

# Recent Trends in Marketing Strategy in Banking Sector

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## ABSTRACT

*Indian banking sector historically passed through five stages: pre-independence, post-independence, prenationalization, nationalization and post-liberalization stages. In all these stages, other than the last stage, marketing was always considered not to be a banker's cup of tea. But today, it is considered to be an integral management function in the banking sector. India's banking sector has made rapid strides in reforming and aligning itself to the new competitive business environment. Traditionally, Indian banks have not really paid adequate attention to marketing and market research. The paper focuses on the recent macro and micro trends in the marketing of the banking sector. The paper also develops the conceptual frame work in the form of model relating banks with each touch point of customer exposure. Finally, the paper ends with the conclusion that marketing services are not only for the survival but also needed for improving the efficiency of banking services and building a loyal customer base.*

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**Keywords - Banking sector, Service Marketing, Macro and micro trends, Touch point**

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## I. INTRODUCTION

The banking sector is an integral part of the economy. Hence this sector plays a key role in the wellbeing of the economy. A weak banking sector not only jeopardizes the long-term sustainability of an economy, it can also be a trigger for a financial crisis which can lead to economic crises. Majority of the banking institutions are now putting emphasis on marketing to make customer aware about the services and benefits offered by them.

Marketing is the crucial connection between banks and customers, no banks can expect to succeed without putting substantial investments in its marketing efforts. Banks nowadays are coming up with surprising and impressing ways to lure the customers and retaining their customer base. These days' banks are focusing heavily on building long term relationships with their existing customers and thereby gaining new customers. Hence, relationship marketing becomes very important for the banks. It is concerned with mapping out all the touch point and evaluating what services are provided, by whom, and when, and how, and what is expected by customers.

The definition of bank marketing is as follows:

“Bank marketing is the aggregate of functions, directed at providing services to satisfy customers' financial (and other related) needs and wants, if more

effectively and efficiently than the competitors keeping in view the organizational objectives of the banks.”[1]

All the techniques and strategies of marketing are used so that ultimately they induced the people to do business with the particular bank. To create and keep a customer means doing all those things so that people would like to do business and continue to do it with the particular bank rather than with the competitors. It cannot stay in business if it does not attract and hold enough customers, no matter how efficiently it operates. [2]

## II. INCREASING IMPORTANCE OF MARKETING IN BANKING INDUSTRY

The reasons for marketing scope to have importance in banking and for banks to interest in marketing subject can be attributed to the following factors:

- Change in demographic dynamics
- Cut throat competition in the service industry
- Increased profit consciousness of the banks
- Deregulation of interest rates
- Entry of various private and foreign banks
- Increasing awareness, education and urbanization
- Indigenous growth of non banking financial institutions

- Disintermediation
- Advent of the technology
- Increasing the reach of innovative banking products

## II. LITERATURE REVIEW

The effort to promote banking business is quite distinguished affair. At present, it has become very tricky due to the changing trends of industry, increasing competition and efficiency of regulatory environment, and the financial system. The complexity in the banking services is also an issue of vital importance. This is the time when banks are offering new and innovative services, frequently in the market. The content of promotional tools should help the customer in making most valuable decision. This can be firmly said that well-designed promotional strategies are very important to promote banking services effectively. In marketing any product or service, customer satisfaction has been given the prime importance. The most frustrating aspect of marketing of banks is lack of management support, lack of inter-departmental cooperation, government regulations and advertising & media problems. (Berry & Lindgreen, 1980). Sarin & Anil (2007) recommended that manpower in service organizations must work with the focus of satisfying the customer. Promotional packages are very important for financial service industry (Ananda & Murugaiah, 2003). Thus the orientation of banks should be with a much wider focus in relation to consumer and market needs, and the consequent marketing strategies. The challenges put forth by the changing environment have to be effectively tackled to identify the consumer needs and providing valuable services through product innovation (Nair Raman, 2006). A study by Krishna, Suryanarayana & Srikant (2005) recommended that promotional strategies should be designed as per the nature of the services to be promoted. The advertisers should seek a narrative approach to communicate the service experience rather than a logical, argumentative approach. Narrative approach involves storytelling methodology using sequence of events (Sehgal Roli, 2004). It has been generalized in the studies that services marketing advertisement is more challenging than the advertising of tangible products (Ray and Bose, 2006). The case should be taken in the marketing of financial services very seriously (Farrokhtakin, Stavash, 2000). While formulating marketing strategy, a bank should focus attention on (i) consumer sovereignty, (ii) attitude, (iii) responsiveness and personal skills of bank staff, (iv) revitalizing the marketing department, (v) top management support to the marketing department, (vi) participation of marketing personnel in key bank decisions (Kumar Ashok, 1991).

## III. RECENT TRENDS IN MARKETING STRATEGIES OF BANKS

Traditionally, banks were seen as the holders of the money, which gradually changed their role as the creators of money. Today, the scope of banks has widened phenomenally, now the banks are seen as the purveyor of finance for the entire nation. A sound banking system is the life blood of any developing economy and it reflects the growth of the economy.

“Financial inclusion is a major agenda for the Reserve Bank of India (RBI). Without financial inclusion, banks cannot reach the un-banked. It is also a major step towards increasing savings and achieving balanced growth. Recently two conferences were held in Mumbai highlighting these issues; The Sixth Banking Tech Summit of Confederation of Indian Industry (CII) and another one organized by the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

Of the 6.9 billion people on the planet, just 30 per cent (2.1 billion) have bank accounts while 75 per cent—5.2 billion people—have mobile phones. “In India, only 200 million people have access to a bank account while 811 million have a mobile phone. For a population of 1.2 billion people, this translates into 68 per cent having a mobile phone and only 17 per cent having a bank account. The numbers speak for themselves: when it comes to reaching the ‘un-banked’ and extending financial inclusion for the larger population, mobile phone is the key,” said Wim Raymaekers, Head of Banking Market, SWIFT.”

Observing the above statistical data, it can be concluded that there is still an ample scope for the growth of banking sector. Hence, it requires sound and innovative marketing strategies to capture the untapped market.

Following trends have been observed in the marketing strategies of banks recently:

1. Advertising remains the undisputed promotional tool for banks so far among the other promotional tools. Advertising, which includes direct mail, accounted for the largest share of marketing expenditures at 52 percent, compared to 58 percent in 2007. Public relations accounted for 27 percent of marketing budgets compared to 21 percent in 2007.
2. Consumer expectations are growing. With the increase in the education of the consumers, they are now demanding more and more value added services and are ready to pay premium for it.
3. Mobile banking is the need for today. It has become the blessing for the consumers who don't have the time to visit the bank personally. The biggest advantage that

mobile banking offers to banks is that it drastically cuts down the costs of providing service to the customers. Also service providers are increasingly using the complexity of their supported mobile banking services to attract new customers and retain old ones.

4. Social media is also a tool for marketing the banking services. Forty percent of banks used social media for marketing purposes in 2009. Twenty-nine percent used social networking (i.e., Face book, Twitter, etc.). Face book, used by 76% of banks, is the most popular among various social media outlets, followed by Twitter at 37%. The main reasons for using social media were for communication and competitiveness.

5. Due to increased use of technological bases has increased the operational efficiency of the Indian banks. By 2009, virtually all banks had embraced the Internet and most had websites. Marketer ssaid e-newsletters were the most effective form of Internet marketing, followed by search engine marketing and then sponsorships.

6. Marketing expenditure has witnessed the tremendous growth in last few years as the percentage of total banking expenditure. Despite the overall state of the economy and the banking industry, marketing expenditures were up in 2009. Nearly 60 percent of banks said they planned to increase their marketing expenditures in 2009, the same amount as in 2007. Most of the banks view marketing as a strategic driver for their business.

7. Focus on Incremental New Customer Growth: Instead of generating as many accounts as possible, banks will be focusing on the potential value of relationships including the likelihood of engagement and retention.

8. Gathering Email Addresses: With other communication channel cost increasing and the improved results achieved when email is combined with more traditional channels, the importance of collecting (and using) email addresses has never been more important.

**Conceptual Model for Bank Marketing**

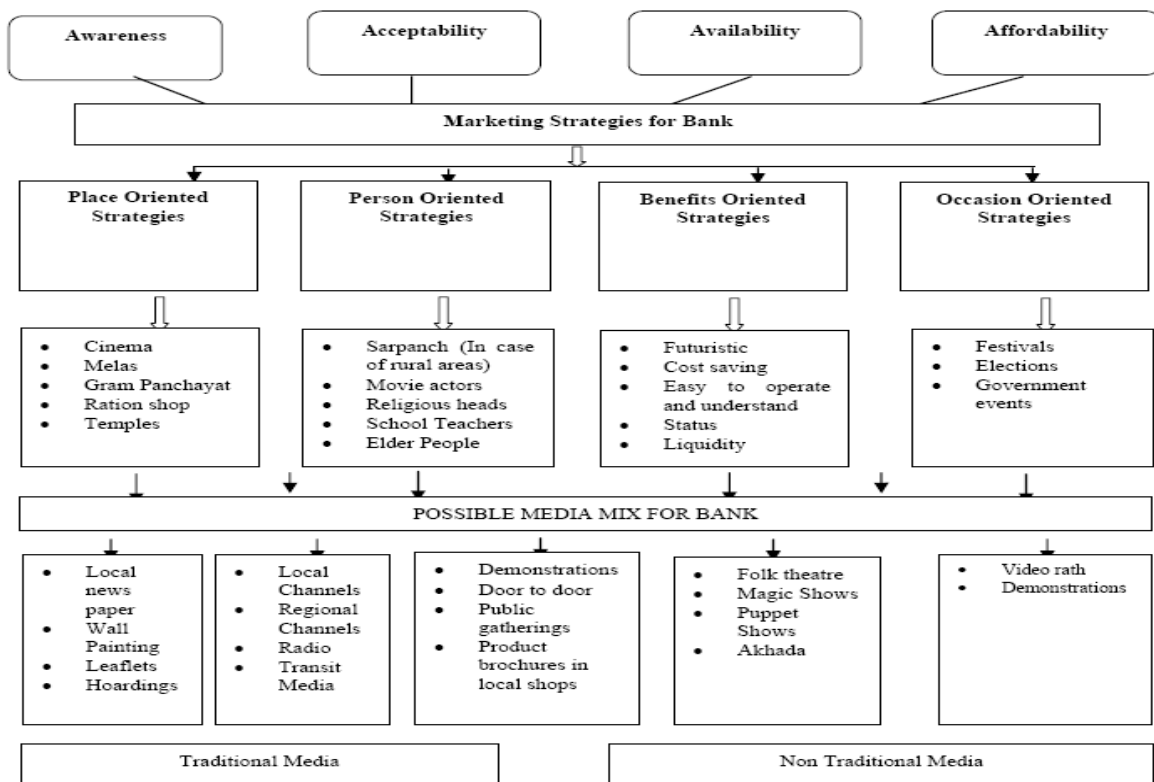


Fig. 1

#### IV. CONCLUSION

With the increased competition and awareness about the banking sectors, customers are now becoming over demanding about the services offered. New and new trends are being witnessed now days. Banks have also realized that social channels need to be used differently in financial services than with retail or other industry verticals. As opposed to trying to find 'friends' of our brands, social media has been used most effectively for customer service (Twitter) and for the promotion of broad based public relations initiatives. No communication channel is 'free'. While email may seem like a far less costly channel to use for reaching customers, the lack of clear targeting and message development may prove costly as customer's opt-out of future communications or simply ignore email messages. In my experience within the banking industry, email has not proven to be as good of a replacement for channels like direct mail as it has been a good supplement for improved results.

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