
CHAPTER –III

*Marketing of Banking
Services*

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3.1) EVOLUTION OF BANK MARKETING:

Before the mid 1950s, bank had not realised the importance of marketing. Marketing came into banks in the late 1950s, not in the form of marketing concept but in the form of the 'advertising and promotion concept'. After 1960s, bank attitude and comprehension towards marketing changed. Bankers were beginning to understand the concept of market segmentation in the late 1960s.

The bank marketing profession changed dramatically in 1970s. Marketing positions in banks were created and marketing was conceptualised as an organizational imperative.

Before nationalisation of banks, banks were even more conservative and inward looking, concerned with their profits. As a matter of fact, competition was not in existence and so banks had a limited range of services which included current accounts, time deposit accounts and saving bank accounts in deposit area. In the area of advances, limits were sanctioned on the basis of security by way of lock and key accounts and bills purchased limits, their miscellaneous services included insurance of drafts, collection of outstation cheques, executing standing instructions and locker facility at few centres. It was the phase

of selection of banking and even the communication through the media was looked down upon with contempt on something against the tenets of banking culture.

After nationalisation of 14 major commercial banks in 1969, banks woke up from their splendid isolation and found themselves placed in a highly competitive and rapidly changing environment. As a result, banks' approach towards customers and market underwent a change and focus was gradually shifted to marketing their products. Banks were product-oriented organizations, placing before the prospective customer their range of services, expecting him to choose, presuming that the customer had the knowledge, time, interest and skills to pick-out the service that would suit to him.

The first major step in the direction of marketing was initiated by State Bank of India when in 1972, it reorganised itself on the basis of major market segments. Further, planning was separated from the operation and in addition, posts of Development Manager for each segment were created for providing necessary expertise to the operating functionaries in their respective market segments for better market penetration and developing strategies.

Again in 1973, State Bank of India emphasised four requirements -

- 1) Appreciation of the changing environment
- 2) Fulfilling the needs and aspirations of the people.
- 3) Alertness to opportunities and
- 4) Effective communication with the potential customers.

In 1974, the environment became more demanding with the emphasis on mass banking and analysing of credit into priority areas and lendings at differential rates of interest to the weaker sections of the society. Around this time, bank picked up the word 'marketing' and it was related to two major components of marketing i.e. product and promotion, the other two price and place were highly controlled by central banking authority. Now bank began to offer 'profit', 'security', 'regular income', retirement benefit, money for marriage of the daughter, provision for the education of growing children.

In 1980s bank realized marketing as a product development, market penetration and market development, banks also accelerated the process of equipping their staff with the marketing capabilities, in terms of both skills and attitudes through internal and external training interventions.

3.2) MARKETING CONCEPT IN BANKING INDUSTRY:

Marketing concept signifies a dramatic change in the approach of organizations towards their products and customers. In marketing, attention is focussed on producing such goods which are wanted by customers

rather than selling whatever goods have been needlessly produced. The starting point for the discipline of marketing lies on human needs and wants and their fulfilment by providing them such a product which would satisfy the customer needs.

'Marketing is the set of human activities directed at facilitating and consumating exchanges' - Phillip Kotler.

Marketing concept represents a management philosophy directed at determining customers wants in order to satisfy them - Hor Hey.

Marketing is -

- 1) Identifying the most profitable markets now and in future.
- 2) Assessing the present and future needs of customers.
- 3) Setting business development goals and marketing plans to meet them.
- 4) Managing the various services and promoting them to achieve the plans.

Initially, marketing was associated with consumer products. However, the concept was subsequently accepted by the organisations dealing in services also.

Customer service in banks means satisfying the needs of customers at the right time and in a right manner. Customer service includes giving expeditious

assistance, explaining various policies and not losing one's balance and patience. Important to customer service in banks are the systems and organisational arrangements as well as the characteristics and behaviour of employees and customers.

The concept of bank marketing is significant for the reasons that bank customers are changing in terms of their wants, needs, desires, expectations, and problems.

3.3) THE NEED FOR MARKETING APPROACH:

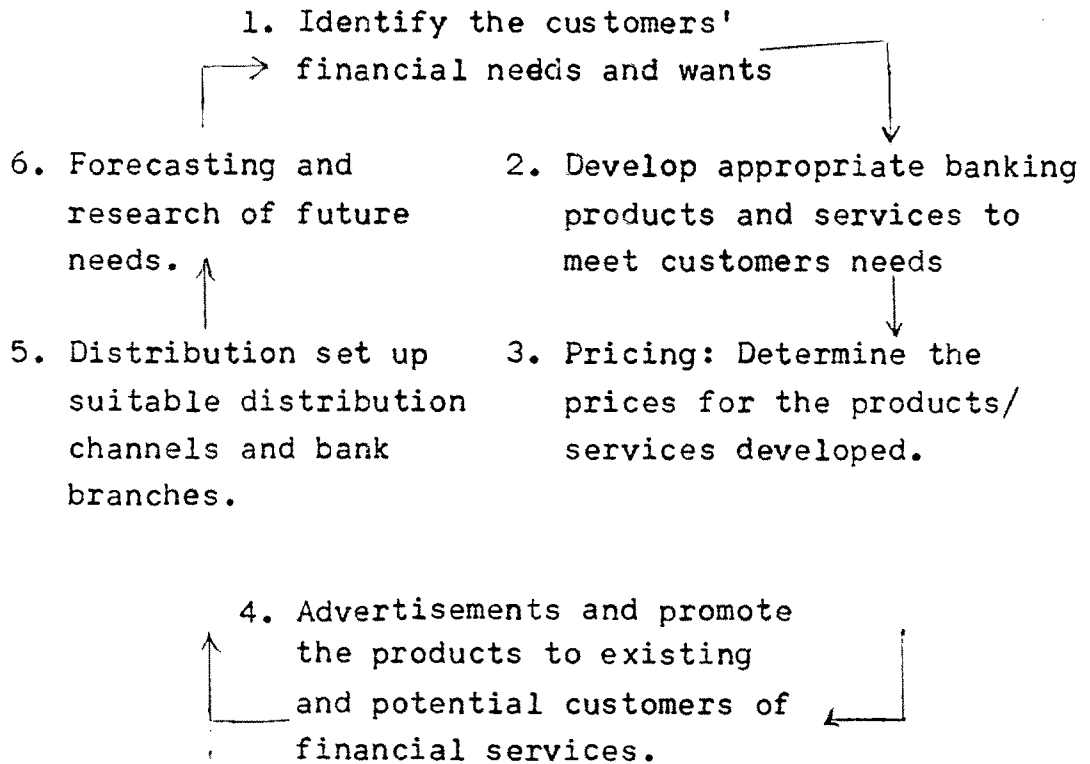
In the present environment, bankers operate in a 'buyer market' and here they are at the mercy of the customers, and so, there is a need for application of planned marketing approach to find proper outlets for banking services. The concept of marketing in banks relates to the design and delivery of customer needed services in the way which satisfies them.

Development of marketing on an organizational philosophy would enable banks to understand the customers and their needs better and to provide means to respond to these needs. The banks need to study carefully the various segments of the population and formulate new scheme to suit those specific requirements and to satisfy the customers.

Customer orientation of bank is the need of the hour on the face of heavy competition from other banks and financial institutions. And so, the major thrust of marketing strategy of banks should be to the range of

services offered and improve the quality of services rendered. Keeping in view the rising expectations of customer, it is necessary for banks to improve their customer service and refine their approach in dealing with customer complaints. The concept of bank marketing is significant for the reason that bank customers are changing in terms of their wants, needs, desires, expectations and problems.

Following diagram will clarify this concept.



The need for different financial services of the large number of bank customers, who are spread over vast geographical area, have increased manifold depending upon their income, occupation, location and their economic status. To meet these diverse needs continuous innovation is called for. In order to make

this product more customer oriented, market surveys and the study of customers attitude, perception and preference are essential.

3.4) CONCEPTUAL FRAMEWORK:

Whenever, one talks about customer service, it will be appropriate to draw certain broad contours or parameters, on the subject to use an yardstick.

Broadly speaking, customer service has following critical aspects -

3.4.1) Technical Aspect:

Every customer expects that the product he or she is buying would be technically perfect and accurate. In case of bank's services, the technical aspect is arithmetical accuracy of transaction. Banks have always had an implied obligation to keep customers accounts accurately.

3.4.2) Efficiency Aspect:

The customers expect efficient, speedy and prompt handling of their transactions and not any out of way treatment or favours. Customers expect transactions to be completed within a reasonable time.

3.4.3) Advisory Aspect:

All customers do not know all the things about banking and many of them look to their banker for the advice on issues confronting them. They expect professional advice from the banker. The customers' needs and motivations are likely to be more complex

and his or her ability to assess the alternative course of action.

3.4.4) Behavioural Aspect:

Banks sell services through their employees and therefore, the dealings of bank employees with their customers is of capital importance. The minimum expectation of a customer is that he should be extended normal courtesies, treated well by the staff. Employees motivation and attitudes become important determinant of customers feelings and opinion about the bank.

3.4.5) After Sale Service:

In selling a service, bankers essentially sell a promise of future performance. As a customer, he would have an opportunity of testing the promised quality of service. The extent to which that promise is fulfilled will effect not only future sales to the same customer but the attraction of new customers through words of mouth recommendation.

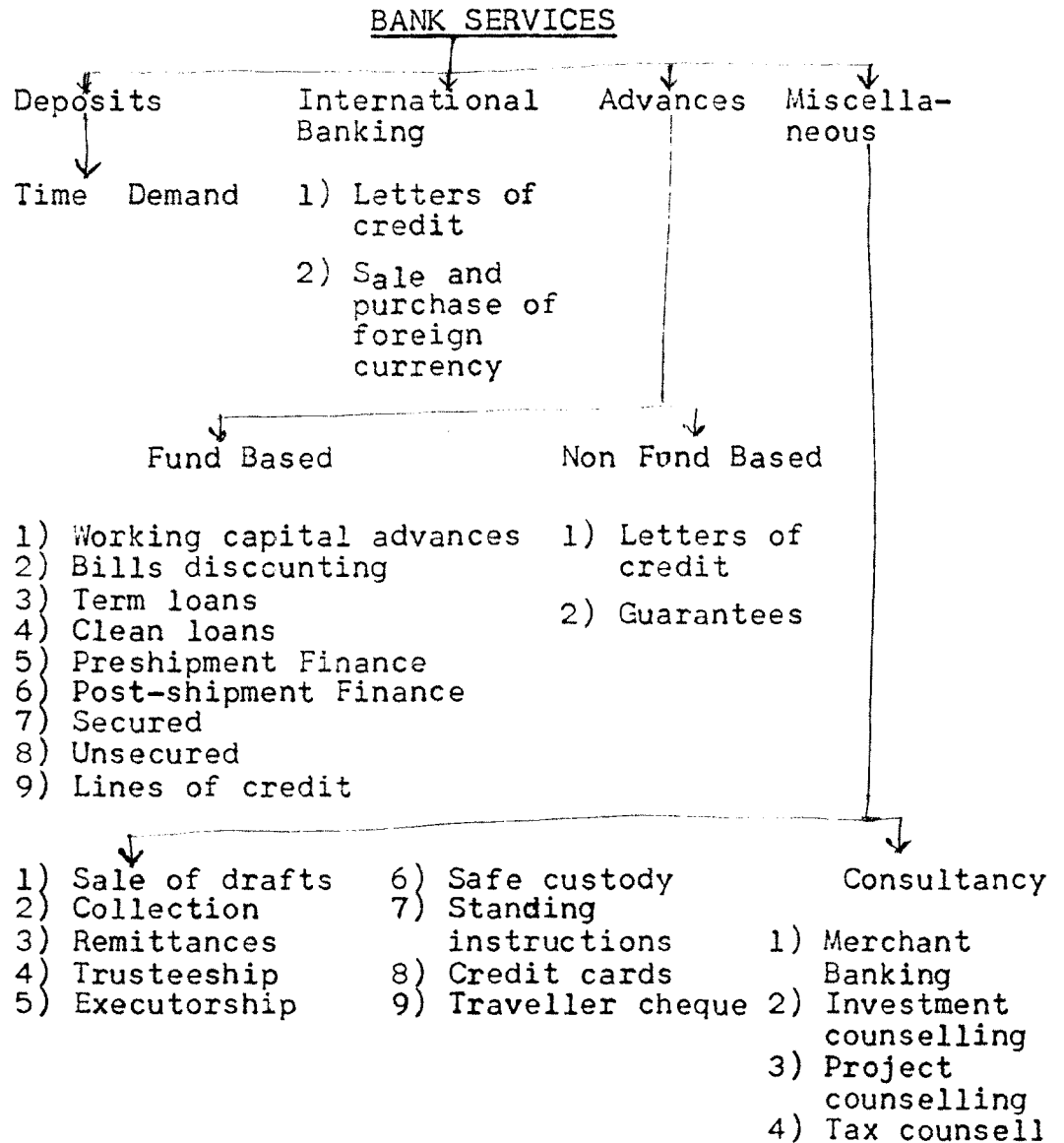
3.4.6) Customer Amenities:

A subsidiary aspect of customer service is the provision of amenities for the customers at the bank, like functional lay-out, reception and enquiry counter, sitting lounge, etc. Though these are minor things yet they count a lot and have positive bearing upon the customers.

3.5) BANKING SERVICES:

Bank's main products are services. Services have been defined as any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything.

Following are the different types of services provided by the banks :



3.6) MARKETING STRATEGIES OF BANKS:

The success of banking industry is more or less governed by the range and quality of service offered. Customers have some expectations from banks. Therefore the commercial banks will have to be concerned about the appropriate services by impressing upon them, how the bank could care for them and offer what they want, when they want and where they want and so the bank authorities have to formulate a sound marketing plan and marketing strategy.

Consiering the above, it becomes essential on the part of the banker to offer relevant services at the right level to the right customer in the right area. Therefore the bank's marketing strategy must have the following important features :

3.6.1) Development of Personal Relationship:

A successful marketing service strategy pre-supposes the development of personal contacts between the bank employees and its customers. Dissatisfaction with the personal elements of a service is likely to result in dissatisfaction with the entire service and so bank management must impart official training and motivate its customer contact - employees, to work as a team towards customer satisfaction goal and employee must be effectively organised and motivated to serve its customers.

3.6.2) Adoption of Professionalism:

The key to most service transaction is the buyer confidence in the ability of the sellers to deliver the desired results. This can be built by inculcating professionalism in its dealings with customers. The Banks should maintain close and confidential relationship with customers.

3.6.3) Position of Strategy:

The bank management should strive to convey the impression that its bank service is polite, quick and efficient by adopting a proper positioning strategy through number of tools i.e. -

(a) Place:

The banks physical setting must convey an impression of quick, personalised and efficient service. The layout of the interior (desks, tables, counters, chairs etc.) and the flow of work should be planned carefully. Long queues should be avoided. Customers waiting to be served at various counters i.e. clearance of cheques, overdrafts, withdrawals, loans etc. should be provided with a adequate seating arrangements.

(b) Equipments:

The equipment used by the bank for its daily functioning should give a modernistic view so as not to dissatisfy the customers. The whole set-up should have an aesthetic touch.

(c) People:

The bank's personnel should be trained to carry-out their task efficiently. The employee should have a pleasant personality and pleasing manners and they should be receptive to customers requirements and complaints.

(d) Communication Aid and Materials:

The banks communication system should be efficient and for this care should be taken for preparing the pamphlets and other information bulletins in a simple and concise language avoiding complex interpretations. The different forms used in the transactions should be printed neatly and correctly.

3.6.4) Marketing Information System:

Banks like any other organisations, need variety of information for detailed planning and decision-making process. These include, information of market segments, competitive banks, and their strategies, environmental changes and growth rate, Govt. policies of Reserve Bank of India directives etc. The necessary information should be collected from time to time and for effective communication system proper integration between regional officer and the branches should be maintained.

3.6.5) Advertising:

It means developing brand names for services, advertising means creating awareness and developing

specific new services like new deposit schemes with effective features and new attractive schemes for various sectors, etc.

3.7) CUSTOMERS EXPECTATIONS FROM BANKS:

With the multifarious responsibilities which have developed in banks, coupled with the entry of millions of new types of clients, the subject of customer services has gained crucial importance. Customer's demand and expectations vary from time to time, banker, therefore should develop skills, sensitivity and perception to understand the customers' expectations.

Customers' expectations from banking industry are as follows :

- (1) Prompt service at the counter
- (2) Accuracy of records maintained.
- (3) Minimum restriction regarding timing and location of services.
- (4) Geographical proximity.
- (5) Good value for the cost of services.
- (6) Quick disposal of customer needs like loans, proposals, etc.
- (7) Courtesy and promptness of bank staff.

But the above expectations are not properly fulfilled and customers are not satisfied. Customers dissatisfaction is reflected in the following areas -

- (1) Inordinate delays and in-accuracies in transactions.
- (2) Delayed and inadequate replies for letters and enquiries.
- (3) Denial of credit facilities.
- (4) Observing rules and procedures meticulously.
- (5) Absence of management support for reasonable and bonafide departure from rules.
- (6) Absence of counselling.
- (7) Absence of meaningful banker customer relationship.

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