MARKETING IN BANKS

*Amit Sachdeva**

BACKGROUND

The banking sector had been largely dominated by nationalised banks, which control even 80 per cent of the total banking business transactions and nearly 90 per cent of the branch network.

The virtual monopoly reduced banking to a mere set of transactions places to deposit our savings and, if possible to have a portfolio to maximise returns. The products were few, and the expected rate of return was limited by the ceiling set by RBI. Customers were receiving suboptimal services. Since the environment was generally inefficient and insensitive, the customers had got accustomed to it and became more tolerant. Nobody cared to deliver quality services, when the customer did not demand it, and did not expect it.

Implementations of the recommendations of the Narasimhan Committee report and the process of reforms by the erstwhile Rao

Table 1 : Financial Sector Reforms

Reforms	Implications
1. Entry barriers into banking came down	1. (a) New private sector banks, both foreign and Indian, were allowed to enter to induce greater competition. (b) Development financial institutions are making inroads into commercial and investment banking. (c) NBFCs are widening their activities and entering the domain of banks.
2. Freedom to relocate branches, setup specialised branches and open new branches without RBI approval.	2. (a) Removal of geographical restrictions on service delivery and provision of an incentive to differenciate the services in a meaningful way.
3. (a) Limits stipulated for borrowing under certificate of deposits were withdrawn. (b) Lowering of CRR & SLR (c) Interest rates on deposits and lending were partially deregulated. (d) Interest rate subsidy on priority sector lending was lowered.	3. More freedom to compete on price (rate of interest).

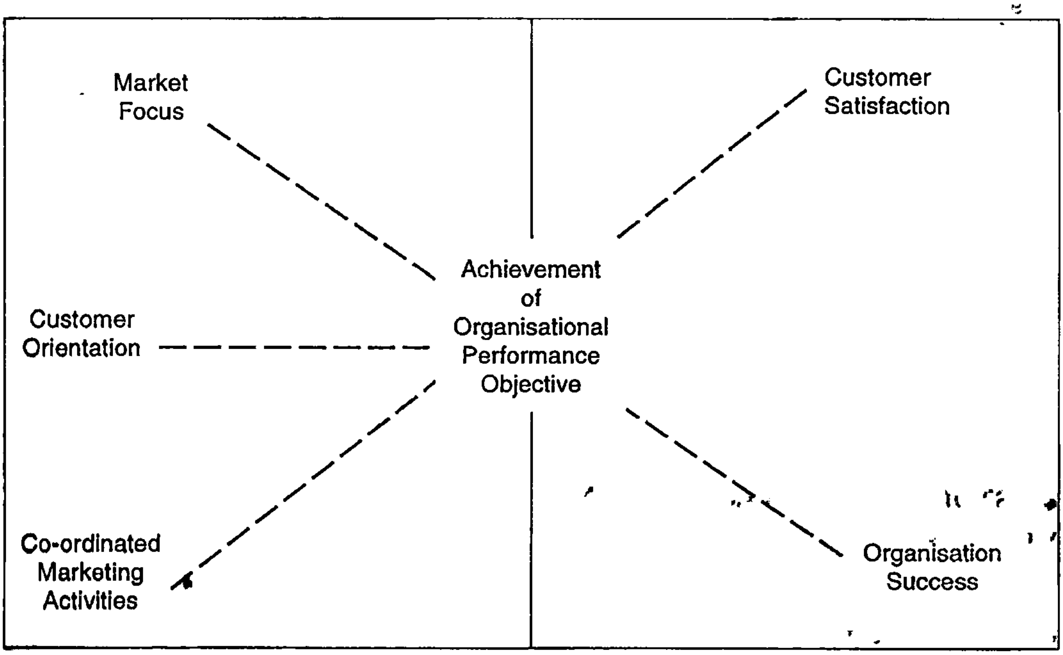
* Lecturer, Department of Commerce, Shri Ram College of Commerce, University of Delhi, Delhi.

government, combined to produce dramatic changes in the financial sector environment (see Table 1).

In addition to the above reforms, norms for income recognition, asset classification, provisioning for delinquent loan and capital adequacy were introduced. A loan system for the delivery of bank credit was introduced to discipline the utilisation of bank finance and gain better control over credit flow. Further, directed credit was rationalised through a reduction in the number of categories. Another significant change brought by the changing environment is the great dependance on technology for delivery of banking services. Branch network is likely to become less important for delivering financial services. Direct banking delivery system will be comparatively more important (ATMs, telephone banking). What used to be a major advantage (branch network) for a public sector bank, has become one of its most expensive problems. Thus in the light of the above developments, the ability to run a good banking operation is important but not sufficient enough. The premium is placed on effective marketing.

Banking, as a service, is challenged by situations that are not commonly faced in the manufacturing sector. A banking service is an activity or a series of activities that are normally intangible in nature and takes place in interactions between the customer and bank service employee and/or physical resources or systems of the bank, which are provided as solutions to customer problems. Thus, effective marketing requires a bank to adopt the marketing concept of operations — "the key to achieving organisational goals consists in determining the needs and wants of target markets and deliver the desire satisfaction more effectively and efficiently than competitors" (see Diagram 1).

Diagram 1 : Marketing Concept of Operations



MARKET FOCUS

A bank cannot operate in each and every need. It needs to define its target market and develop a marketing programme for each segment. Vysya Bank identified sunrise industries as its key market segments, (diamond export, readymade garments, jute, leather, pharmaceuticals, aquaculture and poultry). Such industries have a great need of credit. Indus Ind Bank focusses its operations on NRI operations.

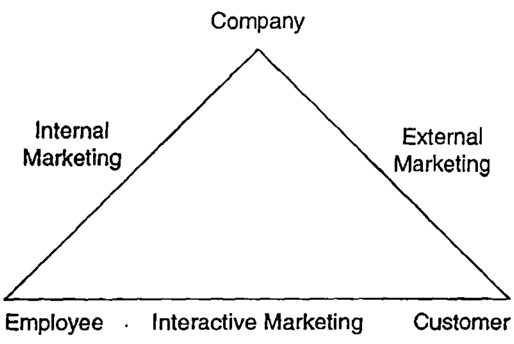
CUSTOMER ORIENTATION

The bank should identify and define customer needs from the customer point of view. The aim should be to develop bank products and services that satisfy the customer. Research and empirical evidence has proved that (a) attracting new customers takes five times more efforts than keeping existing ones; (b) a dissatisfied customer will tell 25 people while a satisfied customer will tell just 5 other people (some of whom will become customers); and (c) a satisfied customer buys again, talks favourably to others about the bank and its services and avails other services from the same bank.

Take the case of Citibank's "24 hour banking". It is a concept which is totally new to India, providing customers with additional banking hours, "seven day" banking. "To serve you around the clock, the Citi never sleeps" is the ad line which sums up everything. There are five more values that "Citi" stands for : error free and efficient service; personalised attention for customer; a consistent and predictable treatment; financial value addition; and globality.

COORDINATED MARKETING ACTIVITIES

Diagram 2 : Integrated Marketing



Integrated/Coordinated marketing activities try to first ensure that various marketing functions are coordinated among themselves and secondly, marketing is coordinated with other company functions — finance, accounts, and personnel. For the organisation to gain such coordination, internal and external marketing gain significance (Diagram 2). Standard Chartered's exercise of shifting focus from customer orientation to customer centrism is an excellent case study of a bank adopting internal marketing.

CUSTOMER SATISFACTION AND ORGANISATIONAL SUCCESS

Being market focussed, adopting a customer driven approach and coordinating the marketing activities helps any bank to achieve the *twin* objectives of customer satisfaction and profitability. The key is not to aim for profits as such but to achieve them as a *byproduct* of doing the job well.

Citibank, ANZ Grindlays, and American

Express are in the lead as far as the foreign private banks are concerned. Vysya Bank, Federal Bank Ltd., and Bank of Rajasthan are in the forefront when we examine the Indian private sector banks. Among the Indian public sector banks, State Bank of India, Canara Bank and Bank of Baroda are the leaders (*Business India*, Super 100 Banks, 1995).

If one looks at the bank service delivery system (Diagram 3), one can visualise several characteristics of bank services which are unique and pose special challenges (opportunities) to a bank marketer (see Table 2).

Clients do not buy bank products or services, but buy *solutions to their prob-*

Diagram 3. Bank Service Delivery System

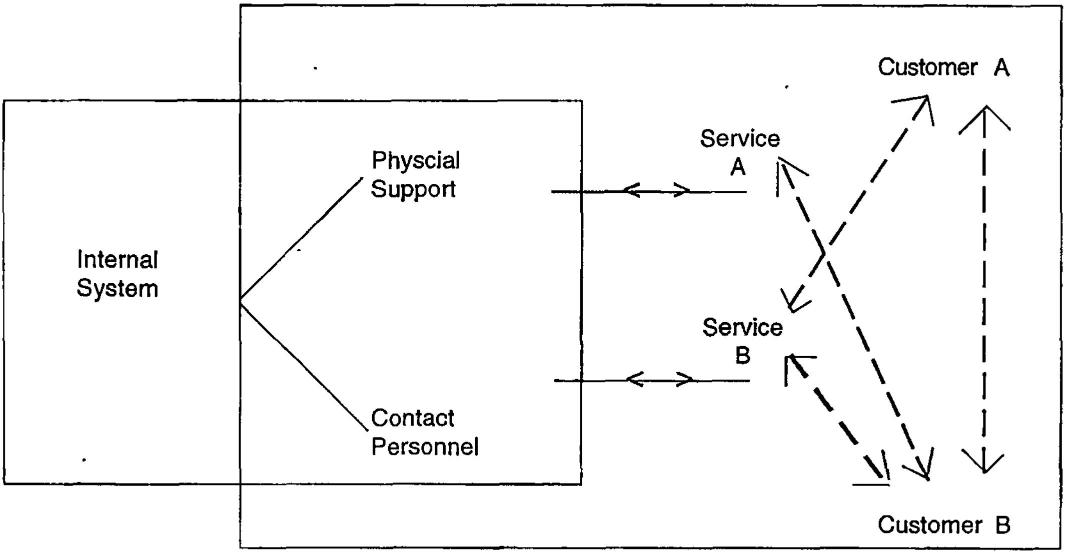


Table 2 : Bank Service Characteristics and Bank Marketing Opportunities

Characteristic	Challenge
Intangibility	It is not possible to evaluate the service before it is purchased and consumed.
Inseparability	Satisfaction will be influenced by the interactions of the bank employee and the client.
Perishability	Bank services perish in the absence of consumption. This is a problem when demand fluctuates.
Variability	No two transactions in a bank provide the same experience. Bank services have components of being both people based and equipment based. Marketing efforts need to focus on the process of client-provider interaction.

lems. And to succeed, banks need unique insights into clients (customers) and their problems. When viewed in this manner, "Relationships" with customers become the key to attract and hold customers. One can identify some intricacies in which people behave when dealing with money and banks as follows :

(i) As a depositer, investor, the customer will not deposit money in a new bank which gives him half per cent more rate of interest. He may consider security, trust and confidentiality as more important factor than just higher returns.

(ii) As borrowers, people do not like to admit that they need to borrow. Further, they do not like to face questions, as they feel humiliated. They do not like waiting outside a branch manager's office to seek an appointment.

(iii) A bank may be right 99 per cent of the time. But a consumer will remember the one transaction that went wrong. This may sound unfair, but that is how it is. It means more than just elimination of error. It involves transformation of consumer experience from a chore to a positive experience.

(iv) Consumers choose a bank because it offers speedy solutions to problems (reliability, accuracy and consistency), full range of value for money banking services (accessibility and ease of use) and the experience of being treated as individuals (being treated in an efficient, personal and friendly way).

Thus, a bank should believe in consumer empowerment. The bank marketers' job is to provide options, so that the customer makes his decision, in dignity and in privacy, at a time of his choice, and at a place of his choice. If he is a borrower, he should decide (within a broad framework) how much, when and how he will pay back. Consumers want freedom, choice and convenience in obtaining solutions to their problems.

References

Business Today (1996), "CRISIL Survey of Banking", May.

Grewal, Anjana (1996), "Services Sell that Deliver", *The Economic Times*, August 7.

Joshi, P. N. (1995), "An Emerging Force", *The Economic Times*, June 8.

Kotler, Philip (1996), *Marketing Management: Analysis, Planning, Implementation and Control*, Prentice Hall.

Lovelock, Christopher H. (1984), *Services Marketing*, Prentice Hall, Englewood Cliffs, New Jersey.

Mohan, Raghu (1996), "Banking on Consumer Goodwill", *Financial Express*, July 26.

Pillai, N. G. (1995), "Tapping the Potential", *The Economic Times*, June 8.

Thakkar, Gautam and Kedar Sohoni (1996), "Coping with the Retail Challenge", *Business Standard*, July 2.