Chapter 4

MARKETING OF BANKING SERVICES

4.1 Introduction to Marketing of Banking services

The banking services sector has undergone significant changes in the last years. These changes are due not only to large bank mergers and strategic alliances between banking groups, but also to the increasing legislative deregulation of the banking market and the decreasing the state intervention in banking affairs; the above have led to the creation of a new market which is characterized by a slight increase in primary demands and less legislative restrictions. The preservation and mainly the increase of market shares constitute the primary objective of all banking institutions and many strategies have been implemented in order to maintain their clients. In this effort, bank managers have been creating new products and services. Yet as such innovations involve significant expenses and banking costs, it has been supported that a better approach would be to focus on client trust, by offering better quality of services and aiming at satisfying clients to the maximum extent. Cheese et al. (1988) first indicated the importance of effective bank communications strategies.

The scope of this paper is to examine the role of financial advertizing, the degree of usefulness of advertizing messages and the impact of the distinctive characteristics of TV commercials on consumers regarding specific banking products, the target and evaluation of credibility factors of a particular financial advertisement, as well as, the level of satisfaction of consumers by bank communication strategies.
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4.1.1 Types and means of financial advertizing

Financial advertizing includes advertizing performed by banks, financial institutions, insurance companies and investment companies. Apart from advertizing addressed to consumers or bank customers (transformational), this category may also include business reports, information brochures of announcements on payment of new shares, reports on investment programme results and several other financial announcements (informational). The first type contains dominant psychological messages, while the latter contains factual or logically verifiable messages, in order to impart banks’ products and services to current and potential customers (Punto Wells, 1984, Rossiter Percy, 1987).

The main objective of financial advertizing may be money borrowing, overall insurance contracts and credit cards facilities, trading stocks and securities or publishing financial result reports. The main types of financial advertizing are:

1. Banks advertize their services which, in our times, have exceeded the conventional limits of bank accounts and include several types of deposits, loans of all kinds, insurance and trusts, as well as consulting on portfolio investments. Certain banks have specialized in specific fields, while others focus on a particular group of customers.

2. State insurance institutions and private insurance companies offer medical treatment programmes, as well as illness and accident insurance programmes.

3. Banks offer housing programmes, borrow money from savers and lend money for house purchase and construction. Most of their advertizing projects aim not only at fundraising but also at maintaining adequate resources that will allow for lending. Competitive borrowing interest rates are important sales factors and, for this reason, there is strong competition among banks and other financial institutions offering this type of service.

4. Insurance companies offer insurance programmes against all risks and
for all occasions; they even offer vessel and aircraft insurance for significant amounts of money, as well as insurance on movable and immovable assets of smaller value. Most insurance companies also offer retirement and savings programmes, while covering for several other expenses, even funeral expenses. In cases of fire and theft, insurance companies offer to ensure customers that their life will not be ruined in case the inevitable happens to their assets.

5. Most banking institutions offer their customers investment programmes with which small investors participate in stock portfolios or other securities.

6. Savings programmes are also offered by Post Offices along with several investment programmes.

7. There are also insurance agents and financial consulting firms which provide insurance, retirement and investment programmes, along with consultation services to clients on managing their financials.

8. Firms issuing credit or debit cards, such as Barclaycard, Visa and Diner’s Club, promote the use of “plastic” money internationally.

9. The various Sociétés Anonymes publish their objectives and announce the amount of final shares distributed to shareholders, publish annual reports on their activities and often distribute to all involved parties copies of their balance sheets and financial reports.

The selection of the advertising means depends on a bank’s target group. Most banking institutions address their advertising to holders of small accounts and thus advertise their products and services through the mass media. The press and television are the preferred means for larger banks that have branches across the country. Advertisements on investment programmes usually appear in the trade press, while investment programmes appear in almost all wide circulation newspapers as they are addressed to small investors. Many banking institutions rent space in several exhibitions and print information brochures to describe their activities and services; this is something that also insurance companies do even though their brochures have the form of participation requests. Many financial institutions have adopted database marketing techniques and have become extensive users of the methods of direct contact with prospective customers,
mainly using mail services. The availability of huge databases with priva-
tized industries investors, in combination with services offered by enter-
prises, providing mail directories, as well as systems for the social record-
ing of population have enabled these institutions to make contact with
prospective investors. This practice of delivering brochures to prospective
investors by mail has currently become so common that in financial an-
nual reports several announcements have appeared warning members of
the negative implications to the recipients of information brochures.

Overall, financial advertizing in the press, mainly in the business one,
tends to occupy large spaces and contain detailed information necessary
for explaining the nature of the programmes and increasing trust among
prospective investors. This type of advertizing focuses on the benefits,
which usually have the form of interest rates and returns, and involve cer-
tain warnings on the fact that the value of investments can increase or
decrease. Advertizing key-words include the following concepts: profit,
benefit, insurance, trust, economic prosperity and reputation.

4.1.2 The role of marketing in banking industry

It is said that the banking sector mirrors the larger economy - its linkages
to all sectors make it a proxy for what is happening in the economy as a
whole. Indeed, the Bangladesh banking sector today has the same sense
of excitement and opportunity that is evident in the Bangladesh economy.
The fundamental structural changes in the recent years have taught us
many lessons. A combination of developments arising from technological
advancements and a liberalised marketplace - disintermediation, blurring
of traditional roles and boundaries, emphasis on shareholder value-creation
- has led to a transformation of the banking sector. The banking industry
in Bangladesh has become more and more developed and is functioning
progressively. Customers have more opportunities for selection of more
suitable places to buy and use banking services and satisfy all their de-
mands. But at the same time, they have also become more fastidious and
expect higher standards from banks, such as more friendliness in service
styles, more effectiveness in solving all their complaints, or more moderni-
sation when it comes to equipment and tools. Here the terms 'Marketing'
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and 'Banking' blend together inextricably.

Marketing has lately entered the banking industry not in the form of marketing concept, but in the forms of advertising and promotion concept. It has been realised that marketing transcends advertising and friendliness. Earlier, it was recognised that personal selling was not necessary. The bankers even eliminated the word 'selling' and they called the function of customer-contact 'business development function'. But gradually they have begun to realise that marketing is a lot more than smiling and friendly tellers.

As far as the evolution of bank-marketing is concerned, the bankers have now come out of the ivory towers and reached out to the masses. A large number of deposit and loan schemes are now being developed according to the requirements of different sections of society as per the national priorities in Bangladesh.

A personalised service-oriented industry: Banking is a personalised service-oriented industry. The marketing approach involves anticipating, identifying, reciprocating (through designing and delivering customer-oriented service), and satisfying the customer’s needs and wants effectively, efficiently, and profitably. To bring satisfaction to customers, banks have had to improve their service quality to keep their old customers and attract more new and potential ones.

Service quality can be defined as the difference between customers’ expectations of service performance prior to the service encounter and their perceptions of the service received (Asubonteng et al., 1996). Quality service for banks has a positive effect on the bottom-line performance of a bank and, thereby, on the competitive advantages that could be gained from an improvement in the quality of the service offered, so that the perceived service exceeds the service level desired by customers. Nowadays, with increased competition, service quality has become a popular area of academic investigation and has been recognised as a key factor in keeping the competitive advantage and sustaining satisfying relationship with customers.
A customer’s long-term relationship can be empirically represented by following a sequence that includes trust, which influences relational commitment, which in turn influences customer loyalty. Trust depends on confidence in another partner. The importance of trust in banks lies in its contribution to the strengthening of interpersonal relationship. For instance, regarding service failure in banks, trusting the banker may allow the customer to believe that poor product quality was a simple error that will not be repeated or which will be addressed.

Commitment is defined as an enduring desire to maintain a valued relationship [Moorman, Deshpande, and Zaltman, 1993]. Commitment to the bankers suggests that the customer has an investment in the relationship.

Customer loyalty is a behavioural and attitudinal predisposition to stay with the seller in the long-term [Oliver, 1999].

All three ensure a successful customer service and banks will keep their strong customer-centric orientation image to the customers, which will help banks in further development. Customer satisfaction represents a modern approach for quality in enterprises and organisations and serves the development of a truly customer-focused management and culture.

Service delivery: Service is all about expectations. When it comes to products, people expect a good quality product based on the price they are willing to pay for it. When it comes to service, expectations can get a little fuzzy. When a customer begins a relationship with you, he or she already has a specific set of expectations. These expectations are based on their perceptions of you, your company and your industry. They are formed through past personal experience, and the experience of others with whom the customer interacts.

In case of the banking industry, customer retention plays the critical role in customer service. Customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today’s
ever-increasing banking competitive environment. The key factors influencing customers’ satisfaction and ensuring customer retention of a bank include the range of services, rates, fees and prices charged. It is apparent that superior service alone is not sufficient to satisfy customers. Prices are essential, if not more important than service and relationship quality.

There are compelling arguments for bank management to carefully consider the factors that might increase customer retention rates in Bangladesh. Unless a bank can extend its product quality beyond the core service with additional and potential service features and value, it is unlikely to gain a sustainable competitive advantage. Thus, the most likely way to both retain customers and improve profitability is by adding value via a strategy of differentiation while increasing margins through higher prices. Today’s customers do not just buy core quality products or services; they also buy a variety of added value or benefits. This forces the service providers such as banks to adopt a market-orientation approach that identifies consumer needs, and designs new products and redesigns current ones.

Quality of personnel: In businesses where the underlying products have become commodity-like, quality of service depends heavily on the quality of their personnel. This is well documented in a study by Leeds (1992), who documented that approximately 40 per cent of customers switched banks because of what they considered to be poor service. Indeed, customer satisfaction has for many years been perceived as a key to determine why customers leave or stay with an organisation. Organisations, especially banks, need to know how to keep their customers, even if they appear to be satisfied.

Launching new schemes with advertisements attracts new depositors. However, what ultimately sustains the process of generation of new deposits and continues the acceleration of deposit mobilisation is the quality of customer service as perceived by clients. Banks’ performance in different banking services like withdrawal of cash, collection of cheques, quality and adequacy of infrastructural facilities available to customers, attitudes of bank employees towards customers, promptness, and general attitude have to be analysed and evaluated before strategy formulation.
Services under one roof: Innovation and renovation are the keys to success in service marketing including banks. The provision of all the financial services under one roof is the concept of modern banking. The banks are now not just the clearing houses, but are the best marketable places too. Foreign banks have realised this fact long ago and they have been providing the best services as per the requirement of their customers. In line with them, state-owned and local private banks are advancing ahead in Bangladesh. The competitive scenario has made banks to provide customised products and services. Customers have many options today.

In today’s banking, the role of information desk has become very important. Customers may require some assistance in various transactions, in which the help desk should be able to provide services promptly with dignity and honour.

Human resources: In the context of Bangladesh, banks have to understand the changing needs of customers, their aspirations and expectations to create value. Banks should also have a strong customer-tied management system. To manage growth and continuity in business, human resources play an important role. The new-generation private sector banks and foreign banks enjoy a lead in this regard when compared to state-owned and old generation private sector banks in Bangladesh. Banks may follow a feedback system to know the customers’ expectations for improving the level of customer satisfaction to the maximum level.

There is a need for professionalism and market-oriented banking in our country. Market-oriented banking will require a new culture: a disciplined, professional, and committed manpower; employees trained for specialised services; specialised branches; strong marketing organisation in different banks; aggressive selling; meeting new customers’ expectations; and cost-effective and efficient services for gaining customer satisfaction and loyalty. Banks should remember that, it is so tough to make a customer enter a bank, but it is a fraction of second for a customer to move from one bank to another. Competition is increasing at a regular basis and customers are enjoying it. The more the competition, the better the services banks need.
to provide for business retention.

### 4.2 Structure of Bank Market

Marketing activities of firms begin with determination of the market that they offer their services or goods. Firms must find out the features of the market that it anging market condition. While marketing manager is arranging the variables under firm’s control, she/he should also adopt the external variables. We could call the factors that affect banks’ market as technological developments, legal arrangements and competition.

**The Marketing Mix in Banking Sector**

**Service**

Recently, banks are in a period that they earn money in servicing beyond selling money. The prestige is get as they offer their services to the masses.

Like other services, banking services are also intangible. Banking services are about the money in different types and attributes like lending, depositing and transferring procedures. These intangible services are shaped in contracts. The structure of banking services affects the success of institution in long term. Besides the basic attributes like speed, security and ease in banking services, the rights like consultancy for services to be compounded are also preferred.

**Price**

The price which is an important component of marketing mix is named differently in the base of transaction exchange that it takes place. Banks have to estimate the prices of their services offered. By performing this, they keep their relations with extant customers and take new ones. The prices in banking have names like interest, commission and expenses. Price is the sole element of marketing variables that create earnings, while others cause expenditure. While marketing mix elements other than price affect sales volume, price affect both profit and sales volume directly.

Banks should be very careful in determining their prices and price poli-
cies. Because mistakes in pricing cause customers’ shift toward the rivals offering likewise services.

Traditionally, banks use three methods called “cost-plus”, “transaction volume base” and “challenging leader” in pricing of their services.

Distribution
The complexity of banking services are resulted from different kinds of them. The most important feature of banking is the persuasion of customers benefiting from services. Most banks’ services are complex in attribute and when this feature joins the intangibility characteristics, offerings take also mental intangibility in addition to physical intangibility. On the other hand, value of service and benefits taken from it mostly depend on knowledge, capability and participation of customers besides features of offerings. This is resulted from the fact that production and consumption have non separable characteristics in those services. Most authors argue that those features of banking services makes personal interaction between customer and bank obligatory and the direct distribution is the sole alternative. Due to this reason, like preceding applications in recent years, branch offices use traditional method in distribution of banking services.

Promotion
One of the most important element of marketing mix of services is promotion which is consist of personal selling, advertising, public relations, and selling promotional tools.

Personal Selling
Due to the characteristics of banking services, personal selling is the way that most banks prefer in expanding selling and use of them.

Personal selling occurs in two ways. First occurs in a way that customer and banker perform interaction face to face at branch office. In this case, whole personnel, bank employees, chief and office manager, takes part in selling. Second occurs in a way that customer representatives go to customers’ place. Customer representatives are specialist in banks’ services
to be offered and they shape the relationship between bank and customer.

**Advertising**

Banks have too many goals which they want to achieve. Those goals are for accomplishing the objectives as follows in a way that banks develop advertising campaigns and use media.

1. Conceive customers to examine all kinds of services that banks offer
2. Increase use of services
3. Create well fit image about banks and services
4. Change customers’ attitudes
5. Introduce services of banks
6. Support personal selling
7. Emphasize well service

Advertising media and channels that banks prefer are newspaper, magazine, radio, direct posting and outdoor ads and TV commercials. In the selection of media, target market should be determined and the media that reach this target easily and cheaply must be preferred.

Banks should care about following criteria for selection of media.

1. Which media the target market prefer
2. Characteristics of service
3. Content of message
4. Cost
5. Situation of rivals

Ads should be mostly educative, image making and provide the information as follows:
1. Activities of banks, results, programs, new services
2. Situation of market, government decisions, future developments
3. The opportunities offered for industry branches whose development meets national benefits.

**Public Relations** Public relations in banking should provide

1. Establishing most effective communication system.
2. Creating sympathy about relationship between bank and customer.
3. Giving broadest information about activities of bank.

**Selling of Promotional tools**
Another element of the promotion mixes of banks is improvement of selling. Mostly used selling improvement tools are layout at selling point, rewarding personnel, seminars, special gifts, premiums, contests.

**4.3 Development in Marketing Scope at the aspect of service Marketing**

Marketing scope develops day to day. These developments carry special significance for service sector in which customer and service producer interact closely.

**4.3.1 Internal Marketing**

Especially in service sector like external relations, internal relations also have significance. It requires finding and keeping successful personnel. For personnel of the organization to be considered their own goals and service situation, values of the organization are sold to them. The communication techniques carried out for customers are also performed for the personnel in internal marketing and this two techniques go together. For example, the ads that aim creating firm’s image should be prepared with regarding to audience which is composed of firm’s personnel.
4.3.2 Network Marketing

This approach takes the organization as a sequence which involves producer and customer that market services to each other in the organization. In this structure, the activities of departments that compose organization would be more focused on market. This will also affect the structure of organization.

4.3.3 Relationship Marketing

It was mentioned that close relationship was established between producer and customer in service sector. In addition to this, life cycle of a customer relationship was also mentioned under the product outline. According to the researchers, maintaining the relationship for extant customer increases the profit of firms. It should be emphasized that this fact has an importance for service sector.

Life cycle of a customer relationship is composed of three stages. At the first stage, firms try to be well known and to acquire new customers. At the second stage, the connection between customer and firm has been achieved. During the stage, firms intensified their activities on acquired customers and both of them promises mutually. At the third stage, these promises are accomplished and the service is consumed. During the stage, firms face “Reality Instants” which could possibly achieve satisfaction of customer and continuous relationship. This could be also true for second stage. So, these instants should be managed successfully.

Implementation of close relations with customer successively and true applications at reality instants could not be accomplished by responsibilities of a marketing personnel. Besides, it should be remembered that consumption and production of service are closely interrelated. At this context, marketing should have role not only in production-consumption between instants, but also at points that these intersect. In this case, 4P that was mentioned at second section would be insufficient. So, we could divide service marketing into two parts as specialist function (marketing mix, marketing researches) and marketing function (buyer-seller interac-
Efforts in first stage in which customers are not so clear, at the customer relationship life cycle could be minimized for lasting customers. This is achieved by successful customer relations. In this approach, marketing may be defined as; “Marketing is for establishing, keeping, developing relationship with customers in a manner that profit is got (especially in long term). So, objectives of two relevant sides would be achieved. This would be accomplished by shared promises and carrying out the promises.”

4.4 Trends in Marketing Strategy in Banking Sector

Indian banking sector historically passed through five stages: preindependence, postindependence, prenationalization, nationalization and post liberalization stages. In all these stages, other than the last stage, marketing was always considered not to be a banker’s cup of tea. But today, it is considered to be an integral management function in the banking sector. India’s banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Traditionally, Indian banks have not really paid adequate attention to marketing and market research. The paper focuses on the recent macro and micro trends in the marketing of the banking sector. The paper also develops the conceptual frame work in the form of model relating banks with each touch point of customer exposure. Finally, the paper ends with the conclusion that marketing services are not only for the survival but also needed for improving the efficiency of banking services and building a loyal customer base.

The banking sector is an integral part of the economy. Hence this sector plays a key role in the wellbeing of the economy. A weak banking sector not only jeopardizes the long term sustainability of an economy, it can also be a trigger for a financial crisis which can lead to economic crises. Majority of the banking institutions are now putting emphasis on marketing to make customer aware about the services and benefits offered by them.
Marketing is the crucial connection between banks and customers, no banks can expect to succeed without putting substantial investments in its marketing efforts. Banks nowadays are coming up with surprising and impressing ways to lure the customers and retaining their customer base. These days’ banks are focusing heavily on building long term relationships with their existing customers and thereby gaining new customers. Hence, relationship marketing becomes very important for the banks. It is concerned with mapping out all the touch point and evaluating what services are provided, by whom, and when, and how, and what is expected by customers.

Recent Trends in Marketing Strategies of banks

Traditionally, banks were seen as the holders of the money, which gradually changed their role as the creators of money. Today, the scope of banks has widened phenomenally, now the banks are seen as the purveyor of finance for the entire nation. A sound banking system is the lifeblood of any developing economy and it reflects the growth of the economy.

“Financial inclusion is a major agenda for the Reserve Bank of India (RBI). Without financial inclusion, banks cannot reach the unbanked. It is also a major step towards increasing savings and achieving balanced growth. Recently two conferences were held in Mumbai highlighting these issues; The Sixth Banking Tech Summit of Confederation of Indian Industry (CII) and another one organized by the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

Of the 6.9 billion people on the planet, just 30 percent (2.1 billion) have bank accounts while 75 per cent 5.2 billion people have mobile phones. “In India, only 200 million people have access to a bank account while 811 million have a mobile phone. For a population of 1.2 billion people, this translates into 68 per cent having a mobile phone and only 17 per cent having a bank account. The numbers speak for themselves: when it comes to reaching the ‘unbanked’ and extending financial inclusion for the larger population, mobile phone is the key,” said Wim Raymaekers, Head of Banking Market, SWIFT.”
Observing the above statistical data, it can be concluded that there is still an ample scope for the growth of banking sector. Hence, it requires sound and innovative marketing strategies to capture the untapped market

**Following trends have been observed in the marketing strategies of banks recently:**

1. Advertising remains the undisputed promotional tool for banks so far among the other promotional tools. Advertising, which includes direct mail, accounted for the largest share of marketing expenditures at 52 percent, compared to 58 percent in 2007. Public relations accounted for 27 percent of marketing budgets compared to 21 percent in 2007.

2. Consumer expectations are growing. With the increase in the education of the consumers, they are now demanding more and more value-added services and are ready to pay premium for it.

3. Mobile banking is the need for today. It has become the blessing for the consumers who don’t have the time to visit the bank personally. The biggest advantage that mobile banking offers to banks is that it drastically cuts down the costs of providing service to the customers. Also, service providers are increasingly using the complexity of their supported mobile banking services to attract new customers and retain old ones.

4. Social media is also a tool for marketing the banking services. Forty percent of banks used social media for marketing purposes in 2009. 29 percent used social networking (i.e., Facebook, Twitter, etc.). Facebook, used by 76 percent of banks, is the most popular among various social media outlets, followed by Twitter at 37 percent. The main reasons for using social media were for communication and competitiveness.

5. Due to increased use of technological bases has increased the operational efficiency of the Indian banks. By 2009, virtually all banks had embraced the Internet and most had websites. Marketer said
6. Marketing expenditure has witnessed the tremendous growth in last few years as the percentage of total banking expenditure. Despite the overall state of the economy and the banking industry, marketing expenditures were up in 2009. Nearly 60 percent of banks said they planned to increase their marketing expenditures in 2009, the same amount as in 2007. Most of the banks view marketing as a strategic driver for their business.

7. Focus on Incremental New Customer Growth: Instead of generating as many accounts as possible, banks will be focusing on the potential value of relationships including the likelihood of engagement and retention.

8. Gathering Email Addresses: With other communication channel cost increasing and the improved results achieved when email is combined with more traditional channels, the importance of collecting (and using) email addresses has never been more important.
With the increased competition and awareness about the banking sectors, customers are now becoming over demanding about the services offered. New and new trends are being witnessed now days. Banks have also realized that social channels need to be used differently in financial services than with retail or other industry verticals. As opposed to trying to find 'friends' of our brands, social media has been used most effectively for customer service (Twitter) and for the promotion of broad based public relations initiatives. No communication channel is 'free'. While email may seem like a far less costly channel to use for reaching customers, the lack of clear targeting and message development may prove costly as customer’s optout of future communications or simply ignore email messages. In my experience within the banking industry, email has not proven to be as good of a replacement for channels like direct mail as it has been a good supplement for improved results.
4.5 Swot Analysis of Selected Banks

4.5.1 Swot analysis of IDBI bank

Strengths of IDBI Bank

- The banks major strength is it involves latest cutting edge technologies to support its core banking operations.
- The bank has network of 943 branches and 1529 ATMs
- The total turnover of the bank is 3,37,584 crores in the last FY 2010-11, and earned a net profit of Rs.1650 cr.
- The bank has grown at a rate of 60percent compared to previous year.
- IDBI has the first mover advantage in opening ‘G-sec portal’. This is a platform for the retail investors to invest in government securities.
- IDBI is one of the largest commercial banks in India which focuses on industrial infrastructure and development.
- IDBI’s product portfolio includes 14 broad classifications, and there are some sub categories in each. The bank has customized solution faculties for its industrial clients.
- The location of its head quarters in Mumbai fosters the growth of the bank.
- IDBI’s subsidiaries are into capital market services, IT services, asset management and life insurance.

Weaknesses of IDBI bank

- IDBI has less penetration into the rural market.
- IDBI has very less number of branches and ATM network compared to other major players.
- It concentrates mainly on commercial banking services whereas the individual banking services is where the main revenue lies.
• The customer help desk is not performing efficiently and there are many unresolved issues of customers.

• The bank has lots of consumer complaints with respect to servicing charges.

• The bank lacks in promotional activities.

Opportunities for IDBI bank

• Scope for bagging government schemes are high as IDBI belongs to public sector.

• Global opportunities for IDBI are the rise as the management is keenly focusing on global expansion in next few years.

• They have a good number of financial expertise to face the emerging industrial and economic growth in India.

• It is the only bank in public sector which has enabled social media plug-in in its website. This has increased the brand awareness and better reach to its customers.

• The bank has good opportunities in semi-urban and Tire II cities areas as the industrial growth is taking very rapidly.

Threats of IDBI bank

• IDBI faces tough competition in terms of new market development due to competition from both government and private banks.

• FDI in Indian banking has been opened up to 74 percent by the RBI.

• In private banking HDFC, ICICI and in public sector SBI, Punjab National Bank, Andhra bank and Allahabad bank are the major competitors.

• The bank has to focus on improving the customer satisfaction in order to sustain the loyal customers.

• Recent scams and fraudulent activities of bank have gained mistrust from its customers and investors.
4.5.2 Swot Analysis of ICICI bank

Strengths of ICICI Bank

- ICICI is the second largest bank in terms of total assets and market share
- Total assets of ICICI is Rs. 4062.34 Billion and recorded a maximum profit after tax of Rs. 51.51 billion and located in 19 countries
- One of the major strength of ICICI bank according to financial analysts is its strong and transparent balance sheet
- ICICI bank has first mover advantage in many of the banking and financial services. ICICI bank is the first bank in India to introduce complete mobile banking solutions and jewelry card
- The bank has PAN India presence of around 2,567 branches and 8003 ATM’s
- ICICI bank is the first bank in India to attach life style benefits to banking services for exclusive purchases and tie-ups with best brands in the industry such as Nakshatra, Asmi, D’damas etc
- ICICI bank has the longest working hours and additional services offering at ATM’s which attracts customers
- Marketing and advertising strategies of ICICI have good reach compared to other banks in India

Weaknesses of ICICI Bank

- Customer support of ICICI section is not performing well in terms of resolving complaints are lot of consumer complaints filed against ICICI
- The ICICI bank has the most stringent policies in terms of recovering the debts and loans, and credit payments. They employ third party agency to handle recovery management
• There are also complaints of customer assault and abuse while recovering and the credit payment reminders are sent even before the deadlines which annoys the customers

• The bank service charges are comparatively higher

• The employees of ICICI are bank in maximum stress because of the aggressive policies of the management to win ahead in the race. This may result in less productivity in future years

Opportunities for ICICI Bank

• Banking sector is expected to grow at a rate of 17 percent in the next three years

• The concept of saving in banks and investing in financial products is increasing in rural areas as more than 62 percentage of India’s population is still in rural areas.

• As per 2010 data in TOI, the total number b-schools in India are more than 1500. This can ensure regular supply of trained human power in financial products and banking services

• Within next four years ICICI bank is planning to open 1500 new branches

• Small and non performing banks can be acquired by ICICI because of its financial strength

• ICICI bank is expected to have 20 percent credit growth in the coming years.

• ICICI bank has the minimum amount of non performing assets

Threats of ICICI Bank

• RBI allowed foreign banks to invest up to 74 percent in Indian banking

• Government sector banks are in urge of modernizing the capacities to ensure the customers switching to new age banks are minimized
• HDFC is the major competitor for ICICI, and other upcoming banks like AXIS, HSBC impose a major threat

• In rural areas the micro financing groups hold a major share

• Though customer acquisition is high on one side, the unsatisfied customers are increasing and make them to switch to other banks

4.5.3 Swot Analysis of HDFC bank

Strengths of HDFC bank

• HDFC bank is the second largest private banking sector in India having 2,201 branches and 7,110 ATM’s

• HDFC bank is located in 1,174 cities in India and has more than 800 locations to serve customers through Telephone banking

• The bank’s ATM card is compatible with all domestic and international Visa/Master card, Visa Electron/Maestro, Plus/cirus and American Express. This is one reason for HDFC cards to be the most preferred card for shopping and online transactions

• HDFC bank has the high degree of customer satisfaction when compared to other private banks

• The attrition rate in HDFC is low and it is one of the best places to work in private banking sector

• HDFC has lots of awards and recognition, it has received ‘Best Bank’ award from various financial rating institutions like Dun and Bradstreet, Financial express, Euromoney awards for excellence, Finance Asia country awards etc

• HDFC has good financial advisors in terms of guiding customers towards right investments
Weakness of HDFC bank

- HDFC bank doesn’t have strong presence in Rural areas, where as ICICI bank its direct competitor is expanding in rural market
- HDFC cannot enjoy first mover advantage in rural areas. Rural people are hard core loyal in terms of banking services.
- HDFC lacks in aggressive marketing strategies like ICICI
- The bank focuses mostly on high end clients
- Some of the bank’s product categories lack in performance and doesn’t have reach in the market
- The share prices of HDFC are often fluctuating causing uncertainty for the investors

Opportunities for HDFC bank

- HDFC bank has better asset quality parameters over government banks, hence the profit growth is likely to increase companies in large and SME are growing at very fast pace. HDFC has good reputation in terms of maintaining corporate salary accounts
- HDFC bank has improved it’s bad debts portfolio and the recovery of bad debts are high when compared to government banks
- HDFC has very good opportunities in abroad
- Greater scope for acquisitions and strategic alliances due to strong financial position

Threats of HDFC

- HDFC’s nonperforming assets (NPA) increased from 0.18 percent to 0.20 percent. Though it is a slight variation it’s not a good sign for the financial health of the bank
• The non banking financial companies and new age banks are increasing in India
• The HDFC is not able to expand its market share as ICICI imposes major threat
• The government banks are trying to modernize to compete with private banks
• RBI has opened up to 74 percent for foreign banks to invest in Indian market

4.5.4 Swot Analysis of AXIS bank

Strengths of AXIS bank

• Axis bank has been given the rating as one of top three positions in terms of fastest growth in private sector banks
• Financial express has given number two position and BT-KPMG has rated AXIS bank as the best bank with some 26 parameters
• The bank has a network of 1,493 domestic branches and 8,324 ATMs
• The bank has its presence in 971 cities and towns
• The banks financial positions grows at a rate of 20 percent every year which is a major positive sign for any bank
• The company’s net profit is Q3FY12 is 1,102.27 which has a increase of 25.19 percent growth compared to 2011

Weakness of AXIS bank

• Gaps – Majorly they concentrated in corporate, wholesale banking, treasury services, retail banking
• Foreign branches constitute only 8 percent of total assets
• Very recently the bank started focusing its attention towards personal banking and rural areas
• The share rates of AXIS bank is constantly fluctuating in higher margins which makes investors in an uncomfortable position most of the time

• There are lot of financial product gaps in terms of performance as well as reaching out to the customer

• There are many fraudulent activities involved in credit cards as the banks process credit card approval even without verification of original documents

• Their financial consultants are not wise enough to guide the customers towards right investments

• Customer service has to improve a lot in order to be in race with other major players

Opportunities for AXIS bank

• Acquisitions to fill gap

• In 2009, Alliance with Motilal Oswal for online trading for 10 million customers

• In 2010, acquired Enam Securities Pvt Ltd – broking and investment banking

• In Sep 2009, SEBI approved Axis Asset Management Co. for mutual fund business

• No. of e-transactions increased from 0.7 million to around 2 million

• Geographical expansion to rural market – 80 percent of them have no access to formal lending

• 46 percent use informal lending channels

• 24 percent unregulated money lenders

• Now number of branches increased to 1493 from 339.

• Last quarter there were 48 new branches opened across the Nation
• Since it’s a new age banking there are lot of opportunities to have the advance technicalities in banking solutions compared to existing major players

• The assets in their international operations are growing at a very faster pace with a growth rate of 9

• The concept of ETM (Everywhere teller machine) by AXIS Bank had a good response in terms of attracting new customers in personal banking segment

Threats of AXIS bank

• Since 2009, RBI has increased CRR by 100 basis points

• Increased repo rate reverse repo rate by 50 points – 11 times of late

• Increasing popularity of QIPs due to ease in fund raising

• RBI allowed foreign banks to invest up to 74percent in Indian banking

• Government schemes are most often serviced only by govern banks like SBI ,Indian Banks, Punjab National Bank etc

• ICICI and HDFC are imposing strong threats in terms of their expansion in customer base by their aggressive marketing strategies

4.5.5 Swot Analysis of SBI bank

SBI has its roots since 1806 which was later transformed under various names, finally SBI Was established after the act in parliament on May 1955. In the year 1959 SBI took over 8 state owned banks and since then it started to grow up carrying its heritage of servicing people at various economic levels.

Strengths of SBI bank

• SBI is the largest bank in India in terms of market share, revenue and assets.
• As per recent data the bank has more than 13,000 outlets and 25,000 ATM centres bank has its presence in 32 countries engaging currency trade all over the world

• The bank has a merged with State Bank of Saurashtra, State bank of Indore and the bank is planning to go further acquisition in the current FY2012.

• SBI has the first mover advantage in commercial banking service

• SBI has recently changed its vision and mission statements showing a sign of inclination towards new age banking services

Weakness of SBI bank

• Lack of proper technology driven services when compared to private banks

• Employees show reluctance to solve issues quickly due to higher job security and customers’ waiting period is long when compared to private banks

• The banks spends a huge amount on its rented buildings

• SBI has the largest number of employees in banking sector, hence the bank spends a considerable amount of its income in employee’s salary compensation

• In spite of modernization, the bank still carries the perception of traditional bank to new age customers

• SBI fails to attract salary accounts of corporate and many government sector employees salary accounts are also shifted to private bank for ease of operations unlike before

Opportunities for SBI bank

• SBI’s merger with five more banks namely State Bank of Hyderebad, State bank of Patiala, State bank of Bikaber and Jaipur, State of bank of Travancore and State bank of Mysore are in approval stage
• Mergers will result in expansion of market share to defend its number one position

• SBI is planning to expand and invest in international operations due to good inflow of money from Asian Market

• Since the bank is yet to modernize few of its banking operations, there is a better scope of using advanced technologies and software to improve customer relations

• Young and talented pool of graduates and B schools are in rise to open new horizon to so called “old government bank”

**Threats of SBI bank**

• Net profit of the year has decline from 9166.05 in the year FY 2010 to 7,370.35 in the year FY2011

• This shows the reduce in market share to its close competitor ICICI. Other private banks like HDFC, AXIS bank etc FDIs allowed in banking sector is increased to 49 percent, this is a major threat to SBI as people tend to switch to foreign banks for better facilities and technologies in banking service

• Other government banks like PNB, Andhra, Allahabad bank and Indian bank are showing

• Customer prefer to switch to private banks and financial service providers for loans and mortgages, as SBI involves stringent verification procedures and take long time for processing.
4.6 Social Media Framework for Indian Banking Sector

4.6.1 Introduction to Social Media

What is Social Media?

Social Media is “a group of Internet-based applications that build on the ideological and technological foundations of Web 2.0, and that allow the creation and exchange of user-generated content”.

The Social Media Phenomenon in India

Easy availability and cheap tariffs have boosted Internet adoption which in turn has played a significant role in the emergence of a completely new medium called “Social Media”. In India, 40 million use internet on the go on mobile handsets and 82 percent of these users use social media applications on mobiles. Increasing usage of smart phones in India and availability of social media apps on phone is encouraging more participation in social media networks.

![Internet Users Statistics](image)

Figure 4.2: Internet Users Statistics

With this magnitude of users present on the social media and exchanging views/thoughts/information ranging from “Current state of mind” to
“How they think things should be” day in and day out and open for the entire world to see/read/interpret and spread, it provides tremendous amount of customer information in terms of opinion/values/behavior/likes/dislikes out there on various social media platforms.

**Indian Banks and Social Media**

Indian Banks have started using social media in their regular operations in various capacities and are at different stages of maturity. As of April 2013, some private banks provide regular updates on the latest offers and allow basic customer operations through popular social media sites. A large private bank in India hosted Facebook application on its secure servers allowing balance amount check, cheque book request, stop payment, etc. Some of the private banks are using their Facebook page to provide customers, exclusive offers, product details and customer care services. With a few banks taking the lead, the direction is set for other banks to offer online financial services through such platforms sooner rather than later. ICICI Bank, HDFC Bank and Axis Bank are among the top 10 Banks with Social Media presence as per a survey by Financial Brand in July 2013.

Banks in India cannot any longer live in denial. There could still be a tendency to not use Social Media. Banks thinking on these lines may have to remember that their competition is already active on Social Media, thus threatening their own business.

**4.6.2 Illustrative Approach for Banks**

A comprehensive set of activities needs to be followed by banks for empowering the social media journey. At first, the bank should assess its positioning and define a specific strategy in social media space.

**Social Media Strategy**

Social Media becomes embedded in the fabric of the bank because it impacts many areas. It requires comprehensive strategy and approach to ensure consistent experience, reliable content creation, data governance and
• Identify the pilot business division(s) for Social Media Strategy based on bank’s vision and mission.

• Understand existing business goals of the division. Align with strategic goals of the bank and Social Media vision of the bank.

• After identification of existing business goals of the division(s), potential options of Social Media can be chalked out and thus a strategy can be formed.

• Discuss viability and attractiveness of options. This should also include definition of Key Performance Indicators (KPIs). However, measuring Return on Investment for Social Media channel should not be a factor as the benefits could be largely intangible (e.g. brand awareness, positive sentiments, more fans, etc) and could take a longer period.

• Develop a comprehensive Social Media Management Framework.

Social Media Management Framework

Social Media Management Framework has to be comprehensive covering all critical factors to build and scale social media capabilities.

The framework has six key elements:

1. Context
   Context includes external considerations such as regulations and competitive dynamics as well as the information a bank gathers through
its social media listening activities. It also includes internal priorities and initiatives.

2. Culture

Culture includes habits, behavior, ways of working and sub-culture within the bank. Banks that use social media collaborate well across and outside bank boundaries leveraging technology. Social media could be an aid for promoting Corporate Social Responsibility and community outreach activities.

3. Process

In addition to the processes that social media will support or impact, it is equally important to focus on the process of managing social media within the bank. Every bank must define cross-divisional processes for managing social media. Such common processes should include the following:

4. Metrics

Banks could define measurements for each line of business participating in Social Media. E.g. number of fans, likes, number of tweets, etc
5. People
To deliver its desired business outcomes, banks will need to identify the skills requirement to deliver the Social Media Strategy. Typical roles created or most impacted in banks using Social Media are across Executive Director (Champion), Operations (e.g., Marketing, Community Manager, Monitoring Analyst, etc.), Risk and Compliance (Chief Information Security Officer, Legal and Inspection team), Public Relations/Communication (Content Maker, Advertiser, Publisher, etc.), Information Technology (e.g., Listening Post Data Managers, Web Crawler Architects) and Human Resources (e.g., Recruiter, Social Learning Architect, Employee Community Manager).

6. Policies
Policies define acceptable, unacceptable, desired and undesired behavior among internal and external audiences including employees, contractors, vendors, customers, and prospects.

The number of social media sites is only increasing and each of the social media sites cater to different audience groups and serve different purposes. It is important for banks to understand the available social media platforms and where their customer base is before deciding on their social media presence. Some of the social media categories are:

**Social Networking Sites**

- These sites allow connecting people of similar interests and background.
• Allows banks to create online communication channels for sharing information and events with customers and engaging in conversation to builds relationships.

• Banks may position their brand on social network as an expert information source.

• May also be used for educating and training customers regarding products and services. Some of the popular social networking sites are Facebook, Orkut, MySpace, LinkedIn, etc.

**Blogging**

• Blogs are used for creating online communities where customers can seek out information and answers to their questions.

• An active, content-rich blog can take consumer trust and engagement to a new level.

• Bloggers produce content to post on their blogs and build social relations with their readers and other bloggers.

• Some of the popular blogging sites are Wordpress, Blogger, etc.

**Micro Blogging**

• Micro-blogging social media tools push short updates to subscribers.

• It can be used to start conversations and broadcast product updates.

• It is used to listen and resolve customer queries/issues in banking and financial world.

• It creates a vast online, viral, and word-ofmouth, which is optimal for establishing brand loyalty and monitoring reputation.

• Some of the popular micro blogging sites are Twitter, Tumblr, etc.
Collaborative Projects

- Allows people to add or edit the content about some particular topic, thus providing the information to everyone using the internet.
- Some of the popular Wiki sites are Wikipedia (MediaWiki), PhpWiki, etc.

Podcasts

- A podcast is a digital media having a series of video, ePub, PDF or audio radio files.
- Available through subscription or being downloaded through web syndication or streamed online to a computer or mobile device.
- Podcasts could be used for information dissemination, live updates, engaging staff

Content Communities

- Content communities are akin to social networks as one needs to register in a similar way, but unlike the social networking sites they are content specific.
- Most content communities are free to join and not specifically aimed at the business community. These could be used for brand promotion, engaging customer, etc.
- Some of the popular content communities are YouTube, Flickr, Instagram, Dailymotion, etc.

VirtualWorlds

- Massively Multiplayer Online Real-Life Games (MMORLGs), also called virtual social worlds, where the user can edit and alter their avatar at will, allowing them to play a more dynamic role, or multiple roles (e.g. Second Life).
- Gamification is an emerging trend to involve customers and provide product information.