

CHAPTER - III

**CONCEPTUAL FRAMEWORK  
OF THE STUDY**

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### 1] WHAT IS BANK ?

The origin word of Bank is traced to an Italian word 'banco'. Banco in Italian was used for conveying the expression of a 'Bench'. Then Jews used to sit on a bench and transact the business of money. Their trading in money was located on bench. The bench was used by a particular trader in money was the symbol of his trade. In Italy the bench of Venice was established for providing the debt to the public. The major part of political and economical was ruled by the Germany. This was the beginning of the bank. German used 'bank' later changed it into 'Banco'. The English were borrowed it and used term 'Bank', which has been now universalized. Indians have also derived the term from their English counterparts, which has now been adopted by the Indians as per own word. As authoritative definition of the term came for the first time from Walter Leaf who defined the term 'Bank' as " a person or corporation which holds itself out to receive from public deposit and payable on demand or by cheque". According to Horace White the term bank is a manufacturer of the credit and machines for facilitating exchanges. While Mackenzie has briefly defined the term business of banking as a dealing in money and instruments of credit. The bank is a financial institution where the primary services are rendered. In addition to this the secondary services are also offered to the customers. According the Banking Regulation Act 1949, section 5 (B) bank means accepting for the purpose of lending for investment of deposits of money from the public repayable on demand or otherwise and with-drawable by cheque, draft, and order or otherwise.

### 2] WHY MARKETING OF BANK SERVICES ?

As banks are the most important institution in the chain of financial system of any country it plays vital role in the financial sector not only in

terms of turnover, profit and employment but also its impact on all spheres of the economy. It has been said that satisfaction and expectations move together. With the changing scenario, the expectations and needs of the customers are also changing. Customers always expect benefits from bankers. Their loyalty is also changing very rapidly from one bank to another. In present days, bankers are now operating in a buyer's market where the customer is king. In the face of fierce competition, customer-oriented banking is taking much importance. The journey of today's bank has started from the 'desk-to-door step'. To find out the new target customers and to retain them with the bank for a long period of time by providing attractive services is becoming essential. In this regard, the future success of a bank depends upon identifying a new segment by recognizing new needs and designing new schemes to meet them at a profit to the banks. By adopting a better marketing approach, the bank increases the number of customers and the size of the deposits. It must keep in account that a successful banker must no longer guess his customer's needs and provide services which he hopes. In the changing scenario, banks have identified to provide world-class services. Banks are ready to world-class standard, ready to commit excellence in customer, shareholder, and employee satisfaction and play a leading role in the expanding and diversifying the financial sector. There are certain reasons due to which the marketing for banking services is increasing. The following are the four major sectors.

- The competition for customers.
- The incensement in sophistication of their customers.
- Ever changing use of technology.
- Increment in cost of meeting the customer needs.

In India, the bank began to realize the importance of marketing concepts as early as the 1970's. The 1<sup>st</sup> major step in the marketing was taken by the State Bank of India in the year 1972. It has created four major segments i.e.

- Agriculture

- Small Industries and Business.
- Commercial and Institutional
- Personal Services Banking.

In the year 1980, the Bank of India started thinking in terms of product development, market penetration, and market development.

### 3 ] MEANING OF BANK MARKETING.

The banking business of today is nothing but a marketing of banking services. The total meaning of word marketing with reference to banking can be conceptualized as under :

- a) The place where market is held ----- Bank itself.
- b) An assembly of people (buyers and sellers) ----- Banker and customer.
- c) An area of operation ----- command area.
- d) An act of buying and selling ----- Interaction between the banker and customer for selling banking services.

As usually the marketing is associated with the product producing industries. Yet banking which is belongs to service functions can develop its own marketing techniques which is differ in some details but basic would remains unchanged.

Generally the marketing in banking is the activity associated with :

1. Identification of current and potential, national and international, local and specific customer needs.
2. The development of and promotion of products and services that meets those needs of the customers.
3. To study the characteristics of sub group to understand the physical, economical, educational, financial heritage. To learn about the attitude, belief ethics so as to devise such banking schemes which would suit to the customer.

4. To disseminate the various information by various means for promoting the adoption of such schemes as are most suited to those for whom they are coined.
5. To maintain the continuous and uninterrupted flow of vital information to policy makers with the suitable suggestions as to how and in which directions the changes be introduced.
6. To conduct the marketing research continuously so as to gauge the change in social, religious, cultural and psychological values and also to advise the top management as to the likely impact on specific banking services expected during years to come in view of these changes.

Bank marketing is the creation and delivery of financial services to meet the customer's needs at a profit to the bank. There are two functions of bank marketing. They are 1. To mobilize the deposit 2. To attract the borrowers and user of the financial services. As there are two concepts of bank marketing i.e. Bank and Marketing. In a true sense it is an application of marketing principles in the banking services or conceptualization of marketing in the decision making process of banking organization. The concept of bank marketing is sufficient for the reason that customers are changing in terms of their wants, needs, desire expectation and problems. As a social institution the bank always needs to evaluate their offering in customer terms i.e. satisfying customer needs at a profit to the bank. According to Derek Mewyer of Barday, the bank marketing is identifying the most profitable marketer now and future assessing the present and future needs of the customer, setting the business development goals and marketing plans to meet them and managing the services and promoting them to achieve the plans. As marketing is always considered with the identifying the customer needs and determining ways to meet the needs in a view of profitable manner.

The marketing of banking means marketing of services is not a new. In the year 1856 the George Rae explained in the country bankers challenges of opening new banks and branches and also to adopt new ingredients of what

we are calling now as effective marketing. Banks are the custodians of the money of public. People always deposit their hard earned money for the purpose of commercial use in the banks. Therefore on the part of bank it becomes essential as well as an important that the services rendered by the banks should not only be effective but also should be efficient. The services rendered by the bank should be highlighted so that the customers can use fully them. Since the banks are service industry, it becomes necessary to have an understating of what services are wanted, needed and desired by the customers. A customer who in the past had a little knowledge about the role of banks in the economic development is now aware of the working of banks, its nature of services, its role in the overall development with including himself.

To adopt marketing of bank would be ensure creation of scientific and systematic business customs and practices where in the target group needs wants and intensions are fulfilled in every precise manner. And this would be achieved if we considers as to what needs to be done at (A) Operative Level (B) Policy Level .

A. Marketing at Operative Level (Branch Level) :

The marketing at Branch Level will aims at :

1. To create a customer.
2. To convert a customer into a client and
3. To continuously satisfy the needs of customers.

1. *Creation of customers :*

It is very important that the every branch should be take efforts towards the creation of customers from command area - which is called as an area of operation. For this purpose the survey of the customers may conducted. This survey should focus on the total population, their age, income, education and profession. By having this information the branch manager must try to attract the target group by chalking out the attractive schemes and snatching the attention of various potential customers towards the bank. To begin

with as it is immaterial as to what business comes to the branch so long as it succeeds in creating a banker - customer relationships i.e. the target person opens a bank account. The first target is thus achieved.

2. *To convert customer into a client :*

Once the banker - customer relationship is achieved the banker must try to evaluate as to how important that customer can be to the bank depending on his potentialities. This is important because the manager always spends their energy, time, efforts and money to optimize the utility with a view to converting a customer into a client. Yet when such linkage is established the principle of total faith and protection of his interest must always be maintained. Thus the information must keep updated at all times.

3. *Satisfying the needs of the customers :*

A customer of today is very demanding at it is virtually impossible to fully satisfy all his demands & needs. Therefore a bank must make policy to satisfy the customers needs. In a service industry, it is not always easy to set out satisfying levels yet an attempt is a made on following lines.

**B. Marketing at a Policy Level :**

1. *Marketing Research :*

Marketing research is the single most vital contributory factor that would make achieving of organizational goals into a reality. Especially this research work should be carried out by the private body. The finding could be free from any bias and will give true pictures. On this basis the new development of schemes, modification of existing schemes and evaluation of studies to gauge the impact of bank's policy would be possible. The research should be continuing one and the intelligence this collected must be processed on an ongoing basis. For all policy directions this should form the foundation.

2. *Identifying the Emerging Markets :*

A bank must precede the economic development of a place by maintaining the continuous contacts with the development agencies and to extend such places are under future economic growth plans of the government. The

central offices must also supply the information to the branches as and when the government draws a new specific new development plans. Thus at policy level the marketing strategy should be one of continuous vigil and quick action as and when an opportunity arises.

#### 4] **VARIOUS MARKETING ISSUES INVOLVED IN BANK SERVICES.**

The various marketing issue are involved in bank services are ;

1. **Product Development and Product Planning** : Which concentrates on creation of various bank deposit, loan scheme etc. Banks in fact are regarded as manufacturers and dealers in money and credit.
2. **Selection of Bank Location** : This factor is belongs to offering the right product to the right customer at right place at right price. Place or location management in offering the bank services play vital role in the marketing mix of bank services.
3. **Promotion** : We need personal selling in customer contact, development of bank accounts, development of depositors, business development, personal selling and so on. Similarly, the advertising plays an important role in marketing mix. The gifts, coupons, brochures, booklet describing bank services are the example of promotion tools in banking services.
4. **Marketing Research and Information System** : Good marketing decision area not made in vacuum. In bank marketing the marketing information system and research plays important role.
5. **Pricing, Communication and Channel Consideration**: These factors also influence the marketing mix in banking services.

#### 5] **CHARACTERISTICS OF BANK MARKETING.**

Marketing came into bank in the year 1950. It was not in the form of purely marketing concept but was shaded with it i.e. Advertising and Sales



promotion. In the year 1960, the attitude and conception of banker changed. Then, the dramatic changes took place in the year 1970. The year 1970 is known as great era of transition in the marketing field. The level of knowledge among the bank customers and the expectation of quality, variety, convenience and value aroused significantly. At the same time the development of information technology, computerization, its creativity, popularity brought a new era for the banks. During this, the automation has played much important role in the delivery is services via Automated Teller Machines (ATMs) and terminals. The death of tradition banking adoption of marketing these two concepts coupled with the changing and more varied goals of the banking industry. In the age of electronic banking the concept of marketing of bank services is required to be revised. In the light of features or characteristics of bank marketing we can focus on the following points.

They are as follows :

1. It is service Industry.
2. It includes the Banker - Customer Relationship.
3. Bank Marketing is Customer Relationship Management.
4. Bank Marketing is belongs to service marketing.

According to Prof. William. J. Stanton services means separately identifiable, essentially intangible activities that provides wants- satisfaction and are not essential tied to the sales of products or another services. While according to American Marketing Association services are activities, benefits, satisfaction which are offered for the sales or are provided in connection with the sales of goods or products. Services are those intangible tasks that satisfy the customer and industrial users when efficiently developed and distributed to chosen market segments. Philip Kotler explains the services as any activity or benefits that one party can offer to another party which must be intangible. Its production may or may not be tied to a physical product.

## 6] CHARACTERS OF SERVICES.

Services possess several unique features which not only create special marketing challenges as well as opportunities but also they offer results in different marketing problems. The features of services are as follows:

### A) INTANGIBILITY :

The services are intangible. Just like physical products we cannot touch, handle, smell or even move from one place to another place. It has not a physical object but has mental connotation. According to Carramman & Uhl, a buyer of products feels that they have a good opportunity to see, touch, hear, smell or take them before buy. But in the marketing of Banking services or other services we find hardly benefits. We have to concentrate on benefits and the satisfaction. A service by nature is an abstract phenomenon. Thus the intangibility makes it essential that bank professional improves the quality of their services and attempt to create quality gap.

### B) INSEPARABILITY :

Services are not separable. We first create the services and then it is being provided to the public. A service is inseparable from its nature and sources. Moreover, some services must be catered and marketed simultaneously. Due to simultaneous production and marketing of most services the marketer is always concerned with the creation of time and place utility. Inseparability often means that the direct sale is the only feasible channel of distribution and sellers services can be sold only in very limited market.

### C) HETEROGENEITY :

It is always impossible to standardize the output among the sellers of the same services or even to assure consistency in the services produced by the one seller. The quality of services offered by the competing firm cannot be standardized. Even the quality of the output sold by the one seller may not be uniform or standardized. E.g. the technician cannot offer equal quality of services, when he is repairing a no. of T.V Sets. Similarly it is very difficult to judge accurately the quality of services. The payment of the price for the

services and the quality of actual performance may not have correct correlation. The price paid for the services either may high or too low in relation to actual performance.

**D) PERISHABILITY :**

A service has a high degree of perish ability. The time element assumes unique importance. If services are not used today it will lose forever. It cannot store for long period of time. It cannot be carried out forward. Unutilized services are the economic losses. However there are some exceptions. In banking health & Life insurance the services are purchased then the Banking companies hold it until needed by the buyers or the beneficiaries. The product planning, pricing and promotional challenges are faced by service company executives due to its perishability nature and as well as fluctuating demand.

**E) INVOLVEMENT OF BUYERS :**

When the service takes place the silent relationship always exists between the buyers and the sellers. In production of services in the marketing the buyer plays vital role. It has been seen that the buyer place himself in the hands of seller and abides by the suggestions or advises provided by him. According to Prof. Warren. J. Writech many services organization are client serving organization many seems to approach the marketing functions in a more professional manner ( Financial, Legal, Educational ). E.g. many different firms need the combination of insurance coverage and the final policy may be developed after several meeting between the insurer policy buyer and agent. In shortly, the interaction of buyer and seller takes place continuously in the journey of production and distribution stage is a common feature of services.

**F) HIGHLY DIFFERENTIATED MARKETING SYSTEM :**

In generally, the marketer of a product has a marketing system. However there is no continuity for traditional channels for services.

## **7] SPECIAL CONSIDERATION IN MARKETING OF SERVICES.**

There are certain considerations that play vital role during marketing of services.

### **1. OWNERSHIP IS NOT TRANSFERRED :**

The ownership may not be transferred in case of services. When the buyer buys the tangible products just like motor cycle he takes ownership and control. But when he is being serviced there is no transfer of ownership of the adjustment made by the mechanic. In the purchase of service the buyer is always dependent on the seller until the service has been consumed.

### **2. APPEAL TO THE IMAGINATION IS NEEDED:**

As service cannot be expressed in advance the seller must appeal to the consumer's imagination in explaining its benefits or appeal to the consumer's ability to visualize a better state of being or a better future because of services.

### **3. PROMOTION IS THE FREE :**

In case of services the seller is free for making the promotion of services to its valued customers. Usually they spend a little on the advertising and sales promotion.

### **4. SERVICE PRODUCTS ARE EXPENSIVE :**

If the services are not enjoyed immediately then the economic value upon purchase may lose.

### **5. PRODUCTION AND CONSUMPTION ARE SIMULTANEOUS.**

In a marketing life insurance products the seller may try to create an image in the prospectus mind of the happiness of economic security provides or the financial benefits which are available in the future after purchasing the policy cover. In selling of tour to some faraway place a travel agent helps client to visualize the romance, fun, excitement of a trip to the exotic land. In the marketing of educational products the seller stresses the future benefits just like availability of jobs, scope, high pay, security etc.

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## 8] MANAGEMENT OF BANK - CUSTOMER RELATIONSHIP.

There is no doubt in that no. of factors influences the banking businesses but it is right to say that customer - bank relation plays an important role. The banker bears the responsibility of improving the relationship for that they should have in depth knowledge and behavioral science of the people. If the banker came to know that how to build, manage and monitor strong relationship with the customers then there is a golden chance of getting a plenty of business. But if we fail to do so we will suffer a lot from it. Generally speaking any one conducting a banking transaction with a bank s a bank customer. It could be an individual, a group, a firm, a company, a trust, an institution or government, semi government, local self- government organization.

The Bank - Customer relationship arises from the above services which are rendered to him by the banks. The relationship of customer to its bank may be of ;

1. Debtor - Creditor
2. Creditor - Debtor.
3. Bank as a Trustee.
4. Bailer - Baillie Relationship.
5. Agent- Principal Relationship.(Bank is Agent - Customer is Principal).
6. Lesser - Lessee (Bank is lesser - Customer is Lessee).
7. Bank as a Consultant.
8. Trustee - Beneficiary (Bank - Trustee & Customer is Beneficiary).

Relationship management is needed by the banker. It is much significant to those customers who always influence the business of a branch substantially. The banker must develop the personal relationship when they think about investment. No doubt that the relationship management will play an important role in the future. It is important task before the banker is to win and keep or retain the profitable customers. But this is possible when the customer will get better treatment. At the same time it is important that the bank branches should prefer to

concentrate on the existing profitable customers of key customers instead of getting new unprofitable customers.

Here are main steps in establishing a relationship management.

1. Identify the key profitable customers for relationship marketing. The bank branch is free to choose a few key customers from general and industrial categories. And then they may be designed for the relationship management.
2. Assign a skilled relationship manager to each key customer for special treatment.
3. Develop a clear job description for relationship manager who are supposed to collect, important information of key customers. For this, the relationship manager is the responsible foal the types of information about the client and as he is considered to be a mobilize of banking services.
4. Appoint overall manager to supervise the relationship manager. This manager would develop job description, evaluation criteria and resources support so as to increase the effectiveness of the performance of relationship manager.
5. Each relationship manager must as well as is free to developing long range and annual customer's relationship plans. The annual relationship plan would state clear objectives, strategies and specific actions.

## **9] RELATIONSHIP MARKETING.**

If we want to know when and how he relationship marketing should be used. Of course the answer may come from Barbara Jackson. According to him, relationship marketing is not effective in the all the situation but definitely effective in the right situation. Always we find relationship marketing extremely effective with right kind, right type of customers those who are heavily committed to a specific system and expects consistent and timely services. For relationship marketing it is not essential that customers

in the entire situation and for all the purpose pay special charges for the special services which they get. Even the general customer is also expects good relationship with the banker. This is due mainly to the fact that the banking business is totally depends upon the pillars of customers services. This makes essential that the banking organization are interested in increasing the market share and excelling the competition and additional attraction to their services mix and makes their services a bit distinct to their competitors. If the public sector, commercial banks assign due weightage to the relationship marketing, we find possibilities of getting the snatched business and more so the possibility of retaining the profitable business.

The aforesaid fact discloses that in the banking services the relationship marketing would continue to play an incremental role since this is likely to improve the quality of services.

#### **10] THINGS AFFECTING RELATIONSHIP.**

Theodore Leavitt in his contribution, the marketing imagination focuses on things affecting relationship. He opines that in the banking services, the main stress should be given towards the improvement of quality of bank customer relations. For this purpose we can divide the problems into 2 categories. They are general customers and the profitable customers. The general customers of a branch in face - to - face communications especially with the front line personnel should be assured decent behavior by the bankers. Whatever they are facing the problems, the manager should try to solve the same. The profitable customers are those who expect from you the better qualitative services, therefore the relationship marketing is found very much effective in influencing and retaining them. It makes essential that being a manager you must have an idea of key or profitable customers in your command area and you yourself or with the support of your dedicated and efficient team by to develop a rapport with them. You should not forget that whatever you spend to influence them should help you substantially. Therefore we can expect more from branch managers. If they are well

acquainted with the knowledge of relationship management, the profitable customers would only not be influenced but would also continue for the years to years to come. You spend less but get more. You spend nothing and get nothing.

## **11] KEY ISSUES IN BANKING MARKETING SERVICES.**

On the part of banking business Organization, it is important that the quality of service should be improved as well as reviewed. Let us focus in certain key issues found pertinent to initiate transformation in the perception of customer services.

### **1. TECHNICAL DIMENSION :**

Technically sound services in a natural way always attract the customers. In the banking sector, the emphasis is on arithmetical perfection of transactions. If the bank branches fails in presenting to customers a clear picture of their accounts, the customers naturally remains dissatisfied. Even it is very strange to mention that even in the present age of information technology a no. of branches especially public sector commercial banks make delay or fails in making available the data and to make a clear picture to their customers. In this way the technical dimension is important part of customer services

### **2. EFFICIENCY DIMENSION :**

Expectation of efficient, quick and prompt handling of transactions from bank is the primary right of each and every banking customers. Since the entry of foreign and private commercial banks and their offerings quickest and efficient, effective services to their valued customers, a change in perception of customer satisfaction cannot rule out. Till yesterday the expectations of the bank customers from bank were limited but in today's era we find their expectations at peak point. Of course, this makes an essential that the banking organization assigns the due weightage to the efficiency dimension and the bank manager performs intelligently so that the customers get the desired services.



### **3. BEHAVIORAL DIMENSION :**

The behavioral dimension cannot be ignoring as a key issue in customer services. Even though it cannot be neglected in banking sector. It is very natural that the customer always expects from the banker the decent behavior. On the other hand we find banking services stands on the pillars of the customer services, while banking professional taking the banking related problems very casually. When the customer goes to the bank for withdrawing their own money, the banker thinks that by paying the money of customer they or obliging. This route - and - branch cause of the existing degeneration in the process of perception of customer services. This always draws the attention on the behavioral dimension and management of bankers. Therefore all most all banks at all level all branches need to perceive that the business of those banks also keep behavioral dimension at the bottom of their operational agenda would present a very disappointing result. The front line personnel in personnel area are required to feel that by denying to the customers decent behavior, they are endangering their own interest.

### **4. INSTRUCTIONAL OR ADVISORY DIMENSION :**

In services there is a policy if you serve more, you will get more. If you let customer know the investment plans helping the earning more interest a sense of confidence and personnel relationship develops among them that they definitely helps the banker in getting more profitable business in the future.

### **5. AFTER SALES SERVICE DIMENSION :**

The banks sell the promise. As and when a new person opens new bank account in their bank automatically he becomes a valued customer of the bank. The various promises regarding various banking services are to be delivered to the customers. In providing the services if we fail then the breach of trust definitely takes place. In this way there should not be any gap between the promises and the offerings of the delivery. The process should be continuing without any type of gap.

## 6. CUSTOMER AMENITIES :

In addition to above dimension it is also essential that the banking organization think in favor of increased amenities and facilities to the valued customers. Such as a reception, enquiry counter, sitting lounge, complain redresses box, sanitations, conditioning of temperature, water facilities or so. We should not forget that all the peripheral services would add additional attractions to your services mix and the customer would get motivated.

Thus aforesaid facts makes it clear that banking organization need to assign due weighatge to the customer services. Since this would help them not only in winning the customers but also in keeping the business for the years to years to come.

## 12] MARKET SEGMENTATION FOR THE BANKS.

Since the very beginning of marketing the market segmentation has been practiced to get an effective result. The markets are heterogeneous rather than homogeneous. Therefore segmentation makes possible tailoring of products and marketing programs uniquely which is suitable from each segment. For getting positive response in a market it is pertinent that marketer is well aware of the different components of segmentation. The term segmentation refers the method, technique of dividing, sub dividing the market into different and small segments. The main purpose behind dividing, sub dividing the market into group, sub group is to convenient to identify changing needs and requirements, likes and dislikes and the behavioral profile. Of course, it is important to mention that no two buyers are found identical in all respects. However, there are certain features shared by the large group. Thus the segmentation is the process of understanding the market in right perspective which always leads towards the formulation of creative marketing strategy. The market segmentation is an effort to achieve the most efficient and effective as well as productive use of marketing resources. Regarding banking sector the segmentation helps them in reaching the customers. The role of segmentation in banking is to help the

professionals in touching the target within the stipulated time and budget. Through the segmentation of market once if we reach at right place the target prospects can be transformed into habitual customers. To be more specific in the banking sector services the bank professionals are always requires satisfying the customers of different segments such as rural, urban, semi rural, semi urban, high, low income group of incomes. It is very natural that the expectations of all the types of segment cannot be equal or uniform one. This induces the bank professionals to adopt such a type of strategy that helps them into identifying the expectations and satisfying the customers of diverse segments. If the segmentation is right then the task of satisfying customers easily, accurately, fantastically. In views of aforesaid views of marketing experts it is studied that market segmentation is the grouping or division or sub division of markets. With a more pragmatic approach we can mention that it is the game of divide and rule. By segmenting the market, we identify them we divide them. And once if we divide them we rule them. And once if we rule them then our game of touching the target completes and automatically we get victory in the securing the market. The segmentation is just like a tool or device which helps the marketer in formulating a sound marketing policy, programme, mix which gets positive response. Almost all the organizations have been found marketing segmentation and even the banking organization also must attempt to segment with a motto of identifying the level of expectations of each and segment so that strategic decisions makes marketing efforts more proactive.

### **13] PURPOSE OF MARKET SEGMENTATION :**

It is always questions arise regarding the purpose of segmentation. Regarding this the experts clarifies that ;

1. The segmentation always provides the guidelines to the appropriate amount of promotional attention and money to the potentially profitable segmentation of his market.

2. It is very important to design a product line that truly match the demand of market instead of one that bulks in some areas and ignores or scan other potentially quite profitable segments.
3. It is the to catch the first sight of a major trend in a swiftly changing market and thus gives professional time to prepare to take advantages of it.
4. It is a correct timing of advertising and promotional efforts so that they are massed in the weeks, months, seasons when selling resistance is least and responsiveness is likely to be at its maximum.

#### **14] IMPORTANCE OF SEGMENTATION TO BANKING SERVICES.**

Like other goods manufacturing and services generate organization. In the development of business organization the market segmentation plays important role. If the market segmentation in banking services is done in right manner then it is easier to bank professional to formulate a strategic marketing plan. This always simplifies the task of professional towards the increment in marketing share Vis - a - Vis excelling the competition for the bank. This initiates the banking professional to implement qualitative improvement in marketing programme, marketing policy. The marketing segmentation is found active in formulating a sound marketing strategy. It also acts as an instrumental in exploring the marketing opportunities, helpful in formulating a strategic plan and optimal budget and to enrich the marketing resources. It is right to mention that marketing without segmentation is very difficult task. The strategic plan is to design in the face of results which receive from the different segments. The bank professionals always bear the responsibility of translating the plans into an action and for that the formulation of marketing strategy is very important. The segmentation based strategy would be generating the continuous positive results since the bank professional would attempt to motivate the customers of various different groups in tune with their expectations. In this way, the

segmentation always simplifies the task of bank professionals and they find it easier to market not only for present period but also serve as a good for the future. It is natural that the strategic decisions are substantially influenced by the social transformation process. A change in segmentation strategic decisions cannot be ruled out if we find society is well educated, advanced. The opportunities help the marketer in formulating a sound strategy and the market segmentation is done with the motto of identifying the opportunities. The need, the requirement, preferences, likes and dislikes, attitude cannot remain static and therefore the expectations are ever-changing, specially influenced by the level of discretionary income. The market segmentation in banking sector finds out varying a particular specific need of different types of customers. The segmentation helps the banking organization, professionals, and policy makers in making an attractive package of different services / schemes so that the task of excelling competition is simplified considerably. The bank professional need to identify the emerging trends so that the strategic decisions are being innovated and the necessary steps are to be taken. For the development of organization it is also essential that marketing resources are generated and used optimally so that the required strength is injected and the non optimal uses of marketing resources are controlled. Thus almost all the banks senior executives and the policy maker bear the responsibility of identifying the magnitude of problems and adopting the appropriate measures. This simplifies the task before the operational apparatus.

#### **15] SEGMENTATION STRATEGY.**

A Strategy for segmenting the market is found significant to make the segmentation process more effective. Therefore the banking organization needs to select a strategy which is most useful and helpful to them in marketing successfully. There are three types of strategies for the segmentation which are namely ; 1. Mass marketing or undifferentiated

strategy. 2. The selective Marketing or differentiated strategy. 3. Niche Marketing or concentrated strategy.

Mass Marketing or Undifferentiated strategy is a type of strategy where the seller sales a single product / service to the entire market. In this type of strategy we find low cost of product since it is based upon the economies of scale i.e. on the large scale economies which makes possible to adopt a price structure which is low and uniform. Such a segmentation strategy is always better and suitable for organization having a mass market. It also focuses on what is common in the needs of the buyer rather than on what is different. On the other hand selective Marketing of undifferentiated strategy refers the different strategy preferred by a no. of organizations. This is adopted by a no. of organizations where no. of products and services are sold to selected market segmentation in order to increase the overall sales. In differentiated strategy the cost is higher one than in the mass marketing. The Bank organizations are also finds differentiated strategy into segments. In the context of certain services the response of the market may be varied like term deposit of different maturity or a mix of different deposit scheme. The impulse buying of the customer is influenced by the salient feature of the concerned services. Hence the purchasing power and the spending power are found insignificant. In this way the banking services for the undifferentiated market we do not need a specific or a particular marketing mix. Since the competition is found increasing, the banking organizations have found launching different no. of services or schemes in tune with the changing the potential and requirement of different segments.

Third one is concentrated of niche marketing. The concept itself denotes sub segmentation of the market on the base of age, sex, education, income. This strategy is possible where the market is small one. This strategy is always adopted by the smaller companies.

Thus the above facts focuses on that segmentation strategy especially for banking services, the selective or differentiated marketing strategy is most beneficial.

## 16] CRITERIA FOR THE SEGMENTATION.

Segmentation in a right fashion makes the way for profitable marketing. This helps the policy planner in formulating and innovating the policies and at the same time also simplifies the task of bank professional in formulating and innovating the strategic marketing decisions. The banking organizations also segment market and for the same they are supposed to assign due weightage to the criteria just like economic system –

Agricultural sector

Industrial sector.

Service sector.

Which contribute substantially, the house hold sector where the different levels of income, the institutional segment where we find different kinds of business, industries and institutions.

## 17] STAGES OF SEGMENTATION.

While segmenting, it is essential that the bank professionals are familiar with the different stages to be covered for the right segmentation since this would simplify the task of serving the marketing efforts vis - a - vis would make the business profitable

Here are the some important steps for the segmentation.

### 1. Conducting Research :

The process of segmentation always starts with the research stage. The research always analyzes the market to identify the group of customers within the overall the market also shares the similar needs. The researches always answer to this question and therefore the bank professionals bear the responsibility of intensifying the research.

### 2. Identifying the Profitable Segments :

After completion of research work the professional of bank comes to know most buyers or most profitable buyers.

### **3. Establishing the Positions of their Services/ Schemes :**

This is the 3<sup>rd</sup> stage in the segmentation process. The product position is found different in both categories of banking organization i.e. public sector commercial banks and the private banks.

### **4. Tailoring the Marketing Efforts :**

This stage of segmentation is belongs to channelizing the marketing efforts in the face of needs and requirement of profitable segments. Since the bank professionals are aware of the potential customers and they know about their expectations.

### **5. Target Market are Identified :**

Finally, the target markets are identified. The Development of marketing resources in tune with the expectations of target market solves the task of satisfying the customers since they find the services in tune with their expectations. Now the bank professional would attempt to sort out untapped prospects.

## **18] EFFECTIVE SEGMENTATION.**

The bank policy and decision maker bears the responsibilities of segmentation effectively. In processing the marketing activities, of course there are number of steps and stages but of all we find segmentation significant since right segmentation simplifies the task of policy planner vis - a - vis makes the marketing efforts sensitive. An important task before the bank policy planner is to have effective segmentation which makes the way for an optimal utilization of the marketing resources. This makes it essential that the segmentation has a measurability which is meant the quality of measuring the scale. The second property is accessibility which is meant out easy access to the prospects or customers. The third is one substantiality which focuses on availability of prospects or customers in a good no and the last one is actionability, which throws the light on instrumentally of efforts so that the whatever the operational apparatus we develop are competent



enough to discharge the functional responsibilities within the stipulated time and the budget.

## 19] MARKETING MIX FOR BANKS.

Marketing mix is one of the most important components in the modern marketing theory. In practical manner, the marketing mix is always considered to be a core of marketing. Marketing mix is the set of elements, attributes with which firms use, pursue its marketing objectives in the target market. Marketing mix is always acted as a second element in the formulation of marketing strategy so as to satisfy the needs of the target group of the customers. This should involve the decision regarding products, prices, promotion, place which would answer the question about the decision of the services offered to suit customers needs, the hours of such service offering, the attractive name of such services and so on. Recently banks are in a period that they earn money in serving the beyond selling money. The prestige is a get as they offer their services to the masses. Like other services banking services are also intangible. Banking services are about the money is different types and attributes lending, deposits and transferring procedures. These intangible services are shaped in contacts. The structures of banking services affect the success of institutions in long term. Beyond this the basic attributes like speed, accuracy, security and ease in banking services, the rights like consultancy for services to be compounded are also preferred. The price which is important component for the marketing mix is named in the base of transaction exchange that it takes place. It is important that the banks must estimate prices of their services offered. The 'price' in the banking has names like interest, commission and expenses. While marketing mix elements affects the sales volume compare to prices, but price definitely affects the both profit and sales volume directly. Therefore the banks should be careful in determining their prices and price policy.

**1. Product Mix :** Product are the means by which the organizations satisfy the consumers needs. The elements of the product mix that the marketer can

control includes brand image, quality levels, styling, special design features, packaging, range of sizes or options used in the product development. The product may be either tangible or intangible.

**2. Place Mix :** Place is also known as channel, distribution or intermediaries. It is the mechanism through which goods or / and services moves from the manufacturer / service provider to the user or the consumers. In generally the place mix includes Location, Accessibility, Coverage, Channels.

**3. Price Mix :** pricing is the most crucial 'P' of Marketing because it determines the revenue that the company earns. The pricing has a several components. This mix includes usually cost, competition, objectives the discounts, payments terms, credit terms etc.

**4. Promotion Mix :** Another one of the P's is Promotion mix. This includes all the tools available to the marketer for "Marketing Communication". The promotion is vital for any business. The promotion tools include advertising, publicity, personal selling, and direct selling.

**5. People Mix :** An essential ingredient to any services is the use of appropriate staff and people. The recruiting the right kind of staff at right place and to train them in an appropriate manner so as to deliver their services is essential if the organization wants to obtain a form of competitive advantage. The consumers make judgment and deliver perception of their services based upon the employee's interaction. The staff also should have a perfect interpersonal skills, attitude and service knowledge to provide services that consumer are paying for. The elements of people mix are services, Employees Training, Initiatives, appearance, Interpersonal behavior attitude, customer contact, customer interaction.

**6. Process Mix :** Refers to the system used to assist the organization in delivering the services. The process mix always includes policies, procedures, system, use of technology, Customer involvement. Customer direction, workflow standards, Employee discretion, Quality control.

**7. Physical evidence Mix :** Where is the services is delivered ?. Physical evidence is the inseparable part of the service mix which allows the consumer

again to make judgment on the organization. Physical evidence is the material apart of the services. Strictly speaking there are no physical attributes to services so a consumer tends to rely on material cues.

## **20] CUSTOMER SATISFACTION.**

Satisfaction is a person's feeling or pleasure or disappointment resulting from comparing a products perceived performance in relation to his or her expectations.

As the above definition makes clear that the satisfaction is a function of perceived performance and expectations, if the performance falls short of expectations the customer is disappointed. If the performance matches the expectations then it is called as a satisfaction at a part of the customer is satisfied. And if the performance exceeds the expectations then the customer is highly satisfied or delighted. The customer satisfaction is a significant issue for the most marketers. It is mostly theoretical as well as practical issue for the marketer and the customer researcher.

## **21] THE CUSTOMER OF A BANK.**

There are two categories of customer who use the services of bank. They are Organizational and general. However, both categories of customers are substantially influenced by the decent behavior of the banks.

## **22] DETERMINANTS OF CUSTOMER SATISFACTION.**

Customer satisfaction is generally described as a full meeting of one's expectation. Customer satisfaction is the feeling or attitude of a customer towards a products or services after it has been used. There are many attachments of customer satisfaction as the dimensions underling satisfaction is global rather than specific. The satisfaction always compares and evaluates the product or services expectations.

### 23] SERVICES IN BANKS AND CUSTOMER SATISFACTION.

Bank is a service institution. A satisfied customer is always a central point as well as sources of publicity of the bank. Each employee always act as a representative of the bank and therefore bank's image is being passed onto the customer through the services be rendered. To compete efficiently in the market, the banks always required competing companies and their products or services offerings. Even some times these differential advantages may be in the terms of distinctive product attributes or related benefits as perceived by the customers.

### 24] CUSTOMER SATISFACTION IN 7 STEPS.

It is well known that business cannot exist without customers. Customer services are close to the customer satisfaction. There are some tips that will make your clients feel valued, wanted and loved.

1. Encourage face to face dealing.
2. Respond to message promptly and keep your clients informed.
3. Be friendly and approachable.
4. Have a clear defined service policy.
5. Attention to details.
6. Anticipate your client's needs and go out of your way to help them.
7. Honor your promises.

Let us discuss the above elements in detail:

1. **Encourage face to face dealing:** This is the most important scary part of interacting with the customer. If you are not used to this sort of thing it can be pretty nerve wracking experience. So it is important meet your customers face to face at least once or even twice during the course of project.
2. **Respond to message promptly and keep your clients informed :** On the part of bank professionals it is important tool for satisfying the customers. As earlier we have been discussed that the customer always expects from the bank. He expects nothing but a good and

qualitative service. He also expects that he should be well informed about the services, information, circulars from time to time in the banks. It is the prompt duty of branch managers to keep inform message promptly and by doing this the customer should be satisfied. This encourages & built the relationship between bank professionals and the valued customers.

3. **Be friendly and approachable** : This is the most and should quality among the bank professionals. The friendly approach with the valued bank customers always leads towards the retaining the customers with the bank for longer period of time.
4. **Have a clear defined customer service policy** : This should be clearly defined customer services policy. This service policy saves your valuable time and efforts in the long run. Unless you chalked out the service policy you cannot go for implementing the same. You must have clearly defined, easy to access, simple to understand the service policy of bank to the customers.
5. **Attention to details** : Attention to details of the customer is also plays vital role in the satisfying the customers. The little things like hobbies, date or birth, festival on this occasion you can sent greetings, sms. This can lead that customer will feel that you are caring & paying attention. They feel welcomed, wanted and valued.
6. **Anticipate your client's needs and go out of your ways to help them** : Anticipation in demand of customer is the main task on the part of the bank professional. Try to find out what are the actual needs, wants, like and dislikes by making general questions to the customers. Through this you can chalk out new service policy and then they can improve it.
7. **Honor your Promises** : When you promises something, you try to honor it, deliver it.. When you promise about the services to the customers, it is oblige on the bank professionals to offer the same.

Customers do not like to disappoint that the bank branches as well as bank professional should honors their services.

## **25] CUSTOMERS SATISFACTION AND THE SERVICE QUALITY.**

As earlier we have discussed that there is a direct relationship between the customer satisfaction and the quality of services which is available to the valued customer of the bank. As service is an intangible factor the belief, attitude, satisfaction toward the service provided by the banker may be different from person to person. Today's banks can look back with satisfaction by having responded effectively the challenges put before them from time to time. In the changing banking scenario of 21<sup>st</sup> century the banks have to change, to have a strong identify to provide world - class services. The banks now have to be a world class standards committed excellence in customers, shareholders and employees satisfaction and have to play a leading role in the expanding and diversifying financial sector. The banks have to change their thinking, have to put the new innovations in the field of banking and the customer satisfaction should be on the top priority. It is always true that 'customer - crown prince of today and Monarch of tomorrow. As the bank marketing is the creation and delivery of financial services, which is suitable for the respective customers, it is also important to focus on the customer satisfaction. Improvement in the technology, increasing needs of customers from the bank always servicing the customer in appropriate manner. Service quality is about meeting the customer need and requirement and how well the service levels delivered matches the customer expectations. The service quality in banking implies consistently anticipating and satisfying the needs and expectations of the customers. According to Berry and Parashuraman highly quality services gives credibility to the fields of sales force and advertising stimulates favorable word - of - mouth communication, enhances customers perception of value, boost up morale and loyalty of employee and customers alike. Parashuraman et al developed an instrument called Servqual for assessing the customer perception of service

quality in service organization. They gave a distinction between service quality and the satisfaction by saying that perceived service quality is a global judgment or attitude relating to the superiority of the services. But satisfaction is linked to a specific transaction. It can be used in assuming the customer expectations about and perception of services quality delivered by the different banks. In a nut shell, customer perceived service quality is based on five factors. They are as

- Core services / service contents.
- Human elements of service quality.
- Non human element of services dealing
- Tangible of services
- Social responsibility.

In order to service in the fast paced dynamic environment, now banking firms are putting more stress on key success drives like better utilization of resources, process of delivery, quality services to the customers and performance of bench marketing.