels is an uphill and never-ending battle. The purpose is not resolve every issue in the favor of the bank's customer, but rather to help the banking staff see that customers are the foundation for the bank's business and hence its success. In bank's service business, the customer confronts a service provider whose service quality is less certain and more variable. The service outcome is influenced not only by the service provider directly at the counter but by the whole series of other individuals involved in the process of completing the job and it is often labour intensive. In this context it is suggested that bank service marketing requires not only 4P traditional marketing but two other marketing thrusts, namely, internal and interactive marketing.

**Internal Marketing:** It means that banks must effectively train and motivate its customer contact employees, as well as all the supporting service personnel, to work as a team to provide customer satisfaction. Every one must practice a customer orientation or else a high and consistent level of service will not be forthcoming. The biggest contribution of the marketing oriented approach is to be exceptionally clever in getting everyone in the organisation to practice marketing.

**Interactive Marketing:** It means that the perceived service quality is highly dependent on the quality of the buyer/seller interaction. In banks the service quality is enmeshed with the service deliverer (e.g., did bank staff providing service show concern, courtesy,...). Therefore, the banking staff have to
develop and master the skills of interactive marketing.

To reduce uncertainty, the customers of banks look for, sign or evidence of the service quality. They are likely to draw inferences about the quality of the service from the place, people, equipment, communication material, symbols, and the price they see. Therefore, the bank's task is to "manage the evidence," to tangibilize the intangible. It could 'tangibilize', its positioning strategy through number of tools:

1. PLACE. The bank's physical setting must connote quick and efficient service. The bank's exterior and interior should be neat and clean. The layout out of counter, and traffic flow should be planned carefully. Queues should not be overtly long. Customer waiting for loan officers should have enough space for sitting.

2. PEOPLE. The bank's personnel should be busy. They should wear appropriate clothing, not be dressed in apparel that would lead to negative inference about the personnel and service.

3. EQUIPMENT. The bank's equipment - computers, copying machines, desks - should look "state-of-the art". A customer will think twice if all the typewriters were 1940-vintage Remingtons.

4. COMMUNICATION MATERIAL. The banks communication material should suggest efficiency. Pamphlets should be properly drawn and avoid clutter. Contents should be neatly typed and should communicate the bank's positioning.
5. SYMBOLS. The banks should choose appropriate name and symbols for the different services offered.

5. PRICE. The bank's pricing for various services offered should be reasonable, simple and clearly communicated at all times.

5.2.4 SATISFIERS AND DISSATISFIERS

Bank must know what makes customer happy or dissatisfied in terms of satisfiers and dissatisfiers.

Satisfiers: In a service industry like banking, identifying 'satisfiers' is very important. 'Satisfiers' are those elements which provide satisfaction to customers. These can be defined as elements, the absence of which could make a customer unhappy.

It is not illogical to raise the question at this stage that for a nationalized bank planning to grow in terms of deposit mobilization and new branches may well be perceived as more important than satisfying customers. That is where the marketing concept comes into play. If a bank believes that it is a national priority to open more branches and opening as many branches as possible is likely to make customers happy or satisfied then certainly the marketing concept is being practiced only half way. The marketing concept is practiced only when it is guiding force for the bank which firmly believes that its business is essentially to provide service to its customers, and it is interested in that process and finding out the customers' real needs and wants through satisfaction generating elements. The
marketing concept puts considerable emphasize on studying, analyzing and understanding the customers' needs and wants by segmenting the customers into different groups on some logical criteria. Each of these sub-segment groups may have different needs, for example an office goer's need for convenient banking hours. If a branch cannot provide quick service at lunch hours, chances are that customer will remain somewhat dissatisfied. The bank should identified satisfiers and appropriately strengthen its marketing strategy and this can only be done by researching the consumers' needs and wants.

Dissatisfiers: Equal important in a marketing sense are the dissatisfiers. There must be an all-round effort to remove dissatisfiers. Banks must ask themselves whether they know what are the dissatisfiers for the customers? Here again market segmentation of the consumers is of great significance. What the housewife finds irritating difficult are unsatisfactory would be different from what a retired person finds unsatisfactory. Efforts must be made to identify the dissatisfiers pertaining to various specific segment of the customers. Once a dissatisfiers are identified, the next step is to remove that dissatisfaction. It appears that most banks including State Bank of India are not deeply aware of these dissatisfiers. It is probably that most banks give the priority to goals set for deposit mobilization and more often forget to remove their dissatisfiers. It is in this context a non-marketing involvement is generated and the customer remains anonymous. He or She remains faceless, colorless, unimportant to the growth of the business. Having little choice
customers continue to patronize banks which they really do not like.

To be close to their customers the banks need to know segment wise at least the following:

1. What do the customers want in terms of services?
2. What are some of the things that are clearly the satisfiers?
3. What are the dissatisfiers and can these be removed gradually to make banking a pleasant experience.

All these has to be studied in-depth, understood, and most important of all, operationalized. With this effort the faceless customer will no longer remain unidentified. A satisfied customer is likely to be a better source of profitable operating results in the long run rather than the customers who feel neglected, humiliated for even anonymous when they visit their own branch.

5.2.5 MANAGING DIFFERENTIATION

Banking companies face two important tasks, those of increasing their competitive differentiations service quality. Bank marketers frequently complain about the difficulty of differentiating their services from those of competitors. These are absence of price competition. The solution to price competition is to develop a differentiated offer and image. The banks can add innovative features to distinguish its offer. What the customer expects is called the primary service package, and
to this can be added secondary service features.

The only problem is that most bank service innovations are easily copied. Few of them are pre-emptive in the long run. Still, the banks that regularly researches and develops service innovations will gain a succession of temporary advantages over its competitors, and through earning an innovative reputation, may retain customers who want to go with the best. Thus Citibank enjoys the reputation as a lead innovator in the banking industry in aggressively creating or furthering such innovations as automatic teller machines, credit cards, and floating prime rates.

Banks can also work on differentiating their image, specifically through symbols and branding.

Managing Service Quality: One of the major ways in which banks can differentiate a service is to deliver consistently higher quality service than competitors. The key is to meet or exceed the target customers' service quality expectations. Their expectations are formed by their past experiences, word of mouth, and service advertising. The customers choose providers of service on this basis, and after receiving the service, they compare the perceived service with the expected service. If the perceived service falls below the expected service, customers lose interest in the provider (bank). If the perceived service meets or exceeds their expectations, they are apt to use the provider again. Therefore the service provider needs to identify target customers, wants in the way of service quality.
Clearly, customers will be satisfied if they get what they want, when they want it, where they want it, and how they want it. Still, it is necessary to research the specific customer criteria for any specific service. Thus bank customers may expect on a trip to a bank that they will not wait in line more than five minutes, that the teller will be courteous, knowledgeable, and accurate and that the computer will not break down. Service providers must do their best to identify the expectations of their target customers with respect to each specific service.

This does not mean that the service provider will be able to meet the customer wishes. The service provider faces trade-offs between customer satisfaction and banks profitability. What is important is that the banks clearly defines and communicates the service level that will be provided, so that the employees know what they must deliver and the attracted customers know what they will get.

Parasuraman, Zeithaml, and Berry (1985) formulated a service quality model that highlights the main requirements for a service provider delivering the expected service quality. The model can be very useful for banks as has been shown in Figure 5.1, it identifies five gaps that may cause unsuccessful service delivery in the banks. They are described below:

**Gap 1. Gap between consumer expectation and management perception.** Management does not always perceive correctly what customers want or how customers judge the service components. Thus the banker might think that customers judge service by time
FIG 5.1 SERVICE QUALITY MODEL FOR BANKS

Consumer's perception

Word of Mouth Communications

Personal Needs of Customers

Past Experience of Customers

Expected Service

Perceived Service

Gap 5

Banker's perception

Service Delivery (including pre and post contacts)

Gap 3

Translation of Perceptions into Service Quality Specifications

Gap 2

Management (Bankers) Perceptions of Consumer Expectations

Gap 4

External Communications to Consumers
taken to provide service whereas they may be equally concerned about the interior or the bank and staff responsiveness.

Gap 2. Gap between management perception and service quality specifications. Management might not set quality standards or very clear once; or they might be clear but unrealistic; or they might be clear and realistic but management might not be fully committed to enforcing this quality level. For example, a bank management may want time to withdraw within five minutes but not provide enough operators or do not do much about it when service falls below this level.

Gap 3. Gap between service quality specifications and service delivery. Many factors affect service delivery. The bank personnel might be poorly trained or overworked. Their morale might be low. There might be equipment breakdowns. Those handling operations typically drive for efficiency, and sometimes this runs counter to a drive for consumer satisfaction. Consider the cross-pressures on the bank teller who is told by the operations department to work fast and by the marketing department to be courteous and friendly to each customer.

Gap 4. Gap between service delivery and external communications. Consumer exception are affected by promises made by the service provider's communications. If a bank's brochure shows a gorgeous area but the customers finds the bank to be cheap and tacky looking then the fault lies in the exceptions created by the external communications.

Gap 5. Gap between perceived service and expected service.
This gap results when one or more or the previous gaps occur. It becomes clear why service providers have a hard time delivering the expected service quality.

The list of major determinants of service quality in bank which needs attention are given below:

1. Access. The bank services should have easy to access in convenient locations at convenient times with little waiting.

2. Communication. The services offered should be communicated accurately in the customer's language.

3. Competence. The employees should posses the required skill and knowledge.

4. Courtesy. The employees should be friendly, respectful, and considerate.

5. Credibility. The management and employees should trust worthy and have the customer's best interests at heart.

6. Reliability. The services should be performed with consistancy and accuracy.

7. Responsiveness. The employees should respond quickly and creatively to customers' requests and problems.

8. Security. The services should be free from range, risk, or doubt.

9. Tangibles. The service tangibles should correctly project the service quality.

10. Understanding/knowing the customer. The employees should make an effort to understand the customer's needs and provide individual attention.
Various studies of excellently managed service organisations show that they share a number of common practices with respect to service quality. Among are the following are suggested for banks:

1. A history of top management commitment to quality. Management should look not only at financial performance on a monthly basis but also at service performance.

2. The setting of high standards. The best service providers set high service quality standards.

3. Systems for monitoring service performance. The bank should audit service performance, both their own and competitors', on a regular basis. They can use a number of devices to measure performance: comparison service, ghost shopping, customer surveys, and suggestion and complaint forms.

4. Satisfying the employees as well as the customers. Excellently managed service companies believe that employee relations will reflect on customer relations. Management creates an environment and employees support and rewards for good service performance. Management regularly audits employees' satisfaction with their jobs.

5.3 ANNUAL PLAN CONTROL

The purpose of annual-plan control is to ensure that the bank achieves the sales, profits, and other goals established in its annual plan. The heart of annual-plan control is management by objectives. Four steps are involved. (See Figure 5.1) First, management must set monthly or quarterly goals in the annual plan as benchmarks. Second, management must monitor performance; third
management must determine the causes of any serious performance deviations. Fourth, management must take corrective action to close the gaps between its goals and performance. This may require changing the action programs or even changing the goals.

This model of control applies to all levels of the organization. Top management sets certain targets and profit goals for the year. These goals are elaborated into specific goals for each lower level of management. Thus each branch manager is committed to attaining specified levels of targets and costs. Each regional and district regional manager is also committed to specific goals. Each period, top management sees the results and can ascertain where any shortfalls occurred and seek to find out why they occurred.

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Figure 5.2 The Control Process

Five tools are suggested to check on plan performance: target analysis, market-share analysis, marketing expense-to-sales analysis, financial analysis, and customer-attitude tracking.

Target analysis: Target analysis consists of measuring and
evaluating actual performance in relation to goals. There are two specific tools in this connection.

**Variance analysis:** measures the relative contribution of different factors to a gap between the actuals and targets. Micro sales analysis may provide the answer. Micro sales analysis looks at the specific schemes, territories and so forth, that failed to produce the expected targets.

**Marketing expense to sales analysis:** Annual plan control requires making sure that the bank is not overspending to achieve its targets. Management needs to monitor marketing expense ratios. Small fluctuations can well be ignored, however, fluctuations in excess of the annual range should be cause of concern.

**Market share analysis:** Bank's business do not reveal how well it is doing relative to competitors. Suppose a bank's performance increase. This could be due to improved banks performance in relation to its competitors. Management needs to track its market share. If the bank's market share goes up, the bank is gaining on competitors; if it goes down the company is losing relative to competitors.

**Financial analysis:** The expense-to-sales ratio should be analysed as an overall financial framework to determine have and where the bank is making its money. Financial analysis may also be used to identify the factors that affect the rate of retain on networth.
Customer attitude tracking: The preceding annual-plan control measures are largely financial and quantitative in character. They are important but not sufficient. Needed are qualitative measures that provide early warnings to management of impending market-share changes. Alert banks need to set up systems to monitor the attitudes of customers, and other marketing-system participants. By monitoring changing levels of customer preference and satisfaction management can take earlier action. The main customer-attitude tracking systems are:

Complaint and suggestion system: Market-oriented banks needs to record, analyze, and respond to written and oral complaints that come from customers. The complaints are tabulated and management attempts to correct whatever is causing the most frequent types of complaints. Banks should provide suggestion cards to encourage customer feedback. Market-oriented banks should try to maximize the opportunities for consumer complaining so that management can get a more complete picture of customer reactions to their schemes and services.

Customer panels: Banks should run panels consisting of customers who have agreed to communicate their attitudes periodically through phone calls or mail questionnaires. These panels are more representative of the range of customer attitudes than customer complaint and suggestion system.

Customer surveys: Bank should periodically send out questionnaires to a random sample of customers to evaluate the friendliness of the staff, the quality of the service, and so on.
The customers answer these questions on a five-point scale (very dissatisfied, neutral, satisfied, very satisfied). The responses should be summarized and go both to local managers and to higher-management levels, as illustrated in Figure 5.3. Local managers see how the various components of their service were rated in the current period compared to the last period, and to the standard. This system improves the staff's motivation to provide good customer service in the knowledge that their ratings will go to higher manager.
FIG 5.3 A CUSTOMER-SURVEY FEED BACK SYSTEM

1. Take action

4. Plan corrective or innovative adjustment

2. Measure customer's opinions

3. Analyze and interpret the information

5. Information flows to higher management levels

Adjust plans, policies, products, or service

Combine measures from all locations (branches)

Analyze and interpret the information
1. **Take action**: Branch managers and employees should serve customer needs on a daily basis, using locally modified procedures along with general corporate policies and procedures.

2. **Measure Customer’s Opinions**: By means of a standardized and locally sensitive questionnaire bank should determine the needs and attitudes of customer sub-groups on a regular basis.

3. **Analyze & Interpret the Information**: Bank should compare financial data, exceptions and past attitude information, determine strengths and weaknesses and their probable causes.

4. **Plan Corrective or Innovative Adjustment**: Bank should determine where and how effort should be applied to correct weaknesses and preserve strengths. Repeat the process by taking action - Step 1 - and maintain it to attain a steady state or to evolve in terms of customer changes.

5. A similar process can take place at higher levels, using aggregated data from the field and the existing policy flows of the organization (See dotted line):

Corrective action: When performance starts deviating too much from the set goals, management needs to take corrective actions.
5.4 STRATEGIC CONTROL

From time to time, bank must undertake a critical review or their overall marketing effectiveness. Marketing is an area where rapid obsolescence of objectives, policies, strategies, and programs is a constant possibility. Bank should periodically reassess its overall approach to the marketplace. Two tools are suggested, namely, a marketing effectiveness rating review and a marketing audit.

5.4.1 MARKETING EFFECTIVENESS RATING REVIEW

Actually marketing effectiveness is not necessarily revealed by current marketing performance. Good results may be due to a branch's being in the right place at the right time, rather than having effective marketing management. Improvements in that branch's marketing might boost results from good to excellent. Another branch might have poor results in spite of excellent marketing planning.

The marketing effectiveness of a bank is reflected in the degree to which it exhibits five major attributes of a marketing orientation: customer philosophy, integrated marketing organization, adequate marketing information, strategic orientation and operational efficiency.

1. Customer Philosophy

'a' Whether Management thinks in terms of serving the needs and wants of well-defined markets chosen for their long-run growth and profit potential for the bank?
'b' Does management develop different offerings and marketing plans for different segments of the market?

'c' Does management take a whole marketing system view (channels, competitors, customers, environment) in planning its business?

II. Integrated Marketing Organization

'a' Is there high-level marketing integration and control of the major marketing functions?

'b' Does marketing management work well with management in research, service design, purchasing, physical distribution, and finance?

'c' How well-organized is the new product/scheme/service process?

III. Adequate Marketing Information

a. When were the latest marketing research studies of customers, buying influences, channels, and competitors conducted?

b. How well does management know the sales potential and profitability of different market segments, customers, territories, schemes and facilities?

c. What effort is expended to measure the cost effectiveness of different marketing expenditures?
IV. Strategic Orientation

a. What is the extent of formal marketing planning? Does management develops a detailed annual marketing plan and a careful long-range plan that is updated annually.

b. What is the quality of the current marketing strategy?

c. What is the extent of contingency thinking and planning?

d. Does management formally identifies the most important contingencies and develops contingency plans.

V. Operational Efficiency

a. How well is the marketing thinking at the top communicated and complemented down the line?

b. Is management doing an effective job with the marketing resources? Are the marketing resources are adequate and are deployed efficiently?

c. Does management show a good capacity to react quickly and effectively to on-the-spot developments? Has management installed systems yielding highly current information and fast reaction times?

5.4.2 MARKETING AUDIT

Those banks and branches that discover marketing weakness through applying the marketing-effectiveness rating review should undertake a more through study known as a marketing audit.

A marketing audit is a comprehensive, systematics,
independent and periodic examination of a bank's or branch's marketing environment, objective, strategies, and activities with a view to determining problem areas and opportunities and recommending a plan of action to improve the marketing performance.

Let us examine the marketing audit's four characteristics:

Comprehensive: The marketing audit should cover all the major marketing activity. Although functional audits are useful, they sometimes mislead management as to the real source of its problem. A comprehensive marketing audit usually is more effective in locating the real source of the bank's marketing problems.

Systematic: The marketing audit involves an orderly sequence of diagnostic steps covering the organization's marketing environment, internal marketing system, and specific marketing activities. The diagnosis is followed by a corrective-action plan involving both short and long run proposals to improve the bank's overall marketing effectiveness.

Independent: A marketing audit can be conducted in six ways: (1) self-audit, (2) audit from across, (3) audit from above, (4) company auditing office, (5) company task-force audit, and (6) outsider audit. Self-audits, where managers use a checklist to rate their own operations, may be useful, but most experts agree that the self-audit lacks objectivity and independence. Generally speaking, however, the best audits are likely to come from experienced outside consultants, who have the
necessary objectivity and independence, broad experience in a number of industries, some familiarity with this industry, and the undivided time and attention to give to the audit.

Periodic: Typically, marketing audits are initiated only after sales have turned down, sales-force morale has fallen, and other company problems have occurred. Ironically, companies are thrown into a crisis partly because they failed to review their marketing operations during good times. A periodic marketing audit can benefit companies in good health as well as those in trouble. "No marketing operation is even so good that it cannot be improved. Even the best can be made better. In fact, even the best must be better, for few if any marketing operations can remain successful over the years by maintaining the status quo."

A marketing audit should start with a meeting between bank's management and marketing auditor(s) to work out an agreement on the objectives, coverage, depth, data sources, report format, and time and period of the audit. A detailed plan as to who is to be interviewed, the questions to be asked, the time and place of contact, and so on, is carefully prepared so that auditing time and cost are kept to a minimum. The cardinal rule should be, 'don't rely solely on the bank's executives for data and opinion. Customers opinion are very vital. The basis components of marketing audit are discussed below (Table 5.4).

Marketing-environment audit: This audit calls for analyzing major macroenvironment forces and trends in the key components of the bank's task environment: markets, customers, competitors
and facilitators.

**Marketing-strategy audit:** This audit calls for reviewing the bank's marketing objectives and marketing strategy to appraise how well these are adapted to the current and forecasted marketing environment.

**Marketing-organization audit:** This audit calls for evaluating the capability of the marketing organization implementing the necessary strategy for the forecasted environment.

**Marketing-system audit:** This audit calls for evaluating the capability of the marketing organization implementing the necessary strategy for the forecasted environment.

**Marketing-productivity audit:** This audit calls for examining the profitability of different marketing entities and the cost effectiveness of different marketing expenditures.

**Marketing-function audits:** These audits consist of in-depth evaluations of major marketing-mix components, namely, products, price, distribution, sales force, advertising, promotion, and publicity.
TABLE 5.4 - COMPONENTS OF MARKETING AUDIT

Part I  Marketing-Environment Audit

MACROENVIRONMENT:

A. Demographic:

1. What major demographic developments and trends pose opportunities or threats to the Bank?
2. What actions has the Bank taken in response to these developments and trends?

B. Economics:

1. What major developments in income, prices, savings, and credit will effect the banking?
2. What actions has the bank taken in response to these developments and trends?

C. Political:

1. What laws are being proposed that could affect marketing strategy and tactics?
2. What state and local actions should be watched? What is happening in the areas of product/schemes, advertising, price control, and so forth, that affects marketing strategy?

D. Cultural:

1. What is the public's attitude toward bank and toward the banking services?
2. What changes in consumer and business lifestyles and values have a bearing on the banking business?

TASK ENVIRONMENT:

A. Markets:

1. What is happening to market size, growth, geographical distribution, and profits?
2. What are the major market segments?

B. Customers:

1. How do customers and prospects rate the banks and its competitors on reputation quality of service, sales force, and price?
2. How do different customer segments make their decisions?

C. Competitors:

1. Who are the major competitors? What are their objectives and strategies, their strengths and weaknesses, their sizes and market shares? 2. What trends will affect future competition and substitutes for the bank's schemes?

D. Distribution:

1. What are the main trade channels for bringing services to customers?
2. What are the efficiency levels and growth potentials of the different service channels?
E. Publics:

1. What publics represent particular opportunities or problems for the banks?
2. What steps has the bank taken to deal effectively with each public?

Part II Marketing-Strategy Audit

A. Business Mission:

1. Is the business mission clearly stated in market-oriented terms? Is it feasible?

B. Marketing Objectives and Goals:

1. Are the corporate and marketing objectives stated in the form of clear goals to guide marketing planning and performance measurement?
2. Are the corporate marketing objectives appropriate, given the bank's competitive position, resources, and opportunities?

C. Strategy:

1. Is management able to articulate a clear marketing strategy for achieving its marketing objectives? Is the strategy convincing? Is the strategy appropriate to the stage of the product/service life cycle, competitors' strategies, and the state of the economy?
2. Is the bank using the best basis for market segmentation?
Does it have sound criteria for rating the segments and choosing the best ones? Has it developed accurate profiles of each target segment?

3. Has the bank developed a sound positioning and marketing mix for each target segment? Are marketing resources allocated optimally to the major elements of the marketing mix - i.e., product quality, service, sales force, advertising, promotion, and distribution?

4. Are enough resources or too many resources budgeted to accomplish the marketing objectives?

Part III Marketing-Organization Audit

A. Formal Structure:

1. Does the marketing officer have adequate authority over the responsibility for bank activities that affect the consumer's satisfaction?

2. Are the marketing activities optimally structured along functional, service, end-user, and territorial lines?

B. Functional Efficiency:

1. Are there good communication and working relations between marketing and sales?

2. Is the product/service management systems working effectively? Are product managers able to plan profits or only deposit mobilization volume?

3. Are there any groups in marketing that need training,
motivation, supervision, or evaluation?

C. Interface Efficiency:

1. Are there any problems between marketing and manufacturing, R&D, purchasing, finance, accounting, and legal that need attention?

Part IV Marketing-Systems Audit

A. Marketing Information System:

1. Is the marketing intelligence system producing accurate, sufficient, and timely information about market place developments with respect to customers, prospects, competitors, and various publics?
2. Are bank decision makers asking for enough marketing research, and are they using the results?
3. Is the bank employing the best methods for market and sales forecasting?

B. Marketing Planning System:

1. Is the marketing planning system well conceived and effective?
2. Is sales forecasting and market potential measurement soundly carried out?
3. Are target quotas set on a proper basis?
C. Marketing Control System:
1. Are the control procedures adequate to ensure that the annual-plan objectives are being achieved?
2. Does management periodically analyze the profitability of schemes, markets, territories?
3. Are marketing costs periodically examined?

D. New-Product-Development System:
1. Is the bank well organized to gather, generate, and screen new-services/schemes ideas?
2. Does the bank do adequate concept research and business analysis before investing in new ideas?
3. Does the bank carry out adequate market testing before launching new schemes/services?

Part V Marketing-Productivity Audit

A. Profitability Analysis:
1. What is the profitability of the bank's different schemes, markets and territories?
2. Should the bank enter, expand, contract, or withdraw from any business segments and what would be the short and long-run profit consequences?

B. Cost-Effectiveness Analysis:
1. Do any marketing activities seem to have excessive costs?
   Can cost-reducing steps be taken?
Part VI  Marketing-Function Audits

A. Products (Schemes):

1. What are the product-line objectives? Are these objectives sound? Is the current product/schemes line meeting the objectives?

2. Should the product line be stretched or contracted: upward, downward, or both ways?

3. Which schemes should be phased out? Which schemes should be added?

4. What is the buyers' knowledge and attitudes toward the bank's and competitors' service quality, features, styling, brand names, etc.? What areas of product strategy need improvement?

B. Price:

1. What are the pricing objectives, policies, strategies, and procedures? To what extent are prices set on cost, demand, social and competitive criteria?

2. Do the customers see the bank's prices as being in line with the value of its offer?

3. What does management know about the price elasticity of demand, experience curve effects, and competitors' prices and pricing policies?

4. To what extent are price policies compatible with the needs of government regulation?
C. Distribution :

1. What are the distribution objectives and strategies?
2. Is there adequate market coverage and service?
3. How effective are the following channel?
4. Should the bank consider changing its distribution channels?

D. Advertising, Sales Promotion, and Publicity :

1. What are the organization's advertising objectives? Are they sound?
2. Is the right amount being spent on advertising? How is the budget determined?
3. Are the ad themes and copy effective? What do customers and the public think about the advertising?
4. Are the advertising media well chosen?
5. Is the internal advertising staff adequate?
6. Is the sales promotion budget adequate? Is there effective and sufficient use of sales promotion tools? Is there effective and sufficient use of sales promotion methods?
7. Is the publicity budget adequate? Is the public relations staff competent and creative?

E. Sales Force :

1. What are the bank's sales-force objectives?
2. Is the sales force large enough to accomplish the bank's objectives?
3. Is the sales force organized along the proper principles of specialization (territory, market, product)? Are there
enough (or too many) sales managers to guide the field sales representatives?

4. Does the sales-compensation level and structure provide adequate incentive and reward?

5. Does the sales force show high morale, ability, and effort?

6. Are the procedures adequate for setting quotas and evaluating performances?

7. How does the bank sales-force compare to competitors' sales forces?

5.5 MARKETING CONTROLLER CONCEPT

We have examined how an outside marketing auditor can contribute to strategic control. However, there is a need to establish inside position know as marketing controller to monitor marketing expenses and activities. Marketing controller is person working in the controller office who has specialized in the marketing side of the business. The new marketing controllers are trained in finance and marketing and can perform a sophisticated financial analysis of past and planned marketing expenditures. The marketing controller position is desirable, particularly in banking organizations where marketing is still oriented toward sales rather than profits. The marketing controller can help analyze how and where the bank is making its money. As future marketing managers acquire greater financial training, they can do more of this work themselves, with marketing controllers providing primarily a monitoring function of marketing expenditures.
5.6 CONCLUSION

The proceeding discussions highlight the various ingredients of marketing strategy which would lead to enhancing of customer orientation at policy and operative level. Operationalizing such a market strategy based on marketing concept would ultimately lead to the satisfaction of much desired needs and wants of the various segments of the bank's customers.