

# RECENT TRENDS IN MARKETING OF BANKING SERVICES

P. Mariappan

## Abstract

*Banking industry, locally as much as internationally, is becoming a tougher business to run and grow with the increasing competition in a shrinking border-less globe. Bankers are looking more and more into solutions to better reach the customer base, improve customer's loyalty, gain competitive advantage, and provide better customer service and relation, while reducing their running cost and generating more revenue streams. Banks have an important reason to pursue the conduct of business on-line. If they fail to respond to the opportunities posed by the internet, they could be transferred to a largely secondary role as commerce shifts toward electronic over time. For the last 10 years, technology has been the driving force in the banking industry. Using technology though needs a change in bank processes, banks should therefore look at changing business processes both before as well as after the implementation of their IT platforms. Fundamental shifts are taking place in the banking scene with dividing lines between banks, non-banking financial institutions and credit-card issuers. The key to bank marketing success is having a combination of robust processes and flexibility. Imagine for a minute an easy-to-use, integrated system that would increase productivity and results, track campaigns, projects, lists, media, merge and expenses. This paper provides an insight in to the "Recent Trends in Marketing of Banking Services" based on Indian context. To respond to the challenges of the new economic policy, which adopted towards a market – driven economy, the banking sector would have to depend upon efficient management of its human resources and the signs that they are doing it are already there.*

**Key words:** E-commerce, Smart card, Electronic Purse, e-Pay

## Introduction

Business is nothing less than war, and victory is ephemeral. Sustaining a position in the customers mind is an on-going battle and victory can be snatched away with the blink of an eye. Very few banks are successful in sustaining their dominant position, and those that are, continuously change the marketing services for their better. Raphael K. Akamavi [2005] examined the financial service innovation process in the form of financial product innovation. He identified some bottlenecks in the present process and given the via media to remove the same in the form of re-engineered process [i.e., e-process or virtual process]. Chibuike U Che [2001] discussed the interesting insights into the diffusion pattern of mobile banking services adopters and concluded with the possibility of gaining more comprehensive understanding of value added mobile services such as mobile banking. Edward Gardner [1999], discussed in detail of the modern evolution of retail banking with the help of information technology based on the European setting and concluded that the rapid changes in the Banking sector are being forced by consumer behaviour, technology innovation and new competitors. The banking industry, locally as much as internationally, is becoming a tougher business to run and grow with the increasing competition in a shrinking border-less globe. Bankers are looking more and more into solutions to better reach the customer base, improve customer's loyalty, gain competitive advantage, and provide better customer service and relation, while reducing their running cost and generating more revenue streams. Banks have an important reason to pursue the conduct of business on-line. If they fail to respond to the opportunities posed by the internet, they could be transferred to a largely secondary role as commerce shifts toward the electronic over time.

## Bank Marketing – A definition

Deryk-Weyer, of Barclays bank came out with a comprehensive definition of Bank marketing. According to him, Bank marketing consists of identifying the most profitable markets now and in future, assessing the present and future needs of customers, setting business development goals, making plan 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.

## Bank Marketing – A Need

Finding the money for technology investment is one part of the challenge, but it isn't the only one. There are several others, and the issues confront not just public sector banks, but even private sector ones. The modernized expansion needs lot of money to be pumped in, for which they should have a proper plan regarding how to attain the expected return on investment for the additional investment. The present trend forces the banks to think of redefining their strategies to with stand in the market. The redefined strategies should take care of the following things in to consideration taking banks closer to the customer, cost cutting by means of centralizing the crucial functions, installing optimum number of ATMs, smoothening the services in order to attract all type of customers, giving adequate training to the staff and care must be taken regarding the human resource inventory based on the modernization.

## Trends in Bank Marketing

Customer Relationship Management (CRM) – These popular buzzwords are being translated into actions. One trend is with greater emphasis on effective customer cross sell programs. After many years of talking about the topic, banks are finally starting to effectively "look inside" to develop broader – and more profitable – relationships with their existing customers. Many are starting to develop Matrix marketing programs, with a planned calendar for reaching selected customer groups several times during the year.

Every direct marketing program should utilize some form of list selection. But the trend is to "market smarter" by using more selection options in both customer and new prospect list development with techniques like issuing the debit and credit cards, introduction of E-commerce, Mobile banking, Internet banking, Telebanking, e-Pay, Inter-bank Electronic Funds Transfer, ATM, Electronic Payment System, e-Rail and etc. In the last couple of years, most institutions have formalized responsibilities for going after this hot market for both loans and core deposits. Now, effective marketing support is beginning to help the calling officers generate a steady flow of new sales leads.



### **Debit and Credit Cards**

Debit Cards and credit cards are now becoming proven products and most banks are offering these cards and an increasing percentage of the population is using them. After the sale, the effort has been to increase usage through special promotions for activation.

Credit cards, which were designed as an alternative to small loans, and debit cards, which are seen as an alternative to checks, have not tapped into this bonanza market. If analysts' predictions ring true, stored value cards could do what credit and debit can't.

### **Role of Banks in E-commerce**

Electronic commerce is the most recent step in the evolution of business transactions. It replaces (or augments) the swapping of money or goods with the exchange of information from computer to computer. For business-to-consumer e-commerce, the Web has become the dominant pipeline.

### **The major advantages of E-commerce for banks are**

- Using Internet as a supplementary channel for delivering traditional products to consumers and businesses.
- Electronic delivery of traditional banking products, such as checking balances, transferring funds, applying for credit cards, applying for loans, and taking advantage of cash management payroll service.
- Development of E-Commerce Products, such as establishing Internet Portals, verifying identities, assisting small-business entries into E-Commerce, and electronic billing.

### **Marketing Pilot**

Marketing Pilot is an innovative product, designed by marketers for marketers. Marketing Pilot is the first marketing information system. Large and small banks are choosing Marketing Pilot because it enables them to be more responsive, to react faster, do more, and get better results. Also, Marketing Pilot provides a number of functions that are particularly useful for managing banking products and services, including writing requirements documents, researching market needs, preparing business cases, writing detailed specifications, approving promotional material, writing copy, managing, planning and implementing marketing campaigns - better, and more easily.

### **Mobile Banking**

Mobile Banking is a suite of products tackling those challenges: a comprehensive integrated multi-channel Corporate and Retail Banking SMS-solution for banking in the new millennium – the age of the consumer. Features of this facility are Banking services like Balance Summary, Transaction Summary, Statement Request and Cheque Book Request, Information Services like Interest Rates, Foreign Exchange Rates, Loan Interest Rates, Lending Rates, Credit Card Limits, ATM Locations and etc., Product Services like cheque clearing status and credit card alerts. Also it has many benefits for banks.

### **ATM Services**

The most visible symbol of technology in banking is the now ubiquitous automated teller machines (ATM). For most banks, ATMs account for the biggest chunk of transactions, perhaps around 40-50 percent. Banks offers to the customers the convenience of getting the payments done through ATMs with in the country and abroad also. The largest network in the country and continuing to expand fast! This means that the customer can

transact at the ATMs of concerned bank free of cost. Some banks have the tie up with other banks also. Banks have set a few strategies that will convert non-users of technology in the days ahead. First, non-users in general are conservative and laggards. They mostly have accounts in public sector banks, are cautious about dealing with foreign banks and do not use phone banking or net banking at all. Second, non-users lack awareness about how to operate an ATM and what are the facilities offered beyond the fact that one can draw cash from the machine. Third, although a section of them is open to using ATMs, they have misconceptions about using the facility. To begin with, they are skeptical about the service charges they may incur in using ATMs. ATMs may be sprouting everywhere, but banks have to work at spreading the word. "Inspiring ATM usage will be a primary imperative for banks that have now embarked on the tech journey".

### **Smart Card / Prepaid Card / Electronic Purse**

Beyond credit cards and debit cards, financial services players are developing the smart card--one card that will fill all consumers' payment needs. Right now we have stored value cards which will be as common as cash for purchases at movie theaters, mass transit, school cafeterias, pay phones, laundries, groceries, vending machines, road tolls, fast food and more. "The ability to offer stored value will increase a bank's ability to service customers better." The card can Operate using either magnetic stripe (or mag stripe) or microprocessor (chip).

### **Internet Banking:**

An emerging Internet banking model is one in which a bricks and clicks bank affiliates with a successful commercial enterprise to provide banking products and services to the customers of the enterprise. A bank may have the capacity to add a substantial number of new accounts and the infrastructure and e-banking architecture to support a large customer acquisition initiative but no logical target market apart from its existing customer base. For the bank, marketing its products and services the same old way has limited growth potential. For the retailer, finding new ways to capture more revenue from its customer base without significant new capital outlays helps defray the cost of supporting its brands. From their respective needs and capabilities, a productive strategic alliance becomes possible that utilizes a time tested strategy - affinity marketing. The concept uses a storefront to take advantage of customer loyalty and brand identity while driving traffic to the underlying banking institution. In this kind of model, the bank would pay its strategic partner a cash referral fee, while the new loan and deposit customers belong to the bank provider. The relationship between the bank and its commercial partner would be memorialized in a strategic alliance contract between the two parties. This mode helps to check the account balances, view the account, request for cheque book, drafts, and Bankers cheques, and stop cheque payment and issue standing instructions. This also transfers funds to your other accounts at the Branch, transfers, invest and renew term deposits.

### **Tele-banking**

This is a secure, fast and convenient way to obtain a range of services by using a telephone without visiting the branch, eg information on account, conduct of selected transactions, report loss of ATM card, order a cheque book, draft etc. Any individual customer of the branch which is offering this facility, on application can avail the facility subject to the Branch Manager's discretion. It can provide the services like online balance inquiry and etc. The Customer has to call from a telephone with tone dialing facility. For the fax of his statement of account, he should have a Tele-fax.



### **e-PAY**

To pay online bill payment of Telephone, Mobile, Electricity, Insurance and Credit Card bills electronically over the Online Bank website. This mode helps in lot of ways to the customer. The entire internet banking individual customers at selected centres having savings/ current accounts with transaction rights can use this service. This service is provided by SBI and other banks.

### **Inter-bank Electronic Funds Transfer**

This facility of the Reserve Bank of India (RBI - EFT) is available with the branches in the clearing zone of Service Branches at Kolakata, Mumbai, New Delhi and Chennai.

### **Cash Plus Domestic Card**

Banks are proud to offer its customers the latest in banking convenience viz. Domestic card. With this card, there is no need to carry cash in your wallet and you need not fear of overspending on your credit card! You can now withdraw cash and make purchases anytime you wish to.

### **State Bank Electronic Payment System (STEPS)**

It is a highly innovative and effective payment solution designed, developed and implemented by State Bank of India in selected Fully Computerized Branches (FCBs). STEPS provide an end-to-end fully automated Electronic Funds Transfer (EFT) to ensure availability of funds at the destination with speed and efficiency. STEPS ensure credit of funds to the beneficiary's account at the other branch on the next day. The EFT product is named as ET (electronic transfer) to indicate its superiority over the conventional 'TT' (Telegraphic Transfer) which is available and still popular with all the branches of the bank

### **Marketing Strategies – in Banking industry.**

The Indian banks need a new vision, a new approach and an innovative strategy to bring about greater mobility in the financial resources to cater to the changing Socio-economic requirements. The formulation of an innovative marketing strategy involves environmental analysis by which the marketer can learn in advance, the potential opportunities and threats. Considering the new era of Information technology, and e-commerce, the banking industries in the developing countries should concentrate on.

- Building electronic commerce system, which includes the understanding of the impact of e-commerce on banking structure, with respect of the potential for new business models and the opportunities for competitive advantage.
- To give insights into the leading financial services marketers of world, such as geo-marketing, marketing databases, corporate identity, customer service, and customer retention initiative for more effective marketing decision making.
- To look outside the domestic markets for growth, either through acquisitions or alliances.
- Official decision makers must respect the unique nature of the medium and recognize that widespread competition and increased consumer choice should be the defining features of the new digital marketplace.

- Establishing a group work for Marketing and E-commerce. Internet technology is having a profound effect on the global trade services.

Yesterday banks created its customers. Today banks are satisfying their needs and tomorrow they would exceed the customer's expectations.

### **Conclusion**

The fact remains that when compared to foreign banks, Indian banks have miles to go before they start evolving more substantial measures. Though the Indian consumer at large is still not completely comfortable with technology as a way to do banking, the affluent middle class is becoming more familiar. The younger generations have started using computers from a very early age, and this is the generation which would be the consumer of the future. But, it's going to be a long time before this technology becomes the technology for the masses in India. Janmejay Sinha, executive director, Bostom Consulting Group, feels that technology has become a key driver to reduce cost, improve efficiencies and deliver a superior customer experience to bank customer.

Banks have to evolve and transform accordingly to the changing times. If they don't they won't survive. How important and contextual this is for today's banks! The message is simple and loud. – The faster the banks evolve the better for them, if they don't they might never see another tomorrow. The Choice is theirs!

### **Acknowledgement**

I would like to record my grateful thanks to the referee for his valuable suggestions and useful criticism on the manuscript.

### **REFERENCES**

1. Chibuikwe U Uche, Andrwe E Ehikwe, 2001. Marketing of Banking Services in Nigeria. *Journal of Financial Services Marketing*, 6: 133 – 145
2. Edward Gardener, Barry Howcraft, Jonathan Williams, 1999. The new retail banking revolution. *The Service Industries Journal*, 19: 83 – 90
3. Mari Suoranta, Minna Mattila, 2004. Mobile banking and consumer behaviour: New Insights into diffusion pattern. *Journal of Financial Services Marketing*, 8: 354 – 372
4. Raphael K. Akamavi, 2005. Re-engineering service quality process mapping: e-banking process. *The International Journal of Bank Marketing*, 1:28 - 40
5. Strauss, Judy, Frost, Raymond, 2001. *E-Marketing*: 98 – 101. New York: Prentice Hall.
6. Welch, Brian, 1993. *Electronic Banking & Security: A Guide for Corporate & Financial Managers*, 50 – 60. Oxford Press.
7. Xavier. M.J., 2000. *Marketing in the New Millennium*, 75 – 78. India: Vikas Publishing House.

Dr. P. Mariappan  
Assistant Professor  
Department of Management Studies  
MAHE [ Dubai Campus ]  
Knowledge Village, Dubai  
E-mail: mathmari@yahoo.com