

MARKETING OF BANK PRODUCTS – EMERGING CHALLENGES & TRENDS

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Abstract:

On the basis of performance parameters like deposits & advances etc. the growth in performance is much better in foreign banks and private sector banks. The paper also suggests some strategies or practices for the enhancement of bank marketing. Only those banks will survive in the future which will adopt effective and realistic strategies or practices to win the trust of the customer.

Keywords: Bank Marketing, Customer, Challenges and Strategies

Introduction

The place where things are exchanged or say mutual needs are satisfied, is called the market and the efforts to make people aware of your offerings encouraging them to deal with you and let them believe that in doing so, they are satisfying their needs at its best is called marketing. After the banking sector reforms, marketing has developed as a more integrated function within financial service organizations like banks largely as a result of rapid changes in the operating environment. Banks Marketing is defined as a aggregate of function directed at providing service to satisfy customer's financial needs and wants, more effectively than the competition keeping in view the organizational objective of the bank. The bank marketing has become a very complex yet interesting subject as it requires the knowledge of economics, sociology, psychology, banking and also core marketing concept (Sasane, M.K. p. 5). In marketing, it is the customer who has the upper hand. The mantra of effective marketing bank products lies in the systematic and professional approach towards satisfying customers needs (Ojha, V.K. p. 19).

Product and Service:

A product is defined as "Anything that has the capacity to provide the satisfaction use or perhaps, the profit desired by the customer". Product and service are the words used interchangeably in banking parlance. The bank products are deposit, borrowing or other product like credit card or foreign exchange transaction which are tangible and measurable whereas service can be such products plus the way/manner in which they are offered that can be

expressed but cannot be measured i.e. intangibles. Better service is more important than just a good product in the marketing of banking service, so the focus should be on the want and need of satisfying that product or service.

Different Products and Services:

Deposits – Banks accept the deposits of the public. In order to attract the savings of the people, the bank provides every sort of facility and inspiration to them and collects the scattered savings of the society. The bank opens an account of those people who deposit their savings with the bank. These deposit accounts can mainly be of three types and people can open any of these three types of accounts according to their wish. These accounts are current account, saving bank account, fixed deposit account.

Loans – The bank just don't keep with themselves the deposited amount of the people, rather they advance them in the form of loans to the businessman and entrepreneurs, just to earn profits for their partners. The loanee keeps some gold, silver, fixed and variable assets in the form of security with the bank.

Marketing Approach to Banking Services:

- Identifying the customer's financial needs and wants.
- Develop appropriate banking products and services to meet customer's needs.
- Determine the prices for the products/services developed.
- Advertise and promote the product to existing and potential customer of financial services.
- Set up suitable distribution channels and bank branches.
- Forecasting and research of future market needs.

From the above discussion of bank marketing, it can be understood that the existence of the bank has little value without the existence of the customer. The key task of the bank is not only to create and win more and more customers but also to retain them through effective customer service. Customers are attracted through promises and are retained through satisfaction of expectations, needs and wants. Marketing as related to banking is to define an appropriate promise to a customer through a range of services (products) and also to ensure effective delivery through satisfaction. The actual satisfaction delivered to a customer depends upon how the customer is interacted with. It goes on to emphasise that every employee from the topmost executive to the junior most employee of the bank is market.

Customer's expectations are high from the service industry like a banking industry. Only those banks will survive who will provide efficient and customer desired services.

Review of Literature:

Jain, A. (2007) described that marketer has to know that each and every country is having various marketing environment. Comparatively, it has to be very clear that the international marketer is bound to hold on the reorganization that every marketing environment differs from place to place as well as nation to nation than that of the same country state. It is also evident from the study that the global business transactions have to be sound planned and objectives oriented in nature.

Dwivedi, R. (2007) explained that finance functions are important but not as important as the marketing functions. Friction between the marketing and finance functions would be detrimental to the smooth development and functioning of any business organization. Finance objectives like value maximization to shareholders are integral parts of any new strategy adopted by the organization. But this objective seems to have been lost amidst the flurry of marketing activities focusing on market share. Conscious efforts must be taken to avoid the missing core objective and for sales growth.

Patnaik, U.C. and Chhatoi, B. (2006) described that the marketing efforts of the State Bank of India, which enjoy the status of premier bank in India. He also concludes that banks have a wide network of branches for delivery of products. It has taken up some measures to improve the quality of its employees and customer service at branches. But, its pricing are wilting under competition without any regard to costs and it is yet to give due emphasis to its promotional measures.

Dixit, V.C. (2004) concluded that for successful marketing and to make it more effective, identify the customer needs by way of designing new products to suit the customers. The staff should be well equipped with adequate knowledge to fulfill the customer's needs. We should adopt long-term strategies to convert the entire organization into a customer-oriented one.

Gurumurthy, N. (2004) stated that technology today is claimed to be a 'leveler' and not a 'differentiator'. After the 'wow' feelings die down, technology would become a must for most clients. Banking products can be easily copied and replicated by competitors unlike manufactured products. It is also not a viable model for marketers to compete on price. The solution, therefore, would lie in effective application of marketing strategies.

Gupta, O. (1997) described the emergence of services sector and banks experience in service

marketing. He emphasized customer satisfaction as the key to success and suggested a few measures to meet the needs and expectations of the customers.

Malik (1996) explained the importance of human capital for successful banking. He described the various aspects of human resources development in banks. He observed that skill level of a significant segment of the workforce in Indian banks was not up to standard and they opined that banks seeking major performance improvements had no option but to overcome these obstacles speedily.

Sreedhar (1991) have dealt with marketing in commercial banks. They have emphasized motivation research, marketing research and promotional aspects in marketing of services and suggested to improve the marketing strategies to cope with the changing environment.

Objectives, Research Methodology:

Objectives:

1. To study the marketing developments regarding products and services in various bank groups.
2. To suggest some practices for the enhancement of bank marketing.

Research Methodology

Research Design

Marketing has suddenly become a buzzword in the banking sector. Customer has suddenly moved to the centre-stage and he has now a choice. How do banks then attract a customer to use their product and services? Banks have to make efforts to retain the existing customers and also use strategies to attract new customers to their fold.

Sample Design

The universe of the study is Indian banking industry. The Indian banking industry has been divided into three major bank groups.

- Public Sector Bank Group - G-I
- Private Sector Bank Group - G-II
- Foreign Bank Group - G-III

Parameters of Study

- Nature of competition in the banking industry pre and post 1993
- Performance parameters of public, private sector and foreign bank group

i. Deposits

ii. Advances

All the parameters have been analyzed for the period 1993 and 2011. Growth rate is measured with the help of following formula:

Growth rate = $\frac{Y_t - Y_{t-1}}{Y_{t-1}}$

Y_{t-1}

Y_t = Current Year, y_{t-1} = Base Year

Database

Report on Trend and Progress of Banking in India 1993 and 2011 RBI, Mumbai.

Results and discussion:

Nature of competition in the banking industry pre and post 1993:

A glance at the table 1 reveals that there is a lot of difference in the nature of competition in the

banking industry before and after banking reforms. Many new products have been introduced. Now all the work is done by technological tools. Many e-delivery channels like ATM, credit card, M-banking, Tele-banking, I-banking have come into existence. Now banks take profit into consideration rather than price. Customer was slave to the bank before 1993 but now he has become the king of the bank. Customer can get feedback as per his own wish.

Table 1: Nature of Competition in the Banking Industry Pre and Post 1993

Indicator	Pre-1993	Post-1993
Customer Service	Mandated by committee reports and law	Consciously practiced as a way of banking
Customer feedback	Done based on regulator's guideline complaint/ suggestion boxes symbolized this	Willingly attempted
Product innovation	Minor variations of products	New products with value additions
Tools	Manual	Technology driven
Delivery channel	Branch	More alternate delivery channels like ATMs, tele banking, internet banking, mobile banking
Orientation	Inward looking	Outward looking
Status of the consumer	Slave to the bank	King because more bankers chasing him
Branch ambience	Resembled erstwhile government offices	Aims to simulate supermarket buying experience

(Source: Report on Trend and Progress of Banking in India 1993 and 2011 RBI, Mumbai.)

Performance parameters of public, private sector and foreign bank group

Table 2 reflects the marketing of services by the Indian banks during reform period and after reform period. It is clear from table that all the parameters have shown the remarkable performance after the banking reforms. But public sector banks lags behind the private sector and foreign banks. The gains of private sector banks are more in terms of deposits, advances and operating profit. Private sector banks and foreign banks are growing fast than the public sector banks. Thus the table implies that private sector and foreign banks are more efficient in the marketing of their products and services.

Table 2: Performance Parameters of Public, Private Sector and Foreign Bank Group

Parameters	Gr I			Gr II			Gr III		
	1993	2011	Growth	1993	2011	Growth	1993	2011	growth
Deposits	263254	4372985	18.4%	15445	1002759	21.9%	20875	240689	3.7%
Advances		3305632	22.4%		797534	26.1%		195539	19.8%

(Source: Report on Trend and Progress of Banking in India 1993 and 2011 RBI, Mumbai.)

Challenges of Bank Marketing

Technology

Marketing by private sector banks and foreign banks is more effective than public sector banks

because these banks are IT oriented. Private sector banks and foreign banks are attracting more

customers by providing e-services. Thus, technology has become a challenge before the public sector banks.

Untrained Staff

Often it happens that when a prospective customer approaches the branch, the employees seem to

have very little knowledge about the scheme. This reflects an ugly picture of our bank's image. Banks are not losing one prospective customer but 10 more customers who would be touch of this man. Attitude of the employees towards customers is also not very well. Thus, it is a need of time to reorient the staff.

Rural Marketing

This is a big challenge before the Indian banks to enhance rural marketing to increase their customers. Banks should open their branches not only in the urban and semi-urban areas but also in the rural areas.

Trust of Customers

Marketing can be enhanced only by increasing the customers. Customers can be increased or attracted only by winning the trust of the customers.

Customer Awareness

Customer awareness is also a challenge before the banks. Bank can market their products and services by giving the proper knowledge about the product to customer or by awarding the customer about the products. Bank should literate the customers.

Strategies for the enhancement of bank marketing

In the fierce competitive market, needs of customer keep changing. Hence, our marketing strategy

must be dynamic and flexible to meet the changing scenario. Here are steps that form successful and effective marketing strategy for bank products.

Emphasis on Deposits

Emphasis, though in a discrete manner, should be given to mobilize more of term deposits as they are more profitable for the bank in comparison to demand. Introduction of products comparable to “Kisan Vikas Patra” of post office and product with the facility of tax rebate under section 88 of Income Tax Act will of much help in this regard.

Form a Saleable Product Scheme

Bank should form a scheme that meets the needs of customers. A bunch of such schemes can also form a product. A bank product may include deposit scheme, an account offering more flexibilities, technically sound banking, tele/mobile/net banking, an innovative scheme targeted to special group of customers like children, females, old aged persons, businessman etc. In short, a bank product may consist of anything that you offer to customers.

Effective Branding

Man is a bundle of sentiments and emotions. This can effectively be helpful in branding our products. Considering the features of products and target group of customers, the product can be effectively branded so as to sound it catchy and appealing. Some proven examples are Apna Ghar, Dhan Laxmi, Kuber, Flexi Deposit, Smart Kid, Sapney, Vidya etc. The branding should be done in such a way that the brand name must attract the attention of customers. It should be easy to remember. The target group and the silent feature of the product should resemble brand name. This will help a lot in making the brand successful. All employees and all our campaigns should refer the product by its brand name only so that to strike the same in the customer’s mind.

Products for Women

The national perspective plan for women states that 94 pc of women workers are engaged in the

unorganized sector and 83 pc of these in agriculture and allied activities like dairy, animal husbandry, sericulture, handloom, handicrafts and forestry. Banks should do something to improve their access to credit which they require.

Customer Awareness

There is a need to educate the customers on bank products. Efforts should be made to widen and

deepen the process of information flow for the benefit and education of Indian customers. Today, the customers do not have any idea as to how much time is required for any type of banking service. The rural customers are not aware for what purpose the loans are available and how they can be availed. Customers do not know the complete rules, regulations and procedures of the bank and bankers preserve them for themselves and do not take interest in educating the customers. It is a need to educate the customers from the grassroots of banking. It is time that each bank branch takes steps to educate the customers on all banking function, which will facilitate growth of banking on healthy lines both qualitatively and quantitatively.

Advertisement

Advertisement is an eminent part of marketing of bank products. Advertisement should be such that appeals to people. It should not follow the orthodox pattern of narrating a product. For effective advertisement, bank should understand people's tastes and choices.

Selling Products in Rural Areas

For enhancing the marketing of their product, bank should sell their products in rural areas. For it, there is a need to open branches in the rural areas.

Informing Customers About Products

The bank should embark upon aggressive marketing of its products, particularly at the time of launching a new product, which will inform the perspective customers regarding product and at the same time relieve staff at branch level from explaining the product to all customers.

Customer Convenience

In a service industry like banking where product differential is hard to maintain and quality of service depends upon the service provider, from whom it cannot

be separated. So the bank employees have to render services to the satisfaction of the customer, not as per their own conveniences or whims.

Re-orient Staff

Sincerity of efforts in implementation of the measures is lacking among the bank staff. It is a fact that its employees are not able to rise up to the expectations of its customers. They lack in their behaviour, attitude and efficiency. The phenomenon is glaring at urban centers. Therefore, it calls for an immediate attention which is missing link in the entire process of marketing, and the bank should undertake all such steps to motivate and reorient its staff.

Sale of Products and Services through E-delivery Channels

After the Information Technology Act, many new e-delivery products have been introduced. These edelivery channels are very helpful in enhancing the marketing of various products and services. Thus Indian banks should sale the products and services through e-delivery channels.

Sale of Products and Services through Web-sites

Internet is a network of network which connects the world. Thus, banks should sale their products through web-site. This will enhance the marketing of the products not only at the national but also at the international level.

Implications:

Thus the study implies that for a successful and effective banking marketing of bank products is a necessary condition. This condition can only be fulfilling only by attracting the more and more customers. Thus, bank should make only policies which are helpful in fulfilling the needs of customers.

Conclusion:

Banking sector reforms have changed the traditional way of doing banking business. Mainly technology is the outcome of banking reforms. Customer is now the king and customer focus or satisfaction of customer is the main aim of the banks. With the introduction of new products and services competition has grown up among the banks. Only those banks will survive who face the competition with the effective ways of marketing.

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