Marketing Approach to Promoting Banking Services

Biswa N Bhattacharyay

In recent years, banks in India have not been able to mobilize surplus funds owing to the rapid emergence of competitive non-banking financial institutions. Non-fund based banking services have been underutilized by customers because of low awareness and this has affected banks' profitability.

In this article, Bhattacharyay presents a marketing approach to promoting banking services and mobilizing deposits. Using primary data obtained from a country-wide survey of 19,000 households, Bhattacharyay has identified different segments of the customers which could be tapped by identifying their current and future needs and providing an appropriate range of services.

Biswa N Bhattacharyay is Professor at the National Institute of Bank Management, Pune.

After nationalization, banks in India have largely succeeded in mobilizing surplus funds in the Indian economy. Of late, however, the rate of growth of deposit mobilization has reduced considerably with the emergence of non-banking institutions and growth of competitive financial instruments. Banks have also failed to keep pace with the growth of surplus investible funds. If this present trend continues, banks may find it rather difficult to meet credit obligations.

At the same time, usage by customers of non-fund based miscellaneous banking services is quite low and has affected the profitability of the banking industry. There is also a sense of dissatisfaction with banking services in general. Being in the buyers' market because of the presence of other agencies, the banking industry has to adopt a marketing approach towards deposit mobilization and promotion of banking services.

What is 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 (as illustrated in Figure 1) 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.

A statistical analysis of the determinants of deposits had been performed to measure the magnitude of influence of different environmental factors on deposit mobilization (Paul and Bhattacharyay, 1986). Regression analysis on secondary time-series data has been conducted at all-India and state levels to achieve the above objective (Bhattacharyay, 1988).

Trends and Patterns of Savings and Deposits

This involves estimating current and potential markets for deposits and segmenting the market in terms of geographical location, customers, socio-economic characteristics, and other related factors.

Customer Behaviour, Attitude, and Perceptions

This involves understanding customer profile, their socio-economic and demographic background, their psychographic make-up, motivations behind their savings, awareness of and attitude to various modes of savings, and reasons for their preference for one form of savings over another. This will help bankers in providing new banking services/products through which even non-bank customers can be adopted.

Customer Services

Launching new schemes with advertisements attracts new depositors. However, what ultimately sustains the process of generation of new deposits and continues the acceleration of deposit mobilization is the quality of customer service as perceived by customers.

Bank's performance in different banking services like withdrawal of cash, collection of cheques, quality and adequacy of infrastructural facilities available to customers, attitudes of bank employees towards customers, promptness, and general attitude have to be analysed and evaluated before strategy formulation.
Figure 1: Marketing Strategy System

Marketing Objectives
- Deposit Mobilization
- Improving Customer Services
- Improving Bank Image
- Increasing Customer Base and its Spread
- Marginal Profit

Marketing Strategies

Environmental Analysis

Segmentation of Market and Targeting*

Market Research on Current and Potential Households and Institutions

Customer Behaviour, Attitudes, and Perceptions

Market Analysis and Measurement

Evaluation of Quality of Customer Service

Place
Price
Product/Service
Promotion

* Based on the results of market research, market segmentation and targeting will be performed with appropriate differential strategy for each market segment.
The National Institute of Bank Management, Pune, conducted a nation-level survey of 90,000 households and 10,000 institutions on behalf of the Indian Banks' Association. Interviews were conducted for the financial year 1984-85. Multi-stage stratified sampling was adopted for the survey which was carried out in 250 selected towns and 500 selected villages from all the states and union territories of India (NIBM, 1985). The sample consisted of all the heads of the earning family units (which includes his/her, wife/husband, and their dependent children) in India.

Towns and villages were selected statistically from six town strata and two village strata. The ultimate bank savers (those who have any bank account in any bank branch in India) of this multi-stage sample design were the selected households having savings and other types of accounts at chosen bank branches in chosen towns and villages.

Non-respondents were further interviewed. There seemed to be no distinct differences between the opinions of non-respondents and respondents. Of the to urban bank savers sample of 40,000, only 19,000 were randomly selected.

Findings
A large survey naturally brings out considerable amount of information. The highlights which may give some simple and broad strategies are discussed here. Obviously, specific product, promotion, placing, and pricing strategies for each segment have to be worked out in detail.

New Product/Service: Strategies
This strategy will develop and introduce new banking schemes or services catering to specific needs of various market segments of bank customers.

Customers by Education. Both as a percentage of the actual urban population and the sample of bank customers, illiterates have been largely left out of the banking system. Banks should evolve simple, special, and easy-to-handle schemes which would attract the vast savings potential of illiterate urban people in India.

Customers by Occupation. Eighty-one per cent of bank customers are either service workers or professionals, whereas they constitute only a small percentage of the labour force in India. New schemes should be formulated to attract other members of the urban work force, particularly, production-related workers.

Customers by Age. Urban young (below 30 years of age) who constitute a major portion of the Indian population are not covered adequately by the banking industry (18%). Appropriate schemes have to be developed to attract this group.

Savers by Yearly Savings. A majority of bank customers (90 per cent) save below Rs 5,000 in a year. Out of this, 59 per cent savers have savings of Rs 1,000 or less. This segment has no other channel to channelize savings where liquidity is low and the network is poor. Launching appropriate small savings schemes for these customers will help in mobilizing deposits. A wider network (branches, individual agents acting on behalf of the bank, etc.) will be required to reach these small savers.

Investment in Physical Assets. Consumer durables turn out to be a very popular form of investment (86 per cent of the sample reported to have invested in them). Deposit-linked loan schemes (or deposit-linked consumer loan schemes) for purchasing consumer durables would, therefore, be able to mobilize resources.

Timings of Bank Branches. Thirty-one per cent of bank customers living in metropolitan and state capitals are not satisfied with the working hours of bank branches. A good number of them prefer banks to remain open during holidays as well. Therefore, working on holidays or in evenings should be introduced in some specified bank branches so that banks could satisfy more customers.

Savings Behaviour The four most important motives behind savings (emergency (80%), old age (63%), children's education (63%), and children's marriage (56%) clearly indicate that the Indian way of family life and Indian culture dominate in motivating people to save. Banks should take note of this while formulating schemes to mobilize deposits. A long-term deposit scheme linked to special benefits for old age (after retirement) for service workers could be formulated.

Quality of Services: Strategies
This section provides an evaluation of the quality of customer service and strategies to improve it.

Time Analysis. Sixty-one per cent of the customers are either non-committal or observe that collection
of local cheques takes more than three days. Also, 82 per cent of the customers are either non-committal or observe that collection of outstation cheques takes more than seven days. Eighty-eight per cent of the customers are either non-committal or observe that it takes more than seven days to receive money through mail transfer. The percentage becomes 91 in the case of telegraphic transfer. However, use of services like transfer by cash, mail, and telegraph is quite low.

Customers are not satisfied with clearing and correspondence related services if the non-committed are not taken into account. There is, thus, an urgent need for accelerating the process of mechanization and setting up an efficient telecommunication network.

**Attitude of Bank Staff.** A majority of the customers pointed out the negative attitude of bank staff towards customers. This is a matter of serious concern. More positive attitude of bank staff towards their customers have to be developed by proper training and motivation. Positive attitude of bank staff will have an impact on banker-customer relationship and the overall public image of the banks and hence on deposit mobilization.

**Promotion Strategy**

The banking sector seems to have displayed a half-hearted approach towards promotion strategies. There seems to be a lack of commitment to advertising, communication, and personal selling. Customers are not aware of deposit related schemes except savings accounts and usage of other schemes is quite poor.

Among credit-related schemes, loan against deposits, facilities like demand draft, safe deposit lockers, travelers cheques, and gift cheques are better known. However, their usage is very low. A good number of services are not at all popular owing to low awareness and usage.

Customers can be made aware of these services and their usage improved through meetings, exhibitions, personal contacts, etc. Meetings can be held (at least twice in a month) between bank staff and customers which would help customers become aware of various banking services and motivate to use these services. Bank staff can also identify problems customers face in using these services.

**Distribution Strategy**

This strategy is mainly used to expand the branch network to those areas where potential for deposit mobilization exists. However, branch expansion and location are controlled to a certain extent by the central banking authority.

**Branch Network.** Distribution of branches along with their location has to be studied for formulating location-specific services. Banks can introduce mobile vans, extension counters, and appoint agents for door to door collection of deposits, among others.

**Pricing Strategy**

Even though this is one of the most powerful marketing tools, pricing strategy has limited scope in the banking sector because of the controls exercised by the Reserve Bank of India on interest rates. Payment of interest on fixed deposits every quarter is found to be most popular. Banks should, therefore, offer quarterly payment of interest on long-term fixed deposits. However, pensioners will prefer payment of interest every month. Further, banks may have to diversify through subsidiaries into high yielding financial services like mutual funds to improve profitability.

**Conclusion**

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.

Segment-wise marketing strategy and package of services banks could provide for appropriate segments are given in Figure 2.
<table>
<thead>
<tr>
<th>Segments</th>
<th>Package of Services</th>
<th>Promotion Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Small Savers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young group</td>
<td>* Easy to handle deposit schemes providing an attractive collection box</td>
<td>* Teaching banking habit in schools/colleges</td>
</tr>
<tr>
<td>Illiterate</td>
<td>* Deposit scheme</td>
<td>* Better attitude and good behaviour from an employee</td>
</tr>
<tr>
<td></td>
<td>- easy to handle</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- door to door collection facility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- simplified formalities</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Deposit-cum-loan scheme for emergencies and consumer durables</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Mutual funds</td>
<td>* Mobile vans</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Extension counters</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Mass promotion campaigns</td>
</tr>
<tr>
<td><strong>Aged Group (Retired or about to retire)</strong></td>
<td>* Deposit scheme with interest payable monthly; deposit scheme with post-dated interest warrants payable anywhere in India</td>
<td>* Contacting retired employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Personalized customer services</td>
</tr>
<tr>
<td><strong>Professional and Service Workers</strong></td>
<td>* Deposit-cum-loan scheme for consumer durables</td>
<td>* Mailing, customer meets, etc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Shifting in banking hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>* Working on holidays in certain branches</td>
</tr>
<tr>
<td><strong>Middle Income Group</strong></td>
<td>* Credit cards</td>
<td>* Personalized customer service</td>
</tr>
<tr>
<td></td>
<td>* Deposit scheme with high liquidity and instant payment facility</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Deposit-cum-loan scheme for consumer durables</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Mutual funds</td>
<td></td>
</tr>
<tr>
<td><strong>High Income Group</strong></td>
<td>* Deposit scheme with ATM facility</td>
<td>* Telephone calls, mailing, personal meetings, etc.</td>
</tr>
<tr>
<td></td>
<td>* Deposit-cum-loan scheme for consumer durables</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Credit cards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>* Miscellaneous services like tax consultancy, portfolio management, etc.</td>
<td></td>
</tr>
</tbody>
</table>
Other broad promotion strategies are:

• changes in banking hours and working of certain specified branches on holidays; training bank employees' in marketing and selling

• instituting banking services rewards for successful and effective marketing activities

• launching campaigns for better awareness and usage of banking services

• developing agents for deposit collection and promotion campaigns

• introducing mobile vans, extension counters, etc. to reach more customers.

References

Bettinger, C (1985) "Marketing: You Can't Do it if You Don't Know What it is," Bank Marketing, August.

