

**MARKETING STRATEGIES IN BANKING SECTOR - A REVIEW**

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ABSTRACT

Indian banking sector historically passed through five stages: pre-independence, post-independence, pre-nationalization, nationalization and post-liberalization stages. In all these stages, other than the last stage, marketing was always considered not to be a banker's cup of tea. But today, it is considered to be an integral management function in the banking sector. India's banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Traditionally, Indian banks have not really paid adequate attention to marketing and market research. The paper is a review of marketing strategies prevalent in the Banking Sector. In this era of mature and intense competitive pressures, it is imperative that banks maintain a loyal customer base. Nowadays, banks realize the importance of Relationship Marketing. Relationship marketing offers benefits to the banks, customers as well as employees of the organization. Relationship Marketing gives the banks a way to develop mutually beneficial and valuable long term relationships. These long term relationships are further helping banks in reducing operating cost and attracting new customers.

Key Words: Nationalization, strategies, marketing

INTRODUCTION

The banking sector is an integral part of the economy. Hence this sector plays a key role in the wellbeing of the economy. A weak banking sector not only jeopardizes the long-term sustainability of an economy, it can also be a trigger for a financial crisis which can lead to economic crises. Majority of the banking institutions are now putting emphasis on marketing to make customer aware about the services and benefits offered by them. Marketing is the crucial connection between banks and customers, no banks can expect to succeed without putting substantial investments in its marketing efforts. Banks nowadays are coming up with surprising and impressing ways to lure the customers and retaining their customer base. These days' banks are focusing heavily on building long term relationships with their existing customers and thereby gaining new customers. Hence, relationship marketing becomes very important for the banks. It is concerned with mapping out all the touch point and evaluating what services are provided, by whom, and when, and how, and what is expected by customers. The definition of bank marketing is as follows: "Bank marketing is the aggregate of functions, directed at providing services to satisfy customers' financial (and other related) needs and wants, if more effectively and efficiently than the competitors keeping in view the organizational objectives of the banks." All the techniques and strategies of marketing are used so that ultimately they induced the people to do business with the particular bank. To create and keep a customer means doing all those things so that people would like to do business and continue to do it with the particular bank rather than with the competitors. It

cannot stay in business if it does not attract and hold enough customers, no matter how efficiently it operates.

IMPORTANCE OF MARKETING IN BANKING INDUSTRY

The reasons for marketing scope to have importance in banking and for banks to interest in marketing subject can be attributed to the following factors:

- Change in demographic factors
- Cut throat competition in the service industry
- Increased profit consciousness of the banks
- Deregulation of interest rates
- Entry of various private and foreign banks
- Increasing awareness, education and urbanization
- Indigenous growth of non banking financial institutions Disintermediation
- Advent of the technology
- Increasing the reach of innovative banking products

MEANING OF MARKETING STRATEGY

The effort to promote banking business is quite distinguished affair. At present, it has become very tricky due to the changing trends of industry, increasing competition and efficiency of regulatory environment, and the financial system. The complexity in the banking services is also an issue of vital importance. This is the time when banks are offering new and innovative services, frequently in the market. The content of promotional tools should help the customer in making most valuable decision. This can be firmly said that well-designed promotional strategies are very important to promote banking services effectively. In marketing any product or service, customer satisfaction has been given the prime importance. The most frustrating aspect of marketing of banks is lack of management support, lack of inter-departmental cooperation, government regulations and advertising & media problems. (Berry & Lindgreen, 1980). Sarin & Anil (2007) recommended that manpower in service organizations must work with the focus of satisfying the customer. Promotional packages are very important for financial service industry (Ananda & Murugaiah, 2003). Thus the orientation of banks should be with a much wider focus in relation to consumer and market needs, and the

consequent marketing strategies. The challenges put forth by the changing environment have to be effectively tackled to identify the consumer needs and providing valuable services through product innovation

(Nair Raman, 2006). A study by Krishna, Suryanarayana & Srikant (2005) recommended that promotional strategies should be designed as per the nature of the services to be promoted. The advertisers should seek a narrative approach to communicate the service experience rather than a logical, argumentative approach. Narrative approach involves storytelling methodology using sequence of events (Sehgal Roli, 2004). It has been generalized in the studies that services marketing advertisement is more challenging than the advertising of tangible products (Ray and Bose, 2006). The case should be taken in the marketing of financial services very seriously (Farrokhtakin, Stavash, 2000). While formulating marketing strategy, a bank should focus attention on (i) consumer sovereignty, (ii) attitude, (iii) responsiveness and personal skills of bank staff, (iv) revitalizing the marketing department,

(v) top management support to the marketing department, (vi) participation of marketing personnel in key bank decisions (Kumar Ashok, 1991).

MARKETING APPROACH

Banking is a personalized service oriented industry and hence should provide services which satisfy the customer's needs. To meet these needs, bankers are expected to provide satisfactory benefits through provision of form, place, time, and ownership utilities.

The marketing approach involves anticipating, identifying, reciprocating (through designing and delivering customer-oriented service), and satisfying the customer's needs and wants effectively, efficiently, and profitably.

Components of Marketing Approach

A marketing approach to banking includes the following components or activities (Bettinger, 1985):

- determining in a rational, informed, and strategic manner the desired customer base
- identifying the current and future needs of desired customer and customer prospect segments creating need-satisfying benefits that respond appropriately and profitably to
- customer needs and which positively differentiate the organization from its competitors \
- communicating and delivering these benefits effectively and efficiently to the market place
- Converting the employees of the organization into a well-informed, disciplined, and professional force committed to the organization's values and objectives.

This is a comprehensive, responsibility oriented approach towards formulating a strategy for achieving the bank's performance objectives. In the Indian context, the primary objectives of the marketing approach are as follows:

- increase deposits
- improve the quality of customer service
- develop bank's image
- report a marginal profit.

Marketing Strategy System

For developing strategies relating to deposit mobilization and improving customer service, market research has to be conducted for market segmentation and targeting broadly covering the following categories.

Determinants of Deposits

There are several factors which influence the growth of bank deposits. Some of them are:

- Higher industrial and agricultural production
- Increasing savings rate in the economy
- Development programmes of the government to boost rural economy and small scale industries.
- Factors having adverse effect on deposit mobilization are: Setback in the agricultural sector during poor monsoon years

- Rising cost of hiring
- government reducing its budget and restricting money supply
- growing competition from other channels of investment which offer higher interest rates
- Government's control on branch expansion of banks non-recovery of loans.

RECENT TRENDS IN MARKETING STRATEGIES OF BANKS

Traditionally, banks were seen as the holders of the money, which gradually changed their role as the creators of money. Today, the scope of banks has widened phenomenally, now the banks are seen as the purveyor of finance for the entire nation. A sound banking system is the life blood of any developing economy and it reflects the growth of the economy. "Financial inclusion is a major agenda for the Reserve Bank of India (RBI). Without financial inclusion, banks cannot reach the un-banked. It is also a major step towards increasing savings and achieving balanced growth. Recently two conferences were held in Mumbai highlighting these issues; The Sixth Banking Tech Summit of Confederation of Indian Industry (CII) and another one organized by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). Of the 6.9 billion people on the planet, just 30 per cent (2.1 billion) have bank accounts while 75 percent 5.2 billion people—have mobile phones. "In India, only 200 million people have access to a bank account while 811 million have a mobile phone. For a population of 1.2 billion people, this translates into 68 per cent having a mobile phone and only 17 per cent having a bank account. The numbers speak for themselves: when it comes to reaching the 'un-banked' and extending

financial inclusion for the larger population, mobile phone is the key," said Wim Raymaekers, Head of Banking Market, SWIFT." Observing the above statistical data, it can be concluded that there is still an ample scope for the growth of banking sector. Hence, it requires sound and innovative marketing strategies to capture the untapped market.

Following trends have been observed in the marketing strategies of banks recently:

1. Advertising remains the undisputed promotional tool for banks so far among the other promotional tools. Advertising, which includes direct mail, accounted for the largest share of marketing expenditures at 52 percent, compared to 58 percent in 2007. Public relations accounted for 27 percent of marketing budgets compared to 21 percent in 2007.
2. Consumer expectations are growing. With the increase in the education of the consumers, they are now demanding more and more value added services and are ready to pay premium for it.
3. Mobile banking is the need for today. It has become the blessing for the consumers who don't have the time to visit the bank personally. The biggest advantage that mobile banking offers to banks is that it drastically cuts down the costs of providing service to the customers. Also service providers are increasingly using the complexity of their supported mobile banking services to attract new customers and retain old ones.
4. Social media is also a tool for marketing the banking services. Forty percent of banks used social media for marketing purposes in 2009. Twenty-nine percent used social networking (i.e., Face book, Twitter, etc.). Face book, used by 76% of banks, is the most popular among various social media outlets, followed by Twitter at 37%. The main reasons for using social media were for communication and competitiveness.



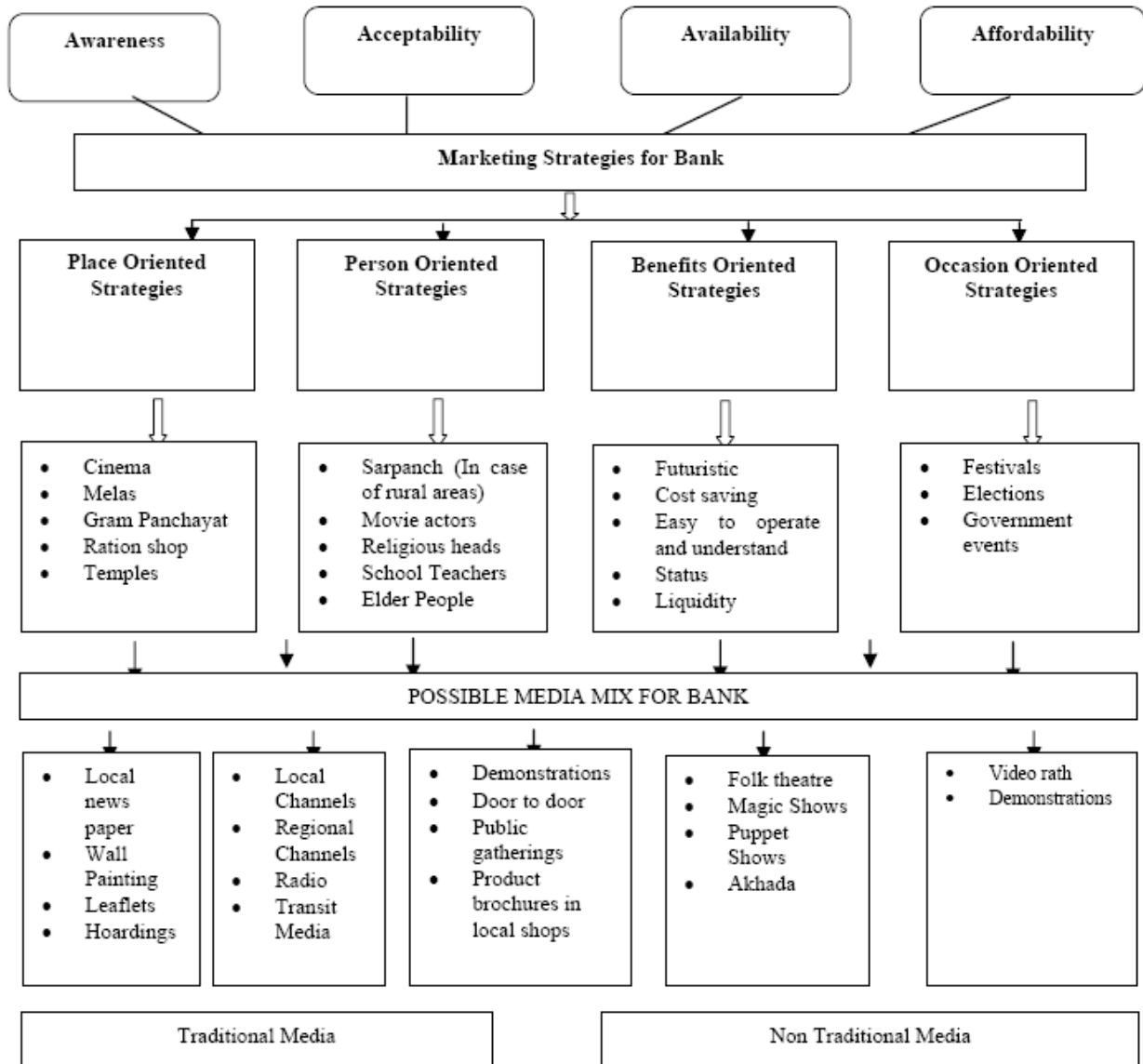
5. Due to increased use of technological bases has increased the operational efficiency of the Indian banks. By 2009, virtually all banks had embraced the Internet and most had websites. Marketer said e-newsletters were the most effective form of Internet marketing, followed by search engine marketing and then sponsorships.

6. Marketing expenditure has witnessed the tremendous growth in last few years as the percentage of total banking expenditure. Despite the overall state of the economy and the banking industry, marketing expenditures were up in 2009. Nearly 60 percent of banks said they planned to increase their marketing expenditures in 2009, the same amount as in 2007. Most of the banks view marketing as a strategic driver for their business.

7. Focus on Incremental New Customer Growth: Instead of generating as many accounts as possible, banks will be focusing on the potential value of relationships including the likelihood of engagement and retention.

8. Gathering Email Addresses: With other communication channel cost increasing and the improved results achieved when email is combined with more traditional channels, the importance of collecting (and using) email addresses has never been more important.

Conceptual Model for Bank Marketing



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The above table reveals the various marketing strategies implemented by the bank to promote the business in the competitive market. They are following the following strategies

1. Place oriented strategies
2. Person oriented strategies
3. Benefits oriented strategies
4. Occasion oriented strategies



CONCLUSION

With the increased competition and awareness about the banking sectors, customers are now becoming over demanding about the services offered. New and new trends are being witnessed now days. Banks have also realized that social channels need to be used differently in financial services than with retail or other industry verticals. As opposed to trying to find 'friends' of our brands, social media has been used most effectively for customer service (Twitter) and for the promotion of broad based public relations initiatives. No communication channel is 'free'. While email may seem like a far less costly channel to use for reaching customers, the lack of clear targeting and message development may prove costly as customer's opt-out of future communications or simply ignore email messages. In my experience within the banking industry, email has not proven to be as good of a replacement for channels like direct mail as it has been a good supplement for improved results.

With yields on deposits down, bank customers are going to turn to mutual funds and other high yielding financial services in a big way. The declining quality of customer services has also come in for sharp criticism by the customers and press. This calls for a reorientation towards promoting services and mobilizing deposits. There is a need for professionalism and market oriented banking in our country. Market-oriented banking will require a new culture: a disciplined, professional, and committed manpower; employees trained for specialized services; specialized branches; strong marketing organization in different banks; aggressive selling; meeting new customer's expectations; and cost-effective and efficient services.

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