

Principles of Banking Module 'D'

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Concept of Market

- A situation where buyers and sellers of a commodity interact
- Coming together of same or similar commodities
- Not necessarily a geographical area
- Customers sharing a need and exchange that need

Types of market based on various parameters such as geographical area, product, nature of transactions, volume of transaction

Marketing

- Marketing is a concept developed earliest in Adam Smith speaking on consumer
- Marketing is a process, a business function...
- Associated with marketing: Barter system, survival of the fittest, dynamic in nature, supply and demand theory, identification of customer needs, Customer Relations Management, customer satisfaction, customer delight, market creation, concept selling etc

Marketing as a concept

- It is a management function, a business philosophy
- Selling vs marketing: Selling is product focused, is operational, an activity, enhances volume, makes profits and increases revenue ...
- Marketing is more a management, customer focused (selling is a part of it), creates
- Marketing Management involves: Analysis, Planning, Implementation and Control

Marketing in Indian Banks

- Need for marketing in Indian Banks
- Evolution of banking in India
- Post national era in Indian Banking system
- IBA Chairman M.N. Goiporia in 1987 first spoke about “aggressive marketing”
- Privatisation and globalisation and the need for much more aggressive marketing in India
- New generation private sector banks

Products and Services

- Product is anything offered to customer for use or consumption: physical, objects, services, organisations, ideas etc
- Service as a products: intangible, does give any transfer of ownership and are inseparable, normally heterogenous, cannot be stored, knowledge-based, customers are involved at the production stage, customer-specific, an activity or a process
- Services form a significant part of economy

Features of a services product

- Unlike physical products, services cannot be packaged nor tried before delivery nor generally be made generic to suit everyone
- Sometimes it may be hybrid ie partly product with some service component in it
- Production and consumption take place at the same time simultaneously called 'servuction process' involving constant interaction between the customer and provider involvign a larger customer relationship function

Marketing of financial services

- Financial services: involve more responsibility, a fiduciary function, knowledge-based
- Enhanced need because of deregulation
- Involves many kinds of markets: credit market, money market, gilt-edged securities market, stock market, mutual funds market, leasing and hire purchase, insurance etc

Marketing in Banking

- Banking as a service to satisfy customer needs
- Organisation's mission and vision, objectives
- Commercial objective and social objective
- Mass Banking and Class Banking
- Personal services, matching the customer needs
- Marketing management including pricing variations, packaging the service, select the delivery channels and provide the services etc

Marketing Mix

- A set of marketing tools to pursue the marketing objectives: Four P's
 - Product, Price, Place (distribution), Promotion
- These four P's correspond to the customers' 4 C's:
 - Customer needs, cost, convenience, communication
- Prof Jagdish Seth: 4 A's of customer
 - Accessibility, Affordability, acceptability, awareness

Consumer Behaviour

- Understanding the customer behaviour / needs
- Maslow's theory of hierarchy of needs
 - Physiological, safety, social, esteem, self fulfilment
- Banking needs depend upon the stage in the family cycle like youth, married, old age etc
- CRM Customer Relationship Management involves establishing customer info database, analyse feed-back and lastly 'gap analysis'

Product

- Kotler: offer for attention, acquisition, use or consumption that might satisfy a need or want
- Theodore Levitt: complex cluster of value satisfactions, package of benefits to customer
- Product levels are five:
 - Core, basic, expected, augmented, potential product
- Products may be:
 - Durable, Services, Consumer goods, industrial goods
- Banking Product is a service or a package of services..may buy different products from different banks ... but as a whole lot or package

Product Life Cycle

- Limited lifespan of any product
- Sales passes through different stages
- Product life cycle consists of:
 - Introduction, growth, maturity and decline
- Typical banking products: SB, CD are core and others like ED, WD, GC, TC, MT etc vanishing
- Marketing mix will be different in different stages of product life cycle

Product Development

- Stages involved in it are:
 - Idea screening, concept testing, product development, test marketing, commercial launch
- Product Strategies are of two types:
 - Based on 'product mix' based on 'product life cycle'
- To meet the product decline stage, improvement is done on: quality, features or style
- Product elimination is a stage when it is dropped

Branding and Packaging

- Brands denote the product in generic manner like xerox, google it
- Brand equity: the marketing effects of a product with its brand name compared with those that *would* accrue if the same product did not have the brand name. Also does premium pricing.
- Brand ambassadors, brand logos, slogans
- Co-branding eg two or more banks issuing a credit card
- Packaging may be primary (shampoo), secondary (box/cartons which are thrown) and shipping package
- Innovative packaging becoming an essence of marketing
- Information in the packages is important in marketing
- Labelling is an important part of packaging: conformance to regulatory requirements, product identification, user info etc

Pricing

- Meaning and importance of pricing
- **Objectives:** profit, survival, market share, cash flow, status quo, product quality, communicating the image of the firm
- Factors influencing pricing could be external like market characteristics, buyer behaviour, competitor policy, government controls etc or internal like firm's objective, cost, life cycle stage, turnaround rate etc
- Some of the factors are qualitative parameters and some are quantitative parameters

Pricing Methods

- The 3 C's: floor price costs, competitors' price or substitute's price and Ceiling or customers' demand schedule
- Pricing considerations: Mark-up pricing ie cost plus variable and fixed costs, absorption cost pricing (cost plus some percentage for total volume), target return pricing (ie sales volume), marginal cost pricing (only a part of fixed cost), perceived value pricing (perception and image about the products), Value pricing (higher value and lower pricing eg credit card take over limits), Going rate pricing (market pricing), auction pricing and group pricing

Pricing strategies

- Decide the price based on various factors
- Geographical pricing,
- price discounts and allowance
- psychological pricing (eg 99.90 etc)
- promotional pricing (super markets introducing, cash rebate, loss leaders, combo, low interest, longer repayment etc)
- discriminatory pricing
- product mix pricing
- Market skimming pricing (higher priced initially eg mobile tariff)
- Market penetration pricing (lower priced initially)

Bank Pricing is based on interest cost and servicing cost

Distribution

- Distribution channel involves place, time etc
- Functions include: market info, promotion, contact, matching, negotiation, product info, physical distribution, financing and risk taking
- Channel types could be zero, one, two, three etc
- Channel selection depends on characteristics of product, of markets, of customer, company resources, competition, product lines etc

Channels in Banking

- Branches: Physical channels. General branch or specialised branches like FE, Personal Banking, Housing Division etc
- Alternate Channels: ATM, Telephone (WAP), e-Banking, Cards, Mobile banking, Intermediaries
- Channel Management involves marketing channel system, analysing channel levels, study of channel dynamics etc

Promotion

- Involves communication, awareness etc
- Persuade, inform, remind and reinforce
- Promotion mix comprises advertising, personal selling, sales promotion, public relations, direct selling
- Promotion mix can be: Push strategy (retailers thrust) or pull strategy (encourage consumers pull it from them)
- Promotion mix is influenced by: Type of product or market, buyer's readiness stage and the product life cycle stage

Direct Selling Agent

- DS means network marketing like Tupperware or Amway, door to door selling
- Direct Marketing involves, direct emailing, consumer catalogue, TV, kiosks, mobile, birth-day cards (part of CRM)
- Banks are now customer-centric, thanks to CBS, maintain huge customer database, Centralised Data Centre and publicise their products easily directly
- Managers and officers at branches are the DSAs

Code of Conduct for DSA/DMA

- Tele-calling a prospective customer, with his/her consent, when contact details are available
- Leaving messages when prospect is not available
- No misleading statement to be done
- Telemarketing etiquette like call timing, respect DNCs, conversation manners, follow-up
- Not to accept gifts or bribes from prospects
- General precautions to be observed like talk only business
- Follow dress code and appearance etiquette
- Follow the bank's mode/model of communication

MKIS

- Marketing Information Systems as opposed to MIS and DSS
- Main functions of MKIS are collecting and assembling data, processing them, analysing, storing and dissemination of info

Components of MKIS:

- Internal Record System (internal records, flows, charts, MIS etc)
- Market intelligence system (research orgn, MARG etc)
- Marketing research system (specific marketing problems studied)
- Marketing management and science system involves the task of combining the effect of all the above info and taking decision

Thank you and best wishes....

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