

MARKETING OF BANKING PRODUCTS

IMPORTANCE OF MARKETING FOR INDIAN BANKS

"The relevance of aggressive marketing in banks has come to the fore as never before" - M N Goiporia.

CHARACTERISTICS OF SERVICES

- Intangibility
- Inseparability
- Heterogeneity
- Perishability

SERVICE

A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. It's production may or may not be tied to physical product.

MAREKTING OF FINANCIAL SERVICES

Intangibility, inseparability and heterogeneity are manifested at both strategic and tactical levels in services marketing.

Marketing strategy provides the organization with a sustainable competitive advantage in the markets it operates.

Organization should understand consumer needs and identifies how those consumers should be grouped into different market segments.

Product attributes, pricing decisions, methods of distribution and communication should all seek to reflect the chosen position.

BANK MARKETING

- Provides services
- Aimed to satisfy customer's needs and wants
- Needs and wants may be non financial in nature
- Competitive element, efficiency and effectiveness
- Organizational objectives are still the driving force
 - ✱ Commercial objective to make profit
 - ✱ Social Objectives

Essentials for a Banks Success

- Cannot exist without customer
- Create, win and keep customers
- Organizational design should be oriented to the customer
- Deliver total satisfaction to the customer
- Customer satisfaction is affected by the performance of all the personnel of the bank.

MARKETING MIX

- Key concept in the modern marketing
- Considered to be core of marketing
- It is the set of tools that the firm uses to pursue its marketing objectives in the target market
- Decisions must be made for both the distribution channels and the final consumers

Marketing Lessons

OLD

New

Product

Consumer

Price

Cost

Place

Convenience

Promotion

Communication

Wining companies are those that can meet customer needs economically and conveniently and with effective communication

Services Marketing Mix – 7P's

Product, Price, Place, Promotion, People, Physical evidence, Process

PRODUCT

A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need

PRODUCT PERSONALITY

THE CORE

THE ASSOCIATED FEATURES

THE BRAND NAME & LOGO

THE PACKAGE AND LABEL

PRODUCT PLANNING

The process of product planning consists of determining the strategies in respect of various elements. Product Line, Product Mix, Branding, Packaging and New product development.

PRODUCT LIFE CYCLE

Introduction, Growth, Maturity, Decline

The product Life cycle operates at three levels product level, product sub category, brand level.

WEAKNESS OF PLC CONCEPT

- Undefined concept
- No uniform shape
- Unpredictable turning points
- Unclear implications

PRODUCT STRATEGIES

- Strategies based on Product Mix
- Strategies based on Product Life Cycle

PRODUCT MODIFICATION

- Quality Improvement
- Feature Improvement
- Style Improvement

PRODUCT ELIMINATION

GROWTH STRATEGIES

- Intensive
- Integrated
- Diversification

NEW PRODUCT DEVELOPMENT

- Idea Screening
- Concept Testing
- Product Development
- Test Marketing
- Commercial Launch

DIVERSIFICATION

- Concentric Diversification – technologically related but the target customers are entirely different
- Horizontal Diversification - technologically unrelated but the target customers are same
- Conglomerate Diversification – no relationship with the existing product

BRANDING

- Line Extension
- Brand Extension
- Multi brands
- New Brands

PACKAGING

- Primary Package
- Secondary Package
- Shipping Package

LABELLING

- Identify the product or brand
- Describing information
- Promoting the product through 'attractive graphics'

PRICING

Price is the sum value of all the values that consumers exchange for the benefits or having or using the product or service

- Different forms - Goods bought, hire charges, tuition fees
- Dynamic Pricing - Varying prices
- Flexibility

OBJECTIVE OF PRICING

- Profit
- Survival
- Market Share
- Cash Flow
- Status Quo
- Product Quality
- Communicating Image
- Short term/Long term

FACTORS INFLUENCING PRICING

- The Customer's Demand Schedule
- The Cost Function and
- Competitors Prices

PRICING METHODS

- **Mark up Pricing**
Variable costs and contribution for fixed costs
- **Absorption cost Pricing**
margin for profit
- **Target Return Pricing**
Return on the investment
- **Marginal cost Pricing**
Direct variable costs are fully realized
Only a portion of fixed costs may realized
- **Perceived Value Pricing**
Buyer's perception of value
- **Value Pricing**
Product with high value at a fairly low price
- **Going Rate Pricing**
Based on competitor's prices

PRICING METHODS (Contd..)

● Auction Type Pricing

✱ English Auctions

One seller many buyer

✱ Dutch Auctions

✱ Sealed Bid Auctions

● Group Pricing.

Pricing Strategies

- Geographical pricing
- Price discount and allowances
- Psychological pricing
- Promotional pricing
 - Loss-leader pricing
Loss is covered by sale of other items
 - Special event pricing
 - Cash rebates
 - Low-interest financing
 - Longer payment terms
 - Warranties and service contracts
 - Psychological discounting

Pricing Strategies (Contd.)

● Discriminating pricing

✱ First degree

different prices to each customer depending upon their intensity of demand

✱ Second degree

Lower prices for buyers of a larger volume

✱ Third degree

✱ Customer groups — student, senior citizen

✱ Product form

✱ Image pricing

✱ Channel

✱ Location

✱ Time

Pricing Strategies (Contd.)

- Product-mix pricing
 - ✱ Product line pricing –developing product line
 - ✱ Captive-product pricing – main product at lower price, ancillary product at higher price
 - ✱ Two-part pricing – split into fixed and variable component
 - ✱ By-product pricing – by-products obtained in production of other products
 - ✱ Product-bundling pricing
- Market skimming pricing
- Market-penetration pricing

Distribution

Distribution channel

Marketing channels are sets of independent organizations involved in the process of making a product or service available for use of consumption.

Functions of distribution channels

- Market information
- Promotion
- Contact
- Matching
- Negotiation
- Product information
- Physical distribution
- Financing

Channels types

Channel 1, Channel 2, Channel 3, Channel 4,
Factor influencing channel section

- Product characteristics
 - ✱ Perishable products
 - ✱ Consumer durables
 - ✱ Industrial products
- Market characteristics
- Customer characteristics
- Company resources
- Competition
- Product lines

Channels for banking products

- Intangibility
- Inseparability
- Variability
- Perishability
- Client relationship

Branches

Other channels

- Tele-banking
- ATMs
- Computerization
- Plastic Cards
- Virtual branches and automated video banking

Intermediaries in banking services

- DSA
- Automobile Dealers
- Merchant establishments

Physical distribution

- Transportation
- Warehousing
- Inventory

Tasks of physical distribution

- Forecasting
- Order processing
- Inventory management
 - Storage
 - Protective packaging
 - Transportation

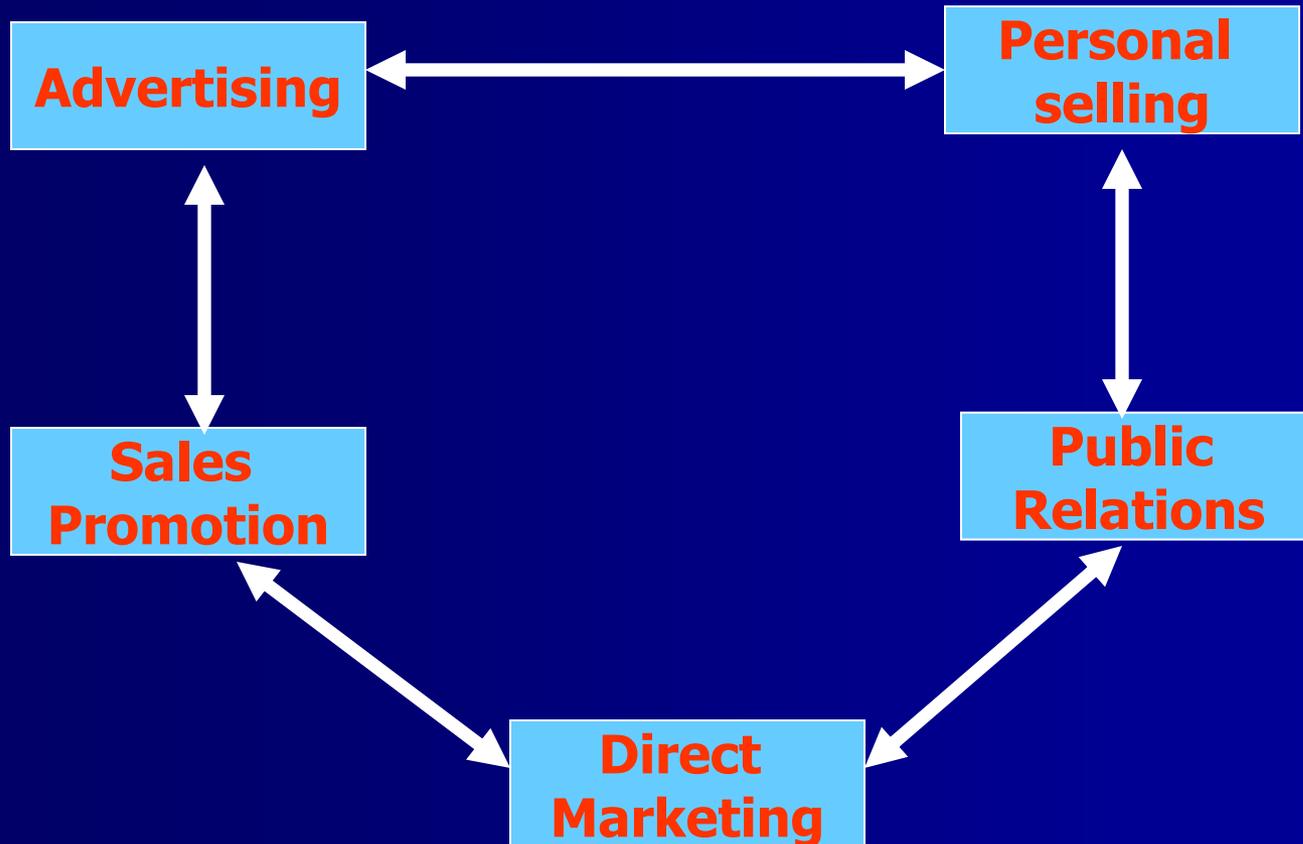
Promotion

Role of promotion

- Persuasion
- Inform
- Reminding
- Reinforcing

Promotion mix

Blended Mix of Promotion Tools



Promotion mix strategies

- Push strategy -Retailer
- Pull strategy - Customer

Factors influencing promotion mix

- Types of product/market
- Buyer's readiness stage
- PLC stage

Promotion mix integration

Marketing Information System (MIS)

Features of MIS

- Master Plan
- Coordination
- Future Orientation
- Computerized Environment
- Analyse Quantitative Information
- Regular flow of Information

Functions of MIS

- Collecting and assembling data
- Processing of data
- Analysis of data
- Storage of data
- Discrimination of information

Need of MIS

- Complex marketing activity
- Knowledge /information explosion
- Communication gap
- Prompt decision
- Non-price competition

Kinds of information needed

- Information about market forces
- Information about the bank's market behaviour
- Internal information

Components of MIS

- Internal marketing information
- Marketing intelligence system
- Marketing research system

Advantages of MIS

?queries



Thanks