

CHAPTER – V

SUMMARY & SUGGESTIONS

Liberalization has really changed the banking industry. It is no longer enough for banks to just manage money efficiently; they also have to manage customers, who now have a wide choice of alternatives. The future promises to be even more exciting, interesting and challenging, thanks to technology and latest strategies that banks are adopting.

No longer will banks, or any large organization, treat customers as a group and segment them into just some demographic and psychographic profiles. The Internet has enabled us to talk to each customer as an individual, with different needs and requirements. Products will need to be developed to meet those needs, and services will become the crucial differentiators. For years, customers were part of the banks' Fixed Assets; now they have moved into the Current Assets category, and it will be a task keeping them there through proper marketing strategies.

Marketing strategy is a method of focusing an organization's energies and resources on a course of action which can lead to increased sales and dominance of a targeted market niche. A marketing strategy combines product development, promotion, distribution, pricing, relationship management and other elements; identifies the firm's marketing goals, and explains how they will be achieved, ideally within a stated timeframe. Marketing strategy determines the choice of target market segments, positioning, marketing mix, and allocation of resources. It is most effective when it is an integral component of overall firm strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena of corporate strategies, corporate missions, and corporate goals. As the customer constitutes the source of a company's revenue, marketing strategy is closely linked with sales. A key component of marketing strategy is often to keep marketing in line with a company's overarching mission statement

MARKETING STRATEGIES OF BANKING INDUSTRY:

Banking Industry is one of the most important service industries which touch the lives of millions of people. Its service is unique both in social and economic points of view of a nation. Earlier the attitude of banking service was that it was not professional to sell one's services and was unnecessary in the sense that traditional relationships and quality of products were sufficient to carry forward the tasks. Before the mid 1950's the banks had no understanding or regard for marketing. The bank building was created in the image of a Greek Temple to impress the public about the importance of a bank. The interior was austere and the teller rarely smiled. Bankers maintained austere dignity and they hardly maintained friendliness.

It was in the late 1950's that marketing in banking industry emerged in the west. Its emergence was in the form of advertising and promotion concept. At that time, personal selling could not get a significant place. Gradually there was a change in the attitude of bankers, probably in time with the attitudinal change in customers. The idea of customers' satisfaction began in the late 1950's, flourished in 1960's and became an integral part of the banking services in the 1970's. But the same trend could not be applicable, especially in developing countries and to be more specific in India because of socioeconomic and political reasons.

Marketing came into Indian banks in the late 1950's not in the form of marketing concept but in the forms of advertising and promotion concept. Soon it was realized that marketing transcends advertising and friendliness¹. Till 1950 it was recognized that personal selling was not necessary. The bankers went out of their way to avoid being accused of selling. The bankers even eliminated the word 'selling' and they called the function of customer contact 'business development function'. The bankers' attitudes and comprehensions about marketing changed in the 1960's. They began to realize that marketing was a lot more than smiling and friendly tellers². The idea of customer convenience began in the late fifties and it flourished in the 1960's. Bankers were beginning to understand the concept of market segmentation in the late 1960's. The bank

marketing profession changed dramatically in the 1970's. Marketing positions in banks were created and marketing was accepted as an organizational imperative.

To understand how banking services can be marketed better, one must examine banking as service industry, in the content of a swiftly changing environment, redefine marketing to suit a banker's needs, analyze how the marketing of financial services differs from that of other products, identify the tasks involved there in and set forth a series of steps for effective bank marketing³.

When modern managers the world over are busy having their marketing skills, bankers in India can ill-afford to shrug it off and keep away from global changes in banking which are in favour of "Optimal satisfaction of customers' wants and creation of customers for novel products". As a matter of fact competition was not in existence. On the one side of the fence was the State Bank of India alone, which is enjoying Government, ownership and on the other side was private Commercial Banks, local by orientation, primarily servicing the interest of the controlling business houses. Therefore neither the State Bank nor the others cared much for the public. Furthermore, their service is confined to a limited range of services which included Current Accounts, Term Deposit Accounts and Savings Bank Accounts in Deposit Area. In the area of advances, limits were sanctioned on the basis of security by way of lock and key accounts and bills, purchased limits; their miscellaneous services included issuance of drafts, collection of outstation cheques, executing standing instructions and lockers facility at a few centres. It was the phase of class banking and even the communication through the media was looked down upon with contempt as something against the tenets of banking culture. Even the advertisements released till 1966 were very few⁴.

After nationalization of 14 major commercial banks in 1969, banking system in India is no longer the exclusive preserve of a few Industrial Houses or business families and has become a very important instrument of socio-economic changes⁵. Bankers, after nationalization, woke up from their splendid isolation and found themselves placed in a highly competitive and rapidly changing environment with competition becoming fierce day by day. The traditional description hardly suffices today's needs. Due to this, banks

approaches towards customers and market underwent changes and focus was gradually shifted to marketing their products.

Even the economist's view that bankers are creditors of money and not mere purveyors of credit does little justice to the present-day bankers' pivotal role in our society. Today banks are virtually becoming "Financial Supermarket" for their customers. Banks were product oriented organizations, placing before the prospective customer their range of services, expecting him to choose, presuming that the customer had the knowledge, time, interest and skill to pick out the services that would suit him. Along with it, banks also became conscious of their corporate image and its projections and this introduced the public relations philosophy in banks with the purpose of image projection.

The first major step in the direction of marketing was initiated by the State Bank of India in 1972, when it recognized itself on the basis of major market segments, dividing the customers on the basis of activity and carved out four major market segments. They are commercial and institutional segment, small industries and small business segment, agriculture segment and personal and services banking segment. The new organizational framework embodied the principle that the existence of an organization primarily depends up on the satisfaction of customer needs. The hallmark of the reorganized setup was customer orientation. It aimed at

- Having a total view of customers' needs.
- Meeting the identified needs in the best possible manner.
- Identification of potential customers, and
- Conducting activities at the branches on the basis of carved out market segments instead of job wise.

By 1974. The environment became more demanding with the emphasis on mass banking and canalization of credit into priority areas and lending at differential rates of interest to the weaker sections of the society. This placed strains on the profitability of banks which led to keen competition, which is detrimental to the banking system in the ultimate analysis. This time even though banks were talking of marketing, they were

essentially selling. A notable change during the period was related to two major components, that is product and promotion. The other two 'Ps' that is price and place were highly controlled by central banking authority. Banking began to offer profit security regular income, retirement benefits, money for marriage of the daughter, education for growing children etc.

It was in the early 1980's that banks realized that marketing was more than that. They started thinking in terms of product development, market penetration and market development. Moreover banks also accelerated the process of equipping their staff with marketing capabilities in terms of both skill and attitude through internal and external training.

Through the continuous modification and rectification in banking and implementation of financial sector reforms as per the recommendation of the committee on Financial system the functioning of banks in India has undergone dramatic changes. Starting from very conservative traditional banking where the service of banks was confined to a few in the society, now due to liberalization and privatization, a 'U' turn has taken place in Indian banking. The hallmark of the changed concept aimed at having a full view of customers' needs.

Research Design

To understand how banks formulate strategies and its implementation in banking services to make effective in its operation, one must examine banking as service industry. In the content of a swiftly changing environment, redefine marketing to suit a banker's needs, analyze how the marketing of financial services differs from that of other products, identify the tasks involved there in and set forth a series of steps for effective bank marketing.

Research Gap:

Based on the above information it was felt that the research is conducted in the areas of banking performance, comparative study between public and private sector banks, pricing strategies, communication strategies, product strategies etc but there is no

research is conducted by covering comprehensive strategies relating to banking business. Therefore it is considered as a research gap and taken as a study topic to cover the above gaps and to bring out a detailed study in the above mentioned topic.

SCOPE OF THE STUDY:

The public sector banks and old private sector banks who command over 80% market share in the banking industry must seize this opportunities in big way and respond aggressively to market demand if the growth in banking has to accelerated. So, after awareness of all new challenges and opportunities, banks have to focus on no. of trends like the reach and value that banks offered to customers, its technological convenience, the high cost of intermediation leading to change in progress, yet to gain momentum, consolidation through mergers and acquisitions. To overcome these challenges banks can adopted many marketing strategies like E-banking, product differentiation, reform banks as supermarket, use customer guidelines to form new strategies, use information technology in service sectors and in this regard respondent's opinions were gathered basing upon Visakhapatnam district.

NEED OF THE STUDY

The research is to evaluate of the banking sector in India has primal importance due to intense competition, and changing banking reforms. This research is very important because in today scenario there is strong competition in public and private sector banks. It's very important for us to know which sector is performing well and what are the marketing strategies adopted by banks (public sector or private sector).

OBJECTIVES OF THE STUDY:

1. To study marketing efforts of select public and private sector banks in terms of their market analysis.
- 2, To make a comparative analysis of marketing systems, procedures and staff of the banks under study.
3. To identify customers preference of banks and analyze reasons for their selection.

4. To analyze the role of 7 Ps framework in formulating marketing strategies of select public and private sector banks and assess its effectiveness in the fulfillment of marketing objectives.
5. To examine the demographic factors of customers and analyze their influence in the selection of banks and their satisfaction level.
6. To evaluate strategies for customer retention and customer loyalty.

METHODOLOGY AND SAMPLING:

i) Methodology:

Application of appropriate methods and adoption of scientific procedure is a sine-qua-non of systematic enquiry. This has an important bearing on the collection of reliable and accurate information as well as on the outcome of the study.

ii) Sampling :

A sample of 560 customers and 60 banking personnel has been taken at stratified random sampling covering all categories viz. bank employees, managers, customers covering from different banks were considered. The sample covers all the levels of the customers viz., small, medium and large.

iii) Data Collection :

Data has been collected from both primary & secondary sources. The researcher personally visited the banks during June-2012 to Dec-2012. An administered questionnaire was circulated to the selected Employees including the managers of the banks in order to collect first hand information. This has been followed by personal interviews of informal nature and also with customers of the different selected bank of the study.

Data was collected through the techniques of schedule, interview and observation. One comprehensive schedule meant for investors was designed and the same was administered after pre -testing in a pilot study. Interviews with the sample respondents took place at the times convenient to them. Convenient timings for the

interviews have been fixed in advance mostly during early hours of the office or during lunch break and at times in the houses of respondents. Personal interviews were conducted with all the respondents. The interviews were often prolonged & spread over multiple sessions. Since the interviewer personally visited the financial organizations, the technique of non-participants observation was also used which enabled the researcher to get more insight into the phenomena.

Secondary sources of data were also used and they include record files, brochures and other published and unpublished material of the institutions as well as outside stock broking agencies.

The enquiry is essentially in the nature of a qualitative study. Though the study has not used any advanced quantitative methods, a few statistical techniques like the following were used wherever necessary to make the data more precision and systematization.

Statistical tools:

To analyze and compare the study, various tools are been followed, out of which tools conveniently used for making analyses and interpretation of the data are:

- Factor analysis
- ANOVA

Scoring and Measurement of variables:

The different items in the Schedule indicate different scale factors, i.e., variables. The different items relating to both the dependent variable and the intervening variables are provided on Likert pattern of 5-point scale. The five response categories together with the numerical values assigned to them for computation are: Strongly Agree (2) Agree (1) Neutral (0) Disagree (-1) Strongly Disagree (-2).

The values on each of the items together with the values of the items measuring each variable for each respondent are added and the same is taken as the raw score of that particular respondent on that specific variable.

Reliability of the Questionnaire

Cronbach's alpha

Cronbach's alpha is a measure of internal consistency that is, how closely related a set of items as a group. Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. For conceptual purposes, the formula for the standardized Cronbach's alpha is given below.

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Here N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance.

The researcher has administered the alpha scale method of reliability analysis. For the present study, the alpha coefficient is 0.7196,

PRESENTATION OF THE STUDY

The study was presented in five chapters as mentioned below. The first chapter deals with introduction of Entire gamut of Banking industry and marketing aspects of banking. The second chapter is devoted for a discussion on the nature of the enquiry and the methodology along with review of literature. A profile of SBI, Andhra Bank, ICICI, HDFC and socio-economic profile of the respondent employees have been presented in the third chapter. The fourth chapter deals with analysis part of the data collected through administered questionnaire and the fifth chapter comprises the summary, conclusions and suggestions for the betterment of the organizations.

LIMITATIONS OF THE STUDY

Following are the few constraints faced during the study.

1. Elaborate study was not possible due to limited availability of data. The survey was conducted based on stratified random selection which has its own defects.
2. Banking employees and customers time availability is limited.
3. The size of the sample representing the universe is very small.
4. Information furnished in the study may be applied for similar nature of study.

SOCIO ECONOMIC PROFILE OF RESPONDENTS

Employees and customers play a significant role in influencing the effective functioning of an organization. The quality of services by the organization and the consequent image or good will created in the eyes of public at large depends on the efficiency with which the personnel perform the tasks.

In view of the significant role of personnel in the effective functioning of organization, it would be fruitful to examine and understand their socio-economic characteristics that influences, in a large measure of, their behavior and performance. Therefore, an attempt is made in this section to present the socio-economic profile of selected employees and customers of selected Banks of Visakhapatnam.

1. During the study 92% of the male respondents were participated in the sampling process.
2. The majority of the customers responded in the sampling process was between the age group of 35-40, from all the selected banks.
3. According to location wise, majority (69%) of the customers representing from the urban areas.
4. Basing on the marital status of the customers 85% of the respondents were married and remaining 15% were students.

5. Educational qualifications of 39% of the respondents are having more than degree qualification.
6. Majority (46%) of the respondent's income are more than 50000 per month.

Findings:

1. As per the customers opinions gathered by circulating structural questionnaire the following information was revealed, out of the 10 conventional products that is been circulated among the customers only 5 products were rated as a influencing products among the customers. Hence this information is to be considered while formulating marketing strategies and as per that decisions to be adopted. Among the various conventional products the priorities of products in selected banks are one and the same but in Andhra Bank insurance linked saving bank account are promoted and in ICICI bank loan schemes are mostly promoted this can be assumed as conventional product strategies.
2. The innovative product marketing strategies such as adopting the new source of technology is been followed in all the selected bank of the study.
3. The customers felt that loan charges in SBI is very reasonable when compared to other selected banks and as per the services is concerned ICICI is rated as the best bank.
4. From the study it is found that SBI is having more cutting edge in the aspects of merchandising, retention of customer to the bank and increase in banking profits over the other banks by offering best services to the customers whereas ICICI is promoting bank by giving best hospitality and quick services. Similarly other two banks also following the same trend but when compared to the above two banks, they are lagging behind in the selected services to the customers in the study region.
5. It is perceived that among the selected banks SBI and ICICI is benefited by 53.8% and 30.8% approximately and they opined that locating bank in the prime place is increasing their business and profit share, where as HDFC is benefited in customer identification by locating in central area. By comparing between the public and private sector banks among the public sector bank SBI is having more

network and also branches in selected places. Similarly among the private banks ICICI is having more cutting edge than the other private banks in the study area.

6. Among the different marketing strategies, location of the bank is an important factor for promoting the business, for this purpose various factors which are connected to the place are identified and out of which 6 factors were considered to be important for locating the bank among the various factors which are identified as important out of which having more ATM's, infrastructure and customer relations is notable factors in attracting more customer for the bank. In these regard SBI from the public sector banks and ICICI in private sector were considered as the best banking services organization in the study area.
7. After going through detailed analysis, it can be understood that SBI is having more manpower physical facilities in the public sector banks and whereas HDFC is having more manpower than ICICI in the private segment. Hence it can be said that overall SBI is having more cutting edge over the other banks in terms of all facilities.
8. The success of any organization depends upon customer loyalty and their satisfaction. As per the information SBI in the public sector is maintaining the leadership in all the aspects of the activities but when only private bank is considered ICICI is maintaining the more reputation in regarding to above concepts. Hence it can be concluded that the development and growth of any organization is totally depends upon the service that is offered to the customers.
9. After the brief analysis, it can be concluded that the success of any business is totally depends upon the strategies that you plan for organization of business, if it is followed in right direction with commitment from the staff of the organization, ultimately every organization would see the success. Hence in regard the SBI in the public sector banks and ICICI bank in the private are ranked as the best practicing bank in the study area.

Suggestions:

In view of the above discussion and findings, the following recommendations will be useful to banks for effective marketing of their services for better delivery to

customers which in turn increases performance by patronage towards the bank and improves the customer loyalty.

1. Banks should embark, from time to time on marketing research. This is because of effective marketing strategies are a product of marketing research. Thus, good and adequate marketing mix is a product of effective marketing research too. Marketing research will bring about innovation, better services for customer and better method of production and processing.
2. In adopting marketing strategies, banks should also compare different company's strategies and access the success and the failure of such strategies in the industry.
3. It indicates public sector banks equally offers all the modern banking services but only needs to generate more users through providing effective responses of customers dilemma through direct communication at the point of sales, which helps to better inform and educate the customers.
4. In comparison with private banks, public banks have to focus on their layout, physical facilities, banking hours, speed in operations, reduced paper work.
5. Today most of the youngsters are earned persons, so they prefer best banking services. So, all the bank categories could inform and attract such potentials by adopting highly explored media such as internet, cinema, mobile, sports, and digital hoardings as promotional strategy.
6. As per the finding, customers with different income & occupation having different expectations as they are differently satisfied, banks can provide customized products & services to them.
7. Private sector banks need to do hard efforts to retain their customers according to the findings. These banks can cut some service charges & be more responsible & responsive on their services.
8. As a strategy the banking authorities can form separate banks for female customers by separate slots for them for female and if possible employ female staff for better conversation & response.

9. The management of the banking institutions should be transparent and follow the laid down rules so as to create and sustain public confidence. This will definitely increase savings and in turn improve the level of economic growth.

SCOPE FOR FURTHER STUDY:

The main purpose of the study is in turn indicates the gap between what is known and total is unknown. The present study being exploratory seems to provide the basic infrastructure by providing an understanding of the various marketing strategies of selected public and private sector banks. The study also provides suitable methodological base which can be useful for further research. One important area is behavior aspect of the customers. The customer's behavioral aspect in banking sector with particular reference to products and services needs to be studied. As revealed by the study, the functioning of public banks is not that encouraging. If these problems are studied at length means & ways can be identified to make the banking operation in public sectors will be more meaningful and useful to the society. Such an approach is believed to be conducive for promoting appropriate banking culture.