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MARKETING OF RETAIL BANKING SERVICES – CURRENT SCENARIO

Mr. M. Muthumani
Assistant Professor, Department of Business Administration, JP College of Arts and Science, Ayikudi, India.

Abstarct
In India, financial institutions are rolling out a broad array of initiatives that place bold bets on new digital technologies, which they expect will fundamentally change how they attract and retain customers. Most banks are investing heavily in apps for smart phones and digital tablets that make it easy for customers to conduct a wide range of banking activities while on the go. Some are developing interactive tools that help customers analyze their spending habits and strengthen their money management skills. Still others are mobilizing the power of social networks to draw "fans" to feature-rich Facebook pages that build their brands and entice consumers to share personal information. Technology by itself will not deliver a competitive advantage; what banks do with it to develop a unique, personalized customer experience will matter most of all. Success will take much more than a string of initiatives that tack high-tech gadgetry and cool apps onto a traditional banking infrastructure and mindset. Indeed, technology for its own sake is a costly distraction, which adds complexity, muddies decision making and impedes the organization's ability to adapt.

Introduction
Something big is stirring in retail banking. Across the world, financial institutions are rolling out a broad array of initiatives that place bold bets on new digital technologies, which they expect will fundamentally change how they attract and retain customers. Most banks are investing heavily in apps for smart phones and digital tablets that make it easy for customers to conduct a wide range of banking activities while on the go. Some are developing interactive tools that help customers analyze their spending habits and strengthen their money management skills. Still others are mobilizing the power of social networks to draw "fans" to feature-rich Facebook pages that build their brands and entice consumers to share personal information.

Each of these initiatives marks a major effort to harness fast-moving digital technologies, unrestricted mobile access and vibrant social media to banks' interactions with their customers. But to a large degree the digital pioneers—as well as banks that have yet to cross the digital Rubicon—are also in a battle for survival as they race to keep up with consumers' rapid embrace of wireless interconnectivity. The challenge is global and gaining momentum as banks try to come to terms with technologies that have transformed sector after sector. Venerable companies like Kodak, the photography pioneer, and Blockbuster, the once preeminent purveyor of video rentals, failed to step up to the digital challenge, spelling doom for their business models as they succumbed to nimble newcomers in faster, lower-cost digital imaging and online video streaming. Innovators like Amazon.com and Apple's iTunes applied new digital technologies to revolutionize the publishing and music industries, sweeping away long-entrenched incumbents. Closer to home, banks are feeling the hot breath of competition from PayPal, Google Wallet and others whose mobile payments technology threatens to displace banks in consumers' daily transactions. The stakes could hardly be higher (see below "Five common misconceptions"). The winners will be able to shrink their physical footprints, eliminating at least 30% of their branches and massively reducing costs at a time when margins continue to contract across the banking industry. Meanwhile, they will be able to expand product variety and customization, accelerate service delivery, tap new pools of revenue and deepen customer relationships that boost retention and profitability.

RETAIL BANKING OVERVIEW
This module covers an extensive overview of retail banking, from viewing banks as financial intermediaries to considering the roles that a retail bank serves in the real economy. We also consider the typical sources of funding (i.e., the liability side of the balance sheet) that include retail deposits and wholesale funding. Later, we consider the asset side of the balance sheet that includes products and the risks embedded in the banking book and trading book.

Next, we present an analysis of the income statement showing that net interest margin is the main source of income for a retail bank. We also show, as is typical for any people business, that staff costs dominate operating costs. Finally, the module concludes with the calculation of common retail banking metrics such as net interest margin (NIM), net interest spread (NIS), return on equity (ROE) and cost income ratio (CIR).

Products
This module considers the common attributes of services, and introduces three additional ones that are unique to financial services. The characteristic features of different categories of retail banking products from payment accounts to cash management products are discussed.

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Channels

This module begins with a historical account of the development of traditional retail banking channels leading to the emergence of alternative channels that closely follow the ongoing technological revolution. We then consider the important question of customer channel choice and its dependence on information ambiguity, a source of information risk. A discussion of recent findings in the retail banking literature on bank channels is provided.

Marketing

This module discusses a common marketing mix model and modifies it for relevance to services marketing and, specifically, for retail banking. Afterwards, it is shown how a retail bank seeks to connect with consumers and create a Unique Selling Proposition (USP). The module concludes with a detailed analysis of the marketing process with recommendations on how these concepts apply to marketing in retail banking.

Effective Sales Management

This module considers issues in relationship marketing, key factors for success in marketing and sales of financial services that include the role of sales people compensation, training and development, bank brand and pricing as well as discussion of the potential conflict between marketing and sales. It also emphasise that salespeople succeed when they meet customer needs while achieving the company’s financial goals that are set for their respective region or bank branch. The lesson for bank executives is this: Do not see operational excellence or the rationalisation of products or channels only in terms of efficiency. See them also in terms of effective sales management where they give salespeople an important competitive advantage to develop customer–bank relationships for long-term financial performance.

The book Sales Growth states that “we’ve found that CEOs who put sales management at the heart of their agenda have captured astonishing growth — outstripping their peers by 50 to 80 percentin terms of revenue and profitability.”

Customer Service Quality

This module begins with a brief historical account of customer service quality in retail industries such as hospitality, aviation and retail banking. We then consider the antecedents of customer service quality, such as core dimension (reliability) and four others – tangibles, assurance, empathy and responsiveness. We cite several academic and professional references that have supported the choice of these five drivers of customer service quality.It consider the important link between customer service quality and customer satisfaction. Finally, from the perspective of a successful cross-selling strategy, we consider the link between customer satisfaction and customer loyalty.

Operations I

In this module, It emphasise that a retail banking operation can be viewed as a set of processes that are enabled by an IT infrastructure and information databases to deliver financial services to the client. Each process originates with the customer and ends with the customer. In between, each process involves the front office, middle office and back office. Hence, the key to optimal banking operations is efficient processes. We introduce some concepts from queuing theory – Little’s Law, which is also known as the Law of Velocity, the basis for lean processing. This law helps the bank manager to understand that improved processing time may be accomplished by reducing the work in process (WIP). As a corollary, it shows that a dramatic rise in the arrival rate into the process increases WIP, and velocity is reduced. Finally, a higher WIP is typically accompanied by a non-linear increase in non-valued added work, a source of cost with no reward. We also introduced the Pareto Principle. This principle is also called the 80/20 rule where, in the case of banking processes, 20 percent of the desks (a figurative analogy for nodes in the process or chain) are responsible for 80 percent of the inefficiencies or delays.

Credit Loss Management

Distinguish between credit risk, market risk and operational risk and explain the dominant role of credit risk in retail banking. Describe the difference between risk and (Knightian) uncertainty, and analyse the implications for effective risk management. Evaluate the role of the law of large numbers in credit risk management. Analyse the usefulness and limitations of the default mode model and the mark-to-market model in managing credit risk. Apply the mark-to-market model to evaluate the main issues in credit loss management, including the net flow matrix of delinquent loans. Implement default risk dynamics and credit scores to predict credit risk. Compare the incurred loss model with the expected loss model of provisioning.

Relationship Management

This module integrates several issues raised in the previous nine modules of Retail Banking I. Relationship Management is based on the creation of an optimal long-term bank-customer relationship that serves the long-term needs of the customer and, as a result, the long-term profitability of the bank. The operational model presented in Chapter 2 shows that a strategy of

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customer intimacy creates trust that leads to commitment to a long-term relationship. This creates both episodic and relationship value for both the customer and the bank.

STEPS TO IMPROVE BANK CROSS-SELL PERFORMANCE

With banks and credit unions looking to increase revenues and decrease costs, building customer share of wallet is imperative. One of the easiest and most steady sources of new businesses and related revenue is to reach out to current customers for additional business.

With the cost of acquiring new retail, small business or commercial customers being five to ten times the cost of retaining an existing one, and with the average spend of a repeat customer being 50-100% more than a new one, bank marketers need to remember that the most efficient investment of marketing funds is to market to customers that already bank with you.

Ask questions

Consultative selling has been discussed the focus of the banking industry for decades. In a nutshell, the process begins by clearly analyzing a customer’s situation before presenting services or products. From the outset, a failure to cross-sell a brand new customer is a failure to develop a consultative relationship and a failure to ask the right questions.

Start with the lowest hanging fruit

The easiest sales that can be made to current customers are engagement services that help a customer use an account they already own. These ‘sticky services’ include a debit card, online banking, direct deposit, bill pay, automatic savings transfer, personal line of credit and security solutions such as privacy protection.These services help to ensure the customer will use the products they own more frequently, will significantly improve retention and will help to improve the overall customer experience.

Stay connected

I have opened a number of accounts over the past year (sometimes as a ‘secret shopper’) and am always very impressed with how much love the bank gives me when I opened my accounts. I am amazed, however, that I rarely heard from them again except to tell me about new fees or a regulatory change. This is despite the fact that each bank got my home address, my email address, my cell phone number and my home phone number. Nothing but crickets except for GoBank, that did a great job of informing me of next steps.While some banks have very successful on boarding programs to help stay connected with new customers, a surprising number of banks still rely on the customer to onboard themselves.

Continually evaluate upsell opportunities

Rather than using product-driven programs that are done seasonally, consider funding more customer-focused programs that evaluate each customer’s propensity to open one or more of the products and services you offer. With some of my clients, we evaluate each customer’s transactional, product ownership and even behavioral characteristics to determine what would be the most likely next purchase and whether the propensity to purchase is high enough to make an offer.

The goal is to offer the right product, at the right time, to the right customer through the right channel. This takes customer data analytics.

Personalize your communications

A recent report from Gallup revealed that 66 percent of the most engaged customers at banks believed the marketing communication they are receiving was ‘general in nature’ and not at all personalized. Worse yet, 53 percent of the households surveyed said that the offer received was for a product they already owned.With consumers becoming aware of the ability for all companies to micro target, they are expecting their financial institution to be one of the best due to the insight organizations have. Therefore, now more than ever, banks need to build segmentation programs that reflect customer needs as well as current product ownership and use this insight to drive communication.

Empower your customer contact teams

For most customer-facing employees of your bank, their primary responsibility revolves around efficient processing of transactions and/or customer service. To leverage the thousands of customer engagements these employees have each year, you need to provide easy ways for them to extend their conversations to include relationship expansion opportunities. Many banks provide prompts on their employee’s computer screen around recent sales communications received by the customer, most likely products that may interest the customer and even special offers that can be made as part of their transaction or service conversation.

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The best programs don't stop there, but include tools for the customer to take advantage of the offer. This may be an immediately generated custom printed sales document, a follow-up email or sales call or a referral form.

Ask for referrals

One of the easiest ways to generate new business and increase loyalty of current retail or business customers is to ask (and possibly incent) for referrals. If a customer is happy with the way they are treated at your organization, they usually want others to know.

At a time when new customer acquisition offers often exceed $100 and when the overall cost of acquisition is more than $250, offering a 'bounty' of $50 would be less expensive and would most likely generate a more loyal customer.

Leverage all channels

Never assume that customers understand all that your organization offers or absorb communication the same through all channels. Remind your customers continuously that you know who they are, understand their needs, are looking out for them and that you are willing to reward them for their loyalty.And use as many direct channels as possible to reach out to your current customer base, including email, direct mail, statement inserts, banner ads on your website, ATM messaging, outbound calling efforts, etc. Digital retargeting of customers who visit your website or are part of your direct mail or email programs also is a highly effective and very efficient way to cross-sell customers.

Finally, it is time to start building cross-selling messages within your online and mobile bank applications and to not assume customers will not want or read an SMS message if it is well targeted.

Measure and reward what you want done

By providing ongoing measurement of the cross-selling objectives you want to achieve and paying for the achievement of these objectives, you have a much better chance of reaching your goals. This continuous reinforcement of your cross-sell mission allows your team to be focused on what's important,remember that current customers like to be rewarded for their loyalty. One of the best ways to do this is to remember to include an offer with any cross-sell or upsell message. Without an offer, you may be perceived as simply 'pushing product' without leveraging the relationship value already in place. A strong offer will not only generate a better response to your communication, but also remind the customer of the value of doing business with your organization.

CONCLUSION

Technology by itself will not deliver a competitive advantage; what banks do with it to develop a unique, personalized customer experience will matter most of all. Success will take much more than a string of initiatives that tack high-tech gadgetry and cool apps onto a traditional banking infrastructure and mindset. Indeed, technology for its own sake is a costly distraction, which adds complexity, muddies decision making and impedes the organization's ability to adapt.

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