Marketing and Branding in Financial Services (MBFS)

THE INSTITUTE OF BANKERS, BANGLADESH (IBB)

DR Tower (12th Floor), 65/2/2 Bir Protik Gazi Golam Dostogir Road, (Box Culvert Road) Purana Paltan, Dhaka-1000

Phone: 02-55112857-60, Fax : (8802) 55112856, E-mail : ibb.diploma@gmail.com

Web : www.ibb.org.bd & www.online.ibb.org.bd

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Rexona Yesmin

Forewords

The Institute Of Bankers, Bangladesh (IBB), established in 1973, has been working for developing the professional skills of the employees of all Banks and Financial Institutions operating in Bangladesh. In this regard, IBB conducts the Banking Professional examination, JAIBB (Junior associate of the Institute Of Bankers, Bangladesh) and AIBB (Associate of the Institute Of Bankers, Bangladesh) usually held twice in a year throughout the country.

The examinations are being conducted under standard syllabus covering various aspects of banking profession. As banking is ever-evolving discipline, the syllabus for banking Professional examination is also required to be matched with the changing banking conditions. For the same purpose, A committee was formed under the leadership of Dr. Toufic Ahmad Choudhury former Director General, BIBM and comprising of Mr. Md. Ali Hossain Prodhania, Former Managing Director, Bangladesh Krishi Bank, Mr. Abul Kashem Md. Shirin, Managing Director & CEO, Dutch-Bangla Bank Ltd., Dr. Mohammad Haider Ali Miah, Former Managing Director & CEO, EXIM Bank of Bangladesh Ltd., Dr. Shah Md. Ahsan Habib, Professor, BIBM, Mr. Alamgir Morshed, CEO, IDCOL, Mr. Omar Faruque , CFCC Head, Standard Chartered Bank and Laila Bilkis Ara, Secretary General, IBB for updating and upgrading the syllabus of IBB Banking Professional examination.

The committee did the splendid job of formulating the new syllabus for both JAIBB and AIBB, which was later approved by the Syllabus and Examination Committee and Council Chairman of the institute (Honorable Governor, Bangladesh Bank). The same committee has also been entrusted to formulate standard reading materials by the subject matter specialists and practitioners under their (committee members) guidance in order to facilitate the examinees for consulting focused reading materials instead of so many (sometimes also irrelevant) books. This particular reading material on**Marketing and Branding in Financial Services (MBFS)**has been prepared and compiled by Mrs Rexona Yesmin. We extend our gratitude and thanks to them for taking the trouble of writing the reading material.

All the reading materials of both JAIBB and AIBB will be gradually uploaded in the IBB e-library Web portal. The examinees/readers/users are requested to send their opinion/ suggestion on any reading material and we will consider their opinion with great importance. Besides, the IBB will modify/update the reading materials from time to time as per the requirements of the examinees.

Finally, the Institute Of Bankers, Bangladesh takes this opportunity to express its gratitude to the learned members of IBB Council, the syllabus and examination review committee and reading material preparation committee for preparing syllabus and reading materials for IBB Professional examinations.

Laila Bilkis Ara
Secretary General, IBB

Pre-Text

This book/compilation targets bank professionals. Five Modules in this compendium are aligned with the syllabus formulated by an Expert Committee designated by The Institute of Bankers, Bangladesh (IBB). This reading material is expected to help the candidates as a reference and guide for their readiness to appear in the IBB examination on the subject matter. At the same time, further reading from other references on each of the topics shall enhance their knowledge and give a better insight.

I am grateful to the IBB authority and the Expert Syllabus Committee to have confidence in me. And I pay my gratefulness to Dr. Shah Md Ahsan Habib, Professor Selection Grade, BIBM, for his guidance and editing support.

Rexona Yesmin

Assistant Professor, BIBM

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Module-A:
Basics of Marketing

Module-A: Basics of Marketing

The history of marketing practice is grounded in the management and marketing disciplines. In *The Practice of Management*, Peter F. Drucker wrote, "There is only one valid definition of business purpose: to create a customer…(therefore), any business enterprise has two-and only these two basic functions: marketing and innovation…...…marketing is the distinguishing, the unique function of the business."[1]If institutions intend to achieve their objective/goal-to earn profit and save it to reinvest for sustainability then they need to fulfill their purpose by creating customers and retaining them.. Marketing function of any institution deals with how it can differentiate itself from others in creating and delivering by attracting and retaining customers (to fulfill the business purpose).

Marketing Defined

Marketing deals with customers more than any other business function. Simply, marketing may be defined as managing profitable customer relationships. To manage the relationships marketing always tries to attract new customers by promising superior value and to keep and grow them by delivering satisfaction. However, many people think that marketing is about selling (sell) and advertising (promotion) which are only a smaller part of marketing. "Telling and selling" do not create sense today as satisfying customers' needs is the priority. Thereforebroadly, "Marketing is the process (societal and managerial) by which companies create value (through offerings i.e. products and services) for customers and build strong customer relationships in order to capture value (return through pricing) from customers in return."[2]To remain viable, institutions must sustain the process of creating and capturing value over time.

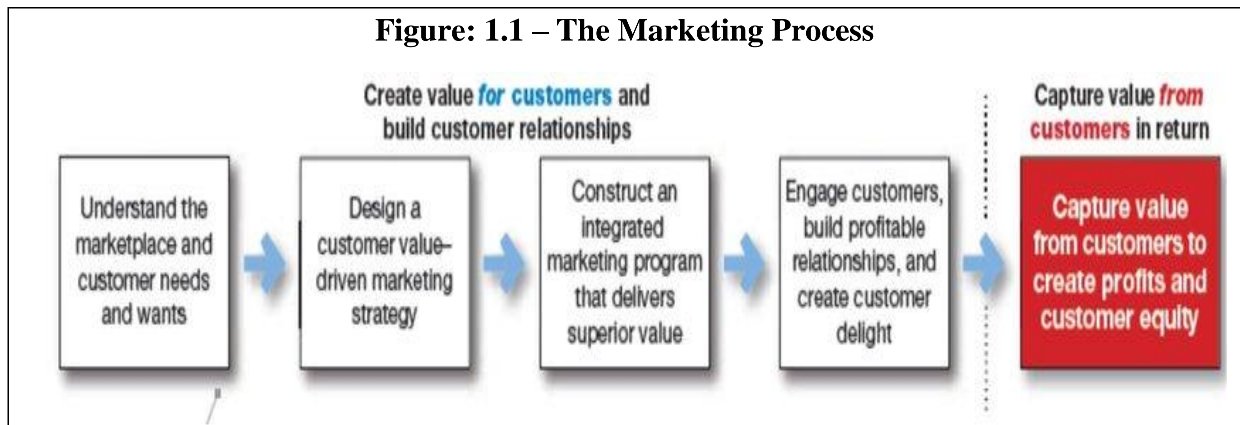
Marketing Process

Marketing process (Figure 1.1) is a simple five-step model. In the first four steps, institutions work to understand consumers, create value for them, design marketing programsto deliver value, and build strong customer relationships. In the last step, institutions gain the rewards

[1] Peter F. Drucker, *The Practice of Management* (New York: HarperCollins Publishers, 1954)
[2] Philip Kotler and Gary Armstrong, *Principles of Marketing* (UK: Pearson Education Limited, 2014)

of creating and delivering superior customer value in the form of sales, profits, and long-term customer equity.

Figure: 1.1 – The Marketing Process



Step-1: Understanding the Marketplace and Customer Needs

To create value marketers, it is crucial to understand customers' needs and wants and the marketplace in which they operate. The core customer and marketplace concepts include: (1) needs, wants, and demand; (2) market offerings (product, services, and experiences); (3) value and satisfaction; exchange and relationship; and (5) markets.

Customer Needs, Wants, and Demands

Needs are states of felt deprivation. When humans felt that they are deprived of something it is called need. Human needs include basic physical needs, social needs, individual needs, etc. For example, when a customer seeks to start a business or expand the business or wants to buy a car or a house or something else but due to her/his financial limitations she/he is not in a position to do it we may say that there is a financial need (i.e. the need for a loan product).

Wants arise from the need. Needs become wants when it is shaped by culture and individual personality. The need for a loan product can only be addressed with the existing products that are already residing in the Bangladeshi market. Not for a product that is supported by the other country's principles or culture. Lastly, a product has different features and delivery mechanisms. So, the customer wantsthe product which best match with his/her personality. For example, a car loan facilitated by apps-based banking or a housing loan delivered by a branch/sub-branch-based operation.

Demands are backed by purchasing/buying power.Wants are converted to demand only if customers take actions to avail loan products otherwise not. For example, customer may contact bank and comply formalities to avail desired loan product.

Marketers usually try to understand customers' needs, wants, and demands. Frequent market research and analysis of customer data can help them to know customer insights and stay close to them to gain better knowledge regarding buyer needs and help them to develop the desired product to satisfy the needs (Box-1).

Box:1-Catering Customer Needs through Unique Product

A bank that is a leading SME financingoperatorin Bangladesh, uses its relationship officers or sales force team throughout the country to identify segments of clusters in different regions of the country. After identifying clusters; regional heads, and product specialists subsequently visits the segments to identifythe unique needs of the segments and develop customized products. Moreover, the regional heads keep close acquaintance with cluster associations and local major players to understand the financing needs and requirements. Upon identification of the unique needs of the product, specialists modify or develop products as required e.g. "T", a collateral-free loan product developed to cater to the Tea Gardens in the Northern Region of the country.

Market Offerings-Products, Services, and Experiences

Customers' needs, wants and demands are fulfilled through market offerings covering combinations of products[3], services[4], information, or experiences[5]offered to a market to satisfy a need or want. Offerings are not limited to physical products only. Theseinclude wide ranges covering laptop/PC, sound bar, TV for physical product; airline, hotel, banking for services firms; freedom of speech, smoking causes cancer, rokto din jibon bachan, publishing companies, university/school/college forinformation and ideas; and amusement/theme park, theme restaurant, tourism destination for experiences.Broadly, events, persons, properties, organizations are also included.

[3] Product is anything that can be offered to a market to satisfy a need, want or demand.

[4] service is an activity or benefit that one party can offer to another that is intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.

[5] Experience refers to the customer impressions which influence how they think of a product/service/ brand across every stage of the customer journey. Experience captures the totality of a customer's journey as he/she engages with product/service/ brand.

Customer Value and Satisfaction

When customers want to satisfy a given need, they usually encounter a wide array of products or services/ market offerings. So, they try to form expectations about the value and satisfaction of various market offerings to enhance their buying decision. **Value**is the difference betweenall the benefits and costs relative to competing products and **satisfaction**is the extent to which a product's perceived performance matches a buyer's expectation. Therefore, marketers must set the right level of expectations (not too high or too low). Too high-level expectations cause disappointment and too low-level expectations may fulfill the desire of a particular group but may not attract sufficient customers to justify further expansion of business (Box-2).

Box:2-Setting Too Much ExpectationsCause Customer Disappointment

A financial institution in Bangladesh claims that they have developed a loan facility for govt. employees where the loan can be availed within 1 day. The offer easily pulls demand. Many customers want to get the offer by complying with all the formalities. However, the end results show that if all the process is fulfilled then within 1 day the customer can get a notification regarding the eligibility of the said loan, not the disbursement. Within a very short period of time, the advertisement of the product from the bank was withdrawn.

Exchanges and Relationships

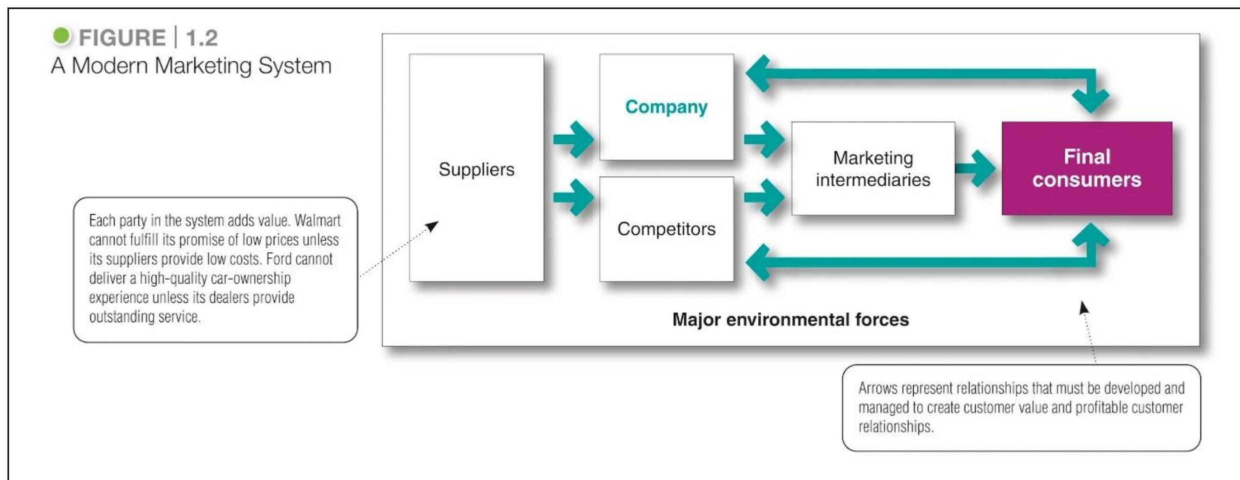
As marketing occurs through exchange (Exchange is the act of obtaining a desired object from someone by offering something in return) relationships i.e. when people decide to satisfy their needs and wants it is the opportunity for marketers to maintain and grow that relationship.

Markets

Markets are the set of actual and potential buyers of a product or service. Basically, buyers share a particular need or want that can be satisfied through exchange relationships. This is associated with any kind of deposit or loan product that are being enjoyed by the actual buyer or that may be bought in the future by a potential buyer. Both buyers and sellers are the key market participants.

As marketing intends to manage profitable customer relationships, it is important to understand the main elements of the marketing system to accomplish the goal of marketing.

Figure: 1.2- A Modern Marketing System



The figure above shows a modern marketing system. The suppliers provide different inputs/support services like office equipment, computer/laptop, internet connectivity, software facilities, funding, etc. to make ready for services. The banking sector (representing company and competitors) do market research and interact with them to understand their needs. Banks then create and deliver market offerings and communicate with customers directly through branches/online platforms or through marketing intermediariessuch as agent outlets and MFS. Each service provider is affected by major environmental forces like demographic, economic, natural/environmental, technological, political, and social/cultural.

Each party in the system adds value for the next level. The arrow represents the relationships that must be developed and managed because success depends on the performance of the entire system to serve the needs of final consumers.

Step-2: Designing a Customer-Driven Marketing Strategy

Designing a customer-focused marketing strategy is possible only when the marketers fully understand their market. Without a thorough understanding of consumers,a marketing strategy cannot be managed properly. For better marketing management, marketers need to think about two things: what customers they are going to serve (target market)? And how to serve these customers (value proposition)?

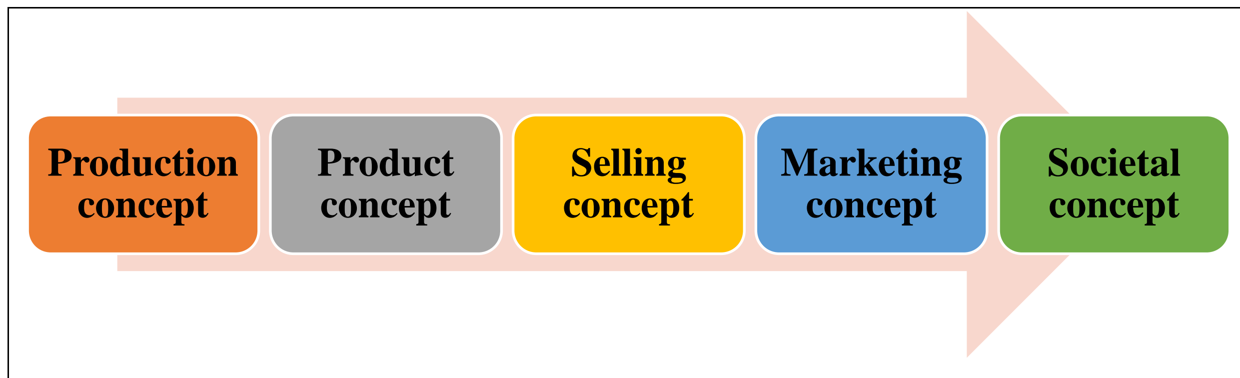
Designing a customer-driven marketing strategy consists of customer selection, value proposition, and deciding on the operational philosophy of all activities.

Selecting Customers to Serve: Banks may want to operate many customers to serve in a particular market like women. This will help them to increase the demand. However, they can not serve all the customers in the same way. Therefore, to serve the market well and profitably banks need to select customers that they can serve using limited resources. Financial institutions can perform the job by dividing the market into segments of customers (market segmentation) such as women working in the private sector, public sector, businesswomen, homemakers, etc. It will be beneficial for selecting which segment/s it will go after (target marketing) such as homemakers. Through this process, banks can easily manage their customer and demand.

Choosing a Value Proposition: At this stage, financial institutions must also decide how they will serve the targeted customers. So, the job is to differentiate and position themselves in the marketplace. In the homemaker segment, the particular bank can at first think about other available banking products and differentiate them from its own product through value proposition – the set of benefits or values it promises to deliver to the consumers to satisfy their needs, to gain a competitive edge. For example, a deposit account has loan facilities for hedonic consumption which may bring emotions, enjoyment, and pleasure through their use or possession.

Marketing Management Philosophy/Orientations: To manage marketing activities banks now want to design strategies to build profitable relationships with target customers. The question is-what philosophy should guide these marketing strategies? What weight should be given to balancing customers, organizations, and society? Because these interests conflict frequently.

Figure: 1.3-Marketing Management Philosophies



The Production concept is avery old concept wherethe marketers believe that consumers will favour products that are widely available or highly affordable. In most cases, marketers focus on improving production and distribution efficiency (Mass production and mass distribution). In the banking sector, the concept is mostly related to extending distribution channels with existing deposit or loan products. The philosophy is useful in market extensions in developing countries like Bangladesh. However, mass distribution can simply help banks to reach consumers with previously designed products. The concept ignores the consumer's views.

The product concept is just the opposite of the production concept. The believers of the concept wish that consumers favor products having quality, performance, and innovative features. Organizations should therefore devote their energy to making continuous product improvements. If financial institutions dedicate their resources extensively to R&D in designing quality products with innovative features then they are practicing the product concept. But, the product is a part of value creation. The value creation process is successful only when the product is priced, distributed, advertised, and sold properly.

The practitioners of **the selling concept**believe that consumers will not buy a firm's products unless it undertakes a large-scale selling and promotion effort. Banks that are putting pressure on their employees through illogical business targets without considering the business potential are practicing the selling concept. However, this volume/sales-based approach can only ensure short-term sales through cross-selling. Moreover, banks that are keen on designing and implementing promotional campaigns through all the media available with existing products/services without considering their necessity are also practicing the same concept. They aim to sell what they have produced rather than what the market wants.

However, marketing based on selling is highly risky because the business does not promote long-term sustainable growth for financial institutions.

The marketingconceptis dependent onknowing the needs and wants of the target markets and delivering the desired satisfactions better than competitors do which is the key to achieving organizational goals.So, marketers go to the market and talk to them to find out the right products for their customers not just want to find the right customers for their products. Therefore, marketers shift from make and sell philosophy (product-centred) to sense and respond philosophy (customer-centred). Practitioners of this concept not only listen to their customers and design best-suited products they are also proactive in sensing consumer future needs.

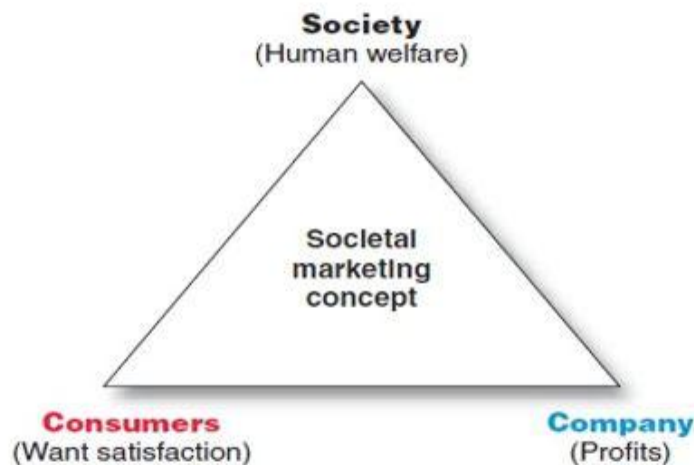
Box: 3-Customer-Centric Approach in Business Operation

To cater to the underserved people of society, an NBFI deploys relationship managers (RMs) to identify segments by market survey. They frequently visit the segments and talk to them regarding their business, financing needs, etc. If the segment is suitable enough relationship managers (RMs) dig down further intothe core strengths of the businesses i.e. availability of raw materials, forward and backward linkages, cooperation and competition among the entrepreneurs in that segment of the cluster, sales, cash flow, market presence, etc. of the businesses.The NBFI arranges seminars and workshops for developing their awareness. Upon satisfactory outcomes of the business the RMs approach them by solving their financial issues with relevant documents. After getting positive feedback RMs subsequently collect the needed documentsand send these to their office. Through the customer-centric business operating model loans can be sanctioned within the same day.

The societal concept/societal marketing concept is the idea that a company should make good marketing decisions by considering consumers' wants, the company's requirements, consumers' long-term interests, and society's long-run interests.Therefore, the organization's task is to determine the needs, wants, & interests of target markets & to deliver the desired satisfactions more efficiently & effectively than the competitors by maintaining or enhancing the consumer's& society's well-being. Financial institutions that are practicing sustainable banking activities are mainly focusing on the societal marketing concept. Through sustainable agriculture, sustainable CMSME, Green banking, inclusive deposit products, CSR, etc.

financial institutions are trying to address the underserved/unserved population of the country while enhancing future generations' needs.

Figure: 1.4- The Considerations Underlying the Societal Marketing Concept



Step-3: Preparing an Integrated Marketing Plan and Program

The marketing strategy of financial institutions will be to decide which customers they want to serve and how they will create value (products/services) for those customers and the philosophy behind the operations. Then the next job is to develop an integrated marketing program by transforming marketing strategy into actions. The marketing tools i.e. products, price, place, promotion (traditional), people, process, physical evidence, and power (extended ones particularly for service firms) are considered as *marketing mix* – the set of controllable tactical marketing tools that the firm blends to produce the certain response it wants in the target market.

Product means the deposit or loan products, their quality, features, variations, etc. that a bank offers to the target market. Price is the rate of interest, credit terms, different charges, etc

which must have to pay for by the customers to obtain the product. Place or channel of distribution deals with making the product available to the consumers through ADCs. Promotion consists of information and communication to convey the benefits of products and pursue them to buy. Different methods can be advertising, personal selling, sponsorship and event marketing, billboards, web posting, media stories, etc. The marketing tools do not work alone. Institutions need to blend them to form a comprehensive integrated marketing program.

Step-4: Building Customer Relationships

The fourth step in the marketing process is – building and managing profitable customer relationships.

Customer Relationship Management (CRM):It is the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction. However, some marketers view it narrowly as customer data management by which marketers manage detailed information about individual customers and carefully manage customer touchpoints to maximize their loyalty.

Managing customer data through touchpoints can only ensure existing customer loyalty. But, relationship management broadly deals with acquiring, keeping, and growing customers. Therefore, the key to building lasting relationships is to create superior value and satisfaction. But the customers do not frequently judge values and costs accurately or objectively rather they act on their perception of values i.e. *customer-perceived value*– the customer's evaluation of the difference between all the benefits and all the costs of an offer relative to competitive offers. To some customers, value means banking products with worthwhile interest rates. With others, the value might mean standard banking products with excellent customer service, dealing with knowledgeable employees, a relaxing environment, etc. Whether a customer is satisfied or not depends on the product's perceived performance relative to a buyer's expectations-*customer satisfaction*. While consuming a deposit/loan product, if a customer is disappointed with the performance, the customer is dissatisfied. If the performance matches consumer expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted.

Relationship Marketing: Customer relationship management is best fulfilled by one-to-one, or relationship marketing(RM). Relationship marketingplaces the customerat the centre of all activities. Therefore, there has been a shift from a transaction to a relationship focus in every business. Customers become partners and the firm must make long-term commitments to maintaining those relationships with quality, service, and innovation. Relationship philosophy assumes that many consumers and business customers prefer to have an ongoing relationship with one organization than to switch continually among other providers. Building on this assumption successful marketers are working on effective strategies for retaining customers.

Relationship marketing is especially crucial for the service industry as there is no scope/chance (near to zero) for providers to get their customers back if any discrepancies occur. A bad experience for a customer can overshadow every previous positive interaction that the customer has with the institution. But in goods marketing, if customers are dissatisfied and switch then the companies have another option too to improve on their part and present before them so that they can judge. In the case of service, it is almost impossible. If they lost the customers they lost forever.

What is relationship banking, then? Relationship banking is a process by which bank aim of persuading customers to become lifetime customers. It focuses on keeping and improving current customers than on acquiring new customers. Because attracting new customers costs more than keeping a current customer satisfied.

But attracting and retaining customers can be a difficult task because there are so many providers in the market and customers have a wide array of choices. So, to attract and keep customers, financial institutions must constantly serve ways to deliver superior customer value and satisfaction because highly satisfied (or delighted) customers are less inclined to switch, less price sensitive, spread positive WOM (Word of Mouth), reduce marketing and administrative cost, more likely to purchase ancillary products, options to cross-sell and up-sell, increase revenue over time, and remain loyal for a longer period. Customer delight creates an emotional relationship with a product or service, not just a rational preference. This in term creates high customer loyalty and hard-core loyal customers. Institutions that fail to nurture & retain their customer base ultimately fail.

Step-5: Capturing Value from Customers to Create Profits and Customer Equity

The final step of the marketing process involves capturing value in return in the form of sales. Market share, and profits. By creating superior value, financial institutions can create highly satisfied customers who stay loyal and buy more. It provides long-run sustainable returns for them. For example, by offering desired product to a customer group banks can easily calculate return through repayment for a particular time period such as 2/5/7/12 years depending on the nature of the loan. In the meantime, by sensing future customer needs banks can also design different innovative products to capture more ***share of customer***-the proportion of the customer's purchasing that a bank gets in its product categories. This process of relationship management aims to increase ***customer equity***-the total combined customer lifetime values of all the company's customers. However, the absence of unique product and fulfilling customer requirements means not only loosing a customer, it means loosing more than a single sale.- i.e. the value of the entire stream of purchases a customer makes over a lifetime of patronage-***customer lifetime value***.

Service Meaning

Services are deeds, processes, and performances.Some are technology-based and some are people-based.Although intangibility is the key determinant, most of the services are not strictly confined to intangibility rather the extent of intangibility varies in different types of services. For example, when a customer wants to open an account, she/he needs to follow the institutional process i.e. all the terms and conditions like providing photographs, NID, trade license, salary certificate, etc. depending on the type of account. After submitting the required documents with the fill-up of the a/c opening form, she/he needs to put in a signature. When someone signs in written documents it becomes a deed or contract. To fulfill the process bank employees now need to perform their part. By ensuring both parties' performances, service can be generated.

Service vs Customer Service

In financial services, the core or basic products i.e. deposit/loan/ payment that are offered are called services. But it is well known that customer service is the service that is provided by all types of companies-including manufacturers, IT companies, and service companies. It is the service provided in support of a company's core products which often includes answering

questions, guiding customers, taking requisitions, dealing with billing issues, handling complaints, etc. It can occur on-site, over the phone, or via the Internet. Customer service is an important factor in attracting and retaining customers.

A customer defines good customer service as how she/he perceives that an organization has delighted her/him, by exceeding to meet her/his needs. Good customer service is all about bringing customers back. And about sending them away happy - happy enough to pass positive feedback to others, who may then try the product or service for themselves and in turn become repeat customers.

Good customer service is the lifeblood of any business. For example, a good relationship officer can sell anything to anyone at once. But it will be the approach to customer service that determines whether or not the officer ever be able to sell that person anything else. Therefore, the essence of good customer service is forming a relationship with customers – a relationship that an individual customer feels that he would like to pursue.

If financial institutions truly want to have good customer service, they need to ensure that they can manage customer service properly. Customer Service Management is a process representing the way a customer wants to interact with your financial institution and, for your institution, offers an effective way to differentiate and manage your customer-centric business.

Categories of Service Mix

In every product/service, there is a service component/mix. The service component can be a major or a minor part of the total offering. In the financial market,as services are mostly intangiblethese can be treated as pure services. However, it is known that most of the services are not strictly intangible rather the extent of intangibility varies in different types of services. For example, the nature of advisory/consultancy services is strictly intangible but offering payment and withdrawing money in an ATM/POS terminal through debit/credit cards are somewhat tangible. Because some tangible parts are facilitating the services. Therefore, the part of the service component helps financial institutions to deal with the requirement of customer service of a particular offering.

The Nature and Characteristics of Services

Before designing any marketing programs, financial institutions must consider four special service characteristics-intangibility, inseparability, variability, and perishability.

Service intangibility: services cannot be seen, tasted, felt, heard, or smelled before they are brought and used. For example, customers who are going to avail of a working capital loan unless consumed or used in the business cannot feel the benefits of the loan product. Or, a customer may purchase a particular service, such as a savings account, but it has nothing physical to display as a result of the purchase. Besides, the service offered by a financial adviser can be evaluated once the advice has been experienced. Even sometimes it is really difficult to evaluate due to a lack of specialist knowledge.

Because of the intangibility character of services, consumers are not certain about the benefits or quality of services. So, to guess about the quality of services, consumers usually seek quality signals like place/distribution channel, people, equipment, communication material, symbols, price, etc. Therefore, financial institutions' task is to make intangible services tangible in various ways so that consumers get the right signal about the quality of services. Bank employees can offer standard service across all delivery channels; knowledgeable, caring, and expert employees can offer customized solutions; display of interest rates of products; good messages design, etc can be good examples.

Service Inseparability:inseparability means services cannot be stored or separated from the providers. Whether the providers are human beings or technology. So, both the service providers' and customers' presence is required to generate a service because they are part of the process and hence, affect the outcome of services.

For example, an investment adviser, as a minimum, needs to know an individual's attitude to risk and whether she/he wants to invest for capital growth or income before advice is given. While this interaction has traditionally been face-to-face, developments in ICT have given much more scope. More banks are able to offer mobile banking via smartphone applications as well as via computers.Therefore, service marketers need to work with large groups of customers, learn to work faster, adopt technology, and hire more staff so that all employees have the chance to interact with the customers.

Service Variability:means the quality of services depends on who provides them and when, where, and how they are provided. Even the knowledge level or expertise can vary greatly. For example, one front desk employee can be smiling face with a caring attitude while the other employees may be very slow and inattentive. Or, a bank may delegate a range of lending powers to account managers so that every requested change in the normal terms of a loan to a small business does not always require head office approval.

However, to reduce service variability, banks can design a standard talent acquisition process, ensure the service delivery standard, delegate authority to employees, and monitor customer satisfaction through physical online and offline modes.

Service Perishability:service cannot be stored for later sales or use if time passes. If the counter staff in a bank have a quiet period with no customers, they cannot 'save' that time to use when queues build up. Bank branches, for example, may be particularly busy during lunch breaks. Many banks employ part-time staff to boost capacity during periods of heavy customer demands while online banking and ATMs provide many standard banking services quickly as an alternative to queuing for face-to-face service.

Expanded Marketing Mix for Financial Services

As services are intangible, inseparable, variable, and perishable; service marketers not only practice the traditional 4 P's of marketing but also some additional elements require attention for service marketing like people, process, physical evidence, power, etc. These additional elements require attention because service encounters are affected by several elements. Some are visible and some are not visible to customers.

The people category consists of three kinds of people i.e. employees, customers, and stakeholders who are very much related to offering banking services. At first, banks need to consider the employees because they implement marketing programs. Besides, their knowledge, capacity, manner, etc. affect service outcomes. Lack of efficiency and motivation may hamper the services. So, banks need to always train their employees and motivate them to offer better services. Customers are equally responsible because they have certain roles to play in generating services. If they do not play their role properly, service will not generate

such as not providing related documents, lack of guarantor's information, etc. may affect the loan decision. Moreover, banks may form liaisons with different stakeholders to perform all their business functions smoothly.

The process illustrates the way the banking services are provided. If it is dominated by human beings like branch and agent banking then the behavior of human beings, work pattern, generating error-free service, etc. need to be taken care of. If it is the technology then the design of it such as the easy and flexible design of apps, online and mobile banking, etc. are important.

Physical evidence means physical infrastructure/cues which also carry great value in offering services whether it is branch base setup or technology-based. Branch-based operations or agent outlets need decoration, a good ambiance, a comfortable environment, a simple service layout, etc. Whereas, a technology-based setup needs eye-catching design, and installment of technology to reduce frauds and forgeries, etc. However, deposit sleep, checkbook, interior decoration, calendar, and different printed items for internal consumption as well as for gift purposes also belong to this category.

Power simply means the empowerment of employees. If banks do not delegate authority to the employees according to job description properly then they will not be able to serve the customers with due care. Every time they may need line managers' or supervisors' decision to generate any kind of services which may show a lack of knowledge before customers. It may disappoint customers.

Financial institutions must blend extended P's with the traditional P's to better integrate and coordinate the marketing programs.

Marketing Strategies for Financial Service Firms: Corporate and Retail

Marketing strategies broadly focus on seizing market opportunities for growth and survival as well as protecting existingcustomers and maintaining the present market share. However, the strategic actions depend on the particular situation a financial service firms come across. As service is dominated by intangibility, financial institutions need to invest in providing superior service based on their target market. This is inevitable because customers complain about inaccurate information; unresponsive or poorly trained personnel; long waiting times

for any decisions. Even in some cases, customers' complaints do not reach the right place/personnel so remain unresolved. All these actions give the wrong impression to the customers and affect customer relationships.

A shifting customer relationship can be a strategic standpoint where banks need to set and meet standards for different activities depending on the importance of target segments. The actions need to monitor as well so that corrective actions can be undertaken if required. It will help them to achieve service excellence, where no complaints can be unresponsive, with strong customer relationships.

Profit Tiers - Delivering services that maximize satisfaction and profitability can be challenging. Hence, banks sometimes design promotional offers, and special services in high-profit tiers whereas lowering service, and long wait times in low-profit tiers. However, offering differentiated services to different groups hampers banks generally in claiming that they are offering superior service to all customers. Moreover, customers who receive the least customer service may spread negative WOM (Word of Mouth) and hurt their reputation. Therefore, financial institutions can design and offer relatively the same customer service standard and make variations in product design and benefits so that costs can be handled.

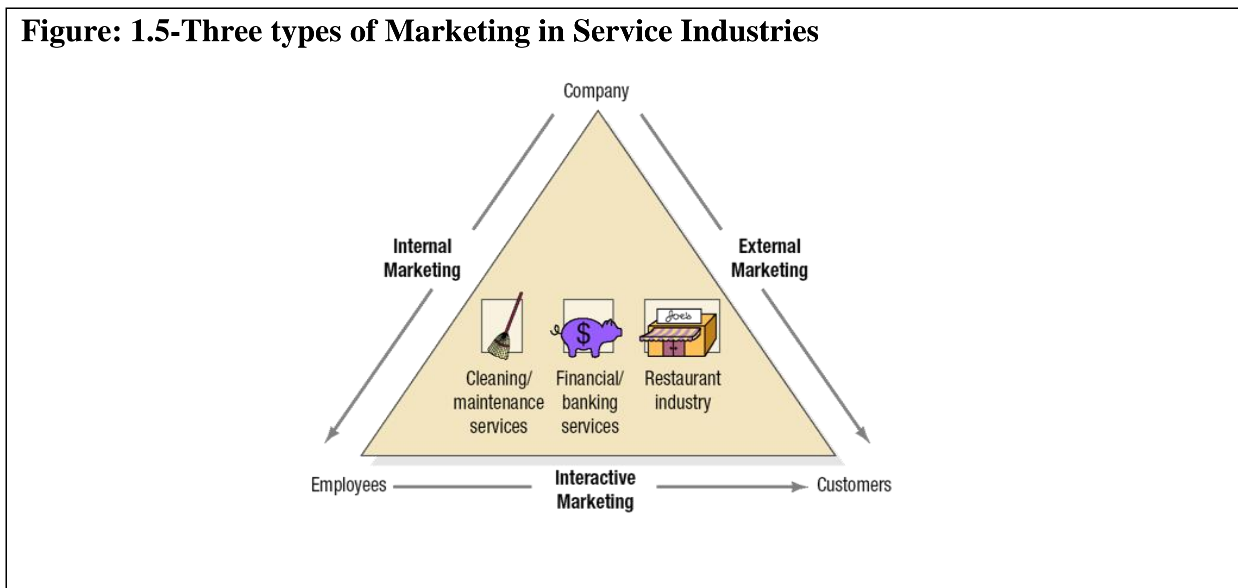
Customer Empowerment–due to the advent of technology, customers become more empowered. They can easily negotiate with financial institutions to get the desired service. Customers also dislike handling different employees providing different information. Besides, the internet helps customers to discuss different bad incidents with peers in a single click. To go with this situation, banks can simply take time to nurture customer relationships and give customers attention and response quickly. It will promote a customer service management culture in banks.

Coproduction – As customers are part of the delivery of services; their words and actions may affect the quality of their service experiences and others, and the front-line officials. The failure of front-line officials can be improved through well-designed and implemented programs. However, managing customers' failure is more difficult. Banks can create awareness among customers regarding their role in service delivery. They can design simple solutions for complex problems and give them flexibility. Besides, banks can introduce the right self-service technology (SST i.e. ATM, Internetbanking, Mobile banking) to enhance

their financial knowledge and help them in capacity development. Moreover, banks can encourage 'customer citizenship' where they can encourage other customers to behave and act to comply with their role as well.

Holistic marketing – The outcome of service and whether customers remain loyal or not depends on many factors. Therefore, marketers need to practice holistic marketing which requires- external (marketing activities directed to customers such as product designing, setting the interest rate, designing ADCs, and promoting to customers), internal (internal marketing describes training and motivation to all levels employees especially front, mid and back office so that they serve customers well), and interactive marketing (employees skills in serving the customers successfully (technical quality) that shows concern and confidence (functional quality).

Figure: 1.5-Three types of Marketing in Service Industries



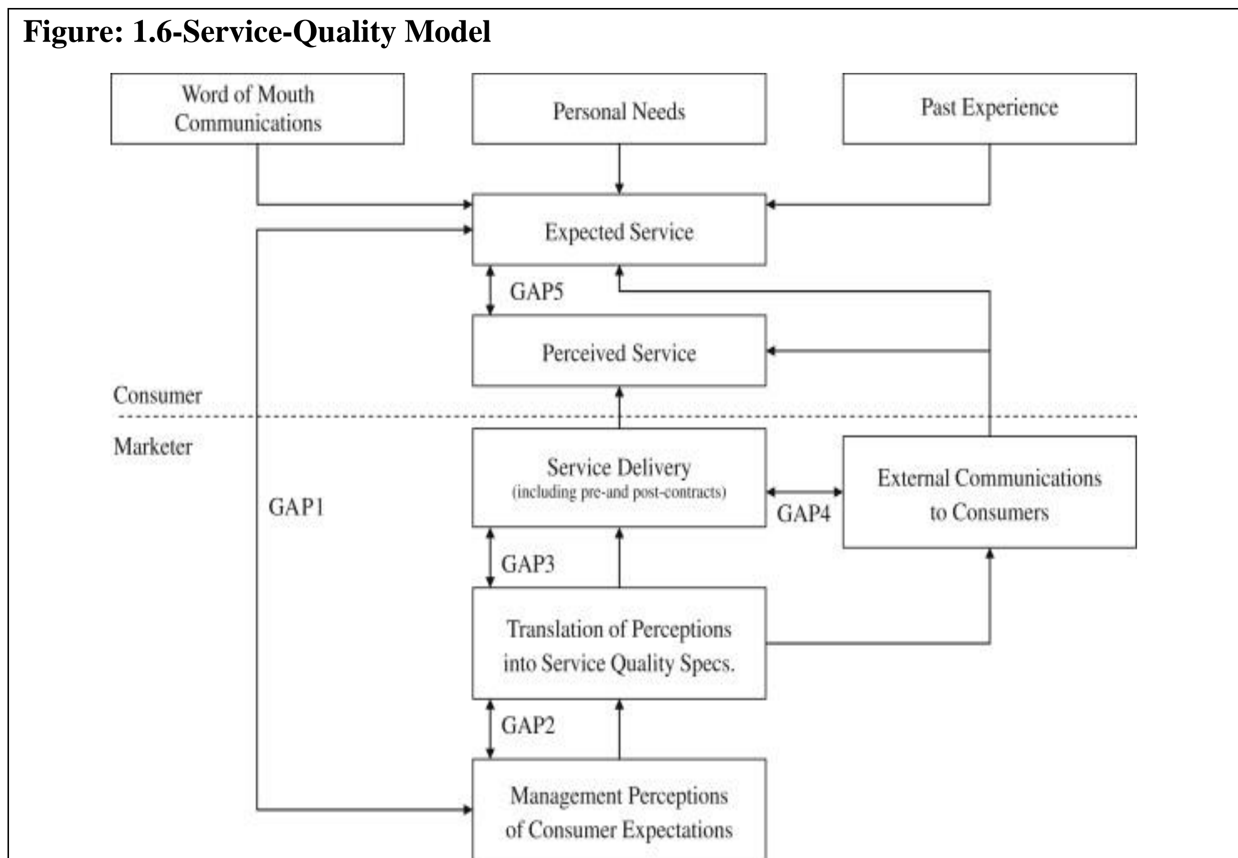
Managing Service Quality

The importance of service quality resides in how well each service encounter (direct contact with service providers) is managed. If employees are bored, lack professionalism, cannot answer simple questions, etc. customers will think twice about doing transactions with this financial institution.

Customer Expectations - An important part of service quality management is customer expectation management. Customers form service expectations from past experiences, WOM, and promotional programs. They compare perceived service with the expected service. If perceived service falls below the expected service, customers become disappointed. So, banks need to add benefits in their offerings that not only satisfy customers but delight them. Besides, knowing the reasons for unsuccessful service delivery and handling them are also the main requirements for delivering high service quality.

For managing service quality SERVQUAL/GAPS Model, which shows five gaps that cause unsuccessful delivery, is very much effective. These gaps are broadly divided into two groups – customer gap & company gap. The GAPS Model says that a service marketer must first close the customer gap, between customer perceptions and expectations. To do so, the provider must minimize the four provider gaps or discrepancies within the organization that inhibit/interrupt the delivery of quality service.

Figure: 1.6-Service-Quality Model



Gap 1: Between customer expectations and financial institutions' perceptions of customer expectations:Gap 1 arises when bank management does not correctly perceive what customers want. For example, if a segment of customersprefers simply a loan product with less interest rate or a biannual installment facility but the bank designs and offers a product having less documentation with an EMI facility. The gap usually occurs forinadequate market research, lack of upward communication (lack of interaction between service planners and customers; insufficient communication between contact employees and managers;too many layers)insufficient relationship focus due to lack of market segmentation, inadequate service recovery – no encouragement to listen to customer complaints.

If banks invest in R&D and do market research to know customers' expectations or front-line employees/lower-level management can share their views with the product development team or banks properly segment their customers and put emphasis on a complaint management system then Gap 1 can be managed.

Gap 2: Gap between customer-driven service designs and standards and management perception of customer expectations: Gap 2 occurs for not having the right service quality designs and standards. Here, the team involves with customer requirements of service and the team who designs lacks integration and coordination. As two teams are handling the issues, misperception or miscommunication may occur or simply the design team ignores the others; unsystematic new service development process; a failure to connect service design to service positioning; absence of customer-driven standards – lack of process management to focus on customer requirementsare the reasons of Gap 2.

Banks can not only improve the coordination among various departments they at the same time think about the systematic service development processes, setting service standards, and proper positioning mechanisms.

Gap 3: Customer-driven service designs and standards versus service delivery:Gap 3 happens when the service is not being delivered rightly. When customers come to the branches to avail of the loan facility then if the service is not delivered rightly it is Gap 2. Gap 2 may arise due to deficiency in human resource policies (ineffective recruitment – no passion; role ambiguity or conflict; poor employee-technology fit;inappropriate evaluation or

compensation systems; lack of empowerment, control, and teamwork), customers' failure to cooperate with service delivery (lack the knowledge of their roles and responsibilities), problems with third party agents who are engaged with service delivery like agent or MFS, failure to match supply and demand -too many customers come at a time to handle, etc.

Banks may install standard recruitment practices in every position, offer a good work environment, arrange training to reduce the knowledge gap, offer motivational programs, set appropriate criteria to evaluate employees, encourage teamwork, design good compensation packages, create awareness of customers regarding their role in service delivery and encourage to fulfill them, cautiously select third-party agents and closely work with them to avoid any types of conflicts, etc. to avoid service Gap 3.

Gap 4: Gap between service delivery and external communication to customers:Gap 4 is the reason for the mismanagement of the statements made by bank officials and promotional programs. When customers come to avail of the services if they feel that the promised service (previously promised by bank officials and promotion) is not being delivered causes Gap 4. In the banking sector, we frequently observe a lack of integration of different communication tools, the absence of customer expectation management, inadequate departmental cooperation and most importantly we often overpromise.

To minimize the gap between communication and service delivery, banks must coordinate every communication material– every message must give the same information apart from the media it uses. Banks also should take care of customer expectations regarding their products and processes in designing those and they should not overpromise in advertising, personal selling, etc. Moreover, top management needs to encourage adequate horizontal communication between sales and operations, promotion and operations, etc.

Gap 5: Gap between expected service and perceived service:the gap is between customers themselves i.e. expected service and perceived service. The consumer at this stage feels that the expectations created by the service provider were not fulfilled. Banks may have chosen the wrong customers whose expectations differ from what they offer or may focuson the wrong service evaluation parameters since customers may be creating their perceptions about the service based on some other parameters.

Gap 5 can be managed by proper segmentation and targeting of those whose expectations match their business purpose or objectives. Besides, they can work deeply on knowing customer perception as well so that may design and implement the right service evaluation parameter.

Service Quality Dimensions

To manage service quality five quality dimensions have been identified. These are-Reliability, Responsiveness, Assurance, Empathy, and Tangible that cannotbe ignored.

Reliability-if bank employees have the ability to perform promised service dependably and accurately then customers rely on them for any kind of financial activities.

Responsiveness - if they are in a position to provide prompt service/on-time service then customers will get excellent service which ultimately will make them happy.

Assurance– through knowledge & courtesy if bank employees can convey trust and confidence to consumers then customers will feel free to transact more.

Empathy– by giving individualized attentionand caring attitudes customers will feel an emotional attachment to banks that will strengthen relationships.

Tangibles– through redesigning or innovating ambiance banks can offer customers a relaxing and comfortable environment that will customers appreciate.

Indicative Questions-Module A

1. Define marketing. Explain the marketing process.
2. Why do understanding the marketplace important for financial institutions?
3. Differentiate among needs, wants, and demands with examples.
4. How do marketers design a customer-driven marketing strategy?
5. Briefly explain marketing management philosophies/orientations for financial institutions with examples.
6. Differentiate between service and customer service with examples.
7. Briefly explain the characteristics of services.
8. Illustrate the expanded marketing mix for financial services.
9. What is holistic marketing? Explain with examples.
10. Describe SERVQUAL/Gaps model for managing service quality.

Module-B:

Marketing Strategies and Planning for Financial Institutions

Module-B: Marketing Strategies and Planning for Financial Institutions

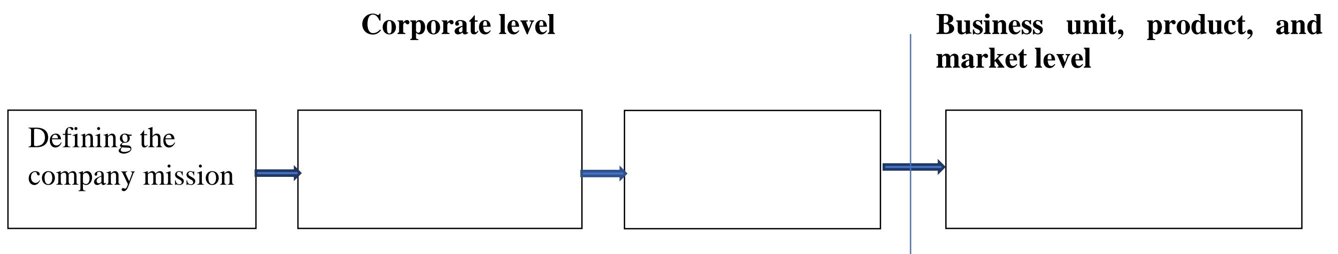
Each company must employ customer-focused marketing strategies and programs that createvalue and relationships. These marketing strategies are guided by broader company-wide strategic plans, which must also be customer focused. The strategic plan focuses on long-run survival and growth that usually makes sense in a particular situation. This is the key focus of **strategic planning** – the process of developing and maintaining a strategic fit between the organization's goals and capabilities and its changing marketing opportunities.

Companies usually prepare annual plans, long-range plans, and strategic plans. The first two i.e. annual and long-range plans deal with the current business on how to keep them going while the last one i.e. strategic plan involves adopting the firm to take advantage of opportunities in its changing business environment. For example, a bank that is already in agent banking decides to penetrate the market within 5 years (long-range plan) and set plans for 1 year (annual plan) so that it can maximize its operation within its command area. So, the annual and long-range plans help the financial institution to run its current business and keep it going. However, due to changing business environment i.e. technological advancement or other factors, the bank changes its operational plan to cope with changing opportunities from the market (strategic plan).

Strategic Planning Process

The strategic planning process starts at the corporate level and ends with the business unit, product, and market level. At the corporate level, the company starts the planning by defining its mission. The mission then turns into the objectives and goals of the company. Now, at the corporate level, the company decides which portfolios and products are best for the company and how much resources it needs to give each of the portfolios. At this stage, each business and product develop detailed marketing and other departmental plans to support the corporate plan. Therefore, a marketing plan occurs at the businessunit, product, and market levels which supports the strategic planning of a company with more detailed plans for specific marketing opportunities.

Figure: 2.1-Steps in Strategic Planning



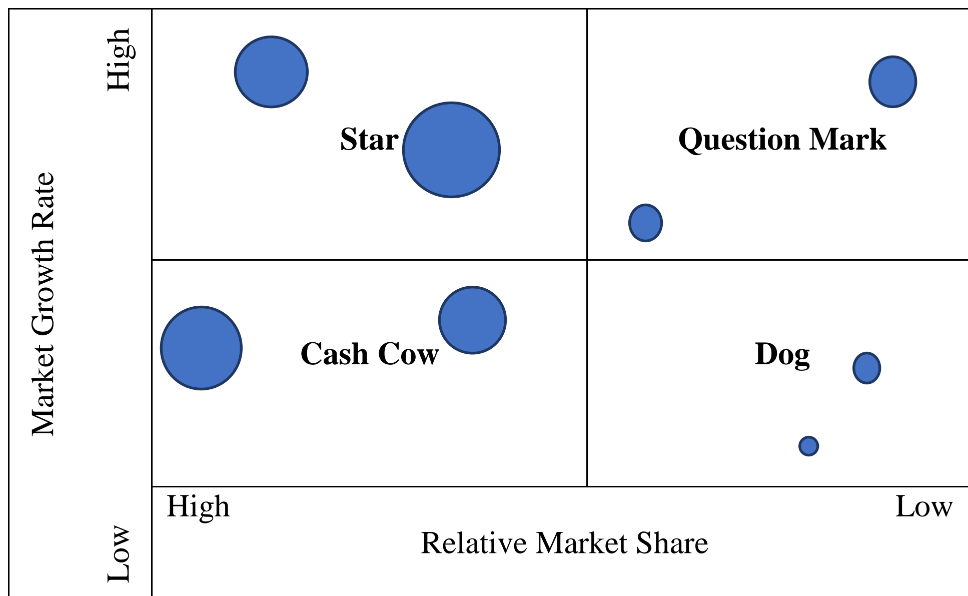
A fourth-generation bank started its operation with the purpose of service excellence with digital soundness (step-1). This broad mission leads to a hierarchy of objectives. One of the objectives is to build profitable customer relationships throughactive learning.The goal can be developing the right learning experience for the bank and offering excellent service. However, it is a matter of research and heavy technological investment. As it is expensive, the bank can set profit as another objective. The goal of the bank can be an expansion the of banking business by operating domestic and international markets (step-2).

The bank now needs to plan its business portfolio – the collection of businesses and products that make up the company. In line with the mission and objectives, the bank can choose two portfolios namely, Retail and Corporate (step-3). Business portfolio planning involves two steps - analyzing the current business portfolio and determining which businesses should receive more, less, or no investment. Secondly, itmust shape the portfolio for the future by developing strategies for growth and downsizing.

Analyzing the Current Business Portfolio: Analysis of the existing business portfolios is the major activity in the strategic planning process for an investment decision. Before analyzing the portfolios marketers need to identify the key businesses that make up the company, which is called *strategic business unit(SBU).SBU*is a unit of the company that has a separate mission and objectives that can be planned separately from other company businesses.An SBU can be a company division, a product line within a division, or a single product or brand. In banking, an SBU can be a division, department, or wing i.e. CMSME division; a product line of this division i.e. loan product line for women entrepreneurs, or a single product or brand i.e. home loan. If SBU is a single product or brand then it represents that the bank/company has the product only to address their customers.

After identifying marketers assess the attractiveness of the SBUs so that they can allocate resources rightfully. The well-known portfolio-planning method is the Boston Consulting Group (BCG) approach which classifies SBUs according to the growth-share matrix by considering two important dimensions namely market growth rate and relative market share.

Figure: 2.2-The BCG Growth-Share Matrix



The market growth rate on the vertical axis describes a degree of market attractiveness. The relative market share on the horizontal axis states the company's strength in the market. The growth-share matrix classifies four types of SBUs.

Stars: Stars have a high relative market share in a high-growth market. They are the market leaders. As the market growth rate is high, competitors will be attracted to the market by the high growth rates. Therefore, large amounts of cash are needed to be spent to defend an organization's position against competitors.Failure to support a star may lead to the product losing its position and becoming a question mark or problem child.A star, however, represents the best prospects for an organization.It is a hold strategy.

Any banking division such as a Retail/product line such as a deposit scheme for garment workers/particular banking product such as an entrepreneurship loan which is very popular among consumers can be treated as a star. Because the bank is holding a majority of the market share and the growth rate of the market is very high.Market share can be maintained

or increased through price reductions, product modifications, and/or greater distribution.As industry growth slows, stars become cash cows.

Cash Cows:A cash cow has a high relative market share in a low-growth market.As the period of high growth in the market has ended (the product life cycle is in the maturity or decline stage), the market is therefore less attractive to new entrants and existing competitors**.**So, the company does not have to finance expansion.

If the growth rate of the entrepreneurship loan becomes slow due to the product reaching its maturity or decline stage still the bank enjoying the larger market share we can say it is a cash cow. As the business is the market leader, it enjoys economies of scale and higher profit margins; cash cow products thus tend to generate substantial cash inflows in excess of what is needed to sustain their market positions.The bank uses the extra amount to pay its bills and support other SBUs that need investment. The best strategy is harvesting – take whatever you can.

Question Marks: Question marks are businesses in a growing market, but only have a small relative market share and thus do not generate a lot of cash themselves. The company must decide whether to do nothing or market more intensively and build into stars or get out of this market. If the company decides to market intensively, they need to decide whether this product can compete successfully with adequate support and what that support will cost.

If the market growth rate of the entrepreneurship loan is very high but the market share of the bank is low it can be treated as a question mark.Therefore,it will require a lot of cash because the bank has to spend money on R&D, promotion, ADCs, employees, etc. to keep up with the fast-growing market as it wants to overtake the market leader. The strategy is building strategy and the task is to convert it to a star.

Dogs: Businesses that have weak market shares in low-growth markets. As the products tendto have a negative cash flowthe company should consider whether it is holding on to these businesses for good reasons or leavingit. It is unlikely that a dog can gain market share from competitors without getting bigger but the market is not attractive enough for such an investment. Besides, competitorswho have the advantage of larger market shares, are likely toresist any attempts to reduce their share of a low-growth or static market.

An organization with such a product can attempt to appeal to a specialized market, delete the product, or harvest profits by cutting back support services to a minimum.Divest strategy can be best here.

The failed project of any financial institution can be considered as the dog, where itisgenerating negative cash flow. Or, if the market growth rate of the entrepreneurship loan becomes slow and the market share of the bank is negligible it can be treated as a question mark.

With the passage of time, SBUs change their positions in the growth-share matrix. Many SBUs shifts from question marks to star category if they succeed. They later become cash cows as market growth falls, and then finally turn into dogs toward the end of their life cycle. Therefore, after plotting its various businesses in the growth-share matrix, a bank must determine whether its portfolio is healthy. An unbalanced portfolio would have too many dogs or question marks and too few stars and cash cows. So, banksneed to add new products and units to their portfolios continuously so that some of them will become stars and, eventually, cash cows that will help finance other SBUs.

Developing Strategies for Growth and Downsizing

Developing portfolios means finding businesses and products within a division/departmentthat the company may consider in the future for profitable growth. Marketers need to identify, evaluate, and select market opportunities so that they can develop strategies to capture them. The Ansoff matrix is a strategic planning tool that provides a framework to help executives, senior managers, and marketers devise strategies for future business growth.

Figure: 2.3-The Product/Market Expansion Grid

	Existing products	**New products**
Existing markets	Market penetration	Product development
New markets	Market development	Diversification

Market penetration - is a growth strategy of increasing sales to current market segments without changing the product. Usually, most of the financial institutions in Bangladesh have

developed generic deposit and loan products for its customer base and adopted push selling techniques to increase sales volume. They are penetrating the market through improvements of promotional activities, adjusting prices, increasing service, expanding outlets, adopting ADCs, etc.

Market development - is a growth strategy that identifies and develops new market segments for current products.Banks may consider developing new demographic markets i.e. underserved/ unserved, new segments such as senior citizens, kids, etc. for their current deposit/ loan products. They can also find out new geographic market opportunities nationally and internationally.

Product development - is a growth strategy that offers new or modified products to existing market segments.In a product development strategy, a bank may try to create new products and services (offering modified products or innovative products) targeted at its existing markets to achieve growth. This involves extending the product line available to the existing markets. Banks can invest in research and development for new products, acquisition of other financial institutions' products, jointly develop a new product, etc.

Diversification - is a growth strategy for starting up or acquiring businesses outside the company's current products and markets.In diversification,banks try to grow their market share by introducing new offerings in new markets. Financial institutions in Bangladesh have already established hospitals, nursing institutes,andschools to expand their business horizon.
Banks not only need to develop strategies for growing their business portfolios but also strategies for downsizing them. Some of the reasons are: it may not want to serve the current market or products due to market saturation or the business becoming unprofitable, lack of expertise to serve the market, changes in the business environment, etc., or simply the business or products no longer fit its overall strategy.

Marketing or business people always tries to identify attractive market opportunities and assess the firm's potential to take advantage of them. By doing this they provide inputs to strategic planners. Not only this they also help to formulate strategies for reaching the objectives of each business unit and implement them profitably.

Planning Marketing: Partnering to Build Customer Relationships

Marketing plays a key role in producing superior value for customers. However, they cannot do it alone. It is only a partner in attracting, keeping, and growing customers. Therefore, companies need to work closely with other departments or units to form an internal *value chain* (the series of internal departments that carry out value-creating activities to design, produce, market, deliver, and support a firm's product) to serve customers. They must partner with other companies in a marketing system to form a competitively superior external *value delivery network* (the network made up of the company, its suppliers, its distributors, and ultimately, its customers who partner with each other to improve the performance of the entire system).

Partnering with Other Departments: Each department can be thought of as a part of the internal value chain because each department performs some value-creating activities to design, produce, market, deliver, and support products or services. Each department's activities singly and coordinated with others can make sure the success of a firm.

For example, 'XYZ' bank's goal is to provide excellent customer service with innovative products. So, marketing, sales, or business people need to learn (through market surveys, FGDs, etc.) what customers need and how they want it. If it is potential for banks then they need to sit with the head office and share their ideas. After thorough planning, the market knowledge and ideas must betransmitted to the R&D department for designing the innovative product and setting the price. ADCs now help in aligning the best channels for offering the service and getting the employees and/or technologies ready. The promotion department will support sharing the information with the customers through sharing unique benefits of the products/services. The customer service department will be ready to hear customers so that they can assist if any issues arise that need immediate customer support. Therefore, every bank official is a part of value creation.

Partnering with Others in the Marketing System: In offering products or services institutions not only work with internal departments they also work with suppliers, distributors, and customers. 'XYZ' bank must ensure furnished offices that are essentially required to perform each department's job smoothly. So, connection with different kinds of vendors i.e. computers, internet, software, etc. will facilitate the job. Not only internal departmental

activities, but the bank must also make relationships with banking agents, vendors who design apps, MFS agents, MFIs, advertising firms, etc. Lastly, it also must make relationships with customers as well so that they can be managed while providing services.

As the customers are the center of all marketing activities, marketers always want to create value and relationships with customers which they hope can be achieved through *marketing strategy* – the marketing logic by which the company hopes to create customer value and achieve profitable relationships.

Now, companies carefully analyze that they cannot profitably serve all the consumers in a particular market or they cannot serve all in the same way. Thus, markets should be divided to choose the best segments and design strategies to serve them well. However, before doing so, marketers must have a thorough understanding on the marketing environment, customer expectations and behaviours.

Indicative Questions-Module B

1. Define strategic planning. Briefly explain the strategic planning process.
2. Why do marketers need to analyze the current business portfolio?
3. What is a business portfolio? How do marketers allocate resources for their portfolios?
4. Explain the BCG approach toclassifying strategic business units.
5. How do marketers develop strategies for growth and downsizing?
6. What is market penetration? How do the FIs penetrate the market?
7. Distinguish between the value chain and value delivery network.
8. What is the importance of partnering in attracting, keeping, and growing customers?
9. How does each department of FIs add value to the final outcome of services?
10. What is diversification? What are the reasons for diversification?

Module-C:

Customer Relations, Expectations, and Building Customer Value

Module-C: Customer Relations, Expectations, and Building Customer Value

Marketers operate in the marketing environment (consists of all the actors and forces outside marketing that affect marketing management's ability to build and maintain relationships with target customers) and constantly analyze market trends to seek opportunities. Therefore, banks must have marketing research and intelligence for collecting information as well as they need to spend more time with customers and competitors. The environment analysis such as changes in the family structures, the lifestyle of consumers, purchasing power, income distribution to the financial sector, rate of technology adoption, environmental concern, etc. help them to understand consumers and the surrounding environment for adopting to meet any kinds of new challenges and opportunities.

Environment analysis helps banks to be more proactive in capturing trends rather than reacting to the changes. As we cannot control market forces (economic recession, income affected by COVID-19), sometimes simply watching the trend and reacting (dissemination of different stimulus packages) to the environment is the best solution.

Consumer Behaviour

Traditionally bankers used a purely financial analysis to analyze their customers, particularly in the provision of loans, the extension of an overdraft, credit, and cheque facilities. But this analysis presents only half of the story, as the results presented can only be accepted at face value. Behind these financial analyses, there are behavioural characteristics of the customer.

To understand the financial analysis fully, we need to look into the customer's attitudes and behaviour.Behavioural characteristics are mostly influenced by three sets of factors as follows: external factors (influential persons and reference groups), internal factors (internal attributes), and the consumer buying process of financial services. To ignore such factors in analyzing a customer is ignoring all psychological differences between individualswhich directly affects the customer's attitudetoward availing banking services.

Banking industry is one of the industries where consumer attitudes and preferences play an important role in choosing a financial service. Some people may look for high-interestrates and others may look for smooth services. The factors influencing the choice of a financial service includes -***the location of a bank***can have different attitudes on people's mind. People may choose a bank which is very near to their home. Some people may choose their financial institutions based on their***internal environment***(physical infrastructure/physical cues/ambiance).

The ***behaviour of the employees*** plays an important role in developing customer's attitudes. Here employees should be very much friendly giving much emphasis on customer's preference. ***Degree of complexity in terms of transactions*** is another important factor in developing customer attitudes. Banks have introduced modern technology which helps to develop positive customer attitudes and isproviding services e.g. apps-based banking, 24/7 banking, online banking, etc. Some customers prefer to be given ***individual care and attention*** from their financial institution and if they do not receive this, it may have a negative impact on the customers' attitudes.

Another important factor is customers always want to feel relaxed about the ***safety of their deposits.*** Deposits are the main asset of a bank. Therefore, banks should keep customers informed that their deposits are safe which will help to develop a positive attitude toward their banks. If a well-reputed bank fails to meet customers' expectations, this might negatively affect the brand image of that bank.

In addition to this, there are some other factors e.g. reliability and credibility, services charge, complaint handling, delivering services as promised, variety of products, internal environment, employee'sskills, etc. which are responsible for developing positive or negative attitude of customers to the banking sectors.

Service Expectations: Meaning and Types

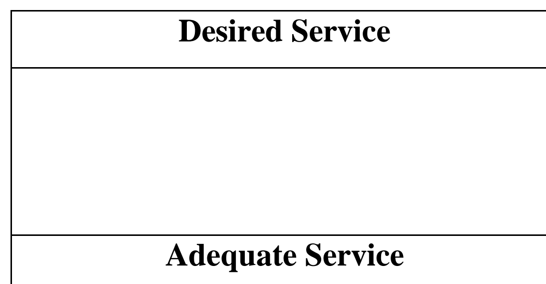
Customer expectations of services are the attitudes and beliefs about service deliverythat function as standards or reference points against which performance is judged. The level of expectation can vary widely depending on the reference point such as quick/fast service, quick solutions to any problems, employee knowledge and behaviour, calm and relaxing environment, error-free service, lack of complexity, etc. the customer holds. Knowing the

standards which form customer expectation is really hard. Therefore, the management body can think of themselves as a reflection of customer expectations i.e. when they are customers of banks, what matters to them? Generally, most of us want the same thing when we are customers.

However, there are broad two types of expectations- desired service and adequate service (Figure: 3.1).

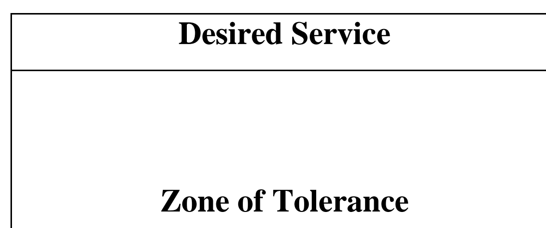
The desired service is the level of service that the customer hopes to receive – the 'wished for' level of performance. ***Desired service*** is a blend of what the customer believes 'can be' and 'should be'. For example, consumers who used apps-based banking may expect that if they submit all the relevant loan documents then the loan can be sanctioned within 2 days. Though consumers hope to attain the loan quickly but recognize that this is not always possible. However, the service can be generated at an acceptable level which is called ***adequate service*** – the level of service customersaccepts. Here, it may be 3 to 4 days depending on the customer tolerance level.

Figure: 3.1- Dual Customer Expectation Levels



Different customers possess different ***zone of tolerance*** – the extent to which customers recognize and are willing to accept service variation (Figure: 3.2). It also varies depending on service dimensions. If service drops below an adequate level, customers will be dissatisfied and frustrated. However, exceeding the desired level of service delights them. Either level of service gets customer attention positively or negatively. Therefore, setting standards and monitoring all activities is a must.

Figure: 3.2- The Zone of Tolerance



Adequate Service

Managing Expectations

At every stage in customer interaction with financial institutions, customers have a different set of expectations. The expectations formed in all stages like the pre-purchase stage, during the service encounter, and after the service is accessed.

At the pre-purchase stage, bank employees should learn what customers expect with interaction. Due to a lack of workforce or excessive business pressure if employees are not able to interact properly then they simply can ask customers regarding their financial expectations. At the same time, bank employees should disclose all the formalities, rules, and regulations regarding particular financial transactions so that customers do not expect more.

During service encounters, if any rules or regulation, or policies changes and impact the particular transaction then communicating the fact during the service is quite vital. If possible, banks can modify the service to some extent to match with previous service promise at the pre-purchase stage. If not, then explain why the service cannot be modified. This clarification will help customers to judge the service quality. Another reason is based on the quality of the service encounter a customer will either be satisfied, dissatisfied, or delighted. The understanding is also instrumental in developing a strategy thatmeets and exceed customer expectations.

Managing expectations after the purchase is also important where bank officials need to develop a procedure to communicate with customers to know whether their expectations are met, follow up to get their views on service improvement, and in the worst-casetechnique for dealing with dissatisfied customers.

Factors Influencing Expectations of Services

Customer expectations play a major role in the evaluation of services. So, marketers always want to understand the factors that shape them so that they can control these factors. However, many of the factors are uncontrollable.

In the desired service level; personal needs, past experiences with financial institutions, and listening from other customers about the financial products/services are the core factors that shape the expectations. ***In the adequate service level***; situational factors, personal emergencies, availability of alternative service providers, fulfillment of service delivery role, etc. are the factors that shape customer expectations.

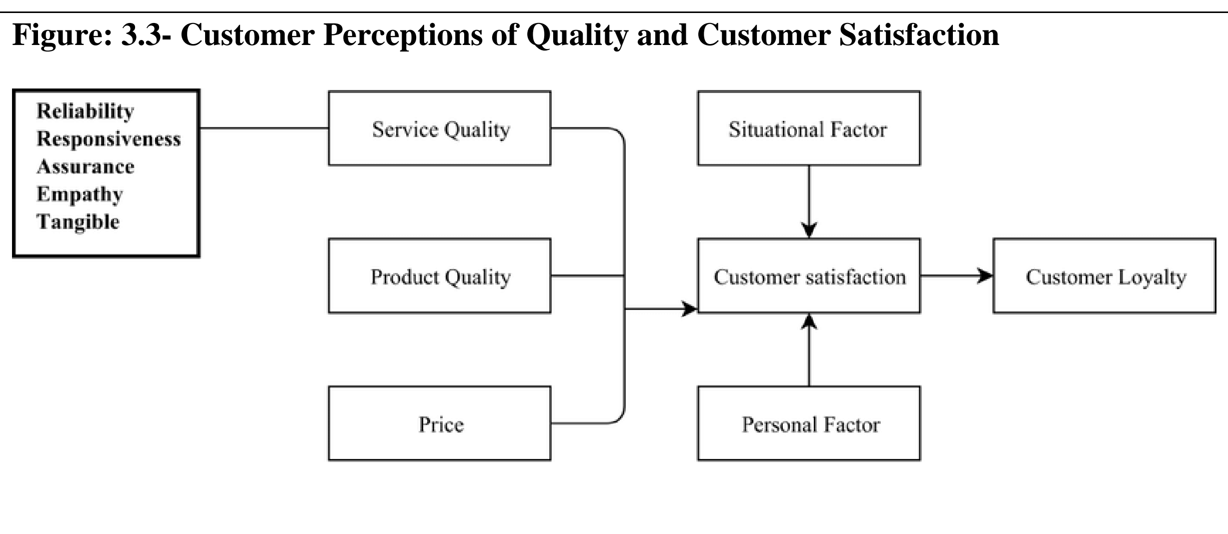
In financial institutions;if employees promise that they can deliver, handle all the promises that come from nonpersonal communications/promotions, set the right interest rate, design decent ambiance, caring employee attitudes, positive WOM, positive past experience, etc. then both the desired and adequate service expectations can be managed. Besides; if bank employees can establish trust, and transparency in every transaction, and educate customers about their roles in service outcomesit will be beneficial to handle customer expectations.

Customer Perceptions-Satisfaction vs. Service Quality

How customers perceive services, how they assess whether they have experienced quality service and whether they are satisfied are important considerations for marketers. Perceptions are usually relative to expectations which are dynamic and their evaluation may also shift over time, with respect to a person and from culture to culture. Quality and satisfaction are based on customers' perceptions of the service.

Satisfaction is generally viewed as a broader concept. But, service quality assessment focuses on dimensions of service. Therefore, perceived service quality is a component of customer satisfaction (Figure-3.3).

Figure: 3.3- Customer Perceptions of Quality and Customer Satisfaction



The evaluation of service quality reflects the customers' perception of service such as interaction quality, physical interaction quality, and outcome quality. These elements are then in turn evaluated based on specific service quality dimensions: reliability, responsiveness, assurance, empathy, and tangibles. However, satisfaction is mostly influenced by the perception of service quality, product quality, price, situational factors, and personal factors.For example, the service quality of banks is judged on attributes such as employee knowledge and behaviour, quick and fast service, error-free service, ambiance, reduced rate of fraud forgery, etc. However, customer satisfaction will be influenced by the perception of the quality of deposit & loan products, payment functions, etc. (the true benefits that enhance value at customers' end) interest rate, personal factors-customer emotions, and uncontrollable situational factors such as server down, any unexpected/chaotic situation occurred by other customers, etc.

Using Marketing Research to Understand Customer Expectations

Financial institutions can simply observe customers or observe through mystery shopping or ghost shopping while they receive services. This kind of observation is very useful for knowing whether customer expectation is met and they are satisfied.

Besides, ifbanks wish to ask consumers about consumers purchase preferences and consumption experiences they can do so. With concise and straightforward questionnaires, banks can survey and analyze a sample group that represents the target market. The larger the sample, the more reliable results will be. Surveys can be conducted by phone or mail, in person, or online.

Mail surveys: Mail surveys are relatively inexpensive ways to reach a broad audience. Respondents may give more honest answers thaninterviewing. They're much cheaper than personal and telephone surveys, but response rates are not that good.

Telephone surveys: Telephone surveys are less expensive than in-person surveys, but costlier than mail. It is one of the best methods to gather information quickly. However, due to consumer resistance to persistent telemarketing, convincing people to participate in phone surveys has grown increasingly difficult.

Personal Interviewing: Personal interviewing takes two forms: individual interviewing and group interviewing. ***Individual Interviewing***isone-on-one interviewing typically conducted in business areas. It allowsgetting immediate feedback. Individual interviewing can be a good source to observe consumer reactions and behaviours. ***Group interviewing*** consists of 6 to 10 people meeting with a trained moderator to talk about a product, service, or organization. Participants normally are paid a small sum for attending. Free discussion and group interactions may bring actual feelings or thoughts.

Observation and focused group interviewing or discussions are marketing research tool for gaining fresh insights into consumers' ideas, thoughts, and feelings.

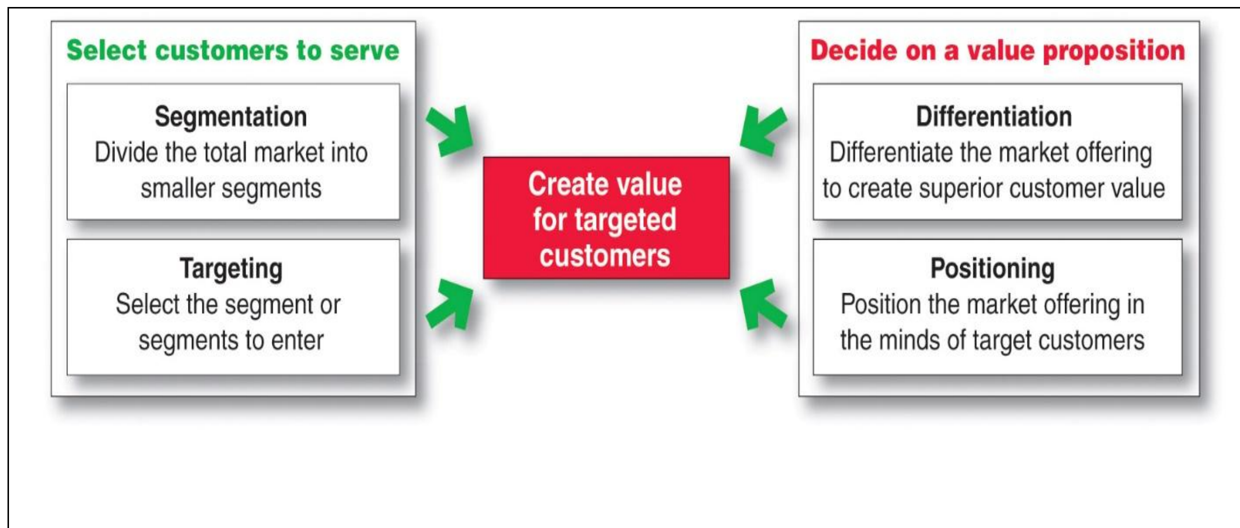
Online Research: The growth of ICT has a dramatic impact onresearchactivities conducted. Financial institutions can use Internet surveys, online panels, and online focus groups. A questionnaire can be on its Website or sent to the email to answer questions. Banks can learn consumer behaviour by following their click streams.

Market Segmentation, Targeting, Differentiation and Positioning

Understanding customer needs and expectations is the essence of marketing. It is the mainfountainhead from which all other marketing activities emerge. But understanding even oneperson is so difficult, because of the complexities of human behaviour and its changing pattern. In the area of understanding the customer, the sky is the limit.

There are wide disparities in likes, dislikes, lifestyle, and profile of people and so as the bank customers. One way to make tasks less daunting, and more manageable, could be to dividethe bank customers into groups that are fairly homogeneous in themselves but aredifferent from other customer types. The greater the homogeneity in the needs and behaviour of agroup of customers, the easier it becomes to understand them.

Figure: 3.4-Designing a Customer-Driven Marketing Strategy



Market segmentation, targeting, differentiation, and positioning fall under designing marketing strategy (Figure-3.4). It has broad two parts i.e. customer selection (segmentation and targeting) and value proposition (differentiation and positioning).

Market Segmentationis the process that companies use to divide large heterogeneous markets into small markets that can be reached more efficiently and effectively with products and services that match their unique needs.

Bankers traditionally use purely financial analysis to analyze their customers alongdemographiclines. However, it wassoon realized that this form of segmentation was very general and was used often as a matter ofconvenience. Besides, when other competitors use the same method theybecome locked in a head-to-head competition, while non-traditional new market entrants aretargeting un-served/under-served markets that are rejected by traditional segmentation.Some of the popular bases of segmentation of bank customers are-

Geographic Segmentation:divides the market into different geographical units such as countries, regions, cities or even neighbourhoods. It examines potential differences of customers by various geographicalunits. Certain common behaviours can beidentified by this method.In the banking context, needs may have variations like Urban-Semi-Urban-Rural,Large city-Small city, Plain land-Hill area-Tribal area, etc. The assumption is that customers in agiven geographic region would show ahigh degree of homogeneity in their banking needsthough it is not true all the time. However, banks may decide to operate in one

or a few geographical areas, or to operate in all areas but pay attention to geographical differences in needs and wants. It is the easiest way to segment the market.

Many banks today are localizing their products and operating model and sales effort to fit the needs of a particular geography.

Demographic Segmentation:divides the market into groups based on variables such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality.Examples can be-Education loans, Marriage loans, Any Purpose loans, Car loans, Home loans (age and life-cycle stage), SME Women Entrepreneurs (gender), Internet and Mobile banking (generation), other kind of loans (income).

Demographics are a popular basis for segmentation, since they often have a strong and significantrelationship to banks' sales, and are easier to reach and measure than most other variables. By taking a stage further, various social classes according to their perceptual attitudes towards their financial outlook is-

a) the 'sophisticated investor' segment- upper class, upper-middle
b) the 'time-consuming' segment – upper middle class, middle class
c) the 'caution-first' segment- lower-middle class, lower class
d) the 'rainy day' segment- lower-middle class, lower class

Geographic segmentation could be further extended on the basis of demographic segmentation. Combining the geographic basis of metro-urban-rural with demographic bases of age, sex and education can yield important market segments such as working women and students.

Psychographic Segmentation: Psychographic segmentation utilizes consumer lifestyleand personality differences to determine the variance in buyer demands. It requires a very deep understanding of customer psychology. Banks can segment consumers based on consumer lifestyles like hedonistic vs. value-oriented, values like conventional banking vs. Islamic banking, etc.

Behavioral Segmentation: separates customers based on how they use a specific banking product or group of products, their attitudes toward the product's performance, and the benefits

that they perceive as valuable. Examples can be performance-oriented vs. price-oriented (benefit sought), moderate, strong, totally loyal (loyalty status), unsatisfied, satisfied, delighted (attitude toward product), etc.

Cross Segmentation: Besides the segmentation variables, some specific market segments have
emerged with a large number of bankers and customers. Some of the leading ones are- Senior Citizens, Students, Working women, Domestic tourists, Housewives, Young married couples, etc. Moreover, banks can also segment their customers based on the following variables:

1. Segmentation based on combining relationship revenue and relationship cost – create a
   simple two-dimensional grid into which customers can be positioned.
2. Segmentation based on relationship volume - The simplest and the most popular way tosegment bank customers is volume-based segmentation. The basic idea is to use some sort ofvolume indicator (deposit volume, loan volume, a combination of both, or some other volumeindicator) to generate groups.
3. Segmentation based on customer relationship profitability - grouping directly on customerrelationship profitability. There are two basic approaches to do this: to base the grouping onrelative profitability (relative to the total customer base) or to group customers based on theirabsolute profitability.
4. Segmentation based on combining relationship volume and customer relationship profitability - combine volume-based segmentation and profitability-basedsegmentation.

Segmentation of Retail Vs Corporate Bank Markets

The segmentation discussed above is mostly preferable for retail consumers. As the corporate sector differs widely from the personal sector in terms of structure andcharacteristics such as corporate customers are generally smaller in number but larger in size, the needs of businesses are more complex than the needs of personal customers, and understandingof their financial requirements, etc. the segmentation also differs. Besides, the corporate sector is also more influenced by countries'economiesand factorsoutside the buyer’s control (such as exchange and interest rates) can take on asignificant role in decision-making.Hence, in many cases, financial institutions findthemselves dealing with sophisticated and complex financial service users.

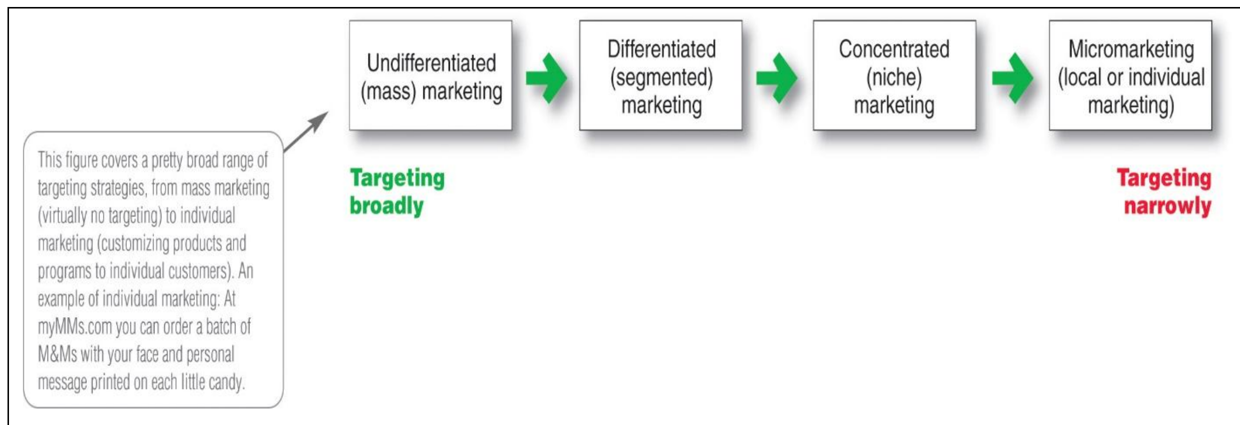
The most commonly used segmentation variables for corporate customers are: industry characteristics-industry type, company size, company location (it is common for banks to assign specialists managers based on the size of the portfolio of the customers and the amount it borrows), operating variables-product usage, company technology (banks can match different types of lending products that the customer uses, or perhaps their need for specialist finance), purchasing approaches (policies and purchasing criteria), situational factors-urgency, application, order size (a large corporate customer may look for a higher level of personal attention from banks than a small business which processes routine transactions), business or buyer's characteristics-age, social class, personality, life stage (financing facilities vary depending on different variables such as account turnover, new start-ups, established business, sole trader, partnership, private limited company, public limited company, etc.)

Targeting

Segmentation is very much effective for targeting the market so that banks can offer various products. Targeting means identifying market segments, selecting one or more of them, and developing products and marketing programs tailored to each. Target market selection involves evaluating each segment's attractiveness and selecting one or more of the segments to enter based on segment size and growth; structural attractiveness in terms of sales, costs, competition, accessibility, etc; banks' objectives and resources.

For example, if a customer has a savings account in a bank, based on the information given to the bank along with account status and history; the bank could target her/him as a prospect for a personal loan product based on a logic/algorithm. The logic/algorithm could be as simple as if a customer with an account balance of Tk. 1, 00, 000 or more for over 6 months should be a prospect for home loans Tk. 20, 00, 000 or personal loans over Tk. 3, 00, 000. After that, an avenue will be opened to cross-sale, up-sale and deep-sale. Figure 3.5 shows that banks can target broadly, narrowly, and in between.

Figure: 3.5-Target Marketing Strategies



Undifferentiated (mass) marketing: a market-coverage strategy in which a bank ignores segment differences and goes after one offer. This strategy focuses on the common needs of the segment. For example, a bank decides to operate in CMSMEs. So, it divides the market into three segments of clusters - Plastic, Handicrafts, and Cane. After evaluating the 3 segments, the bank decides to operate in the Handicrafts segment and develop a financing facility.

Differentiated (segmented) marketing: A market-coverage strategy in which a bank targets several market segments and designs separate offers for each. If the said bank develops different loan products identifying the unique needs of the same cluster.

Concentrated (niche) marketing: A market-coverage strategy in which a bank goes after a large share for one or a few segments or niches. If the bank decides to capture the segment by designing various loans, deposit products, and payment facilities so that no other FIs can enter the market or beat the bank.

Micromarketing: The practice of tailoring products and marketing programs to the needs and wants of specific individuals and local customer groups- includes local marketing and individualmarketing. If the bank offers banking facilities, products, and promotional activities customizing the local people or even individual needs.

*Local marketing*meanstailoring brands and promotions to the needs and wants of localcustomer groups.*Individual marketing* emphasizes tailoring products and marketing programs to the needs andpreferences of individual customers- also labeled “markets-of-one marketing”,“customized marketing” and “one-to-one marketing”.

Differentiation and Positioning for Competitive Advantage

Simply segmentation and targeting are not enough for banks to offer desired value to the target market. The value should be different from the competitor's offer. *Differentiation*means differentiating the bank's market offering/products to create superior customer value. Then, the differentiated offering needs to place in such a way that creates a unique position in consumers' minds. *Positioning* consistsof arranging for a market offering to occupy a clear, distinctive, and desirable place relative to the competing products in the minds of target customers.

For example, there weretwo kinds of retail banks-large banks with lots of branches but impersonalservice, and small banks with personal service but few branches. So, large banks can differentiate and position themselves by combining personal services with lots of branches. Basically, changing the operating model, offering exceptional customer services, and designing unique products or services can help financial institutions to differentiate and position themselves in the market.

Box:3.1: Differentiation and Reposition to Meet Industry Standard

A regional bank of Bangladesh launched a high-tech CBS for interbank connectivity during Covid-19. As a result, the Regional Head of Credit now can easily monitor the receipt of loan applications, issuance of sanction advice, loan disbursement, and repayment of loans of any branches from her/his own desk. Since the bank is banking mostly in remote areas; for the convenience of the borrower and to avoid the long cue in the branch by the clients to pay the EMI; the bank has assigned their officers to collect the loan installment directly from the residence or office or business of the borrower. The assigned officer carries a Laptop and Portable Printer with him/her, giving input while collecting the money, and providing a printout immediately. The borrower instantly receivesan SMS in Bangla on her/his mobile. Due to this action, the bank has repositioned itself by lessening loan turnaround time (TAT) and meeting the standard.

Indicative Questions- Module C

1. How do consumer attitudes and preferences play an important role in choosing a financial service? Explain with an example.
2. What do you mean by service expectations? Explain the types of expectations with examples.
3. What is the zone of tolerance?
4. How can FIs manage customer expectations?
5. Briefly explain the factors influencing expectations of services.
6. Illustrate the relationship betweenservice quality and satisfaction in forming customers' perceptions of the service.
7. What role does marketing research play in understanding customer expectations?
8. How do marketers select customers to serve?
9. Briefly explain target marketing strategies with examples.
10. How do FIs differentiate and position in the market?

Module-D:

Product Development and Pricing in Banks and Financial Institutions

Module-D: Product Development and Pricing in Banks and Financial Institutions

Product

A product is anything that can be offered to a market to satisfy a need or want. But we know that the products of a bank are services as they are intangible such as financial advice, overdraft facility, standing instruction, etc. In defining banking products, two views can be considered-one, banking services constitute a single product (a customer who has a credit card only. She/he has no other financial requirements.) or two, a bundle product (a customer who chooses one bank for financial advice, one for clearing cheques and another one for overdraft facility while managing current account). Besides, banking products can be described and managed depending on the financial needs or wants of customers and what financial institutions can provide.

Product Development and Segmentation

Product comprises both utility features (the primary need for which the product is bought) and service features (associated service at pre, during, and post-sale). For example, a personal pension to provide an income in retirement is the utility feature whereas the ability toaccess a fund’s value and make additional contributions online, or perhaps the access toinformation and assistance via a 24/7 call center is the service feature. So,in order to understand banking products and how they should be managed, it is important tounderstand what those benefits are and how they are provided. Understanding the natureof the service product requires an understanding of both the needs of customers and the organization’s ability to meet those needs.

What Customers Want

Most financial institutions offer a range of products to diverse groups of customers for need satisfaction. The prime customergroups are personal and corporate. In consumer markets, financial institutionsoften separate high-net-worth individuals (HNWI) from other customer groups. Inthe corporate markets, banks will typically separate large corporates from small and medium-sized enterprises (SMEs).

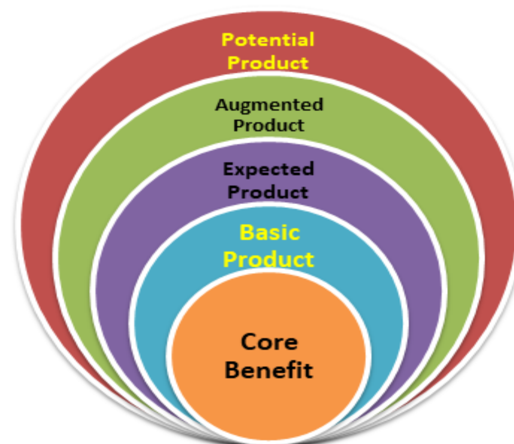
These customer groups have a wide variety of financial needs such asthe need to move money and make payments (e.g. current accounts, ATMs, debitcards, financial advice); the need to earn a return on money (e.g. savings accounts-FDR, DPS);the need to defer payment or advance consumption (e.g. loans, credit cards); the need for information (e.g. share price information services, product information);the need for advice or expertise (e.g. tax planning, investment planning, advice onIPOs).

Therefore, the financial services sector should concentrate on the development of productsand services which meet these particular needs. However, designing products to meet basic needs are not enough. They need to understand consumer buying attitudes and preferences to attract. In orderto understand how banks can make their products attractive to customers, it is important to understand the nature of the product itself.

What Financial Institutions Can Provide

In planning products, financial institutions need to design the offering(often seen as a bundle of benefits) to meet customer needs. Therefore, a common way of viewing products is to a series of layers around a central core (Figure: 4.1).

Figure: 4.1-The product level



Core Benefit - the core product represents the basic need that consumers are buying. In case of a tangible product, the core and basic level represents a different meaning. However, in services, the core and basic represent the same benefits which are treated as core offerings. It serves as a direct and primary benefit such as in the case of a current account, the core

product is money transmission. At the core productlevel, all banks in the market are basically the same – all current accounts offermoney transmission and all credit cards offer the opportunity to delay payment.

Expected/Tangible Product - the tangible product means the product is identifiable by adding certain features or benefits,facilities, brand name, and so on. At this level, the customer expects that the products of different banks will be slightly differentiated which they treat as a minimum before purchasing. It is difficult to differentiate products at this level.

Augmented Product - the third layer, offers additional benefits. These features or benefits are usually added to make products distinct from thecompetition such as the special customer service offered to holders of platinum creditcards. At this level, banks hope to gain a competitive advantage by offering attractive features that competing products do not offer.

However, this is difficult because it's easy to copy a new financial idea.For example, online bill paying can be easily imitated by competitors. Over time, additional value needs to be embedded than simply the product itself. But, where does added value come from? With products, quality can be controlled at the source—in the manufacturing process. With a service, quality is added (or not) by the people who sell to or manage the clients i.e. the quality of financial products can vary because of the employees who are selling or providing it.

Potential Product - the final layer of the product is described as the potential product - refers tofeatures that are either very new or not yet available but which can potentially beadded to a product to make it very distinct.

An illustration of these different layers of a unit trust is shown in Figure: 4.1.The core benefitof a unit trust is to provide customers with a way of investing existing wealth andgenerating a return in the future. The tangible elements might include an association witha specific supplier (branding), choice of investment realization method (income vs. capitalgrowth), projected returns, accessibility, and so on. The augmented element would thenincorporate additional features which go beyond those that would be routinely expectedby the consumer. In the case of a unit trust, this could encompass a dedicated

website thatallows consumers to buy and sell over the Internet. Finally, the potential product couldbe the facility (for a fee), to secure some fractional or partial capital protection.

Marketing managers therefore must understand the core benefit that their product offers and the needs of customers; identify the expected products that consumers want; determine augmented product features for differentiation and monitor developments that could provide the basis for potential future features. In this customer value hierarchy process (each level adds more customer value), it is important to be aware of the distinctive features of services to create some tangible representation of the product and also to address the issues that arise in relation to the variability in quality.

Influences on product management

Financial institutions task is to develop services which meet some or all ofthe financial needs for some or all customer groups. Some banks may concentrateon serving a sub-set of customers, a sub-set of needs, or the majority of customer groups and meet the majority of customerneeds.

To meet selected needs of selected customers requires a range of differing products. Asimple example of the product range to personal customers can be Savings, Investment, Current Account, Home Loans and Credit Cards lines. All the product lines (***a product line*** is a group of products that serve a similar function) consist of ***product mix***- the combination of all product lines. Each product line can be described in terms of width, length, depth and consistency.

The width refers to the number of different broad product lines(savings, investment, home loans, credit card). Each line will consist of a number of relatedproducts which determines ***the length*** of the line. The credit card line consists of three different variants i.e. silver, gold, platinum; while thesavings line consists of five individual products i.e. regular, education, medical, marriage, and probashi savings.***Depth*** consists of the number of variants of each product in the line i.e. there are three variants of the silver credit card. Consistency of product mix refers to how closely it is related to the various product lines in serving the same segment, same underlying technology, etc.

A key aspect of product management is to make decisions about the developmentof this range so that banks can maintain and improve their competitiveposition which involves both

strategic and tactical decisions (discussed in Module-B). The product mix dimensions help banks to expand their business. They can add new product lines, lengthen their existing product lines, add more product variations in each product, and pursue more product line consistency. To make product and brand decisions, it is useful to analyse product lines.

Management of existing product lines

Existing product lines management includes decisions about the features to attach to a particular producti.e. product design(features or benefits, quality, brand, points of differentiation, etc.) and decisions on product line management specifically product modification (checking product performance in terms of sales, profits and making product adjustments) and product line length (addition of newvariants of existing products).

Product attributes - the choice of product attributes (features, brand name, quality, etc.) are vital to design expected and augmented product. Because the features/benefits offered to a particular service differentiate itself in the market. For example, the distinction between a regular current account and a special current plus account may be the former pays no interest on cash balances but has a low overdraft rate. It is suited to consumers who hold small amounts of surplus cash and overdraw regularly. By contrast, the later pays interest but charges a higher overdraft rate which is more suitable to those customers who have larger cash balances and do not overdraw.

However, true service distinction by adding unique features is limited and may not provide a long-term differentiation impact due to the features are easily copiable. Thus, marketer need to look beyond of product features as differentiation rather they may try to enhance their image by quality and branding. However, ensuring quality means both the technical (outcome quality i.e. how the product performs) and functional quality (process quality i.e. the way service is delivered including employee knowledge, behaviour, quick and fast service)

Once a product is established, there are two broad areas that require attention – product modification (changing the attributes of a product to make it more attractive to the marketplace) and product development (creating a new variant of an existing product that is typically associated with either product line stretching or line filling).

Product modification/improvement - aims to improve the performance of an existing product. This may mean making the service easier to use (seasonal repayments on existing agriculture loan instead of monthly repayments), improving the quality of the service (personal account managers for corporate clients) or improving the delivery system (redesigning an online banking platform to deliver smooth service). Heightened competition and high consumer expectations lead product modification/improvement an important way to maintain and expand the customer base. However, if a product is at the mature or decline stage in its life cycle, then adding features and trying to develop completely new products is risky. Therefore, modifying existing products is very attractive.

Product line stretching and filling –line stretching involves adding new services/products beyond its current range. The rationale for stretching a product line is to differentiate existing products to appeal to more specific segments of the market i.e. going further segmentation to premium bank account holders both the up-market and down-market. Therefore, line stretching is a form of new product development for the new segment revealed from the existing market segment (discussed in Module: B-Figure-2.3). It is relatively less risky because customers are known to financial institutions and banks are trying to address them more specifically.However, line stretching can be dangerous particularly when the segments are not large enough or different enough,from the existing market, to be viable then the effect of line stretching may be to increase costs but not increase revenue.

Line filling involves adding new services/products to an existing service line such as development of wide range of additional services to premium bank accounts holders. In addition to a regular savings account, a bank may offer a payroll account, a regular salary account, and a premium salary account having slightly different features and benefits. The basic purpose is to offer customers a complete product line so that they do need not to move to other financial institutions. However, adding too many products to existing lines can result in self-cannibalization, difficulty in line management, and customer confusion. In that case, marketers must be aware of withdrawing existing products as well as introducing new ones.

Management of product line length

Management of the product line focuses on the overall choices about the range of products to offer particularly the introduction of new products and the removal of older,poorer performing products.
Though each aspect of product management are considered separately,they are interdependent. Product attribute decisions have implications for the product length and decisions relating to the product length have implications for the new product development process and product elimination.

Developing new products is an important aspect of product management because itensures that the range is up-to-date, innovative, and meets changing consumer needs. New products basically mean product innovations in the form of adding new lines and major innovations.

Major innovations - these products are new to the bank and the market as well. Hence, they offer great potential in terms of returns though are riskier since theytypically require huge investment, use of different and newtechnologies,and may involvecomparatively inexperienced areas to operate. Such major innovations are rare in financial services.

New service lines - these refer to products that are new to the bank but not new to the market. This type of product development is more evident in the financial market. Since there are competing products already available in the market, the potential returns may be lower, but at the same time, the financial institution is moving into anarea that is considerably more familiar, either in terms of technology orthe markets.

Product Development Strategies: Special Features of Product Development

Whether considering genuine innovations or the addition of new service lines, banks need to follow a structured process. The process of developing new products requires adaptations. The basic principles and steps in new service development are outlined in Figure: 4.2. Though the process is quite similar for manufacturing goods, their implementation is slightly different. In addition, regulators in service industries greatly influence the nature and speed of new service development.

An underlying assumption of the new product development process is that new product ideas can be dropped at any stage if they do not satisfy the criteria of a particular stage. After

fulfilling the criteria, a new service can proceed to the next stage of development. The process is divided into two sections: front-end planning and implementation

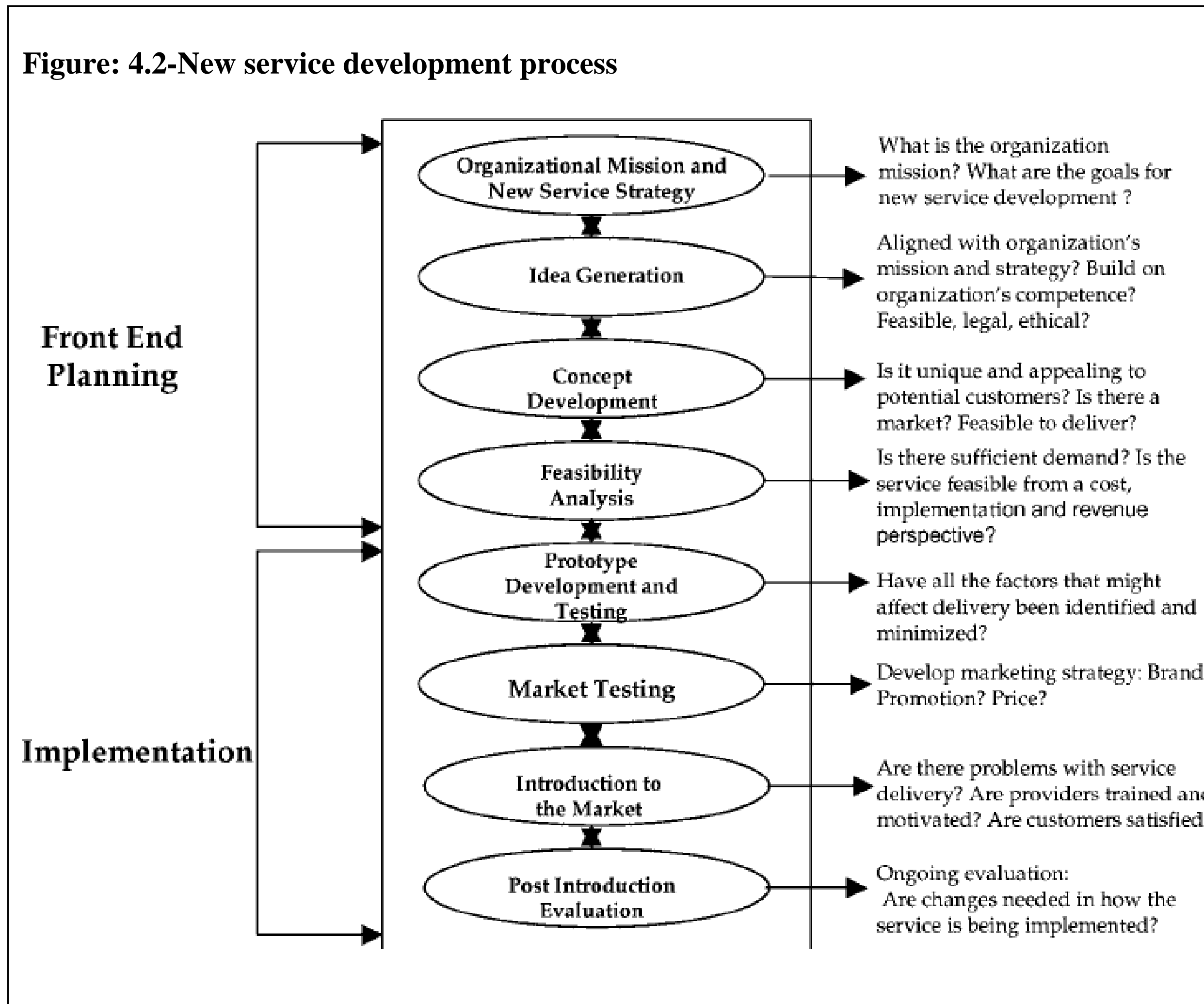


Figure: 4.2-New service development process

Front-End Planning

Business strategy and New Service Strategy Development

The very first step of new service development is the review of the vision and mission of financial institutions because the new service ideas and strategy must fit within the larger strategic business foresight of banks.

Without a clear new service strategy; a well-planned portfolio of new products and services and banks' structure to facilitate product development through communications, and cross-departmental integration, front-end decisions become ineffective.

The types of new financial product ideas depend on the banks' vision, mission,goals, capabilities, and growth plans. Therefore, banks must have new service strategies in terms of market, types of products, time for the development of products, profit criteria, and other relevant criteria to be in a better position.

One way to formulate a new service/product strategy is to use the product/market expansion grid (discussed in Module: B-Figure: 2.3). The grid helps to identify directions for growth and can be helpful to address innovative ideas. However, it can also be used as an initial idea screening if banks want to grow within the cells in the matrix by current or new service offerings.

Idea generation

Ideas may be generated from both inside the banks (R&D department, business wing/marketing department, experienced employees, formal brainstorming, employee feedback or suggestions) and from outside (customer feedback, feedback from third-party vendors, marketresearch, observing customers about product usage, specialist new product development agencies, learning about competitors' offerings or simply by copying competitors). One common failing in idea generation is a tendency to focus on what consumers want rather than what the top management believes is good for customers. Another one has been particularly apparent with newtechnology-based products where too much attention has been paid to what thetechnology can do and not enough to what consumers want.

Whether the source is inside or outside, there should be an established mechanism for ensuring new service possibilities. The mechanism can be a new service development department or function with responsibility for generating new ideas, suggestion boxes for employees and customers, new service development teams, surveys and FGD with customers and employees, or formal ways to analyze competitors.

Service Concept Development and Evaluation

Concept development is crucial as all the teams working must reach an agreement about what the concept is. After the clear definition of the concept, the concept needs to be described in terms of specific features and characteristics. The features then should be evaluated initially through customer and employee responses by asking whether they understand the idea of proposed services, whether they favour the concept or not, whether they feel that an unmet need is satisfied.

Business/Feasibility Analysis

After getting positive response, the next step is to determine the feasibility (demand analysis, revenue projections, cost analysis, operational feasibility) and potential profit implications. The development of new service is closely related with operational feasibility of banks in a form of the cost of hiring and training employees, design of delivery system, communication with customers, and other important considerations.

Implementation

Service Development and Testing

At this stage,banks need to engage all (customers, contract employees, as well as functional representatives from business, operations, and HR) who have a stake in the new service due to the nature of service consumption i.e. produced and consumed simultaneously. Through this step, the service concept is further refined because all the concerned parties must work together to generate the new service successfully. If they do not work as a part of the value delivery process, minor operational details can cause a good service idea to fail.

Market Testing

The standard approach of market testing for a new service is typically not possible due to its characteristics. However, the new service can be offered to the bank employees and their families for a time to assess their responses to variations in the marketing mix i.e. pricing and promotions. It is important to pilot-run the service to be sure about the operational details are working smoothly. However, it lacks an actual market test.

Commercialization

The stage deals with two objectives. The first one is to build and maintain acceptance among the front-line employees who will be responsible for day to day service delivery. The second

one is to monitor all the aspects of service during the introduction and through the complete service cycle (pre, during, and post service as discussed in Module: A). If the service needs time (at least some months) for customer experience, then careful monitoring through phone calls, face-to-face transactions, billing, complaints, and delivery problems.

Post introduction Evaluation

The information gathered at the commercialization phase can be reviewed to make changes in the delivery process, staffing, or marketing mix variables on the basis of actual market response. These changes will enhance service quality from customer's view point.

Implications of New Technologies for Banking Product Development

The impact of new technologies in banking comes in the form of digitalized operations. The process becomes faster and more reliable. Maintenance and retrieval of documents and records have become much quicker and easier. The use of computerized banking improves the core banking system. With core banking system all branches have access to common centralized data and are interconnected.The processing of cheques becomesfaster and more efficient with the innovation of MICR cheque processing system.

The digital transformation accelerated the creation of advanced remote services for the banking sector such as account opening, purchasing insurance, applying for a loan, and more. As a result, banks are cutting expenses on physical branches and using these funds to invest in digital banking solutions. Mobile banking helps customers to access their bank from anywhere-anytime. Besides, with increasing internet reach, internet banking is developed and offered by almost every bank. Every transaction details and inquiry can be performed online without visiting the bank branches. To offer more transparency and reduce fraud in transactions banks are using passwords, and doubleauthentication in online banking.

Technology also leads to competition among the banks which eventually leads banks to search for innovative solutions andprovides better services such as the introduction of automated banking services solution like Cash Deposit Machine, Cheque Deposit Machine, Passbook Printing Machine, etc.that help reduce operational costs and automate internal processes.Emerging technologies, such as artificial intelligence, help banks save costs and,

more importantly, ensure maximum security.Some of these include AI-based technological solutions are the introduction of e-KYC,anti-fraud and anti-money laundering solutions, AI-enabled chatbots which help banking institutions minimize complexity in different operations.

Through technology can generate many benefits it poses threats of cyber-attack. As technology consumes less time, it also sometimes makes people careless-which causes the loss of personal details.

Pricing Strategies for Financial Institutions-Deposit and Loan Products

Price is the only component of the marketing mix that generates revenue though problematic for marketing executives to manage. In many financial services institutions' price is not under the control of the marketing function rather marketing teamis passive recipient of prices set in other parts of theorganization like the finance or treasury division. However, price must be handled with care to ensure the involvement of all relevant parties.

Pricing represents challenge from the consumer perspective too. Ultimately,it is the price of a product or service that is used to determine consumer value. For this, consumers need to understand that. As the pricing policies of banks are often unclear which reinforces the fact that many consumersstruggle to understand exactly how pricing works for financial services. Thus, marketersof financialservices must pay attention to these factors when determining pricing policies and the ways the price of their products are displayed, presented, andexplained.

The challenges of pricing for providers of financial services

For any kind of tangible goods, pricing is relatively straightforward wherethe cost to the customer is simply the price she/he pays.However, pricing is more complex for financialservices. The terminology associated with pricing is complex and diverse. For example, a credit card price is expressed in many ways like credit card annual fee, annual percentage rate (AR), average equivalent rate (AER), late payment charge, interest charge, etc. And current account's price is also expressed in different ways such as overdraft rates different charges like overdraft arrangement fees, unauthorised overdraft fees, additional statements, cheque representation fee, etc. Price is basically the accumulation of different charges that are deducted by the banks. However, sometimes it is more difficult when the

charges are compounded further by a combination of complexity and the accumulation of charges.

Price Forms

When considering the pricing of financial services, it might be helpful to distinguish between twomain forms of pricing, namely explicit or overt pricing and implicit or covert pricing.

Explicit or overt pricing - this approach makes the price very clear and precise about what consumers will pay for this service(when a bank charges for an ATM withdrawal or annualfee for a credit card). Hence, it is advantageous to both consumers and the banks. The banks can easily predict revenueand the consumer is more aware of whatthe service costs. Furthermore, an explicit price allows banks to signalcosts of different services and use price as a way of influencing consumer behaviour.For example, if branch-based transactions were priced relatively high (because oftheir high costs) and ATM transactions were priced relatively low (because of theirlower costs), the organization could use pricing to try to encourage consumers tomove from branch-based transactions in favour of ATMs. However, a thorough understanding of the cost base and principles of cost allocation is important to operate agood and efficient overt pricing system.

Implicit or covert pricing - Implicit pricing is a system where the actual price to the consumer is unclear andappears not to be paid by consumers. The bank that offers free banking but pays nointerest on credit balances is pursuing an implicit pricing policy. Consumers maynot be aware of it, but they are effectively paying a price based on the size of anyoutstanding credit balances.

Implicit pricing has the advantage of being very simple for both the banks and the customer. It is relatively low cost to administer because it does not require the same sort of detailed understanding of costs. However, there aresignificant disadvantages such as the price paid by the customerand the revenue paid by the bank will vary according to the interest rate or theamount that consumers wish to save/invest; there is no incentive for consumers to move to lower-cost services because all services offered appear to be freeof charge and it creates potential for cross-subsidization. Thus,for example, the customer with significant positive credit balances will pay a muchhigher price for a given service than will the customer with a

minimal credit balance. In effect, the customer with a large credit balance subsidizes the service provided tothe customer with a small credit balance.

Pricing Approach

As financial product pricing is directly connected with the interests of the economy, it concerns the policy makers. There are different segments of pricing for banking products mainly deposit products, loan products, international banking products, and sustainable banking products. However, loan pricing is one of the most important management decisions made by a bank manager. The manger must consider the rate on loan must be high enough to cover the costs of funding, the rate on loan must be sufficient to cover administration costs (cost of originating and monitoring the loan) and the rate on loan must provide adequate compensation for the credit risk, liquidity risk and interest rate risk. Besides, the loan rate must also be low enough to accommodate the business customer in such a way that she/he can successfully repay the loan and not be driven away to another lender or into the open market for credit. The more competition the lender faces for a customer’s loan business, the more it will have to keep the price of that loan in line with interest rates on similar loans available in the financial market place. Indeed, in a loan market characterized by intense competition, the lender is a price taker, not a price setter.

1. **Deposit Product Pricing**

Different types of deposits typically carry a different rate of interest. In general, the longer the maturity of a deposit, the greater the yield that must be offered to depositors because of the time value of money and the frequent upward slope of the yield curve. For example, savings deposits are subject to immediate withdrawal by the customer. Hence, their offer rate to customers is among the lowest of all deposits. In contrast, FDR bearing a year or longer to maturity often carry the highest interest rates.The size and perceived risk exposure play an important role in shaping deposit interest rates. The following factors affect deposit pricing.

Market Forces Pricing - Deposits price will be determined by the market forces of demand for deposit and supply of deposit.

Market Penetrating Pricing - The method for selling deposits that usually set low and high-interest rates initially to encourage customers to open an account and then raises fees and lowers interest rates later on.

Upscale Targeting Pricing - The setting of prices and fees on deposit accounts in an effort to attract those customers who hold high balances and purchase other bank services.

Total Customer Relationship Pricing - Basing prices for deposits and other bank services purchased and the duration of the bank customer relationship.

2. **Loan Product Pricing**

Banks are the major financial institutions, which intermediates between actual lenders and actual borrowers. For this intermediation, banks are to pay actual lenders and charge actual borrowers. The price of a loan is the interest rate the borrowers must pay to the bank, in addition to the amount borrowed (principal). The pricing of a loan can be done in the following methods.

Cost Plus Loan Pricing Method –In pricing business loans, bank management must consider the cost of raising loanable funds and the operating costs of running the bank. It is a very simple loan-pricing model which assumes that the rate of interest charged on any loan includes four components.

Cost of Fund: the funding cost incurred by the bank to raise funds to lend. Such funds are obtained through customer deposits or various money markets.

Cost of Administration: the non-funded operating costs of servicing the loan, which include application and payment processing, thewages and salaries of loan personnel, and the cost of materials and physical facilities used in granting and administering a loan.

Cost of Capital: return on capital or the rate of return means what investors would expect to receive from their investment in a bank or the cost of capital is the desired profit margin on each loan that provides the stockholders with an adequate return on their capital.

Risk Premium: risk premium is to compensate the bank for the degree of default risk inherent in the loan request. The price a borrower must pay to the bank for assessing and accepting the risk is called the risk premium.

Thus, COF + COA + COC = Base Rate or Prime Rate

COF=marginal cost of raising loanable funds to lend to the borrower

COA=non-funds operating cost

COC=desired profit margin

Loan Interest Rate = Base Rate + Risk Premium

For example, to calculate a loan interest rate of Tk.10,000 the bank must obtain funds to lend at a cost of 5 percent. Overhead costs for servicing the loan are estimated at 2 percent of the requested loan amount and a premium of 2 percent is added to compensate the bank for default risk, or the risk that the loan will not be paid on time or in full. The bank has determined that all loans will be assessed a 1 percent profit margin over and above the financial, operating and risk-related costs. Adding these four components, the loan request can be extended at a rate of 10 percent (10% loan interest rate = 5% cost of funds + 2% operating costs + 2% premium for default risk + 1% bank's targeted profit margin). As long as losses do not exceed the risk premium, the bank can make more money simply by increasing the amount of loans on its books.

This is atraditional pricing method that focuses on banks' perspective such as considering the banks' own cost, risk and expected profit. This method doesn't consider some factors, such as competition in the banking sector, relations with customers, customers' demand, etc. Hence, may lead to the fact that market share drops and the customer runs off easily and cause to bank passively. This method is suitable for loan market possessing the characteristics of the seller, for instance, loans of small and medium-sized enterprises, peasant household loans, etc

Price Leadership model - One of the drawbacks of the cost-plus loan-pricing model is its assumption that a bank accurately knows what its costs are. This method implies that a banker can price a loan with little regard for the competition posed by other lenders. In today's environment, the more intense the competition, the thinner the profit margin becomes.

These limitations of the cost-plus approach have led to a form of price leadership in banking, in which banks usually establish a uniform base lending fee known as the prime rate, sometimes called the base or reference rate. The actual loan rate charged to any particular customer would be determined by the following formula:

				Markup		
Loan Interest Rate	=	Base or prime Markup rate (including the bank's desired profit margin over all operating and administrative costs)	+	Default-risk premium paid by non-prime rated borrowers	+	Term-risk premium paid by borrowers seeking long-term credit

Customer Profitability Analysis (CPA): is a decision tool used to evaluate the profitability of a customer relationship. This loan-pricing method begins with the assumption that the bank should take the whole customer relationship- all revenue and expenses associated with a particular customer into account when pricing each loan request. The analysis procedure obliges banks to be aware of the full range of services purchased by each customer and to generate meaningful cost estimates for providing each service. CPA focuses on the rate of return from the entire customer relationship, calculated from the following formula:

Revenue from loans and Expenses from providing

$$\text{Net before-tax rate of return to the bank from the whole customer relationship} = \frac{\text{Revenues from loans and other services provided to this customer} - \text{Expenses from providing loans and other services to this customer}}{\text{Net loanable funds used in excess of this customer relationship customer's deposits}}$$

Revenues paid in to the bank by a customer may include loan interest, commitment fees, fees for cash management services, and data processing charges. Expenses incurred on behalf of the customer may include wages and salaries of bank employees, credit investigation costs, interest accrued on deposits, account reconciliation and processing costs (including checks paid, loan and deposit record keeping and collection, and lockbox services), and loanable funds' acquisition costs. Net loanable funds are the amount of credit used by the customer minus his or her average collected deposits (adjusted for required reserves).

In effect, then, the amount of bank funds each customer uses over and above those funds he or she supplies to the bank is evaluated. If the calculated net rate of return from the entire relationship with the customer is positive, the loan request will probably be approved, because the bank will be earning a premium over all expenses incurred (including a competitive rate of return to the bank's shareholders). If the calculated net return is negative, the loan request may be denied or the bank may seek to raise the loan rate or increase the prices of other services requested by the customer in order to continue the relationship on a

profitable basis. Customers who are perceived to be riskier are expected to return to the bank a higher calculated net rate of return

3. **Special Issues for Pricing International Banking Products**

In international banking products, exchange rate risks are considered. Foreign exchange risk (also known as FX risk, exchange rate risk or currency risk) is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency of the company. Investors and businesses exporting or importing goods and services or making foreign investments have an exchange rate risk which can have severe financial consequences on pricing. Pricing is controlled by some factors like global banks, marketing, compliance cost, and cost of KYC.

4. **Pricing for Sustainable Products**

Sustainable banking products create long-term resilient and sustainable economic, social, and environmental values. It emphasizes having a green, responsible, and inclusive strategy through transparent and efficient utilization of resources. Price of most sustainable products are subsidized and the sources of subsidy come from the regulator or CSR funds.

Other Internal and External Considerations affecting Price Decisions

Beyond the above pricing approaches, there are some other internal and external considerations that may affect pricing decisions.

Overall Marketing Strategy, Objectives, and Mix **–** before setting the price, banks must decide on the overall marketing strategy for the product or service. If banks already have selected their target market and position carefully, then the price will be straightforward.

Price–quality relationships -consumers form a judgment about the relationship between price and quality. So, a high-quality, personalized service will incur higher costs to theprovider than will an undifferentiated basic form of commoditized service.

Product line pricing **–** simply charging a price for a separate product and a product line price will be different.Product line pricing needs integrity between all of the products thatcomprise an overall product range.

Costs - costs is considered in setting prices toavoid making a loss. However, financial services present particular problems in respect of theallocation of variable as well as overhead costs to individual products. This problemis further intensified in circumstances where the marketing team is on the side-lineof the pricing process.

Effect on third party distributors - Distribution channels can have a profound effect upon pricing, since they require alevel of remuneration that motivates them to work in a vigorous and committedmanner on behalf of the service provider.

Competition

In some respects, the pricing of financial services has been less influenced by competition than have other product categories. However, a combination of regulatory; legislative; technological and competitive development is acting to achieve a significant increase in the role playedby competition in the pricing of financial services.

Indicative Questions- Module D

1. Define product. Explain the product levels with examples.
2. What is a product line? Explain the product line with an example.
3. How do marketers manage existing product lines?
4. Differentiate between product line stretching and line filling with examples.
5. Briefly explain the new service development process.
6. What are the implications of new technologies for banking product development?
7. Describe explicit and implicit pricing.
8. Illustrate the factors affecting deposit pricing.
9. Describe the cost plus pricing method for the loan product.
10. Explain the internal and external considerations that may affect pricing decisions.

Module-E: Branding: Building Customer Value in Banks and Financial Institutions

Module-E: Branding: Building Customer Value in Banks and Financial Institutions

Branding in Banks

As services are more tangible and more likely to vary in quality depending on the particular person involved in providing services that's way branding is challenging in service firms. At the same time, it is important to address potential intangibility and variability problems. It is important to help the abstract nature of services more concrete.

Branding is well-developed in the marketing of products and is increasingly important in financial services by creating a clear identity in a competitive marketplace. It is more than just creating a memorable name. Effective branding aims to create a relationship between the product and the customer by communicating reliable data about quality, differentiating the product from the competitors, and encouraging customer loyalty.

The financial institutions' name is seen as of particular importance in branding because of the relatively high levels of recognition in the marketplace and the potential to exploit overall corporate reputation. Despite the undoubted importance of brands in financial services, financial services brands are relatively weak, lack relevance to customers and fail to build a strong emotional bond with target markets. Making a connection with customers relies on emotional appeals as well as functional product appeals. However, most financial services organizations have not adequately developed such appeals and they heavily relay on product attributes, not the benefits which further hinders functional as well as emotional appeals.

Brands

According to American Marketing Association, a "brand is a name, term, sign, symbol, or design, or combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors." However, many practitioners refer to a brand as more than that. It may create rational and tangible benefits related to the product performance of the brand or more symbolic, emotional, and intangible benefits related to what the brand represents. Therefore, a brand is a product or service adding some dimensions to differentiate it from others to satisfy the same need. Some brands create competitive advantage through product performance while others through non-product

related means i.e. by understanding consumer motivations and desires they have created relevant appealing images surrounding their products. These intangible image associations may be the only way to distinguish different brands in a product category.

Brand Equity

Brand equity is the added value endowed on products and services. It may be reflected in the way consumers think, feel, and cat with respect to the brand, as well as in the prices, market share, and profitability the brand commands for the institution. To view brand equity, a customer based approach can be beneficial for institutions as the equity can be viewed and measured in terms of customer responses.

Customer-based brand equity is the differential effect that brand knowledge has on consumer response to the marketing of that brand. There are three key ingredients: *first*, brand equity arises from differences in consumer response. It can be positive (when consumer response/react more favourably to a product and the way it is marketed when the brand is identified) and negative (if consumers react less favourably to marketing activity for the brand under the same circumstances). If there is no differences in consumer response than it will be a commodity or generic version of the product. *Second*, differences in response are a result of consumers' knowledge of the brand. Brand knowledge consists of all the thoughts, feelings, images, experiences, beliefs, and all other associations with the brand which must be strong, favourable, and unique. Third, the differential response by consumers that makes up brand equity is reflected in perceptions, preferences, and behaviour related to all aspects of the marketing of the brand.

Stronger brands lead to greater revenue. Therefore, marketers can build a strong brand by ensuring that customers have the right type of experiences with products, services, and their marketing programs to create desired brand knowledge.

Brand Equity Models

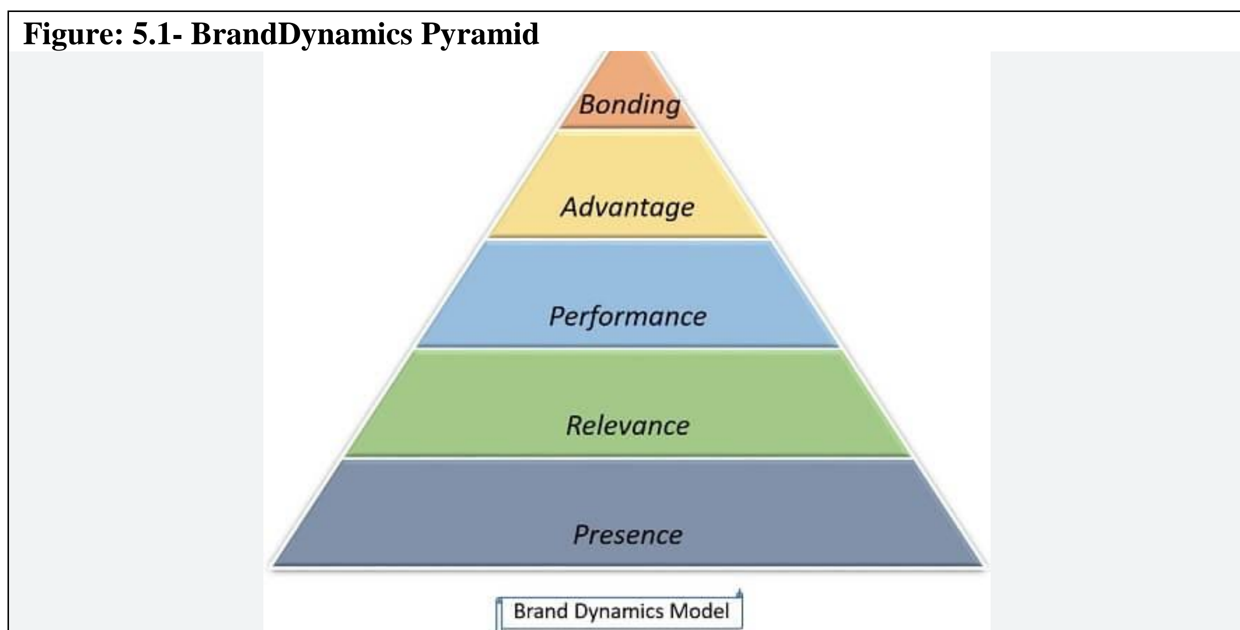
There are a number of models of brand equity which offer different perspectives. Some established models are discussed below.

Brand Asset Valuator (BAV): According to BAV, there are five components or pillars of brand equity. These are – Differentiation, Energy, Relevance, Esteem, and Knowledge. Differentiation measures the degree to which a brand is seen as different from others i.e. what makes the brand stand out. Energy measures the brand's sense of momentum whereas Relevance measures the breadth of a brand's appeal i.e. how consumers feel it meets their needs. Esteem measures how well the brand is regarded and respected. Knowledge measures how familiar and intimate consumers are with the brand i.e. how much consumers know about the brand.

The first three components combine to determine *Energized Brand Strength*. These are important for the future value of the brand. However, the last two pillars combine to create *Brand Stature* which is a "report card" on past performance of the brand. Strong new brands show high level of Differentiation and Energy than Relevance. Esteem and Knowledge level will be lower. Leadership brands show high levels on all pillars. Declining brands show high Knowledge, a lower level of Esteem and even lower Relevance, Energy, and Differentiation.

***BRANDZ*:** The model is used to determine the brand strength by Brand Dynamics pyramid. According to the model, brand building follows a sequential series of steps, each dependent upon successfully accomplishing the preceding one (Figure: 5.1).

Figure: 5.1- BrandDynamics Pyramid



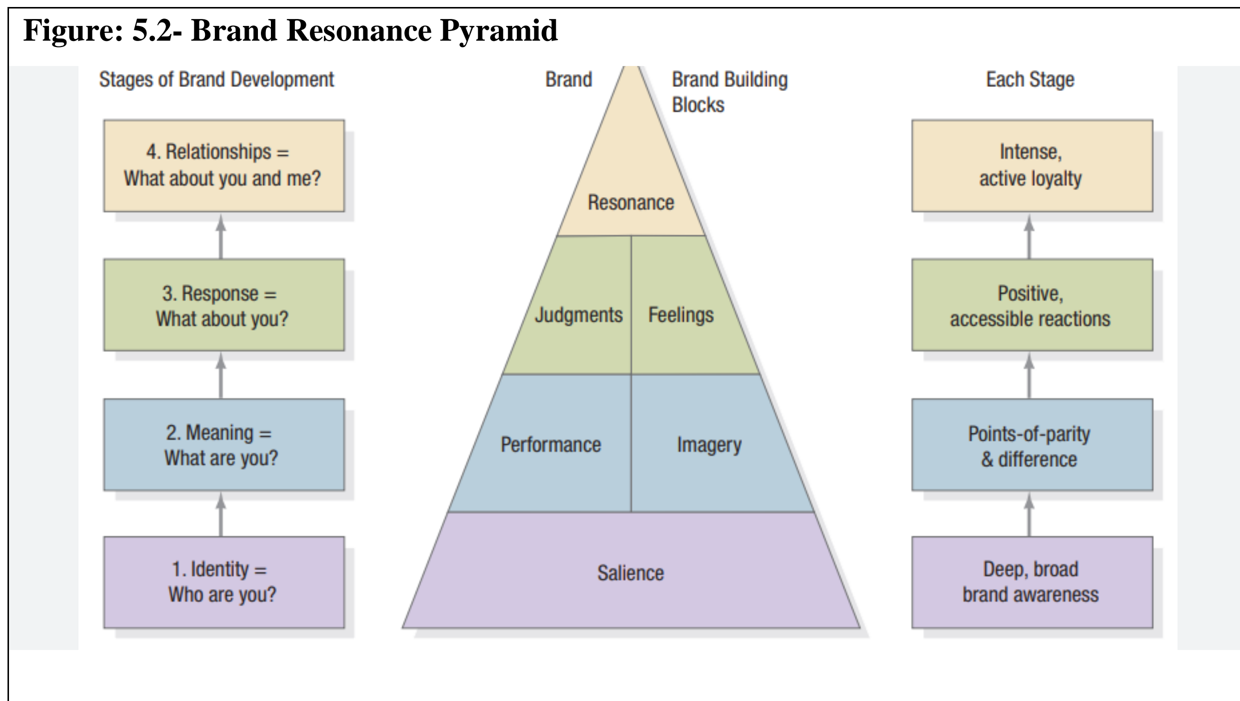
Bonded customers are at the top of the pyramid. They build strong relationships with the brand and spend more on it that the lower levels customers. More customers are usually found in the lower level. Therefore, marketers need to design marketing programs to help consumers to move up the pyramid.

***Aaker Model*:** According to the model, brand equity is viewed as brand awareness, brand loyalty, and brand associations that combine to add or subtract from the value provided by a product or service.

Brand management starts with developing a brand identity – the brand associations that represent what the brand stand for and promises to customers. The identity needs to be differentiated on some dimensions. These dimensions will be relevant to other brands, resemble customers, determine brand-building programs, reflect the culture and strategy of the business, and be credible.

Brand Resonance Model:The brand resonance model views brand building as an ascending series of steps from bottom to the top: (1) ensuring identification of the brand with customers and association in customer's mind with specific product class or customer need; (2) establishing the totality of brand meaning by tangible and intangible brand associations; (3) eliciting customer response in judgments and feelings; and (4) converting brand response to create loyal relationship between customers and the brand. These four steps establish a pyramid of six "brand building blocks" with customers (Figure: 5.2).

Figure: 5.2- Brand Resonance Pyramid



The model emphasizes the duality of brands. The rational route of brand building is the left-hand side whereas the emotional route is the right-hand side. For example, MasterCard. It emphasizes the rational advantage of credit card by worldwide acceptance and emotional advantage expressed in the advertising campaign.

The creation of significant brand equity requires reaching the top of the pyramid by putting building blocks in place.

-*Brand salience* means how often consumers think of the brand when they purchase or consume product.
-*Brand performance* is how well the product or service meets functional needs.

-*Brand imagery* describes the extrinsic properties of the product or service that the brand attempts to meet customers' physiological or social needs.

-*Brand judgments* focus on customers' personal opinions and evaluations.

-*Brand feelings* are customers' emotional responses and reactions with respect to the brand.

-*Brand resonance* refers to the nature of the relationship of the brand with customers and the extent to which they feel they are working together.

Branding Strategy-Building Strong Brands

Brands are powerful assets that must be carefully developed and managed. The major brand strategy decisions for products and services involve brand positioning, brand name selection, brand sponsorship, and brand development.

Brand Positioning: Points-of-Parity (POP) and Points-of-Difference (POD)

All marketing strategy is built on segmentation, targeting, and positioning (STP). The goal of positioning is to locate the brands in the minds of the target market. A good brand positioning helps guide marketing strategy by clarifying the brand's essence- what goals it helps the consumer to achieve and how it does in a unique way.

Positioning requires identifying similarities and differences between brands and communication with the target market. So, positioning starts with determining a frame of reference by identifying the target market, competition, and ideal POP and POD.

Competitive Frame of Reference- competitive frame of reference for a brand positioning means determining category membership-the products or sets of products with which a brand competes and which function as close substitutes. Deciding to target a particular segment can define the nature of competition because the segment may already be targeted or served by other competitive firms or consumers may already look to certain products or brands in their purchase decisions. Therefore, to determine the proper competitive frame of reference marketers need to understand consumer behaviour and the consideration set they use in making brand choices. Once, the competitive frame of reference is fixed then marketers need to determine POP and POD.

Points-of-Difference (POD) - POD are attributes or benefits consumers strongly associate with a brand. They positively evaluate and believe that they could not find the attributes or benefits to the same extent as a competitive brand. POD may be based on design, quality, and performance. Though creating POD is difficult it is essential for unique brand positioning.

Points-of-Parity (POP)- POP are associations that are not unique to the brand but may be shared with other brands. It comes in two basic forms. *Category POP* – these are associations that consumers view as essential to a product or service category. It is a necessary but not sufficient condition for brand choice. It may change over time due to consumer trends, regulatory requirements, and technological developments. Competitive POP – are associations designed to negate competitors' POD. If a brand can enter into those areas where competitors are trying to find an advantage and achieve advantages, the brand should be in a strong unbeatable competitive position.

For an offering to achieve POP on a particular benefit, a large number of consumers must believe that the brand is good enough in that dimension. Moreover, the brand must demonstrate clear superiority with POD. However, marketers always want to go beyond attribute or benefit positioning reflected on POD. They try to position strong beliefs and values and engage customers on a deep emotional level.

Brand Name

A good name can add great value to a product’s success though difficult to choose. Therefore, it should begin with a careful review of the product and its benefits, target market, and proposed marketing strategies. After the name is settled, the next step in branding is the corporate identifier or logo. A logo should be distinctive and easily recognizable. It should be registered for legal protection. Although institutions spend millions to get the right logo design, success is primarily a matter of knowing the positioning and making sure the logo reflects it. There is tremendous synergy between the name, the visual language, and the design choices in the financial services industry.

Brand Sponsorship

Now, the product may be launched as a national brand and/or co-brand. A national brand is a prominent or established product. However, it is very difficult to make a financial institution stand out from its competitors with only national brands, some banks have tried to achieve success by associating with a better-known brand name.For example, customers may not remember whether they are carrying a MasterCard or Visa, but they do remember they get points toward purchasing through a retail store loyalty card or something else.

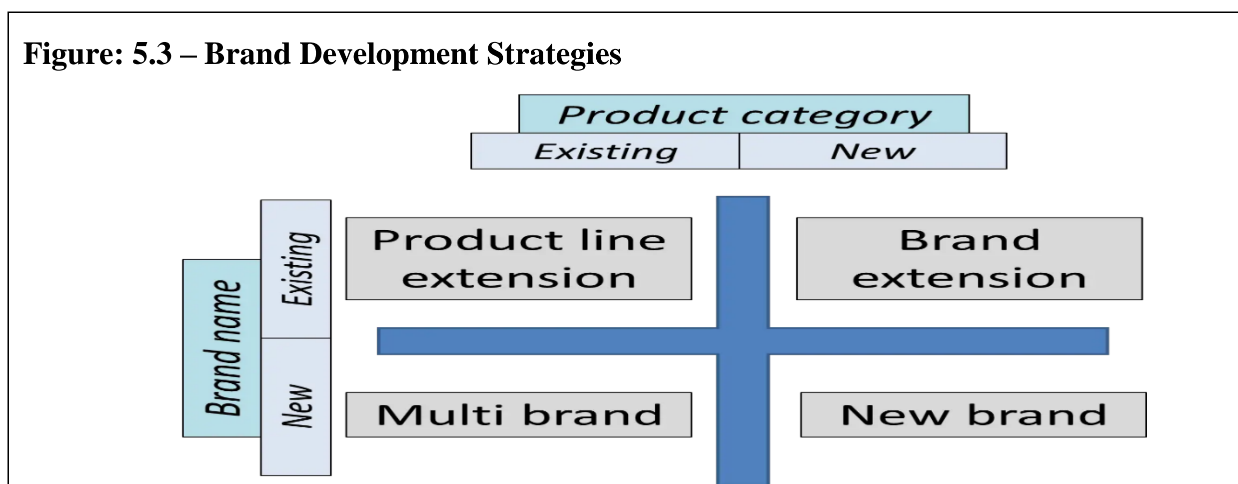
Co-branding helps promote both brands such as, the expenditure on promotion becomes multiplied for both brands, co-branding enables synergies, such as free publicity for Visa at different stores, there is also a "rub-off" effect by which Visa benefits from the stores brand identity. However, not all co-branding efforts work. Co-branding may dilute the effectiveness of abrand image since it spreads the credit for a positive experience across two brandswhere normally there's only one. And if the experience isn't positive—even if it's theother brand's fault—it may reflect negatively on customers and the brand image.

Whether it is a national brand or co-branding, the most important thing is maintaining a brand image consistently through tangibles (such as branch layouts, employee dress code, brochures, etc.) and intangibles (such as service standards). Besides, communication messages need to be consistent across all channels such as public relations, employee behaviors, image projected by employees, online image, office decoration, signage, etc. And most important, maintaining the brand image requires actively avoiding negative messages.

Brand Development

Brand development strategies include line extension, brand extension, multibrands, or new brands (Figure5.3).

Figure: 5.3 – Brand Development Strategies



Line extension – extending an existing brand name to new forms of an existing product category as a low-cost, low risky way to introduce new products. However, an over-extended brand name might cause confusing or lose some of its specific meaning. For example, if brand/product 'X' is a popular deposit product to a particular bank it can use the same name to introduce another product i.e. 'X Plus' in the same deposit line.

Brand extension – extending an existing brand name to new or modified product categories by instant recognition and faster acceptance. The popular deposit/loan product of a particular segment can be offered to another target market. It saves high promotional costs to build a new brand name. However, it may confuse the image of a main brand.

Multibrands – offering different brands in a given product category. It can be useful to appeal to different customer segments with different product features. For example, designing separate loan products/brands to meet unique needs of a broader segment like addressing the demand of separate target markets like entrepreneurs, traders, etc. However, each brand may obtain a small market share and none of them may be profitable.

New brands – creating a new brand name when entering a new product category for which none of its current brand names are appropriate.

Brands need to be managed carefully by communicating with customers about the brand positioning. Positioning strategies must be communicated through brand experiences. Therefore, service employees need to train enough to be customer oriented. Even, banks can initiate internal brand building to help employees understand and be enthusiastic about the brand promise. Banks also periodically monitor brands' strengths and weaknesses.

Branding and Differentiation Strategies

Every brand has certain competitive advantages over others. However, customers must see the competitive advantage as a customer advantage. For example, if a bank provides quick and fast service than its competitors, it will not be a customer advantage unless customers value the speed. Only by building customer advantages a brand can deliver high customer value and satisfaction which leads to high repeat purchases and high company profitability.

Brands can be differentiated through personnel, channel, and image. *Personnel differentiation* can be through better employee training and development. Through efficiently and effectively designing distribution channels' coverage, expertise, and performance brands can differentiate its *channel*. Image differentiation may be ensured through crafting powerful and compelling images.

Brand Value

Brand positioning describes how a brand can effectively compete against a specified set of competitors in a particular market. As brands evolve and expand across categories, it is useful to define a set of core brand values to capture the important dimensions of the brand's meaning and what the brand represents.

Core Brand Values – are a set of abstract associations (attributes and benefits) that characterize the most important aspects or dimensions (5 to 10) of a brand. Core brand values can serve as the basis of brand positioning in terms of how they relate to POP and POD.

Brand Mantra – a brand mantra is highly related to branding concepts such as “brand essence” or “core brand promise”. It is an articulation of the “heart and soul” of the brand. It should be short, three to five-word phrases that capture the irrefutable essence or spirit of the brand positioning and values. The purpose of brand mantra is to ensure that all employees within the organization and all external marketing partners understand what the brand most fundamentally is to represent with consumers so that they can adjust their actions accordingly.

Indicative Questions-Module E

1. Explain the importance of branding in FIs.
2. What do you mean by brand equity?
3. What are the key ingredients of customer-based brand equity?
4. Explain brand equity models.
5. Describe the BRANDZ model to determine the brand strength.
6. Explain the brand resonance model.
7. 'A good brand positioning helps guide marketing strategy by clarifying the brand's essence'-explain.
8. Differentiate between points-of-parity and points-of-difference.
9. Illustrate brand development strategies.
10. How can brands differentiate a product/service?

Module-F:

Marketing Channels: Delivering Customer Value

Module-F: Marketing Channels: Delivering Customer Value

The place component (channel of distribution) in the marketing mix is concerned with makingsure that a product reaches the target market. The channel may operate on a direct basis (branch) or an indirect basis (agent banking, MFIs). Service industries usually deploy direct channels due to their control over the outlets. This control helps financial institutions to provide consistently standard service. Control over recruitment, employee training, and motivation, reward, etc. are also the benefits of the direct distribution of services through branches and call centers. Besides, it is beneficial for customer relationships. However, we need to monitor whether the loyalty the customer feels is for the banks or the individual employee.

The Nature and Importance of Marketing Channels

As there are no physical goods involved with financial services,the distribution function is concerned with how the service is delivered to the consumer, making sure that it isavailable in a location and at a time that is convenient for the customer.

The financial services industry is experiencing fundamental changes caused by deregulation,customer dynamics, and technology which all have a profound impact ondistribution. However, branched-based operations combined with partnerships with third parties and technology have enhanced the ability of distributionchannels to focus on the financial needs of different target customer segments and hence toalign customer and channel interests. Though branches and call centers incur the largest operating expense,physical branches are still attracting a customer base. Even for customers who rarely use them for transactions, branches are still seen as thepersonification of the bank at which significant changes in the relationship take place (eg. account openings, solution of complex problems). Therefore, all the channels financial institutions will use need to be integrated for getting better output because channel decisions directly affect other marketing decisions.

Channel Designing and Management Decisions

Channel design means designing the delivery network i.e. who will be on the team and what each should do). Channel management refers to all those activities involved in managing relationships between the service providers and the third parties that distribute the products. It

basically deals with selecting, managing, and motivating individual channel members and evaluating their performance over time.

In designing delivery channels, *analysing consumer needs* and finding what the target market wants from the channel should get the top priority. For example, if customers want to buy from convenient locations then a branch set up or agent outlet could be the best option. But, if they want to buy electronically then mobile apps or online/internet banking would be the channel decision. Besides, *setting channel objectives* is also vital. The objectives are set by giving priority to customer service. So, banks need to decide which segments to serve and the best channels to use in each case. However, banks need to design such channels to minimize the costs of meeting customer service requirements. In this step, banks should *identify and evaluate major channel alternatives.* Form physical set up to electronic channels there are a lot of alternatives. Each channel has unique strengths and weaknesses. Identifying the right channel/s is important. For example, by distributing financial services to SMEs a bank decides to utilize branch banking. The bank has successfully sanctioned loans to its target segments. However, it has been observed that the repayment rate is not that much praiseworthy. Therefore, the bank now redesigned the delivery channel by nominating agent outlets to the nearby remote areas and resolved the initial repayment problem.

If banks use a single channel it is relatively easy. Using multiple channels is more difficult to design, manage and control. However, suitable multi-channels are vital for lead generation, lead qualification, presale persuasion, deal closure, post-sale service, and relationship management. Hence, channel design can be a source of competitive advantage.

In managing delivery channels, *selecting channel members* is very significant because to customers they are the banks. To facilitate the best selection, banks need to decide what characteristic would distinguish the better intermediaries. If it is direct channels i.e. branch/sales team/RM then selecting suitable employees to serve the customers is vital. But, if the channel is indirect i.e. agent/MFIs, then proper screening, honesty, integrity, attitude and behaviour, financial literacy, etc. are important. Besides, *training, managing and motivation channel members* bear great significance. At this stage, banks should try to understand the needs and wants of the channel members. Banks must perform market research, formulate training programs to develop their capacity, and motivate them to improve their performance. Not only this, the bank should practice partner relationship

management as they are part of a cohesive value delivery system. Finally, banks must regularly check channel members' performance against predetermined standards such as sales, average delivery time, customer waiting time, services to the customer, solution to customer complaints, cooperation in training and promotional activities, etc. Banks should reward those channel members who are good performers and add value to consumers. Bad performers should get assistance to improve or replace.

Selecting Bank Branch Location (Application of Geographic Information System) and Distribution of Banking Services

Branch location and distribution are important but much-overlooked areas of bank marketing. All the banking groups have a similar aim to be all-purpose bank for their private and corporate customers. In considering branch locations and distribution, banks are not concerned just with the two very large groups of customers (private v. corporate customers) but also with the major dimensions of their activities:

1. Offering a very large variety of financial services; and
2. Competing for 'savings' (deposits) and 'chequeing', (i.e. current) accounts.

In distributing bank services, the marketer at first faces the problem of encountering a mass market that they need to serve. Many banks, therefore, face the necessity to develop profitable services for mass markets. For the bank marketer, the familiar distinction between 'standard' products and 'single orders' offers a useful concept. This concept can invariably aid the marketer to distinguish the two broad categories of markets in which they should serve like-

Mass (retail) market:usually offers standard products, relatively inflexible in performance and cost. It spells out therequirements of geographical decentralization, standardized services,heavy advertising and promotion, attractive services, and, above all,cost-effective processes.

Individual (corporate) market:the market constitutes single orders ofsufficient size or importance that can be profitable forindividual treatment. It requires individualized services and counseling like comprehensive financial advice, negotiated terms, and conditions, etc.

In distributing financial services, banks employ a number of channels such as bank branches, sub-branches, online banking, mobile banking, agent banking, MFIs, call centres, etc. Among these channels; the location selection of branches, sub-branches, and agent outlets is important.

Location selection is one of the most important and strategic decisionsfor marketers which is based on the mission and strategy of financial institutions. The objective of the bank is to select the most appropriate place for opening a branch. There are several criteria like demographic (age profile, social class, gender), socio-economic condition, sectoral distribution of employment, main employment types, regional trade potential, local economy, agricultural and industrial development, chamber of commerce, competitive business condition, and other factors like the bank's vision, mission, and objectives (the number of new accounts, deposit and lending targets).Location decisions are extremely important as they involve the expenditure of considerable resources on a long-time scale.

Geographic Information System (GIS)

The banking industry has been undergoing drastic changes as such reflecting a number of underlying developments. Significant advancements in communication and information technology accelerated the dissemination of financial information and its services. Another key stimulus for change has been the increasing competition among a broad range of local and foreign institutions in providing banking and related financial services. Besides, regulations are forcing banks to upgrade their skills and adopt better operational strategies. All these factors are imposing more challenges onthe banking sector. So, there is a need for a customer-centric business model that can help address these challenges.

A bank’s primary function is to deliver financial services and products to the customers. So, they need to be market-driven and the success depends on their approach to data management and customer relation management. Though banks manage information about customers and their profiles, adding “Location” to their database can gain significant advantages in many ways. Long-range planning mixed with geographic modeling can harvest tangible benefits for financial institutions.

How GIS can benefit banks - GIS plays an important role in various functional areas of banking in achieving the business objectives such as the expansion of customer base, improvement in quality, increase in customer satisfaction, increase in profitability, etc. byproviding support in decision-making and strategic planning. Some of the major areas are discussed below-

Market Analysis– tosuccessfully operate in the market banks need to be market-oriented. However, business people face real problems in fully understanding their markets and the potential customers'financing needs. GIS-based market analysis can solve the problem by analyzingcustomer demand and supply of financial products and associated customer services through branches, sub-branches, ATMs, agent outlets, etc. Both demand and supply can be easily determinedby a geographical location. Besides, with the help of GIS technology, geo-demographic research can be conducted and new market segmentation techniques can be revealed.

Customer and Competitor Analysis – through customer analysis banks can get important customer characteristics based on geography. This can be helpful for identifying the areas which are not served and the potential for establishing a branch.Besides, it can easily plot the competitors' location and their customers. So, by combining customer and competitor analysis banks can get their reason for existing performance which can help them to rectify their operating models.

Focused Marketing - GIS-based solution can provide specific information on products and the areas of the served market.This information can reduce the huge promotional expenditure by designing region or locality-based campaigns.

Business Expansion Planning - finding the best bank location for business expansion is really a challenging task as it requires substantial capital investment. Therefore, bank management wants to assure about the selection of the right expansion site. With the help of GIS new potential business areas can be identified to expand the banking business.

New Branch / New ATM Location - business expansion planning usually needs modeling locational data and providing fast and cost- effective site analysisto select a new bank branch/ATM so that banks can enter the market in the shortest possible time. Using customers and competitors GIS-based solution helps to understand how a potential new branch would perform and can compare it with existing branches.

Besides the site selection, other relevant information like land costs, building availability and suitability, construction costs, local and state taxes, local and state development incentives, availability and cost of energy, transportation costs to customers and from suppliers, the location and market areas of competitors, the availability of other infrastructure such as telecommunications, sewer, water, and other factors related to the quality of life. GIS can easily identify and integrate these diverse information and display it in map formats to meet the criteria of the specific site. Moreover, banks can take decisions on the maximum number of branches a market, region is capable of supporting.

Branch Performance Monitoring - Using GIS Banks can analyse the performance of the banks by identifying potential customer zones, reviewing a trade area around the branch, measuring the market potential within that trade area, determining purchasing tendency of a product, and identifying the nearby competitors. So, this can be useful for monitoring product performance.

Decision support for Strategic Planning - Banks need decision support while carrying out strategic planning. GIS-based solutions can help to find out cause and effect relationships and make decisions for branch closures, or relocations.

Retail Banking Services – retail banking is getting popular due to customers' diverse needs and banks are trying to innovative smarter ways to meet the demands. The future of retail banking depends on customers. So, GIS-based technology can generate innovative methods of automation, customer care initiatives, and efficient operating methods to retain customers.

An Integrated Approach – The above discussion suggests the development of a “GIS-based integrated Banking system” which provides all of the above functionalities by integrating the customer databases and helps banks in decision-making, strategic planning, effective resource

management, and operations management to achieve their business objectives such as customer satisfaction, business growth, and customer relationship.

Alternative Delivery Channels (ADCs)

Alternative delivery channels are those channels that expand the reach of services beyond the traditional bank branch channel. ADCs have emerged as a shift in consumer expectations and innovations in ICT. Through ADCs, customers can access financial services "anytime, anywhere, anyhow". They heavily rely on information and communication systems and devices ranging from ATMs to mobile phones, all of which enable the instant transmission of financial and non-financial information between the customer and financial services providers. New technologies increase efficiency through automation, reduce operational costs, and improve service quality by cutting down on waiting times and offering more convenient access and reduced costs to the end-consumer.

ADC technology refers to hardware devices, software systems, and the technological processes that enable the provision of financial products and services over ADCs. It is important to distinguish between the channel and the technology. For instance, a POS device can be the enabling technology for agency banking (channel). Whether self-service or OTC, each channel requires the customer to interact with a person (that is, an agent, field officer, call centre representative or merchant) or device (ATM, mobile phone or PC). In some cases, it is easy to distinguish between the channel and its underlying technology whereas in others the channel and the technology are the same, such as ATMs and Internet banking.

The channel is the customer's access point to a financial service provider where the customer interacts in order to access the financial service or bank account. For example, customers can access financial services at a bank branch, which is a traditional channel. With the advancement of technology, the term alternative delivery channels denotes a broader range of options through which a customer can now access financial services without visiting a branch such as ATMs, Internet Banking, Agency Banking, Mobile Banking, Electronic or Mobile Wallets, etc. These channels enable customers, financial service providers, and agents to access banking services through technology solutions that are built either on Web, mobile or tailored platforms.

As ADCs increase the reach of financial services beyond traditional branches, it allows serving more clients more effectively by reducing costs, driving growth, and improving service quality. For customers, ADCs bring convenience and potentially a better client experience, such as lower fees and enhanced comfort with the services. This added value should ultimately translate into greater usage, especially if the products are designed in ways that truly meet client needs.

ATM, CDM, and CRM Services

ATM is an electronic device that is installed at a particular bank branch or important locations like shopping malls, big departmental stores, airports, railway stations, bus stations, filling stations, and convenient places to offer banking facilities to customers. To use ATM services customers need to receive magnetic en-coded ATM cards with a personal identification number (PIN). Through the cards, customers can operate the ATM device

Like a computer, it has got a display monitor and keyboard. For a transaction customer need to place the ATM card in the slot of the device and write the PIN number correctly. According to command, customers need to write the amount of cash withdrawal with denominations and when within a few seconds the device will deliver desired cash. ATM service is available 24 hours a day and customers can avail of the facility at any of the nearby ATM booths as per convenience. In Bangladesh, shared ATMs are preferred and used among the banks for cost savings as well as network expansion that cannot be provided by individual banks within a short period of time.

CDM is a self-service terminal that lets customers make deposits and payment transactions by cash with the help of ATM. A Cash Deposit Machine is easy to use with a Debit Card or bank account number. Some Cash Deposit Machines allow to swipe Debit Card to make a transaction, while others require to manually enter a bank account number. The machine prompts confirmation while entering the account number before depositing the currency notes. After enteringthe Debit Card PIN number and selecting the option for 'deposits' and the account number & correct amount for depositing the money the transaction will be successful.

Cash recycling machine (CRM) is helping customers cut reliance on branches and giving them more freedom to carry out banking through faster deposit and cash withdrawal services.A CRM accepts cash, counts the notes, authenticates them, and credits the amount to accounts on a real-time basis. The new technology is also allowing users to deposit and transfer cash in others' accounts.CRMs are helping banks efficiently manage cash as the deposited notes can be used for the withdrawal of funds by clients. As a result, banks don't need to inject cash into CRMs frequently.

In Bangladesh, the banks have established a vast number of ATM, CDM, and CRM networks to serve customers' needs. These self-service technologies are helping banks to reach customers at their convenient locations while allowing banks to lessen the manual labour needed to provide the services to the branches.

Internet Banking

Internet banking is an internet-based banking service that allows customers to conduct financial transactions via the internet eliminating the restrictions imposed by geography and time. It is also known as online banking or web banking. Internet banking offers customers almost every service traditionally available through a local branch including deposits, transfers, and online bill payments. Almost all the banks in Bangladesh have some form of online banking, available both on desktop versions and through mobile apps. With online banking, consumers do not need to visit a bank branch to complete most of their basic banking transactions. They can do all of this at their own convenience, wherever they want i.e. at home, at work, or on the way to our work. In order to access the service, customers need to register and create password for their bank's online banking service. Banking transactions offered online vary by institution. Most banks generally offer basic services such as transfers and bill payments whereas some banks allow customers to open up new accounts, apply for credit cards, etc.

Mobile Banking

One of the growing tools of ADC is the invention of mobile banking or m-Banking, which is now changing the dynamics of ADC. Mobile banking refers to the use of a mobile device, such as a smartphone or tablet, to access and manage one's traditional bank accounts and conduct various financial transactions. Customers with mobile banking can avail of the

facilities such as account balance enquiry, account statement enquiry, cheque status enquiry, cheque book requests, fund transfers between accounts, bill payments, etc. around the clock. Moreover, mobile banking apps offer a convenient and secure way to manage one's finances without the need to visit a bank branch or ATM. Therefore, Customers are now expecting m-banking as a default service from the banks.

E/M-Wallet

A digital wallet, also known as an e-wallet, is a type of electronic card that is used for online transactions through a computer or a smartphone. Its utility is the same as a credit or debit card. Money can be deposited in the digital wallet prior to any transactions oran individual's bank account can be linked to the wallet to make payments.So, it is a type of pre-paid card, protected via a password, for future online transactions. By using the card, a customer can make payments for groceries, online purchases, flight tickets, etc. E-wallet has mainly two components, software and information. The software component stores personal information and provides security and encryption of the data. The information component is a database of details provided by the user which includes their name, shipping address, payment method, amount to be paid, credit or debit card details, etc.

A mobile wallet is simply a specific category of digital wallet technology which is accessible through a mobile app. Instead of paying with cash, cheque, or credit cards, a consumer can use a payment app on a mobile device to pay for a wide range of services and digital or hard goods.

Call Centre

When a customer has a concern about their money, they want immediate assistance. Call centre can be the solution. By talking with the representative, customers can be relieved. Call center can handle customers' account inquiries, lost card and stopped payment-related information, balance and transaction information, branch locations, hours, etc. To facilitate and perform various kinds of financial assistance to a growing number of customers banks set up call centre. A call center usually provides interactive voice response (IVR) through which customers can choose her/his desired service options using keypads of a cell phone and listen to the responses related to the account or card or transactions from the system or through live agents. Customers can dial a particular number at any time from any land or mobile phone

and connect to IVR or Live Agent, and get desired services. As customers can get services 24/7 and 365 days a year, banks got the opportunity to represent them all the time. Moreover, as the representatives are working remotely and virtually, it saves time and money.

Apps Based Banking

Automated banking services, especially Internet banking including apps based operations have led the banking sector to the convenience of the customers. In Apps based banking transactions can be simply done regardless of place and time by using a quick OTP code or a pin code or fingerprints of the account holder or the face recognition software.Banks have designed efficient apps based banking due to address a majority of the young generation's use of online transactions. This type of banking can easily capture customer demand providing more functions with the least monetary costs. Most of the banks in Bangladesh are offering apps based banking to cater to their customers. However, technologically advanced financial institutions can reap the most benefits out of it.

Point of Sale (POS)

A POS (Point of Sale) machine is an electronic device through which a customer can make payment to merchant in exchange for goods or after the provision of a service through debit/credit/prepaid cards or QR scanning. The device is being operated by the merchants. However, at some point in time customers need to use a pin code for successful operation. Merchant may issue a printed receipt / e-receipt for a successful transaction.Any such transactions that customers make get posted to the bank account immediately.On the statement, a POS transaction will show the amount and the address (and sometimes) the name of the merchant.

Agent Banking

Agent banking means providing limited-scale banking and financial services to the customers' agents under a valid agency agreement. The owner of an outlet conducts banking transactions on behalf of a bank. Agent banking is generally utilized as an important distribution channel for financial inclusion. In Bangladesh, the financial service providers are promotingagent banking to reach the poor segment of the society as well as existing bank customers with a range of financial services especially in geographically dispersed locations. Banks are offering different services such as the collection of small-value cash deposits and

cash withdrawals, inward foreign remittance disbursement, small-value loan disbursement, recovery of loans, collection of loan installments, facilitating utility bill payment; fund transfer; balance inquiry, cash payment under social safety net programme, etc.

ADCs are a cost-saving method that can be used to reach a large number of customers especially the low income market segment for sustainability. Channels like ATM and Internet Banking enable banks to reach a wide consumer base across geographies with less effort. ADCs minimize the cost of transactions, save time, give convenience, provide up-to-date information, increase operational efficiency, facilitate quick responses, improve service quality, and minimize the risk of carrying cash, etc. Banks can attract more low cost deposits by designing innovative ADCs. As these deposits are collected through sources of funds it enables banks to maximize interest spread, which results in higher profitability. However, the channels are faced with performance risk, financial risk, and operational risk. Besides, Cyber-attacks on portals; Server maintenance in order to support high traffic and unauthorized access, and fraudulent transactions are the negative aspect of ADCs which can impose a negative effect on the financial performance of the banks.

Though ADCs can greatly reduce transaction costs, banks can realize the full benefit only if there is a noticeable increase in the usage by customers. Customer education can play an important role in to rise inthe use of ATMs, internet banking, mobile banking, etc. so that they feel secure while transacting. Besides, banks should initiate employee training on the operational procedures of new technology-based banking products and services. Moreover, banks need to be more transparent on technology-based product operations by installing reliable technology. Finally, all the ADCs need to be integrated as a competitive advantage and they should be continuously reviewed to avoid any adverse situations that could affect customer satisfaction.

Indicative Questions-Module F

1. What is the importance of marketing channels in delivering customer value?
2. Briefly explain channel design and channel management decisions.
3. What factors need consideration in designing delivery channels?
4. What do you understand by channel management? How do markets manage and control multiple delivery channels?
5. Why does branch location important in distributing banking services?
6. How GIS can benefit banks to expand their banking business?
7. What do you mean by ADCs?
8. How do ATM, CDM, and CRM services help banks to reach customers conveniently?
9. Explain the role of agent banking in reaching geographically dispersed locations.
10. How can FIs ensure the best use of ADCs?

Module-G: Marketing Communications Strategy for Banks and Financial Institutions

Module-G: Marketing Communications Strategy for Banks and Financial Institutions

Marketing communications are the means by which the firm attempt to inform, persuade, and remind consumers about the products and brand directly or indirectly. It represents "the voice" of the company and its brands. Through communication, the firm can establish a dialogue and build relationships with consumers. For consumers, it gives them the chance to know about the company and its products/brands, and what it stands for.

Marketing communications allow companies to link their products/brands to other people, places, events, brands, experiences, feelings, and things. They can contribute to brand equity by establishing the brand in consumers' memory and creating a brand image. This act helps to drive sales and may even affect shareholder value.

Though marketing communications play a major role in reaching consumers and disseminating the desired information, the communication environment has become increasingly tough especially due to the fragmentation of audiences and digital technology and the internet. Technology and other factors have changed the way consumers process communications, and even whether they choose to process them at all. In the new communication environment, although advertising is usually the central element of marketing communication programs, it is usually not the only one to build brand equity and drive sale.

Building customer relationships is more than developing a good product, pricing, and making it available to the target market. The value propositions must be communicated to the customers. Therefore, all communications must be carefully planned and integrated. Good communication is important for building profitable customer relationships.

The Promotion Mix

The promotion mix is also called the marketing communication mix. It consists of the specific blend of advertising, sales promotion, events and experiences, public relations and publicity, direct marketing, interactive marketing, word-of-mouth marketing and personal selling that the company uses to persuasively communicate customer value and build customer relationships.

Advertising- Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. Broadcast, print, internet, mobile, outdoor, etc. are some advertising tools. Advertising in banking alerts a potential user that a product will help him to reach the objective such as depositing money safely or borrowing to buy a new house.

Sales promotion- A variety of short-term incentives to encourage the trial or purchase of a product or service. It includes discounts, coupons, displays, and demonstrations.

Events and experiences- Company-sponsored activities and programs designed to create daily or special brand-related interactions.

Public relations and publicity- A variety of programs designed to promote or protect a company's image or its products. PR includes press releases, sponsorships, events, and web pages.

Direct marketing- Use of mail, telephone, fax, e-mail, or Internet to communicate directly with or solicit response or dialogue from specific consumers and prospects. Direct marketing examples are catalogue, direct-response, TV, kiosks, the internet, mobile marketing, etc.

Interactive marketing- Online activities and programs designed to engage customers or prospects and directly or indirectly raise awareness, improve image, or elicit sales of products and services.

Word-of-mouth marketing- People-to-people oral, written, or electronic communications that relate to the merits or experiences of purchasing or using products or services.

Personal selling- Face-to-face interaction with one or more prospective purchasers for the purpose of making presentations, answering questions, and procuring orders. Examples include sales presentation, trade shows, and incentive programs.

Besides the specific communication platforms, product style and price, the shape and colour of the package, the salesperson's dress and manner, the store ambiance, and the company

stationary all communicate something to buyers. Every brand contact delivers an impression that can strengthen or weaken a customer's view of a company.

The Promotion Mix for Banks and Financial Institutions

Advertising

When financial institutions entered the world of advertising, they faced two basic problems – one, the poor image of banks, and most people could not differentiate one bank from another; second, the various services available were largely unknown to the public. To meet up these problems, different banks set their advertising policies in three main stages-the initial stage (campaigns were based on the bank's name emphasizing the guarantee of security), the second phase (the announcements of new or improved services) and the third phase (creating an image to spark confidence in consumers to drop or pay a call on her/his bank).

The third phase is important for three reasons namely, what banks offer is abstract; they mostly offer similar standardized products; and a bank is more than a sales outlet where customers want advice, security, and understanding. Based upon this, advertising campaigns are designed to move and persuade consumers to a bank by providing information; and alerting potential users to reach an objective.

There are major types of advertising that a bank may adopt depending on its short and long-term objectives. For example, if a bank wants to build up a brand it will be its short-term objective while building up its name will be its long-term objective. Thus, there are two major types of advertising for the banking industry i.e. institutional and brand.

In promoting institutional advertising which intends to long-term build-up of a bank's name, two aspects can be considered- promotion of banking image as a whole. By establishing a modern logo, signature, or symbol; establishing a spokesperson for the bank; and developing a brand mantra which is believable. Secondly, the promotion of products but major emphasis will be on bank's name by using bank's name to identify some of its products. In promoting brand advertising different services of banks are promoted which is pretty similar to the second aspect of institutional advertisement.

A wide range of promotional tools are available to suppliers of financial services. Different promotional tools need to be blended together focusing on the issue of integration i.e.

ensuring that the message contained in each form of promotion is consistent and integrated with other promotional messages.

Advertising is usually classified in above-the-line advertising-refers to all forms of advertising where a fee is payable to an advertising agency including press, TV, radio, Internet, cinema, and poster advertising. Below-the-line advertising describes forms of advertising for which no commission or fee is payable to an advertising agency and includes direct-mail and direct-response advertising, exhibitions, and point-of-sale material.

Advertising is one of the most widely used promotional tools in retail financial services because of its ability to reach large numbers of customers cost-effectively. However, the features of financial services do present some difficulties when developing advertising. As mentioned earlier, financial services are intangible, so there is little to show in an advertising campaign. Furthermore, customers often require large amounts of information in order to make purchase decisions, but many forms of above-the-line advertising are not very effective at making this information available. Press advertising can provide more information than TV, radio, cinema and poster advertising, but the quantity of information is still limited. The Internet can provide rather more information to consumers once they have clicked on a particular advertising campaign.

However, internet; banner; consumer click-through rates advertising has not proved to be very effective for financial services. In contrast, the organization's own website may offer much greater potential for communicating with customers. However, websites provide a very passive form of communication, since they rely on the customer choosing to visit the site rather than allowing the organization actively to communicate with its customers.

Because customers will often need a lot of information in order to make a decision, above-the-line advertising is often thought to be more suited to the process of raising awareness and generating interest, while other promotional tools are used to encourage desire and action (AIDA). For example, HSBC's campaign illustrates the bank's local knowledge of operating worldwide plays a major role in building the HSBC brand.

The particular advantage of both direct-mail and direct-response advertising is that they can provide customers with a lot of the detailed necessary information to make a final purchase

decision. Indeed, direct mail which is accurately targeted to the right customer group can be very effective at generating new business, as well as cross-selling to existing customers. Accordingly, these methods of advertising are to be more effective in encouraging the final stage in the AIDA model – namely, the purchase (action). In addition, direct mail has the advantage that it is invisible to competitors. However, the ability to use direct mail effectively does depend on the organization having a good, accurate and up-to-date customer database, and this can present a problem for many financial services organizations.

Whatever type of advertising is used, particular attention must be paid to trying to make the service more tangible, reducing customers' perceived risk, being transparent, and trying to build trust and confidence.

Personal selling

Personal selling can play a dual role in the marketing of financial services i.e. a channel of distribution and a method of communication. Personal selling is probably most common in corporate markets but is also widely used in personal markets in relation to some of the more complex financial services. Besides, it is important for both the "banked" and "unbanked" populations for financial assistance as well as persuasion.

Personal selling can be used for many purposes such as creating product/service awareness, developing preferences, negotiating price and other terms, closing a sale, providing post sale reinforcement and reassurance to customers.

This two way communication allows immediate feedback from the consumer to the organization (or its representative). The customer can raise queries with the salesperson, and those queries or concerns can be dealt with immediately. This means that the information communicated can be very accurately tailored to the needs of particular individuals. Furthermore, because personal selling allows queries and responses, it is often thought to be very effective towards the end of the AIDA process – in encouraging action (purchase).

Though personal selling can be a valuable and effective form of promotion, it is also very expensive. It, tends to be used more heavily for relatively high-value products and when customers are close to making a purchase. However, it is difficult to manage.

Publicity/Public relations

Publicity/Public relations are generally used with building and maintain an understanding between the organization and the general public. The development of a suitable corporate image of financial services is an aspect of public relations because the reputation or image of the bank has a major impact on consumer choice. Corporate image associated with promotional material, the branch network, and staff appearance can be seen as one of the most important forms of branding available for financial institutions.

Other forms of communication can be used to help create an image and personality such as internal marketing which is used to encourage staff to promise the corporate identity and believe in the image. A desirable corporate image can also be practiced through sponsorship. Financial services organizations are involved in the sponsorship of a variety of events, including sports events (e.g. football), entertainment (e.g. music concerts) and cultural events (e.g. art exhibitions). This type of sponsorship can be very effective to get attention from retail customers. For corporate customers, the sponsorship of local business seminars is a widely used technique.

Sales promotions

There is a variety of techniques available for banks for sales promotion such as -

Benefits tied to product use - one of the most popular forms of promotion used in financial services. If the consumer uses/buys a particular product or service, he or she receives a free or discounted gift. Loyalty schemes, based on the level of spend on a credit or charge card, are widely used in financial services.

Reduced price - it simply involves offering the product to the consumer at a reduced price. It is similar to couponing. For example, Citibank offered a 1-year fee waiver as a promotional device when they launched their Citibank Blue Credit Card.

Competitions - Competitions are a popular and easy-to-manage form of promotion. Consumers of the product are offered the opportunity to enter a competition to win attractive prizes. Citibank's '99 Wishes' campaign was a competition that allowed cardholders to send their top 9 wishes from a list of 99, and if their list matched the popular list for that day then the customer's number-1 wish was fulfilled.As only Citibank customers were able to enter, this can be seen as the kind of competition that would encourage new customers to Citibank as well as generate publicity. Similarly, Standard Chartered offered prize-draw entry to anyone who signed up for the Standard Chartered Motorists' Club Visa.

Couponing **-**Money-off coupon is most commonly associated with sales promotions and less common in financial services, although a number of financial service providers offer particular discounts through direct mailing to certain target customers, and can have a similar effect that encourages purchase. A related concept is the introductory offer. A growing number of financial services providers are offering either initial discounts on credit products or introductory interest premiums on savings products.

All the promotional techniques are used to identify two broad objectives – the primary (to attract new customers i.e. current and saving accounts, to increase the level of sales i.e. deposit in deposit account by the share of wallet, to lower the cost of acquiring new products i.e. deposit) and secondary (to reach target market by products i.e. current and saving accounts, to modify bank's image, to obtain deposits while designing asset products). Whatever the objectives are, sales promotions can be very effective towards the final stage of the AIDA process, as they are designed to encourage the consumer actually to make the purchase.

Integrated Marketing Communications

In the past, marketers usually deal with standard products to reach mass customers. That is why they developed mass media communications techniques to support product strategies. However, with time the standard products become customized so that the communication strategies reach at least a separate target market for different products with various communication platforms. As the communication area is changing profoundly, giving anxious time to the marketers.

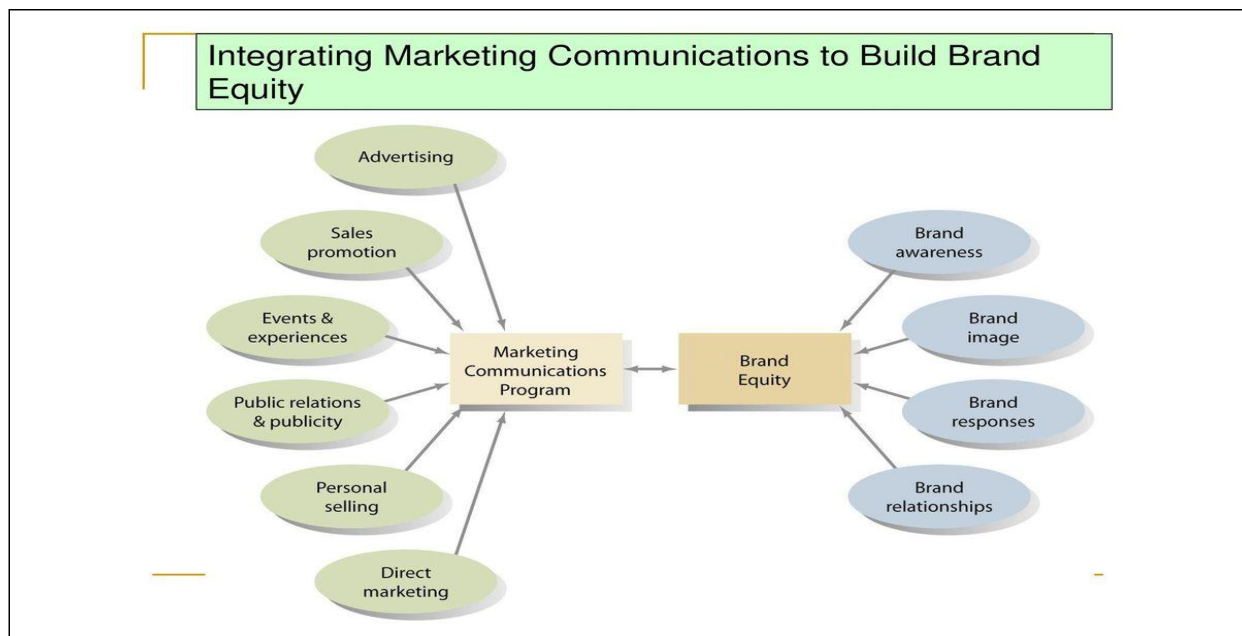
Among several factors, *consumers* are changing. They are better informed and more empowered. They do not solely rely on marketer's information, they use the internet and other technologies to find information on their own. Besides, they connect with other customers to exchange brand-related information or even create their own message.

Marketing strategies are also changing. Due to fragmented markets, marketers are shifting from a mass market to a more target-oriented market. They are developing focused marketing programs to build customer relationships in micro markets.

Communication technology is changing remarkably due to the advent of technology. Although mass media like television, newspaper, and magazines remain very important, their dominance is declining. Therefore, marketers are selecting specialized targeted media to reach smaller segments with more-personalized, interactive messages.

The mix of media and communication approaches is problematic to handle because consumers receive different messages from different sources. But they believe messages from different sources should come as part of a single message about the company. Conflicting messages from different sources may create confusion in company images, brand positions, and customer relations. Often companies fail to integrate the messages as they come from different parts of the company. Besides, new digital and social marketing, mobile, and apps present tremendous opportunities at the same time pose challenges. The challenge is to integrate the messages into an organized way to best communicate the brand message and enhance the customer brand experience (Figure: 7.1).

Figure: 7.1 – Integrated Marketing Communications to Build Brand Equity



Integrated marketing communications recognize all the touch points that customers interact with the company and brands. Each contact gives a message whether it is good, bad or indifferent. The goal is to deliver a consistent message at each contact. By Consistent delivering the same message can increase customers' brand knowledge and gives a positive image of the brand and the company. This knowledge and good image may further transmit favourable brand responses which ultimately makes good relationships with brands. All these can have a good impact on brand equity in terms of sales and shareholders value.

Though IMC can generate great value for service marketers, discrepancies between service delivery and external communications can affect consumer perception of service quality. The factors responsible for communication problems include- inadequate management of service promises, higher customer expectations, insufficient customers' education, and inadequate internal communications.

Digital Marketing Concept

Digital marketing is an umbrella term for all online marketing communication efforts of brands to connect with potential customers for achieving business objectives. Business leverage digital channels such as Google search, social media, email, text, multimedia messages and their own websites to connect existing as well as potential customers.

Digital Marketing Channels and Methods

With the proliferation of technology the competition is getting aggressive, especially with regard to financial institutions and services. There is a need to think out of the box and come up with creative marketing and execution of digital services in the financial sector if they intend to get more exposure and visibility. Financial institutions require digital marketing to stay ahead of the competition.

Digital marketing helps banks to reach their target audience and promote their product or service. Though these are the goal of a traditional marketing campaign too. Digital marketing allows targeting a more specific or niche audience in a more affordable and flexible manner while ensuring their engagement. Different channels and methods used in digital marketing are-

Email marketing and automation

Emails are a great marketing technique to get customers to return to a brand and purchase new products. To do it, banks must collect email from their existing customers or get people to sign up for an email list after they have made a purchase. Then, banks can utilize all their promotional information to the targeted customers by email. By receiving valuable product information through emails, it is likely that these customers will return to buy the products.

Social media marketing

A strong presence on social media platforms is the most important digital marketing tool. There are many ways to promote a brand’s social media presence. Examples include employing social media influencers to promote brands on their own social media accounts. Brands actively post and engage on the accounts to promote their image.The goal is to create more traffic and generate leads for your business.

Website design/marketing

In website marketing, the main goal is to increase the number of visitors to the website, called website traffic. It's not just any visitor. The marketing efforts should be aimed at conveying customers who are actually interested in the providers' offer.

Pay-per-click ads

Pay-per-click (PPC) means paying a publisher each time a bank gets a click on its ad. One of the most popular programs is Google Ads, which allows paying for the top slots of their search engine. Using PPC ads, data-driven targeting allows banks to selectively communicate with the right people, at the right time, in the right place. Targeted ads provide highly-qualified traffic to web site immediately, reaching new prospects and markets, or even existing customers to boost mobile app downloads, eStatement enrollments, and other relevant products.

Some of the channels banks can use to place PPCs are Facebook, Twitter, or LinkedIn. Paid ads on Facebook will publish content in a specific audience's newsfeed matching business profiles. Twitter Ads allow posing posts or badges to a specific audience to increase website traffic. Sponsored messages on LinkedIn allow direct message LinkedIn users based on factors such as location or industry.

Search engine optimization (SEO)

Search Engine Optimization, or SEO, is a digital marketing technique that involves creating more traffic to a website by making sure a website appears higher up in the results of a search engine like Google and other search engines which boosts brand visibility, website traffic, and leads and improves brand awareness.More traffic means more potential clients becoming aware of your brand and services. As prospects and existing customers search online for answers to their financial questions and needs, banks need to make sure that they find the particular bank, not a competitor.

Content marketing

Content marketing is the backbone of an effective online presence that increasesthe website's SEO, social media, online advertising, email, and even direct mail campaigns. A brand can use content marketing as a tool to achieve better brand awareness by marketing itself as a service provider.An effective content strategy for a bank can improve brand awareness, boost engagement, and earn trust with both prospects and customers. However, to gain maximum benefits banks need to create valuable and relevant content consistently on digital platforms.

Video Marketing

Video marketing works well with content marketing, which is also a popular technique in digital marketing because of the easy access to videos that technology can provide. By creating quality commercials, banks can execute a lasting brand image in consumers' minds and get them to think about purchasing.

Affiliate Marketing

Affiliate advertising is when a brand pays to have a valuable spokesperson with a large audience, usually a blogger or social media influencer, to post about the bank digitally and thereby the bank can increase its flow.

Affiliate marketing can aid a bank website's SEO through numerous backlinks via affiliate websites, blogs, and (indirectly) social media pages. This is especially true if the bank is working with higher-ranked partners whose audience share content about the product or service across several platforms.

Creating an app

The last of the popular digital marketing techniques is creating an app. Creating an app for a brand can give viewers an accessible means of communication and show where to purchase and get notified of new products.

In today's world where everyone is connected to the internet, it is vital for businesses to have a strong online presence. Besides, younger generations are likely to be even more centered on using the internet to access all sorts of services. So, having a strong digital marketing strategy is a must if banks want to succeed in the increasingly competitive finance industry.

Digital Marketing Strategies

Whether online or offline, some marketing strategies are revolutionary:

'0 to One' Strategy– The first mover in a category of digital communication or marketing.

'Blue Ocean Strategy'– Creating novelty value through content/Channel/Method and communicate remarkably.

'Differentiate or Die' Strategy– One must differentiate the value and communicate differently.

New Business Model Development – Developingor restructuring new business model.

An effective digital marketing strategy helps financial institutions to drive business growth by expanding their customer base and reinforcing customer engagement in the most competitive online arenas. Some of the approaches may be:

Consumer experience and engagement - digital marketing methods of financial services can ensure customer engagement and win their trust. Besides, different digital channels allow customers to share their experiences while they engage. It is imperative to implement digital strategies to gain more visibility and reach more potential customers. To make this work, financial institutions have begun allocating a portion of their budget solely for digital marketing across various channels.

Strong social media presence - through digital marketing methods banks can ensure their strong presence in social media. The presence means when customers need them for any kind of assistance, they are available. So, an emotional attachment or bonding can be formed for competitive advantage.

Leveraging Omni channel marketing - financial institutions are leveraging Omni channel marketing for a wider consumer reach. Customers are getting more email and SMS alerts from financial institutions. Banks can reach out digitally to more prospective consumers with targeted campaigns and ads that align with their lifestyle and increase the conversion rate.

Entering new markets with a broader reach - digital marketing channels allow banks to reach people cost-effectively. It also allows to gain access to specific target audiences rather than the general public. With TV, billboards, or radio banks reach out to a broad audience not target-oriented customers. With digital marketing, banks might use the features of a platform to target an audience based on age, interests, or behaviour. It also allows to identify sub-segments of customer groups. If banks have more than one type of product, they can tailor a campaign to this more specific subset of customers.

***Enhanced brand awareness*- **different digital methods help banks to achieve product and brand knowledge among specific target audiences and ultimately move forward to brand awareness.Brand awareness can then shift to interest, desire, and action as a form of product purchase.

Maximized lifetime values–through the utilization of different digital channels, banks can capture more customer data. By analyzing them different cross-sale and up-sale opportunities can be availed by banks. Besides, different new products can be designed to maximize customer lifetime values.

Revenue through better CRM – another important aspect of is banks can easily make customer relationship and retain them through acquiring and analysing customer data continuously. This kind of data penetration can be used to leverage revenue through better CRM.

Steps in Developing Effective Marketing Communication

The basic steps in developing effective communications are presented in Figure: 7.2.

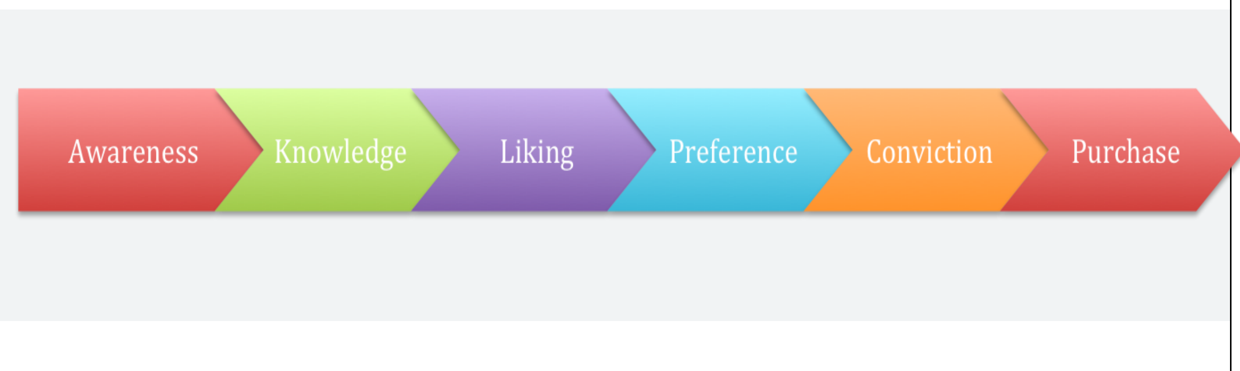
Figure: 7.2 – Steps in Developing Effective Communication

1. Identify the target audience – the marketing communication process must first start with identifying a target audience in mind like potential buyers, current users, deciders, influencers, general publics, etc. The target audience is crucial to decide what to say, how, when, where, and to whom. Profiling the target audience in terms of market segments such as new or current users, loyalty status, usage rate, etc. can help design a communication strategy.

In banking, this may simply involve defining the target market for a specific service such as current retail/SME/agro segments, less loyal segments of retail etc., or specifying 'the general public' (if the promotion is concerned with corporate image). However, it is also important to recognize that there will be differences between consumers in terms of their knowledge and awareness of an organization's image and range of services.

2. Determine the communication objectives – after deciding the target audience, marketers must determine the desired response. To get the desired response marketers need to know where the target audience now stands and to what stage it needs to be moved. The target audience may be in any of the buyer-readiness stages that a consumer usually passes through on their way to make a purchase (Figure: 7.3).

Figure: 7.3 – Buyer-Readiness Stages



If the target market is unaware of the product or brand, the company must first build awareness and knowledge about it. Once they know the product, marketers try to arouse their liking, preference, and conviction so that consumers believe that the product will be best than others. Finally, marketers now design communication messages to lead consumers in purchase decisions. However, some consumers may be convinced about the product but not quite sure about the purchase. Here, the communication message will not work simply, the product itself should give desired benefits to consumers to enhance their purchase decision.

Besides the buyer readiness stage, marketers can set communication objectives in the following ways.

Category Need – establishing a product or service category is necessary to satisfy or remove a perceived inconsistency between a current motivational and a desired emotional state. Market category is the space where the products compete. For the category, the space can be very large, or very small and much more focused. For example, let's assume a line of products for deposits or loans.

Brand Awareness – the ability to identify (recognize and recall) the brand within the category to make purchase decisions i.e. how familiar (aware) consumers are with a brand or its products. Ideally, consumers' awareness of the brand may include positive perceptions of the qualities that distinguish the product from its competition. Awareness is the foundation of brand equity which can be enhanced through recognition (which is important inside the store) and is easier than recall (important outside of the store). Making a brand recognizable and memorable is at the heart of most marketing strategies because it is a major force behind brand trust, and ultimately, sales generation.

Brand Attitude – evaluating a brand in respect to the perceived ability to meet a currently relevant need. Relevant brand needs may be negatively oriented (problem solution) or positively oriented (sense of gratification).

Brand Purchase Intention - the willingness of a customer to buy a certain product or a certain service. Brand purchase intention can be self-instructed i.e. customers willingly go to purchase or to take purchase-related actions i.e. company related initiatives to take purchase decision.

In financial services, communication objectives can be *increasing the level of demand*by attracting new customers away from competitors, increasing usage by existing customers, and encouraging non-users of the product to use.Besides, many promotional campaigns are directed towards *creating and maintaining a particular corporate image*by raising customer awareness/attitude because the characteristics of financial services (as discussed in Module-A) mean that organizations must pay particular attention to their brand and reputation.

3. Design the communications – in designing the communications marketers need to decide what to say, how to say, and who will say.

Message strategy (what to say) – message strategy is determined based on ideas, themes, or appeals that will tie the brand positioning and help to establish POP and POD. Some strategy is based on product or service performance (quality or value) whereas some are based on more extrinsic considerations (popular or contemporary).

Creative strategy (how to say) – the content of the message and how it is expressed is important for effective communication. Through creative strategies, marketers translate the message into specific communications. It can be informational or transformational.

Informational Appeals – informational appeals focus on product or service attributes or benefits such as problem-solving ads, product demonstration ads, or testimonials from unknown or celebrity endorsers, etc. It gives rational logic to the consumers.

Transformational Appeals – focuses on non-product-related benefits or image. It often emphasizes the emotions to motivate purchase. Communication uses both positive i.e. humour, love, pride, joy and negative i.e. fear, guilt, shame, etc. emotional appeals.

Message source (who should say it) – communication sources can be the company itself, known or unknown people. Message delivered by attractive or popular sources can achieve higher attention and recall. In delivering message through popular sources, their credibility i.e. expertise; trustworthiness; and likeability in the relevant product or service category must be verified first.

In designing communication, financial services organizations often make use of their staff in the creative element of advertising to emphasize the personal touch. However, accuracy and honesty in the design and presentation of a message are essential in financial services due to the complex nature of products and difficulty to understand. To solve the problem, many countries have policies to protect consumers from misleading advertising. Particular problem areas are misleading price comparisons, interest rates which are in practice not available to customers, excessive use of jargon, claims that cannot be justified, and a failure to include warnings about risk.

4. Decide on media mix - Now marketers need to decide about the channels of communication including personal and non-personal.

Personal communication channels are two or more people communicating directly. They might communicate face to face, on the phone, via mail or email, or even through texting or an internet chat. These channels are effective as they allow personal addressing and feedback. Some personal communication channels are directly controlled by the company like the sales force. Some are not directly controlled like consumer advocates, online buying guides, bloggers, or others such as neighbours, friends, family members, etc. The last channel WOM has a considerable effect on product purchases.

Non-personal communication channels are media that carry messages without personal contact or feedback including media, public relations, experiences, events, etc.
5. Establish budget – deciding on the budget is the most difficult decision by marketers. It may vary depending on the company itself and the industry within which it operates. There are four common methods to decide –

Affordable method - deciding on a promotional budget based on what the company can afford. This method ignores the role of communication as an investment. As they are uncertain about the annual budget, long-range communication planning is difficult.

Percentage-of-sales method – setting promotion budget as a percentage of sales. It sees budget as the availability of fund rather than market opportunities. So, the size of the promotional budget depends on past sales rather than desired future sales.

Competitive-parity method – determining budget to go with competitors because competitor's expenditure represents the collective knowledge of the industry and maintaining it prevents promotion wars.

Objective-and-task method – developing promotion budget by defining specific objectives, determining the tasks that need to be performed to achieve the objectives, and estimating the costs of performing the tasks. The sum of these costs is the proposed budget.

Besides the four methods, financial service industries use another method to determine their budget.

Incremental method - budget is set as an increment on the previous year's expenditure. This is widely used, particularly by smaller banks. However, it offers no real link between the market and promotional expenditure and does not allow promotional or marketing objectives to guide the level of expenditure.

6. Select channels – companies now must allocate the budget over the eight major communication modes depending on the type of product market, target markets readiness to purchase and product life cycle. However, each communication modes need to be better coordinated for their sustainability.

Marketers often use two basic promotion mix strategies: push and pull. A *push strategy* calls for using the sales force and trade promotion to push the product through channels. The producer promotes the product to the channel members, which in turn promotes it to the final consumers. *A pull strategy* calls for spending a lot on consumer advertising and promotion to induce final consumers to buy the product, creating a demand vacuum that "pulls" the product through the channel.

While it is difficult to generalize, banking retail markets often use advertising, sales promotion and public relations/publicity to promote credit cards, current accounts and savings accounts.However, for more complex financial services in retail banks use personal selling. To corporate customers, they use personal selling more.

7. Measure results – after implementing the communication plan, marketers want to know the impact on target audience. Consumers are asked whether they can recognize and recall the message, how they feel, and their previous and current attitudes toward the product and the company. The measurement system can be in the form of judging customer awareness level, brand trial and satisfaction.

Statistical analysis can be used to assess the impact of IMC on the level of sales. Basically, this involves a comparison of sales before the campaign with sales after the campaign. The findings of such studies can often show a change in sales after the campaign, but it is difficult to demonstrate that the campaign actually caused the change to occur.

8. Manage IMC– Now all the communication mix must be integrated smoothly. It starts with customers by delivering consistent messages and positioning at each customer touch points. It ensures that communication mix must occur when, where, and how customers need it.

Indicative Questions-Module G

1. Explain the role of marketing communications in reaching consumers.
2. Describe the promotion mix.
3. Briefly explain the role of advertisingin FIs.
4. What are the benefits of personal selling in banks?
5. Illustrate the techniques available for banks for sales promotion.
6. How does IMC build brand equity?
7. What is digital marketing?
8. What arethe channels and methods of digital marketing?
9. Explain the benefits of digital marketing strategies.
10. Describe the basic steps in developing effective communications.

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About Rexona Yesmin

Rexona Yesmin is an Assistant Professor attheBangladesh Institute of Bank Management (BIBM). She obtained her MBA and BBA in Marketing from the University of Dhaka. Having over 12 years of experience with BIBM, Rexona Yesmin is a professional trainer in the areas of Bank Marketing, Management, CMSME, and Green and Sustainable Banking and arranged training programs as part of capacity development for FIs.Her key research areas include banking operation, CMSME, green and sustainable banking, sustainable value chain, and inclusive finance. She participated as a member in preparing different Training Modules sponsored by financial institutions and consulting firms.