

FOUNDATIONS OF FINANCE AND FINANCIAL MANAGEMENT

CHAPTER TWENTY-FOUR

* MARKETING IN BANKS : THE MIX DIMENSION

Marketing in banks is a new concept. It has come to replace armchair banking that characterized the old generation banking. This is because of innovations and competitions witnessed in the industry. According to Adesunloye (1985) marketing is becoming increasingly necessary in today's banks competitive environment (especially the need to enhance banks public images and improve their customer's satisfaction).

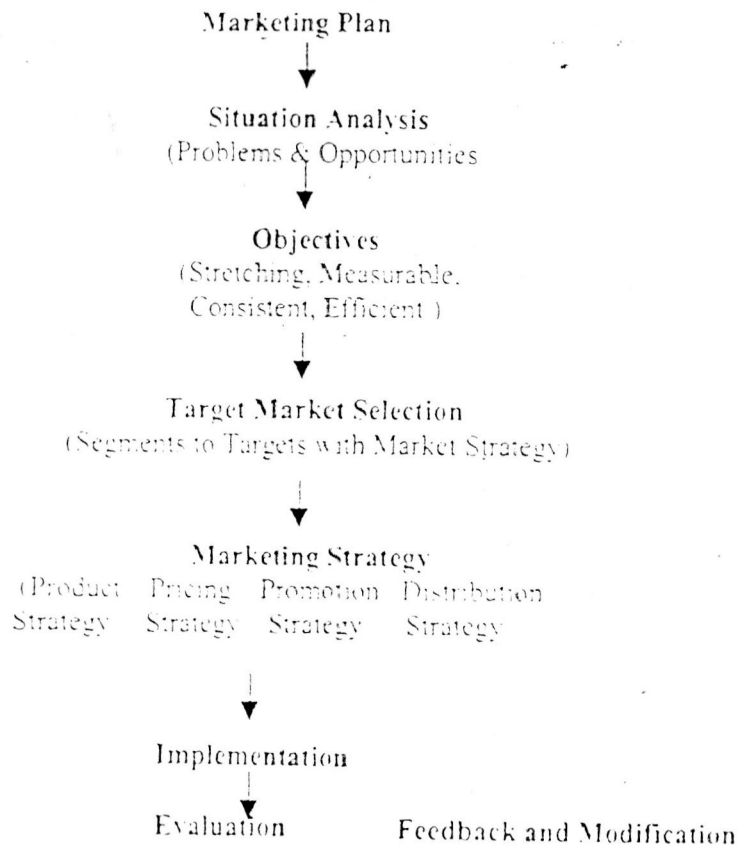
Marketing in banks represents an ever neglected philosophy by management that embraces market driven banking and adoption of policies and strategies aimed at identifying and satisfying customer's needs and wants respectively. According to Okereke (2003) in Ezirim et al (2003:184) marketing in banks is an embodiment of activities, actions and methods and attitudes that assure the search and identification of customers need and the timely satisfaction of these needs at a profit to the banks. It is governed by the marketing concept, which places the consumer first in the corporate thinking of the bank. Marketing concept requires and insists that all bank activities that have anything to do with the customer should be activity coordinated by the marketing process.

The objective of marketing process is profitable sales of services that satisfy customer's needs and wants. Pazzulo (1998) in Ibi (1999:19-20) outlined a model for the marketing process that closely parallel strategic planning process. The marketing mix is their to the last step in the model, as shown below

From this model one can see that marketing mix is the "go-between" in the marketing process which starts form customer need identification and ends with his need satisfaction. It is the techniques (tools) or elements used in ensuring the satisfaction of customers identified needs. These are direct tools but there are other indirect

tools that impact indirectly in the total effectiveness of the marketing mix. Such indirect techniques include financial management controls, business models, planning and evaluation techniques (Networks), external measurement, training, information management, etc. They are not active like the direct tools but act as a catalyst in the entire marketing process.

Fig 24. 1: Model for the Marketing Process



The Marketing Mix in Banks

The marketing mix is the planned mixture of the elements of marketing in a marketing plan. It is a balanced ingredients articulated at any given time to achieve nominated marketing objectives of the bank in the most economical way. Thus, the aim is to combine them in such a way as to achieve the greatest result at a minimum cost coupled with the highest possible customers' satisfaction. Some of the elements are briefly discussed here but let us first review the larger subject – marketing planning. Marketing planning, particularly the situation analysis and formation of objectives evolves from a banks strategic plan. During these stages, management identifies the banks strengths, weaknesses, opportunities and threats, and targets new and existing market segment. Small businesses might need special forms of working capital financing. Old customers might need new savings products or financial planning services. The target segment determines what services will be offered and who the audience is (Koch 1995: 165).

The functions of marketing planning in banking includes all the entrepreneurial and professional activities and processes involved in setting forth objectives and departmental goals, assessing marketing opportunities, generating possible strategies through which to achieve these objectives, designing detailed marketing programmes into marketing plan and adjusting the plan to changes in the environment. A marketing plan represents an overall judgment of the optimum combination of alternative means of achieving a marketing goal and creating a successful marketing plan involve the same sort of synthesis analysis and planning that any successful planning involves.

The marketing plan as a document contains sections like the advertising plan, service promotion plans, price strategies, product plans etc. Apart from these, there are major heading like: Situation analysis and determination of objectives

- (a) Forecasts
- (b) Strategies of investment
- (c) Explanation of the tactics of the bank
- (d) Control measures and ways of measuring effectiveness

- (e) Analysis of economic setting plus critical review of the financial position vis-à-vis the liquidity of the bank.

The Product

A product is a bundle of satisfaction or utilities which customer enjoys as a result of making a purchase. Its basic element is the benefit that a customer expects to realize, for example, transactions convenience from a checking account. Products are developed from ideas sourced from customer's competitors, technology, government, management, research development, employees, business community, etc. These ideas are screened, analysed, developed, tested and launched. The outcome is closely monitored. According to Okafor (1995:64), the product is the most important aspect of the marketing mix because what decisions needs to be taken by management in the other areas of marketing mix are all dependent on this vital area of the marketing mix. Banks are to work towards offering better products in the following ways:

- a. Improved efficiency by ensuring that customers spend less time in the banking halls.
- b. Innovation in the services provided
- c. Critically assessing the needs of customers particularly the latent needs with a view to satisfying them.
- d. Rendering services with a smile and with utmost courtesy which of course is a direct function of the caliber of staff, quality of training, type of management and the level of remuneration.
- e. Granting loans without tears subject to adherence to laid down guidelines (particularly CBN credit guidelines) and internal policies.
- f. Dispensing with archaic methods and procedures which sometimes frustrate the customers.
- g. Limiting the bureaucracy involved in administration
- h. Providing the customer with necessary information that could assist him in obtaining a credit facility or the advantages in keeping a fixed deposit account or even the numerous advantages that customers derive from making use of the services of a bank.

- i. Ensuring that the public relations strategy is right and appropriate.
- j. Maintaining good industrial relation often times.

Fundamentally, customer's benefit oriented banks recognize that it is necessary to monitor user's opinion as to the particular satisfaction which they are seeking from a given transaction and to modify and improve the products in line with changes in user's taste. Furthermore, banks in the group accept that this is a continuous process and not merely a reaction to decreased revenue. As Heisenberg puts it "the action of consumption changes the consumer with the result that producers are faced with an ever changing market and must change continuously to keep the pace".

The Price

Pricing influences the quality demanded and relative profitability to the bank. It is the agreed exchange value forming the essential basis for trading agreement or a transaction. It is right to say that a serious mistake done in a pricing of a product (no matter how qualitative the product) may lead to the failure of the product in the market. Therefore, pricing of a product should consider the cost of production, demand for the product and competition. As much as possible price war should be avoided.

Knowing the importance of price in the total marketing mix, marketing managers should then develop a set of pricing objectives and policies (strategies) that will work towards the achievement of the overall marketing objectives as spelt out under the organizational objectives. (Okafor 1995: 110-111)

According to STAPLETON and HART (1997), a pricing strategy is the deliberate planning of last structure in relation to factors such as consumer's wants, product / service attributes, competition and government regulation in such a way as to ensure profitability. It must have regard for price / demand elasticity as well as premium offers. Not much can be said of banking services for a lot of government controls exist to limit the extent to which banks can use pricing as a competitive strategy.

The intervention of government in determining interest rates

which of course, would have been the most appropriate area to use pricing tactics and strategy create difficulty and places greater burden on bank marketers. The Banking Decree No. 24 1991, as amended, gives Central Bank of Nigeria (CBN) wide powers to issue directive periodically as deemed necessary on interest rates to be charged by banks. For instance, the Monetary Policy Circular number 20, 1986 with reference to commercial banks states that the interest rate for saving deposit shall be 9 ½ percent while that of time deposit shall range from 8 ½ percent 10 percent. It changes depending on the direction of the economy. Currently, interest rate is deregulated.

Strategic Distribution

Physical distribution refers to the process by which a bank delivers the product or services to the consumer. This may be a credit card, Automated Teller Machine (ATM), drive – up window teller or loan office or home video system (Koch 1995: 165-6). This element of the marketing mix is related to the provision of banking services at the nearest possible place at reasonable cost in conformity with government guidelines and in pursuance of social responsibilities.

In the context of banking, this is an area where banks may not be to exercise their discretion. Notwithstanding, marketing management in bank must ensure that though marketing research is conducted in prospective branch locations. For instance, it would be necessary to conduct attitude surveys in likely response of the inhabitants to banking services. Who would not believe that many illiterates do not like to keep their money in banks? The reasons are obvious. Back in the head office it is necessary before commencing such a project to give serious thoughts to issues like the return on investment, the cost-benefit analysis, the problems involved, the implied risk, the yield period etc.

Promotion

Promotion refers to the type of activities employed by a bank to communicate with customers regarding a product or service. These include advertising (which is paid communication and publicity which

is free communication, attempt to increase demand), merchandising, service promotions, personal selling's, public relations and all other honest and genuine activities aimed at promoting banking service. 1

A good advertising campaign must be based on realistic objectives, planned by seasoned practitioners and must be a combination of astute media, buying excellent creativity. Public relations must be planned, deliberate, continuous and strategic. It must be based on the truth and with every regard to the right of the 'public' to honest, timely, up-to-date and regular information. A lot of things are summed in the catchword "promotions" but the essence of it all is that all promotions must be honest, sincere and objective.

Marketing Research

This is the gathering, recording, analyzing and reporting of all facts related to a service and the degree of satisfaction derived from exchanging money for the service. Marketing research must be a deliberate action and must be continuous for it enables the bank adapt to the changing needs of customers and the environment. Other subdivisions of marketing research are product research, market research, media research, etc.

Human Delivery (Personal Selling)

Human delivery or personal selling represent direct contact between bank employees and customers and is the most common form of delivery. Today, many bank employed "specialists", who aggressively sell bank services and provide direct customer services. Here, selling involves identifying customer's problems and solving them.

Ray Grubbs in Koch (1995) used the concept of core values to identify whether a bank is serious about providing quality sales and customers service. In fig 24.2 Grubbs says there are nine core values and provided an example for each. In his view, it is the responsibility of bank managers to establish and maintain such values. The associated examples seem obvious, which is why they evidence core values.

Fig 24.2 The Core Values Of Quality Service

Core Value	Example
1. Responsiveness	Have transaction slips mailed on time
2. Accessibility	Answer the phone by the fourth ring
3. Credibility	Do not promise more than you can deliver
4. Courtesy	Be friendly, even in the face of inaccurate or embarrassing situation
5. Competency	Know your products
6. Understanding Customers	Taking time to learn customer's need
7. Accuracy	Be accurate with the customer's money.
8. Reliability	Give good service every time and across organizational units.
9. Communication	Be able to explain different services to different customers in the language they can understand.

Conclusion

The business environment in general and the banking industry in particular is ever dynamic. Innovations are introduced without notice. Tastes and preferences of the banking public are very difficult to predict. Market for banks' products / services are very unique and perfect because of its oligopolistic nature and homogenous and heterogeneity characteristics of the products traded. Survival of banks in such market demands high level of creativity and responsiveness in controlling a better segment and greater share of the market. It is hoped with convictions that the articulation and application of techniques (tools) highlighted in this work, among others, are good means to a profitable banking business. Wisdom is an important ingredient in this direction.

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