



Marketing Strategies in Public Sector Banks - A Study

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ABSTRACT

In this modern computerized era every business organization are facing a tough competition especially in the banking industries. Marketing strategy is one of the most important areas in banking sector. This need to improve the performance and ensure sustainable growth of banks as competition in the banking industry. A sound marketing strategy becomes imperative for banks. In banking industries 7Ps of marketing strategies are implemented for its growth. The present study is based on a survey on three leading public sector banks in Nagercoil town .It aims to identify the marketing strategies they follow at present and also highlights some of major problems faced by the public sector banks. The study also finds that there is a need to develop the marketing strategies and give suggestions to overcome the problems for long term growth of these banks.

Key words: Bank marketing, Marketing strategies, 7Ps of Marketing

INTRODUCTION

Among the Indian banking sectors marketing strategy is an important area which aims at the successful existence of banking business in this competitive era. With the deregulation and liberalization process, the consequent policy change introduced in the financial system in general and banking industry. With the emerging changes, new challenges have been brought up on commercial viability, cost effectiveness and effective marketing strategy etc. The marketing strategies in banking industries continue to change. For many years the primary focus of bank marketing was public returns. Then the

focus shifted to advertising and sales promotion vis-à-vis the customer orientation is quite often in today's banking activities. Consumers are the key factor in the market. The dictum "as the bank exists because of its customers". Thus marketing constitutes the key strategy for banks to retain good customers and also anticipate their future demands. Many banking organizations are today applying effective marketing strategies to achieve organizational success for long time survival.

Banks are now required to cope with stiff competition in business and also the complex regulatory norms regarding capital adequacy and provisioning. Thus banks are

forced to adopt various marketing techniques and strategies. This can be firmly said that well-designed marketing strategies are very important to promote banking services effectively. The role of the bank marketing strategies is to achieve competitive characteristics in banks and also for achieving the goals and success of these banks. Thus orientation of banks should be with a much wider focus in relation to consumer and market needs and the consequent marketing strategies.

STATEMENT OF THE PROBLEM

Banks are the backbone of the economic development of the country. It also creates the financial status of the individuals in the society. In modern computerized era there is a tough competition between both public and private sector banks. The public sector banks have to create a tremendous change in their marketing strategies for the development of banking services, mainly to compete the private sector banks. Hence the study would be more useful to know the marketing strategies and also the problems faced by the bankers in implementing the marketing strategies in public sector banks.

OBJECTIVES OF THE STUDY

- * To know the various marketing strategies adopted by public sector banks.
- * To analyze the performance of marketing strategies in public sector banks.
- * To access the problems in implementing the marketing strategy.

METHODOLOGY

The present study is descriptive in nature, which is based on empirical

evidences in the form of primary and secondary data.

DATA COLLECTION METHOD

Primary data regarding the banks' service marketing strategies have been collected through the respective bank executives. In order to carry out the statistical enquiries questionnaire has been framed and data has been collected from the respective samples.

Secondary data has been collected from various published and unpublished sources like books, articles, journals, magazines and internet.

SAMPLE PLAN AND SIZE

The study includes three leading public sector banks (IOB, SBI and SBT) available in Nagercoil town as sample on the basis of convenience sampling methods. It was planned to select 30 bank personnel from each bank and a total of 90 respondents were taken as sample.

CONSTRUCTION OF TOOLS

To make the present research study more effective percentage analysis and Friedman's rank test has been adopted.

REVIEW OF LITERATURE

A number of studies have been conducted regarding the marketing strategies applicable in the banking sector. Following few of them are reviewed here under

Jha, S.M. (1982) in his book "Services Marketing", deals with bank marketing, marketing research, market segmentation and marketing mix for banking services, bank marketing in Indian environment. The author feels that despite the existence of commercial banks, which

were established to make available timely and adequate services to the customers. Banks suffered due to lack of adequate and appropriate strategies for marketing their financial services. He explained the marketing mix strategies such as product mix, promotion mix, price mix, people mix, physical evidence mix, place mix and process mix for the service sector.

Ravisankar, T.S. (1985) in a study on “Marketing Strategies and Planning for Business Growth in Banks” says that the marketing plan for banking services should be supported by appropriate marketing strategies. He suggests that marketing strategy for banks must be oriented towards customers-current and potential as well.

Radhakrishnan, S. (1987) conducted a study on ‘Marketing of banking services, constraints, challenges and strategy’ and found that mixed banking, complaints from customers about bank charges, competition from non banking financial companies and growing investment consciousness of the public are some of the impediments to bank marketing. It is

suggested that the branch manager can design appropriate marketing strategy through identification of customer needs and service efficiency with appropriate differentiation by understanding customer behavior.

MARKETING STRATEGIES IN PUBLIC SECTOR BANKS

Marketing strategies in banking sector revealed that banks can base their marketing strategies on various parameters which are broadly in terms of 7Ps of marketing viz product, place, price, promotion, people, physical evidence and processes.

PRODUCT STRATEGY

In a banking strategy all banks offered the same type of products. Actually the bank takes less time and no additional investment to develop a financial product or service. Thus it is better to focus on some ideas relating to products. So the banks are required to adopt suitable marketing strategies to improve the volume of business level. Keeping this view the opinion of the bankers was asked about some of the product strategy.

Table No. 1

Product strategy

Strategies	No. of Bankers	Percent
Online banking	20	22.22
Focus on customers	21	23.33
Product innovation	31	34.45
Value added services	18	20
Total	90	100

Source: Primary data

Table 1 shows that the major strategy adopted by the public sector bank is product innovation (34.45%). More specifically public sector banks also focus on customers (23.33%) followed by online banking (22.22%) and value added services (20%). Some services which are more important to the customers are not in practice.

PLACE STRATEGY

Suitable place of the bank branch remains the cornerstone on banking business. Therefore management always attempts to locate the branch at the most suitable place, but faraway location is considered as unsuitable from the business point of view. So the selection of an appropriate place for the establishment of a branch is very important. To analyze this the opinion of bankers were asked about the type of strategies.

Table No.2
Place strategy

Strategies	No. of Bankers	Percent
Physical ambience	20	22.23
Location strategy	16	17.78
Easy availability of ATM	26	28.89
Total	90	100

Source: Primary data

Table 2 depicts the status of place related strategy. Easy availability of ATM network 28.89% bankers are giving more focus on this strategy. The physical facilities available inside the bank premises strategy (22.23%) followed by bankers and 17.78% of bankers expressed their satisfaction regarding their location which is convenient to both the parties. All customers are not nearer to the bank. So the location of the bank is one of the problem as per place strategy.

PRICING STRATEGY

In banking services the correct prices has become an essential element for the marketing strategy. Pricing decisions are found an instrumental in motivating or influencing the target market. The views of the sample bankers with regards to pricing strategies are presented as below table.

Table No.3
Pricing strategy

Strategies	No. of Bankers	Percent
Strategic pricing	30	33.33
Market based approach to price	26	28.89
Cost based pricing	14	15.56
Price privileges	11	12.22
Price discrimination	9	10
Total	90	100

Source: Primary data

Table 3 shows that the majority of the public sector banks adopted strategic pricing (33.33%) and follows market based approach to price and cost based pricing. Only a small percentage of public sector banks are following price privileges (12.22%) and price discrimination (10%).

PROMOTION STRATEGY

Promotion strategy is very important when the banks are offering new and innovative services frequently in the market. The promotional tools should help the customer in making most valuable decision. So well designed promotional strategies are very important to promote banking services effectively. The opinion of the bankers about the promotion strategies are shown below.

Table No. 4
Promotion strategy

Strategies	No. of Bankers	Percent
Advertising	20	22.22
Sales promotion	18	20
Personal selling	11	12.23
Public relations	30	33.33
Direct marketing	11	12.22
Total	90	100

Source: Primary data

Table 4 shows that the majority of public sector bankers (33.33%) focus on public relation at its service entity. Only 12% of the public sector banks use the personal selling and direct marketing strategy to market their products. In public sector banks the direct marketing of banking products and personal canvas are ineffective.

PEOPLE STRATEGY

Employee plays an important role in the marketing operations of a service organization. So the banker's attention should be focused on employee service quality and to develop of their service skills consistently. It includes attitude, behavior, expertise, courtesy and willingness to help the employees towards customers. The view of bankers regarding people related strategy should be shown below.

Table No.5
People strategy

Strategies	No. of Bankers	Percent
Willingness to help	15	16.67
Providing training	29	32.22
Polite behavior	14	15.56
Customer friendly staff	18	20
Action oriented staff	14	15.56
Total	90	100

Source: Primary data

Table 5 shows that the majority of the public sector bankers (32.22%) focus on providing training to staff on new products. Only small percentage of people strategy like polite behavior of staff and action oriented staff of each 15.56% respectively. In public sector banks the staff behavior and staff actions affect the customers a lot.

PHYSICAL EVIDENCE STRATEGY

The physical evidence is also important for banks because it conveys to the customers an external image of the service package. If a bank wants to have user friendly, hi-tech and efficient image, the branch infrastructure will have a comfortable seating, pleasant lighting and

temperature, computer systems with advanced technology and network connectivity. Some of the physical evidence strategies followed by public sector banks for marketing their products.

Table No. 6
Physical evidence strategy

Strategies	No of Bankers	Percent
Adequate floor space	29	32.23
Sufficient computers	10	11.11
More counters	8	8.89
Adequate waiting space	12	13.33
Comfortable air conditioning	10	11.11
Total	90	100

Source: Primary data

Table 6 depicts that the most of the bankers have the opinion that the branches have adequate floor space, air conditioned premises, adequate waiting space, more counters etc. More or less bankers expressed their overall satisfaction regarding the physical facilities available in their respective branch premises. Overcrowding is one of the major problems at the beginning of the month.

PROCESS STRATEGY

The well designed process assures service availability, consistent quality, easy and convenience to the customers. But the process involved in the banking services should be easy and smooth, fast and accurate and customer friendly. Following are some of the process related strategies followed by the public sector banks.

Table No. 7
Process strategy

Strategies	No. of Bankers	Percent
Flow of activities	21	23.33
Standardization	18	20
Customization	17	18.88
Convenient services	16	17.77

Simplicity	18	20
Total	90	100

Source: Primary data

Table 7 depicts that the flow of activities has the main strategy for the public sector banks. Because all the major activities of banks follow RBI guidelines. Next public sector banks focus on standardization and simplicity (20%) each. Then the customization (18.88%) and convenient services (17.77%) respectively follows the process strategy in banking services. The main problem faced by the customers in process strategy is delayed in banking services.

PROBLEMS IN IMPLEMENTING THE MARKETING STRATEGY

The banker has to face many problems in implementing the marketing strategies in public sector banks. That is customer orientation, inefficiency of the staff, lack of proper training, inconsistency in quality service technical problems and competition between private sector banks are the problems faced by the bankers in implementing marketing strategy. Some of the opinions about the problems faced by the bankers are given below.

Table No. 8

Problems in implementing marketing strategy

Problems	Mean rank	Rank
Lack of customer orientation	4.87	2
Less staff, over burden & stress	4.36	6
Competition from private banks	4.59	4
Technical problems	4.55	5
Customer relations	4.69	3
Inconsistency in the quality service	5.15	1
Staff problem	4.08	7
Inefficiency	3.71	8

Source: primary data

Table 8 shows that majority of the respondent's opinion about the problem of inconsistency in the quality service as first and follows the customer orientation and customer relation as second and third rank respectively. The competition from private banks has the fourth rank and

technical problems follow the next rank. The last three ranks were occupied by the less staff, over burden & stress, staff problem and inefficiency problems respectively. In public sector banks the service quality is poor because of over crowd of customers and also bank employees are not in service mentality since they have job security.

FINDINGS

- Customer orientation is lacking in banks.
- Banks have given voluntary retirement scheme, so staff is reduced and staff working in the bank is over burdened.
- Special customer relation executives or officers are not there.
- In public sector banks employees feel secured. So they least bothered about in implementing the marketing strategy.
- Illiteracy and fear of bank environment is major hurdles in attracting rural areas because of nature of job, migration of employees create problems in banking services. Competition from private sector banks, investment option from share and commodity and gold and real estates are one of the major problems.

CONCLUSION

Indian banking industry (i.e.) public sector banks are mainly facing two problems. That is inefficiency and competition from private banks. These problems can be tackled effectively by giving energy boosters like training and development, motivation of employees and by creating goals etc. So the banking industry should follow the target market, understand the real customer needs and satisfaction. Similarly bankers should take care of 7P's of Bank Service Marketing Mix. So its On time for public sector banks to focus on some aspects like rural development, staff coordination, and employee's job satisfaction which will help

them in stabilizing the position of the current market and also against the private sector banks in a healthy and vibrant way.

SUGGESTIONS

- Proper orientation programs must be conducted by the bankers in rural areas to implement the marketing strategy.
- The recruitment must be fast and proper training will be provided to the new staff about the marketing strategies.
- Customer relations are maintained by branch managers and officers

- Dedication and service mentality is essential to render the banking service.
- Awareness about the bank services including ATM must be given to the customers.
- Proper marketing strategy should be followed by the public sector banks to overcome the competition from private sector banks, share market and real estates

SCOPE FOR FUTURE RESEARCH

The scope for the future research is to study the marketing strategies followed by the private sector banks.

A comparative study of marketing strategies in public and private sector banks.

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