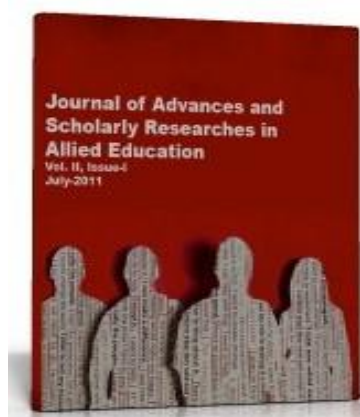


MARKETING STRATEGIES OF PUBLIC SECTOR COMMERCIAL BANKS IN INDIA



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ABSTRACT

It is a must for the Public Sector commercial banks to introduce marketing strategies if they want to participate in the international competition and improve their competitiveness. First of all, the SOCBs should be well aware of the international trends, take detailed strategic goals into consideration and set their marketing targets. Second, the PSCBs should formulate relevant marketing strategies. Investigation and research is a priority. Meanwhile customers' database should be established, which will help pave the way for the classification of markets. Third, the PSCBs should set up special program groups who will be responsible for the application of the marketing plans.

Key words Public Sector commercial banks, marketing, strategy, market, SWOT analysis

1 INSTRUCTION

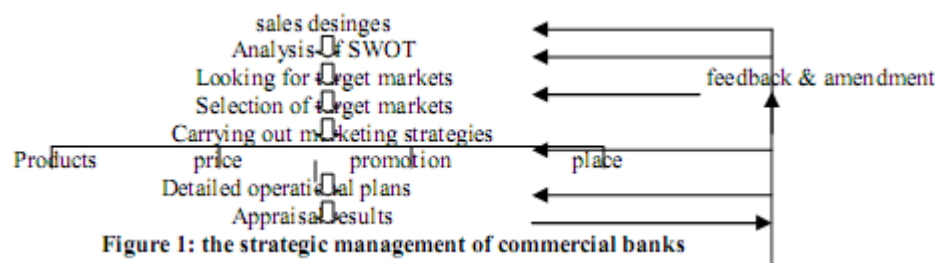
The study of marketing has lasted more than 70 years in the developed countries. Foreign scholars are paying more and more attention to the study of marketing in the banking sector. Currently the commercial banks in developed countries expand their business by means of merger and introducing new financial products, which can ensure their healthy development and increase their abilities of anti-risks as well as reducing operational costs. In the past decades the commercial banks in developed countries have been in pursuit of business expansion, function extension, improved service framework and the multifunctional financial products. They are inclined to become all-around financial institutions.

India's commercial banks boast a short history of adopting marketing strategies. However, some scholars and bankers have proposed some suggestions on marketing suitable for the country's reality. Doctor Ye Wangchun of management says that India's commercial banks fail to define a clear market as well as lack strategic plans in the book of "the Market Positioning of Medium and Small sized Banks. The doctor thinks the commercial banks of medium and small sizes should dedicate to adopting their special service means during the competition with similar institutions, with a view to forming a special financial products and service different from the big banks. Mr. Peng Leiying concludes that although some of the domestic commercial banks have a better understanding of customers-centered theory, most of which are meandering when conducting research into their customers. Most of them pay much more attention to short-term interests, individual customers and banks' sizes, but ignore the long-term benefits, group customers and profits. The banks are unable to catalogue markets scientifically.

The current studies illustrate the importance of marketing for commercial banks from different angels, but fail to formulate the frameworks of adopting marketing strategies from the "fieldwork" point of view. The paper takes the status quo of the marketing of India's banking

sector and tries to rethink the strategic plans in the marketing undertakings for the Public Sector commercial banks.

The process of commercial banks' marketing and management should include the following phases: analyzing markets' opportunities, selecting target markets, developing marketing strategies, formulating marketing plans, operation and controlling marketing activities.



2 SETTING DEVELOPMENT STRATEGIES AND SALES TARGETS

2.1 Defining development strategies and drafting sales plans

The proceeding of sales designs is indeed the process of introducing strategies in order to reach their goals by commercial banks. The Public Sector commercial banks should give priority to the study of the current competition in banking sector while formulating their development strategies. The banks should conduct SWOT analysis based upon the current marketing trends and the future trends. Looking for market opportunities should be placed on a top agenda, and then they can put forward strategic goals fit for their independent development. The diagram below is the development strategies concluded in accordance with the SWOT analysis.

	<p>Superior factors</p> <ul style="list-style-type: none"> ① large-scale assets ② state credibility support ③ broad customers' resource ④ mature service networks ⑤ leading position in markets 	<p>Weak factors</p> <ul style="list-style-type: none"> ①burden of redundant employees, high cost of operation ②the treatment of non-performing assets affects the designated economic benefits ③ lack of capital, difficult to manage ④ unhealthy outlets' management
<p>Opportunity factors</p> <ul style="list-style-type: none"> ①more financial service requests, great market potentials ②good policies to increase the int'l competitiveness of SOCBs ③entry of WTO results in the adoption of advanced management, stimulate the process of the market-oriented formats 	<p>SO strategies</p> <ul style="list-style-type: none"> ①speed up financial system reform, creating a better environment for SOCBs' marketing development ②draw on experience from foreign counterparts and combines China's status quo to develop a modernized marketing management ③innovating new financial products, developing customers' potential demands to provide customers with package services 	<p>WO strategies</p> <ul style="list-style-type: none"> ①abandoning non-performing assets with good policies, in order to create a better environment for SOCBs' marketing strategies ②improving human resource training mechanism and quality of employees, reducing management costs ③innovating products, developing mid-business, and increase the profit-gaining capabilities step by step ④pool more funds into marketing, strengthen publicity
<p>Threat factors</p> <ul style="list-style-type: none"> ①administrative interfere affects banks' independent marketing management ②lack of experience in int'l competition, greatly stressed ③separate operation and supervision are the barriers to become an all-around banks ④untimely legislation in banking sector 	<p>ST strategies</p> <ul style="list-style-type: none"> ①set up a mixed operational system, rev up the process of market-oriented interest rates' fluctuation, and reduce administrative interfere ②enact and improve relevant legal systems and regulate banks' acts ③applying diversified positioning ④a fast learning of foreign counterparts' experience, seize key customers, develop a special marketing program suitable for China's status quo ⑤developing new financial products, cultivating the capabilities of innovation 	<p>WT strategies</p> <ul style="list-style-type: none"> ① try to shun the face-to-face competition with the commercial banks from developed countries, developing the resources of key enterprise customers based on the quality services to the individual customers , for example offering better services to medium and small enterprise customers in accordance with their needs ②using the current market loyalty to service the existed customers

Figure 2: Public Sector commercial banks' strategies

The Public Sector commercial banks shoulder the historic tasks of leading the development of India's banking sector. To this point, the WO-ST-SO strategies are suitable for the Indian commercial financial institutions but not the WT strategies.

2.2 Setting the marketing targets

After defining the future development strategies, the Public Sector commercial banks should embark on the formulating of marketing goals. Among banks' goals are profits, increase, scale, market shares and shunning and distracting risks. In the long-term run, all the above-mentioned points can be ascribed as the maximum profit goal. India's Public Sector commercial banks should set the ultimate maximum profit strategy as the marketing target, and then degrade the general goal to formulate the operational targets in different phases. In terms of market shares, return rates of investments and increase scale, the banks should introduce quantized goals.

3 FORMULATING MARKETING STRATEGIES

3.1 A market-oriented investigation and research into customer's launch of customers' database

In the future the Public Sector commercial banks should conduct a market-oriented investigation and research into customers as well as collect the data about their customers. With the help of the auxiliary marketing analysis system, a database about customers should be established, in a bid to conduct the most effective customer management. Therefore the following points should be emphasized in the process of investigation and research.

3.1.1 Making the orders according to customer's needs towards banks

Different customers have different needs about financial products even they choose the same banks. Some customers pay attention to the convenience while some put emphasis on the service attitudes. And some pay attention to the safety of the financial products. As a result herein the Public Sector commercial banks should put emphasis on customers' different demands in the process of investigation and research, in order to formulate precise policies.

3.1.2 Paying attention to the investigation into the key factors that influence the brand images of banks

Commercial banks are enterprises and the building-up of the “brand” should be taken into consideration. Brands require of market fame and reputation from customers. Only reach the two points can the banks’ brands bring customers with satisfaction and loyalty. In the future the domestic commercial banks should put emphasis on the investigation into the factors that greatly influence customers’ selection of banks. Based on the conclusion the banks can make sure where their promotion budgets will be put and how much.

3.2 Conducting detailed market classification

Market classification is of great significance in the definite purpose-making and resource-saving for commercial banks. Furthermore, it will form its own advantages by means of diversified services. The commercial banks are required to establish their own customer service teams responsible for the classified customer management.

3.2.1 Be aware of the actual and potential demands towards banking products, then precisely classify markets

There are a number of standards for the classification of enterprise customers. So far commercial banks frequently apply the classification method according to the sizes of the enterprises. India is following the international practice and the classification standards for banks are becoming blurred. The Public Sector commercial banks need to get to know the enterprises of different sizes, actual and potential demands towards banking products. According to their demands the banks then can develop products and services to the enterprises’ tastes. In particular, the key customers and superior customers should be sought. And banks will be able to conduct customer-relation management and customer-relation marketing in order to provide superior customers with better services.

3.2.2 Constituting the classified markets for individual customers and strengthening the management of individuals' database

There are great potentials in the classified markets for individual customers, which are the stable capital sources for the Public Sector commercial banks. To improve their competitiveness all of the banks are trying to occupy more such market shares. Commercial banks should use the computer network to set up customers' database that they can conduct classified management

With the help of the analysis system, banks can understand the study the constitutions of customers, and then they can conclude superior and key individual customers. All of the efforts aim to better understand customers' current and potential demands. In addition the commercial banks should keep optimizing the structures of the individual customers by means of diversified marketing strategies.

3.3 Implementing appropriate target markets' sales strategies

The target markets are the definite part that commercial banks will enter after detailed classification. The Public Sector commercial banks should clearly understand every customer groups' characteristics and definite demands as well as get to know competitors' strategies and their advantages and disadvantages. Then the banks are able to provide their target customer groups with suitable products and products combination. They should choose target marketing strategies reasonably and show the advantages of diversification.

3.3.1 Adopting intensive marketing strategies and professional operation

The intensive marketing means that commercial banks treat one and several classified markets as their target markets and concentrate their marketing forces according to particular customers' demands. As for Public Sector commercial banks it is a wise way for them to adopt intensive marketing strategies. Meanwhile the banks can draw on experience from their foreign counterparts to select the key and superior customers who can contribute more to them. The banks can obtain their niche by providing profit-gaining banking products.

3.3.2 Implementing verified marketing strategies and improving market competitiveness

The verified marketing strategies mean that commercial are able to choose two and more classified markets as their target in accordance with the detailed market classification and own conditions and operation environment. Meanwhile the banks are required to design and provide different banking products for every detailed classified market. Although the strategies will do increase banks' development and operation costs, they will be able to better meet customer's demands of various styles since they boast abundant capitals as well as they can innovate their products and precisely classify services.

3.4 Precise market positioning

So far the Public Sector commercial banks have accounted for around 70% of the market shares, but with the opening up of Indian financial markets the competition will do accelerate. Therefore the Public Sector banks must precisely put themselves into a proper place on markets and implement a market-oriented strategy. Diversified operation is of great significance in maintaining and expanding their market shares.

3.4.1 Optimizing income structures and occupying intermediate business markets

Currently the income of the Public Sector banks relies heavily on the interest of loans which means that the banks must bear a certain scale of risk. India's Public Sector banks are lagged behind their foreign counterparts in the field of intermediate business development. But this point will be the major income increase factor for those Public Sector commercial banks. Therefore the Indian banks should keep developing the intermediate business such financial telecommunication, consumption loans, entrust, information consultancy and mortgage, which will help the banks optimize their income structures.

3.4.2 Developing new asset business

The commercial banks should further speed up the securitization process of loans and increase the proportions of treasury bonds and financial bonds. Furthermore they should develop the foreign currency-related business and reduce the proportions of the traditional loan-offering business gradually. The banks thus can optimize their assets' structures.

3.4.3 Adjusting structures of credit objectives and supporting medium and small sized enterprises

Currently the Public Sector banks put emphasis on the business with big enterprises but ignore the medium and small sized enterprises. Although banks can obtain huge profits, it will result in a lopsided development in the bank-enterprise relations and increase their financial risks. The Public Sector commercial banks should attach great importance to the development of the rising medium and small sized enterprises. And they should strive for the diversified financial products to avoid the redundancy of marketing positioning as well as create more channels for income-generating.

4 DESIGNING MARKETING GROUPING STRATEGIES

4.1 The products strategy of commercial banks

The Public Sector banks should precisely analyze the market positions of every product according to the cycle period of their life-spans. Therefore they can introduce the best groupings of different financial products.

4.1.1 Constantly developing banking products and forming first-class banking services

Currently the development of new products by Public Sector banks should give priority to the traditional business-oriented innovation; the financial institutions can absorb their foreign counterparts' experience to develop new products in low costs with their own advantages. The banks should design different deposit and loan services for particular customers, and "cut the garment according to the figure" is the principle. The banks should devote themselves to the non-

credit intermediate business such as providing financial consulting services and marketing strategic advisory. Meanwhile the Public Sector commercial banks should strive for the development of low-risk financial derivatives. Then they can expand their business to the high-risk fields, which will help pave the way for a mixed operational mechanism. The banks are able to greatly improve their managerial levels with the help of constant banking product innovation. In addition flawless management and people-oriented services are required for the commercial banks.

4.1.2 Optimizing banking products' groupings

Now Public Sector commercial banks should set the expansion of products' groupings as their major strategy. For example the financial institutions can expand their scopes of the banking products such as developing insurance, securities intermediary and fund services. By doing those, the banks will be able to bring their initiatives in the fields such as technology, human resources and resources into full play, as well as expand their markets and disperse risks with an improved competitiveness. And the banks can 'inject' new blood in their products' strategies, for example, their intermediary business can be enriched based on the existing business such as processing tax, power and gas bills for customers. Thus banks shall become suitable for customers of different levels as well as improve their market shares.

4.1.3 Strengthening financial brands, shaping experience-sales

The financial brands reflect the individualism of financial services. Of course commercial banks need to build up their special "brands". The Public Sector commercial banks should clone the methods adopted by the retailing sector such as the establishment of "brands manager system", and they should shift their focus to the experience of customers and the improvement of brands' core value. Banks should build up their financial brands starting with the factors that can lead to an interaction with the customers such as value, culture, personality, benefits, regulations, habits, identity and emotions. And banks should pay attention to the social benefits while

implementing brands-oriented marketing programs, a “green management” is necessary. In the meantime, the Public Sector banks should draw on experience from their foreign counterparts in the application of brands-oriented management. They should be good at making decisions in view of strategic angels.

4.2 The pricing strategies of commercial banks

The Public Sector commercial banks should try to reduce their costs by abiding by the national financial laws and regulations, policies and macro adjustment, in order to improve their profits.

4.2.1 Reducing costs by service innovation

Currently the commercial banks offer similar financial services and they focus on the quality of services and service charges. Therefore the service procedures should be disintegrated and staff training should be emphasized in a bid to improve service efficiency and reduce service costs. To be honest, they are the inevitable choices for the Public Sector banks to obtain maximum profits. Furthermore, the financial institutions should keep innovating and getting to know customers’ actual and potential demands towards the services.

4.2.2 Reducing costs by managerial innovation

The modern management theories should be applied in the operations of Public Sector commercial banks. The adjustment of inner organization and management systems are demanded. A pancake-style organization system should be launched in the banks in order to improve the management efficiency and reduce management costs. Every department and branches must be trained to be well aware of the relations between costs-saving and profit-gaining. Thus the cost-oriented managerial system will show its effects in the allocation of resources and the adjustment of spending. All of the means will help directly and indirectly reduce managerial costs, and the overall costs of services will go down accordingly.

4.3 The distributional strategies of commercial banks

Since the India's E-network in commercial banks is relatively underdeveloped, branches and sub-branches remain playing the most important role in the distributions of their financial products.

4.3.1 Rational distribution, establishment of famous "brand" networks, forming a comprehensive advantage

Currently the Public Sector commercial banks should conduct rational distributions of their branches and sub-branches according to regional economic environment and customer groups' characteristics. The single-functional branches should be reshuffled to the multifunctional individual financial service center. Next the famous brand image branches and sub-branches network should be established and the central administrations give more favorable policies to the institutions. Thus the famous image offices will become the core part of the benefit-contributing and brand-model of the commercial banks. And they will play a radiating role in the overall strategies and form a comprehensive advantage.

4.3.2 Developing diversified distributional channels and channel innovation

The services and distributional channels of financial products are experiencing the process of being more and more complicated and diversified; the Public Sector commercial banks should carry out reforms on the orientation of marketing such as entering supermarkets, department store and residential communities. The banks should develop new distributional channels and conduct channel innovation. And they can cooperate with other enterprises and the mutually beneficial result will be shown. Cross-selling in different channel and up-selling in the same channel both can be applied. The banks are required to develop the cross-selling modes suitable for them by combining the reality of India and their own characteristics. Meanwhile, the sales through ATMs, telephone-banking, terminals in branches and on-line banking should be promoted. It aims to increase the capabilities of banks' service-providing.

4.4 The sales promotion of commercial banks

Like the enterprises, the commercial banks can use advertisements, salesmen, operation promotion and public relations to promote their financial products. Among the promotion means, salesmen play an important role and should be emphasized.

4.4.1 Using various sales promotion means for a unified marketing

In the past the Public Sector commercial banks could not form an integrated image and products promotion. Therefore they should take CI into consideration and integrate the images of ideas, acts and outlook as a whole. During the promotion campaigns the images of the banks should be strengthened. The banks should apply various sales promotion means to build up an obvious image of the financial institutions.

4.4.2 Salesmen system

The salesmen system is crucial to the success of the banks. The market-oriented Public Sector banks should make their employees be well aware of the relations between their work and banking services. They should attach the importance of the salesmen system. All of the staff should receive better training, especially those staff working as salesmen. They should be trained to be able to offer package services to the customers. This way will help reduce the costs of the banks as well as provide customers with all-around banking services.

5 ENFORCING MARKETING PLANS AND TIGHTENING THE MARKING CONTROLS

5.1 Enforcing marketing plans

Operational plans of great feasibilities are crucial to the success of appropriate marketing programs and purposes. The banks should be well aware of who, where, when, what and how the

marketing activities are being carried out. To make the promotion reach the satisfactory result, the administration and staff should collaborate closely. The cooperation between marketing departments, other departments and branches is very important to the operation of a successful commercial bank. The banks can draw on experience from their foreign counterparts by adopting the “task groups” mechanism to carry out the marketing programs. When the banks are scheduled to promote a particular financial product, a special team will be established. The product manager is responsible for leading the team. All the members of the team are required to complete their assigned tasks within the given time. Meanwhile the members should supervise the process of the promotion programs as well as the impacts to their departments.

The banks should embark on the initiation of the new financial products and the supervision when every inner element and operational marketing strategy becomes mature.

5.2 Tightening marketing controls and supervising marketing consequences

Since the markets keep developing, only the strategic purposes and steps are under lasting controls can banks receive organized feedbacks of their marketing activities. And the banks can be innovative. The Public Sector commercial banks should set rational marketing control targets and carry out marketing controls. Generally speaking banks frequently use the profit ratios, market shares and business amount to control their marketing programs. With the deepening of the competition between banks, the Public Sector commercial bank is required to put non-accounting factors onto management agendas. Among the factors are the satisfactory rates of the staff, staff training, teamwork and public responsibility as well as the innovative abilities such as R&D abilities and the capabilities of developing new products.

6 CONCLUSIONS

Due to historical reasons, India’s commercial banks have not met the criteria of the standard

commercial banks in the world. As a result Indian commercial banks fail to promote their financial products in accordance with the actual markets status quo. In addition the Indian financial institutions lack systematic understandings towards marketing strategies that commercial banks should be well aware of. The Indian commercial banks should introduce brand new marketing theories by drawing on the advanced experiences accumulated by their foreign counterparts. And they should apply marketing means and keep innovating. The financial institutions are required to open a new road in the banking sector suitable for the India's actual conditions. As a matter of fact it is a must for the Indian commercial banks in the new international competition environment.

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