Bank Marketing
Mission and Objectives of Bank Marketing

Mission Statement

• Financial service
• Market penetration
• Customer base

Illustrative Marketing Objectives

• Income growth: 8%
• Target new customer increase: 5%
• Increase product and service sale of existing customers: 3%
• Increase return on investment: 10%
• Reduce bank cost: 3%
• Increase customer satisfaction: 2%
Bank Marketing Plan

- Written document that summarizes the observation of market behaviour.
- Defines marketing strategy.
- Identifies market place.
- Suggests strategy of the bank to reach its marketing objectives.
• Understanding of the environment in which the bank is functioning.
• Identify variables that will influence the bank functions.
• Analyzis of environment
  - Micro
  - Macro
  - Internal
Macro-Environment

- PESTEL frame work to analyze macro-environment
- Political factors
  - Change in government, political stability
- Economic factors
  - Changes in interest and exchange rates, inflation rates, public spending, economic growth rate
- Socio-cultural factors
  - Change in preferences such as life style, attitude, buying habit and demographic
Macro-Environment

• Technological factors
  • New products and services, new approaches to research and development activities

• Legal factors
  • New legislations imposed on the bank, regulatory requirements, reporting requirements, banking standards

• Ecological factors
  • Disposal of electronic equipments
Micro Environment: Porter’s Five Forces of Competition

Porter's Model
Five Competitive Forces

- Threat of New Entrants
  - Foreign players
  - Private banks

- Bargaining power of Depositors
  - Deposit flight
  - Product features

- Threat of Substitutes
  - Products & Services

- Competition

- Gross - Selling market
  - Mobility of borrowers

- Bargaining power of Borrowers

- Non Banking finance competition
  - Financial market participants
  - Co-operative banks
## Porter’s Competitive Strategy

<table>
<thead>
<tr>
<th>Competition</th>
<th>Low Cost</th>
<th>High Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing Coverage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wide Coverage</td>
<td>Cost Advantage</td>
<td>Products / Services Differentiation</td>
</tr>
<tr>
<td>Focused Coverage</td>
<td>Cost Focus</td>
<td>Products / Services Focus</td>
</tr>
</tbody>
</table>
Internal Analysis of Banks

Employees:

• Number of employees in various levels
• Measurement of employee performance
• Management of employee relations

Money:

• Income
• Profit before tax
• Capital
• Deposits
Internal Analysis of Banks

Systems:

- Branches
- Call centres
- ATMs access
- Business units: retail banking, insurance, investment units
- Computing systems

Information Dissemination:

- Personal customers
- Software
- Information support services
Internal Analysis of Banks

Customers:

- Focus on deposit accounts
- Focus on personal loans
- Focus on corporate loans
- Focus on investment
- Focus on banking services
SWOT Analysis

Strength:
• Market leadership
• Bank size
• Brand name
• Customer royalty
• Stronger technical solutions
• High net worth customer
• Reliable supplier
• Trained employees
• Value creation on customers
• Financial support systems
• Established distribution network
• Strong IT capability
• Internet banking

Weakness:
• Limited market
• Small international presence
• Strong competitors
• Weak employee performance culture
• Long structure
• Low focus on timely service
• Lack of innovative products
SWOT Analysis

Opportunity:
• Significant growth potential
• New technology
• Infrastructure to develop new products and services
• Large customer base
• Young personnel

Threat:
• Economical changes
• Stagnant consumer spending
• Low confidence level in the economy
• Stagnant savings
• High levels of indebtedness of customers
• Repayment difficulties
• Poor money laundering scrutiny
• Financial and non-financial loss in the banking system
• Increased competition from cross-selling by banks
• New technology increasing substitute product enter into market
## Marketing Strategies

### Ansoff’s Product/Market Matrix

<table>
<thead>
<tr>
<th>Markets</th>
<th>Products / Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing</strong></td>
<td>Regional Areas</td>
</tr>
<tr>
<td></td>
<td>Fund Areas</td>
</tr>
<tr>
<td></td>
<td>Unbanked Areas</td>
</tr>
<tr>
<td><strong>New</strong></td>
<td>Product Promotion</td>
</tr>
<tr>
<td></td>
<td>Service Promotion</td>
</tr>
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</tbody>
</table>
Marketing Strategy

• Focus on Market Penetration

• Focus on Product Development
Justification For Selected Strategies

• Suitability

• Acceptability

• Feasibility
Suitability

- Environment: Potential growth
  - Development of technology

- Capability: Brand image

- Expectation: Customer satisfaction
  - Better return
Acceptability and Feasibility

• Return : High return
• Stakeholders’ reactions : Positive
• Risk : Low risk
• Fund, manpower and competence : Availability
Marketing Mix for Banks

• **Product / Service:**
  - Credit card account
  - Fund transfer process
  - Guarantee of services
  - Corporate risk management services

• **Price / Cost:**
  - Preferential interest rates
  - Competitive deposit rate
Marketing Mix for Banks

• **Promotion:**
  • Above the line and below the line techniques
  • Travel magazines
  • Travel agent’s websites
  • Popular TV channels

• **Place:**
  • Wider coverage of branches
  • Rural bank office branches
  • ATM machines
  • Internet banking
Marketing Mix for Banks

- **People:**
  - Skilled staff of the bank
  - Training programmes

- **Process:**
  - Accounts can be opened through all the banking channels
  - Social responsible on the credit limit

- **Visibility:**
  - Visibility of the branches and the bank logo
  - Team of professional staff members
## Balanced Scorecard Method

### Financial Perspective - Measurements based on one of three stages

<table>
<thead>
<tr>
<th></th>
<th>Early Stage (High Growth)</th>
<th>Sustainable Stage (Modest Growth)</th>
<th>Mature Stage (Slow Growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Growth</td>
<td></td>
<td>Operating Income</td>
<td>Cash Flows</td>
</tr>
<tr>
<td>Positive Earnings</td>
<td></td>
<td>Return on Capital</td>
<td>Economic Value Addition</td>
</tr>
<tr>
<td>Deposit Growth Rate</td>
<td></td>
<td>Net Interest Margins</td>
<td>Cash Value Addition</td>
</tr>
<tr>
<td>____________________________</td>
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### Customer Perspective - Objectives based on values provided to customers

<table>
<thead>
<tr>
<th>Value Attributes</th>
<th>Image</th>
<th>Relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time</td>
<td></td>
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</tr>
<tr>
<td>Function</td>
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</tbody>
</table>
## Balanced Scorecard Method

### Internal Processes Perspective - Objectives from three categories

<table>
<thead>
<tr>
<th>Innovation Process</th>
<th>Operating Process</th>
<th>Sustainable Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>New products and services</td>
<td>Efficient service</td>
<td>Customer relationship</td>
</tr>
<tr>
<td>New features for existing products</td>
<td>Timely service</td>
<td>Resolve problems first time</td>
</tr>
<tr>
<td>Unique solutions</td>
<td>Quality service</td>
<td>Proactive &amp; timely follow up</td>
</tr>
<tr>
<td>Knowledgeable employees</td>
<td>Cost management</td>
<td>Flexibility / personal touch</td>
</tr>
<tr>
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</tbody>
</table>

### Learning & Growth Perspective - Objectives from three categories

<table>
<thead>
<tr>
<th>Employee Competencies</th>
<th>Skills &amp; Technology</th>
<th>Bank Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee satisfaction</td>
<td>Leverage technologies</td>
<td>Empower the workforce</td>
</tr>
<tr>
<td>Retain key personnel</td>
<td>Implement best practices</td>
<td>Set accountability standards</td>
</tr>
<tr>
<td>High employee productivity</td>
<td>Protect critical assets</td>
<td>Team employees to objectives</td>
</tr>
<tr>
<td>Continuous training</td>
<td>Access to information</td>
<td>High morale &amp; motivation</td>
</tr>
<tr>
<td>Leverage core competencies</td>
<td>__________________________</td>
<td>Cross functional teams</td>
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</tbody>
</table>
Value Chain Model

1. Identify the needs of customers
2. Identify markets and create test products/services
3. Launch final products/services to target markets
4. Marketing & Selling of products/services
5. Distribution of products and services to customers
6. Customer relationship management
7. Customer satisfaction