CHAPTER-III

MARKETING OF BANK SERVICES

3.1) BUSINESS OF BANKING:

Meaning of banking:

According to section 5(b) of the banking Regulation Act,1949, 'Banking' means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise. Banking company means any company which transacts the business of banking in India unless it uses as part of its name at least one of the words bank, banker or banking.

Any company which is engaged in the manufacture of goods or carries on any trade and which accepts deposits of money from the public, merely for the business purpose of financing its business, such manufacturer or trader shall not be deemed to transact the business of banking. The essence of a banking business is receiving money on current account as deposits from the public, draft, order or otherwise.

Business of Banking:

Banks are institution that accept various types of deposits and use those funds for granting loans. The business of banking is that of an intermediary between the saving and investment units of the economy. It collects the surplus funds of millions of individual savers who are widely scattered and channelized them to the investors.

Money

Money surplus units -------------------- money deficit units

(Savers) intermediary (investors)

In simple terms, banks serve as a middle man from the money surplus unit to be money deficit unit. They are intermediaries, who sector did not get any attraction in the Indian economy because of the low level of economic activities and the meager business prospects. Of late the business prospects are bright, the trade and commerce has been found getting a conducive environment, the development-oriented activities are motivated, the welfare-oriented programmes are given due weightage, the international trade has been found gaining popularity and these positive developments in the economic world have engineered a sound foundation for the development of banking industry. It is against this background that find different types of banks serving the different segments of the Indian economy.

In the Indian banking industry, the contours of development underwent radical changes specially after the first phase of nationalization of commercial banks way back in 1969. The nationalization was with the motto of raising the contributions of public sector commercial banks to the development and welfare heads but they failed in doing such. The job security to bank employees and domination of trade unions paved the avenues for degeneration the quality of customer services. The process of degeneration reached to its peak which developed a bias and the customers in general are found dissatisfied with the services of the public sector commercial banks. Meanwhile, the foreign banks and a few of the private banks got an opportunity to display their excellence and with the support of high-performing bank employees and technology-driven services; they got success in establishing an edge over the services of public sector banks. Of course, the regulation of the reserve bank of India demotivated the private sector banks and especially the foreign banks while expanding their network which has minimized the intensity of completion; however they have been successful in building and projecting a positive image.

Customer does not merely buy a product, he buys a mindset. Customer evaluates the bank not by the capital base, network of branches or staff strength of the bank but by the quality of service and of quality of staff. Every action and every small initiative have to result in greater customer convenience and comfort. Banks will be able to reap rich benefits if and only if they stay as a family-'**Banker'** in the customer perceptions and they have to proceed with firm resolve to make it happen. Present day banking hinge on 3 major elements- technology, people and customer. Customer will go where he finds advance technology.

With the advent of fierce competition in the banking system, the quality of customer service has come into greater focus. The technological breakthrough has imparted new dimensions to the service rendered by banks. In the era of "Any time Anywhere, Anyway, "Banking, tools of customer satisfaction viz home banking, multi branch banking, ATMs, tele banking have assumed more importance.

Customer service is a critical weapon that results in increased market share and increased profits. It involves the entire organization. Making customer service happen is a commitment on the part of organization to the existing as well as to prospective customers. Since customer service has a tremendous impact on customer retention and repeated business, no organization could ignore this aspect. So all efforts should revolve around the customer and customer only. Customer is the only source of profit, everything else is on overhead.

3.3) CUSTOMER SATISFACTION:

Banking is a service industry and banker are expected to give top priority to providing a satisfactory service to their customers. Whether he be a depositor of a borrower, or one who uses the other services provided by the banks, the motto should be "customers' satisfaction". Service is the

Satisfied customer

Satisfied customer is the one who seems to be happy with the bank. He is Today's customer. Organization feels that he will not leave bank in any situation, but this so-called satisfied customer is in search of better alternatives. Single chance of annoyance given to them by the banks is sufficient for deciding him to leave (sometime quietly) the bank.

Dissatisfied customer

He can be termed as "Yesterday" customer. He is unhappy with the service/behavior of banks staff. He can defect to other bank anytime because by giving him unhappiness bank open the gate for other competitors. Slightest efforts on the part of our competitors can 'Win' such customer. He will never leave the bank quietly.

3.4) BANK MARKETING:

One definition of bank marketing, as referred to by the NIBM, pune, is as follows;

Bank marketing is the aggregate of functions, directed at providing services to satisfy customers financial (and other related) needs and wants, more effectively and efficiently than the competitors keeping in view the organizational objectives of the bank.

This definition highlights the following points;

i. Banks provide services.
ii. Aim is to satisfy customers needs and wants of specific nature.
iii. The nature of needs and wants of the customer is primarily financial, while some may be incidental to or related these.

ii. The purpose of the bank is to create, win and keep a customer. The customer is and should be the central focus of everything the bank does.

iii. It is also a way of organizing the bank. The starting point for organizational design should be the customer and the bank should ensure that the services are performed and delivered in the most effective way. Service facilities also need to be designed for customer convenience.

iv. The ultimate aim of a bank is to deliver total satisfaction to the customer.

v. Customer satisfaction is affected by the performance of all the personnel of the bank.

Bank marketing is the creation and delivery of financial services suitable to meet the customer's needs at a profit to the bank. Two important functions of bank marketing to mobilize deposits on one hand and to attract the borrowers and the users of financial services on the other. The importance of bank marketing stems from intense competition not only from other banks, but also from host of financial instructions operating for different specialized purposes. The need for bank marketing also arises due to increasing sophistication of bank customers, improvements in technology, and increased cost of meeting the customer's needs. A way of thinking along marketing lines is essential in all areas of banking to enable the banks to match the banks resources with the customer's needs in a more profitable manner.

The concept of bank marketing is significant for the reasons that customers are changing in terms of their wants, needs, desires, expectation and problems. As social institution, banks need to evaluate their offerings in customer terms. I.e. satisfying customer needs at a profit to the bank.

him and sells itself. Ideally, marketing should result in a customer who is ready to buy. All that should be needed than is to make the product or service available."

The American Marketing Association (AMA) offers the following definition: "marketing is the process of planning and executing the conception, pricing, promotion, and distribution of individual and organizational goals." Coping with the exchange processes calls for considerable amount of work and skill. A potential exchange thinks about the means of achieving desired responses from the other parties. Thus, marketing management is the art and science of choosing target markets and getting, keeping, and growing customers through creating, delivering, and communicating superior customer value.

People do not purchase a product or use a service. Instead they are seeking ways of satisfying a need. Thus, marketing is concerned with identifying 'customers needs' and determining ways in which the organization is able to meet these needs in a profitable manner. Understanding customer needs is essential to marketing. This will enable the organization to design and offer product and services to satisfy the customers' needs.

The marketing concept is a basis for decision-making and a guide for effectively managing resources. This concept recognizes that the objectives of the company are customer satisfaction at profitable volume through co-ordination of marketing objectives.

Marketing Concept

	SUCCESSFUL BUSINESS	
	MARKETING CONCEPT	
CUSTOMER ORIENTATION	PROFITABLE SALES VOLUME	CO-ORDINATION OF MARKETING ACTIVITIES

will satisfy those needs of the customers and still earn a profit. This does not mean that the firm should never sell a product or service at a loss; however, when it does so, it should (1) recognize that it is doing so, and (2) be sure to have a very good reason.

Companies address the needs by putting forth a value proposition, a set of benefits they offer to satisfy their needs. The intangible value proposition is made physical by an offering, which can be a combination of products, services, information, and experiences. The offering will be successful; it delivers value and satisfaction to the target buyer. The buyer chooses between different offering on the basis of which is perceived to deliver the most value. Value can be primarily being seen as a combination of quality, service and price, called the customer value triad. Value increase with quality and service and deceases with price. The marketer can increase the value of the customer offering in several ways:

- Raise benefits
- Reduce costs
- Raise benefits and Reduce costs
- Raise benefits by more than the rise in costs
- Lower benefits by less than the reduction in costs

Co-Ordination of Marketing Activities

All marketing activities in a firm should be organizationally co-ordinated. The company's activities should be devoted to determining customer wants and then satisfying those wants, while still making a profit over a long run, it becomes very important that the people in an organization work together toward common goals. Through common commitment to the organizational marketing activities, they will help the organization to be successful. When all the departments of the

Marketing Mix Strategy of Banking Services:

Marketing has come to be widely accepted as the efficient management of the four 'Ps', viz. product, price, place, and promotion. These four 'Ps' are largely adequate in respect of a banking firm, which deals with intangibles. Banking products are inherently more intricate than tangible products and, therefore, the marketing mix goes beyond the four 'Ps' adding people and procedures (process) and physical evidence. Successful selling of financial products on an ongoing basis presupposes the establishment of a firm relationship with the customers as well as a high degree of consistency and quality in terms of both product creation and delivery. This implies that the quality and commitment of people responsible for the creation and delivery of banking services as well as the simplicity and operational ease of the procedures relating to the delivery of banking service also come within the ambit of bank marketing. The need for the extension is also due to the high degree of direct contact with the customers, the highly visible nature of the service process, and the simultaneity of the production and consumption. While it is possible to discuss people, physical evidence and process within the original-Ps framework (for example, people can be considered part of the product offering) the extension allows a more thorough analysis of the marketing ingredients necessary for successful services marketing.

PRODUCT

Products are the means by which organizations seek to satisfy consumer needs. A product in this sense is anything, which the organization offers to potential customers, whether it is tangible or intangible. Financial services products include mortgages, savings accounts, fixed deposits, business loans, overdrafts, credit cards, insurance, and mutual funds. These are

- Special counter for certain customer segment is a well known strategy. Banks operating specialized branches of specific customer segments is a logical extension of this concept.

The idea of mobile offices is part of the current banking practice, although it is used selectively. The banker comes to the doorstep of the customer rather than the other way round. Technology has been deployed for implementing place strategies. Example of these innovations is home banking, ATMs and Internet banking.

Banks branches are the locations where the customer contact takes place. These branches also play a major role in communicating to the customers the attributes of the product as well as the physical evidence for the self-delivery process.

PROMOTION

The traditional promotion mix includes various methods of communicating the benefits of a service to potential consumers. The mix is traditionally broken down into four main elements- advertising, sales promotion, public relations and personal selling. The promotion of services often needs to place particular emphasis on increasing the apparent tangibility of a service. Also, the case of services marketing, production personnel can themselves become an important element of the promotion mix.

Financial services need promotion in order that the products are made known to the consumers. The methodology of promotion varies with the target audience, the design of the product and the business volume expected. For example, the use of advertising, branch displays utilizing posters, desktop flyers, brochures, local promotion at trade exhibitions, and seminars and public relations with the press and public. Financial and attitudes prevailing in the society. In general, well-developed pricing policies can provide a good yield to financial institutions. Sometimes, financial institutions, which are more than its budgeted deposits or liabilities booked into its books, may price themselves out of the market by offering lower rates than others (example, fixed deposits).

PEOPLE

People are a vital element of the marketing mix. Where production can be separated from consumption- as is the case with most manufactured goods- management can usually take measures to reduce the direct effect of people on the final output as received by customers. Therefore, the buyer of a car is not concerned whether a production worker dresses untidily, uses bad language at work or turns up for work late, so long as there are quality control measures, which reject the results of lax behavior before they reach the buyer. In service industries, the actions of staff have a much more direct effect on the output received by customers. People planning therefore assume much greater importance within the service sector as staff has a high level of contact with customers. Therefore, it is essential that services organizations clearly specify what is expected from personnel in their interaction with customers. To achieve the specified standard, methods of recruiting, training, motivating and rewarding staff cannot be regarded as purely personnel decisions-they are important marketing mix decisions.

Training in product knowledge, selling, and the advisory role must be conducted in the most professional manner. Personal attention to appearance, courtesy in communication and commitment to serve must be emphasized. Standard of service is another important aspect.

bank have been simplified, made more customer-friendly and faster information technology too has helped bankers in the process.

Customer Service: The meaning of customer service varies from one organization to another. Within the service sector, it can best be described as the total quality of the service as perceived by the customer. As such, responsibility for this element of the marketing mix cannot be isolated within a narrowly defined customer services department, but becomes a concern of all production personnel, both those directly employed by the organization and those employed by suppliers. Managing the quality of the service offered to the customer becomes closely identified with the policy on the related marketing mix elements to product design and personnel.

Technology is being increasingly used for a marketing mix. With the availability of modern computers, databases and sophisticated market research-cum-surveys, marketers are now in a better position to design the marketing mix. Marketers have learned to subject their mix to empirical check and measurement. The marketing mix, however, does not guarantee business success. Any productive answer for this year may well be challenged in the next. Product of services will be introduced, improved or made obsolete. Prices may be undercut on margin undermined.

3.7) CHARACTERISTICS OF MARKETING SERVICES:

Services have a number of unique characteristics that make them different from products. Some of the most commonly accepted characteristics those affect the designing of a marketing strategy are discussed below with their marketing implications companies should therefore pay particular attention to the product-planning stage of their marketing programmes. From the beginning, management has to do all to ensure consistency of quality.

Perishability: Services cannot be stored and perishes if not consumed. A service not availed is a total loss and no salvages can be made out of that. Very often the service providers face a fluctuating demand, which aggravates the marketing scenario. The combination of perishability and fluctuating demand offers challenges of product planning, pricing, and promotion to the managers of a service company. From marketing point of view, the same technique can be applied to both product and services. Successful marketing of both requires marketing research, designing the product/services and adopting a marketing strategy to market them. However, for marketing of services, the marketing manager must understand the nature and characteristics of services and the manner in which they impinge upon the marketing strategy.

3.8) NEED FOR CUSTOMER RETENTION:

With the advent of globalization, the Indian customer too has the feel of service of international standards. The customer if quite well informed and his expectations are high. He is also conscious of the various provisions such as consumer courts and banking ombudsman for redressed of his grievances. Further, the customer is willing to pay a higher price for the fight quality of service available to him in this situation , it is imperative that bank become more focused in achieving excellence in customer service. They need to introspect and evolve appropriate structures and device apt strategies if they have to gain competitive edge into the overheated market. In future, banks have function increasingly under

- Its products and services are closely aligned with customer needs.
- Customers are adequately informed about the banks products and services.
- The banks staff, especially front-line staff, has thorough knowledge of the banks products and services.
- The bank's branch has a suitable mix of people with experience in banking, finance, accounting and legal aspects, so as it ensure that the branch is adequately equipped to deliver technical quality.
- The banks staff has been adequately communicate with customer queries.
- The banks staff is able to effectively communicate with customer -staff possibly in the local language, if required.
- The banks staff is able to provide professional advice to its customers.
- The banks staff, especially front-line staff, has been adequately trained to deal with 'difficult' customers and with customer's complaints.
- Handling of customer grievances is the overall responsibility of a senior official who is not directly involved with the routine branch banking operations.

Functional Quality: functional quality is concerned with how the service is provided to the banks customer. A few elements that affect a banking services functional quality include:

- Attitude of the banks staff members.
- Importance given to the banks customers over routine work.
- Perceived credibility of the banks officials to customer queries.
- Ambience at the bank.
- Ability to hold discussions with senior officials with a suitable degree of privacy.
- Image of the bank as a whole.