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Directorate of Distance Education

B.B.A. [Banking]

VI - Semester

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MARKETING OF BANKING SERVICES

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UNIT 3: Relevance of marketing to banking – Marketing environment for a banker	Unit 3: Marketing and Banking (Pages 30-43);
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INTRODUCTION

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Banks differ from other companies in terms of the nature of the products and services. The customers for banks are also very different from other companies. It includes both individuals, companies, trusts, associations, NGOs, etc. In order to satisfy customer needs as well as increase business prospects and profits, banks need marketing for their services. Marketing is a way of doing business. It is all pervasive, a part of everyone’s job description from the receptionist to the board of directors. It is neither to fool the customer nor to falsify the company’s image. It is to integrate the customer into the design of the product, and to design a systematic process for interaction that will create substance in the relationship with him.

This book, *Marketing of Banking Services*, has been designed keeping in mind the self-instruction mode (SIM) format and follows a simple pattern, wherein each unit of the book begins with the Introduction followed by the Objectives for the topic. The content is then presented in a simple and easy-to-understand manner and is interspersed with Check Your Progress questions to reinforce the student’s understanding of the topic. A list of Self-Assessment Questions and Exercises is also provided at the end of each unit. The Summary and Key Words further act as useful tools for students and are meant for effective recapitulation of the text.

BLOCK - I
BASICS OF MARKETING OF BANKING SERVICES

UNIT 1 MARKETING

NOTES**Structure**

- 1.0 Introduction
- 1.1 Objectives
- 1.2 Marketing: Meaning and Process
 - 1.2.1 Importance of Marketing
- 1.3 Modern Marketing Concept
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- 1.4 Answers to Check Your Progress Questions
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1.0 INTRODUCTION

Marketing is one of the important business functions, which deals with customers. It incorporates a variety of business decisions that are essential to the success of all organizations. It consists of activities that identify the needs of customer, create goods and services that satisfy them, communicate with the customers about the offerings (goods and services) to the customers, seek suitability of the customers by making this product available to them at their convenient places, build and maintain relationship with the customers. In banking services, customer relationship is most important for profitable business. Marketing is an essential part of an organization from a management point of view and a collection of processes to develop, communicate, and deliver products and services and to manage customer relationships in ways that support the company and its stakeholders. It is not performed just by the department of marketing. Every part of the consumer experience needs to be influenced by marketing. Marketers must think like executives in other departments in order to build a strong marketing company, and executives in other departments must think more like marketers. There are five competing principles in which companies can choose to conduct their business: the concept of manufacturing, the concept of goods, the concept of sales, the concept of marketing, and the concept of holistic marketing. In this unit, we will study in detail about marketing.

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1.1 OBJECTIVES

After going through this unit, you will be able to:

- Describe the meaning and concepts of marketing
 - Explain the features of the modern marketing concept
-

1.2 MARKETING: MEANING AND PROCESS

Marketing is present everywhere. Everything we use has a marketing connection. It comes in traditional as well as in contemporary forms. One can see plenty of products at nearby shops or at retail stores. Customers are encountered with a lot of advertisement and promotional activities carried out by different organizations to reach out to them. There is a bombardment of TV commercials, magazines and newspapers ad, sales calls and e-mail pitches. In this modern era, marketers reach to customers through website, social networks, and internet chat rooms and through cell phones. These new approaches aim to do more than just sending messages to the masses. They aim to reach directly and personally.

Many people think of marketing only as *selling* and *advertising*, even though they are only the tip of the marketing iceberg. Marketing certainly includes selling goods, services and ideas, and advertising. But it is much larger than selling. Advertising is an integral part of communication. Advertising is needed to create awareness and persuade the customers. Marketing is far larger than advertising and its purpose is much bigger than just persuading customers.

Marketing is both an Art as well as Science

Art is the practical application of a set of rules or principles in practice. On the other hand, science is a system of facts and principles concerning any subject. Marketing is an art in the sense that a considerable set of rules or principles on buying, selling, financing, market information, etc., has been put into practice to achieve financial success. Marketing is also considered as science since it is also concerned with studying behavior of the individuals in the marketplace. Many aspects of marketing are technical which need complex tools of measurement and experimentation. So marketing is considered as both Art and Science.

In another sense, marketing satisfies customer needs. If the marketer recognizes consumer desires, he produces, distributes and successfully markets goods that have superior customer value, price and can be sold easily. Sales and ads are only part of a broader 'Marketing Mix' – a range of marketing tools aimed at satisfying customer expectations and establishing relationships with consumers.

Marketing is a social and managerial phenomenon in which, through generating and sharing value with others, individuals and organizations achieve

what they need and want. In a narrow business sense, marketing means creating efficient, value-laden relationships with consumers.

The American Marketing Association offers the following formal definition, “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.”

Kotler’s social definition of marketing states: “Marketing is a societal process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and value with others.”

Marketing Process

Organizations make an effort to understand consumers, generate value for them, and develop good relationships. Companies reap benefits of generating superior consumer satisfaction in the final stage. They create value from buyers in the form of revenue, learning, and long-term customer equity by generating value for customers.

Organization must know who the consumer is and what he needs and desires is. It is the first step of marketing process. The firm should have complete knowledge of the market to make sense of its marketing efforts. For that, the marketplace, as well as consumer expectations and preferences, must be researched.

The second step in the process is to formulate a marketing campaign influenced by the consumer. How is that done by a company? First of all, it includes segmentation of the market and targeting.

The business must segment the market and then target one or more of these established segments and concentrate on them. The organization should concentrate its efforts on those clients that it can best and most profitably support.

The next question is how to properly serve the targeted clients, which encompasses differentiation and positioning. It includes questions like what is the value proposition of the company, what makes it more attractive to consumers than other businesses, and which benefits it wants to achieve in the minds of customers.

The organization drives the third phase, which focuses on developing an integrated marketing campaign when the marketing plan is designed. The goal of the marketing program is to turn the marketing campaign for the customers into real worth. The marketing strategy should also offer superior consumer value.

Building profitable consumer relationships with target customers is the fourth stage during the first part of the marketing process that seeks to create value for customers. In this, the aspect leading to success goes beyond pleasing clients. Instead, the orientation must create consumer delight, which ensures that the company’s offerings meet the needs of consumers.

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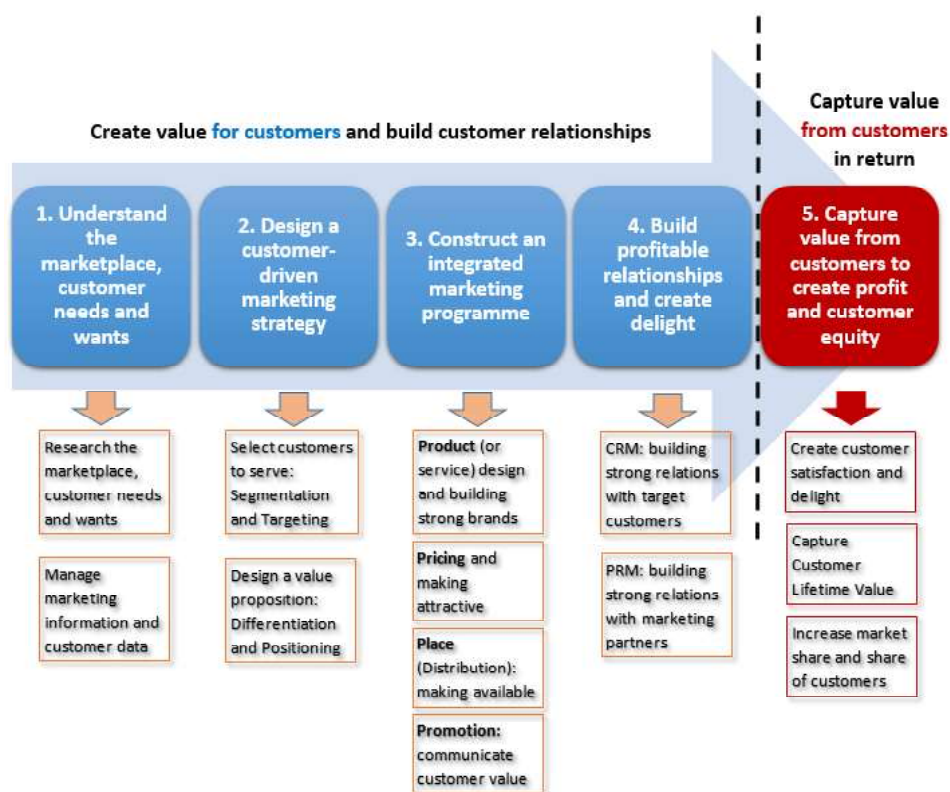


Fig 1.1 An Expanded Model of the Marketing Process

(Source: <https://marketing-insider.eu/wp-content/uploads/2015/01/The-Marketing-Process.png>)

When these four steps are completed, through an integrated marketing campaign leading to good relationships with customers, the business generates value for the right customers. It is now able to reap the results of its work. The fifth stage focuses on capturing value in exchange from customers. Capturing client value ensures that the business is able to make profits and consumer equity.

It is focused on pleased, happy and loyal users who repeat the buying action and thus return to purchase yet more. In the long-term, the business may then capture its value, which is the Consumer Lifetime Value (CLV). The organization would be able to grow its market share and obtain a greater customer base and optimize the value it can gain from customers if all operations are planned and conducted properly.

1.2.1 Importance of Marketing

Marketing is vital for any organization's success. It is used by major for-profit companies for example Hindustan Unilever Limited, Reckitt Benkiser, Procter & Gamble, Google, Patanjali Ayurved Ltd, Toyota, Apple, etc., and also by non-profit organizations such as universities, hospitals, libraries, and even religious organizations.

The business organizations rely on the ability to market. If there will not be demand for goods and services then the businesses will not be able to make a profit, all departmental operations would get affected. In the form of information, entertainment and inspiration, marketing drives product recognition, cultivates brand credibility, creates trust among the target customers and provides value to the audience. The following points sum up the importance of marketing:

- Marketing helps in transfer, exchange and movement of goods.
- Marketing is helpful in raising and maintaining the standard of living of the community.
- Marketing creates employment.
- Marketing is a source of income and revenue.
- Marketing acts as a basis for making decisions.
- Marketing acts as a source of new ideas.
- Marketing is helpful in the development of an economy.

Customer Needs and Marketplace Concept

Marketers need to consider the needs and expectations of consumers and the marketplace through which they work as a first step. Five primary consumer and marketplace principles are now examined:

- (1) needs, wants, and demands;
- (2) market offerings (products, services, and experiences);
- (3) value and satisfaction;
- (4) exchanges and relationships; and
- (5) markets

• Customer Needs, Wants, and Demands

The most important principle that underlies marketing is that of human needs. Human needs are states of deprivation that are felt. They include basic physical needs for food, clothes, comfort, and security; social needs for belonging and affection; and awareness and self-expression needs of individuals. Marketers did not establish these needs; they are a central component of human makeup. Wants are the forms that human needs take when culture and individual personality shape them. An Indian needs food, but wants a chapatti and vegetables in most parts of India.

Wants are affected by its society and are characterized in terms of objects that fulfill requirements. When funded by purchasing power, wants become demands. People demand goods with benefits that add up to the most value and satisfaction, considering their expectations and resources.

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- ***Market offerings (products, services, and experiences)***

The needs and expectations of customers are met by market offers, a combination of goods, services, content, or experiences provided to a market to meet a need or want. Market offers are not limited to physical items, they can provide services that are simply intangible and do not result in possession of anything but interactions, events or benefits available for sale. Examples include banking, air travel, hotel stays, tax preparation, and tourism. Market offerings also include other entities, such as persons, places, organizations, information, and ideas.

Many marketers fall into the trap of giving greater attention to particular goods they sell than to the advantages and experiences provided by these products. These sellers suffer from the myopia of marketing. In their goods, they are so taken that they concentrate only on current desires and lose sight of the fundamental needs of the customer. They forget that a product is only a tool to address a consumer problem.

- ***Customer Value and Satisfaction***

Consumers normally face a wide variety of goods and services that can meet a given need. Between these many business deals, how do they choose? Customers shape assumptions about the value and satisfaction that will be supplied and purchased accordingly by different business offerings. Customers who are happy, buy again and tell others about their positive experiences.

To set the correct level of expectations, marketers must be careful. They could satisfy the few who purchase if they make commitments too low, but they do not attract enough buyers. Purchasers would be dissatisfied if they keep too high expectations. In establishing and maintaining customer relationships, customer value and customer satisfaction are important building blocks.

- ***Exchanges and Relationships***

Marketing happens as people choose, via relational exchanges, to meet requirements and wants. Exchange is the act of receiving from another a desired item by giving something in return. The marketer seeks, in the broadest sense, to bring about an answer to any market offering. The reaction could be more than just purchasing or trading goods and services.

Marketing involves a series of steps taken to establish and sustain favourable exchange relationships with a commodity, service, concept, or other object affecting the target audience. The aim is to retain customers and develop their business with the firm, beyond simply attracting and retaining customers and making transactions. By consistently providing superior client value, marketers want to create good relationships.

- **Markets**

The notion of trade and relationships contribute to the idea of a market. The selection of real and prospective consumers of a commodity is a demand. Through exchanging relationships, these buyers share a mutual need or desire that can be fulfilled. Core marketing practices are activities such as customer analysis, product creation, communication, delivery, pricing, and operation.

When customers look for goods and communicate with businesses and receive knowledge and make their purchases, they also indulge in marketing. In reality, today's digital innovations have empowered customers and made marketing a responsive user business, from websites and blogs to mobile phones and other wireless devices.

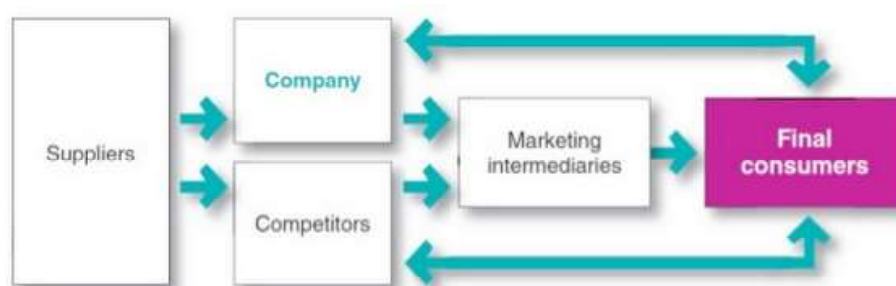


Fig 1.2 Major Environmental Forces

(Source: Kotler et al, *Principles of Marketing: A south Asian Perspective*, 13th edition, page 8)

Marketing means serving a target market in the face of rivals. To consider their needs, the business and rivals research the market and connect with customers. Then, either directly or by marketing intermediaries, they build and deliver their business offers and messages to customers. Significant environmental forces influence all of the parties in the framework.

Check Your Progress

1. Define marketing.
2. What do you mean by exchange?

1.3 MODERN MARKETING CONCEPT

There are some significant modern marketing concepts also known as marketing approaches such as production concept, product concept, selling concept, marketing concept, societal marketing concept and holistic marketing concept that can help marketing managers to be successful and achieve business goals.

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- ***Production Concept***

The concept of production places focus on manufacturing and believe that customers will always respond to goods which are affordable to them because of the superiority of manufacturing and negligible competition. Consumer preferences are still overlooked by this concept. Companies which follow this philosophy run a big risk of focusing too narrowly on their own: an operation and losing sight of the real target, meeting consumer needs and developing customer relationships.

- ***Product Concept***

However, the concept of the product not only stresses about the quantity of output but also the quality of the product as it assumes that consumers will respond to the goods of the highest quality at the fairest price, thus, management's main task is to increase the quality of the product to attract and maintain customers.

Value proposition focuses on making continual product changes under this philosophy. Quality and enhancement of goods are important aspects of most marketing campaigns. Focusing solely on the goods of the business, however, may also contribute to marketing myopia.

- ***Selling Concept***

Competition has increased and the market has become more complex due to technological growth, and here, the marketing principle implies that customers will not buy enough of the product unless attention is gained through significant selling and promotional activities. It ignores customer desires and, in the long run, the company can face difficulties. Typically, the selling principle is practiced for undesirable products, those that consumers generally don't think about purchasing, such as insurance or blood donations.

- ***Marketing Concept***

The new approach to marketing is referred to as the philosophy of marketing. The essence of the marketing philosophy is to meet the demand of the consumer and so it is very important for the manufacturer to produce the product according to the needs and expectations of the customers so that customers are satisfied and manufacturers also earn profit.

The marketing concept argues that achieving corporate goals depends on recognizing the needs and expectations of target audiences and providing the desired satisfactions than rivals. Customer emphasis and value are the paths to sales and revenues, under the marketing philosophy. The marketing concept is a customer-centred approach instead of a product-centred "make and sell" philosophy.

Implementing the idea of marketing also involves more than simply reacting to the specified expectations and apparent needs of clients. In order to learn about their needs, collect new product and service concepts, and evaluate potential product changes; customer-driven businesses deeply study existing customers.

The consumer concept is also relevant for marketers nowadays, and here, businesses use the consumer concept to pay attention to individual customers and it can be achieved by one-to-one marketing.

- ***Societal marketing concept***

The social concept gives sense to customer loyalty, social welfare and the benefit of the business. This idea is socially focused and so, by fulfilling all its social responsibilities such as pollution control, environmental conservation, not harming the ecological balance, doing social welfare programs, etc., the organization must serve society.

Each and every day, the world is changing. Life and living habits of modern individuals and fashion patterns and preferences are also evolving due to the triumph of globalization and the technical advancement of internet uses. Therefore, there is no alternative way of embracing and materializing new marketing concepts to retain competitiveness in the dynamic environment as a marketer.

- ***The Holistic Marketing Concept***

Without objection, the trends and forces that define the 21st century are leading business organizations to a new set of beliefs. “Marketing Memo: Right and Wrong Marketing” indicates where businesses go wrong and how they can get it right. The holistic marketing concept is focused on marketing programs, procedures, and activities that recognise their scope and interrelationships being developed, planned, and implemented.

Holistic marketing acknowledges that in marketing “everything matters” and that a broad, interconnected perspective is always required. Thus, holistic marketing is an approach that seeks to understand and reconcile the reach of marketing operations with their complexities. Holistic marketing is defined by four broad components: Relationship Marketing, Integrated Marketing, Internal Marketing, and Performance Marketing.



Fig 1.3 Holistic Marketing Concept

(Source: Kotler et al, Marketing Management: A south Asian Perspective, 13th edition, page 22)

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Relationship Marketing: One of the primary objectives of marketing is to create strong, lasting relationships with individuals and organizations that may directly or indirectly impact the performance of the company's marketing activities. Relationship marketing seeks to establish long-term relationships with key constituents that are mutually fulfilling in order to earn and maintain their business activities.

Integrated Marketing: The role of the marketer is to formulate marketing activities and to assemble fully integrated marketing campaigns in order to establish, interact and provide customers with value. Activities in marketing come in all types. McCarthy defined these operations as four large types of marketing-mix tools, which he called the four Ps of marketing: product, price, place, and promotion.

Internal Marketing: Holistic marketing integrates internal marketing, ensuring that suitable marketing concepts are followed by everyone in the company, especially senior management. Internal marketing is the job of attracting, educating, and encouraging able workers who want to represent clients well.

Smart marketers understand that in-company marketing activities can be as relevant and perhaps more significant than outside-company marketing activities. Before the company's workforce is able to deliver it, it makes literally no sense to promise outstanding service.

On two levels, internal marketing must take place. The different marketing functions must work together at one level: sales force, ad department, customer support, product management, and marketing analysis. Other departments need to accept marketing at the second level; they also need to "think customer."

Marketing is so much a department as a business orientation. Internal marketing therefore requires vertical alignment with senior management and horizontal alignment with other departments, so that everyone understands, appreciates, and supports the effort to market.

Performance Marketing: Holistic marketing involves performance marketing and awareness of the gains from marketing efforts and services to the organization, as well as addressing wider problems and their legal, ethical, social, and environmental impacts. To analyze the marketing report card and evaluate what is happening to the market, consumer loss rate, customer loyalty, product quality, and other indicators, top management goes beyond sales revenue.

Through Financial Accountability marketers analyze or justify investment in terms of financial and profitability terms. Marketing's impacts obviously apply to society as a whole outside the business and the client. In wide perspective, marketers must closely examine their position and the ethical, financial, legal, and social context of their operations and accounts for socially responsible marketing.

1.3.1 Features of the Modern Marketing Concept

Modern marketing has its own set of characteristics. Modern marketing encompasses all business practices aimed at determining demand, product planning,

delivery, and streamlining the marketing process as a whole. Let us discuss the features of modern marketing concept.

Marketing

- **Consumer Orientation:** It stresses the importance of the entire company being consumer-oriented. Marketing begins by determining what consumers want and continues until all of their needs are met and they are fully pleased with the products and services.
- **Integrated Approach:** Business organizations are compelled to use an integrated strategy in their activities as a result of the marketing philosophy. To meet the needs and demands of customers, each company's manufacturing, finance, and marketing departments should work together. As a result, marketing should not be viewed as a disjointed set of marketing functions. Every department has a role to play in ensuring customer satisfaction.
- **Long Term Perspective:** The marketing concept aims to grow the company and increase profits over time. Marketers have value to consumers and create long-term relationships with them in order to draw new customers and keep them in the future.
- **Profitable Sales Volume:** Whenever marketing is conducive to improving profitable revenue by long-term customer loyalty, it is deemed effective.

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Check Your Progress

3. List significant modern marketing concepts.
4. What is the essence of the marketing philosophy?
5. What is holistic marketing concept?

1.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The American Marketing Association offers the following formal definition, "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."
2. Exchange is the act of receiving from another a desired item by giving something in return.
3. There are some significant modern marketing concepts also known as marketing approaches such as production concept, product concept, selling concept, marketing concept, societal marketing concept and holistic marketing concept.

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4. The essence of the marketing philosophy is to meet the demand of the consumer and so it is very important for the manufacturer to produce the product according to the needs and expectations of the customers so that customers are satisfied and manufacturers also earn profit.
5. Holistic marketing is an approach that seeks to understand and reconcile the reach of marketing operations with their complexities.

1.5 SUMMARY

- Many people think of marketing only as *selling* and *advertising*, though they are only the tip of the marketing iceberg. Marketing certainly includes selling goods, services and ideas, and advertising. Marketing is much larger than selling and advertising.
- Companies reap benefits of generating superior consumer satisfaction in the final stage. They create value from buyers in the form of revenue, learning, and long-term customer equity by generating value for customers.
- Building profitable consumer relationships with target customers is the fourth stage during the first part of the marketing process that seeks to create value for customers.
- The most important principle that underlies marketing is that of human needs.
- In establishing and maintaining customer relationships, customer value and customer satisfaction are important building blocks.
- Marketing means serving a target market in the face of rivals. To consider their needs, the business and rivals research the market and connect with customers. Then, either directly or by marketing intermediaries, they build and deliver their business offers and messages to customers.
- There are some significant modern marketing concepts also known as marketing approaches such as production concept, product concept, selling concept, marketing concept, societal marketing concept and holistic marketing concept that can help marketing managers to be successful and achieve business goals.
- Quality and enhancement of goods are important aspects of most marketing campaigns.
- The holistic marketing concept is focused on marketing programs, procedures, and activities that recognise their scope and interrelationships being developed, planned, and implemented. Holistic marketing is defined by four broad components: Relationship Marketing, Integrated Marketing, Internal Marketing, and Performance Marketing.

- On two levels, internal marketing must take place. The different marketing functions must work together at one level: sales force, ad department, customer support, product management, and marketing analysis. Other departments need to accept marketing at the second level; they also need to “think customer.”
- Modern marketing has its own set of characteristics. Modern marketing encompasses all business practices aimed at determining demand, product planning, delivery, and streamlining the marketing process as a whole.

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1.6 KEY WORDS

- **Marketing:** It refers to activities a company undertakes to promote the buying or selling of a product, service, or good.
- **Advertising:** It is a means of communication with the users of a product or service.
- **Customer:** It refers to an individual or business that purchases another company’s goods or services.

1.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Why is marketing considered as both Art and Science?
2. How is marketing important?
3. What are the features of modern marketing concept?
4. What is production concept and product concept?

Long-Answer Questions

1. Describe the marketing process.
2. Explain the concept of customer needs and marketplace.
3. Discuss the components of holistic marketing concept.

1.8 FURTHER READINGS

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UNIT 2 MARKETING AND SELLING

Structure

- 2.0 Introduction
- 2.1 Objectives
- 2.2 Social Marketing
- 2.3 Demarketing
- 2.4 Remarketing
- 2.5 Answers to Check Your Progress Questions
- 2.6 Summary
- 2.7 Key Words
- 2.8 Self Assessment Questions and Exercises
- 2.9 Further Readings

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2.0 INTRODUCTION

Marketing and selling serve very different purposes for an organization. Marketing is associated with gathering meaningful information related to the tastes, preferences and choices of the customers to contribute to the designing of the products and services. This is to say that marketing allows companies to design products and services which sell themselves to the customers. On the other hand, selling is a persuasive activity. This implies that the products and services are not made as per the demands and wants of the customers and therefore require additional effort in order to be bought by the target audience. This is detrimental on several fronts. Not only does selling in comparison to marketing can potentially become a wasteful use of resources but it also may serve the company in forming meaningful and loyal customer base. Marketing concept and its innovations need to be studied in detail since it helps the companies in myriad ways.

In this unit, we will study in detail about the social marketing, demarketing and remarketing.

2.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concept of social marketing
- Understand the importance of social marketing
- Explain the applicability social marketing in banking sector

2.2 SOCIAL MARKETING

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Social marketing is not a science, but rather a professional craft which relies on multiple scientific disciplines to create programs designed to influence human behaviour on a large scale. Commercial marketing targets purchase behaviours, product choice behaviours, and product promotion behaviours. People are asked to buy products, switch brands, and talk favourably about a company's product. Social marketing typically targets complex, often socially controversial behaviours, with delayed and distant benefits to audiences who often do not recognize they have a problem, much less are looking for a solution. Like other professional crafts (that is, clinical medicine) marketing uses science extensively, but it is also learned through experience. It is a flexible framework within which scientists, managers, and artists work together to influence behaviour on a massive scale. Social marketing has been in the marketing literature since the 1960s. Variations of social marketing have been applied to promote traffic safety, tobacco control, drug prevention, childhood immunizations, improved nutrition and diet, and environmental behaviour, as well as to reduce infant mortality.

Social marketing concept was invented by Kotler and Zaltman in the year 1971. It is the approach to planned social change.

Social marketing is the design, implementation, and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research (Kotler and Zaltman 1971).

As a broader definition proposed by Andreasen (1994), social marketing is also defined as the adaptation of commercial marketing technologies for programs designed to influence the voluntary behaviour of target audiences to improve their personal welfare and that of the society of which they are a part.

Social marketing is the application of commercial marketing principles and tools where the primary goal is the public good (Rob Donovan, 2011).

Social marketing has made enormous strides since its inception in the early 1970s and has had a profound positive impact on social issues in the areas of public health, injury prevention, the environment, community involvement and financial well-being. This practice has been used to help reduce tobacco use, decrease infant mortality, stop the spread of HIV/AIDS, prevent malaria, persuade people wear helmet while riding, increase recycling of used products, encourage the homeless to participate in job training programmes, etc.

Focus of Social Marketing on Behaviours

Social marketers' objective is to successfully influence desired behaviours. Social marketing focuses on the following four things:

1. Accept new behaviour (e.g. use of recycled products)

2. Reject potentially undesirable behaviour (e.g. starting smoking)
3. Modify a current behaviour (e.g. reducing consumption of cigarette from 7 to 3 over a period of week)
4. Abandon an old undesirable behaviour (e.g. not using helmet while driving)

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Challenges of Social Marketing

The most challenging aspect of social marketing is that it relies heavily on “rewarding good behaviours” rather than “punishing bad ones” through legal, economic or coercive forms of influence and in many cases social marketer cannot promise a direct benefit or immediate pay back in return for adopting the proposed behaviour. For example it is tough to convince a young person who wants to look good to use sunscreen to avoid the possibility of skin cancer in the future.

Features of Social Marketing

Given below are the features of social marketing:

- Social marketing is a process that uses marketing principles and techniques to change the behaviours of target audience that will benefit society as well as the individual.
- Social marketing is the use of marketing principles to influence human behaviour in order to improve health or benefit society.
- Social marketers work to influence behaviours that improve health, prevent injuries, protect the environment, build communities and enhance financial well-being.
- Most organizations that develop social marketing programs operate through funds provided by sources such as foundations, governmental grants or donations which are called purse strings.
- In social marketing, PR (Public Relations) is focused on maintaining a positive reputation for a company as a whole.

Difference between Social Marketing and Commercial Marketing

In commercial sector the primary aim is to sell goods and services that will give financial gain to the organization. In social marketing the primary aim is to influence social behaviour that will contribute to societal gain. Commercial marketer focuses on target audience which will provide more volume and profitable sales. In social marketing, segments are selected based on different criteria, e.g., social problem, readiness for change, specific group of people facing social issues or health issues, etc.

Social Marketing Planning: Importance of Systematic and Sequential Planning Process

Only systematic process of social marketing plan can explain the purpose and focus of your plan and analyze your market place to select appropriate target

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audiences. Only by developing integrated strategy you can bring real behaviour change and it requires suitable steps of social marketing plan. Through systematic process you can communicate and implement proper social marketing plan. Only when you decide how you are going to measure your performance, you can plan your budget and implement at various stages of social marketing plan to get the desired success. Although planning is a sequential process, it may be more accurately described as spiral rather than linear. Each step should be considered as draft and planner needs to be flexible, recognizing that there may be a good reason to go back and adjust a previous step before completing the plan. For example research says that one of targeted audiences must be dropped because you may not be able to meet its unique needs or overcome its specific barriers to change with the resource you have. Also, sometimes ideal communication channel considered may turn out to be no cost effective and may require considering another one. In such cases marketing plan must be flexible enough to cater to the change in needs time to time.

Steps in Developing Social Marketing Plan

The following are ten steps for developing social marketing plan:

1. **Background, Purpose and Focus:** What social issue is this plan intended to impact (e.g. increase in digitalization of banking system), on what family (e.g. bringing rural economy on digital banking for more integrated approach) and/or solution (e.g. rural people who are away from online banking) will we focus? Why? Who is the sponsor?

Background of social problem must be explained. It should have special purpose, e.g., reducing road accidents. Social marketing plan must focus on social problems like more road accidents are taking the lives of people due to careless driving and not following the safety norms.

2. **Situation Analysis:** Situation analysis should be conducted in terms of strength, weakness, opportunities and threats (SWOT Analysis) of any social program. On the basis of SWOT analysis, one can predict the level of desired behaviour change they can bring in target audiences. For example bringing digital banking system in rural parts of India – doing situation analysis one can analyze the reach of internet in rural parts of India and education level of people living there, their strengths to adopt digital banking system, etc. Key learnings can be taken from a review of similar initial efforts and exploratory market research.

3. **Target Audience:** It helps to focus on specific segment of people to implement social marketing program effectively. One requires to make similar groups for a focused social marketing. It consists of the following:

- Descriptions of priority target audience, including demographics, geographic, readiness to change, relevant behaviour, values and lifestyle, social networks and community assets relative to plans purpose and focus.

- Market research findings providing rationale for target audiences including factors such as size problem incidence, problem severity, defensiveness, reachability, potential responsiveness to marketing mix elements, incremental costs and organizational match relative to the plan's purpose and area of focus.
4. **Marketing objectives and goals:** Objectives must be set considering the target audience whose behaviours are required to be influenced (e.g. making all banking transaction online). SMART (Specific, Measurable, Achievable, Relevant, Time-Bound) goals quantify desired behaviour outcomes as well as changes in knowledge, beliefs and behaviour intent should be set.
 5. **Consideration of Target audience barriers, benefits, the competition and influential others**
 - Perceived barriers and costs associated with adopting the desired behaviour should be identified.
 - Potential unique and meaningful benefits that will help influence and sustain targeted behaviours should be identified.
 - Competing behaviours/forces and its impact must be taken into consideration.
 - Influence of importance to others should be considered.
 6. **Positioning statement:** Developing positioning statement is an important aspect of social marketing plan. It shows how we want the targeted audience to see the targeted behaviour, highlighting unique benefits and the value proposition.
 7. **Marketing mix strategies (4 P's):** Planning marketing mix strategies in social marketing is important to decide the different strategies and combination of 4 P's, i.e., Product, Price, Place and Promotion.
 - **Product:** Benefits from performing behaviours and features of goods or services offered to assist adoption.
 - **Price:** Costs that will be associated with adopting behaviour and price related tactics to reduce costs.
 - **Place:** (Convenient access) Making convenient place to access the products and services to bring required behaviour from targeted audiences including partnership development of distribution channels.
 - **Promotion:** Communication and advertisement for target audiences, highlighting benefits of the goods and services, selection of media channels for promotional activities, etc.
 8. **Plan for monitoring and evaluation:** Your evaluation plan outlines what measures will be used to evaluate the success of your effort and how and when these measures will be taken.

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It sets standards to measure effectiveness of the program. It includes overall evaluation of social marketing programme, e.g., input, output and process, return on investment, etc. These are evaluated on set standards (e.g. desired output) related to social marketing program. Monitoring responsibility and schedule is planned at different stages of the program.

9. Budgets and finding funding resources: Budget decides cost incurred at various levels of your social marketing program. It consists of the following:

- Costs of implementing the marketing plan
- Promotion related costs
- Compensation to be paid to the people involved in implementing the social marketing plan including distribution channels
- Any anticipated incremental revenues, cost savings or partner contributions
- Finding resources to fund your social marketing program (e.g. government, company sponsorship)

10. Plan for implementation and programme management: Implementation plan will decide complete plan regarding responsibility of various people to implement the social marketing plan. It consists of the following:

- Who will do what and when including partners and their roles
- Schedule of programme to be implemented at various stages
- Allocation of resources to implementers

4 P's of Social Marketing

1. Product: In social marketing products include:

- Benefits that target audience wants from their changed behaviour and
- Any additional product elements included to assist target audience to perform that behaviour.

2. Price: Price is the cost that the target audience associates with adopting the desired behaviour. Cost may be monetary and non-monetary in nature. Monetary costs in social marketing environment are most often related to goods and services associated with adopting the behaviour (e.g. blood pressure monitoring equipment). Non-monetary costs are more intangible but are just as real for your audience and often even more significant for social marketing products. They include costs associated with time, effort and energy required to perform the behaviour (cooking a balanced meal).

3. Place: Place is where and when the target audience will perform the desired behaviour, acquire any related goods and receive any associated services (e.g. a dental office on wheels for children who do not get regular dental care in rural areas). Targeted audience may struggle to receive product or service, so choosing right place to deliver it is important in social marketing.

- 4. Promotion:** Promotions are persuasive communications designed and delivered to inspire your target audience to action. In social marketing, promotion is required to highlight your products or services, their benefits, features to the target audience to inspire them to use those or perform desired behaviour (e.g. recycle engine oil). Developing communication strategy is an important aspect of promotion, e.g., the Pulse Polio Vaccination Drive, aimed at Polio-Free India, “Do Boond Zindagi Ki” (Two Drops of Life) voiced powerfully by the actor Amitabh Bachchan.

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Examples of Some Social Marketing Initiatives by Indian Banks

1. **HDFC Bank** has been working with NGOs for providing non formal vocational and technical education programs as well as skill up gradation courses to enable sustainable employment and income generation for economically weaker sections.
2. **YES BANK**, India’s fourth largest private sector Bank, in association with CARE India, a humanitarian relief and development NGO working in India for more than 60 years, has launched India’s first Social Deposit Account (SDA). The Social Deposit Account (SDA) is an evolution of the regular Fixed Deposit account where customers have the option of donating their interest income to a social cause through CARE India.
3. **IDBI** has come forward to join hands with Smile Foundation in social development initiatives. The bank has contributed 14 personal computers to Smile Foundation, which have been utilized in four different projects being implemented through as many partners in Delhi and NCR.
4. **State Bank of India (SBI)**, the oldest bank has also adopted green banking initiatives in its lending operations. Recognizing the warning of global warming, bank has decided to initiate urgent measures to combat the climate change through envisaging two pronged approach viz., i) to reduce the bank’s own carbon footprint and ii) to sensitize the bank’s clients to adopt low carbon emission practices.
5. **Small Industries Development Bank of India** (The prime financer to small and medium scale industries) has also incorporated environmental and social aspects in its core business activities so as to ensure sustainable development. It is providing concessional and liberal credit to medium and small scale industries which are initiating energy saving projects and are adopting pollution control measures.
6. **Swabhiman Campaign:** “Swabhimaan” is a path-breaking initiative by the Union Government and the Indian Banks’ Association to bridge economic gap between rural and urban India. This campaign aims at bringing socio-economic equality by involving unprivileged sections of Indian population. The vision for this program is social application of modern technology.

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7. **Pradhan Mantri Jan Dhan Yojana:** Pradhan Mantri Jan Dhan Yojana was launched at a massive scale to bring all citizens of the country under the purview of banking; irrespective of their financial status or regional location. The scheme aims to tie every Indian in the rural or urban sector to the mainstream banking system.

Check Your Progress

1. What is social marketing?
2. How should situation analysis be conducted?
3. Name the 4 P's of social marketing.

2.3 DEMARKETING

In 1971 Philip Kotler and Sidney Levy introduced the expression “demarketing” in a Harvard Business Review article titled “Demarketing, Yes, Demarketing.”

Philip Kotler and Sidney Levy defined demarketing as “. . . that aspect of marketing that deals with discouraging customers in general or a certain class of customers in particular on a temporary or permanent basis.”

Most of the commercial world spends its time trying to augment the demand for goods and services. But we also need a science of “Demarketing” to help reduce the demand for certain products and services. It would be applied to reduce the demand for “vice” products such as hard drugs, cigarettes, and fatty foods. It would also be used to reduce the use of scarce resources, such as water, clean air, certain fish, and certain minerals. California does not have enough water and in Beijing, 9000 citizens are hospitalised because of respiratory sickness due to lack of clean air. For some things, the task is not marketing but demarketing.

Importance of Demarketing

- Managing an existing shortage: The Middle East is short of water and must ration it to competing users. Frequent energy blackouts in various countries require campaigns to discourage unnecessary or wasteful energy consumption.
- Avoiding potential shortages: Overfishing must be curtailed in order to maintain the fish supply. Timber cutting must be followed by active replanting.
- Minimizing harm to individuals: Efforts are needed to reduce cigarette smoking and hard drug use and eating foods too high in sugar, salt, and fat.
- Minimizing harm to nature or unique resources: Discouraging overcrowding at over-attended tourist areas.

What are the tools of demarketing? Let's examine Russia's effort to discourage its citizens from overdrinking vodka and other alcoholic beverages. Vodka dependency results in fights, marriage breakups, injuries and deaths. The 4 P's serve as an initial marketing framework to be used by the Russian government and NGOs to reduce vodka consumption:

Product: The government would order lower production of vodka. It might also limit consumers from buying more than one quart a week.

Price: The government would substantially increase the price of vodka.

Place: The government would limit the number of distribution outlets that sell vodka and make these outlets more difficult or inconvenient to visit.

Promotion: The government would run advertising and news campaigns on the harm done to individuals and families by excessive vodka consumption.

Another example could be of banks offering low interest rate for FD's (Fixed Deposits) and promote to invest in other banking products.

Demarketing may be considered "unselling" or "marketing in reverse", which includes general and selective demarketing.

Although the concept of demarketing lacks a precise theoretical definition, it refers to an attempt by the firm to discourage all or some of its customers from making purchases either temporarily or permanently. Since the initial interests in the subject area of how to market strategically in times of shortages began, different viewpoints have been offered as to how the firm should pursue demarketing.

Demarketing can be done in different ways, some are as follows:

1. General demarketing

General demarketing is done when a company wants to reduce the entire demand for consumption for the product. For example government demarketing physical transaction of money in bank to promote online transaction and demarketing alcohol and cigarette for the entire population.

2. Selective demarketing

Selective marketing is when firms target a select class of consumers and aim their demarketing strategies at them. This is mainly done to protect loyal or core consumers.

For example banks offer higher interest rate to senior citizens to protect their earnings in old age so that they do not require to take risk by investing in other areas whereas banks offer lower rate of interest rate to others.

3. Ostensible demarketing

Ostensible demarketing is the phenomenon of creating the artificial shortage to stimulate the appetite of consumers. A limited supply of goods is created so that consumers start stocking these "hard to get" products. A very good example of ostensible demarketing occurred with BMW in 1997 when it restricted its supply in the entire UK market.

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Types of demarketing strategies

- 1. Bait and switch marketing:** This kind of marketing strategy is when firms market one product in such a way that consumers end up buying another more profitable product by the same firm (e.g. Investment in Mutual funds are promoted more than investing in FD's (fixed Deposits) by saying mutual funds will pay you more returns than FD. However, since this involves deception, this kind of demarketing is not considered legal.
- 2. Price discriminating demarketing:** When firms implement price discriminating strategy, they intentionally create transaction cost that aims to discourage consumers to seek the lowest price. Thus, busy consumers end up paying a higher price whereas consumers who have low transaction pay the lower price.
- 3. Stock outage demarketing:** In this kind of demarketing strategy, firms create an artificial shortage of their product. However, though they create a shortage of product, they have offers where they guarantee delivery on a future date. An artificial shortage makes consumers buy more of the product when it becomes available for a short period of time.
- 4. Differentiation demarketing:** This kind of demarketing addresses the 4 P's of marketing. The 4 P's of marketing are Product, Price, Place and Promotion and businesses try to implement demarketing strategies by focusing on the 4 P's.
Some businesses increase the price of their product and thus start discouraging cost-conscious consumers from purchasing the product, while others address the second P, i.e., Product and remove any warranty or accessories they were earlier providing with their product. To address Place, firms sometimes limit the availability of their products at certain places and thus employ demarketing strategy. The last P, promotion, is addressed by cutting down on promotions of the product.
- 5. Crowding cost demarketing:** This kind of strategy is used when a large crowd is expected on a particular day. On discount days, like Black Friday, a huge crowd of consumers descends on stores and this crowd acts as a deterrent for some consumers who prefer paying a higher price to stay away from the crowd.

Unlike marketing strategies, demarketing strategies are challenging and need to be crafted with precision so that they do not backfire. However, their complex nature does not deter marketers from implementing them and be successful in turning away the wrong consumer while attracting the target consumer simultaneously.

Check Your Progress

4. Define demarketing.
5. Why is there a need of demarketing?

2.4 REMARKETING

Remarketing is defined as the technique of marketing of product or services to the customers who already visited your outlet or website.

It is retargeting the same customer who has shown interest in the past in your product or services by communicating to him again about products or services, displaying ads to him and reminding him through email about products or services and their unique offers.

Remarketing, also known as retargeting, is a very common and popular form of digital marketing in which marketers serve ads to users who have visited their website, or a specific web page, and who have or have not taken a specific action. It is an effective way to target people who have already shown some interest in your business or brand.

Because you are targeting past visitors or existing customers, it is called “re-marketing”. Think of it as a second chance to convert, up-sell, or retain customers with online ads or campaigns. You can do remarketing in different ways and with different ad platforms, like Outbrain, Google ads, or Facebook ads.

In e-commerce, remarketing ads can be used to recover abandoned carts, by displaying the product the user added to the cart but left the site without purchasing. For example Google Ads remarketing is a form of online advertising that enables sites to show targeted ads to users who have already visited their site. Past visitors will see these ads while they are browsing the web, watching YouTube videos or reading news sites, for example—keeping your brand top-of-mind and enticing visitors to come back for more purchasing.

Here’s a fictional example: Anjali visits the Bata shoes’ e-commerce site, looks at a particular pair of shoes, but does not purchase them. Later, Anjali visits another website – say, her favourite entertainment news site. Bata shoes is running a remarketing campaign via an ad network that works with this entertainment site. Anjali sees an ad by Bata shoes featuring the same or similar shoes to the ones she was looking at the other day.

The aim of the retargeting ad is to remind Anjali of those shoes she was interested in, and maybe by seeing the ad, she will be convinced to click and make the purchase she did not make previously.

Importance of Remarketing

- Remarketing is an effective and cost efficient way to attract customers. This is mainly due to the fact that you are targeting people who have already shown interest in what you had offered. With the right targeting and budgeting, you can achieve good results with your KPIs (Key Performance Indicator).

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- It is suitable for every industry.
- Keep your brand at top of mind by strategically showing your ads and keeping communication to interested audiences.
- Remarketing, also known as retargeting, can dramatically increase your conversion rates and ROI (Return on Investment).

For example a bank remarketing for auto loan products. There are a few ways in which remarketing can work. Consider the same bank promoting its auto loan products. Through remarketing, the marketer can know intent of customers (i.e., a search for “auto loan”) with other known information about them. As with the retargeting initiative, the bank places a cookie in the browsers of site visitors. To reach existing customers, this can be done post log-in. Instead of serving ads to everyone, remarketing combines “both the cookie and the search” like this:

The bank identifies keywords associated with its auto loan ads or with search terms a prospective car buyer might use while searching for a new vehicle and then waits for someone to do a Google (Bing, Yahoo, etc.) search.

Once the combination of the cookie-enabled browser is matched to one of the identified keyword search terms, the bank’s ads will begin to return as text search results on search engines, and banner ad for its auto loan products will start to be displayed as those prospects browse. These results in reaching prospects that have already done business with the bank and, even better, expressed clear interest in purchasing and/or financing a vehicle – making them true leads for the auto loan product.

Why Remarketing Campaigns are so important to any firm?

According to the research Marketo (www.marketo.com), 96 per cent of visitors that come to company website are not ready to buy first time. There is a huge number of website visitors whom any company will lose since they are not converting despite the fact they visited your website and searched for your products and services.

Remarketing campaigns help you to target these visitors again with specific ads with the specific goal of convincing them to convert for your product or services offer. With remarketing campaigns, you remind and convince visitors who were not initially ready to convert to buy your products or services.

These types of ads are helpful as they allow you to serve people who have already expressed an interest in your product. With the help of social media channels, search engines, and email you can remind, remarket them that they wanted to solve a problem and why your product or service offers the best solution for their problems.

Check Your Progress

6. What is remarketing?
7. How does remarketing help a firm?

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2.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Social marketing is the design, implementation, and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research.
2. Situation analysis should be conducted in terms of strength, weakness, opportunities and threats (SWOT Analysis) of any social program.
3. The 4 P's of social marketing are product, price, place and promotion.
4. Philip Kotler and Sidney Levy defined demarketing as “. . . that aspect of marketing that deals with discouraging customers in general or a certain class of customers in particular on a temporary or permanent basis.”
5. We need a science of “Demarketing” to help reduce the demand for certain products and services. These include “vice” products such as hard drugs, cigarettes and fatty foods, and the use of scarce resources, such as water, clean air, certain fish, and certain minerals.
6. Remarketing is defined as the technique of marketing of product or services to the customers who have already visited your outlet or website.
7. Remarketing helps a firm by reminding and convincing the visitors who were not initially ready to convert to buy its products or services to purchase.

2.6 SUMMARY

- Social marketing is the design, implementation, and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication, distribution, and marketing research.
- The most challenging aspect of social marketing is that it relies heavily on “rewarding good behaviours” rather than “punishing bad ones” through legal, economic or coercive forms of influence and in many cases social marketer cannot promise a direct benefit or immediate pay back in return for adopting the proposed behaviour.

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- Philip Kotler and Sidney Levy defined demarketing as “. . . that aspect of marketing that deals with discouraging customers in general or a certain class of customers in particular on a temporary or permanent basis.”
- Remarketing is defined as the technique of marketing of product or services to the customers who already visited your outlet or website. It is retargeting the same customer who has shown interest in the past in your product or services by communicating to him again about products or services, displaying ads to him and reminding him through email about products or services and their unique offers.

2.7 KEY WORDS

- **Social marketing:** It is the use of commercial marketing principles and techniques to improve the welfare of people and the physical, social and economic environment in which they live.
- **SWOT:** SWOT analysis is a strategic planning technique used to help a person or organization identify strengths, weaknesses, opportunities, and threats related to business competition or project planning.
- **Demarketing:** The use of advertising to decrease demand for a product that is in short supply.
- **Remarketing:** It is a form of online targeted advertising by which online advertising is targeted to consumers based on their previous internet behaviour.

2.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are the challenges of social marketing?
2. What is the difference between social marketing and commercial marketing?
3. Mention examples of social marketing initiatives taken by Indian banks.
4. What is the importance of demarketing?
5. Mention the methods of demarketing.
6. State the importance of remarketing.

Long-Answer Questions

1. Describe the features of social marketing.
2. Explain the steps for developing social marketing plan.

3. Discuss the types of demarketing strategy.
4. Illustrate the importance of remarketing campaigns for a firm.

Marketing and Selling

2.9 FURTHER READINGS

NOTES

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UNIT 3 MARKETING AND BANKING

NOTES

Structure

- 3.0 Introduction
- 3.1 Objectives
- 3.2 Relevance of Marketing to Banking
- 3.3 Marketing Environment for a Banker
- 3.4 Answers to Check Your Progress Questions
- 3.5 Summary
- 3.6 Key Words
- 3.7 Self Assessment Questions and Exercises
- 3.8 Further Readings

3.0 INTRODUCTION

Bank marketing is understood as a system of organization and management of a bank to achieve maximum fulfilment of the needs of capital as well as other products and services of the bank for one or more groups of targeted customers. Marketing is one of the important factors that bring success to banks. Marketing environment is not under the control of any bank; they must pay attention to the environment and develop their own marketing strategies accordingly. To analyze the strength and weaknesses of a bank, it is important to know the internal and external environment of a bank and how it affects its operations, as well as the short term and long term goals of a bank.

3.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the relevance of the marketing concept in banking
- Describe the different marketing environments for bankers
- Explain the impact of different environments in developing marketing products, services and strategies

3.2 RELEVANCE OF MARKETING TO BANKING

Bank marketing is the design structure, layout and delivery of customer-needed services worked out by checking out the corporate goals of the bank and environmental constraints.

History of Bank Marketing Around the World

Previously, the work of banks was only to keep money safe and lend money to the customer. Initially, the banking services did not focus on the marketing aspect at all. They only focused on providing the required services. Globally, many companies in different sectors had been applying marketing strategies to develop their business and reach different segments of customers, but banks were poor in terms of marketing concept regardless of customer needs as well as society demands. However, once competition started amongst banks, they realized the importance of bank marketing and started developing marketing strategies. By the 1960s, marketing concept started in the banking sector. The development of marketing occurred first in the retail banking sector in the U.S. In Europe, until the 1970s, there was no concept of marketing in banks.

However, from the beginning, the study of marketing did not have the right vision. At first, banks studied the feedback of customers about their operations, demand, need and satisfaction. Afterwards, slowly they started improving bank procedures, new banking products and its pricing, locations, transaction time and type and quality of product and services. Nowadays banks are focusing more on customer satisfaction and strive to retain customers in the long term by developing a friendly atmosphere. They are researching and developing products and services based on customer's tastes and choices.

In India, the emergence of private banks in India (e.g. ICICI, HDFC etc) helped public sector banks realise the importance of marketing by implementing right marketing strategies. Thus, marketing has become an important and effecting factor for banking success nowadays.

The Necessity of Bank Marketing

Bank marketing is a specialized field of the marketing which are directed towards providing banking services to satisfy the customer. It is a system of providing banking services and products in such a way that it will satisfy and delight customers and well help to retain them in long term. A bank marketer interacts with customers and understands their needs. He or she keeps watch on competitor strategies and develops his own marketing strategies to benefit the bank in the short term as well as in the long term. Bank marketing also tries to bring customers from all parts of society to provide societal benefit.

Marketing Role in Banks

The role of marketing in banks is as follows:

- Marketing in banks plays the important role of solving economic problems in the banking business. In financial economies, banks are an important element or organization. Banks, like other businesses, must also resolve basic economic problems of business activities with the help and support of marketing functions which includes making available right and essential

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banking products and services to their customers through customer satisfaction.

- The marketing department can develop different types of products and services that banks provide for the needs and demands of customers through activities such as collecting information, researching customer's needs and demands, studying products of competitors, researching customized products suitable to individuals as well as businesses, and so on. This will help banks to make decisions of which type of products and services should be launched in the market at a particular time.
- The marketing department can help to improve the quality of products and services by interacting with customers and studying competitor's products, creating a good image of the bank in the minds of customer and the society, increase brand value and increase the competitiveness and competency in different functions of banks. The marketing department can use many methods through its employees as well as technology to enhance banking business.
- The marketing department helps banks maintain a pleasant relationship among customer, employees and banks. This is very important to motivate employees, customer to participate in bank process.

Bank Marketing Functions

There are four major functions of bank marketing which contribute extensively to the development of a bank's business. These are as follows:

1. Making services/products adapted to market's demand

The first function is to create banking products and services adapted to the market's demand. The marketing department researches the market in order to determine demands, desires and trends of the market as well as the change in customers' desired needs time to time. From this they can develop new products and services which will attract and fulfil the needs and bring desired benefit to customers. Also they can create better competitive position in the market.

2. Distribution Function

The distribution function of the bank marketing department develops the entire method of distributing and organizing banking products and services to different customers. It includes understanding the customer needs, organizing different activities at customer service outlets, guiding them in the selection of products and services which are most suitable and essential to them to get benefit in the short and long term, studying the market to develop new distribution channels to meet different customer demands, as well as training the distribution channel for banks products and services to get needs fulfilled.

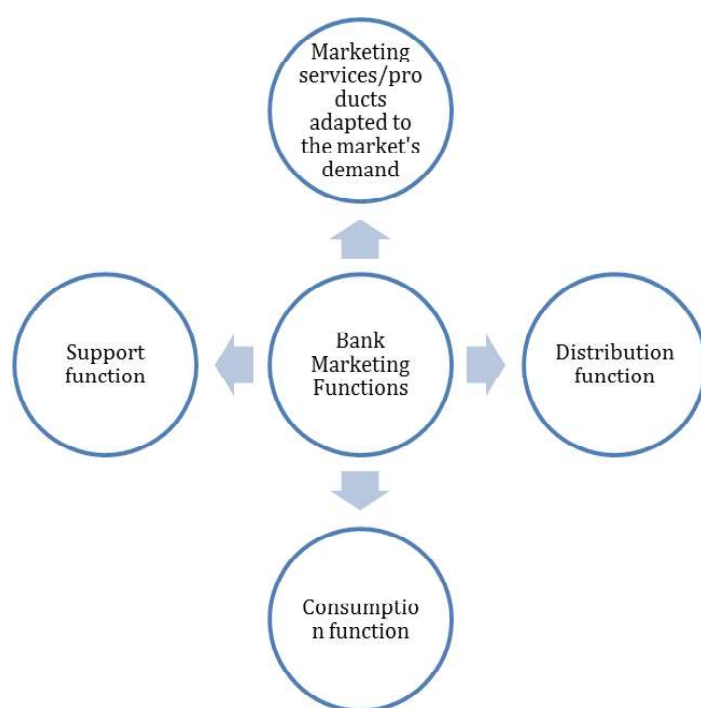


Fig 3.1 Bank Marketing Function

Source: Uppal, Marketing of Bank Product 2009, 35-42

3. Consumption Function

Products with right quality and reasonable price will lead to the enhancement of the consumption function. This function specifies that bank communication should understand customers, prepare to contact customers, approach and meet customers, as well as introduce products/services using manual procedures and automatic processes and enhance their experience. For this the bank requires training and improving their staff to tackle the customer to enhance the consumption function.

4. Support Function

The support function will support all the earlier functions as well as create favourable conditions for all other banking functions to enhance their functionability. In banking, the support function includes customer service, advertisements, branding of the products or services and client conferences.

Essence of Marketing in Banking Business

Let us now discuss the essence of marketing in the banking business.

Characteristics of products

A bank offers many different products which financially benefit customers in the short term and long term. These include FDs, RDs, mutual funds, bonds, insurance,

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home loan, car loan, personal loan, business loan, marriage loans, and so on. Banks products are like services and have the following main characteristics:

- Products and services of banks are intangible and invisible which are processes rather than exact products. They are directly associated with money. Money is the main component creating banking products and services. Usually, they are very responsive to market information and customer psychologies. For example, a small change in interest rates in FDs or home loan will impact significantly on customer psychologies in the choice of banking products and services.
- The production and consumption happen simultaneously, as customers are involved directly in this process.
- Products and services of banks are more and more diversified. A range of new products and services are launched by considering the customer demand. Banking products bring high socialization so any little carelessness in providing products (e.g. lack of cash, payment uncertainty, transaction failure or faulty ATM system,) are capable of causing a dip in the bank's reputation.

Characteristics of clients

The client element is extremely important for the existence and development of a bank's business. Customers are directly involved not only in the process of providing banking products and services, but also in the utility and experience of products and services. Therefore, customer requirements for products/services will be a decision making factor in banking business success in terms of functionability, reliability, profitability, liquidity, structures and qualities of products/services. Bank customers are diverse and spread across all segments of demography and the economy. Also customers demand for banking services is not uniform, it is more volatile in nature.

Characteristics of competition

Competition in the banking sector becomes strong when the number of market players increases and banking products and services portfolio expand continuously over a period of time. Competition forces banks to give quality products and services to the customers. Marketing activities focuses on new trends, technology and enhanced products and services required by customers which give competitive advantage over competitors in the market.

3.3 MARKETING ENVIRONMENT FOR A BANKER

The marketing environment is not under the control of any bank; they must pay attention to it to develop their own marketing strategies. The marketing environment

is a set of internal and external environments which affect the bank's ability to direct the marketing department but also help to maintain good relations with the customers.

I. Internal environment

The internal environmental analysis evaluates the company's mission, vision, leadership position, employee relationship, financial capability, business relationship, company core competency and keys to success. Evaluation of internal environment can help companies to identify its strengths and weaknesses so that they can take advantage of their strengths to see new opportunities in the market and overcome their weaknesses. Core competency of internal factors helps banks to identify unique capabilities to sustain in the long term. It will help to achieve competitive advantages, efficiency, quality, customer satisfaction and customer responsiveness.

Before learning about the factors affecting the internal environment. Let's briefly discuss the importance of value chain for companies to manage their internal environment in order to gain competitive advantage in the market.

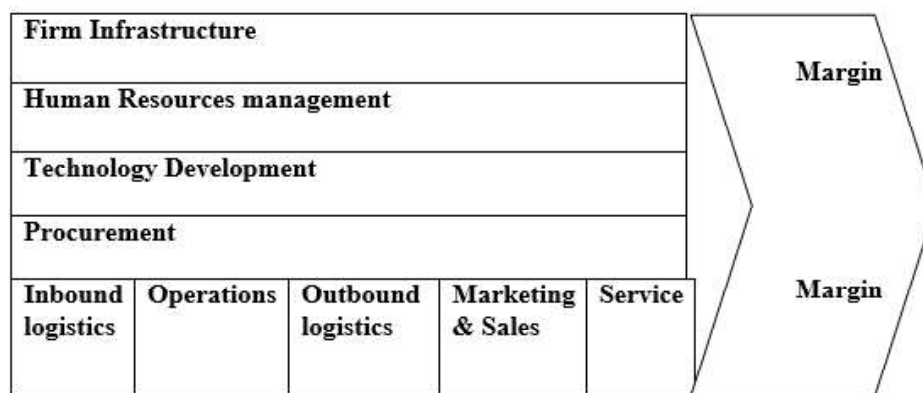


Fig 3.2 Porter's Generic Value Chain

Porter's Generic Value Chain

The value chain will help to analyze all the activities of the company which will identify weaknesses and strengths. Primary activities consists of producing, selling, distributing or serving customers such as inbound logistics, operation, outbound logistics, marketing and sales. Support activities are those which will help to perform primary activities. Firm infrastructure will support all values including quality of management, workplace arrangement, financial performance, business strategy, organizational culture. Human resource management will help in the process of recruiting, selecting, training and development, appraisal and rewarding employees of an organization. In procurement, a company needs to purchase and manage inputs used for operations as well as keeping a good relationship with suppliers and partners.

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Internal factors such as financial capability, technology, staff management, network, various departments in companies and the relationship among those departments will be analyzed below.

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- (i) **Financial capability:** The financial ability of the company will decide the company's strength in implementing company's business strategies. On the basis of financial strength, a bank can take risk in planning and implementing various products and services. Financial capability will also decide banks capacity to build bank branch network, IT infrastructure, training and development of employees etc., because it requires huge investment.
- (ii) **Management skills and staff:** The quality and skills of the management staff will decide how effective the bank is in planning and implementation. Management requires competency in terms of skills and knowledge to understand the market and taking appropriate decisions. Mistakes made by management and staff may lead to loss in banking business.
- (iii) **The network of companies:** In order to sell more products and services to capture a large market share, banks should develop a branch network to supply various products and services for customers through their strong network. Through an extensive network, banks can reach customers from all segments of the population.
- (iv) **Inter-departmental relationships within banks:** The organizational structure will determine central role in the implementation of the effective bank marketing strategy. The organizational structure will define the roles, delegation, responsibilities, key performance area and division of work, work allocation to each department and employee. Bank divisions should be organized to support each other in attaining banks objectives. There should be a proper coordination among the different departments to achieve efficiency in bank operations.

This will ensure banks to meet market demand and trend, which will improve the competitive position of banks in the market. This will require marketing function to have suitable strategies to make use of these important internal resources.

II. External Environment

The external environment or the macro environment is the force on the larger social or economic level that affect the micro-environment of a bank or company. External environment is the demographic, economic, natural, environmental, technical, political and cultural factors at national and international level.

In this situation, the PESTEL tool (political, economic, social, technological, environmental, legal) will be used to analyze external environmental factors that affect bank-marketing operation.

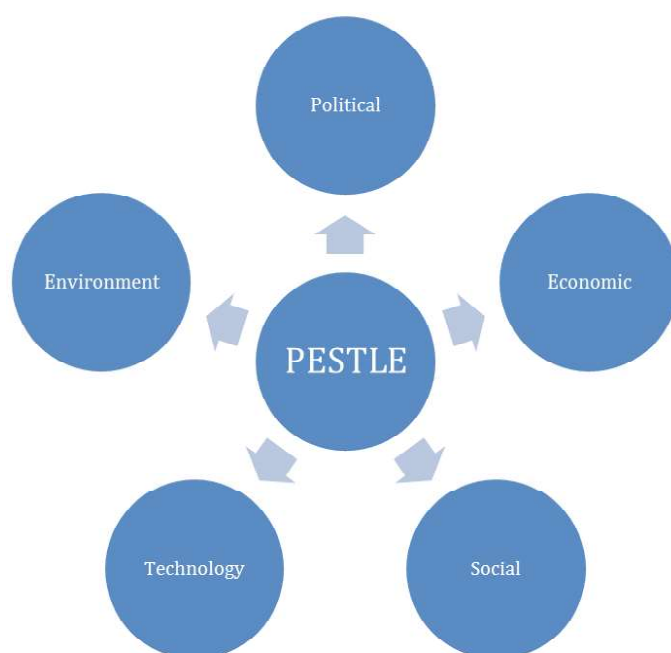


Fig 3.3 PESTLE Analysis

The PESTEL tool helps to analyze the political, economic, social, technological, environmental, legal factors of the macro environment of bank. Through this, the bank can fully realize market growth or decline, saturation, business position, business status, market reach, potential customer, banks direction of work. With the help of the PESTEL tool, the bank can develop strategies to maximize opportunities and minimize threats and risk to the banking operations.

(i) Political and legal

Political factors are government policies which will affect the country's economy in the short term and the long term. Political factors include tax policy, labour laws, environmental and pollution control laws, property laws, trade & tariff laws, foreign currency acts, banking laws, trade restrictions, i.e., import/export regulations. Legal factors are different laws which will govern the banking business that will decide the product and services to be offered, its interest rate terms and conditions, employment laws, banks network law, repo rate, currency exchange regulation like FEMA act. The Government enacts banking laws to control banks which effects the banking business.

In India, a bank's operations are firmly supervised, regulated and controlled by the different banking laws as well as the RBI. Therefore, time to time, change that occurs in banking laws and regulations will impact the banking business. Change in government policies and regulations of the banking law sometimes creates a number of opportunities for banks to enter in new market (i.e. domestic and

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International market). Similarly, banking laws may also restrict banks from some part of services depending on government economic policies. Marketing function of bank should keep eye on such change in the regulations and should mould their marketing strategies accordingly. Marketing department must analyze and predict trends of environmental changes in bank laws its related businesses, i.e., change in currency exchange regulation, repo rate, FD rate, Government subsidies to weaker section, and so on.

In India, political intervention created the lack of accountability and lack of profit motive in Nationalized Banks before 1990. After the economic reforms of 1991, the Indian Banking Industry emerged into the new possibility of competitiveness, quality, efficiency, and productivity. The Reserve Bank of India controls the overall monetary and financial policy in India and it functions to control banking businesses in the country.

(ii) Economic factors

Economic factors are important factors which will determine banking business. It includes all determinants/factors of an economy and its state. Economic factors comprise repo rate, interest rates, stage of economic life cycle, and the balance of payments situation, government's fiscal and monetary policy. It will directly influence bank's operations regarding customer segment, their capacity to avail products of banks. It also will decide the pricing policy of product and services. Per capita income will decide the purchasing power of the customer. In India, increase in per capita income helps to buy different products and services which in turn will help banking businesses to grow.

(iii) Social factors

Every country is different in terms of social factors and each has a unique socially accepted mind-set. Social factors consist of demographics (generation wise distribution, population, population growth rate, age, gender, literacy rate, distribution of income), living standard, people attitude, ethical values, social acceptance and social mobility. Those factors concern the structure and nature of consumers of the business market. Comprehending social factor will help companies to know the market situation, realizing the growth or stagnation of exiting customer or appearance of new potential customer segmentation. Study of social trend in that particular societal segment can potentially tell banks new business opportunities for the banking business. India's population growth had shown the banking growth in India.

Increase in the per capita income of the working class population of India, has enabled individuals to purchase goods, which were far out of their reach earlier days where the economy was based on agriculture only. It also encouraged people to buy goods for their personal use and for their family. Shift towards nuclear family resulted into the growing needs for home consumer durables like refrigerators, washing machines, television, car etc.

Indian society has moved from a socialist society to a consumerist society now days. Banks provide various types of loans to businesses, farmers, working people, startups, professionals, students to cater different needs. Change in customer's life style, attitude, customer choice, behaviour towards different products and consumption patterns is both an opportunity as well as a threat for the banking business. Lower literacy rate in India has influenced negatively on the banking sector in the past.

For people in India, banks have emerged as key players in providing variety of products and services like current and saving accounts, general and life insurance, Bonds, mutual funds, remittance and other facilities to the under privileged and the poor in rural, semi-urban and urban areas or socially disadvantage as well as the small and medium business segment.

On the other hand, banks deal with big clients or big firms/companies which will require customized and personalized banking services rather than waiting in queues. To these customers bankers can provide special and dedicated service by accepting special service charges.

(iv) Technological factor

Technological factors will include bank processes, automation, IT infrastructure in that particular country. Technological environment will change from time to time. New technology will create new opportunities and new market segment in domestic as well as in the international market. Banks must keep watch on technological environment so that their products will not become obsolete. Technological factors will also have an effect on product design, its distribution as well as on consumption. It also will impact on quality, efficiency and pricing of products and services of banks.

The marketing department should keep watch on the latest technology in banking sector to apply in their banking unit to provide enhanced experiences to their customer. Technological changes has forced bankers to accept customer-oriented approach instead of product-oriented approach. Technological change over a period of time has also encouraged the bankers to change the concept of Branch Banking to Anywhere Banking. Information Technology helped the Indian banking business to bring competency, effectiveness, responsiveness and user-friendliness in banking and financial system. In India, technology introduced different ways of doing banking transactions. (i.e. Internet and mobile banking, Debit card, Credit cards, automatic voice recorders).

Banks should adopt new technology like Business Intelligence (BI), Business Process Re-engineering (BPR), and Customer Relationship Management (CRM) which will improve quality and efficiency.

(v) Environmental

Environmental factors contain climate change issues, earthquakes, cyclones, rising sea levels, floods, droughts, and so on. All these environmental factors will impact

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on the banking business. For example, it is going to be difficult to run banking processes where people will move from one place to another place as climate changes.

Along with PESTEL analysis, competition and market analysis are also important factors that affect the banking business.

Almost all banks are developing their products portfolio and trying to serve in the market which has created tough competition in the market. Banks are required to improve their competitive strength in the market through continuous research of consumer requirements. Knowing competitors will help banks to develop their own product and services and customer satisfaction level. Competition also helps to respond to the market quickly and provide better service to their customers.

One of the competition analysis tool is Porter's five forces, a model that measures the profitability and attractiveness of a field of business.

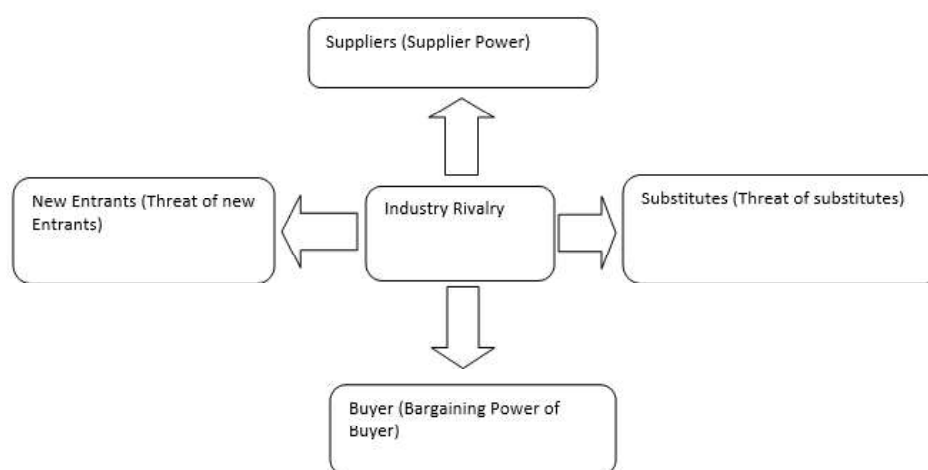


Fig 3.4 Porter's Five Forces

The Porter models help to scan the environment for threats from competitors. It helps to identify problems in a proactive manner and design suitable marketing strategy to cater to it. It helps businesses to compare and analyze their profitability and business position in the industry against indirect and direct competition. It will identify the threat of new entrants which may reduce the bank's share in the market due to offering of new innovative products. It identifies the threat of substitute which may replace their products and services in the basket of consumers. Bargaining powers of suppliers will impact on product and services pricing, that is why strategic tie ups should be with the suppliers to control price and flow of their material and services. In the center part, the rival among existing competitors will determine the competitiveness of the banking business. They will try to stay in business in the long term as well as maximize profit.

Competition in the banking industry is very tough as banks are competing to increase share of customers in the same market. Banks have competition from

the non-banking financial sector as well. They offer substitutes like mutual funds, stocks (shares), bonds, government securities, and debentures, gold.

Government deregulation after 1991 has made the banking market tremendously competitive with greater autonomy, operational flexibility, decontrolled interest rate, and liberalized rules for foreign exchange transaction through the FEMA (Foreign Exchange Management Act, 2000) Act in India.

There have also been many changes in terms of functioning of NBFC and innovations like UPI, wallet payments, crypto currencies, etc.

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Check Your Progress

1. What is bank marketing?
2. What does the internal environmental analysis evaluates?
3. What does the value chain help analyse?

3.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Bank marketing is the design structure, layout and delivery of customer-needed services worked out by checking out the corporate goals of the bank and environmental constraints.
2. The internal environmental analysis evaluates the company's mission, vision, leadership position, employee relationship, financial capability, business relationship, company core competency and keys to success.
3. The value chain will help to analyze all the activities of the company which will identify weaknesses and strengths.

3.5 SUMMARY

- Bank marketing is the design structure, layout and delivery of customer-needed services worked out by checking out the corporate goals of the bank and environmental constraints.
- In India, the emergence of private banks in India (e.g. ICICI, HDFC etc) helped public sector banks realise the importance of marketing by implementing right marketing strategies.
- There are four major functions of bank marketing which contribute extensively to the development of a bank's business. These are
 - o Making services/products adapted to market's demand
 - o Distribution Function

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- o Consumption Function
- o Support Function
- Customer requirements for products/services will be a decision making factor in banking business success in terms of functionability, reliability, profitability, liquidity, structures and qualities of products/services.
- The marketing environment is not under the control of any bank; they must pay attention to it to develop their own marketing strategies.
- The internal environmental analysis evaluates the company's mission, vision, leadership position, employee relationship, financial capability, business relationship, company core competency and keys to success.
- The external environment or the macro environment is the force on the larger social or economic level that affect the micro-environment of a bank or company. External environment is the demographic, economic, natural, environmental, technical, political and cultural factors at national and international level.
- The PESTEL tool helps to analyze the political, economic, social, technological, environmental, legal factors of the macro environment of bank.
- The Porter models help to scan the environment for threats from competitors. It helps to identify problems in a proactive manner and design suitable marketing strategy to cater to it.

3.6 KEY WORDS

- **Core competencies:** They are the resources and capabilities that comprise the strategic advantages of a business.
- **Value chain:** It is a step-by-step business model for transforming a product or service from idea to reality.
- **PESTLE:** It is a strategic framework used to evaluate the external environment of a business by breaking down the opportunities and risks into political, economic, social, technological, environmental, and legal factors.

3.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What do you mean by marketing environment in India?
2. What is PESTEL analysis?

3. What is the technological environment in banking?
4. Write a short-note on the impact of social factors on marketing in the banking sector.

Marketing and Banking

Long-Answer Questions

1. Examine the relevance of marketing in the banking sector.
2. Explain the internal marketing environment in banks.
3. Describe the external marketing environment in banks.
4. Explain with examples how the political and legal environment will effect bank marketing.
5. Discuss how Porter's five forces model will help scan the environment for bank marketing.

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3.8 FURTHER READINGS

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UNIT 4 MARKETING MIX OF A BANKER

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Structure

- 4.0 Introduction
- 4.1 Objectives
- 4.2 Marketing Mix of a Banker
- 4.3 Bank Marketing Plan and Business Objectives
- 4.4 Marketing Audit
- 4.5 SWOT Analysis
- 4.6 Marketing Objectives and Marketing
- 4.7 Answers to Check Your Progress Questions
- 4.8 Summary
- 4.9 Key Words
- 4.10 Self Assessment Questions and Exercises
- 4.11 Further Readings

4.0 INTRODUCTION

Service marketing mixes are always larger than product marketing mix due to the special characteristics of services and is more important to any bank as it falls under the service sector.

The 7 P's of Marketing consist of Product, Price, Promotion, Place, and People, Process and Physical evidence. These are the key marketing components/elements used to position a business strategically. A marketing plan is a blueprint and roadmap that brings all functions departments together and creates a level of discipline and responsibility to make sure the proper goals are achieved. The marketing audit is the inclusive assessment of all the marketing operations in a company. Marketing objectives provide a destination where a company intends to be at some specific time in the future. To devise a creative and flexible marketing plan, banks should do its SWOT analysis and should find its strengths, weaknesses, opportunities and threats so that it can solve banks problems related to marketing in a structured and analytical manner. In this unit, all there aspects will be discussed.

4.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the relevance of marketing mix concept in the banking sector
- Describe marketing plan in banking.
- Explain the importance of marketing audit and SWOT analysis in marketing of banking services

4.2 MARKETING MIX OF A BANKER

The 7P's of marketing or the marketing mix, are variables that managers and owners plan and control to satisfy customers demand in their target market. 7P's add value to business and assist in differentiating their business from the competitors to form a distinct identity.

It becomes very important for the banks interested in serving internationally to structure the marketing mix in such a way as to be effective in worldwide operations and bank-customer relationships.

The 7P's of Marketing Mix

- i. Product = Customer
- ii. Price = Cost
- iii. Place = Convenience
- iv. Promotion = Communication
- v. People = Caring
- vi. Process = Coordination
- vii. Physical Evidence = Confirmation

The essential aspects for each of the 7 major elements of the marketing mix can be summarized as follows:

- (1) Product:** Product means products and services offered by a business organization. Product decisions include design, functionability, packaging, appearance, guaranty, warranty, quality, quantity, etc. Customers need to understand the features, advantages, and benefits that can be enjoyed by buying goods or services. When businesses consider a product, they should keep in mind the key features, quality, functionability, reliability, benefits, and the needs of customers.

The bank should offer an appropriate package of services so as to meet the multinational customer's needs. It should seek to maintain a consistent range and quality of services for the customer in each of the countries in which it operates.

- (2) Price:** Price refers to the pricing policy and strategy for products and services. Price will affect customer's preferences and customer base. Pricing decisions along with selling price also includes discounts, cash back offer, payment arrangements, credit terms and any price-matching services offered.

It is important to consider the business's position in the current market place to determine a pricing strategy for products/services. For example, if the business is advertised as a high-quality provider of mobile, the product pricing should reflect that in product quality. Another important requirement

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in servicing this market is to maintain a consistent pricing policy throughout the world.

(3) Place

This element of marketing mix refers to place where the product/service is manufactured, sold or distributed. Decisions related to placed are associated with the distribution channels and logistics.

After the product has been manufactured, it is vital to find a lucrative market or customer base for it. For instance, is the product of your company available online or through a third-party distributor only? All these factors play a vital role in determining the distribution of the product/service.

(4) Promotion

This element of the marketing mix refers to those activities related to advertising, sponsorships and public relations which ensure that the presence of the product/service is recognized in the market.

Advertising and promotion decisions are governed by the amount of funds allocated by the company for the publicity or promotion of the product in the market.

Personal selling is the most important and effective promotional tool but social media marketing is also an effective tool of promotion in recent times. A competent worldwide management team should be formed. This is perhaps the most important element in the mix. It should include a worldwide public relations manager (responsible for this total relationship and who will assist and co-ordinate the activities of the account managers throughout the world), account managers (responsible for all the current and potential local business), and product managers(responsible for the specialist services such as merchant banking, foreign exchange, project financing, and other highly technical areas). This is because only a team extremely well structured can effectively serve the complicated and complex banking and financial needs of the customers.

Banks can use social media marketing tools for promotion. These days, Facebook, Instagram, Twiter – are increasingly being used to create awareness and promotion of product/services.

(5) People

This element of the marketing mix refers to the company employees who are associated with the product/ service. Now, these employees could be working in the backend or support activities such as liasioning with the external vendors or could be at the forefront as representatives of the company.

(6) Process

This element of the marketing mix refers to the activities or procedures associated with the customer and the business together. For instance, take the example of when you place an online order to buy your monthly groceries on the mobile app. There is a proper process that is followed which ultimately culminates with the order number, date and expected time of delivery been notified to you.

These standard processes ensure that the customer remains satisfied leading to a great customer experience.

(7) Physical Evidence

Even though services are intangible. Delivery of services will include tangible elements (e.g. meeting bank-customer relationship manager). Physical evidences are both:

- The environment or place where the services are delivered.
- Any tangible components that facilitate the service or provide information about the service.

Thus, physical evidence includes:

- The company's website
- Blueprint of process, displays about services
- Annual accounts
- Logos and brochures
- Business cards
- Equipment
- Buildings

For example, suppose customer visits the bank then the physical evidence might include displays, pictures of the bank products and services along with its benefits, customer reviews and surveys about services satisfaction, product catalogs etc.

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4.3 BANK MARKETING PLAN AND BUSINESS OBJECTIVES

Bank marketing plan can be extensive as well as intensive. It should show more than just a list of planned activities. Efficient marketing always will have well-thought out bank marketing plan that matches the bank's vision and mission and links to the bank's marketing and branding objectives. A marketing plan can be a blueprint and roadmap that brings all functions departments together and creates a level of discipline and responsibility to make sure the proper goals are achieved.

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A bank's marketing plan should begin with the long-term vision, mission and business strategy and then centre on those goals that need to be achieved in the short-term horizon. For example, no need to spend money on marketing retail deposit rates, if the long-term plan is to increase commercial loans and have a brand centered on high-touch service.

If there is no planning you will not get bank's marketing ROI (Return on Investment)

Here are the elements common to most successful bank marketing plans:

Executive Summary: It states the description of mission, vision, competency, core values and purpose of the bank to stay in the market and then lays out an overview of the marketing effort that supports each element. The executive summary should give emphasis to the key positions involved in the bank marketing plan, promotion plan, the time period covered, the various channels utilized and the budget of the marketing plan.

The Theme: In this section, the theme or themes for the year should be expressed. In most effective marketing campaigns, a theme is clearly mentioned.

Value Proposition: A value proposition distinctly states the benefits that the customers will enjoy after purchasing your product. Now, this value proposition has to be absolutely unique, clearly stated and specific.

Target Customers: Some banks can fix the outline; some banks can take time to describe their customers. Understanding the demographics of the target customers in the market, their psychographic profiles (for example, need, want, their interest, concerns, goals, etc.) and their desires as they relate to the bank's products and services will make confident that your marketing expenses are located to admirable use.

Pricing Strategy: Pricing strategies are high margin, low margin or in the middle for bank. Banks should have one pricing strategy. In this section, banks need to detail where they want to be and how the brand should be perceived in the market relative to pricing. This section must talk about how and who sets product and service prices and how you want to be placed in terms of your competitors.

Channel Delivery and Geography: This is regarding what channels does your bank want to support and what is the rough breakdown of resource allocation across both channels and geography. Bank should think what channels are going to be efficient and what geographies are going to be profitable.

Marketing Tactics: It basically refers to the media used for marketing or promotion of your product/service. These days, social media is increasingly being used for marketing purposes. Also, the company can make use of television, direct selling, trade shows, general corporate branding and other media for marketing of their product.

In this section, banks often explain how offers like fees waiving, discounts and referrals will work. In addition, this section will also discuss what marketing materials such as collateral, design, digital development and other assets need to be produced or refined.

While using social media for marketing, bank should clearly select its keywords, the number of social media to be used, use of paid advertisements and banners and other factors.

Joint Ventures and Partnerships: Collaborations and associations with other brands can easily fetch a bank more customers in an unknown or new customer base. This is one of the easiest ways of exploring a new geographical area.

Retention Strategy: Retention of profitable customers is more important than investing money to acquire new customers. Fees waiver scheme, Customer Loyalty programmes, customer appreciation events, anniversary and birthday acknowledgements etc., are some important elements to retain your customer which will drive more customers on their publicity through mouth.

Referral Strategy: Successful banks are very effective at creating a strong customer referral program. Just imagine if every customer referred one new customer then how you can grow in the market. This is one of the most effective ways in bank marketing effort and thus, it requires plan how your bank will ask, follow and reward for your referrals if they give you new customers.

Finances: Marketing plan is incomplete without a clear and precise budget of each element of marketing. This gives the relative importance and priority of each effort, channel and strategy. Banks financial planning will never be 100 per cent accurate, but it helps to allocate money which will give them the highest return on investment.

Preparing marketing plan is a big task but having proper marketing plan will direct marketing efforts to increase sales and profits of a bank.

Bank's business objectives

The shareholders' value creation has become the primary objective of any company. The main challenge is to translate corporate objectives into the set of measures and to communicate high-level goals to the employees.

There are numerous kinds of business objectives of a bank. These are as follows:

1. Financial
 - To reach sustainable and profitable growth
 - Asset growth
 - To achieve higher return on equity compared with peer banks
 - Increase new money Inflow

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2. Customer

- Maximize customer satisfaction
- Add and retain high value customers
- Increase revenue per customer
- Reduce cost per customer
- Diversify the customer base
- Increase segment share

3. Internal Processes

Achieve service excellence in terms of:

- Reliability/Availability
- Responsiveness
- Absence of defects/errors

4. Learning And Growth

- Increase staff competency
- Increase employee responsibility
- Improve cross-sell activities

The overall objective of establishing a banking system is to instill faith, stability and confidence in the general public about the economy of the country. There have been recent instances where bank frauds have caused widespread financial panic among the general public. There are several checks in place to ensure that a bank does not go bankrupt leading to shortage of funds.

4.4 MARKETING AUDIT

Marketing audit can be defined as the complete evaluation of a company's marketing strategies and objective in an organized manner with the idea of identifying the areas of concern and areas of opportunities; thereby devising a marketing plan to improve the company's marketing performance.

The marketing audit is the inclusive assessment of all of marketing operations in an organization. Marketing audit includes the systematic evaluation of marketing plans, objectives, activities, marketing strategies, organizational structure and marketing employees.

Kotler and Keller (2007) defined the marketing audit as a comprehensive, systematic, independent and periodic examination of company's marketing environment, objectives, strategies and activities with a view of determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance.

The firm conducting the Marketing Audit should keep the following points in mind:

- i. It should be **comprehensive** and should cover all marketing environment of the organization.
- ii. It should be conducted **independently** by other person without involving a manager who directly involved in making the marketing decisions,
- iii. It should have **systematic** and orderly sequence of diagnostic steps as compared to an unstructured and random investigation.
- iv. It should be done periodically; marketing should be done perpetually.

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Components of Marketing Audit



Fig 4.1 Components of Marketing Audit

1. **Macro-Environment Audit:** It includes external factors such as demographic, economic, environmental, political, and cultural which influences the marketing performance of the organization.
2. **Task Environment Audit:** It includes factors closely associated with the company like markets, customers, competitors, distributors and retailers, facilitators and marketing firms, public and so forth. All these factors impact the operations of the marketing programme.
3. **Marketing Strategy Audit:** This includes verifying the feasibility of the mission, objectives and goals of the business. This also comes to cover the marketing strategies which impact the marketing performance of the company.

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- 4. Marketing Organization Audit:** This audit includes analysing the performance of the company's employees working in different departments.
- 5. Marketing Systems Audit:** This audit includes analyses of the proper functioning of the marketing systems like Marketing Information System, New Product Development System and so forth.
- 6. Marketing Productivity Audit:** This audit evaluates the performance of all the marketing activities to gather accurate information about profit and loss.
- 7. Marketing Function Audit:** This audit examines the proper functioning of the various elements of the marketing mix and employees working in the marketing department.

Therefore, to conclude, you can understand that marketing audit helps to examine the proper functioning of the marketing department and the ways in which it is contributing to the performance of the company.

The marketing audit will not provide just information but also knowledge and insight of the marketing activities. The marketing audit studies and examines marketing processes and recommends how these processes can be made more efficient.

Barriers Affecting the Use of Marketing Audit

The major barrier affecting the use of marketing audit is unwillingness of companies to implement changes found in marketing audit; companies show the unwillingness to provide internal information to the third parties who conducts the audit. Many companies have no defined marketing processes and methods, it creates barrier to conduct comprehensive audit.

4.5 SWOT ANALYSIS

To devise a creative and flexible marketing plan, bank should do its SWOT analysis and should find its strengths, weaknesses, opportunities and threats so that it can solve banks problems related to marketing in structured and analytical way.

The SWOT analysis is one of the simplest and widely used methods of marketing analysis. The SWOT analysis provides an integrated approach which consists of the relationship between the company and various internal and external environmental factors. The SWOT analysis evaluates banks' internal strengths and its weaknesses as well as banks' external opportunities and threats before deciding marketing strategies.

In companies, the goal of analysing SWOT is to create the list of all internal and external strengths, weaknesses, opportunities and threats so that banking administrators can prepare a strategic marketing plan.

An effective SWOT analysis includes a short, interesting and understandable summary of the business's internal and external factors as well as the trends affecting upon it. The information included in the SWOT analysis should be clear, comprehensive, knowledgeable relevant and specific.

Bank should analyse the customer segment so that it will provide what exactly the bank requires to achieve for its customers. Banks' strengths and weaknesses evaluation have to replicate the position of the bank in relation to competitors in the banking sector.

The banking industry is one of the oldest industries around the world. Even though banking industry has incorporated the concept of digitization yet it has a long way to go in the process of satisfying the needs of global customers.

Here, we will discuss the strengths, weaknesses, opportunities, and threats related to the banking industry, at present and in the future.

Strengths

What are the strong points that the banking industry offers to its customers?

- **One of the oldest industries:** Banking helps us to understand the concept of money which is associated with lending, credit, debit and savings.
- **A leader in economic growth:** Banking Industry has bigger contribution in economic development of country. The growth of this industry has generated employment and indirectly helped to reduce poverty in the country.
- **Financial support after a crisis:** This can be clearly understood from the crisis which emerged during the outbreak of the pandemic Covid-19. During the lockdown period, the Reserve Bank of India gave the home loan customers the leverage not to pay home loans for 2-3 months during the lockdown.
- **Digital banking convenience:** Online banking is helping in several ways, You can deposit your cheque, pay your utility bills, and apply for a credit card without going physically into your bank's branch.

Weaknesses

The weaknesses of the banking industry include the following:

- **Lack of worldwide coordination:** Banks have poor worldwide co-ordination. To tackle global customers banks at this moment are not efficient. Fluctuating currencies and exchange rates can also be trouble for banks.
- **Old technology leads to vulnerabilities:** Many banks have old technology and poor IT infrastructure to tackle the needs of digital businesses.
- **No access to rural areas:** Even today, most banks do not have access to remote rural areas of our country.

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Opportunities

The banking industries have many opportunities within the industry and for consumers:

- **Move into rural regions:** Bank can connect with the rural and weaker sections of the society.
- **Offer more or lose customers:** Bank can offer more products and services so that they will not lose customers and fulfill the changing demands of customers.

Threats

Just like any other industry, the banking industry also has its fair share of threats:

- **The biggest threat — recessions:** During recession, banks may not get their money from their customers on time or they may lose their loans from repayment. It may hamper the banking business.
- **Data breaches:** With banks offering more online options, it also increases the risk for data breaches. Data hacking may affect bank transactions and customers or banks may lose money.
- **So much competition:** Along with government nationalized banks, private banks are also entering in competition. Then there are Fintech companies giving tough competition to banks all together.

Final Thoughts about the SWOT Analysis of the Banking Industry

Undoubtedly, banking industry is old and thereby trustworthy. This industry stands by the general public in times of crisis as evident during the Corona pandemic. However, the banking industry needs to adopt the latest technology tools to be able to attract the young population base and be at par in the competitive market as well.

4.6 MARKETING OBJECTIVES AND MARKETING

It is clear that bank require analysing all the factors of bank marketing for framing the prospective marketing strategy. But a bank will never achieve a right position unless it has a target destination. Marketing analysis alone may not give marketers a sense of solution but marketing objectives will provide a destination where a company intends to be at some specific time in the future.

For better effectiveness, bank objectives should be measurable and quantifiable. This may include measurement of service satisfaction, bank brand value, market share of bank and its different product/services and customer loyalty. For example, measurable marketing objective may be like to provide the new credit service for customers in two month.

Marketing objectives of banks should focus on companies financial objectives and should convert it into the related different marketing measurements. To achieve marketing objectives, a marketing framework should be well-defined, designed and utilized.

*Marketing
Mix of a Banker*

Check Your Progress

1. Name the 7P's of Marketing mix.
2. What is a bank marketing plan?
3. What are the essential features of a marketing audit?

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4.7 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The 7P's of marketing consist of product, price, promotion, place, and people, process, and physical evidence.
2. A bank's marketing plan should begin with the long-term vision, mission and business strategy and then centre on those goals that need to be achieved in the short-term horizon. For example, no need to spend money on marketing retail deposit rates, if the long-term plan is to increase commercial loans and have a brand centered on high-touch service.
3. The essential features of a marketing audit are the following:
 - i. It should be comprehensive and should cover all marketing environment of the organization.
 - ii. It should be conducted independently by other person without involving a manager who directly involved in making the marketing decisions,
 - iii. It should have systematic and orderly sequence of diagnostic steps as compared to an unstructured and random investigation.
 - iv. It should be done periodically; marketing should be done perpetually.

4.8 SUMMARY

- The 7P's of marketing or the marketing mix, are variables that managers and owners plan and control to satisfy customers demand in their target market. 7P's add value to business and assist in differentiating their business from the competitors to form a distinct identity. The 7P's of marketing consist of product, price, promotion, place, and people, process, and physical evidence.

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- Price refers to the pricing policy and strategy for products and services. Price will affect customer's preferences and customer base. Pricing decisions along with selling price also includes discounts, cash back offer, payment arrangements, credit terms and any price-matching services offered.
- Personal selling is the most important and effective promotional tool but social media marketing is also an effective tool of promotion in recent times.
- Delivery of services will include tangible elements (e.g. meeting bank-customer relationship manager).
- A marketing plan can be a blueprint and roadmap that brings all functions departments together and creates a level of discipline and responsibility to make sure the proper goals are achieved.
- A value proposition distinctly states the benefits that the customers will enjoy after purchasing your product. Now, this value proposition has to be absolutely unique, clearly stated and specific.
- Pricing strategies are high margin, low margin or in the middle for bank. Banks should have one pricing strategy. In this section, banks need to detail where they want to be and how the brand should be perceived in the market relative to pricing.
- Successful banks are very effective at creating a strong customer referral program. Just imagine if every customer referred one new customer then how you can grow in the market.
- The marketing audit is the inclusive assessment of all of marketing operations in an organization. Marketing audit includes the systematic evaluation of marketing plans, objectives, activities, marketing strategies, organizational structure and marketing employees.
- The marketing audit will not provide just information but also knowledge and insight of the marketing activities. The marketing audit studies and examines marketing processes and recommends how these processes can be made more efficient.
- The SWOT analysis is one of the simplest and widely used methods of marketing analysis. The SWOT analysis provides an integrated approach which consists of the relationship between the company and various internal and external environmental factors.
- Marketing analysis alone may not give marketers a sense of solution but marketing objectives will provide a destination where a company intends to be at some specific time in the future.

4.9 KEY WORDS

- **Marketing audit:** It can be defined as the complete evaluation of a company's marketing strategies and objective in an organized manner with the idea of identifying the areas of concern and areas of opportunities; thereby devising a marketing plan to improve the company's marketing performance.
- **Digital banking:** It refers to the digitization (or moving online) of all the traditional banking activities and programme services that were earlier available to customers only when they physically visited a bank branch.
- **Data breach:** It refers to an unauthorized access and retrieval of sensitive information by an individual, group, or software system.
- **Recession:** It refers to is a slowdown or a massive contraction in economic activities. A significant fall in spending generally leads to a recession.

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4.10 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What are different marketing objectives in banking sector?
2. State the significance of marketing plan
3. Write a short note on the importance of marketing audit.
4. How do strengths and weaknesses affect bank marketing?
5. How do opportunities and threats affect bank marketing?

Long-Answer Questions

1. Explain the marketing mix of a banker.
2. Analyse the importance of bank marketing plan.
3. What is marketing audit? Discuss the application of marketing audit.
4. Explain SWOT analysis in bank marketing and its use in developing marketing strategies.

4.11 FURTHER READINGS

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BLOCK - II

MARKETING MIX

*Market Segmentation
of a Bank*

UNIT 5 MARKET SEGMENTATION OF A BANK

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Structure

- 5.0 Introduction
- 5.1 Objectives
- 5.2 Marketing Segmentation Bases
- 5.3 Marketing Outlet for a Banker
- 5.4 Suitable Location for a Bank Branch
- 5.5 Branch Layout
- 5.6 Answers to Check Your Progress Questions
- 5.7 Summary
- 5.8 Key Words
- 5.9 Self Assessment Questions and Exercises
- 5.10 Further Readings

5.0 INTRODUCTION

A bank needs to understand the numerous market segments to be able to enhance their reach and the delivery of quality services to the customers. The segmentation of market for a bank is based on demographics, geographical regions and behaviour of customers. In this unit, you will study about the different market segmentation bases for a bank, marketing outlet for a bank, suitable location for a bank branch and the appropriate design and layout of a bank branch.

5.1 OBJECTIVES

After going through this unit, you will be able to:

- Explain the marketing segmentation bases
- Analyse the significance of marketing outlet for a banker
- Identify the suitable location for a bank branch
- List the essential features of a branch layout

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5.2 MARKETING SEGMENTATION BASES

There are five broad market segments within the banking sector or it can be said that there are five broad bases for segmentation of the banking sector.

- i. Non-customers
- ii. Low value
- iii. Medium value customers
- iv. High value customers
- v. Ex customers

Let us now study about these segments briefly here.

1. Non-customers: The non-customer segment can further be sub-divided into two categories:

- a) Customers of the other bank
- b) The younger customers

Non-customers are those customers who have never dealt with a particular bank earlier. This segment primarily consists of consumers who are customers of the competitive banks and also include young consumers who are yet to form first banking relationship with any bank. The non-customers are selected as the target by the banks when they are primarily interested in expanding the size of the customer base and growth over a period of time. Non-customers who have relationships with competitive banks are interested in special offers or deals which are provided for the major purchases or are currently dissatisfied with their existing bank.

On the other hand, the young consumers are sometimes targeted by banks by introducing latest saving schemes or school saving programmes and there is an attempt to win their long-term loyalty.

2. Low value customers: The low value customers are further segmented into two categories:

- a) Limited income or limited financial needs group
- b) Business spread over several banks or financial institutions

The low value customers are further divided into two groups. The first group consists of those customers who have limited income or limited needs for the financial products. This group of customers will be having very low contribution towards the profitability of the bank. It is unusual to find that long-term low value market segment is considered a significant market for any bank. The second category of low value customers comprises of those who diversify the financial products across different financial institutions.

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This cluster of customers generally contribute less percentage of profit to any individual bank they do hold some potential to be uplifted into medium valued customers, if the bank is able to win greater share of their wallet, the challenge with the bank is to convince these risk averse customers to be willing to place most or all of their financial business with one bank only instead of diversifying their risks with several financial institutions.

3. Medium value customer segment: This segment is further divided into two categories:

- a) Most business with one bank
- b) Business spread over several banks

Medium value customers can be divided into two categories. The first category of customers have majority of the business with the financial institutions and therefore have limited potential to become high-value customers. The second group of the medium value customers consist of people who have significant financial business with other banks and possibly because of various offers and deals these customers diversify their accounts to several banks.

4. High value customers: High value customers have larger deposits and loans with the banks and form basis of the financial institutions hire profitability. They are most costly to retain in terms of additional customer service and special deals and overall profit contribution is highly attractive to most of the banks.
5. Ex customers: This segment is further divided into two categories:
 - a) Inactive
 - b) Closed accounts

Ex customers market segment consists of consumers that have either become inactive or have stopped using a particular bank service. It is very difficult to re-engage such customers.

Apart from this, segmentation is also done on geographic bases as

1. Urban
2. Rural

Another segmentation can be as

1. Corporate customer or business accounts
2. Retail customers

Thus, these are the various bases of segmentation for marketing of bank services as products.

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5.3 MARKETING OUTLET FOR A BANKER

Due to special nature of the services of banks, formulation of bank delivery system or marketing outlets of banks pose a problem due to the following factors:

- i. Intangible nature of the product
- ii. Inseparability of the product
- iii. Highly individualized marketing systems
- iv. Lack of special identity
- v. Geographical dispersions

The marketing outlet of banks has to perform a number of functions:

- i. It offers financial advice to customers along with sales and offer of services and products
- ii. It facilitates coordination with the public relations, promotion and advertising department in designing the marketing strategy for the particular bank.
- iii. It helps to collect information necessary for marketing and decisions related to product development.

The marketing outlets or channels can be classified as the following:

- i. Indirect outlets and
- ii. Direct outlets.

Indirect outlets include various agencies and electronic media whereas, direct outlets include in shop branches and other branches.

The electronic media includes ATMs, telebanking, point of sales, electronic fund transfer and Internet banking etc.

It is to be noted that the indirect channels of distribution are must more cost-effective and efficient than the direct channels of distribution in the context of distribution of banking services.

The major distribution outlets for banks are the branches. The design and development of the branch is governed by the following factors:

- i. Significant features of the product
- ii. Needs of the customer
- iii. Environmental factors
- iv. Competitors

Branches are the most important channels of distribution for banks although there is an increasing demand for electronic systems too. The main objectives for

the establishment of branches were to collect deposit, arrange loans and provide convenience in financial transactions. However, the development and application of latest technology in the banking sector has reduced physical visits of customers to the bank branch.

The different types of branches are as follows:

1. **Full service branch:** The full service branch comes under the category of the conventional bank branch which offers the traditional products such as loans, deposits, opening of accounts, cash withdrawal to both corporate and retail customers. However, with the liberalization of the economy, these branches have now ventured into a new arena of products; for example insurance policies.
2. **Specialty branches:** Specialty branches have been opened across the country. These branches focus on either retail or corporate customers. Take for example the case of a real estate specialist branch; which deals specifically in mortgage finance. Other examples of specialty branches include housing and finance branch, corporate banking branch, agricultural branch and so forth.
3. **High Networth branches:** These branches are established in particular socio-demographic areas with the objective of distributing a wide range of financial services to high value customers. The services of these branches are often based on minimum account balance criteria and an emphasis is given on personal financial counsellor services
4. **Corporate branches:** These branches cater to the middle market corporate accounts. The services provided are generally online foreign exchange, letter of credit, asset based financial specializations, corporate cash engagement services and several others.
5. **Hub-and-spoke banking:** This type of banking branch is based on having a centrally located, full-service branch that is assisted by smaller and more automated locations. Most of the spoke locations use ATMs or kiosks to facilitate online banking and offer customers a quick and easy way to fulfil their banking requirements. The smaller satellite branches provide limited services dealing mainly with personal banking services. The activities of these satellite branches are linked with the main branch which provides all the services and also coordinates the services of all the satellite branches under it, which may sometimes even be to the extent of 10 to 15 branches. One of the key benefits of having a hub-and-spoke structure is that it is one of the rationalization strategies this structure reduces the large amount of replication and reduction in the expenses.

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Electronic methods of distributing banking services

The need to make branches and banking more efficient has led to introduction of electronic method in the banking system. Some of the electronic banking methods used are as follows:

- i. Telemarketing
- ii. ATMs
- iii. Internet banking
- iv. Phone banking

The distribution of banking services has been transformed immensely by the technological developments and one such technological advancement is the development of Electronic Fund Transfer Systems (EFTS) where by money can be exchanged between consumers, retailers and financial institutions in the form of electronic data rather than being transferred physically which actually involved a lot of risk and processing of paper.

ATMs form part of EFTS and have been used to provide customers with the quick convenient and safe service 24 hours in a day and 7 days in a week.

The financial services today specially the banking sector are making efficient efforts to make use of the latest technology in the changing market scenario and having a rapid impact on efficiency in terms of saving time and money.

There is an increasing trend to establish ATMs in the satellite branches or away from the main branch locations such as in shopping centres or in commercial complexes or educational institutions, market places, bus stations and even railway stations. ATMs can be used to absorb extra customer demand during peak hours or outside branch business hours. They have also saved the time of the banking staff. ATMs can perform several functions ranging from cash dispensing to accepting split deposit to trading in stocks and buying mutual funds.

Telemarketing is another method whereby banking business and clients are solicited by long distance telemarketing or direct mailing. It is to be noted that telemarketing has substantially contributed to increasing loans and deposit function of the banks. The method is beneficial in saving time especially for those business houses or start-ups that do not have a large spread out in the country. Some of the banks provide customer care centres which are operational for 24 hours in a day.

Another development is mobile banking where the people can easily access the needed banking services at the click of a button.

Internet banking again has reduced the transaction time and several activities and the services can be accessed merely by sitting at home itself without the hassle of physically visiting a branch.

5.4 SUITABLE LOCATION FOR A BANK BRANCH

Branch locations are most of the time concentrated in large shopping centres because banks as financial institution seek to attract personal savings. Moreover, it has been observed that families together often visiting shopping centres wherein it becomes easy for bank representatives to target individuals and find their potential customers as well.

Depending upon the strategies of the bank, level of the economic development, population and the characteristics of the population, distribution network, potential customers and the proximity to the potential markets, physical location, credit and deposit potential of the people of the region are some of the important factors in terms of selection of location for a bank branch.

Keeping in mind different set of customers and effective transaction volumes, banks usually prefer to open various types of branches such as commercial, corporate, entrepreneurial, rural, and urban to minimize the cost and maximize the business process efficiency. Therefore, the effect of the characteristics of the potential location differ depending upon the type of branch the bank selects.

Bank branches are at primary places or locations where consumers have access to products and services of the banks. Bank branches act as primary point of contact to the customers.

Any location for the bank is characterized by four components as follows:

- i. The definition of the area
- ii. Facilities available
- iii. Profile of the customers served
- iv. The distance between customers and the facilities

While selecting the branch location, the convenience to the customers is of prime importance which if not provided would have an adverse impact on both the client base as well as the market share. Thus, a branch location decision is to be taken after careful analysis of all the relevant factors including the study of trade-offs among benefit and cost.

Keeping in mind, the nature of the banking services, several factors are considered before the final site selection is done. Some of the essential parameters to be considered as follows:

- 1. Access:** Accessibility of service is a key determinant of customer support. Easiness of approach to the service site in terms of road, traffic in the area and distance affects the use of service. The presence of public transport along the service line makes it easier for the prospective customers to access and use the service.

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2. **Visibility:** Being visible to the customers in a shopping arcade or office area which invites significant footfall is expected to attract more customers than service outlets that are not adequately visible. Proper and continuous visibility can actually remind and prompt the customers to use the service.
3. **Parking:** Unavailability of proper and safe parking facility is considered a turn-off for the customers. Parking actually has emerged as one of the important factors affecting store or service usage. Many stores and service outlets are providing parking space around the facility to absolve their customers of the tension of parking.
4. **Traffic congestion:** Places with high population density and congested market places makes shopping uncomfortable and may discourage customers to 'shop' and spend time. This also adversely affects the frequency of visits. When customers are under stress due to traffic congestion, time spent is reduced, which results in reduced impulsive buying and cross-selling.
5. **Expansion opportunities:** Customers usually get pissed off in cramped space and look to move out at the earliest opportunity. Moreover, there must be enough scope for expansion to strengthen the position currently in the case of increasing customer visit and also it may become a competitive compulsion at a later time.
6. **Surroundings:** The civic amenities and environment along with the facilities available in and around the service site is an important determinant of customer choice. The area around the service site must offer a complete package that the customer is looking for. This aspect is very much evident in malls where the selection of vendors is varied resulting in wide variety of services offered under one roof. It is all about the ambience.
7. **Competition:** Presence of competitors sometimes proves to be blessing in disguise. Customer traffic tends to increase due to competitors placed closely as people tend to weigh alternatives before making their purchase decision. Thus, proper interpretation of the presence of competitors is very important. At times, their presence can affect business positively.
8. **Regulatory aspects:** Various regulatory aspects, municipal restrictions and specific site regulations should be taken in to consideration while making location decisions. These regulations may pertain to pollution, area demarcation, reservation and taxes.

Besides these factors, three types of analysis are done with respect to site location. They are as follows:

- i. Region analysis
 - ii. Area analysis and
 - iii. Site analysis
1. Region analysis is the broader aspect and it is concerned with the identification of market at the regional level like cities, towns or metropolitan areas. Regional variations are very much relevant as customer behaviour and competitive environment differs from region to region. In a diversified country like India, a regional analysis of the south Indian and north Indian market will reveal significant variations in customers' buying behaviour, values and motivation, demand composition, and purchasing power.
 2. After regional analysis, the next step is to analyse the area and study the competitive conditions as they may vary area-wise. This analysis focuses on analysing the immediate area around the service site.
 3. Site analysis is the micro-level evaluation of the factors like traffic conditions, congestion, civic amenities, footfalls, occupancy, rent, security etc.

Considering the banking services the above stated site selection is of utmost relevance but at the same time with the advent of Internet banking and the concept of 24 by 7 banks; the location aspect as one of the strategic decisions is gradually losing its importance.

5.5 BRANCH LAYOUT

The traditional brick and mortar bank branches with the safe room, a locker room, a stationary and records room, manager's cabin, full height cabins, low height counter tables and ATMs are almost changing. The conventional style of banking is almost at crossroads where a great number of people have started moving towards the comfort of online and mobile transactions. In order to retain customers and gain new ones, banks are also realizing that they need to change the environment of the branches from stark and serious to a pleasant one. They need to make people feel relaxed and able to offer fast-paced transactions when they are so desired. Adding a sitting area and waiting area or provision of drinking water may seem miniscule but they add to the ambience of the branch.

Banks today are under enormous pressure to improve the service quality and at the same time reduce the cost the banking scenario has become highly competitive and saturated.

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With the technological advancements and demographic shift, customer expectations are also rising steadily. When it comes to banking, the customers are more interested in receiving high level of quality and personalized service from the bankers. The customers perception of a branch in terms of the high quality service is fast changing.

The banks are also increasingly realizing that they have to change customer usage patterns and satisfaction rates by simply updating the look and feel around the branches.

Outdated layouts leave a customer confused and frustrated and also decrease the overall efficiency of the bank staff; whereas on the other hand, a well-planned layout and design provides customers with a positive experience.

A proper signage and a good service scape adds on to the layout, and design a proper sitting area a proper area with a can fill up the forms all add up to the satisfaction coming through the branch layout and design.



Fig 5.1 Example of a branch layout of a bank

Check Your Progress

1. What does the non-customer segment denote?
2. List the functions performed by the marketing outlet of banks.
3. Name some of the electronic banking methods.

5.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Non-customers are those customers who have never dealt with a particular bank earlier. This segment primarily consists of consumers who are customers of the competitive banks and also include young consumers who are yet to form first banking relationship with any bank.

2. The marketing outlet of banks has to perform a number of functions:
 - (i) It offers financial advice to customers along with sales and offer of services and products
 - (ii) It facilitates coordination with the public relations, promotion and advertising department in designing the marketing strategy for the particular bank.
 - (iii) It helps to collect information necessary for marketing and decisions related to product development.
3. Some of the electronic banking methods used are as follows:
 - (i) Telemarketing
 - (ii) ATMs
 - (iii) Internet banking
 - (iv) Phone banking

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5.7 SUMMARY

- There are five broad market segments within the banking sector or it can be said that there are five broad bases for segmentation of the banking sector.
- Non-customers are those customers who have never dealt with a particular bank earlier. This segment primarily consists of consumers who are customers of the competitive banks and also include young consumers who are yet to form first banking relationship with any bank.
- Medium value customers can be divided into two categories. The first category of customers have majority of the business with the financial institutions and therefore have limited potential to become high-value customers.
- The electronic media includes ATMs, telebanking, point of sales, electronic fund transfer and Internet banking etc.
- The need to make branches and banking more efficient has led to introduction of electronic method in the banking system.
- There is an increasing trend to establish ATMs in the satellite branches or away from the main branch locations such as in shopping centres or in commercial complexes or educational institutions, market places, bus stations and even railway stations.
- Keeping in mind different set of customers and effective transaction volumes, banks usually prefer to open various types of branches such as commercial, corporate, entrepreneurial, rural, and urban to minimize the cost and maximize the business process efficiency.

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- Region analysis is the broader aspect and it is concerned with the identification of market at the regional level like cities, towns or metropolitan areas. Regional variations are very much relevant as customer behaviour and competitive environment differs from region to region.
- The traditional brick and mortar bank branches with the safe room, a locker room, a stationary and records room, manager's cabin, full height cabins, low height counter tables and ATMs are almost changing.

5.8 KEY WORDS

- **Telemarketing:** It is a direct method of marketing whereby the salesperson pitches to his prospective customers to buy the products/services of his company.
- **Internet banking:** It is an online method of making a financial transaction via the medium of the Internet. It is also known as Web banking or online banking.
- **Electronic Fund Transfer Systems (EFTS):** It is a system of transferring money from one bank account directly to another without any paper money changing hands.

5.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. State the difference between the direct and indirect outlets of distribution of banking services and products.
2. Write a short note on the use of electronic methods for distributing banking services.
3. What are the essential parameters to be considered while designing the layout of a bank branch?

Long-Answer Questions

1. Explain the marketing segmentation bases from the perspective of a bank.
2. Discuss the different kinds of branches of a bank.
3. Examine the significant factors which should be considered while selecting the location of a bank branch.

5.10 FURTHER READINGS

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*Market Segmentation
of a Bank*

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UNIT 6 PRODUCT MIX FOR BANKS

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Structure

- 6.0 Introduction
- 6.1 Objectives
- 6.2 Product Line of a Banker
- 6.3 New Product Development
- 6.4 Constraints on Product Development
- 6.5 Answers to Check Your Progress Questions
- 6.6 Summary
- 6.7 Key Words
- 6.8 Self Assessment Questions and Exercises
- 6.9 Further Readings

6.0 INTRODUCTION

Product mix basically refers to the assortment of goods and services offered by a firm. The product mix is a subset of the marketing mix. In this unit, you will study about the classification of products and services offered by banks along with the concept of new product development. It is to be noted that Internet banking and mobile banking need special mention as they have become an indispensable aspect of our daily lives. The unit will also focus on the need by banks to constantly devise new products to cater to the dynamic business scenario prevalent in the present scenario.

6.1 OBJECTIVES

After going through this unit, you will be able to:

- Describe the broad classification of products offered by banks
- Discuss the concept of new product development
- Identify the constraints in the field of new product development faced by the banking sector

6.2 PRODUCT LINE OF A BANKER

The broad classification of products offered by banks can be done as follows:

- i. Retail banking
- ii. Trade finance
- iii. Treasury operations

At the level of the branch the operations conducted are that of retail banking and trade finance, while at the head office or at a specific designated branch the wholesale banking operations such as treasury operations are conducted.

Let us study about these products briefly here.

1. **Retail Banking:** The following products and services are included as the part of retail banking:
 - i. Deposits
 - ii. Loans
 - iii. Cash credit and overdraft
 - iv. Loans and advances negotiations
 - v. Remittance
 - vi. Book keeping
2. **Trade finance:** The following operations are part of trade finance:
 - i. Issuance and confirmation of letter of credit
 - ii. All the dealings in bills of exchange such as accepting, discounting, buying, selling, collecting
 - iii. Promissory notes
 - iv. Drafts
 - v. Bills of lading
3. **Treasury Operations:** The following operations are part of the treasury operations:
 - i. Foreign exchange
 - ii. Buying and selling of Bullion
 - iii. Dealing in shares and debentures –acquiring, holding and underwriting

Along with the above mentioned services and operations, banks also extend services such as counselling services for the individuals, fund management and portfolio management, both for the corporates as well as the individuals. With reference to the foreign exchange, both inward and outward remittances are managed.

The following are the common banking products which are widely used:

1. **Credit Cards:** Credit card is a post paid facility provided to the card holder. The card issuer bank makes available credit online money on pay later basis. The bank also provides a grace period to the card holder to pay back. After the grace period is over, interest is charged on the borrowed amount.

The card holder can use the credit card on various outlets and merchant outlets and on behalf of the card holder, the bill is sent to the bank and

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gets paid by the bank. A very small amount is charged as the service fee.

The card holder need not carry physical money or cash with him when he travels or goes shopping. Credit cards are widely prevalent in big cities and towns. Credit cards are used for online payments also. Around 10 million credit cards are in circulation in India.

- 2. Debit card:** Debit card is a prepaid or pay now card with some stored value. On the use of the debit card, the amount spent is debited from the saving bank account of the card holder and transferred to the bank account of the merchant.

Debit card carries a pin or personal identification number (PIN). This is a fast and easy way of payment. One can get debit card facility as debit cards use one's own money at the time of purchase so they are often easier to obtain than credit cards. The major limitation of debit card is that there is no grace period and the card holder must have the amount in his account before use. It just eases out the need to carry additional cash.

- 3. Automated Teller Machine:** The introduction of Automatic Teller Machine (ATM) has provided round the clock banking facility to the customers. The customers can withdraw money at any point of time, deposit money, check account balances, transfer funds and check statement information.

- 4. E-cheques:** The E-cheques involve five primary players which are as follows:

- i. The consumer
- ii. The merchant
- iii. Consumer's Bank
- iv. The merchant's bank and
- v. The payment and the clearing process

This system uses the network services to issue and process payment that copies the real world cheque payment system. The payer issues a digital check to the payee and all the transactions are Internet based. The e-cheque is a great help to big corporate as well as small retailers. Most of the major banks accept e-cheques.

- 5. Electronic fund transfer:** The automatic transfer of money from one bank account to another is known as the service of electronic fund transfer (EFT). With help of this system, there is faster fund transfer from one branch to another branch. Funds can be transferred within the same city or different cities, same bank or different banks.

- 6. Telebanking:** The phone banking services are referred to as the telebanking services. A code or PIN (Personal Identification Number) is provided by the bank to the customer. On mentioning this PIN, the customers can avail various information about his/her account on phone itself. Phone banking or telebanking is a very easy and user friendly service. Several visits to the bank branches have been reduced due to this service.
- 7. Mobile Banking:** Mobile banking is a new revolution in the realm of E-banking. Online banking is now moving to the mobile world and this has given everyone with the mobile phone access to real-time banking services irrespective of the current location. Mobile banking provides a new way to get information and interact with the banks and carry out the banking transactions and business. The potential of mobile banking is limitless and is expected to be a big success in future. Booking and paying for travel event tickets is also expected to be one of the growth areas.
- 8. Internet banking:** Delivery of banking service and products with the help of Internet is simply called Internet banking. The customer opts for the Internet banking services and with this service he no longer needs to visit the branch for several services such as withdrawal of money or deposit or statement. Internet banking also reduces the transaction cost and also extends convenience to the customers who can conduct banking transactions 24 hours a day, as it helps improve customer loyalty and also attracts customers.

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6.3 NEW PRODUCT DEVELOPMENT

For all the product categories of the banking sector, the new product development starts with the maturity or decline of the existing product. This decline may be due to fall in demand levels or due to the product becoming obsolete. Or else, sometimes, competition may also compel a bank to think of new ideas for survival or success in a given market. Based on the changing customer needs and requirements, the bank's marketing research department generates new ideas. These new ideas are subjected to discussions and examination by experts, bankers, economist, experienced field staff and marketing experts within a bank to validate the applicability of such ideas and to make them into a viable new product for the bank.

For these innovative ideas to develop as viable products they have to pass through following stages:

- i. Idea
- ii. generation potential for new product

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iii. selecting a new product from number of options

iv. determining acceptability by bank

v. determining acceptability by customers

vi. determining the price

vii. determining the advertising options

viii. deciding the most effective method of promotion

ix. selecting an appropriate time launching of the new product

In service organisations like banks, the system through which service delivery takes place is known as the process. This process of delivering a product or service needs to be understood in very clear terms. There are broadly three processes involved in the delivery of banking service or products. These processes are:

i. The line operations

ii. The job shop operations

iii. The intermittent operations

While applying the concept of these three processes in the banking sector, several issues have to be addressed, such as the following:

i. The steps to be included in the delivery process of the banking service or product.

ii. The logical sequence of the events as they would take place in service delivery.

iii. The requirements for smooth conduct of the entire process.

iv. The relevant customer contact while delivering of the service.

v. The use of technology for speeding the process.

To launch a successful banking product, it becomes necessary for a banker to review the process cycle and consider the following points:

i. Customers benefit

ii. Concept of service in customer perception

iii. Method of service offering

iv. The service delivery system

The checkpoints for analysing such service process cycle are as follows:

i. Consumer benefit concept

ii. Concerned with consumers view point

iii. Translated to service concept

iv. Concerned with the benefits that the service offers.

v. Translated into service offer

vi. Concerned with greater details

- vii. Translated into service delivery system
- viii. Concerned with people and process

For the delivery of the service, a banker has to consider the cycle of the process and also the market segment.

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6.4 CONSTRAINTS ON PRODUCT DEVELOPMENT

The banking industry has to be very efficient in developing new products and it has to manage these products in the face of changing technologies, interest rates, exchange rates as well as rising competition. Every product goes through a life cycle and goes through several phases and eventually becomes an obsolete product.

The product life cycle presents two major challenges as all the products eventually decline, one, the bank must find new products to replace the declining ones, and secondly, the bank must understand how its products move through their product life cycle and accordingly design its marketing strategy as the product passes through various stages of the life cycle.

Therefore, it is very important to understand for the bank how to develop and market new products.

The cost of developing and introducing new products is very high. The quality of banking services is one of the major issues. Quality has two dimensions - level and consistency. While developing new products for the bank, the decision maker of the banks must first select quality levels for the target markets and then decide upon the new idea. However, if the bank fails to introduce and maintain new products it can soon become dysfunctional.

Moreover, a new product when developed requires a close coordination between the following:

- i. Corporate office to approve such a product as a concept and as a policy taking into account RBI guidelines
- ii. Marketing department to study the demand and products developed by other banks
- iii. The operations department has to decide the transactions and accounting system
- iv. The accounts department ensures the effective use of the funds

Check Your Progress

1. Name the major components involved in the E-cheque process.
2. What are the major challenges confronted in a product life cycle?
3. Mention the points to be considered for launching a successful banking product.

6.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

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1. The E-cheques involves five primary components which are as follows:
 - vi. The consumer
 - vii. The merchant
 - viii. Consumer's Bank
 - ix. The merchant's bank and
 - x. The payment and the clearing process
2. The product life cycle presents two major challenges as all the products eventually decline, one, the bank must find new products to replace the declining ones, and secondly, the bank must understand how its products move through their product life cycle and accordingly design its marketing strategy as the product passes through various stages of the life cycle.
3. To launch a successful banking product, it becomes necessary for a banker to review the process cycle and consider the following points:
 - i. Customers benefit
 - ii. Concept of service in customer perception
 - iii. Method of service offering
 - iv. The service delivery system

6.6 SUMMARY

- At the level of the branch the operations conducted are that of retail banking and trade finance, while at the head office or at a specific designated branch the wholesale banking operations such as treasury operations are conducted.
- The card holder need not carry physical money or cash with him when he travels or goes shopping. Credit cards are widely prevalent in big cities and towns. Credit cards are used for online payments also. Around 10 million credit cards are in circulation in India.
- Debit card carries a pin or personal identification number (PIN). This is a fast and easy way of payment. One can get debit card facility as debit cards use one's own money at the time of purchase so they are often easier to obtain than credit cards.
- The automatic transfer of money from one bank account to another is known as the service of electronic fund transfer (EFT). With help of this system, there is faster fund transfer from one branch to another branch.

- Mobile banking is a new revolution in the realm of E-banking. Online banking is now moving to the mobile world and this has given everyone with the mobile phone access to real-time banking services irrespective of the current location.
- For all the product categories of the banking sector, the new product development starts with the maturity or decline of the existing product. This decline may be due to fall in demand levels or due to the product becoming obsolete.
- The banking industry has to be very efficient in developing new products and it has to manage these products in the face of changing technologies, interest rates, exchange rates as well as rising competition. Every product goes through a life cycle and goes through several phases and eventually becomes an obsolete product.

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6.7 KEY WORDS

- **Automatic Teller Machine (ATM):** It has provided round the clock banking facility to the customers. The customers can withdraw money at any point of time, deposit money, check account balances, transfer funds and check statement information.
- **Bill of Lading:** It is a document issued by a carrier that lists goods being shipped and specifies the terms of their transport.
- **Promissory note:** It is a written and signed contract in which one party promises to pay a specified amount of money to the other party.
- **Bullion:** It refers to physical gold and silver of high purity that is often kept in the form of bars, ingots, or coins.
- **Internet banking:** It refers to the delivery of banking service and products with the help of Internet.

6.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short note on the significance of mobile banking in the present scenario.
2. List the benefits of Internet banking.
3. What are the constraints on product development faced by the banking sector?

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Long-Answer Questions

1. Discuss the broad classification of products offered by banks.
2. Explain the essential factors which influence the process of new product development.
3. Analyse the significance of Internet banking in the contemporary times.

6.9 FURTHER READINGS

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UNIT 7 PRODUCT MANAGEMENT

Structure

- 7.0 Introduction
- 7.1 Objectives
- 7.2 Understanding and Structuring Product Management
 - 7.2.1 Non-fund Based Business: Meaning and Features
 - 7.2.2 Meaning of Product Management
 - 7.2.3 Importance of Product Management
 - 7.2.4 Need of Product Management
 - 7.2.5 Types of Product Managers
 - 7.2.6 Scope of Product Management
 - 7.2.7 Implications
- 7.3 Management of Change
- 7.4 Answers to Check Your Progress Questions
- 7.5 Summary
- 7.6 Key Words
- 7.7 Self Assessment Questions and Exercises
- 7.8 Further Readings

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7.0 INTRODUCTION

Today's technological development has shed new light upon the management practice product management and it is considered more important than ever to manage products.

Product management is nevertheless characterized by ambiguity, broad definitions and various depictions. A scattered research field alongside practitioners struggles to define the stress associated with structuring product management. In this unit, you will study about the concept of product management, its meaning, implications, scope, types of product managers and the concept of management of change.

7.1 OBJECTIVES

After going through this unit, you will be able to:

- Explain the concept, scope and implications of product management
- Discuss the types of product managers
- Analyse the importance of management of change

7.2 UNDERSTANDING AND STRUCTURING PRODUCT MANAGEMENT

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There are two reasons for a way the presence of a replacement context has imposed a requirement for the organizational practice product management to be clarified. First it is emphasized that managing products became increasingly important for companies due to rapid technological development. Secondly, it is emphasized that organizations face growth of external bodies that evaluate their organizational quality and impose organizational structures to suits. It is to be noted that there is no specific definition of product management and individuals working towards this objective lack standard guidelines to follow and structure their management practice.

7.2.1 Non-fund Based Business: Meaning and Features

Meaning

The Non-Fund based Credit Facilities are nature of promises made by banks in favour of a Third Party to supply monetary compensation on behalf of their clients, where the lending bank does not commit any physical outflow of funds.

Features of Non-Fund Based Business

The non-fund activities which the merchant banker is supposed to undertake are the following:

- Issue Management
- Portfolio Management
- Corporate counseling
- Project Counseling
- Loan/lease Syndication
- Arranging foreign collaboration
- Arranging on acquisition and mergers
- Helping in placement activities
- Advising on capital structuring

7.2.2 Meaning of Product Management

Product management is an organizational function within a corporation handling new development, business justification, planning, verification, forecasting, pricing, product launch, and marketing of a product or products in the various stages of the merchandise lifecycle. Similarly, product lifecycle management is an amalgamation of people, data, processes and business systems. It provides product information to companies and to their supply chain network.

7.2.3 Importance of Product Management

The responsibility of product management is to prepare product strategy that is in line with the corporate strategy and targets and objectives of the organization. Product management is the binding factor between different parts of the organization from development to marketing, sales, and customer support. Product management ensures that product strategy; market needs and merchandise benefits are communicated and understood across the organization.

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1. **Understanding customers' requirement:** The primary objective of product management is that it helps in comprehending the changing needs of consumers. As product managers regularly interact with existing customers, they are able to obtain a clear picture about the shortcomings of the existing product/products. Also, their communication with the customers helps them to recognize the need to come up with a replacement product. Moreover, the product management team also facilitates in providing the intrinsic features which should be evident in the new product ultimately leading to customer satisfaction.
2. **Developing an adequate business model:** Another significant role played by the product management team is that of facilitating in developing an adequate business model for the organization. The product managers along with feedback taken from the sales team help in devising innovative marketing strategies for the products. In this process, they are assisted by the latest technological developments as well. Thus, product managers help in creating a business model which will fetch good returns for the organization.
3. **Skilling strategy:** Product managers help in devising a proper sales and marketing strategy in generating demand for the products. In this dynamic business scenario, customers' needs are changing very rapidly. Thus, organizations are compelled to adapt to this change and refine their sales strategy in collaboration with the product managers. In addition, product managers provide feedback in the requisite skills to tackle the demands and needs of the customers in a professional manner.
4. **Timely support services:** One of the essential roles played by product managers is that of conveying timely feedback of the customers to the sales, marketing and production and customer service teams. This primarily ensures that all queries and problems of the customers are resolved any delay. In addition, this helps to analyse and evaluate the needs of the customers and accordingly the product strategy is devised by the organization.

Therefore, by now, you must have realized the indispensable role of a product manager in the organization. The product manager works in close coordination with the various teams of the organization thereby giving his valuable input and contribution in making the products of the organization a success.

NOTES**7.2.4 Need of Product Management**

The need for such a product management team is usually felt more in technology companies that have an individualistic culture and there is no holistic and integrated approach to the necessity to develop and market products. This has resulted in spectacular failures within the mobile technology market with leading players like Nokia and Blackberry getting dethroned from their pre-eminent positions because they did not sense what the market wanted from them and at an equivalent time did not anticipate what makes for an excellent idea.

The two terms introduced above, market sensing and market intuition have entered the lexicon of management in recent years. Because of the profusion of companies and products within the business landscape, it is not enough to possess an excellent idea or an excellent sales strategy. The important thing is to 'sense' the market signals and 'intuit' the market mood as to how those brilliant ideas are become workable and marketable products. This brings to the fore the necessity for a product management team which will rely on the knowledge from the marketing department to the merchandise development team and make sure that the end-product management is completed in a professional and arranged manner.

Companies that fail to read market signals and at an equivalent time discard innovative ideas because they do not see the market potential and often fail to realize success within the marketplace. The purpose here is that great ideas should be translated into products and great products must be marketed appropriately. Since it is the responsibility of the research and style and therefore the delivery teams to return up with great ideas and make products respectively and it is the responsibility of the marketing team to plug this great product in a befitting manner, the question arises on who goes to form them ask one another and understand one another. Of course, even in companies that do not have product management teams, marketing and research and delivery teams do communicate.

7.2.5 Types of Product Managers

The following are the types of product managers:

1.Design Focussed Product Managers

A design-focussed product manager is one who endeavours to ensure that the product provides a great user experience. Their main area of emphasis is on the design of the product. In simple words, they ensure that the design of their product is absolutely distinct in the market to attract the attention of the prospective customers.

2. Business Focused Product Managers

Product managers that are business focused tend to look for tactics to maximize business value that can be derived from a product. They look for tactics to

maximize their sales or business growth through the merchandise and keep the investment that the merchandise requires to a minimum.

These Product Managers have the company's or the business's best interest at the bottom while planning the merchandise. They look for tactics to make something which will deliver the best in the market. Consider what the team at Apple did while coming up with the iPad or iPod, it had been not something that customers viewed as essential, but yet, they were ready to create a marketplace for it and meet their business goals. They believe that the customers are conscious of the utilization of the merchandise, but once they use it, they are going to understand it better. This is often product management at its best.

3. Customer Focused Product Managers

These types of product managers emphasize largely on the needs and requirements of the customers rather than on the look and design of the product. They primarily collection accurate information about the requirement of the customers via emails, blogs, surveys and qualitative research. All this information is then put together in the product planning phase. This method of designing a product ensures a committed relationship between the customers and the organization.

7.2.6 Scope of Product Management

The following points discuss the scope of product management:

- 1. Manual efforts will take backseat:** In the age of automation, manual efforts are sure to become archaic within the near future. as an example, no organization will invest their time and energy in developing and customizing their CRM platform. With numerous top-notch CRM vendors within the market today, you can easily purchase a CRM tool to take advantage of a suite of comprehensive tools, standard best practices, and faster implementation, all at very lower cost. This exact approach also applies to Product Management. Although now the merchandise management operations and methods differ from company to company, soon organizations are going to be leaning towards standard industry practices. Consequently, manual workflows and tasks will move for automated processes.
- 2. The value of engineering products will decrease:** When it involves IT technology and software products, software developers/engineers were in huge demand for a long time. However, with rapid technological advancements, the value of engineering products has significantly reduced. Thus, whenever companies within the same industry witness a distinct segment opportunity, they engage in neck-to-neck competition – who will develop a singular solution first! The reduced cost of engineering niche products has inevitably resulted in increase in the number of competitors within the market. As the competition increases, so do the

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development cost and therefore the costs of top-notch Product Management tools and frameworks also will decrease, thereby making it accessible for all. And whoever can maximize this chance by leveraging relevant data and PM tools, will ultimately gain the whip hand during a particular domain.

3. ‘Collaboration’ is going to be a central tenet of Product Management: The current trend within the business is to offer priority to delegation. Consistent with this model, the facility is not placed entirely within the hands of the C-suite but is delegated to the executives who are closely related to the individual aspects of business operations and customers. This inclination to empower decision-makers of various business departments is further gaining ground because of AI and Machine Learning. By helping to uncover proper information at the proper time, AI and ML allow PMs to make data-driven business decisions. Product Managers aim to deliver value to customers through data-based and informed decision-making. Consequently, product managers work in liaison with various departments of the organization to make the product a success.

4. Computer game will go mainstream: Companies and organizations across all parallels of the industry have access to such tools and frameworks that permits their development teams to style and make unique product experiences in no time. In addition, there is Virtual Reality (VR) which makes it possible to check and experiment with interactive prototypes before launching a replacement product within the market.

As VR has become a mainstream technology now, the value of VR devices is declining steadily. This is often great news for businesses of all shapes and sizes since they will leverage the potential of VR to make best-in-class digital experiences for their customers.

5. The customer-first policy is going to be the quality protocol: At present, a corporation that prioritizes customer satisfaction over everything else often goes an extended way in winning a big share of the target market. However, in the coming years, all businesses and organizations will adopt the customer-first policy to capture the eye of their audience. Eventually, this may strip off the competitive advantage related to the customer-first approach. It will not provide you with a foothold over your potential competitors.

In such a scenario, any brand that desires to realize the whip hand will need to adopt far more radical measures. The thought is to embrace progressive ideas and technologies to remain ahead of your competitors. PM will include such tools which will streamline Product Management operations, like shortening the iteration cycles, facilitating faster testing and implementation, and so on.

7.2.7 Implications

It is significant to highlight that a product manager is equally responsible for the success or failure of the product. However, you might feel that you do not have enough authority in the organization over the management of the product. You might get a feeling that certain aspects of the product development are outside the purview of your job.

While building the proper stuff for the proper reasons is certainly a part of your job, it is only the start. A product manager's job is to ensure that everyone within the organization is aligned as you prepare to bring a replacement product or feature to plug-in.

1. Product and Marketing: It is not easy enough to build something then let marketing find out the way to position it, message it and price it. There must be ongoing collaboration between product and marketing. It is your job to enable your marketing counterparts to try to bring out their best work. They ought to know which persona this feature was built for, what problem existed that it solves and whether it solves a broadly unmet need within the market or if it is differentiated from how competitors plan to solve it.

2. Product and Sales: The pain does not stop with the marketing disconnect. It impacts sales also. If you have already attained consistency between product and marketing, then it becomes much easier to deliver the key points of messaging, positioning, and differentiation to your sales team. But you would like to form sure they need it. Getting the proper message to prospects is that the initiative to extend conversion at the highest of the funnel. Then, there got to be continuity within the message when the prospect gets to your sales team. It is your job as product manager to make sure most are on an equivalent page.

You do not market your features or products, and you do not sell them either. But neither you, nor marketing or sales are going to be successful if you are not working together closely as you prepare to travel to plug with something new. Fixing the workout front to align these teams will create pay off within the funnel, in meeting sales quotas, and ultimately in your product forecasts. Everyone plays a neighbourhood on this success, but the burden is and will get on your shoulders.

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7.3 MANAGEMENT OF CHANGE

Change management is defined as the methods adopted during which a corporation decides to implement change within both its internal and external processes. This includes preparing and supporting employees, establishing the required steps for change, and monitoring pre- and post-change activities to ensure successful implementation.

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Significant organizational change is often challenging. It requires many levels of cooperation and involves different independent entities within a corporation. Developing a structured approach to vary is critical to assist ensure a beneficial transition while mitigating disruptions. Changes usually fail for human reasons: the promoters of the change did not attend to the healthy, real and predictable reactions of normal people to disturbance of their routines. Effective communication is one among the foremost important success factors for effective change management. All involved individuals must understand the progress through the varied stages and witness results because the change cascades.

<p style="text-align: center;">Check Your Progress</p> <ol style="list-style-type: none"> 1. List the non-fund activities associated with a merchant banker. 2. Mention one important factor responsible for effective change management.
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7.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. The non-fund activities which the merchant banker is supposed to undertake are the following:
 - Issue Management
 - Portfolio Management
 - Corporate counseling
 - Project Counseling
 - Loan/lease Syndication
 - Arranging foreign collaboration
 - Arranging on acquisition and mergers
 - Helping in placement activities
 - Advising on capital structuring
2. Effective communication is one among the foremost important success factors for effective change management.

7.5 SUMMARY

- The Non-Fund based Credit Facilities are nature of promises made by banks in favour of a Third Party to supply monetary compensation on behalf of their clients, where the lending bank does not commit any physical outflow of funds.

- Product management is an organizational function within a corporation handling new development, business justification, planning, verification, forecasting, pricing, product launch, and marketing of a product or products in the various stages of the merchandise lifecycle.
- Product management is the binding factor between different parts of the organization from development to marketing, sales, and customer support.
- The need for such a product management team is usually felt more in technology companies that have an individualistic culture and there is no holistic and integrated approach to the necessity to develop and market products.
- Companies that fail to read market signals and at an equivalent time discard innovative ideas because they do not see the market potential and often fail to realize success within the marketplace.
- Product managers that are business focused tend to look for tactics to maximize business value that can be derived from a product.
- Companies and organizations across all parallels of the industry have access to such tools and frameworks that permits their development teams to style and make unique product experiences in no time.
- Change management is defined as the methods adopted during which a corporation decides to implement change within both its internal and external processes. This includes preparing and supporting employees, establishing the required steps for change, and monitoring pre- and post-change activities to ensure successful implementation.

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7.6 KEY WORDS

- **Product management:** It is an organizational function within a corporation handling new development, business justification, planning, verification, forecasting, pricing, product launch, and marketing of a product or products in the various stages of the merchandise lifecycle.
- **Change management:** It is defined as the methods adopted during which a corporation decides to implement change within both its internal and external processes. This includes preparing and supporting employees, establishing the required steps for change, and monitoring pre- and post-change activities to ensure successful implementation.
- **Artificial Intelligence:** It is a branch of computer science dealing with the simulation of intelligent behavior in computers.
- **Virtual reality (VR):** It refers to a computer-generated simulation in which an individual can interact within an artificial three-dimensional environment using electronic devices, such as special goggles.

7.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

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Short-Answer Questions

1. Write a short note on the importance of product management.
2. Why has product management become necessary in the present scenario?
3. What do you think are the necessary factors to make management of change a success?

Long-Answer Questions

1. Discuss the types of product managers.
2. Analyse the scope and implications of product management.
3. Examine the importance of management of change in today's dynamic business environment.

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UNIT 8 PRICE MIX

Structure

- 8.0 Introduction
- 8.1 Objectives
- 8.2 Meaning of Price Mix
 - 8.2.1 Price Strategies
 - 8.2.2 Importance of Pricing
 - 8.2.3 Factors Affecting Price
 - 8.2.4 Pricing Objectives
 - 8.2.5 Cost to the Customer
- 8.3 Answers to Check Your Progress Questions
- 8.4 Summary
- 8.5 Key Words
- 8.6 Self Assessment Questions and Exercises
- 8.7 Further Readings

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8.0 INTRODUCTION

All companies must charge a threshold for the services they provide. The cost of services is indeed an integral part of the marketing mix because it is a primary source of revenue for the company. The establishment of a fair price, as well as for the market and also for the competitive environment, is a critical component of the financial - banking services field. Another significant aspect to remember is that banks not only negotiate on rates for individual services, but they also organize their rates for the kinds of services. As competition in the banking sector has increased, the requirement of reasonable pricing has become a critical component of marketing strategy. In this unit, you will learn about the concept price mix.

8.1 OBJECTIVES

After going through this unit, you will be able to:

- Define the concept of price mix
- Discuss the pricing objectives
- Explain the factors influencing pricing
- Analyse the importance of pricing

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8.2 MEANING OF PRICE MIX

Price mix is the value of the product that is determined by the manufacturing organization. Price mix includes the choices as to: price index to be adopted; discount to be offered; and, terms of credit to be allowed to the customers. Price mix is that the price or the worth that is attached to the product which is fixed by the producer.

8.2.1 Price Strategies

Let us go through the significant pricing strategies.

1. **Cost plus profit:** This is often the foremost sensitive strategy to costs. Organization calculates the manufacturing cost and then accordingly decide what over and above should be market selling price of the product.
2. **The settlement of the costs for 'taking the cream':** This strategy could also be used for items which are brand new but of outstanding quality. It denotes an arrangement of the worth when the new product is added to the marketplace in order to 'capture the premium' in preference for that commodity, maximizing the profit to hide the research and development expenses, after which, later, in time, the worth could also be reduced to extend the demand.
3. **The settlement of the price as per the competition:** This strategy takes into consideration the price as per the competition in the market. Thus, the price of the product is going to be competitive enough to sustain itself in the market.
4. **The settlement of the price on the market:** The price of a product is decided as per the worth of an identical product already existing in the market.
5. **The settlement of the price as per the worth of the product:** This strategy is devised on the evaluation of the clients' perception vis-a-vis the value of the product answering the question 'How much a client would buy this product?' This strategy is then the foremost oriented towards marketing.
6. **The settlement of the price to penetrate:** The bank will settle a price for a product with the aim to quickly win an enormous quota of the market and thus to acquire quick and substantial penetration.

8.2.2 Importance of Pricing

Indeed, pricing is significant. Let us understand its importance in this section.

1. **Flexible element of selling mix:** The most adaptable element of the marketing mix is price. In contrast, to other factors such as product, place,

or promotion, prices change frequently. Changes in product design or distribution system would take an extended time to be implemented. Bringing about changes in advertisements or promotional activities is additionally a time consuming task. But price is extremely flexible and may be changed as the changing requirements of the consumers.

2. **Right level pricing:** The wrong price decision can cause the downfall of a corporation. It is extremely significant to set prices at the proper level after sufficient marketing research and evaluation of things like competitors' strategies, market conditions, cost of production, etc.
3. **Price creates the first impression:** Often price is that the first factor which is noticed by the customer. While the customer may take his final buying decision based on the general benefits offered by the product, he is likely to match the worth with the perceived value of the product to gauge it. After learning about the worth, the purchasers attempt to learn more about the qualities of the product.

If a product is over-priced, the consumer can lose desire to learn more about it. However, if he feels the price is fair, he would check out more about it. Therefore, price is certainly a critical factor that influences a buyer's decision.

8.2.3 Factors Affecting Price

The following factors affect pricing of a product:

1. **The structure of the costs:** The bank will wish to determine a price which can cover all the prices for developing and promoting the service, obtaining a corresponding profit of the danger it takes, during a last instance, the worth must reflect the subsequent elements: The fix and variable costs of the provided service, the hazards to be covered, the longer term development (investments) and the corresponding profit of the invested fund.
2. **The risk:** As mentioned earlier, danger is a component of the total cost which the financial organization takes into consideration while deciding upon the market price of the product. The investments subscribed by the investors act as provisions, ensuring that the bank's liabilities are protected, and as a result, they earn dividends. A particular risk is assumed by the bank and with the holders of the MasterCard, which can delay with the disbursement of the agreed-upon sum over a fixed period of time.
4. **The consumers:** The perception of the consumers about a particular financial service/product is also one of the major factors affecting the price of a product. Customers do a market survey and check the quality of the product before purchasing the product. For instance, there are numerous life insurance policies in the market today, the consumer taking his budget into consideration, decides upon the policy.

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- 5. The competition:** Today, the competitive scenario has provided several options and alternatives to the customers. This helps the customers to evaluate the worth and the feasibility of the products in the market, and then accordingly select the right product.

8.2.4 Pricing Objectives

The following are some of the important pricing objectives for an organization:

- 1. Costly customer acquisition does not always cause a sustained increase in market share:** To increase their market share, many banks and financial institutions tend to cost their products aggressively. While within the short term, this might help attract customers at high costs, it does not always cause increased profitability or growth for banks. Therefore, they have to define a matrix analysing their acquisition cost versus the potential realizable value across the product's lifecycle for patrons.
- 2. Customers have quick access to plug information:** With the arrival of third-party platforms, customers can easily access the products' features, and compare its worth with similar other products. Our experience also reveals that banking products with complicated features are often avoided albeit available at discounted prices.
- 3. Poor marketing could lead to dissatisfaction with prices:** Customers do not realize the worthy proposition of the product, if it is not marketed appropriately, this might end in price dissatisfaction albeit bank products are fine, and consumers are willing to pay a premium for them. As a result, marketing strategy is just as critical as pricing.
- 4. Low-involvement products are difficult to cost higher:** Certain products evoke a stronger emotional reaction from consumers than others. As an example, a bank account might not cause high emotional gratification, whereas a vehicle loan which ends up in procurement of a tangible asset is often extremely satisfying. It is also worth mentioning that value-based pricing will only take place when goods are differentiated. Therefore, product-related criteria like customers' involvement and differentiation of features are key parameters for any pricing strategy.

8.2.5 Cost to the Customer

Price represents just a fraction of the overall cost of fulfilling a desire or need. The net cost will take into account considerations such as the time spent purchasing a product or service. It is a measure of the overall cost of ownership. Numerous factors influence cost, including the cost to the consumer of modifying or introducing the new product or service, as well as the cost to the customer of not choosing a

competitor's product or service. Customers are constantly faced with an array of products that necessitate a great deal of attention and investment. As a result, seasoned managers then use pretended TCO, or 'total cost of ownership', instead of costs.

Price Mix

Check Your Progress

1. What are the essential components of price mix?
2. Why is right level pricing important?

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8.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Price mix includes the choices as to: price index to be adopted; discount to be offered; and, terms of credit to be allowed to the customers. Price mix is that the price or the worth that is attached to the product which is fixed by the producer.
2. The wrong price decision can cause the downfall of a corporation. It is extremely significant to set prices at the proper level after sufficient marketing research and evaluation of things like competitors' strategies, market conditions, cost of production, etc.

8.4 SUMMARY

- Price mix includes the choices as to: price index to be adopted; discount to be offered; and, terms of credit to be allowed to the customers.
- The price of a product is decided as per the worth of an identical product already existing in the market.
- The most adaptable element of the marketing mix is price. In contrast, to other factors such as product, place, or promotion, prices change frequently.
- The perception of the consumers about a particular financial service/product is also one of the major factors affecting the price of a product. Customers do a market survey and check the quality of the product before purchasing the product.
- Customers do not realize the worthy proposition of the product, if it is not marketed appropriately, this might end in price dissatisfaction albeit bank products are fine, and consumers are willing to pay a premium for them. As a result, marketing strategy is just as critical as pricing.

- Price represents just a fraction of the overall cost of fulfilling a desire or need. The net cost will take into account considerations such as the time spent purchasing a product or service.

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8.5 KEY WORDS

- **Tangible asset:** This asset has a physical form and that holds value.
- **Matrix:** It refers to a collection of numbers such that their arrangement is into a fixed number of rows and columns.
- **Price mix:** It is the value of the product that is determined by the manufacturing organization.

8.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short note on the factors affecting pricing of a product/service.
2. How do you define the concept of 'cost to the customer'?

Long-Answer Questions

1. Discuss the prominent pricing strategies.
2. Explain the importance of pricing.
3. Describe the objectives of pricing.

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BLOCK - III

PROMOTIONAL AND PRICING MIX

UNIT 9 PRICING POLICIES

Structure

- 9.0 Introduction
 - 9.1 Objectives
 - 9.2 Price Strategies
 - 9.2.1 Factors that Influence the Price Calculation
 - 9.3 Deregulation of Interest Rates
 - 9.3.1 Deregulation of Deposit Interest Rates in India - A Historical Account
 - 9.3.2 Advantages and Disadvantages of Deregulation of Saving Bank Deposit
 - 9.4 Banking Services
 - 9.5 Service Charges
 - 9.6 Answers to Check Your Progress Questions
 - 9.7 Summary
 - 9.8 Key Words
 - 9.9 Self Assessment Questions and Exercises
 - 9.10 Further Readings
-

9.0 INTRODUCTION

The development of any country mainly depends upon the banking industry. Banks act as a bridge between individuals who save and individuals who want to borrow. The cash deposited in bank will grow by means of interest. Banks provide various types of services to its customers. To a large extent, banks depend on competitive marketing strategy to ensure their success and growth. Adequate pricing for banking products and services is important for the economy as it drives customer satisfaction. This unit will discuss in detail pricing policies of banks, the deregulation of interest rates and the service charges levied by the banks.

9.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the pricing strategies of banking institutions in India
- Explain the factors that influence price calculation
- Describe the deregulation of interest rate
- Examine the service charges levied by banks

9.2 PRICE STRATEGIES

Price is an important part of the marketing mix. When a product has not been adequately priced, it can impact its sale and eventually lead to failure. Therefore, the price and the sales of the product are interrelated. There are six main ways the price of a product can be settled. They are as follows:

- a) **Cost plus profit:** This is the most sensitive strategy to cost. The institution calculates how much the manufacturing of the product cost it and then sets a margin for profit. After this, it sets the price for clients.
- b) **The settlement of the prices for ‘taking the cream’:** This strategy is often used for new and high quality products. It means that when the product is introduced in the market, the price is determined with the aim that the product should ‘take the cream’ of the demand for the product. This maximizes the profit to cover the research and development expenses. Later on the price can be reduced to increase the demand.
- c) **The settlement of the price depending on the competition:** This strategy while setting the prices of products considers the competition’s practices. Therefore the price will be similar to that of the competition. However, it will cover the expenses and the profit margin.
- d) **The settlement of the price on the market:** The price of a product is determined on the basis of the price of an identical product already existing on the market. The difference as compared to the settlement of the price depending on the competition is that the settlement of the price on the market might not cover the production expenses of the product.
- e) **The settlement of the price depending on the value:** This strategy is predicated on the evaluation of the clients’ perception vis-a-vis the value of the product. This is determined by answering the question ‘How much would a client pay for this product?’ This strategy is then most oriented towards marketing.
- f) **The settlement of the price to facilitate entry into market:** The bank will settle a low price for a product with the aim to win an enormous quota of the market. This will enable quick entry into the market.

9.2.1 Factors that Influence the Price Calculation

There are many factors that influence to price calculation. These factors should be taken into account by the company.

The structure of the cost: The bank will wish to determine a price which can cover all the costs for developing and promoting the service and obtaining a

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corresponding profit of the danger it takes. The price must reflect the subsequent elements:

1. The fix and variable costs of the provided service
2. The risk that should be covered
3. The longer term development (investments)
4. The corresponding profit of the invested fund.

The risk: Risk is an important component of the financial institution which should be considered while setting the price. The risk appears when the price of a service must be acquitted regardless of the performance of the financial institution. In case of deposit of an amount of money, the depositor is sure that he can withdraw the full amount at any moment. The funds subscribed by the shareholders have the role of provisions which should cover the risks assumed by the bank and as a result they receive the dividends. A certain risk is assumed by the bank and with the holders of the credit card, which may delay with the payment over the stipulated term.

The shareholders: For the subscribed capital, the shareholders receive a compensation. The compensation is often in the form of dividends.

The consumers: The consumers, their perceptions about the products and services and therefore the level of the request are found within the final price of the service.

Check Your Progress

1. What happens when a product is not adequately priced?
2. What do the shareholders receive in exchange for their subscribed capital?

9.3 DEREGULATION OF INTEREST RATES

A large number of economies in developed as well as developing countries have deregulated their banking systems in the past 20 years. The aim of these reforms is to improve productivity, efficiency and profitability of the banking systems and also to promote international competitiveness. The process of financial deregulation in India started in 1992, after the Indian depression of 1991. It became an integral element of the continued process of economic and structural reform. The Indian banking sector is of particular interest for a number of reasons. One of the reasons is that the pragmatic Indian deregulation policy offers great scope for analyzing the connection between the extent of regulatory constraints and the efficiency and productivity of economic agents.

9.3.1 Deregulation of Deposit Interest Rates in India – A Historical Account

The process of deregulation of deposit interest rates had begun in the 1980s. In April 1985, banks were permitted to line interest rates for maturities between 15 days and up to 1 year, subject to a ceiling of 8 per cent. It was assumed that with realistic rates of interest on maturities, banks would be able to achieve a better distribution of term deposits instead of highly skewed distribution with longer maturities at relatively higher costs. However, when some of the banks introduced the ceiling rate of 8 per cent for maturities of fifteen days, other banks also followed the move without considering profitability and set the ceiling rate of 8 per cent for maturities ranging from 15 days to up to at least one year. The result was a shift of deposits from current accounts and to some extent from savings accounts to 15-day deposits. Due to price competition between the banks, the liberty to line interest rates was eventually withdrawn in May 1985. The process of deregulation resumed in April 1992 when the maturity-wise prescriptions were replaced by one ceiling rate of 13 per cent for all deposits above 46 days.

The ceiling rate was reduced to 10 per cent in November 1994. It was, however, increased to 12 per cent in April 1995. Banks were permitted to repair the interest rates on deposits with maturity of over 2 years in October 1995, which was further relaxed to maturity of over 1 year in July 1996. The ceiling rate for deposits of '30 days up to 1 year' was linked to the discount rate less 200 basis points in April 1997. In October 1997, deposit rates were fully deregulated by removing the link to the discount rate. Banks were allowed to determine their own penal interest rates for premature withdrawal of domestic term deposits. Therefore, the restriction on the bank that they need to offer an equivalent rate on deposits of an equivalent maturity regardless of the dimensions of deposits was removed in respect of deposits of 15 lakh and above in April 1998. The banks then had freedom to decide their domestic deposit rates, except rate of interest on savings deposit, which even today is regulated and is presently stipulated at 3.5 per cent.

9.3.2 Advantages and Disadvantages of Deregulation of Saving Bank Deposit

Let us first discuss the advantages of deregulation of saving bank deposit.

Advantages

- **May increase the demand of Savings Deposits:** The regulation of interest rates gives rigidity to the product or instrument as the rates are either not altered as per the changing market conditions or altered too slowly. This negatively impacts the demand for the product or the instrument. In case of saving bank deposits, the rate of interest has remained the same at 3.5 per

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cent since 1 March 2003. On the other hand the policy rates and call rates of the Reserve Bank of India has moved significantly in both directions.

- **Will Improve Transmission of Monetary Policy:** The regulation of the interest rate of savings deposits has not only reduced its relative attractiveness but has also negatively affected the transmission of monetary policy. For transmission of monetary policy to be effective, it is important that all rates move in tandem with the policy rates. This process, however, is hampered if the interest rate in any segment is regulated.
- **May Lead to Product Innovations:** Savings deposits make up for about 22 per cent of total deposits. However, due to regulation of interest rate, there is barely any competition in this segment with both banks and depositors acting passively. This has hampered product innovations. The needs and requirements of different banks and different depositors are not necessarily the same. Just as each bank may like to tailor the savings product to suit its requirement, each depositor may like to choose a product which suits his requirements.

Disadvantages

- **Possibility of an Unhealthy Competition:** A serious attraction of savings deposits for banks is that it offers a low cost source of funds. This is often evident from the fact that bank groups with higher share of CASA (current account and savings account) deposits (of which savings deposit could be a major component) enjoy relatively low cost of deposits. However, the distribution of CASA deposits among banks isn't uniform.
- **Risk of Asset Liability Mismatches:** One of the issues raised by banks with respect to deregulation of savings bank interest rate is that in the event of such deregulation, it would lead to asset-liability mismatch. This is because even though savings bank deposits represent short-term savings and can be withdrawn on demand, a huge part of savings bank deposits is treated as 'core' deposits. This, together with term deposits have been used by banks to increase their exposure to long-term loans, including infrastructure loans.
- **May cause Financial Exclusion:** When unhealthy competition leads to increase in rate and overall cost of funds, banks can be discouraged from maintaining savings deposits with small amounts because of the associated high transaction costs. This might particularly be the case with public sector banks, which have a large number of savings accounts and which allows depositors to keep very low balances. Thus, it's likely that banks will either increase the minimum balance to be maintained or reduce the amount of transactions permitted free from cost, thereby increasing the customer service charges too.

Check Your Progress

3. What was the aim of the reforms meant to deregulate the banking system?
4. When did the process of financial deregulation start in India?

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9.4 BANKING SERVICES

Given below are the banking services provided by the banking industry:

- **Payment and Remittance Services:** This is an important function of banks that allows us to transfer funds from one account to a different account, from one city to another. Along with this, modern banking systems allow us to avail direct online money transfer, pay utility bills, collect cheques, and more. With the evolution of technology, payments can be made from any part of the planet.
- **Overdraft:** Overdraft services allow account holders to withdraw more than what their deposits allow. Though interest is charged on the overdrawn amount, this is one of the ways banks lend money to their customers.
- **Currency Exchange:** If there were no banks, acquiring foreign currency for travel or trading purpose would have been very difficult. The banks provide foreign currency exchange with local currency in a simple manner.
- **Consultancy:** Modern banks have a holistic approach and they aim to provide all types of services to their customers that involve their financial situation. Modern banks are hiring financial and legal experts to provide advice and solutions about customer's wealth, investment, and trading.
- **Online Banking:** In the current digital environment, every bank is trying to solidify their position in the online banking world. With the help of the internet, customers can now perform banking activities through the official website of banks. This allows the customer to access their account 24/7 without having to go to a physical branch.
- **Mobile Banking:** Banks are also providing mobile banking services wherein customers can perform banking activities through their smartphone apps.
- **Home Banking:** Home banking is another rising trend wherein banking transaction can be done from home directly. These services require an internet connection or access to online banking.
- **Credit and Debit Cards:** Most of the banks offer credit and debit cards to their customers that can be used for purchasing products and services, and even borrowing or withdrawing money. This is often one of the first steps towards a cashless society.

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- **Lockers:** Banks also offer safe deposit to their clients to store their valuables safely, at minimal fees.
- **Money Transfer:** There are several ways banks offer to transfer money from one part of the world to another with the help of demand drafts, money orders, cheques, online banking, and more.
- **Investment Banking:** Many banks now offer financial services to their customers. They help them to make the most of their wealth by offering several investment products.
- **Wealth Management:** Wealth management is one of the various investment services offered by banks. It allows the purchasers to plan their finances to grow long-term wealth. Apart from all this, banks also offer several auxiliary services to the shoppers like solvency certificates, mutual funds, insurance services, gold coins, and more.

9.5 SERVICE CHARGES

Some of the charges levied by banks for its services are given below:

- **Cash handling:** Several banks levy this on cash deposits beyond a particular level of transactions. In most cases, the first few transactions are free. Usually, the rules are more relaxed for the transactions that are made at the home branch.
- **Fund transfer:** While NEFT and RTGS no longer charge, IMPS (Immediate Payment Service) transactions are chargeable. The charge depends on the amount being transferred and the policy of the bank carrying out the transfer. It is somewhere between ₹ 1 and ₹ 25.
- **Lack of Minimum Balance:** Almost all banks insist on maintaining a monthly or quarterly average balance in the savings account. For instance, State Bank of India (SBI) customers holding savings account in metros and urban branches are required to maintain an average monthly balance of ₹ 3,000. The requirement drops to ₹ 2,000 for customers in semi-urban branches and ₹ 1,000 for rural branches. The bank charges ₹ 5-15 for non-maintenance of the required account balance. While this looks nominal, some banks can charge as much as ₹ 200-500.
- **ATM, Debit Card and Cheques:** According to the RBI mandate, banks are allowed to charge customers for more than five transactions made at ATMs in a month. The charges can range from ₹ 8-20 depending on the type of transaction. For instance, SBI allows its regular savings bank account holders eight free transactions, which includes five at SBI ATMs and three at different banks' ATMs. In non-metros, such account holders get 10 free transactions, which includes 5 transactions at SBI ATMs and 5 at different banks' ATMs. The regulator has also cited that banks can't cost clients for failed transactions.

- **Alerts and Instructions:** SMS alerts began as a security feature designed to keep the customers updated about the transactions taking place from their accounts. This is supposed to help identify cases of fraud immediately. However, the security measure comes at a cost. Banks cost round ₹ 15 per quarter for SMS alerts.
- **Documentation:** Banks can additionally cost you for issuing documents. Banks charge ₹ 50-150 for issuing duplicate passbooks and account statements. It is wiser to keep track of the transactions using net banking. If one wants a printed statement, they should take a printout and get it attested by the bank. But some banks charge for attestation too. For instance, SBI costs ₹ 150 for signature verification.

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Check Your Progress

5. What are overdraft services?
6. What are the charges levied by banks for fund transfer?

9.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. When a product has not been adequately priced, it can impact its sale and eventually lead to failure.
2. For the subscribed capital, the shareholders receive a compensation. The compensation is often in the form of dividends.
3. The aim of the reforms meant to deregulate the banking system was to improve productivity, efficiency and profitability of the banking systems and also to promote international competitiveness.
4. The process of financial deregulation in India started in 1992.
5. Overdraft services allow account holders to withdraw more than what their deposits allow.
6. While NEFT and RTGS no longer charge, IMPS (Immediate Payment Service) transactions are chargeable. The charge depends on the amount being transferred and the policy of the bank carrying out the transfer. It is somewhere between ₹ 1 and ₹ 25.

9.7 SUMMARY

- Price is an important part of the marketing mix. When a product has not been adequately priced, it can impact its sale and eventually lead to failure. Therefore, the price and the sales of the product are interrelated.

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- There are many factors that influence to price calculation. These factors that should be taken into account by the company, include the structure of the cost, risk, shareholders and the customers.
- A large number of economies in developed as well as developing countries have deregulated their banking systems in the past 20 years. The aim of these reforms is to improve productivity, efficiency and profitability of the banking systems and also to promote international competitiveness.
- The process of financial deregulation in India started in 1992, after the Indian depression of 1991. It became an integral element of the continued process of economic and structural reform.
- The process of deregulation of deposit interest rates had begun in the 1980s. In April 1985, banks were permitted to line interest rates for maturities between 15 days and up to 1 year, subject to a ceiling of 8 per cent.
- Due to price competition between the banks, the liberty to line interest rates was eventually withdrawn in May 1985. The process of deregulation resumed in April 1992 when the maturity-wise prescriptions were replaced by one ceiling rate of 13 per cent for all deposits above 46 days.
- The deregulation of savings banks deposit can increase the demand of savings deposits, improve transmission of monetary policy and lead to product innovations. On the other hand, it can also lead to unhealthy competitions, increase the risk of asset liability mismatches and cause financial exclusion.
- The banking industry provides services relating to payment and remittance, overdraft, currency exchange, consultancy, online banking, mobile banking, home banking, investment banking etc.
- Service charges levied by banks are for cash handling, fund transfer, lack of minimum balance, services provided for ATM, debit card and credit card, etc.

9.8 KEY WORDS

- **Deregulation:** It is the removal of regulations and restrictions in a particular area of business or trade.
- **Monetary Policy:** It refers to the actions undertaken by a nation's central bank to regulate money supply and achieve macroeconomic goals that promote sustainable economic growth.
- **Interest Rates:** It is the amount of interest due per period, as a proportion of the amount lent, deposited or borrowed (called the principal sum).

9.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Briefly mention the six ways in which the price for a product can be settled.
2. Give a brief historical account of the process of deregulation of deposit interest rates in India.
3. State the advantages of deregulation of savings bank deposit.
4. Write a short note on the service charges levied by banks.

Long-Answer Questions

1. Discuss the factors that influence price calculation.
2. Examine the advantages and disadvantages of deregulation of savings bank deposit.
3. Explain the services provided by the banking industry in India

9.10 FURTHER READINGS

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UNIT 10 PROMOTION MIX

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Structure

- 10.0 Introduction
- 10.1 Objectives
- 10.2 Meaning of Promotion Mix
 - 10.2.1 Basics of Promotion
 - 10.2.2 Objectives
 - 10.2.3 Factors Affecting Promotion Mix of a Banker
 - 10.2.4 Methods Used in Promotion Mix
- 10.3 Answers to Check Your Progress Questions
- 10.4 Summary
- 10.5 Key Words
- 10.6 Self Assessment Questions and Exercises
- 10.7 Further Readings

10.0 INTRODUCTION

A promotion mix is a set of marketing strategies developed by marketers to maximize promotional activities and attract a larger audience. The role of the marketer is to determine the best promotion mix for a given brand. Creating a promotion mix requires marketing knowledge and experience. To come up with an effective promotion mix, marketers must perform multiple studies and collect a large amount of data about a specific organization. A promotion mix is a more comprehensive approach to one of the marketing mix's five elements: promotion. Other factors include people, product, place, and price. In this unit, we will discuss the meaning and objectives of promotion mix, along with the methods used in it. We will also focus on the factors affecting promotion mix of a banker.

10.1 OBJECTIVES

After going through this unit, you will be able to:

- Explain the meaning and objectives of promotion mix
- Discuss the methods used in promotion mix
- Describe the factors affecting promotion mix of a banker

10.2 MEANING OF PROMOTION MIX

Decisions have to be made with respect to promotional mix regarding its aspects like advertising, personal selling, sales promotions, exhibition, sponsorship and public relations. By these means, the target audience is made aware of the existence of the product and the benefits that it confers to customers. The type of promotional

tool used has to gel with other elements of the marketing mix. An expensive product, like machinery, with limited number of customers should be promoted through personal contacts between buyers and salespersons. Advertising in the mass media would be wasteful as the number of customers is far too small, and it would be ineffective as the customer will not make a decision to buy such an expensive product based on a little information provided in an advertisement. He will require extensive information to be able to make a choice. But an inexpensive product bought by the mass market can be advertised in the mass media.

Even the nitty-gritty of a chosen promotional tool should enhance the marketing mix. The media used, the celebrity chosen to endorse the product, the training provided to the salesperson, etc. should reflect and reinforce other elements of the marketing mix. Normally, the company makes its first contact with customers through its promotional efforts. A customer does not buy a product unless he has formed certain expectations about the product. Promotion shapes the expectations of customers about the product. Used rightly, promotion can raise customer expectations and drive sales. But if a product is hyped, though customer expectations are raised, he/she will be disappointed on actually using the product as they won't find it up to his expectations. Such disappointments engender negative word-of-mouth publicity and may leave a permanent dent in the company's reputation.

10.2.1 Basics of Promotion

Promotion is a term used frequently in marketing. It refers to raising customer awareness of a product or brand, generating sales and creating brand loyalty. It involves a whole set of activities that communicate about the merchandise, brand or service to the user. The essential idea behind promotion is to form people opinion as well as attract and induce them to shop for the merchandise by making them prefer a particular product over other similar products available in the market. The promotion tool of selling mix comprises communication tactics employed by the marketers to reach consumers, increase demand and differentiate brands. Promotion has been defined as the 'coordinated self-initiated efforts to determine channels of data and persuasion to facilitate or foster the sale of products or services or the acceptance of ideas or points of view'. The contemporary age is the age of extreme competition. Therefore, producers have to assume new and unfamiliar approaches of verbal exchange to sell their products to the customers. Demand creation is a crucial need of business. Nowadays, sales do not take place without promotion or advertising regardless of whether a product is good or not. In essence, promotion includes the advent and expansion of demand. After product development, it is introduced in the market and its demand is created through promotional activities. Promotion is simply like the spark plug in the advertising. Promotion aims at keeping the product in the minds of the clients and helps stimulate demand for the product. It is the manner of advertising communication involving information, persuasion and influence.

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10.2.2 Objectives

The main objectives of promotion mix are:

- **To create product and brand awareness:** Several profit-promoting strategies are used to expose clients to products and manufacturers for the first time. This awareness is the foundation for all different future promotional activities. Promotional activities tries to encourage the customers to attempt new merchandise and manufacturer.
- **To create interest:** Sales promotions are quite useful in creating buzz around a product. In fact, developing interest is often considered the most vital use of sales promotion. In the retail enterprise, appealing sales promoting activities can significantly create client interest.
- **To furnish information:** Promotional activities provide detailed data about the product to the customers. This goes a long way in converting interest into actual sales.
- **To stimulate demand:** Effective promotional activities can stimulate demand for the product by convincing the customers to buy the products.
- **To enhance the brand:** Promotion can be used to support or strengthen the company in the minds of the customers. This will ensure a future purchase of the product.
- **To appeal to new customers:** Promotional measures additionally play an important role in attracting new customers for an organization. Usually, new clients are those persons that are loyal to different brands. Samples, gifts, prizes, etc. are used to persuade consumers to try a new brand or shift their patronage towards new sellers.
- **To set off current customers to buy more:** Promotion can increase the sales by making present consumers consume more of a particular product.
- **To help the firm to continue to be competitive:** Companies undertake sales promotion activities in order to stay relevant in the market. Therefore, in the modern competitive world, no company can survive without promotional activities.
- **To increase sales in off-season:** Sales of the products naturally minimize during the off-season. Therefore, promotional strategies can be implemented all through the offseason to keep or even increase the sales. Techniques such as discounts can attain this.

10.2.3 Factors Affecting Promotion Mix of a Banker

Cultural dimensions, industry technology orientation, market competition, and economic conditions are the only factors that fully influence a bank's promotion strategy. The technology orientation element has a significant impact on the promotion strategy chosen. Banks have been under increasing pressure to use

technology in their operations due to increased competition. This has resulted in several improvements to the promotion approach, such as the inclusion of telephone banking and the Internet as tools for reaching consumers. The factor relating to cultural aspects is the most relevant, as it has an influence on almost all promotion decisions taken by banks. The competitiveness of the market has a major impact on the promotion strategies of banks. The rivalry is fierce, which has an effect on the promotion's intensity. In terms of economic conditions, the country's overall economic condition has an effect on the promotion strategy. A bank is such a unique type of institution that it cannot be isolated from its services. Furthermore, since banks sell similar products, product promotion is primarily a brand promotion. As a result, we can assume that factors such as product type and uniqueness are irrelevant. Moreover, since factors are rather abstract, what organizations believe in is highly subjective regarding what is driving the promotional decisions.

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10.2.4 Methods Used in Promotion Mix

The promotion mix is the combination of promotion methods that a firm uses to increase acceptance of its products. The five methods of promotion are:

- Advertising
- Personal Selling
- Sales Promotion
- Publicity
- Public Relations

Some firms use one of these promotion methods to promote their products, while other firms use two or more. The optimal promotion mix for promoting the product depends on the characteristics of the target market. Each of the five promotion methods is discussed in detail below.

Advertising

Advertising is a non-personal sales promotion communicated through media or non-media forms to influence a large number of consumers. It is a common method for promoting products and services. Although advertising is generally more expensive than other methods, it can reach many consumers. Advertising is normally intended to enhance the image of a specific brand, institution, or industry. Brand advertising is a non-personal promotion about a precise brand. Some brands are marketed to inform customers about changes in the product.

Common techniques used to advertise a particular company are comparative advertising and reminder advertising. Comparative marketing is supposed to persuade customers to purchase a particular product by way of demonstrating a brand's superiority in contrast with other competing brands. Reminder advertising is mainly used by established brands in a follow-up to a more extensive ad campaign in order to remind the consumer about the product or service, or to introduce new

theme into existing campaigns. They serve to improve the awareness of the brand and to reinforce the key messages of the brand value and/or recent offers or products.

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The important features of advertising are identified as follows:

- **Paid by company:** Advertising, unlike publicity, is a carrier that is paid for by the organization. It is a paid form of communication. It ceases to qualify as advertising if its cost is paid by all of us instead of the organization whose product or service is being advertised.
- **Impersonal presentation:** It is a structure of non-personal presentation directed at extensive audience rather than a specific individual. The advertiser and the client do no longer come into contact with each other.
- **Identified sponsor or advertiser:** The sponsor or the company whose product is being advertised always become identifiable due to the influence of advertising. If it can't be identified, the activity ceases to qualify as advertising. In that case, it can be termed as propaganda or publicity only.
- **Promotes ideas, items and services:** The scope of advertising and marketing is wide in the sense that it not only promotes tangible goods, but also ideas.
- **Informative and persuasive:** A necessary characteristic of advertising and marketing is that it no longer solely informs buyers about the benefits and utility of a product; but also serves to persuade potential client to purchase these merchandise and services. It stimulates human desires, thereby producing the demand for the product.

Personal selling

In personal selling, businesses use people (the 'sales force') to sell the product after meeting face-to-face with the customer. The sellers promote the product through their attitude, appearance and specialist product knowledge. They aim to inform and encourage the customer to buy, or at least trial the product. The personal selling strategies should be completely based on the overall marketing strategy of the company and these strategies should also be well aligned with the other different elements of the overall promotion mix.

Features of personal selling

Personal selling can be better understood by its following features:

- It is a promotional technique for persuasion and building relationships with workable and true consumers.
- Personal selling is done via face-to-face meetings and contact with customers.
- It makes use of a personalized method that is tailor-made to meet the individualized wants of the customer.

- It makes use of aggressive sales techniques.
- It is a multi-stage process starting with prospecting and ending with selling. This end result in consumer satisfaction.
- The salesperson who efficiently performs the job of personal selling is rewarded with financial incentives.
- The consumer is rewarded with advantages of consuming the product.

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Sales promotion

Sales promotion is the set of activities that is supposed to affect consumers. It is an effective method of encouraging customers to purchase a particular product. Sales promotion has the following major elements which are listed below:

- **Supports advertising and personal selling:** Sales promotion helps advertising and personal selling. It acts as a connecting hyperlink between the two. Companies follow up advertising campaigns with sales promotion campaigns. Sales promotion assist personal selling. The rewards given for the sales promotion assist by increasing the sales pressure on salespeople to generate sales.
- **Stimulates sales:** A special sales promotion feature is that it stimulates profit at the point of sale, i.e., where the sale truly takes place. It appeals to the consumers, through rate discounts, or different inducements.
- **Acts as a marketing tool:** Sales promotion acts as a very effective marketing tool, highlighting the qualities and special points that serve as powerful magnets to draw the consumers' attention to the product. Packaging, pricing and consumer satisfaction as an end result of usage of the product are highlighted with the aid of a high-quality sales promotion campaign.

Publicity

Publicity is the public stimulation of demand brought about by the positive coverage received by a product or brand. Issue of press releases, getting an honourable mention in the media, taking up charitable causes, giving donations, etc. are all forms of publicity exercises. These are all designed with the objective of getting publicity for the organization and its products and services. Some basic features of publicity are defined as under:

- **Third party involvement:** Publicity requires third party involvement for spreading information and messages about goods or services of a firm. This third party involvement becomes crucial for the advertising of commercial enterprise and its products. It provides a sense of credibility.
- **Publicity is free:** No price or cost is to be paid to the third party for the publicity of information about items or services offered by the firm. The organization thus does not incur any cost for the publicity of their products.

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- **Wide and speedy dissemination of information:** Information about the company and its merchandise is communicated to a very large number of people by the flow of information by the use of both print and electronic media in a very quick span of time.
- **Free marketing:** Positive publicity serves as free advertising for the firm.

Public relations

Public Relations (PR) refer to the different activities conducted by a company to promote and protect the image of the company, its products and policies in the eyes of the public. Thus, it aims to maintain favourable public opinion of the organization. Firms try to strengthen public relations by communicating to common people, together with prospective customers. Public relations can be used to improve the image of a product or of the firm itself. Many firms have a public relations department that presents records about the firm and its merchandise to the public. Public relations departments usually use the media to relay their data to the public. Some banks assign employees to grant financial forecasts because the media will point out the banks identity when reporting the forecast. PR is different from publicity in that PR is controlled internally, while publicity is not controlled and is affected by external parties. Public relations also include exposing an organization using topics of public interest and news items that do not require direct payment. This makes it different from advertising. Public relations tries to create or obtain coverage for clients for free, also known as earned media, rather than paying for marketing or advertising.

Check Your Progress

1. What is the result of a product being hyped?
2. What factor influence the optimal promotion mix for promoting the product?
3. How is PR different from publicity?

10.3 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. If a product is hyped, though customer expectations are raised, he/she will be disappointed on actually using the product as they won't find it up to his expectations. Such disappointments engender negative word-of-mouth publicity and may leave a permanent dent in the company's reputation.
2. The optimal promotion mix for promoting the product depends on the characteristics of the target market.
3. PR is different from publicity in that PR is controlled internally, while publicity is not controlled and is affected by external parties.

10.4 SUMMARY

- Decisions have to be made with respect to promotional mix regarding its aspects like advertising, personal selling, sales promotions, exhibition, sponsorship and public relations
- Even the nitty-gritty of a chosen promotional tool should enhance the marketing mix. The media used, the celebrity chosen to endorse the product, the training provided to the salesperson, etc., should reflect and reinforce other elements of the marketing mix.
- Promotion is a term used frequently in marketing. It refers to raising customer awareness of a product or brand, generating sales and creating brand loyalty.
- Promotion aims at keeping the product in the minds of the clients and helps stimulate demand for the product. It is the manner of advertising communication involving information, persuasion and influence.
- Several profit-promoting strategies are used to expose clients to products and manufacturers for the first time.
- Cultural dimensions, industry technology orientation, market competition, and economic conditions are the only factors that fully influence a bank's promotion strategy.
- The promotion mix is the combination of promotion methods that a firm uses to increase acceptance of its products.
- Some firms use one of these promotion methods to promote their products, while other firms use two or more. The optimal promotion mix for promoting the product depends on the characteristics of the target market.
- Advertising is a non-personal sales presentation communicated through media or non-media forms to influence a large number of consumers. It is a common method for promoting products and services.
- In personal selling, businesses use people (the 'sales force') to sell the product after meeting face-to-face with the customer.
- Sales promotion is the set of activities that is supposed to affect consumers. It is an effective method of encouraging customers to purchase a particular product.
- Publicity is the public stimulation of demand brought about by the positive coverage received by a product or brand.
- Public Relations (PR) refer to the different activities conducted by a company to promote and protect the image of the company, its products and policies in the eyes of the public. Thus, it aims to maintain favourable public opinion of the organization.

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10.5 KEY WORDS

- **Target Market:** It is a group of customers within a business's serviceable available market at which a business aims its marketing efforts and resources.
- **Financial Forecast:** It is an estimate of future financial outcomes for a company or project, usually applied in budgeting, capital budgeting and/or valuation.

10.6 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. Write a short note on Promotion.
2. What are the factors influencing the Promotion?

Long-Answer Questions

1. Explain the methods used in Promotion Mix.
2. Explain in detail the objectives of Promotion Mix.

10.7 FURTHER READINGS

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UNIT 11 PERSONAL PROMOTIONAL EFFORTS

*Personal Promotional
Efforts*

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Structure

- 11.0 Introduction
- 11.1 Objectives
- 11.2 Personal Promotional Efforts: An Overview
- 11.3 Direct Marketing and Public Relations
- 11.4 Societal Banking
- 11.5 Customer Meets and Customer Service
- 11.6 Answers to Check Your Progress Questions
- 11.7 Summary
- 11.8 Key Words
- 11.9 Self Assessment Questions and Exercises
- 11.10 Further Readings

11.0 INTRODUCTION

Banks like other for profit companies are also interested in diversification and risk spread besides profits, growth and market share. While some of the objectives may appear important in the short term, in the long term they ultimately contribute to the increase in profitability. To identify target markets, the first step is to examine the major environmental trends, opportunities and threats facing the bank. Each potential market should be evaluated to define its major characteristics. Market segmentation should be based on differing customer needs, but it is often necessary to use less market-oriented variables such as demography, geography or behaviour. The next stage is to have a general idea of what kind of offers to give to the target market. This is done using a marketing mix (place, promotion, products and services, and price policies). Sometimes customers visit an e-commerce or a brand's website to make their purchases but they do not do so at that time and leave the place after checking the required product. Here comes the role of direct marketing which companies use to persuade the customers who visited their website out of interest of buying a product. Direct marketing is communicating with a specific section of the public who have shown interest in purchasing from you, through a direct form of communication, like email, post, or telephone. This is not like advertising which targets a broader audience with high-level information. Moreover, such type of marketing targets and customizes campaigns to the recipient. In this unit, we will study in detail about the promotional efforts, direct banking and PR and the importance of societal banking.

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11.1 OBJECTIVES

After going through this unit, you will be able to:

- Describe the different aspects of promotional efforts
- Explain the meaning of direct marketing and its connection with public relations
- Discuss the importance of societal banking along with customer engagement and services

11.2 PERSONAL PROMOTIONAL EFFORTS: AN OVERVIEW

There are mainly five different aspects of promotional efforts, viz., advertisement, selling at personal level, promotion for sales, public relations and direct marketing. Let discuss these one by one.

1. **Advertisement:** Advertisement is done for the promotion of goods or services. Through advertisement, the ideas are presented and promoted by the sponsors of those products, goods or the services. For the advertisement of these, different sources are used like media for example radio, television, etc. Brochures, Catalogues, Posters, Motion Pictures, etc., in which the products and services are mentioned with their utilities, banners, printed advertisements, emails, direct mails by the sponsors, in-store display boards, billboards are the different modes of advertisements. These all are on payment basis and the sponsors have to pay for these advertisements.
2. **Personal Selling:** Personal selling is a process in which a person helps and persuades one or more than one person to purchase the services or goods with the help of a presentation and this presentation is done orally. In this category the presentations done for sales, meetings which are sales based, trainings conducted for the purpose of increasing the sales, telemarketing either via telephone or face to face, incentive programs, samples, etc., are considered.
3. **Sales Promotion:** To increase the demand of its products, the company employs media and non media marketing teams for a limited time. In this span of time the product availability is also improved and market demand is stimulated. For example the coupon schemes are being launched, product samples are distributed, there are rebates on some products. Trade shows are being arranged, exhibitions are arranged to make people aware about the products and schemes.
4. **Public Relations:** Public relation is a process of marketing in which the product or the service or business unit is represented favourably in media or in any

type of news so that its supply can be stimulated. This media type may be newspaper reports or magazine article or presentation on TV or radio, speeches, seminars, advertisements, etc.

5. Direct marketing: In direct marketing, there is direct communication between the customer and the business holders. It is a channel agnostic form of advertisement. The modes of advertisements are emails, online display advertisements, outdoor advertisements, websites, distribution of catalogues or promotional letters, mobile messages, etc.

Corporate Image

This is a new form and aspect of promotion of a product. In marketing, the image of an organization is very important. The reputation of the organization plays an important part in the promotion of its products. If the reputation of an organization is good, more and more customers will show their interest in the products and services but if the reputation is bad, less number of consumers will be interested in buying any type of service or the product. Another aspect of promotion is the sponsorship which can be added. New Media is also another element of promotion mix.

Mainly the promotional or marketing mix components are represented with Five P's.

- Personal Selling
- Product advertisement
- Sales Promotion
- Direct Marketing
- Publicity

In a promotional plan and promotional mix, a fixed budget is decided for each category according to the importance of each category as there is a wide range of objectives of a promotional plan. The main objectives of promotional plan are creating a corporate image, creating brand equity, acceptance for a new product, increase in the sales of new products or services, positioning, retaliations, etc. The main object is to focus on the main promotional elements of the marketing mix to achieve following three objectives of promotion:

- To provide information to the consumers and others
- To increase the demand of the services and products
- To make consumer understand the difference between the similar products and competing products.

To promote a product there are different modes and different ways of media. The sponsors and promoters make use of different ways like the use of internet for advertisement, newspapers, magazines, special events are arranged for the

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advertisement of the services and products. The purchase of products increases with offering discounts or giving free items or arranging contest.

In product promotion, advertisement is done to increase the sale of goods or service for short term or long term. A number of companies use different types of techniques to promote the sales of their products with the use of different communication mediums. This is also true that one type of communication may be effective for one product or the service but not for the other as it depends upon the type of the product or the service. The physical form of promotion of product is magazines and newspapers and the digital form of promotion of products are websites and e-books. These types of forms should be clear and must have brief textual information about the services or the products of which the advertisement is being made.

With the twenty first century, the companies have started utilizing social media for the promotion of the products. These forms of social media include Twitter, Facebook, and Pinterest. With the introduction of social media, the companies can advertise their products to anyone anytime and at any place all over the world. With the increasing popularity of the social media and its expansion the companies are able to advertise their products to the younger generation who are otherwise restricted to see advertisements in a newspaper or on TV.

Check Your Progress

1. List the different aspects of promotional efforts.
2. What is the use of social media for companies?

11.3 DIRECT MARKETING AND PUBLIC RELATIONS

In direct marketing, the buyers are communicated directly with the help of different sources to give information about the products and the services. In this process, the main target is the individual buyer and not the groups or the masses. Telephone calls, apps, fliers, direct mails, e-mails, catalogues, promotional letters, etc., are the examples of direct marketing. The main goal of the direct marketing is to generate sales and leads for sales representatives to pursue. The main benefit of the direct marketing is that the customer can directly contact the concerned department or the organization or the person on the telephone number or the address given with the message. Direct marketing allows a business to engage in one-way communication with its customers. It helps organisations inform the prospective buyers about product announcements, special promotions, etc.

Presently, the trend of home shopping is increasing and people prefer home shopping in comparison to visiting different outlets. The marketing agents go to the

customers directly to inform them about the products. They also tell them about the special promotion of the products and the information of the product to increase the sales of the products. The marketers also help their customers to tell them about their toll free numbers, emails, chat-tools so that they can reach to them at any time and at any place. They tell them about their commitments towards their customers and justify their credibility.

Modern Direct Marketing

Today, the organisations and marketing companies approach their customers through telemarketing, catalogues and direct mails. The tele-callers call the potential buyers and the records are kept in the database. The use of database technologies, mobile phones, emails, internet, etc., has increased in modern days and with this the marketing media has immensely evolved in this. They make use of these for reaching to the customers. If we say that the marketers do not have a choice and need to reach to the buyers through these new age direct marketing tools to survive and stay ahead of competition in the target market. Direct marketing is considered by some experts as combination of the Distribution function (Direct distribution to buyers) as well as the communication function (reaching to the customers directly).

Advantages of Direct Marketing

There are two different perspectives of the direct marketing: Seller's perspective and the Buyer's perspective. Let us discuss these perspectives one by one:

(i) Seller's Perspective

1. Direct marketing is a powerful tool for building good customer relationship.
2. Direct marketing is very helpful in the accurate selection of the genuine buyers and sending them messages individually and targeting them. The marketers target only those customers who show their interest in purchasing their products or services.
3. There are special promotions on the website of a particular product on certain days or on their website and customers can be reached at a certain time.
4. The target customers are sent the tailor made messages which try their best to meet the requirements of the customers.
5. The main thing which is taken care of is that the competitors are kept unaware about the message sent to their respective customers.
6. There are a number of different medium and tools through which customers post their query or place orders. These tools are email, mobile, personal computer, telephone, etc.
7. It is easy to measure the effectiveness.

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(ii) *Buyer's Perspective*

1. It is convenient to do shopping from the comfort of home. The customers can have query regarding placing orders or sending a request for free demo at home.
2. In direct marketing the details about the products and services are available to the customers and they can compare the features and benefits with those of the competitor's products.
3. For the customers who want to purchase products or services from home, it is very easy to go through the products of all companies and their substitutes. The information is provided through mails and catalogues, etc.
4. The customers are provided a number of tools or sources like email, personal computer, mobile, etc., for any type of query or for placing orders.

Disadvantages

Although there are advantages of Direct Marketing, there are also many disadvantages of it which are discussed as below:

1. This is an expensive method of reaching to a thousand customers through this channel than any other promotion tools because in this method each customer is to be reached to individually and personally.
2. The mails sent by the companies are headache for the customers and they show disinterest due to junk mails, and the large number of marketing calls made by the companies.
3. The private intrusion by the companies is disliked by the customers. The customers usually call the companies to remove their contact details including phone numbers and address from their list. In the US, there are government laws for the protection of the privacy of the people and the sellers have to remove the details if the customer requests for deleting his or her details.
4. The organisations have to update themselves regularly according to the new technology so that they can reach to the customers effectively and with latest tools. They have to collect the data of right customers and update the data regularly.
5. Selection of right direct marketing tool is imperative to marketers. A customer may throw away a direct mail as junk but may explore the email with the same message.

Public Relations

If we look at the history, public relation was not the part of marketing function. Public relation officers were deputed for the maintenance of the reputation of the organisation and good attitude with their customers. But PR was not concerned about the viewpoint of the public. It is true that PR is not dependent on the marketing but it is also true that Marketing is not complete without PR. With this concept,

Marketing Public Relations were introduced for the promotion of the products and services and for support of the corporate world and its image making. Public relation officer helps in achieving the goals of the market and thus they serve the marketing department with their services.

There are many different activities under public relations like publicity, seminars, charitable donations, corporate advertising, lobbying etc.

Check Your Progress

3. Give some examples of direct marketing.
4. What are the main goals and benefits of direct marketing?

11.4 SOCIETAL BANKING

The main problem in front of poor people with respect to banking is that they are unable to get any banking services and they have to depend on the informal sector. Informal sector plays an important role without transparency and accountability. Through social networking, the micro savings come under the operational preview of the micro investment. For this the societal banking system is needed for better results, otherwise micro savings cannot give good results. For examples, in Bangladesh, the interest rate on lending is low in the formal sector in comparison to the informal sector. Informal sector employs eighty seven percent of the labour force which includes self employed persons, hired labourers, wage labourers, unpaid family labour, etc. Informal sector mainly depends upon the informal credit market, from friends and relatives who borrow money. But the main problem of the informal market is that there are no rules and regulations and it is also expensive. Societal banking and social networking are helpful in meeting the financial needs in informal sector at a lower cost.

Microloans are not viable option for the informal sector because of higher rate of interest. These loans are rather harmful for the poorest people because these are intended to do business than to fund enterprises. There is a need of an integrated funding mechanism for the encouragement of creative entrepreneurship so that the poor and downtrodden people can rise with new and innovative business ideas and can fight against poverty and uplift themselves. For the development of the social enterprises especially for the self motivated entrepreneurs, more pragmatic and intensive policy should be developed. The micro enterprises inspite of small enterprises and medium enterprises, should be given preference and special consideration for creating jobs and help millions of people to get rid of poverty.

Mobile banking and agent banking is smaller than societal banking idea. It widens the financial inclusion and helps in gradual transformation of informal sector into formal sector. The local level planning with local level law regulate innovation, suitable regulations, technological diffusion and creativity and these are the key to

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deepen the financial inclusion and paving the way for transforming micro savings into micro investment. Societal banking will help to expedite the process of social networking and ultimately empower people below poverty line. But this must be kept in mind that either formal or non-formal form, social education is very important to act as a complementary.

More than a hundred years ago, in Netherlands, Rabobank was founded as a cooperative bank so that small farmers can get financial services and the local community can get secure options for savings. There was a driving force behind the Rabobank Group which helped in creating opportunities for organisations and individuals to participate in economic activities. This bank has developed an integrated concept which was helpful in developing countries for sustainable rural financing. Rabobank also participates at international level for economic development.

With expansion of access to banking services, minorities will get benefits but the success will be broader only with the improvement in the quality of the service. The people have to face many challenges on the demand side also. To understand the role of credit products and savings, more work is to be done which is best suitable for the rural households.

With the help of creating social capital, to transform micro savings into micro investments, societal banking and social networking may be applied. This helps in transformation of informal sector into formal sector. In formal sector, employment opportunity and economic growth should be increased. This is helpful in the attainment of equitable growth, removing inequality and social justice. If the benefits of demographic dividend are not taken properly then these transform into demographic bomb. Financial inclusion is feasible through arranging societal banking under regulatory measures.

Positive return of investment and successful implementation of investment affects the macroeconomic stabilization. There should be improvement in Gini coefficient index and it can be observed by ensuring social justice and equitable distribution and it is helpful in removing income inequality. Systematic procedure and legal status for societal banking should be developed which will replace current agent banking system also. To implement sustainable development goal there is no other alternative but to create alternative banking system in the rural areas so that poor people are encouraged to save and invest locally. It will create jobs for themselves and show them way out of the vicious circle of poverty.

11.5 CUSTOMER MEETS AND CUSTOMER SERVICE

Bankers know about their customers. They know about the demographic data, transaction activity and financial history. Every necessary personal detail of customer will be helpful in protecting assets and also improvement of the assets. Bankers

should try to maximise the benefits by improving their relationships with the customers. But it is very difficult to understand why they do not do so and it has been discovered in a study conducted by a Gallup Panel. Gallup surveyed more than 38,000 customers of more than 175 financial institutions throughout the United States and asked them: “Do you have a particular employee (like a teller or manager) whom you like to work with at the bank or financial services company?” At some of those institutions, including banks and credit unions, 60 per cent or more of the customers could answer yes to that question.

But the result of the survey is very disappointing as it reveals that less than thirty five per cent of the customers said that there is a particular employee in the bank with whom they liked to work with. Ninety four per cent of the customers make use of the branch channel and only sixty seven per cent of them visit the bank once in a month. If a customer used to visit bank regularly and has an interaction with the bank employees only then they can create a relationship. But in reality, this is not happening. Banks are not engaging with their customers and they are missing this opportunity. Banks are also not fulfilling their promises. In their advertisements, it is said that this is your local bank or this bank is committed to your success or this is a critical part of the community, etc., but in reality, these banks and their employees are a mystery to their customers.

Customer Engagement

According to a survey, fifty one per cent of the bank customers prefer to use the same branch channel and bank should focus on the customer engagement efforts. Branches are the most expensive of all customer interfaces and banks should maximize their return from that investment. The most important reason a banker should care is because someone at the bank is the first step towards creating customer engagement and deeper relationships.

Banking in Person

Customer engagement is a strong and powerful emotional attachment of the customer with a particular product and a brand for almost a decade. The main requirement of customer engagement is rational satisfaction and it can be achieved by satisfying the basic needs of the customer like price, efficiency and speed. The banks those fulfil these needs have loyal customers and the customers also recommend others to be a part of that bank. A real difference in customer behaviour – and profitability – comes from going beyond rational satisfaction to emotionally engaging customers with your products and services.

According to a survey, the customer engagement is based on four hierarchical needs which are beyond rational satisfaction. These four needs are Confidence, Integrity, Pride and Passion. Confidence means that the customer has the belief that the bank or the company will always deliver on its promises and he or she can fully trust on it. The second element is integrity which means that the company always treats its customers properly and fairly and it will always resolve the problems

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fairly. The third element is Pride which means that the company respects them upto that degree and the level of pride which they feel about their association with the company. The topmost element is Passion which means the dedication of the customers like this bank or company is perfect for them and they cannot imagine a world without this bank.

The Customer Engagement Hierarchy

The basic expectation of the customers is the fulfilment of their needs which must be met first of all. When the banks fulfil each need, they inspire more customer engagement. With this they can achieve higher profitability. According to a research, fully engaged customers deliver a 23 per cent premium over average customers in share of wallet, profitability, revenue, and relationship growth, while actively disengaged customers represent a 13 per cent discount on the same measures. According to a study done by a large bank branch in which the repeated customers were analysed who had visited the branch twice a week. The results showed that the fully engaged customers increased their account balance upto 9 per cent. The customers who were disengaged and were fully engaged consciously increased their account balance by 12 per cent. The customers who were engaged and were disengaged decreased their account balance by 7 per cent. The customers who were disengaged in all visits decreased their account balances by 8 per cent.

What the customer wants

The findings of most of the researches say that if you have to create excellence, you must study excellence. In other words, a person can learn the best from the best and if he learns from the worst then he cannot achieve the best. One third of the customers want to work with a particular employee in a particular bank and they have a good relationship with that employee. It is quite clear that such kind of employees do their work according to the perspective of the customer and they take care of the feelings of the customer.

Building Relations with the Customers

The bank employees who make good relationships with their customers do right jobs and the customers also treat them as trustworthy. They follow their actions and do the right things at right time. But when we ask the customers about the financial goal, information of new opportunities, to feel them proud to be the esteemed customers of that bank or about the services of the bank to please them, only half of the customers agree that the bank employees do their job perfectly.

It is a fact that majority of the customers visit the bank once in a month, but the two third of the customers have not established the relationship with any of the bank employees. They think that these employees are not memorable and they have no emotional relationship with them. But the bank employees must consider that emotional connection with the customer is necessary for the customer

engagement. That is a shameful and a lost opportunity. A bank's engaged customers could become early adopters of new and profitable services. And ultimately, they could become the best brand ambassadors if they had a trusted advisor at their bank.

*Personal Promotional
Efforts*

Customer Service

The main job of a bank is to provide financial services to its customers and to help them in managing their lives in a proper way. With the advancement of technology and increase in the competition banks have started offering a number of services to attract their customers. Whenever people visit the bank either to open a bank account or manage it in the bank, the bank employees offer them different services. The customers choose the most suitable scheme or offer according to their needs so that they can get the maximum benefits.

Different Types of Services

Following are the different types of services given by the banks to their customers:

- **Bank accounts:** Individual banking helps in assisting individual in the management of their finances with the help of saving accounts, checking account balance and transactions, debit cards, credit cards, insurance schemes, etc.
- **Wealth management:** Wealth management is the type of business banking in which the banks offer financial services to businessmen for professional purposes. This includes business loans, saving accounts, checking accounts, credit cards and debit cards. Merchant services (credit card processing, reconciliation and reporting, cheque collection) and treasury services (payroll services, deposit services, etc.) are also included in this.
- **Digital banking:** Digital banking is the ability of a customer to manage his finances online with the use of mobile phone, computer or tablet. This includes online banking, mobile check deposit, e-statement, online bill pay, text alerts, etc.
- **Loans:** Loans are a common banking service offered, and they come in all shapes and sizes. Some common types of loans that banks provide include Personal loans and Auto loans, Home equity lines of credit, Home loans, Business loans, etc.

Check Your Progress

5. What affects the macroeconomic stabilization?
6. What is the main requirement of customer engagement?
7. What is the main job of a bank?

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11.6 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. There are mainly five different aspects of promotional efforts, viz., advertisement, selling at personal level, promotion for sales, public relations and direct marketing.
2. With the twenty first century, the companies have started utilizing social media for the promotion of the products. These forms of social media include Twitter, Facebook, and Pinterest.
3. Telephone calls, apps, fliers, direct mails, e-mails, catalogues, promotional letters, etc., are the examples of direct marketing.
4. The main goal of the direct marketing is to generate sales and leads for sales representatives to pursue. The main benefit of the direct marketing is that the customer can directly contact the concerned department or the organization or the person on the telephone number or the address given with the message.
5. Positive return of investment and successful implementation of investment affects the macroeconomic stabilization.
6. The main requirement of customer engagement is rational satisfaction and it can be achieved by satisfying the basic needs of the customer like price, efficiency and speed.
7. The main job of a bank is to provide financial services to its customers and to help them in managing their lives in a proper way.

11.7 SUMMARY

- To promote a product there are different modes and different ways of media. The sponsors and promoters make use of different ways like the use of internet for advertisement, newspapers, magazines, special events are arranged for the advertisement of the services and products.
- With the introduction of social media, the companies can advertise their products to anyone anytime and at any place all over the world.
- It is true that PR is not dependent on the marketing but it is also true that Marketing is not complete without PR. With this concept, Marketing Public Relations were introduced for the promotion of the products and services and for support of the corporate world and its image making. Public relation officer helps in achieving the goals of the market and thus they serve the marketing department with their services.

- There are two different perspectives of the direct marketing: Seller's perspective and the Buyer's perspective.
- Through social networking, the micro savings come under the operational preview of the micro investment. For this the societal banking system is needed for better results, otherwise micro savings cannot give good results and eventually create problem which are also faced by the countries like Rwanda and Uganda.
- Societal banking will help to expedite the process of social networking and ultimately empower people below poverty line. But this must be kept in mind that either formal or non-formal form, social education is very important to act as a complementary.
- With expansion of access to banking services, minorities will get benefits but the success will be broader only with the improvement in the quality of the service. The people have to face many challenges on the demand side also.
- If the benefits of demographic dividend are not taken properly then these transform into demographic bomb. Financial inclusion is feasible through arranging societal banking under regulatory measures.
- To implement sustainable development goal there is no other alternative but to create alternative banking system in the rural areas so that poor people are encouraged to save and invest locally. It will create jobs for themselves and show them way out of the vicious circle of poverty.
- Branches are the most expensive of all customer interfaces and banks should maximize their return from that investment. The most important reason a banker should care is because someone at the bank is the first step towards creating customer engagement and deeper relationships.
- Customer engagement is a strong and powerful emotional attachment of the customer with a particular product and a brand for almost a decade. The main requirement of customer engagement is rational satisfaction and it can be achieved by satisfying the basic needs of the customer like price, efficiency and speed.
- According to a survey, the customer engagement is based on four hierarchical needs which are beyond rational satisfaction. These four needs are Confidence, Integrity, Pride and Passion.
- The basic expectation of the customers is the fulfilment of their needs which must be met first of all. When the banks fulfil each need, they inspire more customer engagement. With this they can achieve higher profitability.
- The bank employees who make good relationships with their customers do right jobs and the customers also treat them as trustworthy. They follow their actions and do the right things at right time.

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11.8 KEY WORDS

- **PR:** It is the practice of deliberately managing the release and spread of information between an individual or an organization (such as a business, government agency, or a non-profit organization) and the public in order to affect the public perception.
- **Direct marketing:** It is a form of communicating an offer, where organizations communicate directly to a pre-selected customer and supply a method for a direct response.
- **Societal banking:** It refers to providing banking for the poor population, working for their developmental needs, providing them with easy formal credit, minimal requirements to open accounts, ease of access and friendly staff, etc.
- **Digital banking:** It is part of the broader context for the move to online banking, where banking services are delivered over the internet.

11.9 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What do you mean by corporate image?
2. How is societal banking helpful in empowering the poor people?
3. How does the relationship between a banker and customers affect the banking operation?
4. What are the four hierarchical needs of customer engagement?

Long-Answer Questions

1. Describe the different aspects of promotional efforts.
2. Explain the advantages of direct marketing.
3. 'Bankers should try to maximise the benefits by improving their relationships with the customers.' Elucidate.
4. Discuss the different types of services given by the banks to their customers.

11.10 FURTHER READINGS

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*Self-Instructional
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BLOCK - IV

MARKETING AND MOTIVATION

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UNIT 12 ADVERTISING AND PUBLICITY

Structure

- 12.0 Introduction
- 12.1 Objectives
- 12.2 Meaning of Advertising and Good Promotion
 - 12.2.1 Importance, Implication and Need of Advertising
 - 12.2.2 Types
 - 12.2.3 Scope of Advertising
 - 12.2.4 Publicity
- 12.3 Management of Change
- 12.4 Answers to Check Your Progress Questions
- 12.5 Summary
- 12.6 Key Words
- 12.7 Self Assessment Questions and Exercises
- 12.8 Further Readings

12.0 INTRODUCTION

Advertising communicates to people how the advertised product/service can satisfy some of their relevant needs in a meaningful way. It is a substitute of human salesmanship and includes all the visual or oral messages transmitted to people that aim to inform them and influence their buying behaviour, or to incline the target audience favourably towards institutions, ideas or persons that have been featured.

There is a saying in the world of marketing - doing business without advertising is like talking alone in an empty room; you know what you are saying, but nobody else does. This speaks volumes about the importance of advertising in the modern world. Its importance can also be judged by the fact that in today's world it is tough to imagine any organization which does not advertise. Every business strives to make profit. In this context, advertising is extensively used by business organizations to promote goodwill, increase sales, and create awareness; in short, to reach people with the right sense at the right time. It is a tool for making an organization and its products and/or services known to the people at large, in such a manner that it brings about a desire to buy the product and/or avail the services being offered by the company.

12.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the meaning and importance of advertising
- Define publicity
- Describe the scope and types of advertisement

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12.2 MEANING OF ADVERTISING AND GOOD PROMOTION

Advertising is the way of communication with the customers. It is helpful in providing information to customers about products, different brands and qualities available in the market. It is also helpful in guiding the customers about the different varieties and their utility to the customers. Advertising is not restricted to a particular age group or a group of people. But it is useful for everybody- from kids to adults including all age groups. Advertising is done with the use of different methods and techniques which are useful to the customers.

Main Objectives of Advertising

There are mainly four different objectives of advertising. These are trial, continuity, brand switch and switching back. Let us discuss these objectives one by one:

• Trial

At the introduction level, the banking sector or the companies work for trial objective of advertising. Here, the customers are convinced to purchase the newly introduced product in the market. The flashy advertisements are used and these advertisements are made attractive so that customers are attracted towards the products and schemes and they purchase the products for trials.

• Continuity

The objective of continuity is to keep the existing customers to stick with the product for the future. The main objective of the advertiser is to bring something new in the product and the main objective of advertisement is to keep the existing customers to continue buying their products.

• Brand Switch

Brand switch objective is mainly for those companies and banks who want to increase their customers and these customers switch from their competitors. Their main objective is to attract the customers of their competitors and convince them to switch to their company or bank. They try to convince the customers of their competitors to switch from their existing brand to their product.

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- **Switching Back**

Switching back objective is to target their previous customers who had switched from their products to the products of their competitors. They use different methods to attract their customers so that they can switch back. They offer them discount sale or use new advertisement methods of or start new style of packaging etc.

We can say that advertising is an artistic way of communication with the customers. The advertiser must have good communication skills and their communication should have convincing power so that the customers are convinced to purchase their products and services.

12.2.1 Importance, Implication and Need of Advertising

In modern days of competition, advertising is very important. It plays a very important role in competition. Advertising has become a necessary part of everyone's day to day life. It is important for customers, traders and customers. It is important for each category of people in the society. Let us discuss the role of advertising in all of them one by one:

Importance for Customers

Can we imagine any newspaper or television or a radio programme without any advertisement? We cannot. Advertising is very important in the lives of customers. They help the customers to know about products or services. Customers are made aware of the products and services available in the market and they are able to buy these products only after this awareness. If there is no advertisement of any product, no customer will be aware of the products or services available in the market. They will not be able to decide whether to purchase the products and services even if that product will be useful and beneficial for them. Advertising is also helpful for the people in finding the best products for each and every member of their family, whether for kids or for youngsters or for themselves. Advertising helps them to know about the all ranges of the products and this enables them to make comparisons between the different available products.

Importance for Sellers, Companies and the Banking Sector

Advertising is very important for the companies, sellers and the banking sector. It is very helpful in increasing their sales. It is also helpful to the companies, banks and producers to gain knowledge about their competitors and then make plans to compete against their competitors. If a company plans to introduce a new product they will be aware about their competitors and advertise according to their competitors so that they can make their customers aware about the qualities of their product in comparison to the other products in the market. The customers are made aware of the new product and are convinced to try the new product.

Advertising is helpful in creating goodwill for the banks and the companies and after reaching a mature stage, it helps in gaining customer loyalty. With the

help of advertising, the demand for the product keeps on coming and the demand and supply process of the product becomes an everlasting process. Advertising is also very helpful for the society. It helps in educating society about the social issues family planning, child labour, health effects of smoking, liquor consumption, etc., convinces people to move against these.

Implications

Advertising is an advanced form of making customers aware about any service or product in society. Customers are given knowledge of the services and the products so that they can be aware about the features of the product and the services before their purchase. Advertising has grown on the levers of innovation and creativity. With the help of new attractive advertising tactics, customers are convinced to buy services and products as advertisements have a great influence on the minds of customers and helps persuade them to make purchases.

The different tactics of advertising have had a great impact on society. The sources of advertisement fulfil human needs and almost every product is advertised so that it can reach a larger group of people. With this sales of the company's product increases and they become profitable. For example, if a person wants to purchase a car and he is confused about the purchase, advertising will be helpful in making his decision. He will take help of the advertisements and will learn about the product. The advertisement will in a way provoke him to buy the product. In this way advertisements controls the mind of the interested person by fulfilling their want.

Advertisements are helpful in making people aware about the latest updates of the products as well. For example, what is being launched in the market and what are the variations in the newly launched products. Advertisements also help inform customers about the price of the product, its uses as well directions to use the product. These things enable the customers to participate actively in the ongoing activities of the market. Advertising is helpful in influencing customer behaviour. But one thing should be kept in mind that advertising has not only positive impacts on the consumers, but it also has a negative impact on them. Advertising creates unrealistic expectations for products. While purchasing products, customers assumes the uses of the product as shown in the advertisements and generally they are disappointed after purchasing as the real uses are not exactly same. The consumers are disappointed and many times they lose faith in advertisements and the relationship of the producer and the consumers are harmed by this.

Due to advertisements consumers are attracted towards products and are willing to purchase the products. The influence of advertisements influences them to purchase and thus the sales of the company are increased. With the increased sales of the company, the economic status of the country is stabilised. Therefore, we can say that advertising impacts the economic stability of the society.

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These days, producers and marketers prefer advertising by creating Facebook Pages, Twitter outreach, sending emails, publicity, cold-calling, due to their low costs. Producers use these low cost ways to promote their business. Advertising is one of the core lead generation tactics.

Advertising is one of the marketing tactics with an invoice. We should take care before sending direct mails or sending ads without seeing any results. Most of the time people do not prefer to see advertisements. This is not due to the cost of advertisement but they are unaware of the results and they are unable to understand the long-term residual effects. Think about it, if a company knew that for every ₹ 100 it spends, it could produce ₹ 200, the company would take out its cheque-book and spend away, right?

Advertising is needed because of the following reasons:

1. If a producer or a marketer wants to make a product hit and a happening event on a day of launching of the product, the only vehicle to control is advertising. It is the medium that can control all these happenings.
2. Advertising makes the producers target the ideal customers. Due to advertising the producers or the marketers are able to send a personal message to a selected audience, thereby making a great connection.
3. With the help of advertising, the customers are made aware of the content of the product. This is the force that drives a great deal of trust building and conversion. The main educational contents are seminars, e-books and blog posts. Advertising is a great way to help get that content to be found and consumed once one has gone to the effort to produce it.
4. Advertising is helpful in adding credibility to the message. People usually ask if the business is going quite well then why he is running towards advertising. The perception that one can afford advertising is often enough for sell and resell prospects.
5. With advertising, everything that is being done is amplified. When a person advertises for the awareness of the customers then automatically there is awareness for everything that he or she is doing is created. Journalists find the companies which are advertising, referral sources remember the companies that advertises, and so on. Employees can point to well placed advertisements as a source of pride in the place they work.

12.2.2 Types

An advertising campaign is considered successful if it is successful in spreading the word about products and services, and is successful in attracting customers and in

generating the sales. There are a number of options to choose whether one wants to encourage new customers to buy an existing product or one is launching a new service.

The type of option a company may select depends on factors such as target audience and, expenses. The advertisement should also represent the right environment for the product and its services. For example, if a producer or a marketer comes to know that the target customers read a particular magazine, then they must advertise in that publication. The things which can be used to advertise are television, radio, newspaper and magazines etc. Let us discuss them one by one:

(i) Newspaper

Newspapers cover a wide range of customers and are very helpful in promoting business of the products. In newspapers, display advertisements are placed and classified listings are done with subject headings in a particular section. Newspapers could be local newspapers, state level newspapers or national newspapers. Some products are advertised in local newspaper to give the best results.

(ii) Magazine

There are specialist magazines in which advertising is done to reach the target market easily and quickly. The customers read the magazines at their leisure time and the readers can be potential customers. The magazines are being kept by the readers for a longer time and they have multiple chances to get attracted by the advertisement. Magazines serve customers by interest group like women and trade like industry or business type like hospitality.

Some products require colour display in the advertisement, then the glossy advertisement in a magazine is ideal. But these are generally more expensive than the advertisement in the newspapers. A small area like a particular town is usually not served by magazines. Even if the target market is a small area of circulation, then the advertisement is not cost effective.

(iii) Radio

To reach the target audience for advertising, radio is a good source of advertising. If target customers listen to a particular station, the regular advertisement of a product is very helpful in attracting customers. In radio advertising, sound has its limitations. The audience finds it difficult sometimes to remember what they have heard and sometimes the impact of advertisement on the radio is lost. The best way to overcome all these problems is to repeat the message regularly and this method is expensive as the cost increases significantly. But if the producer does not want to spend much money on the advertising, then radio is not a proper way of advertising with good results.

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NOTES**(iv) Television**

If the producer or the marketer has to cater to a large market of a large area, television is ideal for extensive reach. By advertising through television there is advantage of sound, sight, colour and movement so that the customers can be persuaded to buy the products and services from the marketers. They are specifically useful if one needs to demonstrate how one's product or services works. A television advertisement is usually expensive. Advertising on TV is sold in units like 20 seconds, 30 seconds, 6 seconds etc., and the cost varies according to the television programme, the time slot, the regional or metro channel etc. If one wants to buy spots on multiple networks, then it will be expensive.

(v) Directories

Directories mean the list of different businesses with names and categories, for example, yellow pages phone directories. The customers who refer to the directories already know what to purchase, they refer to directories only to decide who to buy from.

The main advantage of the online directories is that the business can update their information easily and the customers are informed timely in case of change of business name, address and phone number. If there is any addition in the services or the information about the business, it can be added easily. If the target market and customers are used to make use of print directories and online directories, it will be very useful in both ways in spite of the fact that the print directories are being used less than the online directories.

(vi) Outdoor and Transit

There are different ways of outdoor and indoor advertisements. Outdoor billboards are the signs used on roads and the hoardings at the sport stadiums. Transit advertisements are the posters used on buses, bicycles and taxis. Large sized billboards has a big impact on the customers and the message is spread over a large extent. People pass billboards on the road in their daily lives, and if a person passes the billboard daily, they are likely to have a wish to buy the product that is being advertised.

It is also true that the largest billboards contain limited information otherwise it will be difficult to read. The largest billboards include the website address so that the customers follow up with the company and find out more about the business of the company. If the outdoor advertising is to be done on prime locations and supersite billboards, it is more expensive.

(vii) Direct Mail, Leaflets and Catalogue

Direct mails are the messages that are sent to the customers directly. The more precise the mailing list or distribution area, the more of the target market will be reached. A direct mail is a personal approach because one can select one's audience

and plan the timings to suit the businesses. An interested customer will get more information about the products and services with a brochure combined with the direct mail.

(viii) Online

To attract new customers, the use of the Internet is very cost effective. Through the Internet, one can reach a global audience at a low cost. Many customers research businesses online before deciding whom to buy from. A well designed website can attract customers to buy services and products from the producers. There are a number of ways one can promote the business online via paid advertising or by improving search engine rankings. The products or services can be promoted on social media sites, on blogs, search engines and other websites where the target audience visits.

12.2.3 Scope of Advertising

Advertising is the most important source of marketing the services of a company. It is helpful in communicating messages to current customers and target new customers. It is very helpful in sending messages to customers regarding new products or special deals given by the companies.

There is always an allocation for the advertising and promotion within the marketing budget. There must be coordination with the type of advertisement that the organization wants. During budget allocation, resources and other requirements should be kept in mind. After the decision is made regarding the budget, the marketing plan is projected for further development. A detailed scope of work that deliverables require can be outlined. Agencies can now develop a proposed resource plan. The allocation of the type of deliverables like mobile, press, magazines, TV, online, press, etc., is based on the requirements of the previous campaign for creative work. After the allocation of the deliverables, the advertising agencies define the strategic requirements by category and the brand. They develop a scope of work which is based on the past requirements and remuneration.

Benefits of Advertising

Advertising is a very large industry which has created various opportunities for different domains. The benefits of advertising are as follows:

1. **Launch of a new product:** Advertising plays an important role in the introduction of a new product in the market and it stimulates the customers to know about the product and convince them to buy the product.
2. **Increases markets:** It is very helpful for the manufacturers in expansion of their markets. It also helps in opening of new markets for the services and the products.
3. **Mass sales:** Advertising is helpful in facilitating the mass production of the products and this results in the increase in the sales of the products.

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4. Keeps the competitive spirit alive: With advertising the spirit of competition is kept alive and it also helps in keeping regular check on the performance of the product sales and the brand.

5. Creates goodwill: It is helpful in building goodwill of a particular brand. With the help of advertising the people come to know about the brand and the product. The consumption of the company on advertisements shows its concern for the awareness of the customers. This is very helpful in creating goodwill of the brand.

6. Creative minds: Each and every organization has a rich pool of professional, media and creative minds.

7. Consumer awareness: Advertising is an educational and dynamic process to educate the customers about the new products and its diversifications.

8. Direct link: Advertising helps in establishing a direct link between the consumer and the manufacturer. There is minimum possibility of involvement of a middleman.

9. Creates employment: It is helpful in creating employment opportunities for many talented persons in the industries.

Advertising plays a great role in raising the living standards of the people as the experience of the advanced nations show. In the words of British politician Winston Churchill, 'advertising nourishes the consuming power of men and creates wants for a better standard of living.' By bringing to the knowledge of the consumers, the choices available to them, advertising has transformed the world.

Features

There are four important features of the advertising:

1. Paid Form
2. Impersonal Presentation
3. Speedy and Mass Communication
4. Identified Sponsor

12.2.4 Publicity

Publicity is not a discipline or a profession like public relations. It is an outcome of the public relations campaigns launched in the mass media. Lisa Manyon defines publicity as 'an act or device designed to PR, specifically information with news values issues as a means of gaining public attention or support.' It has also been defined as 'the simple act of making a suggestion to a journalist that leads to the inclusion of a company or product in a story.' It can lead to two kinds of news coverage:

- (a) A news story devoted exclusively to your idea; or
- (b) The inclusion of your idea in an already existing news story.

So, publicity may be defined as unpaid news coverage of a company, its product, service, or event in news/editorial columns of a newspaper or a magazine or in the non-commercial broadcasts of a television or radio channel.

Publicity is a part of public relations. It refers to the dissemination of information about a company's products and services in media without directly paying for it like an advertisement. Although there are no media costs, the company through this medium also loses the guarantee of the type of, timing and content of information published. Publicity requires maintaining close relationship with the media.

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12.3 MANAGEMENT OF CHANGE

This concept was introduced in the last unit. By management of change, one means the systematic approach that includes dealing with the transition or transformation of organizational goals, core values, processes or technologies. The market is changing very fast and in the modern scenario, a company has to accept fast changes in the market and adjust accordingly to these changes. They have to manage these changes by change managers and staff. The team plan can bring variations only if the style of work and management is changed. Marketing is going to be digitalized with changes in the market. In 2017, if you're a marketer, you're also an organizational designer, change manager and perpetual student. Change is seemingly the only constant. The most obvious threat right now to the marketing C-suite is professional instability. A 2016 Accenture report states that "thirty-three percent of CEOs say Marketing will sit under digital within the next five years. CMOs need to steer the digital ship not only for their own career advancement, but to avoid losing control of a key area of the organization." Digital is fuelling continual marketing change.

With the passage of time marketing leaders have to reevaluate the internal capabilities and evolve new talent in themselves. According to Didier Bonnet, senior VP and global practice leader, digital transformation at Capgemini Consulting, "we published in 2013 a study on 'The Digital Talent Gap' which showed that over 90 per cent of companies lacked major digital skills to successfully execute their digital strategies. I'd be surprised if this figure has moved by more than a few percentage points in the last two years." In 2017, BCG also released a report in partnership with Google that showed "a lack of demonstrable improvement in digital skills for advertisers over the last 18 months."

Recognizing the changing landscape, most marketing companies are reorganizing their departments and investing in start-ups. They attend the conferences and hire experts for creating new development plans. Digital culture is getting integrated with the marketing department, with skill development, change management and organizational designs increasingly being critical. This is very sad fact that these skills are not taught in colleges and even these are not described in

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the job description. As the process of learning needs time and the marketers are busy in their meetings, staff members need formal education and marketers try competing with their competitors with outdated skills. With time the skill gap grows wider. This is the need of today's world, that marketers should make learning an integral part of their life. They should attend video classes, conferences, workshops, etc, to increase their knowledge in their field.

<p style="text-align: center;">Check Your Progress</p> <ol style="list-style-type: none"> 1. What are the four objectives of advertising? 2. When is an advertising campaign considered successful? 3. Define publicity.
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12.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. There are mainly four different objectives of advertising. These are trial, continuity, brand switch and switching back.
2. An advertising campaign is considered successful if it is successful in spreading the word about products and services, and is successful in attracting customers and in generating the sales.
3. Lisa Manyon defines publicity as 'an act or device designed to PR, specifically information with news values issues as a means of gaining public attention or support.

12.5 SUMMARY

- Advertising is the way of communication with the customers. It is helpful in providing information to customers about products, different brands and qualities available in the market.
- There are mainly four different objectives of advertising. These are trial, continuity, brand switch and switching back.
- At the introduction level, the banking sector or the companies work for trial objective of advertising.
- The objective of continuity is to keep the existing customers to stick with the product for the future.
- Brand switch objective is mainly for those companies and banks who want to increase their customers and these customers switch from their competitors. Their main objective is to attract the customers of their competitors and convince them to switch to their company or bank.

- Advertising has become a necessary part of everyone's day to day life. It is important for customers, traders and customers.
- Advertising is very important in the lives of customers. They help the customers to know about products or services.
- Advertising is very important in the lives of customers. They help the customers to know about products or services.
- An advertising campaign is considered successful if it is successful in spreading the word about products and services, and is successful in attracting customers and in generating the sales.
- There are a number of options to choose whether one wants to encourage new customers to buy an existing product or one is launching a new service.
- The type of option a company may select depends on factors such as target audience and, expenses. The advertisement should also represent the right environment for the product and its services.
- Publicity is defined as 'the simple act of making a suggestion to a journalist that leads to the inclusion of a company or product in a story.'
- By management of change, one means the systematic approach that includes dealing with the transition or transformation of organizational goals, core values, processes or technologies.

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12.6 KEY WORDS

- **Directories:** It is a list of names, addresses and telephone numbers in the order of the alphabet.
- **Direct Mail:** It refers to advertisements that are sent to people through the post.
- **Management of Change:** It is defined as the methods and manners in which a company describes and implements change within both its internal and external processes.

12.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What do you mean by advertising?
2. Why is advertising important for customers?
3. Write a short-note on management of change in marketing.

Long-Answer Questions

1. Explain the objectives of advertising.
2. Describe the benefits of advertising.
3. Discuss the various types of advertising.

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12.8 FURTHER READINGS

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UNIT 13 BANK MARKETING PERSONNEL

*Bank Marketing
Personnel*

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Structure

- 13.0 Introduction
- 13.1 Objectives
- 13.2 Marketing Personnel in a Bank: Meaning, Implication, Need and Scope
 - 13.2.1 Job Analysis for Marketing Personnel
- 13.3 Selection of Bank Marketing Personnel
- 13.4 Answers to Check Your Progress Questions
- 13.5 Summary
- 13.6 Key Words
- 13.7 Self Assessment Questions and Exercises
- 13.8 Further Readings

13.0 INTRODUCTION

Marketing personnel (marketing officers, managers) plays an important role in a bank. Before the selection process, banks require to do job analysis to identify exactly what type of jobs are available in marketing department. To handle a specific job banks require various experienced and skilled people to look after the work. Selection process helps to choose the right candidate for the right job so that he can contribute his best efforts towards the achievement of organizational goals by giving a standard performance as desired. Selection methods determine whether or not the qualifications of a job applicant are in accordance with the job requirements.

13.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss relevant concepts related to selection of marketing personnel in banking.
- Analyse the scope of selection process in bank marketing personnel.
- Explain and design selection process for bank marketing personnel.

13.2 MARKETING PERSONNEL IN A BANK: MEANING, IMPLICATION, NEED AND SCOPE

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Marketing personnel (marketing officers, managers) plays an important role in a bank. Increasing the sales of the bank to make it profitable, maintaining its brand value and identity among the prospective customers, taking care of advertising and social media are some of the major responsibilities of a marketing personnel.

Marketing personnel is expected to coordinate with all other departments of the bank and develop various marketing strategies and plans to boost up sales and profits. He/she is also supposed to be well versed in Marketing and Data Analysis tools.

Implication of Selection of Bank Marketing Personnel.

- 1. Selects suitable candidate:** Selection process aims at choosing the most appropriate candidate who meets all the requirements of a position. The best candidate is chosen only after rejecting all the unfit applicants through a systematic process of selection.
- 2. Verifies Applicant's Capabilities:** Selection process helps to match job requirements with the applicants' profile in order to select the best candidate.
- 3. Places Right Candidate at Right Job:** Selection process helps to choose the right candidate for the right job so that he can contribute his best efforts towards the achievement of organizational goals by giving a standard performance as desired.
- 4. Generates Information about Candidate:** Selection also helps in extracting information regarding the candidate with a view to compare him with other candidates in order to reach a correct decision.
- 5. Saves Cost:** The match between right candidate and job requirement is very crucial in order to enhance the employee's work performance. Any mismatch in this respect can result in high loss to the organization. It can be in terms of money, time and any other factors such as cost of training, cost of operating, etc. With the passage of time, employee may lose interest in the job and even resign, as a result of dissatisfaction. It is possible that a frustrated employee may pass on some negative and misrepresented news pertaining to the organization, which may result in an immense loss in the long run. Hence, continuous Observation of the 'fit' between the candidate's abilities and the job requirements is necessary for an effective selection procedure

Need

Every bank or any organization will require matching organizational fit and employee fit. Selection process will help to identify right fit for the organization through right selection process. If wrong candidates are hired due to faulty selection process, it will result in low performance and wrong behavior in the organization. Good selection process provides a high rate of return to the company. Some behavioral aspects should be according to the behavioral specification of the organization. Selection process will help to identify it and help to select those candidates who possess exactly those behavioral aspects. Caliber of the employees will decide the strengths and performance of the banking organization. Hence the purpose of good selection process is to predict future job performance based on candidate's responses based on different selection tests. Proper selection of personnel will allow selection based on merit, it also will provide consistency in hiring right candidates at any time of hiring. Also right selection process will improve credibility of bank regarding selection criteria and process. Also it will help to attract right talent in the banking organization. Right selection process will eliminate unsuitable candidates at various stages so that few candidates who are most suitable can be identified for job vacancies. Also there are different selection processes for different levels of authority in the organization. So designing the right selection process for every level of authority is important to get most suitable candidates. There are a number of traits required to be tested for bank marketing personnel i.e. product and services knowledge, personality, field knowledge, negotiation skill, communication skills, customer reach, customer network, social traits, customer relationship skills, attitude, individual values, motivation levels etc. Bank will require developing and designing selection process which will test all the required skills and see if candidates are going to fit into organization or not.

Types of Selection

There are two types of selection processes: one is internal selection which means selecting existing employees for vacant positions (promotions or transfer) and second is external selection where employees are hired from outside of the organization.

1. Internal Selection:

- It is faster as it searches its own pool of internal employees.
- It does not cost much as it does not take the services of any external agency.
- It inspires the employees to work better.
- But it minimizes the chances of recruiting fresh talent.
- It saves the time of recruiting officials.

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2. External selection:

- External recruitment and selection takes time as it tries to find out a suitable candidate from outside the company.
- This process is costly as publishing of advertisements through different mediums is required.
- It depresses and demotivates the existing employees as it reduces the chances of promotions for them.
- It maximizes the chances of recruiting fresh talent. This in turn increases the chances of getting innovative ideas in the organization.
- It is time-consuming for recruiting officials.

For external selection, recruitment can be done through placement agencies, newspaper advertisement, online portals like naukri.com, timesjob.com, professional websites like LinkedIn, through college campus placements, through employee referral, etc.

Scope

There is a lot of scope if a bank's selection process is right.

- It will help to reduce labor turnover.
- If you hire right employees for your bank the need for training will be reduced
- Candidates selected through a proper process are always self-motivated and have a high morale
- Right candidate selection will result in better productivity and maximum profit for the bank as well as good human relations.
- Selection process will help in picking or choosing the right candidate, who is most suitable for a vacant job position in an organization.
- The selection of a right applicant for a vacant position will be an asset to the banking organization, which will help the organization in reaching its objectives.
- A good selection process will ensure that the organization gets the right set of employees with the right attitude.
- Investment in good people by way of good selection provides a high rate of return to the organization.

13.2.1 Job Analysis for Marketing Personnel

Before the selection process, banks need to do job analysis to identify exactly what type of jobs are available in the marketing department and what it describes best and what are the requirements to be fulfilled by a person who will look after that job. What are the responsibilities and authority of the employee who is going to perform that job? What personality traits will be required to perform that

particular job in marketing? What skills must be possessed by a person to perform that job? What should be the pay structure for different jobs? Pay structure can be decided by doing job evaluation and comparing the value of one job with that of another.

Job analysis is the process of collecting job related information. Such information helps in the preparation of job description and job specification. In a bank, different types of personnel are required to perform different types of jobs. Job analysis is a process of understanding, collecting and analyzing relevant facts of job and the characteristics of the person who is likely to perform the job.

Job Analysis = Job Description + Job Specification

Job Description

Job description is a list of a job's duties, responsibilities, reporting relationships, working conditions and supervisory responsibilities.

Advantages of Job Description

Job description is a part of job analysis.

- It is used to recruit and select employees in the organization with their orientation and placement.
- It helps in crafting, training and development needs of a particular employee and developing career path.
- It plays a major role in evaluating the performance of the employee and helps in taking the decision related to promotion and transfer in an organization,
- It is an instrument to develop work procedures and processes and helps to take preventive measures to minimize the impact of hazardous conditions.
- It helps in counseling the employees and providing vocational guidance.
- It provides the basic ingredient to prepare job specification

Key Elements of Job Description

A standard job description must contain the following details:

- (i) Job title** refers to the name of the position which is vacant in the company
- (ii) Job profile and description** refers to the nature of the job, the functions to be performed in the particular position, expected tasks to be completed and the other details related to it.
- (iii) Duties and responsibilities** refers to the kind of tasks an individual needs to perform and own the responsibility
- (iv) Skill and specializations** refer to the ability required to handle the problems that one comes across while performing the tasks.

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- (v) **Educational qualifications** refer to the formal minimum degree needed for the job category and other details like training experience required for the job. Salary refers to the amount of currency that the company is going to offer against that particular job.

E.G. Job Description and Responsibilities for Marketing Executive at Private Bank.

- Acquiring of accounts from the field.
- Setting up campaigns and creating ideas to make large volume in savings and current account targets
- Para banking products like Life Insurance, General Insurance, Fixed deposits, Recurring deposits.
- Existing customer leads and new leads are to be created and converted into business.
- Lead Generation is the main role and is to be converted to accounts. Per day 40 to 50 customers could be met.

Job Specification

A job specification describes the knowledge, skills, education experience and abilities which are essential for performing a particular job. Job specification is developed from job analysis.

It is a written statement of minimum acceptable qualities required to perform a job effectively.

It specifies various features of job holder, where as job description provides various features of the job and follows job description or it is based on the job description.

Purpose of Job Specification

- To specify the personal characteristic such as age, sex, education, job experience, co-curricular and extracurricular activities about the prospective employee.
- To specify the physical characteristics such as height, weight, chest, vision, hearing, health, voice, hand and foot co-ordination etc. of the prospective
- To specify about the mental characteristics such as general intelligence, memory, judgment, foresight, ability to concentrate etc.
- To specify the minimum qualification (degree) required with the specified percentage which is mandatory, without which an individual is not entitled.
- To specify the social and psychological characteristics such as emotional stability, flexibility, manners, initiative, drive, conversational ability, creativity etc.

Table 13.1 Example of Job Specification-For Manager Marketing for Private Bank

Bank Marketing
Personnel

Criteria	Mandatory	Desirable
Age	Minimum 18 year	30-45
Appearance and Physical Abilities	Physically fit	Ability to travel for corporate clients.
Qualifications	MBA-Marketing from a reputed institute	Must know English, Hindi and Marathi.
Skills	Effective leadership	Knows about every nook and corner of Mumbai
Personality	Honest and reliable	Patience, confidence and a good sense of humour
Experience	Minimum 10 years' experience in Bank Marketing Should have been supervised by the marketing staff.	Knows how to handle the latest development in Digital marketing
Special Skills	Well behaved and excellent communication skills	Family oriented and lives in or around Mumbai.

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Some of the other responsibilities of Marketing personnel in a bank are:-

1. Managing Social Media and Social Media Marketing Tools
2. Undertaking Marketing campaigns and organizing marketing events and promotional activities for bank products and services.
3. Coordinating with other departments to introduce various offers for the customers which can act as effective marketing tools.
4. Managing advertisements online and offline
5. Communicating with Public relation professionals
6. Preparing advertising budgets and coordinating with ad agencies
7. Managing Press releases, bulletin board ads and other similar tasks.
8. Generating sales as per corporate target.
9. Spread awareness of new products among staff. Marketing Officers must organize workshops or training programs to make bank staff aware of the new products.
10. Marketing personnel develop various marketing strategies to increase their sales and profits.
11. The Marketing personnel search new services and products for the Banks.
12. Marketing personnel manage marketing channels such as billboards, television commercials, posters, banners etc. for promoting banking services and products.

Banks are required to hire marketing personnel for various positions and they require different selection processes for recruitment at different levels. No single selection process will be applicable to all positions from bottom to top positions in marketing department of bank.

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For example: In Nationalized Bank, the promotion of an IBPS SO Marketing Officer is based on various factors. These factors may vary for different banks. Some banks consider educational qualification while others give promotion based on the duration of service or performance.

Listed below is the career growth of an IBPS Marketing Officer:

Junior Management Grade Scale – 1 - Officer

Middle Management Grade Scale – 2 - Manager

Middle Management Grade Scale – 3 - Senior Manager

Senior Management Grade Scale – 4 - Chief Manager

Senior Management Grade Scale – 5 - Assistant General Manager

Top Management Grade Scale – 6 - Deputy General Manager

Top Management Grade Scale – 7 - General Manager

Every bank follows different promotion policies and channels of promotion. But whether it is a private organization or a government, the responsibilities of Marketing personnel remain the same.

Thus for different positions in bank, Government or private will require different selection processes to get suitable positions.

13.3 SELECTION OF BANK MARKETING PERSONNEL

Selection refers to a process in which individuals are picked-up from the pool of job applicants possessing the required knowledge and skills for the job to be performed in an organization.

Selection is a process which includes various phases such as exploring the applicants in order to check whether they are suitable for the job or not, picking-up the right ones from the pool of applicants and eliminating the rest. Therefore, selection can be regarded as a negative process in its application, as its main aim is to reject as many unsuitable individuals as possible; so as to get the right and appropriate candidates for the organization.

The products and services of the banks are categorized into various sections which are as follows:

- Accounts and deposits
- Loans
- Investments and Insurance
- Forex and payment services
- Cards
- Customer center

To handle a specific job, banks require varied experienced and skilled people to look after the work. Bank marketing employees have to support all these functions of banks as given above. They require selling and marketing these products and services of banks to customers. To market the product, they must possess specific skills in that particular area of banking product or services.

Factors Affecting Selection

There are various factors, internal and external, that affect the selection process of marketing personnel in bank.

(A) Internal Environmental Factors

1. **Size of the organization:** Selection process will be influenced by the size of the organization. If organization is big and has more products and services in bank marketing, it will require a more formal process of selection. If size is small then informal process is found suitable for the selection process of bank marketing employee.
2. **Type of organization:** Organizational type will matter and will affect selection process of bank marketing process. It is private banks like HDFC, ICICI that have their own selection process (No reservation is provided in category, everyone is treated as open candidate). Government organizations like SBI have their own selection process (conducting selection at All India level and providing reservation according to government recruitment policy). State owned banks have jurisdiction in their own state so they have reserved rights to recruit people domiciled in their own state. Co-operative banks have their own selection process to serve customers in that category and selection process is governed by co-operative act of recruitment and selection in that particular state.
3. **Applicant Pool:** Selection process is affected by the pool of applicants. It can be an effective process only if the applicant pool is large and comprises of competent applicants for a specific job position. Number of applicants selected for a specific position when compared with the total applicants gives the selection ratio. In Bank marketing, it will depend on the availability of skilled and trainee marketing applicant pool in banking sector.
4. **Speed of decision making:** Selection process will be affected by speed of decision making. In private sector banks decision is fast for selection. In government nationalized banks decision is slow as it has to go to several hierarchical approvals and all India selection process.

(B) External Environmental Factors

1. **Nature of labour market:** Selection process is affected by nature of labour market. For example, selection process for bank marketing personnel will be short and simple if there are very few applicants having required knowledge and set of skills, and vice versa.

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2. Trade Unions: Trade unions will affect the selection process as it has an influence on the selection process of bank.

3. Government regulations: Government imposes rules and regulations for selecting banking personnel in the organization in all banks. Banks have to follow norms of government legislation regarding the selection process. For example, nationalized banks have to follow the reservation system for bank employee selection.

Introduction to Selection Process/ Selection Procedure

Selection methods determine whether or not the qualifications of a job applicant are in accordance with the job requirements. The methods of selection evaluate the performance of the job applicants. Selection methods (application forms, selection tests, interviews, medical examination, reference check), which when used in a proper sequence constitute a selection process.

In banking sector, the selection process consists of various barriers or stages. Selection aims at generating full information regarding the candidates in order to determine whether they are appropriate for the job or not. The selection process varies from bank to bank and from job to job. In bank marketing personnel selection process, there are jobs from junior position to senior positions in banks and every job requires different skill sets of marketing which includes customer relationship, selling of products like cards, insurance, saving and current account, loan products (housing loan, personnel loan etc). Therefore, an ideal process of selection includes the following steps:

Selection Procedure for Bank Marketing Personnel

Step 1: Screening of applicants (Application Forms)

Step 2: Selection Tests

Step 3: Selection Interviews

Step 4: Medical Examination

Step 5: Reference check and background verification

Step 6: Hiring Decisions

1. Screening of Applicants (Application Forms) Screening of applicants includes filling up the application forms by the potential candidates for different marketing positions in the bank. These application forms contain information about the applicants such as personal bio-data, achievements, experience, etc. This kind of information is utilized in order to get the right candidate, who is eligible for the vacant position in marketing department of the bank. It can also be used for maintaining a permanent record of the candidates who are selected. After screening all the applicants, only those candidates are allowed for further selection process, who are meet the job requirements and the standards set by the organization in marketing department of bank.

In case the number of candidates matching the job requirement are more than the vacant positions, organization goes only for few chosen candidates who possess matching skills in marketing of bank products for further selection process.

2. **Selection Tests:** Every bank has its own rules for the selection process to generate the required information about the candidate, or to reject the candidates who are not qualified for the interview. Generally, selection tests support the information provided by the applicants in the application forms. A selection test may provide useful information in terms of their aptitude, hobbies, personality, etc., which is not possible to get through an application form. Government nationalized banks have their own body to conduct selection test (i.e. IBPS) and private banks like HDFC, ICICI have their own separate selection tests to select different marketing employees.

Selection test for marketing officer in Public-Sector Bank

IBPS SO Exam is conducted for the post of Marketing Officer in a Public-Sector Bank. The written exam is conducted in two phases: Prelims and Main. After qualifying Prelims and Main Exam, candidates are called for Personal Interview Round. In Prelims examination, reasoning, English language and quantitative aptitude test are conducted. Mains Exam requires professional knowledge about marketing subject.

3. **Selection Interviews:** Selection tests are followed by a personal interview with the candidate. The main purpose of a personal interview is to fully evaluate the candidate for the job related to marketing. It also gives a chance to the candidate to gain all the information about the organization. Sometimes, a preliminary interview takes place before conducting the tests to see the suitability of candidates and rule out the non-serious applicants and those who lack important qualifications. Banks have their own panel of interviewers to conduct the interview which consists of members from top to bottom management in the bank. Panel examines the potential marketing candidates for concerned job positions in marketing. Through interviews it is possible to see personal skills of marketing in the candidate his ability and personality suits to vacant position in the bank. The interviewer gets to observe candidate's body language, get a clearer picture of the candidate's true credentials and judge the candidate's honesty. In the interview, the candidate gets to display confidence and communication skills, which are important for any marketing related jobs in banks. Panel gives preference to different parameters like personality, marketing knowledge, marketing ability of the candidates and his cultural fit in the bank environment etc.
4. **Medical Examination:** Medical examination is performed in order to observe the candidate's endurance or tolerance level under pressure, as there are several jobs in marketing of banking products and services which require a lot of patience and medical fitness. Medical examination evaluates

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whether the candidate possesses these traits or not. It identifies the deficiencies of selective and qualitative placement for a positive cause and not for rejection only. It also indicates the suitability of a candidate for a job related to marketing in bank, and prevents his transfer to other job positions. A medical examination is performed to place the right candidates in the right jobs, where they can function without any kind of ill-effect or loss to their health. It is generally performed by the organization's own physician or a medical officer authorized by the organization.

- 5. Reference Check and Background Verification:** Selection procedure includes this step of a reference check and background verification for the purpose of bringing out more information regarding the candidate's personal life as well as work life in the past organization. Organizations request the candidates for some references from whom they can gain some more information. This information may be concerned with their background, character, work, etc. These references may include ex-employers of the candidate, people from educational institutions of the candidate, or some other important people who know the candidate's attitude and skills in the areas of marketing. In India, references are not supposed to be of much importance due to their subjectivity, but they are an important source of valuable information, which cannot be obtained from any other source. Reference check and background verification will help banks to see if the candidate possesses required skills in marketing, whether he has contributed fairly in marketing department of the previous bank. Is there any criminal case against him which may hamper the bank's marketing related activities? Has he done any malpractice in previous banks while working etc? A background check is necessary to verify that each candidate's past records are clean. The check helps to discover malicious applicants who could pose a threat to the company or to other employees' information given by former employers or schools and helps in establishing a clearer image of the applicant's character. This information comes in handy while selecting marketing personnel as they will represent your bank in marketing services or products.
- 6. Hiring Decisions or Approval by Appropriate Authority:** Finally, based on the above steps, the appropriate candidates are recommended for selection by the personnel department (HR Department) or selection committee. However, the personnel department or selection committee may hold the responsibility of finalizing the candidates for the job; sometimes organizations have their own staff (in case of nationalized banks i.e. IBPS) to recommend the candidates for final selection by the top management. Generally, organizations assign different authorities to approve the final selection of candidates. On receiving the approval, the candidates are told about their selection in the organization and are requested to report to the concerned personnel for further joining process.

Check Your Progress

1. What is a marketing personnel expected to do?
2. Why is the match between right candidate and job requirement crucial?
3. Why does external recruitment and selection take time?
4. What do job profile and description refer to?
5. What is selection?
6. What do the methods of selection evaluate?
7. Why does a preliminary interview take place before conducting the tests?

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13.4 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Marketing personnel is expected to coordinate with all other departments of the bank and develop various marketing strategies and plans to boost up sales and profits. He/she is also supposed to be well versed in Marketing and Data Analysis tools.
2. The match between right candidate and job requirement is very crucial in order to enhance the employee's work performance.
3. External recruitment and selection takes time as it tries to find out a suitable candidate from outside the company.
4. Job profile and description refers to the nature of the job, the functions to be performed in the particular position, expected tasks to be completed and the other details related to it.
5. Some of the other responsibilities of Marketing personnel in a bank are:-
 - Managing Social Media and Social Media Marketing Tools
 - Undertaking Marketing campaigns and organizing marketing events and promotional activities for bank products and services.
6. Selection refers to a process in which individuals are picked-up from the pool of job applicants possessing the required knowledge and skills for the job to be performed in an organization.
7. The methods of selection evaluate the performance of the job applicants. Selection methods (application forms, selection tests, interviews, medical examination, reference check), which when used in a proper sequence constitute a selection process.
8. Sometimes, a preliminary interview takes place before conducting the tests to see the suitability of candidates and rule out the non-serious applicants and those who lack important qualifications.

13.5 SUMMARY

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- Before the selection process banks require to do job analysis to identify exactly what type of jobs are available in marketing department.
- To handle a specific job bank require varied experienced and skilled people to look after the work.
- Marketing personnel is expected to coordinate with all other departments of the bank and develop various marketing strategies and plans to boost up sales and profits.
- Before the selection process banks require to do job analysis to identify exactly what type of jobs are available in marketing department and what it describes best and what are its requirement to be fulfilled by a person who will look after that job.
- Job analysis is the process of collecting job related information. Such information helps in the preparation of job description and job specification.
- Job description is a list of a job's duties, responsibilities, reporting relationships, working conditions and supervisory responsibilities.
- Job description is used to recruit and select employees in the organization with their orientation and placement.
- A job specification is a written statement of minimum acceptable qualities required to complete a job and perform it effectively.
- A job specification describes the knowledge, skills, education experience and abilities which are essential to performing a particular job. Job specification is developed from job analysis.
- Banks are required to hire marketing personnel for various positions and they require different selection process for filling at different levels.
- For different positions in bank, Government or private will require different selection process to get suitable positions.
- Selection methods determine whether or not the qualifications of a job applicant are in accordance with the job requirements.
- There are following 6 steps in selection procedure of bank marketing personnel:
 - Step 1: Screening of applicants (Application Forms)
 - Step 2: Selections Tests
 - Step 3: Selection Interviews
 - Step 4: Medical Examination
 - Step 5: Reference check and background verification
 - Step 6: Hiring Decisions

13.6 KEY WORDS

- **Marketing Personnel:** It means any persons whose functions involve the marketing of a product or services in an organization.
- **Job Analysis:** It is a family of procedures to identify the content of a job in terms of the activities it involves in addition to the attributes or requirements necessary to perform those activities.
- **Job description:** It is a written narrative that describes the general tasks, or other related duties, and responsibilities of a position.

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13.7 SELF ASSESSMENT QUESTIONS AND EXERCISES

Short-Answer Questions

1. What is the role of a bank marketing personnel in bank?
2. What is job analysis done for in bank marketing personnel?
3. What is job description?
4. What is job specification for marketing personnel in a bank?
5. What is selection in case of bank marketing personnel?

Long-Answer Questions

1. What are job description and specification for bank marketing personnel? Prepare job description and specification for marketing executive in private bank.
2. Explain different steps involved in selection of bank marketing personnel in bank.
3. Describe different factors affecting on selection of bank marketing personnel in bank.
4. What is the importance of Reference Check and Background Verification for during selection process of bank marketing personnel?

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UNIT 14 MOTIVATION AND TRAINING

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Structure

- 14.0 Introduction
- 14.1 Objectives
- 14.2 Motivation
- 14.3 Training and Development: Meaning
 - 14.3.1 Importance of Training
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 - 14.3.3 Need of Training
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14.0 INTRODUCTION

Motivational factors have an important role in increasing employee job satisfaction. Satisfied employees can help in improving organizational effectiveness and performance. For bank marketing employees, motivational factors play an important role in increasing employee job satisfaction. In this modern world where technology is changing overnight, it has been mandatory to train people with the latest technology. Banking personnel are to be trained in different innovative skills in marketing so that they can improve performance and fulfil banks objectives of business. Increased demands of customer expectations, global banking competition and technological evolution have brought about remarkable changes in the banking sector. In this unit, we will study in detail about the importance of motivation in bank marketing employees, training and development and the management of change.

14.1 OBJECTIVES

After going through this unit, you will be able to:

- Discuss the concepts of motivation and training in bank marketing
- Examine the scope of training and development in bank marketing
- Explain the features of change management related to bank marketing

14.2 MOTIVATION

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Motivation is one of the most important factors potentially contributing to the performance of employees and has been examined in relation to the banking sector. Motivation refers to the willingness to strive towards predetermined goals. The word motivation has been derived from the word 'Motive', which means an active form of a desire or need that must be satisfied. Motivation is the key to organizational performance effectiveness. The managers are required to get the work done through others and for that human resources are required to be motivated to attain organizational objectives.

In other words, motivation can be defined as a driving force that initiates and directs behaviour.

George R Terry said, "Motivation is the desire within an individual that stimulates him or her to action."

Characteristics of Motivation

The following are the characteristics of motivation:

- Motivation is an intrinsic drive, which activates and compels the person to behave in a particular manner.
- The motivation process is channelized by personality traits, learning abilities, perceptions and competence of an individual.
- An employee having high level of motivation works more efficiently and his level of production is higher than others.
- Motivation is originated from the needs and wants of an individual. Motivation is a strong desire to achieve something, which forces him to work more efficiently.
- Motivation is a process of stimulating and channelizing the energy of an individual for achieving set goals.
- Motivation also plays a vital role in determining employee's level of performance. Highly motivated employees get higher satisfaction at work place, which may lead to higher efficiency.
- Motivational force and its level of degree may differ from individual to individual depending on personality, needs, competency and related factors.
- The process of motivation helps the manager in analyzing and understanding human behaviour and finding the way to bring desirable working behaviour at workplace.
- Motivation can be positive as well as negative. Positive motivation includes recognitions, incentives, promotions, rewards and other benefits while negative motivation includes demotion, punishment, fear, etc.

- Motivation helps to increase the morale of the employees. A high degree of motivation may lead to high morale.

For bank marketing employees, motivational factors play an important role in increasing employee job satisfaction. Satisfied employees in return can help in improving organizational performance.

According to the results of a study, the most important factors motivating the employees of bank marketing are “equitable wage and promotion”, “extended health benefit and other social facilities”, and “working environment”. Another key finding is that “equitable wage and promotion” having the highest potential of motivating employees do not differentiate on the basis of demographic characteristics.

Bank marketing employee satisfaction has positive influence on customer satisfaction in the service industry like banking sector. Motivation can be categorized as extrinsic and intrinsic. Extrinsic motivation denotes external factors, which can be measured in monetary terms, such as salary and benefits. Intrinsic motivation refers to internal factors such as job satisfaction. Job satisfaction, salary, promotion, team spirit, working hours and recognition are some of the motivation factors analyzed in most of the studies. Participation of marketing employees in decision making of marketing strategies, proper incentives to marketing personnel, recognition and awards for their marketing and sales achievement can increase motivation level of bank marketing employees.

Check Your Progress

1. Define motivation.
2. What are the most important factors motivating the employees of bank marketing?
3. What do you mean by extrinsic motivation and intrinsic motivation?

14.3 TRAINING AND DEVELOPMENT: MEANING

Training is the systematic acquisition of attitudes, concepts, knowledge, roles, or skills, that result in improved performance at work. Training is a skill enhancement process for non-managerial jobs whereas development is a skill enhancement process for managerial jobs.

Comparison between Training and Development

Following points give a comparison between training and development:

- In the words of Campbell, “Training courses are typically designed for a short term and to fulfil a pre-defined purpose such as the operation of some

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piece of machinery while development involves a broader education for long term purposes.”

- Training is a short term process and basically designed to fulfil specific requirement whereas, development is a long term process and focuses on the overall development of an employee.
- Training is designed basically for non-managerial group whereas development is designed for managers and equipped with systematic and organized procedure.
- Training is restricted to specified job requirement whereas development helps managerial personnel to learn conceptual and theoretical knowledge for general purpose.
- The main focus of training is to look at the present job and the main focus of development is to prepare an individual for future job prospects.
- Training is reactive process whereas development is a proactive process.

14.3.1 Importance of Training

Here, we will discuss the points about the importance of training.

- Training increases competency (skills, knowledge and ability) of employee in marketing.
- It reduces chances of mistakes while performing the duties related to bank marketing.
- It increases employees’ confidence in the area of bank marketing as they possess necessary skills of marketing.
- It improves efficiency in work and also the quality of marketing processes in banks.
- It reduces the need and requirement for supervision.

14.3.2 Implication of Training

Given below are the implications of training:

- It helps in raising the level of performance of the employees which further increases productivity of the organization.
- It improves the quality of work as it is obvious that trained and skilled people will commit less operational mistakes as compared to untrained people.
- It saves time through schedules and employees will not be trapped in the process of trial and error.
- It helps the employees to learn more quickly and reach the acceptable level of performance.

- It promotes economical use of raw materials and no wastage will be there, which will subsequently reduce the manufacturing as well as maintenance cost.
- It facilitates lesser need to supervise well trained people as they will have become self-reliant and efficient enough to show effective performance.
- It results in less chances of accidents as compared to unskilled and semi-skilled workers.
- It raises the level of job satisfaction and morale due to rise in the earning and job security of employees.
- It reduces the level of grievances as employees are more secure and satisfied after training with more opportunities.
- It helps the employee to grow personally in their careers and well-trained and skilled employees are valuable asset for any organization.
- It helps to create a vibrant and effective organizational culture by improving discipline and industrial relations.

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14.3.3 Need of Training

Training is required in the cases where there is a gap between present competency of an individual and the job requirements. Sometimes past experiences, attitudes and behaviour patterns of personnel are inappropriate to the new organization so the training must match the needs of the organization.

In this modern world where technology is changing overnight, it has been mandatory to train people with the latest technology. Digital marketing is taking the new space in marketing of banking products and services. If employees in bank marketing do not possess the new required skills, they will not be enough competent in marketing of banking products and services.

14.3.4 Types of Training

Banks are going through different phases of marketing environment and it is necessary to train their existing as well as new employees so that they can acquire necessary skills in marketing to be competent enough to serve the business and the customers for short and long term sustainability of bank.

Such trainings can be categorized as on-the-job training and off-the-job training. On-the-job training takes place in a normal working condition, using the real or actual tools, equipment, process, documents or materials that trainees use during training. This type of training is effective in increasing competency. Off-the-job training is done at the place away from normal or real work situations. Off-the-job training has the advantage that it allows people to remain away from work and focus more thoroughly on the training itself. This type of training has proven to be more effective in providing concepts and ideas. Let us discuss these two types in detail.

On-the-Job Methods

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1. Job Instruction training (JIT): JIT is step by step job instructions in terms of process chart. It uses a strategy with focus on knowledge (factual and procedural), skills and attitudes development. Bank marketing personnel can be trained with the help of JIT method and can improve their skills on the job by following the step by step instruction in different marketing processes. It includes a written breakdown of the work to be done step by step in marketing department for different marketing jobs. The documentation is must and important for the familiarity of work. A trainer who is aware of the work well is likely to do many things and in the process might miss few things. Therefore, a structured analysis and proper documentation ensure that all the points are covered in the training program.

Marketing employees of bank can be trained through this method. Marketing employees can acquire the necessary skills by following proper instructions in marketing process of bank.

2. Job Rotation: In job rotation method, trainees are rotated to other jobs to acquire the different skills at different stages of marketing jobs in bank. It helps in multi-skilling of marketing employees, for example sales person can be rotated to customer care job to acquire the customer care skills. Job rotation is a Japanese technique to develop future managers. Moreover, it helps to replace employees during absenteeism.

3. Coaching/Monitoring (on the job): It is one to one interaction of trainees with bank marketing experts related to marketing issues. It is done by an experienced professional who identifies weaknesses and focuses on improvements in trainees.

Advantages of On-the-job Training Method

- More cost effective: It is a cheaper method of training.
- Knowhow of real work: It gives hands-on experience to trainee.
- Productive (learning and working): It gives more productivity as there is both learning and working.
- Learning and earning: It provides opportunities to trainee to learn as well as earn.

Off-the-job Methods

1. Lectures: It is simplest method of training conducted in classrooms. Through this, huge amount of information can be delivered to large audience related to bank marketing. It is mostly used in colleges and universities. It is a cost effective method. The biggest disadvantage of this is that people retain only 20 per cent of what they learn in classroom training as they do not get hands-on experience.

- 2. Games and Simulations:** These are structured as well as sometimes unstructured, usually played for enjoyment but can be used for training purposes as an educational tool. Training games and simulations are different from work as they are designed to reproduce or simulate events, circumstances, processes that take place in trainees' job related to marketing and in banking area. A training game is a spirited activity or exercise in which trainees compete with each other according to the defined set of rules. Simulation is creating computer versions of real-life games. Simulation is about imitating or making judgment or opining how events might occur in a real situation or at workplace. It can entail intricate numerical modelling, role playing without the support of technology. Training games and simulations can be effective tool for marketing jobs related training because its main components are rules, challenge and interactivity.

These three components are necessary when it comes to learning. Trainees can therefore experience these events, games, processes, in a controlled setting where they can develop competency, knowledge, skills, and attitudes, sometimes can discover concepts that will improve their performance in marketing area of bank.

- 3. Case Study:** Case study is an in-depth description of a particular problem an employee might encounter on the job related to bank marketing. The employee attempts to find and analyze the problem, evaluate alternative courses of action and decide what course of action would be the most satisfactory. The instructor helps them reach a common solution to the problem. This method gives the trainee an opportunity to apply his knowledge to solve real problems in marketing.
- 4. Role Play:** This technique of role play is used for employee relations and leadership training. It is used to enhance the trainee's skills in dealing with other people. Under this method, two trainees are assigned different roles to play. For example, one may play the role of a Sales manager and the other that of a customer. Both interact with each other and play their respective roles. This helps the trainees in learning how to behave in a conflict situation and in appreciating each other's viewpoints.

Given below are the characteristics of role play:

- Realistic behaviour in imaginary situation
- Trainees act on different issues
- Helps to develop interpersonal skills
- Resolves conflicts and encourage group decision making
- Not helpful to those who do not want to perform in front of group of people

- 5. Conferences:** A conference is a group meeting conducted according to an organized plan in which the members seek to develop knowledge and

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understanding of a topic through oral participation. It is an effective training tool for persons in the positions of both conference members and conference leader. In marketing area of bank, it is useful to attend conference where a lot of marketing experts in banking area are there to discuss with marketing and sales employees in similar field.

An individual can learn from others by comparing his thought process and ideas from those of others related to marketing field. He gets to learn to respect others' perspectives and realizes that there are many feasible ways to deal with a problem related to marketing in bank.

The literal meaning of conference is 'consultation'. But in practice, conference refers to sharing some information with a large number of people. It is conducted in a big hall where the participants share and exchange their viewpoints and clarify their doubts.

The proceedings of the conference are conducted by the chairman who is also responsible for leading the proceedings of the conference. Today, digital tools like video conferencing are used through which people can participate in a conference on a video calling platform using internet, where banking marketing professional around the world discusses the marketing related issues and give their opinion.

6. **Seminar:** A seminar is organized like a conference, but it is comparatively on a smaller scale. It is generally centred around a single theme such as 'Emerging Issues in Bank Marketing Environment in 2021'. The theme is examined in great detail by a panel of experts in the concerned fields of marketing. The experts make their presentation and answer the questions raised by the participants. In this way, trainees get insights of marketing issues and solutions to solve it and get trained in areas of bank marketing.
7. **Group Discussion:** Group discussion is usually based on papers prepared by trainees on a given subject. The trainees go through their papers, which are then followed by critical discussions. It may, however, be a follow-up discussion on some statement or paper presented by an expert. In marketing department of banking, group discussion help to discuss marketing related issues like customer grievance, product development, customer relationships, etc. Different views and opinions can be taken from marketing team members along with experts and best solutions can be found out to solve the marketing related issues.
8. **Sensitivity Training (T-group):** The purpose of sensitivity training is to make people aware about themselves and others. It is achieved by developing social sensitivity and behavioural flexibility in them.

Social sensitivity in one word is empathy. It is an ability of an individual to sense what others feel and think from their own point of view about him. Behavioural flexibility is the ability to behave suitably after understanding. This training is very important for marketing team of bank as they work in

team as well as deal with the customers. Through this training their interpersonal skills can be developed to build good marketing team.

A Sensitivity Training Program requires three steps, which are as follows:

- i. **Unfreezing the old values:** In the first step, trainees know about the inadequacy of the old values. This happens when the trainee faces problem in which his old values are not able to provide proper direction and guidance.
- ii. **Development of New Values:** In the second step, trainers encourage trainees to observe their interpersonal behaviour and give feedback to one another. The reasoning of the feedbacks are discussed which encourages trainees to experiment with different kinds of behaviours and values.
- iii. **Refreezing the new ones:** This third step depends upon how much opportunity the trainees get to practice their new behaviours and values at their workplace.

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9. **Vestibule Training:** A vestibule training workshop may be set up by an industrial organization when it is not possible to give training to the employees at the workplace. It is a combination of classroom training and prototype training workshop which is a simulation of actual workplace. It helps in avoiding big damages at actual workplace. Marketing trainees are trained to serve to their customers in this prototype place where trainers or other people as customers are presented to them to deal and interact with. In vestibule training, trainees' marketing and sales skills are checked and they are taught lessons in classroom to improve marketing skills. This type of training is expensive as it requires prototype of actual workplace and arrangement.
10. **Film and Video Presentation:** Content for experiencing training come primarily from a videotape or computer based program. Interest of audience can be maintained by showing audio visuals related to marketing and sales in banking. It is easy to handle and explain contents of marketing to trainees. It provides a lot of content to talk about and can be assessed with ease by the trainee. The disadvantage of this method is that it is expensive to develop.
11. **Outbound Training:** Purpose of outdoor training is to develop teamwork skills among marketing employees of bank. It involves outdoor challenging and adventure team building activities like trekking, management games like passing the hurdles, etc. It develops interpersonal skills in marketing employees of banks. Employees respond better when taken away from pressures of working environment.
12. **Coaching (off the job):** It is a corrective method for inadequate performance. In this training method, the supervisor teaches job knowledge and imparts skills to his subordinate. The main focus is 'learning by doing'. It is effective if the superior has sufficient time to provide coaching to his

subordinate. Marketing employees in banks can be trained properly through coaching.

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In modern times, new training methods are increasingly gaining prominence. One of the most common new training technology is using virtual reality.

Virtual Reality Training (Web-based): Trainer and learners are not at one place. For example trainer may be in the USA and trainees may be in India. With the help of web-based tools like Google meet, YouTube live, zoom, Skype, etc., trainers can train the trainees on the basis of virtual reality. In virtual reality, trainees get to experience real-life training on different situations in a virtual manner. They can visualize the situation and get trained from different trainers around the world. Marketing employees in banks thus can get opportunities to learn from experts around the world at a cheaper cost. They come to know the latest knowhow about worldwide customers, their needs, evolving market conditions and new strategies required for marketing to sustain in global market. McDonald has been using this training since 2017 to train their new franchisees in all aspects of their operations. Biggest benefit of this training method is its cost effective nature.

Advantages of Off-the-job Training Method

One gets to learn from the specialists in that area of work, i.e., banking industry which can provide more indepth study. It can more easily deal with groups of employees at the same time. Employees respond better when taken away from pressure of working environment. They may be able to obtain qualifications or certificates related to bank marketing.

Evaluation of Training Effectiveness

The process of calculating the amount of utility obtained from the time, money and all the positive efforts applied to providing training is termed as training evaluation.

Kirkpatrick's model evaluation criteria

Kirkpatrick's Model has given following four stages to evaluate the training effectiveness. Training effectiveness is evaluated on the following four parameters (i.e., reaction, learning, behavioural and results).

Level 1 – Reaction

Did trainees like the training and feel it was useful for them. Check their reactions.

Level 2 – Learning

Did trainees learn the things stated in the objectives?

Level 3 – Behavioural

Are trainees using what was learned back on the job? Did it change in behaviour on the job after training?

Level 4 – Results

Are benefits greater than costs? Has training cost added any skills and has it resulted in increased performance?

Thus above model helps marketing department of bank to check effectiveness of training and development programs organized for marketing personnel. It will help to develop future training programs for more effectiveness if they are less effective today.

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14.3.5 Scope of Training

The concept of training has a very broad scope in bank marketing and thus covers a variety of areas. Some of them are as follows:

- 1. Training in banks policies and procedures:** It is required to train bank marketing personnel in changing policies and procedures of bank so that they can change their marketing strategies suitable to the change in policies and procedures of bank.
- 2. Training in particular skills:** Banking personnel are to be trained in different innovative skills in marketing so that they can improve performance and fulfil banks' objectives of business.
- 3. Training in human relations skills:** Interpersonal skills have the upmost importance when bank personnel are working in one team. Customer relationship is also a human relations skills which is required to retain the customers. Such skills are required to be developed in marketing personnel in banking sector.
- 4. Training in Problem-Solving Skills:** There are a lot of challenges in today's competitive world. Marketing personnel must be trained to solve the different problems arising in day to day life and work.
- 5. Training in managerial and supervisory skills:** Training and development play an important role in imparting supervisory and managerial skills in marketing personnel. It requires special leadership skills to perform the duties of manager or supervisor.

Check Your Progress

4. What is the difference between training and development?
5. What is a conference?
6. What is outbound training?
7. What are the advantages of off-the-job training method?

14.4 FEATURES OF MANAGEMENT OF CHANGE

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Rules related to compliance and bank processes/practices change regularly. Change management process identifies new or amended rules and regulations, evaluates those rules and understands how the new requirements will affect the bank's practices/processes and then works on the suitable modifications.

You have been introduced to the basics of management of change/change management in the previous two units. In this section, let's revise and build upon the basic concept.

Change Management

Managing change is not a new topic in any organization. Change management is the process of managing the people's side of change to achieve the required business outcomes along with managing the "technical" side of change. Application of organizational change is intentional and planned.

Change management is based on a broad set of underlying disciplines (from social sciences to information technology)/. It tends to be strategy driven, with attention directed to whatever factors are evaluated as important and mandatory to the successful design and implementation of change.

Increased customer expectations, global competition and technology have brought about remarkable changes in the banking sector.

Banks are nowadays adopting the strategies of acquisitions and mergers. They are expanding their businesses and looking at large market share to gain higher Return on Equity (RoE) and interest margins. The management is also recognising the banks are performing well and fixing higher targets. More empowerment and facilities are also given to such banks. After constant monitoring and reviews, the performance levels of banks are being raised.

Banks are more proactive than ever before in providing services to their customers. They are guiding the people as to how to earn and spend money thus becoming more catalytic in the socioeconomic development of the nation. They are encouraging people to invest money in business and real estate for their economic growth. Products like housing loans are offered quickly these days. Banks are performing Strength, Weaknesses Opportunities Threats (SWOT) Analysis to make more profits by bringing in structural changes, procedural changes, technology upgrades and systemic changes. Procedural delays and redtapism have been removed and lean staffing is practiced.

The changes are being brought to the organizational structures of the banks to suit the technological and process changes. The duties, responsibilities and the method of doing the tasks are redefined. New skills are imparted to the employees—particularly computer skills, database management and use of software tools in the banking operations. The computer-based accounting and documentation

system have replaced the use of ledger/record books. Though there are differences in pay across the public/private sector banks, the employees are well taken care of in this respect. Work environment, safety and health are given top priority. Organizational goals are set in consultation with the employees. The layout, seating and ergonomics have been changed in the banks due to the automation and computerization

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Features of Change Management

As already discussed in previous unit, following are some important features of change management:

1. For a change initiative to succeed, the emotional and behavioural aspects must be addressed exhaustively. A radical change of culture and work ethos at macro levels, and change of mindset and approach at the micro level are mandatory.
2. Since all the employees in all organizations are concerned and involved with change, no study of organizational life would be complete without studying the way change affects it and how that change can be managed.
3. Most people show unanimity that organizational life is getting more uncertain with the increasing changes and unpredictability of the future.
4. Managing change is much broader than managing projects that implement change. How individuals perceive and react to change is deep-seated and unchanging.
5. The word 'change' may evoke anxiety, fear and hopelessness. But change should not be regarded as all 'doom and gloom'.
6. Environment can be and is influenced and shaped by the decisions and actions of the organization. Technological advances, demographic and socio economic shifts and environmental changes have a significant impact on the context in which organizations are operating in 21st Century.
7. The marketing managers in banking sectors have to be as skilled in change management as in the ongoing operations.
8. Managing change has always been charming and exciting, though it is a tough and delicate activity for any manager. However, managing change is not by choice; it is an essential activity.
9. Managing change is like managing two opposite forces – desire for stability and desire for change.

Resistance to Change

Resistance comes in two forms – systemic and behavioural. Systemic resistance arises from lack of appropriate knowledge, information, skills, and managerial capacity. Behavioural resistance describes resistance deriving from the reactions, perceptions and assumptions.

Employees' resistance includes anything and everything that workers do which managers do not want them to do, and that workers do not do that managers want them to do.

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Employees resist change for the following reasons:

- a. Unaware of the need for change
- b. Fear of lay-offs or loss of something valuable (psychological reactance)
- c. Unsure of the possession of skills needed for success in future
- d. Comfort with the current position
- e. Perception of being asked to do more with less, or do more work for the same pay
- f. Misunderstanding and lack of trust

Managers resist change for the following reasons:

- a. They think they may lose power and control
- b. Overloaded with current responsibilities
- c. Unaware of the need for change
- d. Lack of capacity (skills, attitudes, and abilities)
- e. Fear, uncertainty and doubt about future
- f. Managers look at transition period as a cost, not as an investment
- g. Unable to accurately estimate the resources and commitment required

Organizations resist and avoid change for the following reasons:

- a. Traditional companies will always resist changing to new entity because of their rules, regulations and limitations for experimentation.
- b. Organizations give analysis to shift employees' thinking than showing a truth that influences their feeling.
- c. Shortage of resources may diminish the desire of the organization to change.
- d. At times, long-term contracts with third parties may be a hindrance to change, even if the firm wants to be.

Managing Resistance to Change

To manage resistance to change organization has to go through four phases of change:

- 1. Awareness:** Inform and communicate to employees the need for the change and the predictable results obtained from the change.
- 2. Understanding:** Make employees to understand as to how the change will affect their job, role, and responsibilities.

3. Acceptance: Provide and strengthen support and training, resulting to the anticipated change, to your employees.

4. Commitment: Participate all concerned employees from bottom to top management to get commitment.

Many bank marketers nowadays are implementing agile practices, reorganizing departments, hosting technology partners, investing in startups, attending conferences, managing multiple agencies and hiring experts they can afford to manage the change. Bank marketers are actually enhancing their own skills to deal effectively with the constant change and digital technologies. As digital culture becomes more integrated with marketing, skillsets such as organizational design, skill development and change management (improving the marketing organization by altering ways of working and the capabilities required) are increasingly critical.

Check Your Progress

8. What is change management?
9. State the two forms of resisting to change.

14.5 ANSWERS TO CHECK YOUR PROGRESS QUESTIONS

1. Motivation refers to the willingness to strive towards predetermined goals.
2. The most important factors motivating the employees of bank marketing are “equitable wage and promotion”, “extended health benefit and other social facilities”, and “working environment”.
3. Extrinsic motivation denotes external factors, which can be measured in monetary terms, such as salary and benefits. Intrinsic motivation refers to internal factors such as job satisfaction.
4. Training is a skill enhancement process for non-managerial jobs whereas development is a skill enhancement process for managerial jobs.
5. A conference is a group meeting conducted according to an organized plan in which the members seek to develop knowledge and understanding of a topic through oral participation.
6. Outbound training involves outdoor challenging and adventure team building activities like trekking, management games like passing the hurdles, etc. It develops interpersonal skills in marketing employees of banks.
7. One gets to learn from the specialists in that area of work, i.e., banking industry which can provide more indepth study. Employees respond better when taken away from pressure of working environment. They may be able to obtain qualifications or certificates related to bank marketing.

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8. Change management is the process of managing the people's side of change to achieve the required business outcomes along with managing the "technical" side of change.
9. Resistance comes in two forms – systemic and behavioural. Systemic resistance arises from lack of appropriate knowledge, information, skills, and managerial capacity. Behavioural resistance describes resistance deriving from the reactions, perceptions and assumptions.

14.6 SUMMARY

- Motivation is one of the most important factors potentially contributing to the performance of employees and has been examined in relation to the banking sector. Motivation refers to the willingness to strive towards predetermined goals.
- According to the results of a study, the most important factors motivating the employees of bank marketing are "equitable wage and promotion", "extended health benefit and other social facilities", and "working environment".
- Bank marketing employee satisfaction has positive influence on customer satisfaction in the service industry like banking sector.
- Motivation can be categorized as extrinsic and intrinsic. Extrinsic motivation denotes external factors, which can be measured in monetary terms, such as salary and benefits. Intrinsic motivation refers to internal factors such as job satisfaction. Job satisfaction, salary, promotion, team spirit, working hours and recognition are some of the motivation factors analyzed in most of the studies.
- Training is the systematic acquisition of attitudes, concepts, knowledge, roles, or skills that result in improved performance at work. Training is a skill enhancement process for non-managerial jobs whereas development is a skill enhancement process for managerial jobs.
- On-the-job training takes place in a normal working condition, using the real or actual tools, equipment, process, documents or materials that trainees use during training. This type of training is effective in increasing competency.
- Off-the-job training is done at the place away from normal or real work situations. Off-the-job training has the advantage that it allows people to remain away from work and focus more thoroughly on the training itself.
- JIT is step by step job instructions in terms of process chart. It uses a strategy with focus on knowledge (factual and procedural), skills and attitudes development. Bank marketing personnel can be trained with the help of JIT method and can improve their skills on the job by following the step by step instruction in different marketing processes.

- Role play is used for employee relations and leadership training. It is used to enhance the trainee's skills in dealing with other people. Under this method, two trainees are assigned different roles to play.
- Managing change is not a new topic in any organization. Change management is the process of managing the people's side of change to achieve the required business outcomes along with managing the "technical" side of change.
- Change management is based on a broad set of underlying disciplines (from social sciences to information technology)/. It tends to be strategy driven, with attention directed to whatever factors are evaluated as important and mandatory to the successful design and implementation of change.
- Resistance comes in two forms – systemic and behavioural. Systemic resistance arises from lack of appropriate knowledge, information, skills, and managerial capacity. Behavioural resistance describes resistance deriving from the reactions, perceptions and assumptions. Employees' resistance includes anything and everything that workers do which managers do not want them to do, and that workers do not do that managers want them to do.
- Bank marketers are actually enhancing their own skills to deal effectively with the constant change and digital technologies. As digital culture becomes more integrated with marketing, skillsets such as organizational design, skill development and change management (improving the marketing organization by altering ways of working and the capabilities required) are increasingly critical.

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14.7 KEY WORDS

- **Motivation:** It is a driving factor for actions, willingness, and goals.
- **Training:** It is the action of teaching a person a particular skill or type of behaviour.
- **JIT:** It is a methodology aimed primarily at reducing times within the production system as well as response times from suppliers and to customers.
- **Job rotation:** It is a technique used by some employers to rotate their employees' assigned jobs throughout their employment.
- **Role play:** It is the act of imitating the character and behaviour of someone who is different from yourself, for example as a training exercise.
- **Change management:** It is a collective term for all approaches to prepare, support, and help individuals, teams, and organizations in making organizational change.

14.8 SELF ASSESSMENT QUESTIONS AND EXERCISES

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Short-Answer Questions

1. How is motivation important for marketing employees in banking sector?
2. What is the importance of training?
3. Differentiate between on-the-job training and off-the-job training.
4. Mention the advantages of on-the-job training method.
5. What do you mean by role play? Give its characteristics.
6. What is vestibule training?
7. What is the Kirkpatrick's model of training evaluation?
8. How do organizations manage resistance to change?

Long-Answer Questions

1. Explain the characteristics of motivation.
2. Differentiate between training and development.
3. Discuss the implications of training.
4. Examine the scope of training in bank marketing.
5. Describe the features of change management.
6. Describe the reasons of resisting change by employees, managers and the organizations.

14.9 FURTHER READINGS

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