

ROLE OF MARKETING IN COMMERCIAL BANKS - AN APPRAISAL OF CUSTOMERS' VIEWS

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ABSTRACT

The financial markets have undergone a drastic change over past few years as people got more and more aware of their financial interests. The financial institutions are getting into new business ventures through mergers and acquisitions. They are offering more diverse services with an aim to retain the existing customers. The customers want online access to avail faster and more efficient ways of doing business. Now, as there is a high level competition among the banks set in by globalization and entry of more Private and Foreign banks. So, in such a scenario, the banks need to adopt a professional marketing strategy to ensure customer satisfaction and their own survival and growth.

This paper examines and measures the efforts and effects of marketing of services on the customer satisfaction and eventually on the profitability of Commercial Banks in India. The expectation of the customers is very high and the commercial banks in India need to respond by adopting the service marketing concepts in their day to day working for their survival and growth.

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Introduction

Marketing is a function and course of action to be judged by its contribution to the banks' objectives. The objective of the marketing process is profitable sales of services that satisfy customers' financial requirements and needs. It puts the emphasis on satisfaction of customers' needs at a profit to the bank. Marketing makes the banks to go in for the customer oriented approach, i.e. the services offered should be compatible with the customer needs, rather than the product oriented approach, wherein products and services are offered without taking care of the customers' needs.

The bank marketing should include not only the identification of different needs of the customers but also the development of services using suitable schemes, which will satisfy these needs and make these services available at the affordable price using effective selling within the corporate objective of the bank and environmental constraints. To achieve these objectives, each and every individual, working in a bank, should be having a marketing approach.

The bank marketing in India has to: (a) widen and strengthen its already existing network, and (b) transform its qualitative achievements and advantages into quantitative ones. The bank marketing strategies will be able to evolve a healthy banking system symbolically related to a progressive and sustainable economy. For this, the banks will have to conceive their role as an integral part of the economy at all levels i.e. from the local to the national. The banks should follow a systematic marketing strategy to identify the preferences of the customers and their awareness of the banking services. Marketing of services will be successful only if the service or product fulfils the needs of the customers. The most initial aspect of the marketing strategy is related to the identification of prospective customers of the banking services. It requires a thorough survey of the market and an effective approach to the prospective customers and mobilization of their savings.

Marketing Approach to Banking Services

Marketing of banking services is a device to maintain commercial viability and an approach to market the services profitably. It is a method to energize orientation. It is a managerial approach to excel competition. The marketing approach in bank services consists of the following elements:

- To identify the financial requirements of the customers.
- To develop appropriate banking products and services to meet the requirements of the customers.

- To determine the fair and competitive prices for the products/services developed.
- Advertisement of the products and services to the existing and potential customers
- To set up suitable distribution channels and bank branches.
- Continuous focus on forecasting and research of future market needs.

Review of Literature

The concept of Service Marketing in the Banking Sector has been the subject of many studies and research endeavours among the scholars throughout the world. Some of the relevant studies are being presented here.

Kumari Hemant and Gupta S. K. (2013) studied the different marketing strategies adopted by banking sector and found that timely transactions, problem solving and accommodating approach towards the customers are the strong aspects of banks. There should be more efforts in these areas to improve their market share. Banking sector should adopt a more effective marketing mix and give due importance and attention to all its 7Ps.

Adeoye and Lawanson (2012) studied the bank performance in terms of customer satisfaction. Findings of this study show that customers enjoying electronic banking services are still not satisfied with the quality and efficiency of the services. The study suggests that banks should improve their service delivery to justify the benefits of electronic banking products and services. This way, customers' interest would be aroused.

Ejaz Ghani (2010), Economic Advisor, South Asia Region, World Bank expressed that the globalisation of services provides alternative opportunities for developing countries to find niches, beyond manufacturing. As the services produced and traded across the world expand with globalization, the possibilities for all countries to develop based on their competitive advantage expand.

Dwivedi. R (2007) emphasised that financial 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.

Patnaik. U.C. et.al (2006) assessed the marketing efforts of the State Bank of India. He concluded that though the bank has taken up some measures to improve the quality of its employees and customer service at branches but its pricing are willing under

competition without any regard to costs and it is yet to give due emphasis to its promotional measures.

Ratnam and Sengupta (2005) concluded that the banks are facing many hurdles in the new era of deregulation and ever increasing competition. To fight these problems efficiently, banks should focus on customer satisfaction, which can be achieved through providing customized products and innovative ways of delivery etc.

Shankar (2004) concluded that focus on customer is not to be viewed as just a business strategy but should become the corporate mission. The challenge for banks is in the areas of people changing their beliefs and attitudes, technology and competition.

Shanti Sarup. K. (2004) found that for delivering quality service, it is imperative to have customer orientation as a culture in the bank. Customer orientation builds long term relationships resulting in customer satisfaction and cash flows to the banks.

Mukherjee *et al* (2003), presented the development of a theoretical framework for measuring the efficiency of banking services, taking into account physical and human resources, service quality and performance. Expenditures on quality improvement efforts and the impact of service quality on financial outcomes have long intrigued researchers.

Jha (2003), in his study, emphasised on bank marketing concept. He suggested that market segmentation is necessary for banks. He presented different possible segments that banks need to recognise. Also, he explained the concept and the features of market mix for the marketing of banking services.

Ramamurthi (1999) has defined the status of marketing in banks in his article entitled "Training of Bank Personnel in Bank Marketing". The smallest definition of marketing in banks, given by him, is the matching of bank's resources with the customers' needs in the most profitable manner.

In his article, Mishra (1999) stressed on the need for internet banking. He suggested that internet banking is an efficient way to market banking services. This will enable banks to extend their business with effective cost. He suggested that internet marketing will help the banks to reduce the cost to customer and improve the capabilities and increase the profits and business of the banks. Also, it will give comfort to the customers and will save their valuable time as most of the transactions will be through just a click.

Need for Study

The important factors that establish the need for Service Marketing in Indian Banks are detailed below:

- Intense Competition
- Changes in Banking Sector
- Well Informed Customers
- No Brand Loyalty
- Improved Customer Retention

Objectives of the Study

The main objectives of this study are:

- To analyze the present position of Marketing of Services in Public Sector Banks, Private Sector Banks and Foreign Banks in India.
- To examine the quality elements in the working of banks in India.
- To know the impact of marketing of services on the customers' mind and examine the customers' satisfaction on the basis of available bank services.
- To suggest measures to improve marketing of services in commercial banks.

Research Methodology

The universe of the study is Indian Banking Industry. The Indian Banking Industry has been divided into three major bank groups i.e. **Public Banks** - State Bank of India, Punjab National Bank, Corporation Bank, Oriental Bank of Commerce, Bank of Baroda, Canara Bank, **Private Banks** - ICICI, HDFC, Axis Bank, IndusInd Bank and Federal Bank and **Foreign Banks** - Standard Chartered, HSBC Bank, Bank of America, Citi Bank, Bank of Tokyo. Primary as well as secondary data were collected from respondents, journals and from previous research related to the service in banking sector. In a survey, of 150 Bank Customers of the head offices of these selected Public, Private and Foreign Banks have been interviewed. Percentage and graphs have been used for analysis of the data collected.

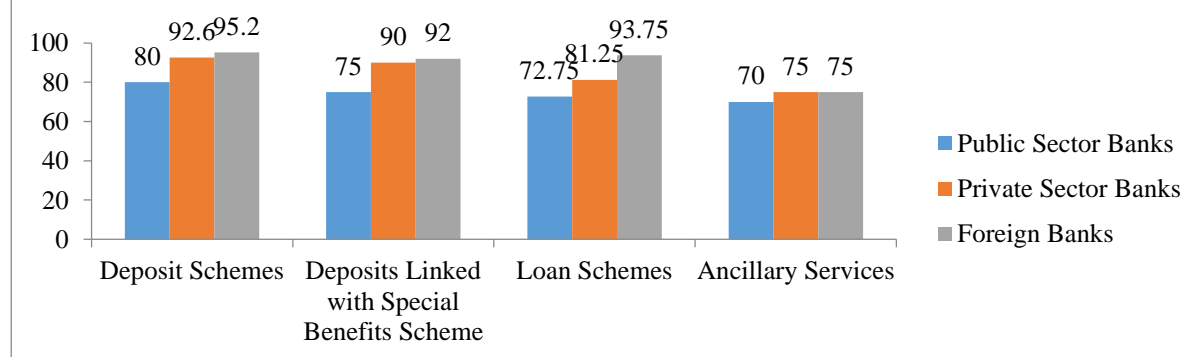
Findings

The main findings of the survey and suggestions useful in improving the marketing of the commercial banks are enlisted below.

Table: 1 Sample Description

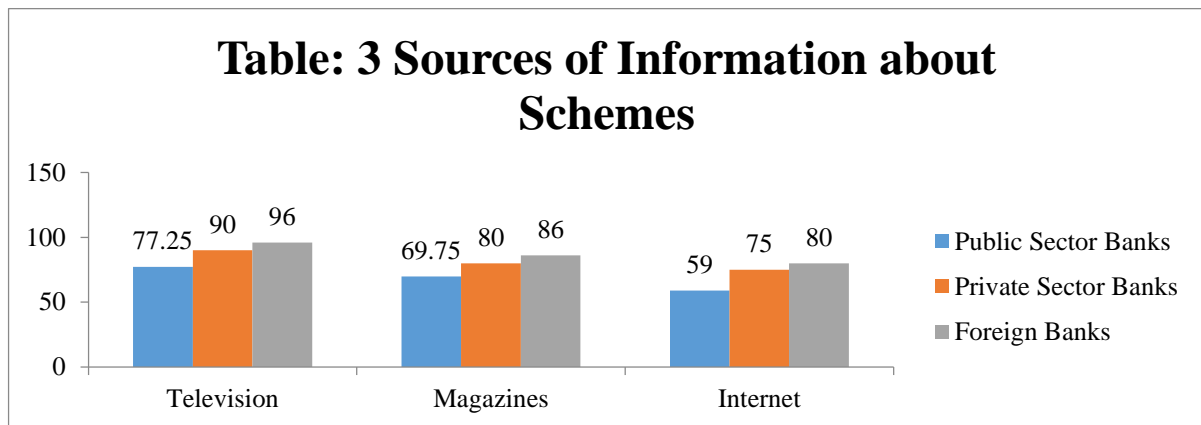
Demographics (Numbers)	Respondents (%)
Age	
Less than 30	25
31-40	40
41-50	65
50-60	20
Gender	
Male	82
Female	68
Qualification	
Matric	21
Graduate	48
Post Graduate	44
Professionals	37
Occupation	
Self Employed	63
Salaried	52
Student	18
House Wife	17

Table: 2 Awareness about the Schemes



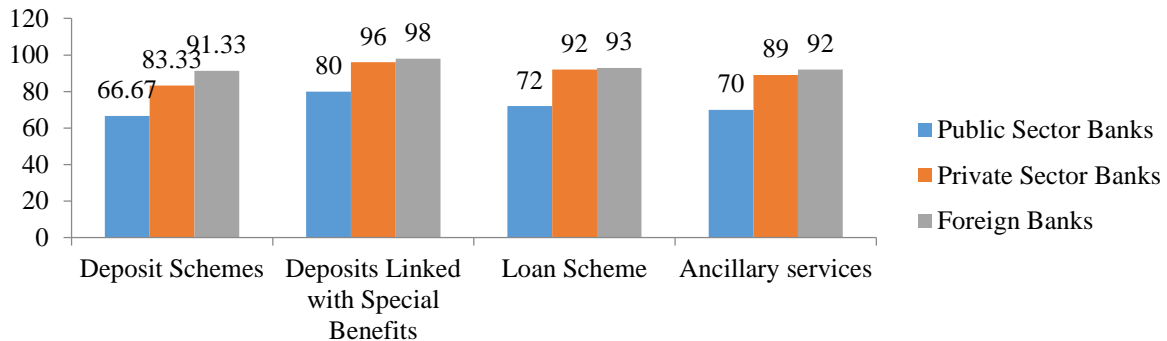
Awareness about the deposit schemes is quite high in private and foreign banks. While in public sector banks, it is comparatively low. And the same trend is being followed

about deposit linked with special benefit schemes, loan schemes and ancillary service. It has been observed that in the public sector banks, the customers are fully aware about 80 percent of the deposit schemes, out of the all such schemes provided by the bank, whereas this percentage is 92.60 and 95.20 in the private and foreign banks respectively. About the deposit linked with special benefit schemes, the customers are aware of 75 percent of the schemes in public sector banks, 90 percent in private sector and 92 percent in foreign banks respectively. The 72.75 percent of the loan schemes are well known to the customers of public sector banks, 81.25 percent to the customers of private sector banks and 93.75 percent to the customers of foreign banks. These percentages, in case of ancillary services, are 70 percent in public sector banks, 75 percent in private sector and foreign banks each.



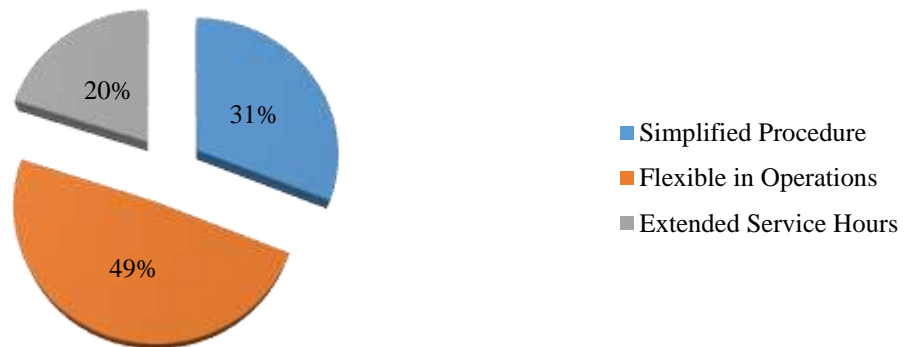
It has been found from the survey that in public sector banks, 77.25 percent customers get the knowledge about the services through the advertisements from television and 69.75 percent through magazines and 59 percent from internet. On the other hand, in private sector banks, 90 percent of the customers get information about the services from television and 80 percent through magazines and 75 percent from internet. In the foreign banks, 96 percent customers get this information from television and 86 percent through magazines and 80 percent from internet. These observations suggest that the television, magazines and internet are the popular means of providing information to the customers about the schemes of different banks. Hence, the bankers should pay significant attention towards the importance of these promotional means.

Table:4 Effect of Marketing on Availing of Services



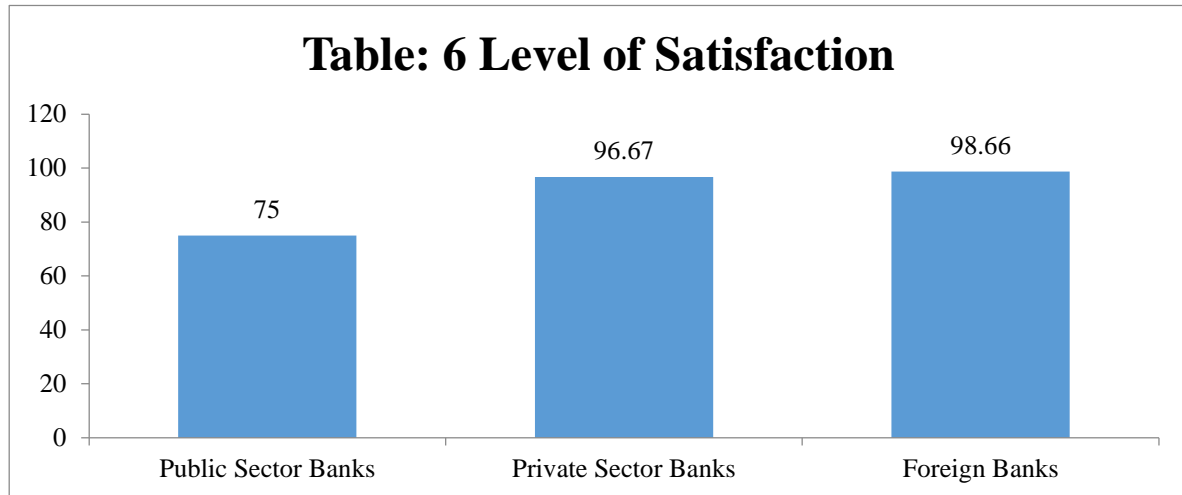
The survey reveals that the marketing affects the availing of the services as in public sector banks, only 66.67 percent customers are availing the deposit schemes while in private and foreign banks, the percentages are 83.33 and 91.33 respectively. The 80 percent of the deposits linked with special benefits schemes are availed by the customers of public sector banks, 96 percent in private sector banks and 98 percent in foreign banks. Almost the same trend is being followed for other schemes such as loan schemes, services for depositors and ancillary services.

Table:5 Preference of Bank Services

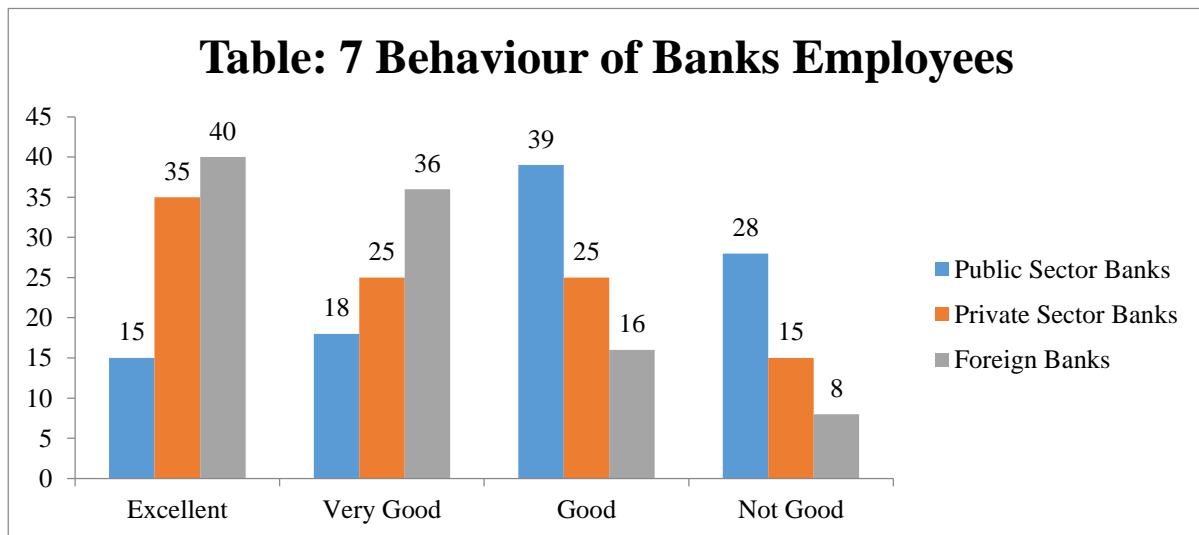


The financial sector is the most competitive sector; hence banks have to provide products and services as per the needs of the potential customers. Customers have many options today. Banks will have to improve their scores on negative factors. Nowadays, flexibility in operations plays an important role for attracting the interest of bank customers. We can observe from the above table that 49 percent of the interviewed customers want the

concept of flexible operations, 31 percent have expressed that they want the simplified procedures in the banks and rest 20 percent preferred extended service hours.

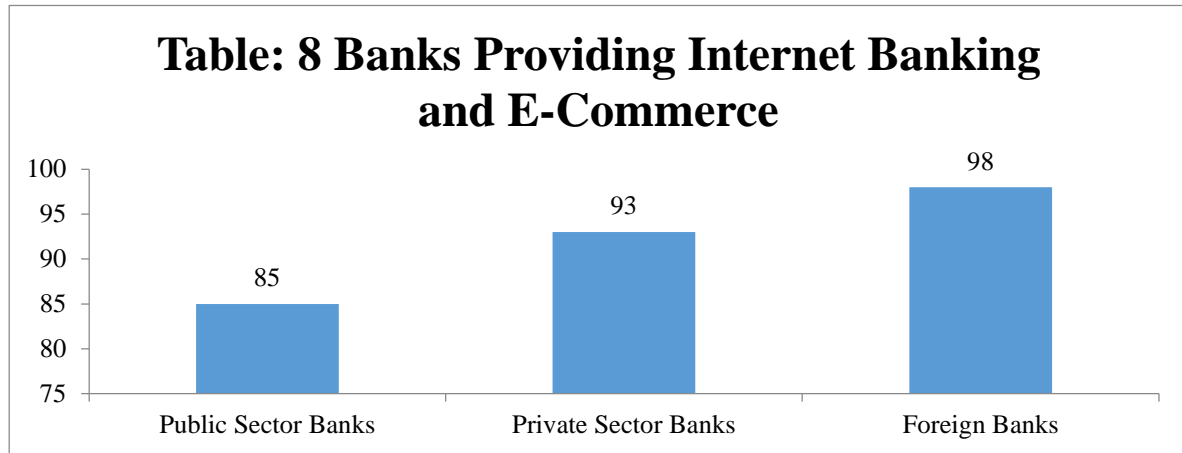


It has been found from the survey that the customers of private and foreign banks are more satisfied with their banks as compared to public sector banks. In public sector banks the percentage of the satisfied customers is 75, whereas in private and foreign banks, it is 96.67 and 98.66 percent respectively.

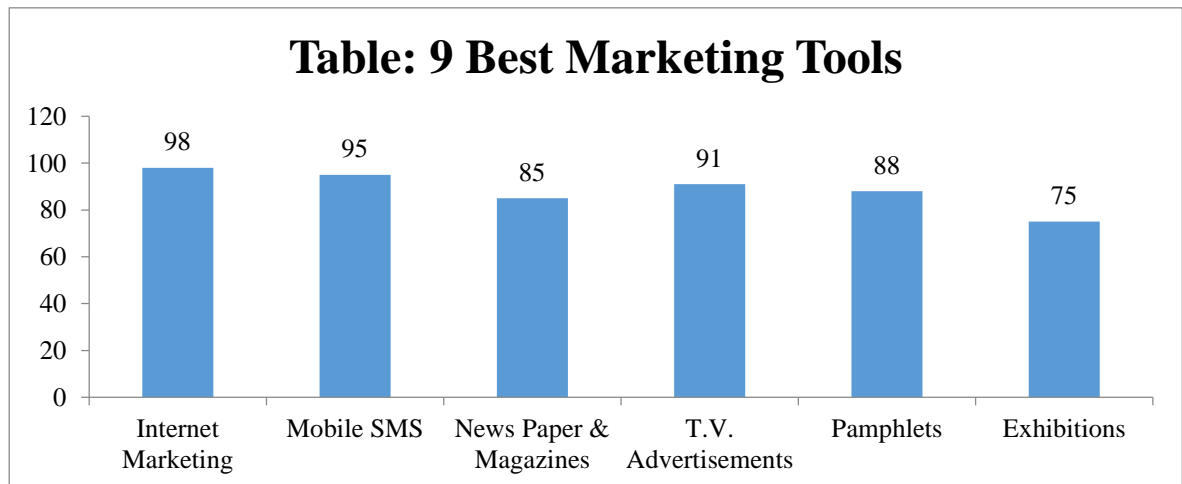


The responses on the behaviour of the employees have been shown in this table. It plays an important role in the satisfaction level of the customers. Banks are not only service providers but also solution providers to the customers. The respondents have indicated

that the employees of private and foreign banks are more polite and cooperative to the customer.



Information Technology has simplified the banking operations. Most of the banks are adopting these technologies. The changes can be observed easily from the working of the banks in India as most of their branches are CBS based. Internet Banking and E-commerce have taken over as the most powerful tool of today's banking business. We can observe that Foreign Banks with 98% score and Private Sector Banks with 93% score are leading in this aspect of service marketing. The Public Sector Banks (85%) have also improved a lot in this category by adopting the latest technology but still more is required.



The customers' suggestions about the best way of marketing of services in banks have also been collected and analysed in the survey. The 88 percent of the customers voted in

favour of pamphlets, 91 percent for T.V. advertisements, 75 percent for Exhibitions, 85 percent for News Paper & Magazines, whereas the Internet Marketing and Mobile SMS have got the maximum recommendations i.e. 98 percent and 95 percent respectively. This can very well be inferred from the analysis that the Internet Banking is a very effective tool of marketing the services in today's information age. The banks, as per the analysis in the study, do accept this fact and are using this tool very effectively.

Conclusion and Suggestions

This research study has inferred that the banking industry is facing several challenges in this rapidly changing environment. To take on this challenge it needs to undertake suitable improvements in their managerial set up. The successful application of marketing in banks is possible only if it is implemented through a modern and well-organized marketing set-up at HQ level, meaning thereby that the concept of marketing in banks should be recognized, adopted and implemented with suitable machinery for this. It has also been felt necessary that the present function oriented approach of the bank personnel should be reoriented towards the customers' needs to get the real benefits of the introduction of the marketing management.

In a buyers' market, banks will not be successful if they do not develop products according to the specific needs of the customers. The techniques like brain storming, futurology, technological development and analysis of past performance and experience will help the banks to offer greater satisfaction to their customers. The banks are suggested to employ the hardcore marketing professionals to develop and carry out their marketing strategies and plans. The bank managers and other staff should also be given the necessary training of marketing. The banks will have to diversify their business. The concept of all financial services under one roof is very essential in today's business environment. Also, the banks can establish help desk which plays an important role in customer support and can be used more effectively with the help of latest technology, which is a very good tool of service marketing.

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