CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

All over the business world today modern managers are seeking the help of sophisticated management techniques to improve the quality of their decisions. It has become all the more necessary because management decisions shape the future of an organization, determining its pace and direction. Unfortunately bank managers in India are not very much concerned with modern methods and concepts relating to the making of good business decisions.

With the steady economic development of the country, the role of the banks have become increasingly crucial. A developing economy means increasing generation of income, and in the ordinary course this additional income should lead to more savings for economic progress. Banks have a responsibility, as the major part of the banking industry is in the public sector, to encourage the saving habit among the people. Banks are also expected to employ their deposit resources in productive spheres, serving thereby the economic objectives of the nation, along with the individual interests of the general public. Participation by banks in this way in the advancement of the country is, therefore, not merely a social obligation but also, coincidentally, a business imperative. To be able to carry out these tasks efficiently, banks need something more than mere good intention or dedication to national ideals. In this direction,
additional desideratum is the adoption of modern management concepts, particularly marketing concept. The key assumption underlying marketing concept is that to be successful, an organization must determine the needs and wants of specific target market, and deliver the desired satisfaction better than the competitor. Consumer needs, therefore, become the organization's primary focus. There are few progressive commercial banks in the country who are convinced about the desirability of applying modern management concept and techniques in the corporate decision making progress.

1.2 MARKETING MYTH

Before discussing the marketing concept, it would be of advantage if one briefly notes some of the current myths or preconceived notions about marketing that are sometimes observed among laymen and regretfully even among those who, being professional managers, ought to know better. The most widely circulated myth is that marketing is some kind of an all-absorbing philosophy of corporate life, lying more in the domain of the intellect than in the domain of mundane day to day practical techniques. It should be clearly noted that marketing has no such lofty aura about it. Those engaged in marketing work have, like anybody else, to achieve results in the form of increased efficiency and profit.

Another fallacy, pretty widely held a few year back, less so perhaps today, is concerned with the idea that marketing activities are relevant only to production oriented organization.
This notion has developed mainly because the various functions implicit in marketing management are often mistakenly connected with the sales function. These days marketing principles are eminently suitable for service institutions also. This is evident from the establishment of marketing departments in number of commercial banks in India. Another popular belief is that marketing consists in the use of the usual array of management tools in a special, perhaps only different, manner. The fact is that marketing aims to ascertain what the customers wants and suggests how to go about satisfying these wants. Simply stated it tries to bring the organization closer to its customers. It can, therefore be stated that there is nothing fundamentally new about marketing, although until few years back banks failed to take advantage of marketing techniques. In fact most banks are still not clear as to what marketing really means and how exactly the marketing concept can be introduced in their peculiar scheme of things. It is therefore, necessary for the Indian bankers to make study of the marketing concept and its implications if they plan to move ahead with the time.

1.3 MARKETING CONCEPT DEFINED

As in the case of some other management concepts, there appears to be no universally accepted definition of the marketing concept. The term "market" has been defined by the American Marketing Association in the following two ways:

(a) "The aggregate of forces or conditions within which buyers and sellers make decisions that result in the transfer of goods
and services", and (b) "The aggregate demand of the potential buyers of a commodity or service" (1). The functions which should be included under "marketing" have been mentioned in the following all-comprising definition of the term suggested by an eminent commercial banker, "... to embrace business developments and acquisition, the provision to the right people, at the right place and at the right time the services for which we believe there is a latent demand" (2). The American Marketing Association is more concise in defining "marketing" as "the performance of business activities that direct the flow of goods and services from producer to consumer or user (3).

The "marketing concept" has been defined by different authorities in different ways, which generally have tended to single out a salient feature for special emphasis. Some authors have defined the concept as a conglomeration of various functions ranging from operation research to the creation of fresh markets. Others have chosen to look upon the concept as denoting a particular attitude of mind instead of a related group of activities.

Theodore Levitt has beautifully defined the marketing concept as, "Management must think of itself not as producing products but as providing customer - creating value satisfactions. It must push this idea (and every thing it means and requires) into every nook and cranny of the organization. It has to do this continuously and with the kind of flair that excites and stimulates the people in it. Otherwise the company
will be merely a series of pigeon-holed parts with no consolidating sense of purpose or direction. In short, the organization must learn to think of itself not as producing goods or services but as buying customers, as doing the things that will make people want to do business with it" (4).

Peter F. Drucker has further simplified the concept by explaining what does a business do in the practice of management stating, "If we want to know what a business is, we have to start with its purpose. And its purpose must be outside of the business itself. In fact, it must be in society, since a business enterprise is an organ of society. There is only one valid definition of business purpose: To create a customer" (5).

Sales and marketing

To fully appreciate the concept of marketing, let us analyze as to how it is different from selling. To sell a product, a service or an idea is certainly an art, and we have seen wonderful salesmen who create a customer even when a person is determined to withstand the effort. A good salesman should be a psychologist, a sociologist and an excellent communicator too; but his innovative skills are not fully realized as his imagination revolves round the item he is expected to sell. He makes efforts to know about the wants, needs and intention of the consumer, yet his efforts are bound by the limitations of the subject-matter of sales. A sales effort is geared round the product making it more attractive for a buyer, it concentrates on those aspects of the product which would be more appealing to the consumer.
Thus a sales effort is directed to increase or improve the product attributes so that it becomes attractive to the prospective buyer. The sales effort is one time effort and it does not believe in a lasting relationship. It is more concerned with how to convince a customer so that he feels that the product is ideal for him. And in this bargain a good salesman may even attempt to brainwash or even trick a customer into purchase of the product. Thus a sales effort, may even go to unethical pastures. In this effort the emphasis is on appeal or appearance of the product, i.e., it should be apparently good and so it is usually purchased.

The marketing approach is different. In selling a salesman begins with a product and then searches on a buyer or a consumer, whereas a marketing man first identifies a prospective consumer or potential market, studies its needs, wants and intentions and then develops or causes to develop a product which suits the requirements of the consumer for whom it is developed. Thus in marketing the starting point is the consumer or customer, his likings, his preferences, his needs, his expectations, etc., and his capacity to purchase the product. People normally behave differently while in groups, as also social taboos, religious superstitions, and cultural heritage are also to be given due weightage in marketing.

Thus a marketing man should have full knowledge about his target group or ultimate consumer. In other words, he should have knowledge about economic, social, cultural, religious and racial environment existing in his command area. Not only this, he must
be able to relate his abstract thoughts to the development of a
tangible product. Thus a marketing man job seems to be tough,
very imaginative, quite innovative and most challenging; yet
ensures smooth sailing as far as the actual selling of the
product is concerned. This is so because a marketing man has a
product which is produced for the consumer as per his desire,
need, want and intention, and this would not need much selling
effort.

Thus marketing is a much broader concept, encompassing
almost every effort connected with development, actual production
and then selling of a product. In this light, marketing is not
merely another department like purchase, finance, production or
personnel; but it is at the core of every decision which is taken
in an organization. "The purpose is not to resolve every issue in
favour of the customer, no matter what the cost, but rather to
remind that customers are the foundation of the company's
business", says Edward S. Mekay.

The concept of marketing is applicable to all business
activities as well as non-business activities wherein the
customer - whether as a person, a group, a firm or a nation - is
the target. By using marketing concept, even a government
functionary like the Income Tax Department can improve not only
its image, but also help generate confidence in the Government of
the country.

The difference between these two terms has been very well
explained by Levett, Professor of Harvard Business School, "The
difference between selling and marketing is more than semantic. Selling focuses on the needs of the seller and marketing on the needs of the buyer. Selling is pre-occupied with the seller's need and convert his product or service into cash; marketing with the idea of satisfying the need of the customers by means of the product or service and by the whole cluster of customer getting value satisfactions associated with creating, delivering and finally consuming it"(6).

1.4 IDENTIFYING THE NEEDS AND WANTS OF THE BANK CUSTOMERS

The customers of the bank are depositors, borrowers and other clients who use auxiliary services provided by the banks. These customers come from different strata of the economy from different population groups (rural, semi-urban, urban and metropolitan); from different geographical locations and from different educational back-ground, professions, vocations and business. For example, the financial needs of farmers are not the same as those of small scale industrialists or multi-national companies; ship building companies require finance of a different type from that of food specialist companies. Naturally, the need of each group of customers is different from that of the others. These differences can not be ignored (and can only be supressed at our own peril). It is, therefore, necessary to identify different group of customers, find out their needs and design the schemes to suit their needs and implement these schemes in the best possible manner. These days customers are not so much worried about the cost as about the quality and types of services they receive - and about the rapid disappearances of some of the
services they value. In case of production oriented business the decisions will have to be taken in respect of the goods to be produced. An organization which purveys services - like a commercial bank - must place an overriding emphasis on the service aspect. Commercial banks, which sell financial services have, therefore, to keep in view the interests of their customers in all management decisions. This is so because, to quote Peter Drucker', the eminent management consultant and author, "it is a customer who determines what a business is ... What the business thinks it produces is not of first importance - especially not to the future of the business and its success. What the customer thinks he is buying, what he considers value is decisive - it determines what a business is, what it produces and whether it will prosper" (7). It follows that if a bank wishes to have a contented clientele, it has to formulate customer-oriented management policies. Thus, the rationale for marketing in banks is indeed predicated upon this all-pervasive concern for the interests of the customers.

The conditions in which commercial banks in this country were originally established have undergone a sea change. These banks cannot remain contented with a minimal number of services. Now, banking has become an extremely complex and specialized business with an extensive range of services and facilities. In order to survive, grow and prosper, (indeed even to barely function at all), a modern commercial bank has to keep abreast of changing customer needs and preferences, apart from knowing what innovations are being introduced or planned by competing banks.
"One thing we know for sure about society and consumers," say Theodore Levitt, Professor of Business Administration, Harvard Business School, "is that they are constantly changing in ways that are extremely important to every business (8). The trick is to anticipate and act on these changes before the competitor does, and to do it at the right time and in the right way."

Hence, in order to have a satisfied clientele, banks have to decide about the nature and extent of services and facilities which they intend to make available to their customers. Such decisions, however, are not easy to make. For taking such decisions it would be necessary for a bank to be fairly knowledgeable about the desires and aspirations of all its various types of customers. Banks have, therefore, to keep themselves continuously informed about the changing customer preferences, which presupposes the existence of a definite policy for gathering and skillfully interpreting relevant information on a permanent basis. It is necessary, in other words, to re-orient the management policies of a bank towards the satisfaction of customer needs. In the formulation of such a customer-oriented management philosophy, the adoption of the marketing concept can be of definite assistance to commercial banks.

No industry in the service sector can afford to ignore its customers. This is even more true in the banking sector considering that the industry is becoming highly competitive. Banks in the nationalized sectors vie with each other for the attention of customers who are becoming increasingly discerning as well as demanding.
The most essential ingredient for meeting the needs of customers is, obviously, a detailed knowledge of their desires and aspirations. Only when we are able to evaluate the expectations and requirements of the customers can we hope to make the maximum out of the money that he handles. The marketing concept, therefore, emphasizes the activities of banks which have to do with people and services as against those which are concerned merely with the handling of money. The difference is important to appreciate, and the salient feature of this marketing approach to banking has been succinctly described by Colin McIver in the following words: "...as everyone who is not a banker knows, the one thing that you cannot get from a bank is money; that you must acquire from some other sources, an employer, a customer or a rich aunt. What a banker has to offer for sale is services in connection with money. He can sell you security in the storage of money... convenience in the transfer of money... credit ... a number of peripheral financial services..." (9). Managements have, therefore, not only to be aware of this service-orientation of banking operations, but also acquire sufficient knowledge about their customers. Thus continuous flow of information about customer needs and wants has to be maintained for realistic decision making. That leads us to vital question. How much does a bank know of its customers? Do they know what makes a customer happy or dissatisfied?

**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
also as those elements whose absence 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 one can say that the marketing concept is being practiced only half way.

The marketing concept is practiced only when it is a guiding force for a bank which says that our business is essentially to provide service to our customers and we are interested in that process, interested in finding out the customers' real needs and wants. Then we want to provide our customer with some of these 'satisfaction generating' elements. The marketing concept thus, puts considerable emphasis on studying, analyzing and understanding the customer in the first place.

This can be achieved in two ways. Firstly, to have a graphic idea of the psychological factors which govern a customer's attitude towards money and savings. Only when the inner psychological build-up of a person is known reasonably well can we begin to understand his wants and aspirations in regard to the money which passes through his hands. A person's conception of matters financial is fairly deep-seated and is moulded primarily
by the interplay of his character and environment. The acceptance of credit for example, by customers belonging to certain communities is a matter of social or religious sanction. Again, customers have been found to suffer from a certain fear complex in their dealings with a bank. According to one research study, "people subconsciously see their bank as a kind of parent, a parent capable of scolding or withholding approval and constantly scrutinizing."

Hence, the deep-seated psychological factors which condition a person's attitude, constitute a significant datum for understanding him in the marketing context.

Secondly, there is need for segmenting the customer group based on some logical criteria. Each of these sub-segments may have different needs. There fulfillment may call for different kinds of services to be offered. Consider, for example, an office-goer's need for convenient banking hours. If a branch cannot provide quick service at lunch hour, chances are that customers will remain somewhat dissatisfied. 'That "satisfiers" constitute a major aspect of a bank's overall marketing strength is apparent. But how can a bank gather such strength without researching the customer?

Dissatisfiers: Equally important, in a marketing sense, are the 'dissatisfiers'. If the 'satisfiers' are not to be glossed over, 'dissatisfiers' most certainly need to be removed. Do banks know what constitute 'dissatisfiers' for their customers?
Here again segmentation is vital. What the housewife finds irritating, difficult or unsatisfactory would be different from what a professional depositor finds unsatisfactory. Therefore, it is vital to know what constitutes the 'dissatisfiers' by segmenting customers first and pin-pointing later the specific 'dissatisfiers'.

Once the dissatisfiers are identified, then perhaps the first major step in marketing can be taken. How to remove that dissatisfaction is what good management is all about. Can we say that most banks are deeply aware of these 'dissatisfiers'? Or is it more likely that banks take the stance that meeting our deposit mobilization goals is more important than researching customer satisfaction - or removing the 'dissatisfiers'?

In a non-marketing climate, the customer remains anonymous. He or she is faceless, colourless, unimportant to the growth of the business. They have wants and needs which are considered too complex to understand, let alone be fulfilled, or the options are so limited that the customer is ignored. Having little choice customers continue to patronize banks which they really don't like.

When a bank adopts the marketing concept, the emphasis is bound to be different. We know that excellent companies, as the Waterman and Peters study tells us, are "close to their customers". Can we say that the Indian banks are close to their customers? If banks indeed want to be "close to their customers", they need to know by segments at least the following:
(a) What does the customer want in terms of services?

(b) What are some of the things that are clearly the 'satisfiers'?

(c) Similarly, what are the 'dissatisfiers' and can those be removed gradually to make banking a pleasurable experience?

All this has to be studied in depth, understood and most important of all, operationalised.

Most bankers would recognize that 'dissatisfiers' and 'satisfiers' are dependent on the segment. Also for each branch of a bank depending whether it is located in a city, semi-rural areas, the needs will be different. The 'satisfiers' and 'dissatisfiers' will also vary. If a branch of a bank has many depositors who are engaged in retailing, such depositors will prefer different banking hours, different facilities from say depositors who happen to be housewives or white collar workers.

Thus segmentation is at the heart of this exercise. 'Macro-satisfiers' or 'dissatisfiers' can certainly help our understanding but what is likely to be more useful is to segment depositors by profession, banking frequency and time preferred and then analyze carefully to see what is it that the bank can really provide to its customers. The clearer the segmentation, greater the likelihood that the faceless customer will no longer remain unidentified.

Meaningful analysis and understanding is only possible where it is understood that marketing is not merely a number game.
There is a specific customer, a person in flesh-and-blood who constitutes the "core" of the business and whose needs are to be satisfied to create a lasting, satisfactory business. That is where marketing takes the first major step. The marketing concept goes still one step further. We shall see what 'satisfies' and 'dissatisfies'. Then perhaps a closer analysis is called for. By segments we must understand what exactly each customer group is looking for. Without these basic steps being taken to understand the customer, marketing cannot even take roots in an activity as significant but diverse, as banking.

Competitors: The existence of competition means that a bank would not only have to spot the demand for a particular service but, on top of it, provide the service in a better or cheaper manner in comparison with other banks. As one author has put it: "... even if an adequate demand has been located it is still necessary to estimate the actions of others who are already doing so or might try to meet the same demand.... Even fundamental aspects of marketing, such as research and development of new products and product design, are carried on in the shadow of an unknown power, the ability of your competitor to out-do you" (10). The mere fact, therefore, that sufficient demand exists for a certain banking service is not quite enough, from the point of view of a bank, to guarantee that the provision of the service would be profitable. Banks, moreover, find it extremely difficult to compete with each other in the way we normally associate with other types of business. The rates of charges, etc., for services extended by different commercial banks are almost the same, and
in some countries, including ours there is also some form of governmental control over these rates. In other cases, the banks themselves have mutually agreed to a specific schedule of charges to eliminate competition. Especially in India, with the interest rates and charges for various services more or less inflexible, it is not possible for banks to use the price of service as a competitive weapon, except in a very limited way. There is, moreover, considerable control over these rates from the governmental side as well as the Reserve Bank of India. Apart from all this, the banks themselves have entered (to make matters worse?) into a joint agreement on a definite schedule of charges. Thus, the conventional methods of competing are, as one can see, severely curtailed in the Indian banking industry.

The absence of the traditional instruments of competition partly explain why the emphasis in commercial bank advertisements is almost exclusively on friendliness, personal attention, prompt service, convenience, etc., instead of on low charges and high deposit interest rates. About the only way, therefore, left to a bank to compete with other banks is to establish and maintain a favorable corporate "image" of itself in the public mind, so that the individual bank is perceived by its customers in a manner more complimentary to it than to its competitors. Accordingly, every bank constantly endeavors to drive home to its customers and the general public the distinctive features of its own brand of service, in a bid to differentiate from those of others, what is otherwise essentially the same type of service.
Need for information

The discussion above makes it amply clear that in order to evaluate the conditions obtaining in the world of customers, it is necessary to have relevant information on a continuous basis. Collection of information is thus the first step in understanding the customer world. Given the data, of course, the question of sifting and interpreting them would be the subsequent steps. But the gathering of the information is a primary requisite, which explains, incidentally, the frequent resort to market surveys by all research-minded organizations.

In collecting this information, it should be ensured that the methods adopted are objective, so that the conclusions drawn are not, as often in such matters, entirely divested of realism. On too many occasions it has been seen that the information and views gathered from bank personnel, professional conferences, business journals, etc., do not correspond to factual conditions. The difference between the real position and the subjective views of sundry people about it should be minimized, if the aim is to formulate realistic policies. This divergence would not have been critical were it not a fact that the lacuna is discovered only after solutions based on such subjective data have failed to solve the relative problem and the damage has already been done.

1.5 MARKETING CONCEPT IN BANKING ABROAD

The development of marketing as an important management function is a comparatively recent phenomenon. As with other advances in management techniques, the marketing function has
mainly been developed in the U.S.A. - both before World War II, when progress in the field was slow because of the overwhelming stress on the production of goods as opposed to their selling, and also during the post-war years, when rapid strides were made in accumulating marketing knowledge, consequent upon the emphasis gradually shifting to distribution and selling. This changeover of industry from a bias of production to customer-orientation was perhaps the principal reason behind the commercial banks becoming interested in marketing techniques.

But bankers, because of their conservative approach have been slow in appreciating the utility of marketing principles in managing a bank. Until two or three decades back, a handful of traditional services was all that banking business meant to most people even in the advanced countries. In the United States, for instance, bank managements fifty-five years back steadfastly promoted the few traditional services then available, rarely taking cognizance of customer preferences. According to one authority, when in 1928 the First National City Bank (then National City Bank of New York) decided to grant small installment loans to individuals, it was "earthshaking news" because "the then largest bank in the nation was entering a business heretofore reserved for pawn-brokers......" (11).

The banking industry is thus relatively new to marketing principles and techniques, no matter which country we are talking of. It is little wonder, therefore, that while awareness of the marketing concept is steadily spreading, banks have yet to
implement the concept in any substantial measure. Most banks not
only have an extremely vague idea about their position and
prospects in the industry, but are also carrying on their
business without a clear perception of the wide-ranging needs of
their customers. The more progressive among the bankers - their
number is not large even now - are no doubt making valuable
contributions in implementing the marketing concept in their
organizations, but a very great deal remains to be done in this
sphere. If one looks closely, one can discern certain encouraging
signs regarding banks taking the initiative in meeting the needs of
the sophisticated customers of today. Banks abroad are
entering such diverse fields as credit cards, factoring, life
insurance, investment in international ventures, urban
development, travel agency, leasing of computer, etc. In all
this, the concept of marketing plays a vital role.

1.6 NEED FOR APPLYING MARKETING CONCEPT IN INDIAN BANKS

Banking in India has come of age. Today it has assumed its
true and real role, though more under circumstantial compulsions
than anything else. It is an essential organ of the national
economy and provides the vital support for every type of
financial activity. Banking was conceived as a "profit-making
venture as J.W.Gilbart mentioned in his 'Practical Treatise on
Banking in 1849', "The practical end of banking, as of all other
trades and professions, is to get money". This dictum still holds
true for most countries of the world as applied to commercial
banking. But in India, the situation is unique.
Commercial banks have been entrusted with such significant responsibilities that if discharged schematically, can herald a new era in the country's economic and social life. It was only in July 1969 that the Union Government nationalized 14 major commercial banks and six more were added to the list in April, 1980. Thus the Government has direct control of more than 90 per cent of banking operations. But these banks have still got their individual cultural difference, and this has kept the element of competition alive. They aim to achieve the same goal with almost similar tools and broad guidelines; yet the competition which is a pre-requisite for adoption of marketing approach in corporate planning is perhaps the fiercest.

The banking sector in India is entrusted with such diverse and far-reaching objectives as:

1. To strengthen the national fabric by providing banking opportunities to everyone by opening more and more branches in remote and backward areas. This has been significantly achieved by the commercial banks in India and they have preceded the economic development at various centers. There are bank branches at such places where no road exists, where no government functionary is located, where no profit-making business would prefer to reach. This marvelous leadership has been rewarding too. Banking in India is a habit with even those who are illiterate and innocent.

2. To educate, develop and harness the new entrepreneurial skill by employing motivated and dedicated workers to prepare
district credit plans in consultation with district development authorities as well as by conducting actual door-to-door survey. This role is unique in the world, and it will be too hasty to proclaim cent per cent success. Yet a very significant beginning has already been made.

3. To assist the governmental agencies in collection of taxes, payment of pensions to individuals and as agents of the Government by spreading its message to millions of Indian living in remote areas.

4. To work as change-agents by adopting the stance of a benefactor and performing as a major partner in all developmental and economic programmes of the country in which the poor, weak, downtrodden, backward, illiterate and low-caste Indian are provided with a helping hand in their struggle for survival.

5. An India banker is looked up to as one who does not possess official power with him and yet can be extremely helpful in an effort of economic self-dependence. So all the people in the country today view the banker should be an excellent guide, adviser and helper in all types of financial activities. The most remarkable facet of a banker in India should be the one of being an educator wherein any one can seek his help.

6. Banking industry is also a major employment-oriented industry in the country wherein a very large work force is gainfully employed.

7. The extensive network of bank branches affords an unparallel
outlet reaching millions, and this is being made use of more and more by the government and other agencies for disseminating information and for collection of various dues, etc.

Thus 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 employment of these funds in keeping with national priorities and regional expediencies.

Most of the large banks in India are national in character and spread. They cater to the needs of people of different strata of economy with divergent customs, race and religion; yet their needs would normally be similar although their approach and capacity would differ considerably.

Every bank normally would have an avowed policy of growth which would have a directly linked pattern with the place of origin and earliest expansion plans, i.e., a bank may have rural bias or it may have started as one that catered to the needs of industrial-customer or it may have an urban-orientation. Subsequently the banks expand their operation in a systematic manner, and as they grow they acquire an all-India status meeting the requirements of more and more people belonging to different vocations and races.

The marketing concept in banking is a broad subject and a timely one. It is broad because it covers wide range of
activities and management thinking; it is timely because of overwhelming concern with it in banking today ranging from highly elaborated multi-chartered structures to a one man assignment. Some banks are meeting with success while others snicker with amusement at the gyrations taking place. The study of marketing concept in banking aims to provide material for both marketing oriented banks executives as well as to those who are novices in applying marketing concept.

Two field surveys were conducted in the year 1974 and in 1984 by the National Institute of Bank Management (Pune). The main objectives of these two field surveys conducted in the post nationalization era was to evaluate the quality of customer's service in commercial banks. The 1974 survey covered the city of Bombay whereas the survey conducted in the year 1985 covered 23 metropolitan cities and eight state capitals. These survey indicated that customer services have improved in some cases but have deteriorated in others. Further, the surveys also highlight that the banks lack in market orientation and they have not put successfully marketing concept to practice. There is definitely more scope for banking industry to give a marked thrust towards customer oriented strategies and practices by emphasizing marketing concept.

1.7 OBJECTIVES OF THE STUDY

An assessment of literature reveals that there are many areas which need attention both at operative (branch) and policy level to enhance customer orientation which is so far lacking in
banking services. The existing studies, personal and shared experience with others clearly brings forth that the bank's staff at times is not courteous and lacks in providing efficient and quick services. There is also a need for better awareness and usage of banking services. The communication materials are not properly drawn and lack in communicating bank's positioning. Banks hardly think of innovative ideas of new services to existing and new customers. There are also complaints regarding the pricing of various services.

The studies so far have described the areas where there is need to improve services, however, methodical marketing strategy to improve such services are lacking. Little research has been carried out to determine the comprehensive marketing strategy based on customer orientation and the present approach has been more often adhoc and fragmented. The bankers should not only preach 'market concept' but should take serious endeavours to put it to practice.

In view of the above discussion, an attempt has been made to study the status of customer services in banks and determine the customer sensitive areas needing immediate attention and suggesting a comprehensive marketing strategy to improve the services both at operative and policy level. In particular the objectives of the study are:

1. To study the need of modern marketing concept in the Indian Banking.

2. To obtain scientifically valid information on the status of
customer services in respect of various types of customers and the type of services.

3. To analyse the needs of various customers and to ascertain the exact areas in the field of customer service warranting improvement in systems and procedures.

4. To suggest methods for the involvement and re-orientation of the skills of bank staff in giving a customer thrust to bank operations.

5. To suggest a comprehensive marketing strategy for customer orientated service.

For this study the State Bank of India has been selected. The rationale for selecting State Bank of India is that it is the first public sector bank and secondly, the State Bank of India was the first bank which applied marketing concept, in its operations for the first time in 1972 and also reconstituted itself on the basis of major market segments - divided the customers on the basis of activity. It carved out four major market segments; (1) Commercial and Institutional Segment (2) Small Industries and Small Business Segments, (3) Agriculture Segment and (4) Personal and Banking Services Segment. This new organizational frame work embodied the principle that the existence of an organization is primarily dependant upon the satisfaction of customers need.

The customer orientation of bank is a function of the services offered by the bank as well as the quality of the services. Thus any analysis of the customer orientation of bank
will have to take into consideration both these factors. The services rendered by State Bank of India fall into the following categories: Traditional and Non-Traditional services. Some of the variables used in this survey are listed below:

**Traditional Services:**

* withdrawal of cash
* acceptance of cash
* update of pass book
* legibility of entries in pass book
* collection of local cheques
* collection of outstation cheques
* intimation of maturity of fixed deposits
* issue/renewal of fixed deposits
* issue of cheque books.

**Non-Traditional services:**

* purchase of bank draft
* encashment of bank draft
* receipt/issue of money through mail transfer
* receipt/issue of money through telegraphic transfer.

The quality of services is determined by the following factors:

* infrastructural facilities
* attitude and behaviour of bank employees
* availability of basic amenities at bank branches, like availability of drinking water, seating arrangement, etc.
* teller system
* computerized service
* suitable working hours and off day
Ideally all the above factors should be taken into consideration in testing the hypothesis of the study.

1.6 ORGANIZATION OF THE STUDY

The various aspects of the study have been covered in six chapters. The second chapter deals with the research methodology. In this the questionnaire design, selection of respondents and the statistical techniques used for analysis have been discussed. The appraisal of customer service in general has been dealt in chapter three, and the similar analysis with respect to the relatively homogeneous groups of respondents selected on the basis of income, age and sex as segmenting variables have been covered in chapter four. The chapter five deals with the marketing strategy. The last chapter deals with the conclusion, implications and recommendations.
NOTES

1. American Marketing Association A Glossary of Marketing Term p.16-17
3. American Marketing Association A Glossary of Marketing Term p. 16-17
5. Peter F.Drucker Managing for results: London William Heinemann, p.964