Marketing strategies of banking financial services – A Review

***Nelapati Prasad**
****J. Nimilitha Devi**
*****Konka Lakshmi Pavani,**

*Assoiate Professor & HOD, Prakasam Engineering College, Kandukur, Affiliated to JNTUK, Kakinada.
**Assistant Professor, Prakasam Engineering College, Kandukur, Affiliated to JNTUK, Kakinada.
***Assistant Professor, Prakasam Engineering College, Kandukur, Affiliated to JNTUK, Kakinada.

Introduction

This paper reflects the current status of Banking by Indian private, public and foreign banks operating in India and in abroad.

A number of studies have been carried out to explore the concept framework and structure of banking worldwide. The concept of universal banking is of recent origin therefore, not much research work has been conducted to study the Perception level of customers of banks in India. And more important is that the psychological variable has not been used and compared till now with dependent variable- Marketing Strategies of banks.

Financial Services

A significant body of research has identified the factors affecting consumers' attitudes and acceptance of new technology in the financial services industry and the sort of consumers most likely to use it **(Zeithaml and Gilly, 1987**; Lafferty Business Research, 1987; Marshall and Heslop, 1988; Kwan, 1991; Barczak et al, 1997; Lockett and Littler, 1997; Daniel, 1998; Frambach et al., 1998; Mols, 1998)

Athanassopoulus et al. (2001) examined the impact of customer satisfaction on customer behavioural responses. The sample consisted of 793 individual customers of commercial retail banks of Athens, Greece. Statistical tools such as chi-square test, Bentler's comparative fit, Root Mean Square of Approximation (RMESA) and confirmatory factor analysis were used for the analysis. The results showed that is a direct effect of customer satisfaction on the following behavioural responses of customer:

1. Decision to stay with existing service provider
2. Positive word of mouth communications
3. Intentions to stay with the existing service providers.

Gautam and Sanjay (2004) in their study "customer satisfaction in Nepalese" Commercial Banks" studied the following aspects of banking:

1. Customer orientation of Nepalese commercial banks
2. The comparative situation of customer satisfaction in four commercial banks
3. Factor that could lead customer toward satisfaction
4. The factor that lead customer toward dissatisfaction

A total of 331 respondents were selected for the purpose of primary survey. Statistical tools such as mean, standard deviation, Person's correlation, ANOVA, chi-square, and Kruskal-Wallis were used for the analysis. The results showed that customer were more satisfied with the second-generation joint venture banks, though they had less ability to serve poor Nepalese people. Further, these were also found less reliable for future. To be more specific, customers were found satisfied with those banks where customers had to spend less time on waiting, and the employees' behaviour was good.

Kaynak and Harcar (2004) examined the customer satisfaction in banking services of Pennsylvanian (US) commercial banks. A sample of 394 customers was taken for primary survey. For data analysis, t-test and factor analysis were performed. The results showed that banks customer's attitude towards commercial banks were positive. The factors that resulted in customer satisfaction were positive staff attitude, employee professionalism, timely responses to correspondence, confidentiality of the bank, promptness in correcting errors, and providing accurate billing.

Yavas et al. (2004) investigated the effect of service quality on customer satisfaction; complain behaviour and commitment in Turkey. The sample consisted of 156 bank customer. For analysis, three step-wise regression models were run. The results showed that the overall service quality is significant determinant of customer satisfaction, complaint behaviour and commitment.

Arasli et al. (2005) analyzed and compared the relationship between overall bank customer satisfaction in the Turkish and Greek speaking area of Cyprus and positive word of mouth about their banks, a sample of 268 commercial bank customers was chosen for the survey. Factor analysis and multivariate regression methods were used to estimate the impact of service quality dimensions on overall customer satisfaction and word of mouth. The results revealed that expectations of banks customers in both areas were not met and that the largest gap was found in the empathy dimension. The assurance dimension had reflected largest influence on customer satisfaction and overall satisfaction of bank customers in both areas of Cyprus had a positive effect o their word of mouth.

Ndubisi and Wah (2005) evaluated the bank-customers relationships and customer satisfaction in Malaysian banking sector. The sample consisted of 220 bank customers and in order to carry out data analysis, factor analysis and step-wise discriminant analyses were used. The results indicated that relationship of customer and bank depends on the bank's competence, commitment, communication, cannot handling and trust, banks that show strong commitment to service and those that are compent, trustworthy, communication efficiently and handling conflicts well would have a better quality relationship with customers, while those that are lacking in these dimensions would create a poor quality relationship with customers.

Manrai and Manarai (2007) investigated the overall dimensions of customer satisfaction with bank services in the US. The sample comprised of 578 respondents and for measurement of customer's satisfaction factor analysis technique was used. The study identified four overall dimensions of customer satisfaction. These were personnel related considerations financial considerations and convenience related considerations (ATM and hours). The findings suggested that bank marketers should pay much more attention towards promoting factors like personnel, atmospherics, and convenience than what was done in the past. This would help the banks in differentiating their offerings in customers' perceptions and thus attracting they form the competitors.

Though there are several studies conducted worldwide to assess the level of customer satisfaction in specialized banking, in India not much research has been conducted to study customer satisfaction in universal banks in India. As the concept of universal banking is of recent origin in India, the researcher has not come across sufficient literature on this concept.

Molina et al., (2007) investigated the impact of relational benefits on customer satisfaction in retail banking in Spain. Based on a theoretical framework regarding the relationship between relational benefits and customer satisfaction, an empirical study using a sample of 204 bank customer was conducted, and the theoretical model was tested. Confirmatory factor analysis was used to test the relational benefits and customer satisfaction. The results showed that trust and confidence in good service rendered by a given bank was the key to a good long-term relationship with the customers. However, special treatment benefits and social benefits were not found to be significant as regards the effect on satisfaction in a retail banking environment.

Marketing Strategy

Alfred chandler (1962) specified that strategy is the determination of the basic long-term goals and object of an enterprise and adoption of courses of action and the allocation of resources necessary for carrying out these goals.

Simon and Premier (1970) quoted that market strategy has two principal components:

1. Selection of a market target group toward whom the effort of the firm will be devoted and
2. Development of a marketing mix.

Jerome McCarthy (1975) suggested that the marketing strategy focus on some target customers with a view to developing a more satisfying and profitable marketing mix one that will give the firm differential advantage over its competitors.

Mintzberg (1976) Innovation is considered to be critical in the case of pharmaceutical industry. Through his studies quoted that truly outstanding managers are those who combine intuition and analysis. **Payne and Anderson (1977)** further stated that the issues involved strategic planning are innovation risk taking and proactively.

Donal Robin (1978) explained marketing strategy as the blending of the Marketing Mix to satisfy the needs of target buyer's best subject to the constraints of the marketing environment.

Hofer and schendel (1978) proposed that the organization strategy is the fundamental pattern of pressure and planned resources deployments and environmental interactions that indicates how the organization will achieve its objectives.

Jeoffery Bracker (1980) quoted that the business strategy has the following characteristics: an environment and situational analysis is used to determine a firm's posture in its field, and then the firm's resources are utilized in an appropriate manner to attain its major goals. Strategic management is the direct organizational application of the concepts of business strategy that has been developed in the academic realm that is strategic management entails the analysis of internal and external environments of a firm to maximize the utilization of resource in relation to objectives.

Noel zabriskie and Hullemantel (1981) gave insights into the strategic plan to possess the market opportunities they are very important in a strategy marketing plan. Therefore strategic marketing has to be the lead function is strategic planning.

E. Ralph Biggadike (1981) cited that essentially, marketing fees strategy management as being market driver and provides aids for hypothesizing about customer needs and competitive behaviour. The areas of importance for a state management professional is marketing are the basic concept market segmentation positioning and the marketing mix. He also mentioned that market segmentation and its counterpart, positioning must rank as marketing most important contribution to strategic management. Thus these two concepts deal directly with analyzing a firm's environment so as to make strategy decision about the extent of a firm's domain in that environment.

Voram Wind and Vijay Mahajan's research for the PIIMS project (1981) examines the correlations of profitability is the modern corporation, found business with large market shares to be more profitable than those with small shares are woo (1981) continued the research to find that the successful market leaders had lower degrees of sharing with other divisions while the less successful leaders had higher degrees of sharing.

Cook (1983) quoted further that marketing strategic decision requires judgment about the value of marketing expertise.

Peter Bennett (1983) contemplated that the competitive advantage exists when the match between the competence of a company and the factors for success within the industry permits the firm to outperform its competitors.

Michael McGinnis (1984) further stated that strategic success would increasingly depend on the ability to manage effectively the issues of intelligence firm balance, analysis, innovation, proactively and risk taking. Those forms that learn to manage their fundamental issues will probably enjoy more successes and suffer fewer disappointments than those that do not master the fundamentals.

Michael Porter (1985) asserted that there are two basic steps to attain the competitive advantage. First firms may pursue a strategy of low costs, which enables them to offer similar products at lower prices than those charged by the competitors. Second firms may pursue a strategy of differentiation that is one of trying to convince customers that their products have unique benefits that offset their premium prices. Both their strategies have the same effect they increase the perceived of the products.

Nandi G.N (1985) in his article titled "Bank Marketing"- the problems of distribution, focused on the different marketing techniques adopted by commercial banks for distribution of banking services. He observed that as days go by customer expectations are increasing, as a result, customer dissatisfaction increases to a great extent. He suggested that the banking should concentrate more on the existing marketing strategies, update it and make it more effective for serving the customer better.

Godse, V. T. (1986.) in his article titled "**Planning for Banking -- The Indian Experience".** In July 1969, major commercial banks in India were nationalized, 80% of banking business of the country into the public sector and providing more banking facilities to the rural population. State Bank of India (SBI), the largest public-sector bank in India and Bank of Baroda (BOB), a major commercial bank, introduced long-range planning (LRP), performing a corporate position audit, and assessing the implications of the external environment and included: 1. identification of strengths and weaknesses, 2. identification of specific corporate objectives, 3. planning resource requirements, 4. establishing a management information system, and 5. monitoring and evaluating performance. Implementation was impeded by a lack of adequate environmental data, lack of an appreciation of the purpose of internal appraisal, and an avoidance of sophisticated quantitative techniques **David Asker (1988)** conducted a study to say that as marketing information becomes more important for firm decisions the value of marketing expertise increases measuring the value market information also provides a measure of the value of marketing expertise.

Gary Hamel and C.K. Prahlad (1989) found those only few competitive advantages are long lasting. Keeping up with the existing advantages is not the same as building new advantages. The essence of strategy lies in creating tomorrow's competitive advantages faster than competitors minimize the ones you possess today. A company capacity to improve existing skill and learn new one's is the most defensible competitive advantage of all they quote the successful approaches adopted by Japanese firms to faster competitive innovation.

Michael Porter (1990) in his later research quoted that the competitive advantage is achieved through innovation. In its broadest sense this includes both new technologies and new processes. New bases for competing better means of competition new production process and new marketing approaches are all aspects of innovation. Encouraging firms to make major long run innovations is particularly critical. Michael Porter (1990) in another journal cited that company's developing strategies to achieve the competitive advantage would invaluably establish a competitive edge for their country.

Bhattacharyya, Arunava, Lovell, C A K, Sahay, Pankaj. (1997) in their article titled "The **impact of liberalization on the productive efficiency of Indian commercial banks"**. An examination is made of the productive efficiency of 70 Indian commercial banks during the early stages (1986-1991) of the ongoing period of liberalization. Publicly owned Indian banks are found to have been the most efficient, followed by foreign-owned banks and privately-owned Indian banks. In addition, there was a temporal improvement in the performance of foreign-owned banks, virtually no trend in the performance of privately-owned Indian banks, and a temporal decline in the performance of publicly-owned Indian banks. These patterns are explained in terms of the government's evolving regulatory policies.

Philip Kotler (1998) commented that strategy marketing process is defined as taking place within the content of strategic management process and as being concerned with the development of marketing position and programs at product and marketing levels.

E.W. Chirwa (2003) in his article, "Determinants of commercial banks profitability in Malawi: A co-integration Approach" investigated the relationship between market structure and profitability of commercial banks in Malawi using time series data between 1970 and 1994. He used time series technology of co-integration and error correction mechanism to test collusion hypothesis and determine whether a long-run relationship exists between profits of commercial banks and concentration in the banks India. He concluded by supporting the traditional collusion hypothesis of a long-run positive relationship between concentration and performance.

J.S.Dhillon, Dr.G.S. Batra and Atul Dhyani(2003) in their study "paradigm change; relationship marketing and service quality of banks services", highlighted changing dimensions of marketing of banking services in public sector banks and private sector banks in India after liberalization in the 1990s. The study focused on the emerging banking scenario particularly in the post-liberalization era in Indian banks, changing dimensions of banks services, comparison of customer satisfaction rendered by private sector banks and public sector banks the result of this study revealed that the private sector banks were fairly doing well with innovative technology, better understanding of customer and better services. Good relationship marketing strategies like better segmentation, enquiring management, welcoming the customer, getting to know the customer , customer development, managing problems and winning back the customer contributed to the growth and market share of private sector banks in India.

Aravind Singh (2004) in his article "CRM-New Horizons in banking" argues that the truly most desirable assets are not buildings and fixtures but a profitable customer's base. He state that enhanced customer relationship implies taking customers service and associated profitability to new heights by increasing interactive banks and client links. It suggests that bank globally must consider them as innovative solution. Providers satisfying customers rather than just product driven or a profit driven distributors. He discusses extensively how advancement in technology has changed the face of banking and has compelled banks in the UK & USA to reconsider their strategies. He also suggests that banks must reassess their strategies and must acquire a mind set in managing customer relationship to be successful in the changing markets.

Roig et al., (2006) analyzed the dimensionally of the concept of customer's perceived value in the banking sector of Spain. A total of 200 customers were selected for survey. The result of confirmatory factor analysis and linear regression analysis indicated that customers perceived value in banking sector composed of six dimensions; functional value of the establishment. Functional value of the personnel, functional value of the service, functional value of price emotional value and social value.

Dr. P. Saritha and Dr. P. Mohan Reddy September 2009 Marketing strategies vary industry wise. The marketing strategies of service industry are quite different form production sector. Within the service industry, financial services industry requires a unique advertising strategy. The present paper is an attempt through a light on marketing strategies in public and private sector banks. The prevalence of competition in the banking sector has necessitated banks to differentiate their products and services by adopting different marketing strategies; therefore a comparative study of marketing strategies of public sector banks and private sector banks is done in this research paper. The study made it clear that there is no significant difference in the marketing strategies of public and private sector bank.

Marketing Mix Strategies

Neil Border (1964) provided the idea for marketing mix and mentioned that marketing driven companies control and integrate a variety of complex business activities that are commonly referred to as the marketing mix in the traditional approach to marketing, the marketing mix is the set of tools and techniques the product its pricing and distribution and its marketing communication used by a company to market is product at a profit.

Aries and Jack Trocet (1982) pioneers in positioning quoted that positioning is a process whereby a firm attempts to cope with a large and more established competitor's position with minds of consumers.

Glueck and Jauch (1984) indicated than a firm marketing the strategic advantage factors are competitive position market share quality of marketing research, product/service mix product line, new products, patents customer loyalty, packaging, pricing position, sales force size/quality. Advertising quality / expenses. After sales service, distribution and service system merchandising and promotion, production in market and total resources. The firm has the opportunity to exploit these strategic advantage factors by enhancing those which work to its benefit integrating them for greater effectiveness or diminishing the effectiveness of the strategic advantage factors of its rivals, these provide opportunities to enhance the effectiveness of marketing and improve the effectiveness of marketing and improve the efficiency of internal marketing systems.

O'Shaughnessy (1988) defined a distribution system as: "the network of people, institutions or agencies involved in the flow of a product to the customer, together with the informational, financial, promotional and other services associated with making the product convenient and attractive to buy and re-buy". This definition raises a number of important considerations.

For example, in the financial services sector, there is clearly a wide range of networks and services which would fit comfortably within O'Shaughnessy definition, including branch networks, direct mail, intermediaries, direct sales forces, etc.

Ennew et al (1989); Easing wood and Storey, (1996), the array of channels has increased with the introduction of telephone and Internet banking and this trend appears set to continue with the introduction of digital television and people-to-people (P2P) services. O'Shaughnessy definition also makes it clear that in addition to having marketing and an initial delivery role, delivery channels within the financial services sector also have a long term continuing maintenance role. Which is fairly unique to the sector.

Diniz, E (1998) in the model delineates three functional areas and three levels of activity: (Transactional, Communicational, and Informational)

Philip kotler (1998) defined strategic marketing as the process of analysis opportunities, choosing objectives, defining strategies, formulating plans and carrying out implementation and control.

A research approach was utilized in **Hong Kong by Liao et al. (2003)** who investigated the adoption of virtual banking within the framework of the theory of planned behaviour, which assumes that behaviour is determined by intention to perform the behaviour.

Spieker and Ronal L (2004), despite the growth of electronic banking services, United Arab Emirates banks are increasing their branch networks. Between 2001 and 2003 local banks branches increased by 10% to 334 meanwhile, foreign bank branches totalled 87. This gives a population of 8,653 per bank office which is high compared with developed countries such as United States which has approximately 3,500 population pr bank office

References

Bajaj K K(2000), "E-Commerce issues in the Emerging Hi-Tech Banking Environment", the journal of the Indian Institute of Bankers, Vol .71, No. 1, pp.14-23.

Baoshan Zhang, Mo Wang, Li, Juan, Guoliang Yu, Yan-Ling Bi(2011) "The Effects Of Concealing Academic Achievement Information On Adolescents' **Self-Concept**" Psychological Record; Winter2011, Vol. 61 Issue 1, p21-39, 19p

Barezak, G. Ellen,P.S. and Pilling, B.K. (1997), " Developing typologies of consumer motives for use of technologically based banking services", Journal of Business Research, Vol. 38, pp. 131-9.

Barry Thomas 1986 Marketing an Integrated Approach, the Dryden Press USA

Beckett, A., Hewer, O., & Howcroft, B. (2000). An exposition of consumer behavoiur in the financial service industry. The International Journal of Bank Marketing, 18(1).

Bhasin T M (2001), "E-Commerce in Indian Banking ", IBA Bulletin, Vol.XXII, Nos .4 and 5, pp.18-33

Bhasin T M (2001), "E-Commerce in Indian Banking ", IBA Bulletin, Vol.XXII, Nos .4 and 5, pp.18-33

Bhattacharya K (1997), "The Need for Optimizing the Banking industry Structure", The Journal of the Indian Institute of Bankers, Vol. XIV, No.1 pp.12-16

Bhattacharya K (1997), "The Need for Optimizing the Banking industry Structure", The Journal of the Indian Institute of Bankers, Vol. XIV, No.1 pp.12-16