CHAPTER TWO

MARKETING STRATEGIES OF THE BANKING INDUSTRY

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[1]. Till 1950 it was recognised that personal selling was not necessary. 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[2]. 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 marketing[3].

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[4].

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 changes[5]. 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 customers[6]. 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[7].

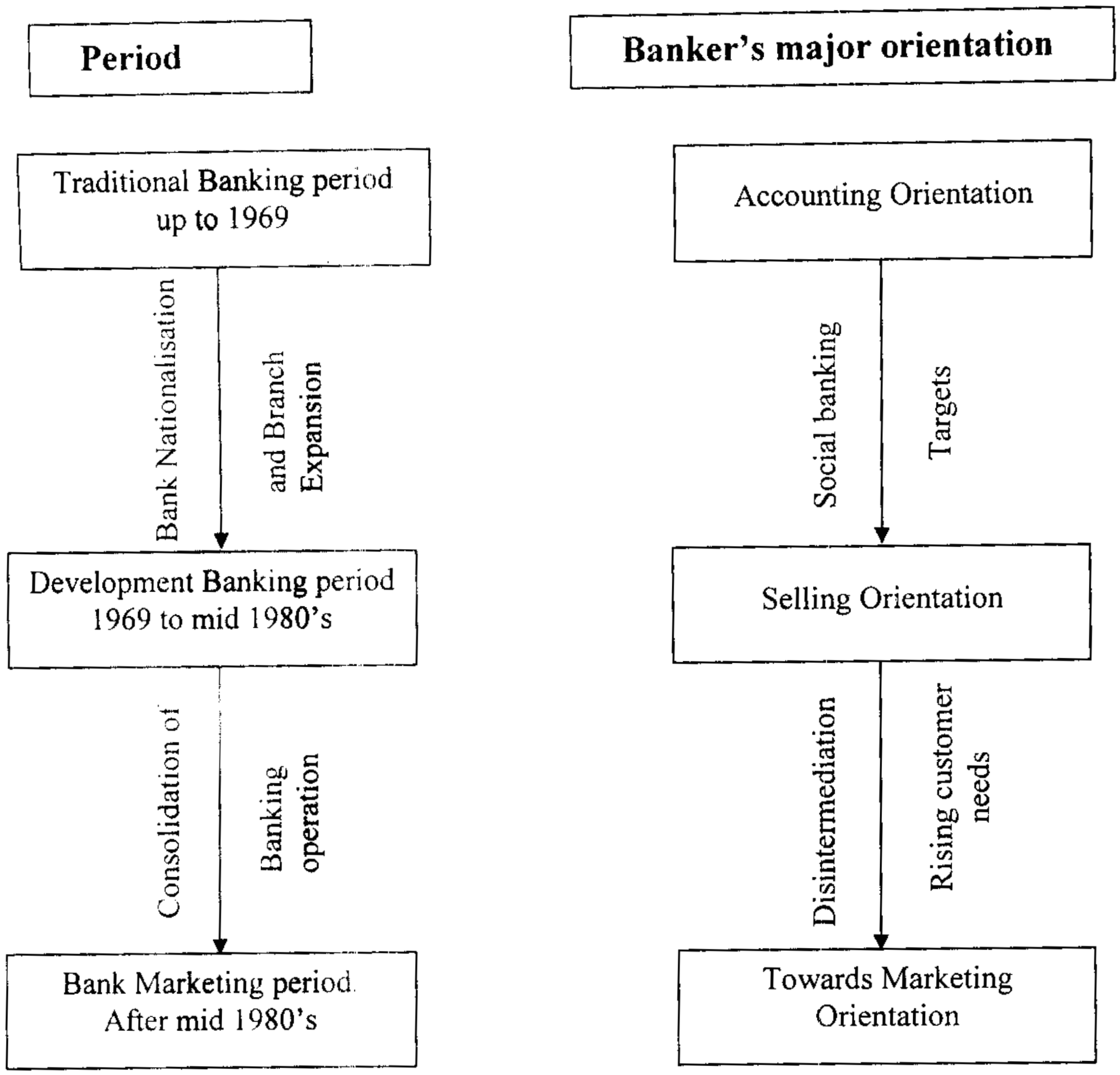

Figure 1. Evolution of bank marketing in India

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 spirit[8]. 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.

Development Banking Period

It is otherwise known as post-nationalisation period. There was dramatic change with the nationalisation of 14 major commercial banks in 1969. Inspired by the well-known socio-economic objectives of nationalisation went in for phenomenal branch expansion during the seventies to cover every nook and corner of the country. Financial assistance on a very large scale was made available to the economically weaker sections of the society. The sheer magnitude of development banking effort undertaken by public sector banks during this period remains unmatched by the banking industry anywhere else in the world[9]. As far as the evolution of bank marketing is concerned, the bankers came out of their ivory towers and reached out to the masses. A large number of deposit and loan schemes were developed during this period according to the requirements of different sections of society as per the national priorities. Even though bankers reached out to the masses, then, orientation and mind set still did not evolve much beyond the take it or leave it syndrome of the pre-nationalisation era. The basic reason is that the banker was still operating sellers' market. The inference of this scenario suggests that the banker of this period never found it necessary to ascertain what the customer actually wanted. What the banker did was present a few products to the customers and push hard enough amongst the customers in order to achieve the predetermined levels of deposits and advances fixed by the bank. In other words, the bank adopted a selling stance. The discipline of bank marketing did travel some distance in as much as marketing tools like market segmentation, product diversification and expansion were experimented with. For instance, the State Bank came out with its market segmentation scheme and innovative loan products like, IRDP, Differential Interest Rate Scheme and Crop loans. were extensively marketed. But the basic content of marketing had yet to be absorbed by the bankers at large[10].

Bank Marketing Period

It is also known as modern period. The frantic pace of branch expansion and credit disbursement during the development banking period has direct impact on the health of public sector banks. The real outcome was the proliferation of loss-making branches. The problem of communication and transport network in the countryside, rising customer dissatisfaction with banking services, and resultant apathy of bank staff towards developmental work are the basic reasons for this. The RBI urged commercial banks to take stock of the state of affairs, to consolidate their gains and go slow on branch expansion, thus ushering in the period of consolidation. The bank visualises the risk inherent in continuing to do business as before. So there is a growing awareness that marketing was an essential tool in the hands of the banker, an inescapable necessity without which perhaps survival itself might become difficult in future.

The most important factors which have given a momentum to the bank marketing in the country are Financial Disintermediation. The basic job of a banker is to accept deposits from investors and or depositors and after providing funds for statutory obligation like SLR and CRR bank extend loan to borrowers. The difference between deposit interest rate and the loan interest rate is the banker's 'spread'. Thus the bank acts as an interlinking factor and this is called financial intermediation as in figure[11] 2.

Figure 2. Financial Intermediation

In another angle, the banker brings together those who have surplus fund and those who are in need of it. This has been the process for the last few decades in India. Now due to the opening of new avenues for both deployment of surplus fund and also for securing funds, meeting of depositor and borrower via banks are now meeting without the mediation of bank. There are a number of non-banking alternatives for the depositor like share market, Post-office saving, UTI, mutual funds and company fixed deposit. All these are investment avenues and many other similar ones have flooded in to the Indian financial market. Furthermore, it is an unavoidable process of rapid economic growth. The outcome of these processes is undermining the traditional banking function of intermediary between investors and borrowers. This is known as the process of financial disintermediation which is depicted in figure[12] 3.

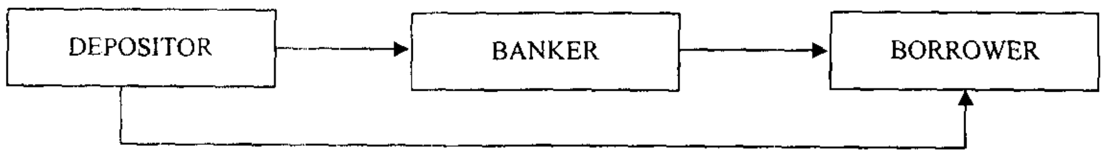

Figure 3. Financial Disintermediation

The basic outcome is that the process of financial disintermediation cut the roof of traditional banking. On the one side, deposit mobilisation is threatened because of alternative lucrative investment avenues are available to depositors. Similar is the case for lending aspect also because borrowers can now access cheaper and less cumbersome avenues for raising resources. In a nutshell, financial disintermediation has created a serious threat to the very survival and growth of basic banking activities.

In such a situation, banks have been frantically looking for alternatives to survive and thrive. It is here that bank marketing came to their rescue. With its emphasis on the centrality of the customer to entire banking operations, the bank marketing concept has provided a way out in the form of a host of new banking services and instruments. Bank marketing has emerged as the principal survival strategy for banks confronted with an accelerating pace of disintermediation.

Another face of the growth of Indian economy in recent years has been the fantastic increase in needs and expectation of banking customers. Important factors for this change are

- The spread of Television, including access to international channels,

- Rise of Indian middle-class with considerable financial resources and furthermore, a higher propensity towards consumption,
- Entry of foreign and private sector banks in India,
- Break-up of the joint family system in urban India, and
- Govt. intervention for protecting the interest of consumers.

All these and similar other developments have combined to produce a typical bank customer who is no longer prepared to accept things lying down. He has started harbouring higher-expectations from banks to fulfil his newfound needs and has become quite articulate about them[13]. Now due to the change in the attitude of customers, banks cannot continue with their "take it or leave it" attitudes. If they do so they will lose their customers because customers have a number of other options. So banks must be closer to the customer in order to satisfy them. In other words this is exactly what bank marketing is.

An offshoot of economic liberalisation is the phenomenal growth in competition in the banking industry. A number of private sector banks with considerable financial might and expertise have already made an entry. In addition to this, foreign banks have also made their presence in the country. Besides, a large number of Non-banking Finance Companies as well as recently proposed local area banks are competing to get the maximum share of the market. So for the first time, bank customers in India are going to have a choice. This situation brings 'bank marketing' to increase business and profit.

A popular definition of bank marketing is given by S. Kuppuswami in the following words, "Creation and delivery of financial services suitable to meet the customer's need at a profit to the bank[14]". This definition recognises the imperative need to satisfy customers, the significance of both the creation and delivery aspects of bank services and underlying profit motive.

The most comprehensive definition of bank marketing is given by Deryk Weyer of Barclays Bank. He calls it as, "Consisting of identifying the most profitable markets now and in future, assessing the present and future needs of customers, setting business development goals, making plans to meet them and managing the various services and promoting them to achieve the plans – all in the context of changing environment in the market[15]".

Hartley prefers to call bank marketing responsive marketing which suggests an attuning or responding to the charging needs of customers' society and environment[16]. Gist look at the social dimensions from a different angle. He says that because marketing activities lead to the creation of new products and services, because marketing activities promote new ideas to the society which is being served and because marketing involves an important persuasive role in the formation of public opinion, marketing is unavoidably a social concern[17].

Rajeev K Seth defines marketing orientation in such a way that, marketing orientation is basically an attitudinal disposition of a banker which enables him to anticipate customer needs and also inspires him to satisfy that need[18]. Two ingredients of marketing orientation are

- an ability to anticipate customer needs and

- Willingness to satisfy them.

Figure 4 displays the concept of marketing orientation in banking[19].

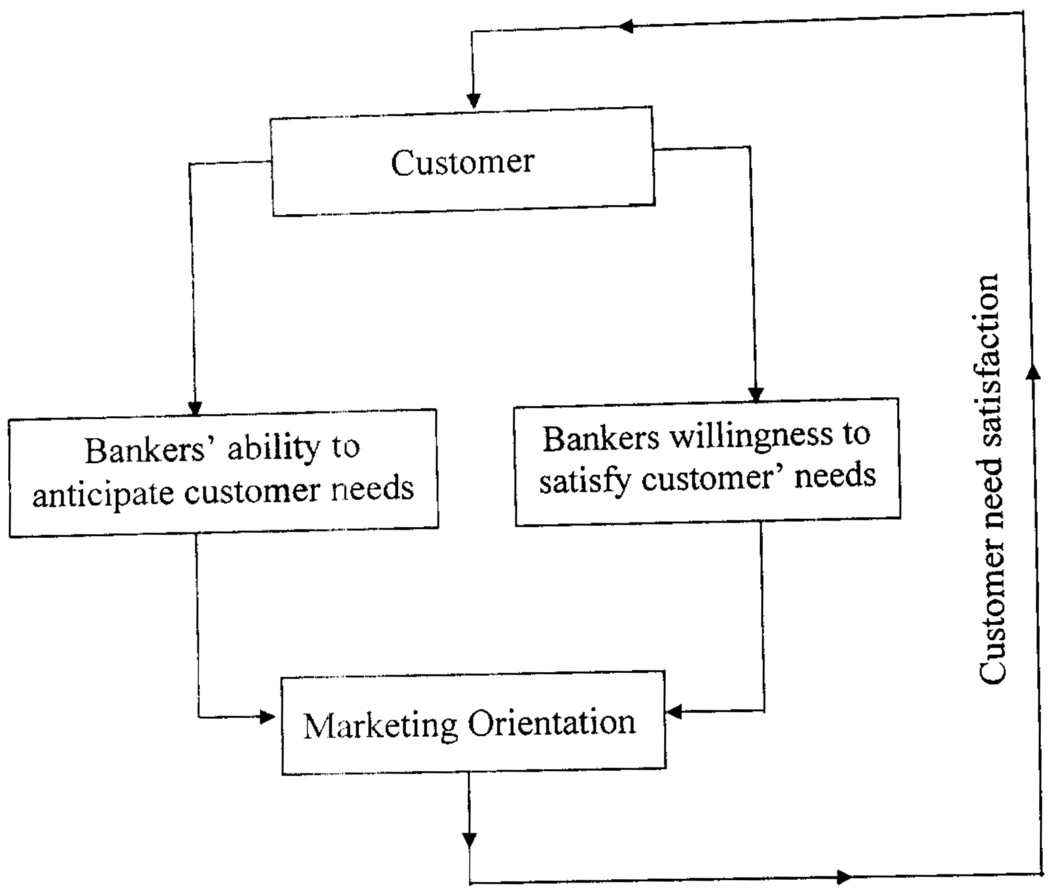

Figure 4. Concept of Marketing Orientation in Banking

The customer of a bank today is most discerning. With banks operating in a buyer's market, the customer looks for a bank which can meet all his present and future requirements at an affordable competitive cost. He is also increasingly quality-conscious. Almost everyone would appreciate that no two classes of customers are alike. Therefore in any environment relating to a banks branch or region, the potential clientele can always be classified into different homogeneous segments and distinct 4 Ps package judiciously offered to each segment. As Alan Roberts observes, "Market segmentation is the strategy of dividing markets inorder to conquer them, a continuous policy of looking for differences, geographical or otherwise in the total market and the continuous exploitation of these differences[20]. Market segmentation differentiates customers with similar banking needs from those with dissimilar needs. If homogeneity is greater in needs and behaviour of a group of customers then it is easier to understand them. In addition to that, segmentation provides a solid basis upon which the marketing strategy of a bank can be designed. Furthermore, segmenting the market also helps to evolve a distinctive marketing package for each segment based on the needs of different customer segment. This in turn helps the marketer to cultivate in the customer's mind a perception of psychological membership of bankers' offerings. A customer is more likely to have a feeling that the given marketing package has been specially designed for a person like him only, and not for everyday. This will result in greater satisfaction of customer needs which will in turn result in to higher return for every rupee spent in marketing. Marketing literature is teeming with information about the different basis on which market segmentation may be attempted. Some of the popular basis of segmentation are geographic, demographic, psychological, volume, benefit[21] etc.

Geographic segmentation in the banking context, one may have variations like metropolitan, urban, rural, north west, east, south, large city, small city on the basis of population, hill area, tribal area and desert area. By this segmentation, it is assumed that customers in a given geographic region would show a high degree of homogeneity in their banking needs. As geographic region are already demarcated, it is the easiest way of segmentation.

Generally, geographic segmentation could be further extended on the basis of demographic segmentation of customers. Typical demographic parameters in use are age, sex, income, occupation education, social class etc. In India, geographic and demographic segmentation combined together are likely to yield far more homogeneous segments than either of them individually.

Another more sophisticated criteria that a bank may use for segmentation is psychographic benefit parameters. Amongst psychographic parameters one could use segmentation variables which reflect personality traits of customers like leader-follower types, extrovert-introvert types, conservative-liberal types. This type of segmentation requires in-depth understanding of customer psychology. Even then it may remain uncertain to what extent these personality traits actually determine customer needs and behaviour. Because of these reasons, psychographic segmentation may be very difficult to implement in banks.

Another segmentation is benefit segmentation. Here segmentation is on the basis of the benefit that a customer seeks from purchasing a given bank product. For instance, going for a 'credit card' is seeking the benefit of status. Another going for a loan to a particular bank is seeking the benefit of economy. Similarly, a third customer is seeking the benefit of convenience and prepared to pay a price for prompt, efficient and courteous service. Thus benefits like status, economy and convenience could be the basis for segmentating the market. In a nutshell, geographic and demographic basis of segmentation applied in tandem, appear perfectly capable of yielding useful, specific and fairly homogeneous market segment for banks. These segments need to be tested on the basis of three parameters – measurability, profitability, and accessibility by each bank before being adopted. Some of the leading segments are Senior citizens, Students, Domestic tourists, Working women, Investors, Community, Housewives, Defence personnel, Young salaried people etc. They are also known as house-holding banking segments. None of these segments are totally new to bankers. But the degree of marketing effort they require is of a high order.

Household and corporate segments display several distinctive characteristics which are diametrically opposite to each other. In terms of marketing theory, the household segment has to be approached with consumer marketing principles while the corporate sector can be best understood through the principles of industrial marketing[22].

Under the sponsorship of Indian Banks Association, National Institute of Bank Management in 1986 conducted a study on "All India savings and Deposit Trends and Patterns" which is one of the important sources of Indian banking industry customers. This survey has collected data about households and institutions separately on a host of parameters of interest to bank marketers. Important findings can be categorised under three heads – households segment, institutional or corporate segment and rural segment of banking market in India.

Household Segment

A large number (80-85 per cent) of bank savers are either professionals or services workers. A sizeable population of production workers are still non-bank savers who are yet to be tapped by banks.

Banking is still a habit mainly of literate class only with 86-94 per cent of bank savers being literate. As against this 30-42 per cent of non-bank savers are illiterate – a potentially lucrative market segment for banks to tap with innovate products and marketing strategy.

Urban non-bank savers show a strong preference for investment in physical rather than financial assets. The motive behind this preference for investment deserves to be examined to tap this important group of household segment effectively.

76-87 per cent of investment in financial assets by non-bank savers goes to instruments like post-office savings, LIC, and Chit Fund.

Awareness about most banking products is strikingly low amongst non-bank savers. Lack of awareness could be a major reason why non-bank savers continue to stay away from becoming bank savers. Aggressive marketing promotion may overcome this problem.

The most important reasons for saving amongst bank savers are provision for emergencies, provision for old age and provision for marriage.

Suitable location of bank branch and quality of its service are the two main criteria for selection of bank by bank savers.

Only 56-62 per cent of bank savers feel that bank staff has a positive attitude towards customers. A sizeable 35.41 per cent opine that the attitude of the bank staff is neutral.

Of the total suggestions given by the urban bank savers, 31 per cent to pertain to improvement in systems and procedures of banks, 28 per cent to improvement in customer service and an additional 18 per cent to providing better and new services to bank savers.

9 per cent of urban-non bank savers (and 5 per cent of rural non-bank savers) have had bank accounts which were closed later. Two main reasons for their closure have been insufficient savings and quite significantly non-co-operative attitude of bank employees.

About 77 per cent of urban-non-bank savers (52 per cent rural non-bank 6 savers) read newspapers and see movies regularly. The media habit of non-bank savers could be useful for marketing promotion by banks in this potentially profitable segment.

Institutional Segment

In general, irrespective of the type of banks, the quantum of interest and security of investment are found to be most important reasons promoting institutional savers to invest in banks.

Unlike household savers institutional savers are not quite satisfied with the speed of various bank savers.

Majority of complaints of institutional savers pertain to delay in transactions, error in entries of passbook /statement of account, misbehaviour of bank staff etc.

Rural Segment

Rural savers exhibit a strong preference (58 per cent) for investment in physical assets instead of financial assets as compared to preference of urban savers (51 per cent).

Apart from saving account and fixed deposit schemes, the awareness about other banking products is relatively low amongst rural savers.

Besides the saving motive of bank savers mentioned earlier, a definite motive for saving amongst rural savers is the acquisition of farm assets.

Suitable location of a bank is the most important selection criterion amongst rural savers.

Gramin banks have an edge over other types of banks in terms of location suitable to rural savers.

About 84-86 per cent of rural bank savers are satisfied with the courtesy and promptness of bank staff.

45 per cent of rural bank savers are not satisfied with the existing network of branches in their area. This data has significant implication for branch expansion planning in banks.

The suggestions given by rural savers, besides those given by urban bank savers also include an expectation about improvement in staff behaviour.

Newspapers and magazines are found to be the most effective media for advertising bank products to reach rural bank savers.

95 per cent of the amount is invested in financial assets by rural institutional savers in banks. This is substantially higher than 68 per cent in case of urban institutional investors.

In the case of rural institutional savers the quality of service rendered by Gramin Banks seems to play a more vital role than quantum of interest income[23].

Understanding the customer is crucial and it is around this the entire gamut of marketing activities revolve.

Along with segmentation, judicious combination of 'Ps' is essential to satisfy customers. But when it comes to service marketing the context is different. In service marketing the human factor has an overriding role to play. Again, due to intangible nature of service products, tangibilising them becomes important. Furthermore, due to the presence of the human factor producing quality product is crucial. Such a combination is termed as marketing mix. Framing a market mix for service industry like bank is a laborious task. The level of customer satisfaction is not static among bank customers. The level of satisfaction will vary with the changing level of standard. It also changes to different customer segments according to their respective attitudes and aspirations. The multi-faceted development in the socio-economic fabrics has made it urgent that Indian banks reframe their marketing mix. Due to increasing competition from other financial institutions, made it necessary that Indian commercial banks review the line of banking service, channels of management pricing strategies and promotional stages. Investors started to invest their savings in other avenues of investment, earning 50 to 100 per cent of returns. Furthermore co-operative banks and other non-banking financial institutions also offer attractive dividend in return. Thus it is high time to think about reframing marketing mix of banking service.

The First 'P' – Product

First among the Ps of bank marketing is product mix. Product stands for both goods and service combination offered to the public to satisfy their needs. In the highly regulated banking industry all offered the same type of products. Actually the bank takes little time and no additional investment to develop a financial product or service. But the drawback is that no brand can be marketed with unique selling proposition for long because it can be copied immediately. Thus it is better to focus on some selected ideas relating to products, which have immediate operational utility as well as feasibility on banks.

In the evolution of bank products, the products can be categorised into three groups. They are Core products, Formal products, and augmented product. Core products are those products, which define the business. For a bank, some of the core products are Savings Bank Account, Current Account, Term deposit, Recurring deposit, Cash credit, Term loan, overdraft and the like. This has two basic characteristics. Firstly, they define the business of a commercial bank that is whatever banking service was extended these core products are there. Second is that, core products do not have strong marketing content, that is, the product must be specifically designed in view of the needs of customers in well defined homogeneous market segment. Since core products, are used as basic tools of commercial banking and serve the full range of customer segments or at least a large number of them, their marketing content cannot be rated as very high. But these core products are indispensable to any business[24]. Furthermore, these products provide a basis for the development of more sophisticated and marketing oriented products.

Formal Product

In the line product evolution, the next type of product is Formal product. Formal product is usually a combination of two or more core products and they have strong marketing content as they cater to some specific customer needs. During the last few years an ocean of formal products have hit the market due to rising customer expectation and anxiety to attract the attention of customers.

Sulabha, over draft of Canara bank, Vijayasree units of Vijaya bank, Smart Money of Hong Kong Bank, two-in-one of Standard Chartered banks, unfixed deposit of Citibank are some of the examples of Formal products. One of the basic features of services is intangibility. Tangibilising the intangible service product was a major challenge to the marketer. In other words, to help the customer in order to form a metal image of the intangible product is the main function to achieve competitiveness in service marketing[25]. On the other hand, if banks are applying core products alone, this will create stress upon customers to finalise how to apply core products as according to the requirement of the customer. That means it will restrict the application of bank services which results in limited banking business. Contrary to this, formal product will give right product with specific names as according to the requirements of customers to boost the banking business.

Augmented Product

This is a further modification of formal product. This is the age of value addition. Everybody is sold to the idea of value added product and services. Now it is common in the market that some ancillary benefits are attached. The main advantage of an augmented product stems from its strong marketing content. Because augmented product is made out of formal product which itself has a strong marketing content. It is further reinforced through value addition. A very good example for augmented product is Smart Money Account with Hong Kong Bank. When one opens a Smart Money Account, an account holder will also get free Any Time Money Card. Or when one opens a fixed deposit account, then the deposit holder will get the facility of safe custody free of cost. Figure 5 shows the evolution of bank product[26].

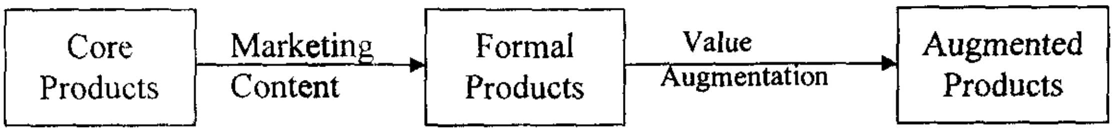

Figure 5. Evolution of Banking Product

Even though branches do not have the authority to design new products, they can operate by using matrix of Core-Formal-Augmented product in an effective manner. That is why banks are innovating more and more augmented products through proper value addition in their existing formal products.

The concept of product packages is by considering customers' behaviour. Generally, a customer comes to the bank simply for a product but basically for solving the problems and to satisfy the needs. Customer needs are varied, complex and multidimensional needs. A bank should offer multidimensional product otherwise called product package. In the place of offering one or two or a large number of products to the customers, it is by understanding all bank related needs of a customer and then evolve a comprehensive product package which can take car of his entire spectrum of needs. Hence once the bank gives a tailor-made product it will definitely cultivate a psychological ownership on the customer's mind. Another aspect required in a product policy is local touch that is, by considering local peculiarities, product must be local-oriented. Figure 6 shows the product package[27].

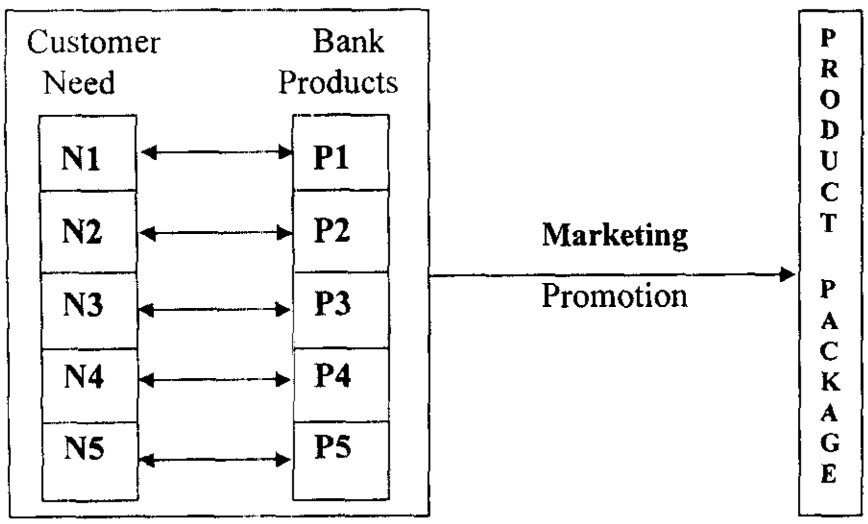

Figure 6. Product Package

The Second 'P' – Price

Price in the case of service, different terms are used for different services like fees for legal service, fare for transport service, commission agency services, premium for insurance service, interest for the use of money. Two characteristics, which have great impact on determining the prices of services are perishability and intangibility. In banking industry, price is the amount of money that will determine the exchange rate of bank product or services between the bank and customers. Price determination of the banking products or services is subject to regulation either by the Government or by the Reserve Bank of India. It is a unique feature of the bank price that the products are mostly designed by the banker while the price is determined by the RBI and Government of India. Due to this, there is uniformity in the price of bank product through out India. Hence the chance of competition on the basis of price is almost nil. As a part of the economic liberalisation programme of the Government, pricing in Indian banking is steadily being deregulated.

Successive credit policy pronouncement of RBI during the last few years has already brought about substantial deregulation and flexibility for banks in evolving their pricing strategy. Soon after the announcement of the RBI's credit policy in October 1994, ICICI bank announced a unique price structure for its deposits rate. The Bank offered 10 per cent for deposit of '6' months to 2 years and 8 per cent for 3 years maturity[28]. Even the area of ancillary service charges the raised pricing structure announced by Indian Bank Association aroused a lot of debate. Even though complete deregulation of the price regime is still to materialise, price is fast becoming a strategic tool for bankers for their marketing.

The Third 'P' – Place

The most important element in distribution strategy relate to this issue of location of the banks to render their service. Distribution means delivery of the products or service at the right time and at the right place. The place where the banking products or service are delivered is an important element in bank marketing. The place strategy of Indian banks has been on the basis of too many parameters. Prior sanction from RBI, and responsibility of banks towards development of banking habit in remote unbanked areas have been some of the important given parameters. So from the marketing stand point, place strategy is not fully positive to Indian banks. Some of the major trends in this are

- the branch licensing policy of RBI is already a thing of the past. This was one of the first policy responses of the government to the Narasimham Committee Report on Financial system 1991.
- branch expansion on the basis of social banking consideration has achieved its objectives substantially. Compared to any nation in the world, India has the largest bank branch network. Practically it covers every nook and corner of the country.

Thirdly, banks in India have been experimenting with a few strategies relating to place. That is, extending their reach through means other than branch expansion as well. The first such strategy is the concept of extension centre, satellite office etc. Secondly, the concept of special counters for certain customer segments for example, for pensioners, non-resident Indian, etc. Thirdly mobile office is also a part of current banking practice. Through this, the banker came to the doorstep of the customers. Fourthly, technology has also been deployed by banks for implementing their place strategy. Home banking and ATM are in Indian banking. Fifthly, a recent innovation is that of strategic alliance. This trend has been set up in motion mainly by the newly set-up private banks in order to overcome the draw back arising out of the limited branch network. Some of these banks entered into strategic alliance with already established banks having wide branch network. One such alliance is between Global Trust Bank and Vijaya bank. Figure 7 is given innovation in place strategy.

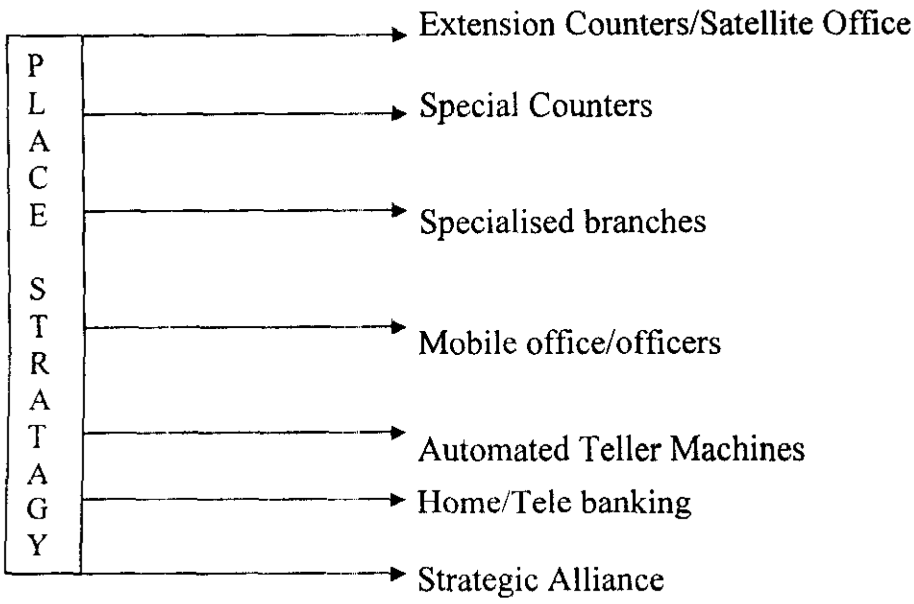

Figure 7. Innovation in place strategy

The Fourth 'P' – Promotion

The promotion is to inform and remind individuals and persuade them to accept, recommend or use of a product service or idea[29]. Promotion is a demand stimulating aid through communication. Any marketing promotion campaign has two objectives. They are to inform the prospective customer and then to persuade him. Due to the inherent intangible nature of services, the customer of banking service relies more on subjective impression rather than concrete evidence. When a bank comes out with a new product, it makes its target customer segment aware of it only through marketing promotion. It may be in various forms like press advertisement, sales campaign, word of mouth, personal interaction directly mailing. Making the customer may be enough if the product is unique or in great demand. But this may not be so always. So the second fundamental objective of a promotion campaign is to persuade the customer to buy the product in preference to other similar products available in the market.

Now this persuasion too could be in different ways like by working on an emotional plan by an objective of presentation of benefit of the product by identifying the product with some strong need of customers. Along with the above fundamental objective, it also has some subsidiary objectives like image building of an organisation, promoting the growth of a newly started industry.

The promotive effort for banking services consists of both personal and impersonal devices. Personal device is purely subjective in nature and it differs from person to person. Impersonal promotion can be through advertising, publicity and sales promotion. Personal selling is the responsibility of the bank staff. Impersonal selling should be done by the respective banks and their association like Joint Publicity Committee for public sector banks and Indian Bank Association. A study conducted by Dr. Rajagopal reveals that apart from savings bank account and fixed deposit account, the awareness of other deposit schemes are relatively less amongst rural savers. Among lending schemes, gold loans, agricultural loans and Government sponsored lending schemes are very popular in the rural areas[30]. The bank must try to understand the real needs and aspirations of the society and provide such product or services which will satisfy their assets. Marketing strategy should be designed to suit not only the present market but also the potential future market.

The Fifth 'P' – Process

The process is crucial to the bank marketing strategy. It gives value to the buyer and an element of uniqueness to the product. It is very significant because it provides competitive advantage to the bank. The importance of process in bank marketing strategy is based on 'value chain concept' given by Michael Porter. The concept basically stresses close attention to all the organisational activities which go into marketing the final product to the customer. In the banking context, a typical value chain would encompass all activities right from the product conceptive stage down to its marketing at branch level. All these ultimately leading to the customer's satisfaction with the product he has purchased. The value chain concept emphasises that all these organisational activities have to be closely monitored and reviewed as an ongoing basis and all those activities which do not add value to the product used to be reviewed and modified. It is also useful in focusing attention on those organisational activities or processes which give uniqueness to the product. And the element of uniqueness in the product is a basic condition for acquiring competitive advantage.

The Sixth 'P' – People

The Indian banking industry is not an exception to the modern forces of changes and competition. Many new ideas and strategies have been introduced since the introduction of the new economic policy. Like any other service industry, banking is a labour intensive industry. The human factor plays a pivotal role in the running of the business Men unlike machine have varying attitudes, moods, heterogeneous cultures, feelings and above all, different aspirations. With the presence of strong human content in banking business no idea would even get implemented unless it is taken up wholeheartedly. People are crucial to the success of any business. It is far more so in a service oriented industry like banking. The point being stressed here is not simply the need of human approach towards people in banks. It is also not only about making available necessary knowledge and skill for servicing the customer better, but the central point stressed here is that there is a need to market banking products to own grassroot level people before marketing these products effectively to customers. Each employee in a bank irrespective of his position in the bank hierarchy is both a recipient and provider of service. Unless each employee extends support to his colleagues and also receives support from them, workflow will get obstructed and the victim will be the customer. In other words to satisfy a customer, people who participate this must be right and apt ones.

The Seventh 'P' – Physical evidence

Physical evidence is the strategic tool for the bank marketer. Banking products are intangible. Tangibilising the intangible commodity is a major challenge to the bank marketer. One among the important methods is the upkeep of branch premises and interior decor. This is relevant not only from the point of view of physical evidence but also for tangibilisation strategy. Another strategy is imaginative designing of bank stationery used by customers. Product packaging could be another tangibilisation strategy and marketers called it as a separate 'P' of marketing strategy. Packaging in banking products could take many ways for instance an attractively designed product brochure or a catchy brand name which a customer can easily understand or a pictorial design which can represent a particular product.

In the case of these seven elements, they are not of much use in isolation. But an appropriate blend is the right way for marketing effort.

It is a fact that no two classes of customers are alike[31]. Their expectations and intentions are entirely different when a customer is approaching the bank. A middle-income man on the verge of retirement needs regular sources of income to supplement his income. So his expectation is monthly income deposit scheme. The investor cannot be wooed with anything less than the best market rate for his funds, for him a reinvestment scheme earning interest has to be designed and delivered.

This is equally true for loaning and subsidiary services as well. Since it would not be flexible to expand business to cover all segments under a branch, some segments should be singled out for special coverage. These segments and their potential value will constantly undergo changes and the banker must be on guard to ensure that no viable worthwhile business slips through his hands due to his indifference.

The product range or the range of service available from the banking industry in India was limited[32] till the end of the 1970's. Because of post liberalisation policies there is stiff competition in banking sector. The banks now offer a wide range of services like merchant banking, factoring, credit card, hire purchases and leasing, depositories and similar other products, with a view to meeting the stiff competition. Merchant banking may be defined as a systematic application of all the expertise developed by the banker or other entrepreneurs on floatation of new companies, preparation of planning and execution of new projects, giving expert guidance and managing the new floatation or the new promotion of industries and enterprises[33]. In other words Merchant Banking provide services which generally include acceptance of bills of exchange, corporate finance, portfolio management and other banking services. It is not necessary that the merchant banker should do all such activities to be called a merchant banker. One merchant banker may specialise in one activity only and take up other activities also which may be complementary or supportive to specialised activity.

In the UK, the evolution of merchant banks is linked to the provision of short-term finance for the corporate sector. However in India, Merchant Banks are engaged principally in arranging the long-term capital needs of corporate sector. Even though Merchant Banking in India was initiated with the management of public issue and loans syndication has slowly and gradually been changing its focus towards project counselling, portfolio management instrument innovation, financial engineering, mergers and amalgamation and investment counselling. There can be long lists of services provided by merchant banking organisation in India, however the major ones are those prescribed in the definition given under the Securities and Exchange Board of India (Merchant Bankers) Rules 1992.

Modern day bankers have identified another area of activity itself viz. realising book debts on behalf of its clients. Such services are commonly known as factoring services. Factoring is a mechanism of managing, financing, and collection of receivables by a specialist organisation on behalf of business enterprises. In a firm trade, credit constitutes a significant position of current assets and working capital. A proper management is essential because it involves a lot of time, cost and risk. Big and mega organisations can assign credit management and collection to specialist organisations called factoring organisation. Banks in India were permitted to enter Factoring Service in July 1990.

Banks for the convenience of their account holders introduced the teller system at some of their branches. Under this system, the time taken in payment is considerably reduced. Usually when a cheque is presented for payment it passes through a number of persons, for example the ledger keeper, accountant, cashier etc. which is really a time consuming procedure. Under the teller system a cashier is designated as teller who makes payment of cheques to specified amount immediately on presentation of a cheque by the payee.

Another service provided by modern bank is safe deposit vaults. Most of the banks provide the facility of safe deposit vaults to the public at their branches. For this purpose, they arrange strong room equipped with safe deposit lockers. A reasonable rent called lease money is charged for the facility.

Forfaiting is another product developed by commercial banks. It is purchasing the medium term export receivables from an exporter without resources to him. It is different from international factoring in as much as it deals with receivables relating to deferred payment exports while factoring deals with short-term receivables.

Leasing is the next one. Leasing can be defined as a transaction in which the owner of the asset that is the bank, gives the same to the consumer for his uses for a specified period of time in consideration of payment of lease rentals. Thus in a lease transaction, the banker retains the ownerships in the assets and the borrower acquires its possession and use. Banks normally undertake financial lease, operating lease, leverage lease, sale and lease back[34].

Next come Hire purchase. Hire purchase is an agreement between the bank and the borrower under which goods are let on hire.

Hire purchase involves delivery of possession of goods to the hirer. On payment of the last instalment, the property passes to the borrower.

Securitisation is the process by which the selected pool of credit assets (loans) of the bank is sold to a trust that is turn issues securities against banking of such assets and sells the same to prospective investors. Even after sale, the bank undertakes to service the debts and passes on the recovery to the trust for distribution among investors.

Portfolio management, Bank manages the investment portfolio of a client which involves investment of a client's fund in stock and securities and to buy and sell securities with an objective to achieve higher return for the client.

Custodial service is another product. It is a product offered to the shareholders whereby the banks undertake to collect dividend on behalf of their clients, arrange for transfer of shares and attend annual general meeting on their behalf.

Since liberalisation and globalisation, the foreign exchange market in India is witnessing a sea change. RBI permitted commercial banks to offer the following products to its customers to enable them to hedge the risks involved in investments and reduce overall risks significantly.

Currency option

Currency option gives the buyer the option, a right but not the obligation, to buy or sell a specific quantity of the currency called option amount at an agreed rate called strike price and for a specific period. The buyer pays the seller a premium which is collected upfront, for the privilege of being able to buy or sell the currency without actually being committed to do so.

Interest rate cap

Interest rate cap sets a maximum or cap on the interest payable. The bank here agrees to compensate the purchase of the cap if interest rate rises over a certain level. Thus the buyer is protected from adverse movement in interest rate.

Interest rate floor

Interest rate floor provides an effective guaranteed minimum interest rate. If the interest rate falls below the floor level agreed between the bank and the customer, the customer is compensated by the bank.

Interest rate collar

Interest rate collar is the simultaneous purchase of a cap agreement and sale of floor.

Forward rate agreement

Forward rate agreement is another product of the commercial banks. It is an agreement between a bank on the one hand and a borrower or depositor on the other, the former guaranteeing the latter the interest rate on an agreed future date. The agreement specifies that the difference between the agreed interest rate and the actual rate that may be ruling on the specified date will be made good by the bank to the other party.

The recent years witnessed Indian banking on a technological upswing. Some of the innovations that are made possible on account of infusion of technology are

Total Branch Automation

Total Branch Automation (TBA) enables customers to transact all their banking needs through a single counter instead of going to different counters in the premises. TBA helps significantly in improving the efficiency of operations.

Automated Teller Machine (ATM)

ATMs are capable of performing the function of a bank-teller or a cashier that is dispensing cash, answering account related enquiries, ordering a new cheque book, providing statements of account etc.

Electronic Fund Transfer

Banks through the technique of net-working are able to transmit messages at the push of a button. Now the mail transfers and telegraphic transfers are effected within a matter of seconds.

Anywhere banking

Thanks to the networking of computerised branches, customers can choose to operate their account through any branch of the bank once they become the account holder of a branch.

Anytime Banking

The ATM facilities enable customers to transact with the bank anytime of the day all through the 24 hours.

Home banking

Under home banking customer can, route most of the transactions through the personal computer, which will be up-linked with the main frame computer of the bank.

Tele banking

Tele banking facilities enable the customer to use Automatic voice recorder for simpler queries, like balance in the account, request for a chequebook, and standing instructions. The customer can do many of their non-cash transaction over phone.

Plastic Card

Credit Card as a method of payment without the use of cash or cheque is gradually giving way to debit cards and Smart Cards.

In the emerging scenario, a professional banker has to understand the dynamics of new developments taking place in the field of commercial banking and has to equip himself with the professional skill and competence to operate successfully in the changing competitive environment.

Banking is essential to a modern economy. But due to the new economic policy, revolutionary changes are going on in the financial sector of the nation and for performing banking functions, commercial banks alone need not be essential. Non-commercial banks and non-banking institutions come to compete with commercial banks in rendering banking functions. The financial markets are fully ready to bestow this new on the co-operative banks and non-banking financial institutions. Financial liberalisation, internationalisation and technological advances have made possible this shift of intermediation from commercial banks to other financial institutions[35].

Co-operative banking system consists of rural and urban co-operative banks. It supports the efforts of commercial banks in mobilising savings, meeting the credit needs of the local population. The history of co-operative banking started with the passing of the Co-Operative Societies Act 1904. The objective of the Act was to establish Co-operative Credit Societies to encourage thrift, self help and co-operation among agriculturists, artisan and persons of limited means[36]. Many co-operative credit societies were set up under this Act. The Co-operative Societies Act 1912 recognised the need for establishing new organisations for supervision, auditing and supply of co-operative credit. The Organisational Structure of Co-operative credit institutions in India is presented in figure 8[37].

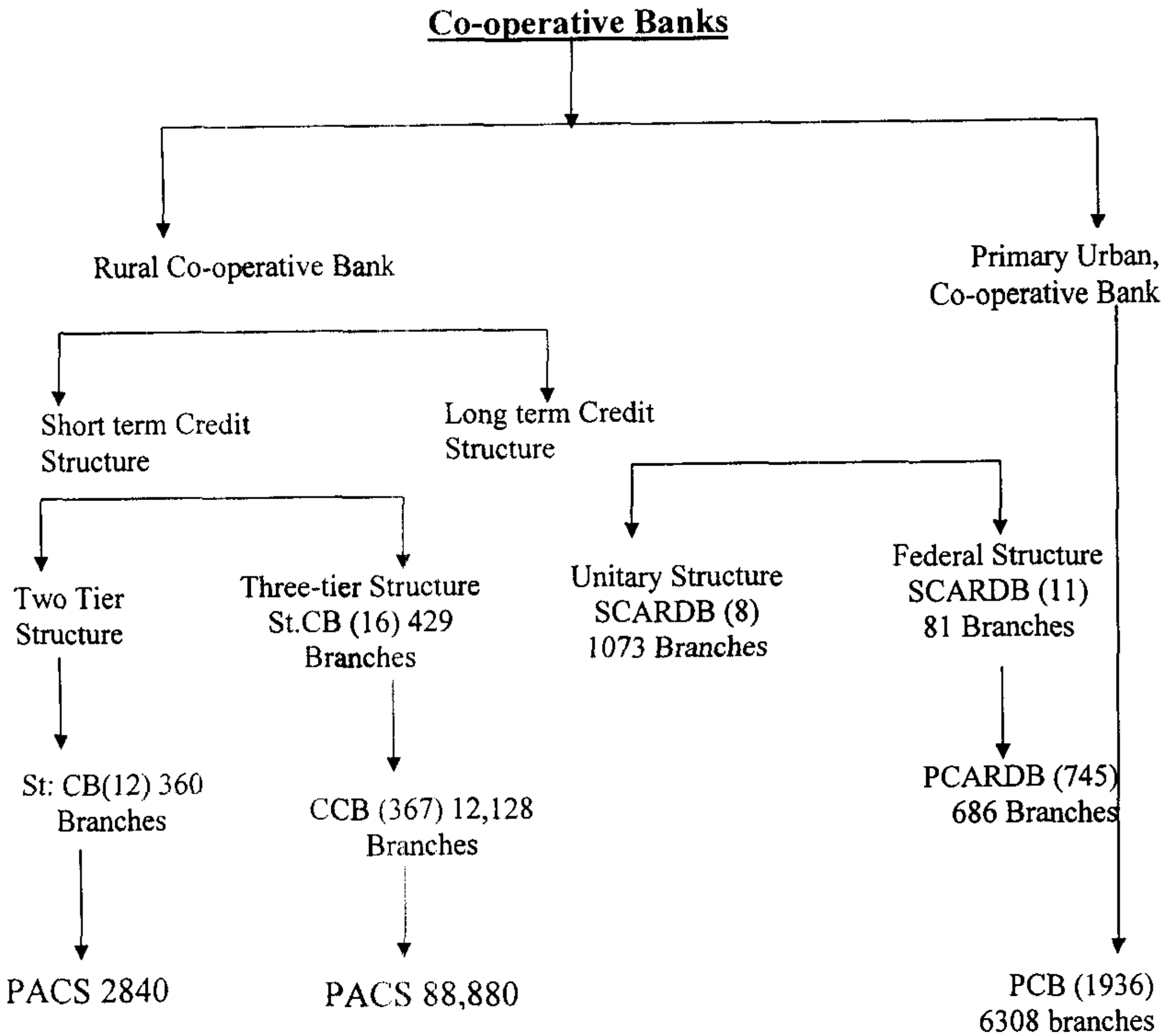

Figure 8. Organisational Structure of Co-operative credit institution in India

PCB - Primary Co-operative Bank

SLCB – State Co-operative Bank

CCB – District, Central Co-operative Bank

PACS – Primary Agricultural Credit Societies

SCARDBS – State Co-operative Agriculture and Rural Development Bank

PLARDB – Primary Co-operative Agriculture and Rural Development Bank

The figure delineates that Rural Co-operative Banking Sector is characterised by a more widespread and extended network system as compared to the Urban Co-operative banking sector. Primary Co-operative banks have been set up with the objective of promoting banking habit among lower and middle-income strata of the population. As at the end of March 1999, 1936, PCBs were functioning in the country with 6308 offices including 90 salary earners bank and 117 mahila banks. The total number of licensed PCBs increased to 1692 at the end of March 1999[38]. The Table 2.1 describes the selected indicators[39] of Primary Co-operative Banks.

Table 2.1

Primary Co-operative Banks – Selected Indicators

Rs. in Crores

	1996	1997	1998	1999
Number of Reporting PCBs	1501	1653	1502	1581
Owned Funds	3848	4695	5985	6829
Deposits	24165	30714	40692	48583
Borrowings	758	619	886	932
Loans Out standing	17908	21550	27807	30999
Credit Deposit Ratio	74.1	70.2	68.3	63.8

The table disclosed that in the field of Deposit mobilisation and advances, the Co-operative banks were also providing remarkable contribution. Actually due to the limitation of Co-operative banks in providing financial services to rural people, Government of India introduced multi-institutional setup. Co-operative banks are competing with Commercial banks where the resources of Commercial banks in management and technology are highly advanced. Further more, this achievement is in the midst of ongoing financial reforms. This gives a clear indication that even though organisational structure of Co-operative banks and Commercial banks are entirely different, Co-operatives secured this remarkable achievement by adopting similar type of strategies adopted by Commercial banks. In other words, the marketing strategies of Co-operative banks and Commercial banks are the same.

Kerala is one of the highly banked states in India. The high rate of literacy remittance from abroad and comparatively higher standard of living have helped the people of Kerala to make use of banking system as an integral part of their day to day life[40]. The fact that the total number of Commercial bank branches in Kerala has grown from 601 in June 1969 (at the time of nationalisation of 14 major Commercial banks) to 3351 in 2003 makes clear the significance of banking. Table 2.2 contains state wise details of bank branches and table 2.3, the average population per bank branch.

Table 2.2

Statewise Distribution of Commercial Bank Branches[41]

State	No. of Banks as at the end of						
	June 69	Mar 95	Mar 96	Mar 97	Mar 98	June 98	June 99
Andhra Pradesh	567	4784	4851	4897	4955	4979	5024
Assam	74	1225	1232	1233	1235	1235	1238
Bihar	273	4911	4934	4955	4966	4974	4889
Gujarat	852	3470	3512	3516	3550	3551	3592
Haryana	172	1335	1361	1460	1434	1449	1473
Karnataka	755	4381	4445	4492	4548	4578	4634
Kerala	601	3009	3073	3121	3142	3151	3184
Madhya Pradesh	343	4423	4421	4401	4423	4440	4456
Maharastra	1118	5745	5854	5976	6059	6101	6185
Orissa	100	2142	2154	2145	2169	2184	2207
Punjab	346	2236	2275	2378	2431	2444	2569
Rajasthan	364	3156	3191	3234	3264	3270	3293
Tamil Nadu	1060	4465	4567	4615	4652	2659	4702
Uttar Pradesh	747	8620	8670	8715	8686	8809	8867
West Bengal	504	4262	4291	4321	4343	4345	4368
Total	7877	58164	58831	59399	59957	60169	60681
Total: All India	8262	62100	62849	63456	64108	64342	64918

Table 2.3

Statewise Distribution of Population per Branch Bank[42]

Average Population per bank branch (in thousand) at the end of

State	June 69	Mar 95	Mar 96	Mar 97	Mar 98	June 98	June 99
Andhra Pradesh	75	14	13	15	15	15	15
Assam	198	18	20	20	21	21	21
Bihar	207	18	20	19	19	20	20
Gujarat	34	12	13	13	13	13	13
Haryana	97	12	14	14	13	13	13
Karnataka	38	10	11	11	11	11	11
Kerala	10	10	10	10	10	10	10
Madhya Pradesh	116	15	17	17	17	17	17
Maharastra	44	14	15	15	15	15	15
Orissa	212	15	16	16	16	16	16
Punjab	42	9	10	10	9	9	9
Rajasthan	70	14	15	16	16	16	16
Tamil Nadu	37	13	13	13	13	13	13
Utter Pradesh	119	16	18	18	19	19	19
West Bengal	87	16	17	18	18	15	18
Total: All India	65	15	15	15	15	15	15

A noteworthy feature of the banking development in the State was the spread of bank branches into the interior parts even prior to Nationalisation in 1969. About 75 per cent of the total bank branches in Kerala were functioning in rural areas at that time. The Nationalisation of banks has brought about unprecedented development in respect of bank branch expansion and banking business. Table 2.4 discloses the bank deposits in Kerala[43].

Table 2.4

Growth of Bank Deposits in Kerala

(Rs. Crores)

Year	Total Deposits		NRE Deposits		Domestic Deposits	
	Amount	Annual growth (%)	Amount	Annual growth (%)	Amount	Annual growth (%)
1988	4811	-	1369	-	3442	-
1989	5667	17.8	1584	15.7	4083	18.6
1990	6620	16.8	20.12	27.0	4608	12.9
1991	7858	18.7	2304	14.5	5554	20.5
1992	9671	23.1	30.39	31.9	6632	19.4
1993	12112	25.2	4499	48.0	7613	14.8
1994	14941	23.4	6015	33.17	8926	17.3
1995	17458	16.9	6886	14.5	10572	18.4
1996	20171	15.5	8103	17.7	12068	14.2
1997	23354	15.8	10178	25.6	13176	9.2
1998	27552	18.0	12735	25.1	14817	12.5
1999	31532	14.45	13329	4.66	18203	22.85
2000	38619	22.5	18724	40.5	19895	9.3
2001	44850	16.1	21431	14.5	23419	17.7
2002	51656	15.2	24534	14.5	27122	15.8

Banks deposit in Kerala increased at an average annual growth rate of 18 per cent. Even in the remote areas of villages, bank branches of Commercial banks or Co-operative banks or RRBs or all of these are providing banking services. Thus competition is in the highest level. Therefore application of bank marketing is inevitable to banks in Kerala.

Marketing of Services – New Trend

Marketing concept asserts to identify consumers' needs before the product is produced so that the product developed can meet the needs. It can be said that the consumer is the pivot around which the whole marketing system revolves. Modern marketing therefore begins with an understanding of consumer needs. The real problem is to learn what a consumer needs. The real problem is to learn what a consumer takes into consideration when he chooses a particular brand. All the behaviour of human beings during the purchase may be turned as buyer's behaviour. Factors influencing the consumer behaviour are internal like needs, motives, perceptions and attitudes as well as external. The major external factors are family social group, culture economics, business influence etc. These influences are depicted in figure 9.[44]

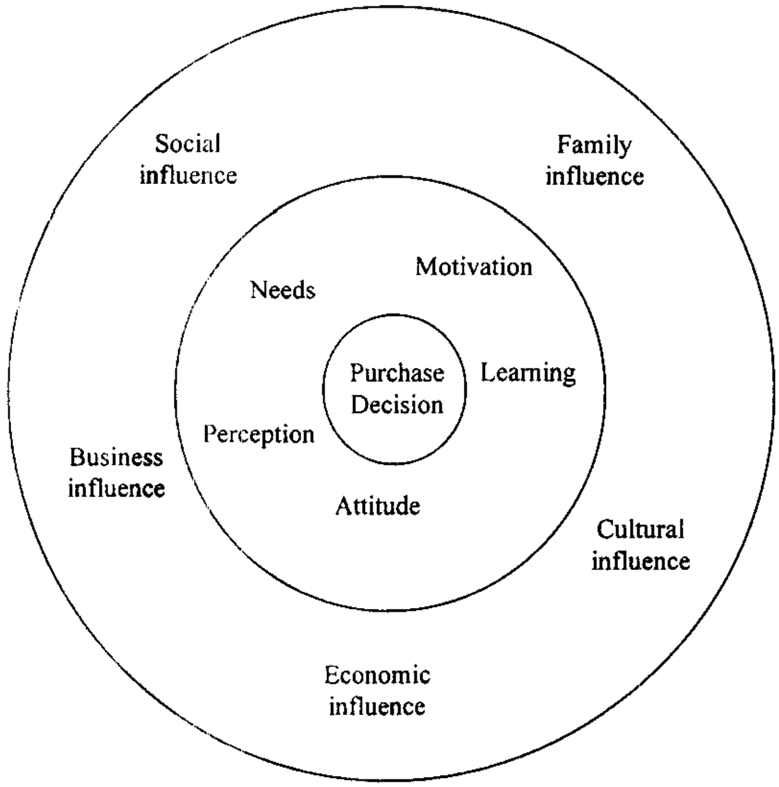

Figure 9. Factors influencing the consumer behaviour

Hence the ultimate objective of every consumer should be to come with new products that will serve the consumer and replace the old products which became obsolete with the passage of time and consumer likes and dislikes.

A product is an overall concept of objects or processes which provide some value to customers. Goods and services are subcategories which describe two type of products. Thus the term product is frequently used in a broad sense to develop either manufactured goods or product and service. According to Philip Kotler, "a product is anything that can be offered to a market for attention, acquisition, use or consumption. It includes physical objects, services, personalities, places, organizations and ideas."[45] Stanton says, a product is a set of tangible and intangible attributes including packaging, colour, price, manufacturer's prestige, retailer's prestige and manufacturers' and retailers' services which the buyer may accept as offering satisfaction of wants and needs.[46] Market is often defined in terms of both products and services. Marketing executives and theoreticians generally have focused their attention on products under the assumption that services are marketed in much the same way.

Service sector has emerged as the fastest growing sector of the economy. More than 60 per cent of Western economies are now in the service sector.[47] The United States of America has become the world's first service economy. Service now generates 74 per cent of US domestic products. Where as service jobs accounted for 55 per cent of US jobs in 1970, by 1993 they accounted for 79 per cent of total employment.[48] Of late, every dollar a consumer spends in USA, about half of it goes for services.[49] World War 11 marked a milestone in the explosive rise of service industries. The trend has become evident throughout the world. The growth in service economy has been accompanied by a number of important factors influencing the overall economic picture.

- Diminishing importance with the balance of trade of primary industries i.e. agriculture forestry and fishing,
- A similar impact on the importance of secondary industries i.e. construction and manufacturing, and
- Accompanying social trends effecting the structure of the working force, many workers in service industries are employed on a part-time basis and a majority of these are women.[50] Services are divided between consumer service, business service and industrial service. These fall between the public and the private sector. Many service offered, span more than one of these categories. These difference in classification and the complexity of the service market cause difficulties when analyzing the true picture of the service economy.

There are various reasons for the growth of the service sector. These can be divided into demographic, social, economic and political changes.

Demographic changes

A greater life expectancy has lead to an increase in the demand for nursing – homes and medical care. Smaller family size combined with increasing income levels has lead to increased demand for consumer service of all types including banking investment and insurance services together with leisure services. Structural shift in a communities have affected the places where people live and how they. The development of new towns and regions has increased the need for infrastructure and support service.

Social change

The increased number of women in the work force has lead to previously domestic functions being performed outside the home. This has promoted the rapid rise of the fast food industry, child care facilities and other personnel services. Working women and the resulting two income households have created a greater demand for consumer service including retailing, real estate and personal financial services. Smaller family is the order of the day and the two incomes of these families provide more disposable income to spend on entertainment travel and hospitality services.

International travel and mobility have produced more sophisticated consumer tastes. Consumers compare services both nationally and internationally and demand variety and improved quality. The greater complexity of life has created a demand for a wide range of services, particularly legal and financial advice. Furthermore communication has increased aspiration levels. As a result, both children and adults are making new demands to cope up with the fast changing environment.

Economic Changes

The new economic order of the world – globalisation and liberalisation and privatisation – has increased the demand for communication, travel and information services. This has been augmented by rapid changes brought about by new information technology. Along with it, increased specialization within the economy has lead to greater reliance on specialist service providers. For example advertising and market research have become specialist functions supporting all sectors of the economy. Internationalism has made new demands on legal and other professional services.

In every economy of the world, the share of service sector is increasing which has been accompanied by considerable disagreement about what constitutes a service. Many authors have sought to develop a definite description of a service; yet no adequate definition has emerged.

With this theoretical background, an attempt is made in the subsequent chapters to examine the operation of bank marketing in Kerala.

References

1. Sullivan M.P., Bankers Magazine, Vol. 164, July – August 1981, p.27.
2. Saxena, K.K. Bank Marketing, Skylark Publications, New Delhi, 1988. p.8.
3. Kuruppuswami, S. A new look at Bank Marketing, The Banker, November 1986, p.19.
4. Saxena, K.K. Bank Marketing, Skylark Publications, New Delhi, 1988. p.8.
5. Sarkar, K.P. The Banker, December 1987, p.39.
6. Murugesan, D. Role of Marketing in Banking Services, Shreyas – Feb. March 1998, p.22.
7. Rajeev K. Seth, Marketing of Banking Services, Macmillan India Ltd. New Delhi, 1997. p.7.
8. Ibid. p.4.
9. Ibid. p.5.
10. Ibid. p.6.
11. Ibid. p.8.
12. Ibid. p.9.
13. Ibid. p.11.
14. Kuppuswami, S. The Banker, November 1986, p.20.
15. Sanjeev Bhatt, Bank Marketing, The Economic Times, September 1, 1980.
16. Jha, S.M. Service Marketing, Himalaya Publishing House, Mumbai, 2000. p.49.
17. Ibid.

18. Rajeev K. Seth, Marketing of Banking Services, Macmillan India Ltd. New Delhi, 1997.p.25.

19. Ibid.

20. Kuppuaswami, S. The Banker November 1986, p. 22.

21. Rajeev K. Seth. Marketing of Banking Services, Macmillan India Ltd. New Delhi, 1997. p.119.

22. Ibid. p. 178

23. Ibid. p 134-136.

24. Ibid. p. 144.

25. Ibid. p.144.

26. Ibid. p.147.

27. Ibid. p.148.

28. Ibid. p. 151.

29. Rajagopalan Nair, The 4 Ps. of Bank Marketing. p.22.

30. Ibid. p.22.

31. Kuppuswami, S. A new look at Bank Marketing, The Banker, November 1986, p.22.

32. Raveendran, M. Manager, 10B, IBA Bulletin, August 1998, p.14.

33. Mohana Rao, P. Management Accountant, p. 219.

34. Raveendran, M. Innovative Banking, IBA Bulletin, p.15, August 1988.

35. Ganti Subramanyan, Commerciality of Urban Co-operative Banks, Vinimaya, Vol. XX, No. 1, 1999-2000, April-June.

36. Maheswari S.N. and Paul, R.R. Banking Theory and Law and Practice p. 72.

37. Reserve Bank of India Bulletin, Report on Trends 2 Progress of Banking in India 1998-99, p.106.

38. RBI Bulletin, Trends and Progress of Banking in India, 1998-99, p.106.

39. RBI Bulletin, Trends and Progress of Banking in India, 1998-91, p.107.

40. Sarangadharan, Resia Beegam, Commercial Banking in Kerala, National Seminar or Reforms in Banking Sector, March 2000. p.72.

41. Sarangadharan, M. Resia Beegam, S., National Seminar on Reforms in Banking Sector, p.76.

42. Sarangadharan, M. Resia Beegam, S. Commercial banking in Kerala, National Seminar on Reforms in Banking Sector.

43. Banking statistics of Kerala. Reported by state level bankers committee.

44. Pillai, R. S N. Bagavathi, Modern Marketing Principles and Practice. P 280.

45. Sahaf, M. A. Marketing Principles and Practice. P 130.

46. Stanton, W.J. Fundamentals of Modern Marketing. P 191.

47. Adrian Payne. The Essence of Service Marketing. P 1.

48. Philip Kottler Gary. Principles of Marketing. P 659.

49. Sanjeev Bhatt. Marketing Service, Economic Times, April 28, 1988.

50. Hellen Woodruffe. Service Marketing. P 26.