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MARKETING STRATEGIES OF THE BANKING INDUSTRY

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Marketing Strategies of the Banking Industry

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***Abstract –** Marketing came into Indian banks in the late 1950's not in the form of marketing concept but in the forms of advertising and promotion concept. Soon it was realised that marketing transcends advertising and friendliness. Till 1950 it was recognised that personal selling was not necessaiy. The bankers went out of their way to avoid being accused of selling. The bankers even eliminated the word 'selling' and they called the function of customer contact 'business development function.*

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Banking Industry is one of the most important service industries which touches the lives of millions of people. Its service is unique both in social and economic points of view of a nation. Earlier the attitude of banking service was that it was not professional to sell one's services and was unnecessary in the sense that traditional relationships and quality of products were sufficient to carry forward the tasks. Before the mid 1950's the banks had no understanding or regard for marketing. The bank building was created in the image of a Greek Temple to impress the public about the importance of a bank. The interior was austere and the teller rarely smiled. Bankers maintained austere dignity and they hardly maintained friendliness.

It was in the late 1950's that marketing in banking industry emerged in the west, It emergence was in the form of advertising and promotion concept. At that time, personal setting could not get a significant place. Gradually there was a change in the attitude of bankers, probably in time with the attitudinal change in customers. The idea of customers' satisfaction began in the late 1950's, flourished in 1960's and became an integral part of the banking services in the 1970's. But the same trend could not be applicable, especially in developing countries and to be more specific in India because of socio¬economic and political reasons.

Marketing came into Indian banks in the late 1950's not in the form of marketing concept but in the forms of advertising and promotion concept. Soon it was realised that marketing transcends advertising and friendliness. Till 1950 it was recognised that personal selling was not necessaiy. The bankers went out of their way to avoid being accused of selling. The bankers even eliminated the word 'selling' and they called the function of customer contact 'business development function*. The bankers' attitudes and comprehensions about marketing changed in the 1960's. They began to realise that marketing was a lot more than smiling and friendly tellers . The idea of customer convenience began in the late fifties and it flourished in the 1960's. Bankers were beginning to understand the concept of market segmentation in the late 1960's. The bank marketing profession changed dramatically in the 1970's. Marketing positions in banks were created and marketing was accepted as an organisational imperative.

To understand how banking services can be marketed better, one must examine banking as a service industry, in the content of a swiftly changing environment, redefine marketing to suit a banker's needs, analyse how the marketing of financial services differs from that of other products, identify the tasks involved there in and set forth a series of steps for effective bank marketing3.

When modern managers the world over are busy having their marketing skills, bankers in India can ill-afford to shrug it off and keep away from global changes in banking which are in favour of "Optimal satisfaction of customers' wants and creation of customers for novel products". As a matter of fact competition was not in existence. On the one side of the fence was the State Bank of India alone, which is enjoying Government ownership and on the other side were private Commercial Banks, local by orientation, primarily servicing the interest of the controlling business houses. Therefore neither the State Bank nor the others cared much for the public. Furthermore, their service is confirmed to a limited range of services which included Current Accounts, Term Deposit Accounts and Savings Bank Accounts in Deposit Area. In the area of advances, limits were sanctioned on the basis of security by way of lock and key accounts and bills, purchased limits, their miscellaneous services included issuance of drafts, collection of outstation cheques, executing standing instructions and lockers facility at a few centres. It was the phase of class banking and even the communication through the media was looked down upon with contempt as something against the tenets of banking culture. Even the advertisements released till 1966 were very few.

After nationalisation of 14 major commercial banks in 1969, banking system in India is no longer the exclusive preserve of a few Industrial Houses or business families and has become a very important instrument of socio-economic changes5. Bankers, after nationalisation, woke up from their splendid isolation and found themselves placed in a highly competitive and rapidly changing environment with competition becoming fierce day by day. The traditional description hardly suffices today's needs. Due to this, banks approaches towards customers and market underwent changes and focus was gradually shifted to marketing their products.

Even the economist's view that bankers are creditors of money and not mere purveyors of credit does little justice to the present-day bankers' pivotal role in our society. Today banks are virtually becoming "Financial Supermarket" for their customers6. Banks were product oriented organisations, placing before the prospective customer their range of services, expecting him to choose, presuming that the customer had the knowledge, time, interest and skill to pick out the services that would suit him. Along with it, banks also became conscious of their corporate image and its projections and this introduced the public relations philosophy in banks with the purpose of image projection.

The first major step in the direction of marketing was initiated by the State Bank of India in 1972, when it recognised itself on the basis of major market segments, dividing the customers on the basis of activity and carved out four major market segments. They are commercial and institutional segment, small industries and small business segment, agriculture segment and personal and services banking segment. The new organisational framework embodied the principle that the existence of an organisation primarily depends up on the satisfaction of customer needs. The hallmark of the reorganised setup was customer orientation. It aimed at.

- having a total view of customers needs.

- meeting the identified needs in the best possible manner, identification of potential customers, and

- conducting activities at the branches on the basis of carved- out market segments instead of job wise.

By 1974, the environment became more demanding with the emphasis on mass banking and canalisation of credit into priority areas and lending at differential rates of interest to the weaker sections of the society. This placed strains on the profitability of banks which led to keen competition, which is detrimental to the banking system in the ultimate analysis. This time even though banks were talking of marketing, they were essentially selling. A notable change during the period was related to two major components, that is product and promotion. The other two 'Ps' that is price and place were highly controlled by central banking authority. Banking began to offer profit security regular income, retirement benefits, money for marriage of the daughter, education for growing children etc.

It was in the early 1980's that banks realised that marketing was more than that. They started thinking in terms of product development, market penetration and market development. Moreover banks also accelerated the process of equipping their staff with marketing capabilities in terms of both skill and attitude through internal and external training.

Through the continuous modification and rectification in banking and implementation of financial sector reforms as per the recommendation of the committee on Financial system the functioning of banks in India has undergone dramatic changes. Starting from very conservative traditional banking where the service of banks was confined to a few in the society, now due to liberalisation and privatisation, a 'U' turn has taken place in Indian banking. The hallmark of the changed concept aimed at having a full view of customers' needs. That is, fulfilling the identified needs in the best possible manner by required service. These splendid changes have three phases. They are traditional banking period.

- development banking period, and

- bank marketing period

Figure 1. Discloses the evolution of bank marketing in India.

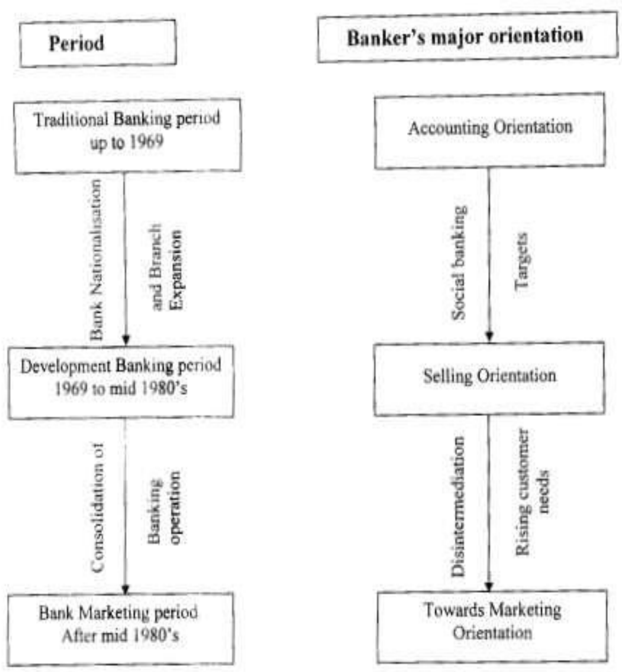

Figure 1. Evolution of bank marketing in India

TRADITIONAL BANKING

This period is also known as Pre-nationalisation period. The basic symbol of this period was strong accounting orientation of bankers down the time. In other words, meticulous maintenance of accounts books and an inward-looking approach in transacting business with the customer. Investment of banks funds is based on liquidity principles. In loaning, the quality of security is more important and the requirement of the customer gets least importance. The customer was presented with readymade banking products with an option to take it or leave it. Due to the limited banking network then available, the customer had little alternatives. So the banking business kept prospering even with a limited clientele base and a set of inflexible rules and regulations meticulously observed both in letter and spirit8. During the period there was strong banker customer relationship but the customers were selected the few in a society. This period is popularly known as period of class banking.

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