

SHIV SHAKTI

**International Journal of in Multidisciplinary and
Academic Research (SSIJMAR)**

Vol. 3, No. 5, October 2014 (ISSN 2278 – 5973)

**STRATEGIES FOR INCREASING PRODUCTIVITY IN THE INDIAN
BANKING SECTOR**

Achin

Research Scholar, Himalayan University

Dr. Gagandeep Kaur Gulati

Research Supervisor, Himalayan University

**Impact Factor = 3.133 (Scientific Journal Impact Factor Value for 2012 by Inno Space
Scientific Journal Impact Factor)**

Indexing:



Abstract

Banking sector in India is of great importance. India is poised to become the world's fourth largest economy in the span of two decades. Economic opulence is providing many in this populous nation with real purchasing power; it simply is an opportunity that cannot be overlooked by global banks. Despite its appeal, India remains a developing economy. Thus, global banks seeking a presence or expansion in India must craft a new marketing strategy that considers the country's attendant challenges: long-established competitors; basic infrastructure; dynamic political environment; restrictive regulations; and developing country operational risks. The game is old but the rules are new and still developing.

Introduction

*“A customer is the most important visitor in our premises.
He is not dependant on us.
He is not an interruption on our work.
He is part of it.”*

..... **Mahatma Gandhi**

Marketing is indeed an ancient art; it has been practiced in one form or the other since the days of Adam and Eve. Its emergence as a management discipline, however is of relatively recent origin. And within this relatively short period, it has gained so much importance and stature that today most management thinkers and practitioners throughout the world view it as the most important of all management functions in any business. Marketing is the largest discretionary expenditure area in most sectors of the economy; it is also the area which many companies wish they could devote even more wealth to. Hitherto, there is no issue that marketing rupees are often scantily used, sometimes even to the detriment of the business they are supporting. In the recent decade, no sector or company can continue to exist unless it maintains a competitive level of productivity.

Managers are questioning whether marketing adds value to the firm and its shareholders commensurate with its costs. Several esteemed consulting firms have weighed in with analyses suggesting that the marketing function particularly in nationalized banks is seriously failing in its fundamental objectives. Banks which do not succeed in this are doomed to fail through stagnation and then bankruptcy. Therefore, increasing productivity is the most important long term resource, not only for the success of banks and individuals but also national, economic and social development. It is also a measure of the efficiency of managers. Therefore, Marketing practitioners and researchers are under increased pressure to be more answerable for and to show how marketing expenditure adds to shareholder value (Doyle 2000).

Bank Marketing

The Indian banking industry is currently in a transition phase. It has changed dramatically over a relatively short span, from being a virtual cartel to a highly competitive market. The system is

slowly moving from a regime of “**large number of small banks**” to “**small number of large banks**.” Further, the emergence of new private sector banks, resurgence of public sector banks, strategic mergers of banks and the concept of universal banking becoming popular have brought about tremendous transformation in the Indian banking system.

Some of the important factors which have given an impetus to the banking marketing movement in the country are (i) Liberalization, deregulation and border less economies (ii) Financial disintermediation (iii) Intense competition (iv) Increasing customer awareness, needs and expectations and (v) thinning margins.

The spectacular growth in Telecommunication as well as in Internet technology and the convergence of these two Medias have opened up new vistas for the banking sector to innovate and evolve spectrum of new products and services embracing technology as well. In short, the Indian banking sector has undergone a sea change. The era of walk in business for banks is over and the market place has become highly competitive. We can no longer point the entire economy of India with the same brush and state that sellers’ market conditions are a uniform feature of the Indian economy. At least Indian banking today has turned from a seller’s market to a buyer’s market and the maxim that the customer is ‘king’ for the business and his satisfaction is the basic purpose of marketing, has become a reality.

Marketing in Banks – A Road Map

The first task in preparing a marketing plan is to clearly define the marketing objectives. Marketing objectives should be in line with the corporate objectives of the bank. Remember the objectives’ set should reflect a good blend of optimism and pragmatism therefore; the goals set by the bank should be based on a careful assessment of the market environment as well as the relative strengths and weakness of the bank’s position.

Having taken the initial steps as enumerated, the bank will need to create a competitive strength which competitors find it tough to neutralise. It is like a fortress for ‘**defense against the competitors**’ onslaughts, as also the base for launching attacks on them. This unique position is attained through the formulation and implementation of effective marketing mix. The marketing mix is a blend of “**six P’s**” viz. product, price, place, promotion, people & process, these “**six P’s**” of marketing mix are:

Product is a bundle of utility which satisfies the needs of customers. Banking products include mortgages, savings account, fixed deposits, hire purchases, business loans overdrafts, export, finance, foreign exchange, credit cards, insurance, stock brokering, trustee services and mutual funds.

Product - It involves decision about:

- Quality of the product
- Size of the product

- Design of the product
- Volume, packing, warranties and after-sales service of the product

While buying a product, the customer does not merely look for the physical product, but a ‘**bundle of satisfaction**’. Hence banks should offer a variety of products not only to meet the requirements of different income groups but also a broader product mix enables better business turnover over a wider client base and minimizes risks.

Price

“Diamond and coal are both carbon but their price is different due to different valuations by the customer”

Pricing is a tough task as pricing decisions and policies have direct influence on the sales volume and profits of the firm. More attentions should be given to controlling costs in order to facilitate finer pricing and yet sustain profitability. The policy makers have to do lot of exercise to determine the price in such way that the bank is able to sell its products successfully. Pricing also includes establishing policies regarding credit and discount. The variable that vitally influence pricing are: demand of the product in question, its cost, the buying capacity of various kinds of customers, actual and potential competition, and RBI regulation.

The price-mix includes the following decisions:

- Determination of unit price of the product
- Pricing policies and strategies
- Credit policy
- Discounts, rebates and levels of margins and
- Terms of delivery, payment, etc.

Place or Physical Distribution

“If you are on the right track, you’ll reach your destination.”

Place decisions refer to the ease of access products. Place decisions can therefore involve physical location decisions (as in deciding where to locate the bank’s branch,) decisions about which intermediaries to use in making a service accessible to a consumer and non-locational decisions that are used to make services available Place mix entails activities that are necessary to transfer ownership of goods to customers and to make available goods at the right time and place in the right price. For banks, branch network has been the main distribution channel. However, it has been realized that through branches, distribution of products and services is a costly affair. Most of the day do day functioning of banks can be easily done through automation facilities like ATMs, tele-banking and E-Retailing. Further, the shared ATM networks, through reciprocal arrangements amongst banks will not only improve the accessibility for the customers, but will also help the banks to save on installation and transaction cost. A bank’s branches are the locations where the customer’s contract takes place. These branches also play a major role in communicating to the customers the attributes of the product as well and the physical evidence for the self delivery process.

Promotion

Promotion deals with informing and persuading the customers regarding the firm's product. In banking sector, promotion means communicating with the customers except advertising and personal selling. Promotion therefore, plays a vital role in creating a favourable attitude of customers to ensure positive demand by educating and follow up with them. This is some thing that advertising can not do.

In banking sector it is not the product but the customer that gives the profit. Therefore, it is recommended for banking segment to implement a right type of public relation policy to create a positive image of the bank among general public by developing relationship with them.

People

People constitute an important dimension of marketing of services. As provider of services, the bank must deliver the right product to the customer. In banking context, every employee in the bank becomes a sales person of company's service. The bank's image is built up by the employees working in it and implementing proactive policies keeping "**Customer satisfaction is our Motto or Customer Delight**" as their objective.

Therefore, employees' attitude, style, sense of responsibility etc become more important as their word-of-mouth travels faster than company communication.

Process

Process refers to the mechanism or procedure by which customer is served with the desired product. For instance, a bank delivers cash service by the following sequences that are interaction between the employees and the customer: enter bank (security guard checks), fill up cheque or withdrawal form, and give cheque/withdrawal form to concerned employee who after checking ledger and signature, makes the payment to the customers. The process of cheque encashment might take 5-10 minutes in a normal day and 10-20 minutes in days of rush (for example, first seven days). The process is so important that the customer interacts with the employees at every stage of the cash delivering process. This might result in some complaint or dissatisfaction within the customer.

Hence simple transparent procedures to the customers should be devised with structured formats of application and documentation to facilitate delivery of products with ease.

Physical evidence is the environment in which the service is delivered and any tangible goods that facilitate the performance and communication of the service, also by inspecting the tangible evidence. For example, prospective customers may look to the design of learning materials, the appearance of facilities staff, etc. Tangibilizing the intangible service is a major challenge for any bank marketer.

Tips for Successful Banking

The banking sector in India is faced with a multiplicity of challenges and a number of revolutionary changes in the real banking are coming in near future. A decade ago, when a customer wanted a telegraphic transfer of money from one branch to other, the most efficient bank used to do it in two days. Today it happens in hours. Cheque clearances within and across major commercial banks are taking place at greater speed. “**Any Place Deposit**” schemes and “**Any Time Money**” have become the order of the day. The old private banks are learning new tricks of the trade; the public sector banks are waking up from their slumber; and every bank has come to realize that the name of the game is in service to customer. The challenges in the next millennium for the banking industry are, therefore, enormous and can be met effectively only when the banking institutions also make knowledge as engine for growth. Therefore, if bank does not monitor his planning and operations, he will find himself in some hot water.

Improving bank productivity is a complex subject, but can be made easier if one considers the following tips:

- **Adopt acquisition and retention marketing strategies** - Targeted marketing is a critical component of bank marketing success. Attracting and retaining profitable customers and turning potential customers into actual customers is a huge challenge – especially when you consider the multitude of consumer data available. Whether it's business-to-business marketing or business-to-consumer marketing, you need to know your customers. By understanding the demographic characteristics, lifestyle behaviors and purchase preferences that drive your audience's decisions, you can successfully tailor your marketing strategies to reach those most likely to purchase your product or service, increase your customer loyalty and improve customer profitability.
- **Understand your customer** - Today, as customer is created as ‘**king**’ for the business, his satisfaction should be the motto of one’s business rather than profit earning as its primary objective. Banks, insurance, finance and investment companies that plan their targeted marketing strategies around deepening their customer and prospect relationships are the ones that remain competitive. Therefore need is to determine and understand the best customers' financial behavior through segmentation, data, demographics, survey research and modeling.
- **Prompt attention to customer complaints** - Successful banks are those that have realized that prompt attention to customer complaints is an essential ingredient of a profitable customer relationship. Just as a satisfied customer tells others about it, an unhappy customer too talks to others about his experience and, in facts can spread the message faster and cause more damage.
- **Listen more talk less** - Be a good listener. Attend customers with full attention, concentration and interest to understand what he/she needs. Also listen to feelings, not just words, show understanding and ask relevant questions wherever doubt arises.
- **Be cautious in communication** - It takes time, energy and efforts to retain customers and establish solid relationship with them. Nevertheless banks are finding these efforts

worthwhile and cost effective, than finding a new customer. Therefore, be careful in communication as spoken words are like arrows they can't retrieve once they are shot.

- **Win loyalty by building relations** - Banking is essentially a person to person business in a competitive environment that is characterized by a limited “**product differential**” and “**price competition**”, the knowledge, style, behavior and attitude of the people in banks differentiate one bank from the other. Branches should have Floor Mangers/Relationship Managers who should always be mobile and be in touch with the customers and attend to all their banking needs.

Conclusion

The Indian banking's fundamental problem today, we believe, is low productivity: costs are rising even financial and operational statistics are embarrassing. The public sector banks, which are the mainstay of the Indian banking system, have lost much of its former competence. On the other, the private sector banks are venturing into a whole new game of mergers and acquisitions to expand their bases. Further, financial deregulation and increasing globalization have brought new competition to domestic banking, and allowed considerable diversification by banks, insurance companies and co-operatives. Sales promotion efforts are mostly wasted. Direct marketing mailing has poor response. Rate of new banking product failure is alarming. So there is a crisis in banks' marketing.

To be successful, a bank must have quality employees, innovative management, be able to employ technology effectively besides having the right products and distribution channels. Its strategic model should focus on standardization, communication, diversification and globalization. It is not enough that there is commitment to the model at the higher level. It should percolate to the lower levels too. Therefore paper provides a roadmap for designing winning convergence strategies through following steps.

- Complete a self-diagnosis and choose target segments
- Assess potential markets
- Analyze competitors
- Need to strengthen service delivery mechanism.
- Develop innovative product and service,
- Sales force training for upgrading the attitude and their skill.

In nutshell, to be the best banker, the focus should be on exceeding customer expectations with managerial data base expertise, quality people, excellent products and legendary service.

Can you accurately measure marketing productivity? May be not; But you'll know it's increased when you see it.

References

- Allen, L., and A. Rai, 1996, Operational efficiency in banking: An international comparison, Journal of Banking and Finance 20, 655-672.

- Chakravarty, S. *Development Planning: The Indian Experience*. Oxford University Press: New Delhi, 1987.
- Cherunilam, Francis, *Business Environment: Text and Case* (2004), Himalaya Publishing House, New Delhi.
- Chunnawala, S.A., Sethia, K.C., (2003). *Foundation of Advertising-Theory & Practice*, 5th edition. Himalaya Publishing House, p.1, Mumbai.
- Clow, Kenneth E., and Baack, Donald. (2007). *Integrated Advertising, Promotion, and Marketing Communications*, 3rd edition. Dorling Kindersley (India) Pvt. Ltd. p. 240.
- Fama, E. F., 1985, What's different about banks? *Journal of Monetary Economics* 15, 29-36.
- Gupta, S. L., and Mittal, Arun. (2008). Comparative Study of Promotional Strategies adopted by Public and Private Sectors Banks in India. *Asia Pacific Business Review*, Vol. IV, No. 3, pp. 87-93.
- Hannan, T. H., and S. A. Rhoades, 1987, Acquisition targets and motives: The case of the banking industry, *The Review of Economics and Statistics* 69, 67-74.
- Rangarajan, C. "Indian Financial System: Current Issues, Future Challenges," Opening speech at the 17th Bank Economists' Conference, 1994. in Jadhav, Narendra ed., *Challenges to Indian Banking, Competition, Globalisation and Financial Markets*, Macmillan: India, 1996.
- Reddy, Y.V. "Indian Banking Second Phase of Reforms, Agenda and Issues,"
- Varshney, P. N. (2001). *Banking Law and Practice*, 1^{9th} edition. Sultan Chand & Sons, New Delhi. p. 19.