CHAPTER 2
CONCEPTUAL DISCUSSION

2.1 Marketing – Traditional Concept and Modern Concept
2.2 Services Marketing
2.3 Banking Services – Marketing of Banking Services
2.4 I.T. used for Marketing Banking Services
2.1 Marketing Traditional Concept and Modern Concept:

An Introduction:

The American Marketing Association Committee Definition of Marketing says that “Marketing is the performance of business activities that direct the flow of goods and services from producer to customer or user.” In this comments the Committee suggests a somewhat broader meaning than this and for the purpose of modern marketing, a broader definition is certainly needed. Marketing process begins long before the goods go into production. Marketing decisions must be made regarding the product and its market, its pricing and its promotion. Should the product even be made? How should it be designed, branded, packaged and labeled? What is the precise composition and size of its potential market? Will advertising or personal selling be the main promotional tool? What will be the initial price? Just as marketing does not begin at the end of production line, it does not end with the final sale. The customer must be satisfied if we expect his repeat business or we want him to speak well of our company. Thus a product guarantee and considerable servicing may be required after the sale is made.

The American Marketing Association’s (narrow) orientation and thinking which have permeated so much of American business products have been designed by engineers, manufactured by production men, priced by accountants and then given to sales managers to sell. This philosophy carries the theme that manufacturing sellers know what is good for the consumer.

According to Peter Drucker, “Marketing is the whole business seen from the point of view of its final result that is from customers’ point of view.”
**Broader concept:**
Possibly the most expressive, all encompassing, yet short statement of marketing was made some years ago by Paul Mazur. He said that “Marketing is the delivery of a standard of living to society.”

Prof. Malcolm Mc Nair of Harvard added an important concept when he amended Mazur’s fine definition to read that “Marketing is the creation and delivery of a standard of living to society.”

Thus just building a good product will not in itself result in a company’s success, nor will it have much bearing on consumer welfare. The product must be marketed to consumers before its full value can be realized. Aggressive marketing policies and practices have been largely responsible for the high material standard of living in America. Today through mass low-cost marketing we enjoy products which were once considered luxuries and which still so classified in many foreign countries.

Consequently the following definition is broadly accepted:
“Marketing is a total system of interacting business activities designed to plan, price, promote and distribute want - satisfying products and services to present and potential customers.”

**The Marketing traditional concept:**
As business administrators increasingly recognize that marketing is vitally important to success of a firm and as they realize that a business is a marketing organization, on entirely new way of business thinking and business life is evolving. It is called the marketing concept and it has developed as production and engineering-oriented firms have changed into market-oriented structures.
The traditional marketing concept is based on two fundamental beliefs: First, all company planning, policies and operations should be oriented toward the customer; second, profitable sales volume should be the goal of a firm. In its fullest sense, the traditional marketing concept is a philosophy of business which states that the customer’s want satisfaction is the economic and social justification of a company’s existence. Consequently, all company activities in production, engineering and finance as well as in marketing must be devoted to, first, determining what the customer wants and then, satisfying these wants while making a reasonable profit.

A marketing executive of General Electric company, one of the first companies formally to recognize and activate the marketing concept expressed the philosophy he said, “We feel that marketing is a fundamental business philosophy.” This definition recognizes marketing’s functions and methods of organizational structuring only the implementation of the philosophy. These things are not, in themselves, the philosophy.

Fundamental to this philosophy is the recognition and acceptance of customer-oriented way of doing business. Under marking the customer becomes the fulcrum, the pivot point about which the business moves in operating for the balanced best interests of all concerned.

The second fundamental on which the marketing philosophy rests is that it is rooted in the profit concept, not the volume concept.”

In another word, the marketing concept was defined as “a corporate state of mind that insists on integration and co-ordination of all the marketing functions which, in turn, are welded with all other corporate functions for the basic objective of producing
maximum long-range corporate profits”. It is also noted that the important ingredients in this traditional concept are

1) a proper state of mind
2) the actual co-ordination of a marketing function
3) the use of professional and executive skill of a high order

The common pitfalls in implementing the traditional concept are
1) inexperienced executive
2) unsound organizational structure
3) incomplete integration traceable to personally clashes, lack of executive teamwork or one man domination

Marketing:
The Modern Concept:

“Organizations have to be centralized and decentralized at the same time. They need to be both global and local. Differentiated and integrated. Tight and loose. They have to plan for the long-term yet stay flexible. Their workers should on the one hand be more autonomous, and on the other be more of a team. But the point is, we must not let people be confused by all that. We have got to find a way to live and work with these kinds of contradictions, to reconcile the opposites instead of trying to choose between them.”

Charles Handy, Rethinking the Future, 1977 we are in the midst of unparalleled change. New developments in science and technology have made many established theories out of date. New theories of the type put forward by great scientists like Newton and Galileo are reported more frequently. What is considered to be true and unalterable for centuries get changed several times in one’s own life time. The shifts are so rapid that Chan Heng Chee (1994) says
there is no ringing model today anywhere in the world that has worked completely well.

Factors that affected the Traditional to Modern concept of marketing:
- Paradigm Shift
- Changes in Political Ideologies
- National to Global Shift
- Changes in People
- Shift from low-technology to high-technology
- Changes in Business
- Control-Empowerment-Liberation
- Manager to Leader
- Concentration in core Competency Areas
- Computerization to Reengineering
- Reengineering v/s Reinventing Business
- Bench marking V/s Being Different
- Boundary less Organization
- Virtual Organization
- Ownership to Partnership

**New (Modern) Concept of Marketing:**

For a very long time, the theories and concepts development for traditional marketing of consumer products, such as 4 Ps and the STP (Segmenting, Targeting and Positioning) model dominated marketing literature in a big way. However, the development of the services sector as a whole and the consequent growth in services marketing literature started challenging the 4 Ps approach purported to be the remedy for all marketing problems. Simultaneously, the new approaches developed in the business-to-business marketing situation, such as the network paradigm also
made in-reads into consumer marketing literature. The advances in technology has also contributed to the confusion by making it the relationship models of the services marketing and the network models of the business-to-business marketing to consumer products marketing. Currently, the entire field of marketing is in a nebulous state with no single accepted framework, probably evolving into a totally new discipline.

The new developments in different disciplines such as quality management, services marketing, business-to-business marketing and strategic management have contributed a great deal to metamorphosis of marketing. Of course, technology has also played a key-role in transforming marketing from traditional to modern state.

While these new developments have enriched the field of marketing management, they have also lowered the status of marketing in many organizations. The basic reason is that, there is greater integration of business functions and unfortunately, the marketers are yet to understand the full impact of these developments. Promotion, advertising and image building inebriated marketers who were supposed to proactively anticipate consumer needs and provide customer satisfaction. In a way, they missed the substance and got entangled with the show and the cosmetic effects. This unfortunate development has eroded the traditional credibility of marketing in many organizations.

It was quality management which re-discovered marketing and added a new dimension to the same by taking it inside the organization as well. For example, a defect is defined in quality as anything that leads to dissatisfaction of the customer, either
internal or external. This has brought about the situation that everything is marketing in business.

This in a way has led to the loss of control does marketing. Marketing is also supposed to deliver value to customers better than the competitors. Unfortunately, it was strategic management that had to remind marketers of the need for to look at the total value chain in order to offer better value to customers. Once again marketers proved incapable of guiding an organization in a successful path.

Finally, the developments in technology have helped companies to move towards greater integration of functions. The efforts by marketing to safeguard its territory is not going to yield much fruit as we cannot, say for example, find the boundary lines any more. The customers and the M.R. reports are not the private property of marketing. Right from top management to R&D everyone can talk to customers and plan their strategies.

All these have raised the question; the glamour associated with marketing is gone. Top management expects greater accountability and they want result for the money spent by marketing. In order to survive, marketers will need to get out of their narrow confines and learn more about the other functions and understand the organizational capabilities. They must learn to work with others in providing customer satisfaction and thereby earn profits for their companies.

The established traditional framework viz., the four Ps (Product, Price, Place and Promotion) model is found inadequate to explain the complexities of the emerging modern scenario of marketing. What is emerging is a relationship paradigm, which stresses on the
relationship customization at the individual level. After taking several postures, such as mass marketing, segmented marketing and niche marketing it is moving towards one-to-one marketing. We are in a way going back to the primitive marketing system using the electronic barter system.

Also, people basically have the yearning to get back to the pre-industrial era. We even suggest that the industrial revolution could be an aberration in the evolution of mankind and we need to set right the same. After all, the knowledge and wisdom gained by our forefathers over several thousand of years cannot be dismissed that easily just because it did not fit in with the industrial society.

Now with the developments in IT, it is once again possible to enjoy the comforts of the pre-industrial society from a higher plane. That is how we have the old wisdom on medicine, house-building, astrology getting recycle today. Taking into account the developments in marketing and the trend towards creating a high-tech pre-industrial society, we have identified 36 major trends for the new millennium that are expected to change business and marketing towards modern one.

### 2.2 Services Marketing:

The field of services marketing developed into a new discipline in developed countries. Though the early researches tried to extend and modify the product marketing concepts to services marketing. Very soon the realization dawned on the researches that product marketing concepts were inadequate to meet the complex demand of the services sector. Several articles appeared highlighting the differences between products and services and the features –
intangibility, inseparability, heterogeneity and permissibility got established.

In a landmark article published in the Journal of Marketing in 1977, Lynn Shosrack made the following assertions:
“Services industries have been slow to integrate marketing into the mainstream of decision making and control because marketing offers no guidance, terminology or practical rules that clearly relevant to services.”

Subsequently, a number of articles got published in the area of services for marketing that established this as a separate field of study. Interest in service quality developed, parallel to the developments in the field of quality management and measurement of customer satisfaction.

**Services differ from tangible products:**
We often think of products as tangible things that we can touch, see smell or feel. Services on the other hand, have our unique elements in tangibility, inconsistency, inseparability and inventory. These four elements are referred to as four I’s of services. While the services are intangible, the major problem that intangibility creates is the difficulty of the customer has in judging the value of service before it is actually purchased. A major marketing need for services is to make them more perceptible by showing the benefits of using the service. Marketing the services is challenging because the quality of the service is often inconsistent. Since services depend on the people who provide it, their quality varies with each person’s capabilities and day to day job performance. Inconsistency is much more a problem in services than it is with tangible goods. However, inconsistency can be reduced through standardization and training.
Since services are produced and consumed simultaneously (i.e. production and consumption of services are inseparable), the customer actually becomes part of production process. For instance, while the car is driven, the services of transportation is being produced and consumed. The major problem created by inseparability is quality control. The producer can control the production of service but not the consumption.

When an organization provides a customer with a service, the customer cannot keep it. Rather it is experienced, used or consumed. In other words, services are characterized by perishibility, i.e. service capacity unused in one time cannot be stored for use in the future and this makes it harder to balance supply and demand. With services, inventory carrying costs are more subjective and are related to idle production capacity.

For instance, if only 30 passengers are traveling in a bus having a capacity of carrying 55 passengers, the extra seats cannot be stored for use in the next trip resulting into a high inventory carrying cost. Because services cannot be stored, any fluctuation in demand for services causes serious problems for marketing management.

Services are a very diverse group of products encompassing such industries as automobile rentals, repairs, health care, health clubs and gyms, domestic services, legal counsel, banking, insurance, traveling, business, consulting, education, dry-cleaning, accounting and auditing and so on. Just as the unique aspects of services necessitate changes in the customer’s purchase process, the marketing management process requires special adoption.
Service Sector: A device of Economic Development:
Service sector is experiencing a rapid growth on a world wide basis, geared to facilitating international business operations which are breaking long standing national boundaries.

The service industries provide the transportation, the communications, the financing, the insurance, the know-how and all the other support systems that are needed for world trade and commerce. As services have facilitated the emergence of international business, they have become international in character. Indeed, a sophisticated cadre of international services has developed to accommodate the needs of the international business community.

Service Quality:
A Service Marketing has to face competition from other firms rendering the same services. Hence it is only the quality of services which can influence the customer to have the service of a particular firm. It is only the customers who can evaluate the quality of the service. The service quality may be defined as the conformation of service to customer specifications and expectations. Services rendering firms must know what benefits customers expect to have and then accordingly develop service products to meet those expectations.

Service Innovations by banks take longer to capture a wide spread market than do innovations involving tangible products. Many banks have offered financial planning and counseling services to their customers but the adoption of the service innovation has been slow because the following reasons.
Financial planning cannot be sampled effectively, since a good financial plan requires planning total income and expenses over several years.

- It is difficult for banks to use the mass media to communicate effectively the benefits of financial planning.
- Financial planning using a person outside the home is inconsistent with traditional norms that consider financial matter “private” family matters.
- The attributes of financial planning are complex, involving such things as tax-differed savings, present value of money, portfolio management and liquidity. The application of these concepts will vary with each customer.

**Satisfying customers a need of the hour:**
Customer satisfaction largely depends on the extent to which their needs and expectations are being fulfilled. Customers have various expectations. For banks to consider some of the expectations relate to the quality of the bank personnel, some may relate to the place where the bank is rendering the services and some to the process i.e. the sequence and the flow of services involved in their rendering. The following suggestions can be given for bankers to meet the needs and expectations of the potential customers in different countries with appropriate adaptation.

- Bank personnel should be willing and ready to serve the customers.
- They should be quick and prompt in offering the services.
- Personnel should know their jobs and the ways to do it.
- Personnel should be knowledgeable and skillful the same should be reflected in their behaviour.
- Personnel should be polite, respectful, flexible, friendly and accommodating.
- Personnel should be trustworthy, honest and should have genuine interests.
- It is expected by the personnel to put forth sincere efforts to fulfill the needs of the customers.
- Personnel should show some extra consideration to regular clients.
- Banks should have convenient hours of operation.
- Banks should be conveniently located.
- Personnel should be properly equipped with communication facilities for easy access.
- Safety should be provided to customers by personnel.
- All dealings with customers must be kept confidential.
- Physical facilities should be attractive.
- Service should have consistent quality.
- All risks and side effects, if any, should be conveyed to customers.

**Relationship banking as a competitive strategy:**
The banks that do well in 1990’s and 2000 A.D. will be those which rediscover the customer through the cutting edge known as Relationship Banking. Bank marketing is concerned with the exchange relationship between the bank and its customers, where customer services and quality are the key-linkages of such relationship. The figure presented below shows the linkage between marketing, customer service and quality which needs to be exploited to achieve total customer satisfaction and long term relationship. These three areas have to be brought into closer alignment through what is known as Relationship Banking.
In 1950s bank marketing was primarily focused on retail banking. In 1960’s with the growing emphasis on industrialization, the focus shifted to industrial banking. In 1970s with changing national priorities; social banking assumed considerable importance. In 1980’s class banking has given place to mass banking with greater attention to the weaker sections and the down trodden. In the 1990’s the banking industry took a turn towards liberalization, privatization and globalization exposing them to unprecedented competition for which banks found a solution in the strategy of Relationship Banking.

The changing focus from transaction banking to Relationship banking resulted in a sea change in banking operations at national and international levels.

The new approach in bank marketing is based on the thesis that customers do not merely buy banking products or services. But buy solutions to their problems. More so, in the case of high value customers of critical importance, who are mostly, belong to the corporate sector. The key customers whose accounts for substantial part of the banks’ income; need the building up of totally new bond of relationship.

Thus, the Relationship Banking is the paradigm for survival and identifying, protecting and expanding customer relationship. The sooner the banks realize, the more effective will be their management in the fast changing global scenario.

Table: changing focus from transaction banking to relationship banking

49
Transactional Banking:
- Focus in customer creation
- Short time-scale
- Limited customer commitment
- Quality is primarily the concern of a few
- Product orientation
- Product orientation
- Little emphasis on customer Service
- Moderate customer contact

Relationship Banking:
- Focus on customer retention
- Long time scale
- High customer commitment
- Quality is concern of all
- Orientation of product benefit
- High customer service emphasis
- High customer contact

2.3 Banking Services:
A majority of those who have written on banking services in India are unanimous about much needed improvement in the services rendered by the banks, but in a fast changing economic scenario, there is a need to meet the changing customer faster. “Customers have changed, the needs of the customers have changed and their ideas of banking have changed. The old traditional ideas of security are not the main factor now. It is the service, the courtesy, the politeness and promptness with accuracy that counts much more in the banking industry.” In other words customers want personalized service and attention, irrespective of which bank it is or of what
size. “The banks are expected to give top-most priority in providing satisfactory and efficient service to their customers.”

C. Subramaniam, in his article points out that bank customer expect very simple services such as timely work, no queues, availability of someone at the counter and access to necessary information whenever required. He further points out that there is no clear definition of ‘best’ service. A ‘best’ service of one person may be a bad service of another. In this way, it is a relative term. He concludes that a best service is one which is extended appropriately by identifying and understanding the needs of the individual customers from time to time.

The study points out that there has been deterioration in banking services after the nationalization of the banks. Go-slow, strikes and other modes of indiscipline have become a matter of routine. To cite an example, more than six lakh bank employees and officers went on a day’s strike causing great inconvenience to the customers as bank business could not be conducted and cheque could not be cleared. The reasons for strike, “Closure of loss incurring branches, establishment of private banks, as well as granting additional licensing for opening of branches to foreign banks.”

On other occasions bank employees openly declare that they get paid for “attending” the offices and “overtime” for doing the work. “Such an attitude of callousness forwards the banking customers is most deplorable.”

It is therefore not surprising when “customer services rendered by banks leave much to be desired and in certain respects has indeed reached very levels, both absolutely and in comparison with the past.”
“The most important task before the existing bank is therefore to refocus on the customers as the central element in a banking business.”

Even though several measures have been taken in the past by the banks, their customer services are not up to the mark. The primacy of the customer has, therefore to be brought under sharper focus. The concern for the customers and their needs and realization that a bank exists only because of its customers has to permeate the entire bank industry.

In India, all the banks are operating in a similar atmosphere, offering similar price, having similar working hours. And yet the only way to know their difference in growth rate is to understand the individual bank’s efficiency in terms of customer service, their marketing management approach, public relations and image building. In other words, the growth of deposit in banks is entwined with the efficiency of customer service. Realizing the importance of customer service, various committees were appointed to make a study of it and to make their recommendations to improve the same. The two most important committees appointed are the Talwar Working Group and the more recent Goiporia Committee.

The Talwar Working Group appointed by the Government of India in 1977 examined the customer services rendered by the banks. According to the report submitted by the group “the service presently rendered by banks needs and is capable of vast improvement.” In its report it had recommended measures to improve customer services in banks. And if there is some improvement in the services today is because of the adoption of most of the important recommendations.
The All India Bank depositors’ Association, Bombay branch, had submitted a Memorandum to the Estimates committee of the 8th Lok Sabha with regard to customer service and security systems in Nationalized Banks. As per the study, the emphasis will be on customer service only. The All India Bank Depositors’ Association felt that the services rendered by the banks were inefficient and sloppy in manner. The common complaints found were: delays and discourtesy in counter service; passbook not updated regularly; inordinate delays in clearance of cheque, absence of decision making even in simple matters at branch level. Beside the complaints, the Association had found that there was no sense of either urgency business efficiency in transactions. Except acceptance of cheque for deposits, other counter transactions took a long time. Even when issuing cheque books, customers were told to come on the next day. The Association has also concluded the reason for the delays. In trying to convert class banking into mass banking the manual system had broken down. Appropriate modern technology was not introduced and there was no customer consciousness. The Association had asserted that the banks totally failed in the task of customer education and counselling. They were also not happy with the unilateral increase in the service charge. When ironically the then Finance Minister had declared the “Year of the Customer.” The Association felt that the reason “costs have gone up” was weak and not proper. As regards customers’ grievances, it was commonly found that branch managers did not take decisions at their level, particularly where staff behaviour or lapses were concerned.

The Goiporia Committee appointed by the Reserve Bank of India has recommended several measures for implementation by
commercial banks for improving the quality of customer service. Some of the recommendations are briefly summed up as under:

(a) Fixing of hours of staff 15 minutes before the start of business hours.
(b) Issuing of drafts / banker-cheque single window service.
(c) Reimbursement of interest to the collecting bank by the paying bank, when such delays in collection can be attributed to the paying bank.
(d) Answering of routine telephone inquiries by introducing a ‘pass book’.
(e) Extension of business hours up to an hour before the closing of working hours for non-cash transactions.

The above major recommendations of the committee will no doubt for far reaching impact on the functioning of the commercial banks. Some of the recommendations are in fact revolutionary in nature and if these measures are implemented, the work culture in the banks would definitely undergo a sea change.

R.K. Sapru in his research study concerning customer service rendered by commercial banks, has emphasized a systematic assessment of the quality of customer service “… otherwise there is a strong likelihood of stray incidents usually communicated by vociferous customers in the form of complaints making an emotional impact on the concerned ones.” This only leads to a lopsided understanding of the total situation. He however, points out that; there are ‘significant signals’ from various people that the banking services have been deteriorating.

In his study Sapru has taken a sample of 65 customers of the PGI branch of the State Bank of India. In terms of methods
applied for collecting information, the construction and administration of a questionnaire along with interviewing of the respondents had been considered. His findings only confirm what was popularly felt that the major problem in customer service is the cold indifferent attitude of bank employees in dealing with the customers. This attitude in turn creates a host of other visible problems.

Rajiv Upadhyaya in his study of public relations and customer service has ranked depositors, borrowers, others availing ancillary services, employees and managers according to their importance to the banking business. According to him, depositors and borrowers rank first and second respectively. “The depositors are the virtual creditors of the bank, but in actual practice they are the most neglected persons.” He further points out that the employee at the counter does not have the feel of a debtor every time a customer, the real creditor, comes to deposit. The bank employee’s behavioral pattern usually shows a complete reversal in the position.

In his study, he has taken into account all the commercial banks, but has not mentioned how many sample customers have been considered. The method he has applied, to collect information is by the construction and administration of the questionnaire. His findings in terms of customer services are as follows:

1. Delay in encashment of cheque at the counter.
2. Delay in clearance of cheque deposited.
3. Low rate of interest on deposits.
4. Lack of timely entries in passbook and safe custody of the same in the premises of the bank.
5. Delay in issuing cheque books.
Vasant Desai in his survey indicates a conflicting opinion between the customer and the banker. “Customers are almost unanimous in decrying banks customer service. However, when asked to rate the quality of customer service rendered by their banks, most bankers rated it as either very good or good.” From this, it is clear that bankers and clients have different views of the concept of customer service.

He concludes by suggesting that bankers should put themselves in customers’ shoes and see the difference.” Customer service covers all aspects of the banking interface from courtesy to efficiency and speed.”

S.C. Bandyopadhaya at the instance of Dr. M.K. Sinha, M.D. SBI has carried out a study on customer service rendered by the State Bank of India. According to the findings of the survey, the most important view of the respondents was regarding service delays. Bandyopadhyay reminisced that “over the years, banking system has been entangled in a bureaucratic process, where even a simple matter takes a long time. To break this web will not be very easy and will take time. Mechanisation of banking will go a long way in this direction.” But he realized that it was the attitude of human beings that has to be changed. Other findings of the survey are as under:

1. Customers’ awareness of schemes of other banks have recommended similar schemes for SBI
2. Poor publicity and lack of attention to educate their customers has resulted in lack of awareness of different schemes of SBI
(3) Customers and branch officials have felt that there should be simplification of various forms used and procedures for sanctioning.

(4) Besides modernization of the branches, provision of drinking water, toilet and sitting arrangements in certain branches were needed.

(5) As far as cleanliness is concerned, sufficient attention was not being paid in the upkeep of most of the branches.

(6) Probably one of the most important findings of the surveys has been the customers’ dissatisfaction with the behaviour of staff in the branch.

“There may be several reasons, like less number of staff for too much work or it could be indifferent attitude of the staff members. Whatever be the reasons, it is certain that behaviour of the staff with the customers needs improvement,” concludes Bandyopadhyay.

In the end it is important to add that there has been a development in the recent past regarding customer service in banks, where an institute of ‘ombudsman’ has been set up to look into and provide redressal to grievances of the customers. Known as the Banking Ombudsman Scheme, 1955, it has been advertised in magazines to let the public know how they can take advantage of the scheme. The advertised scheme is titled “Marketing the beginning of a new era – customer satisfaction”. It further says, ‘the scheme, notified by RBI, is designed to resolve customers’ grievances, in a quick and inexpensive manner. The ombudsman will attend to customers’ complaints related to certain key-areas which remain unsolved at the bank level.” The advertisement explicitly explains how a customer can go about for redressal by adhering to the given questions. They
are when can a complaint be lodged? What are the complaints that can be lodged? Where can a complaint be lodged? How can grievances be redressed? In the end, the advertisement has given the name of five ombudsmen appointed by the RBI with corresponding jurisdiction and contact address for lodging the complaint documents by the customers.

The last decade has witnessed the very significant changes in the banking system. What is more, the scale and scope of banking operation have undergone substantial changes that have been taken place in the social, political and economic environments. In the process of growth, the banking system, however, developed certain rigidities and deficiencies hampering operational efficiency.

**Marketing of Banking Service:**
Banking being personalized service oriented industry should provide services which satisfy the customer needs. The Bank Marketing is the design and delivery of customer needed banking and financial services worked out by keeping in view the corporate objectives of the bank and environment constraints. The application of marketing concept in banks involves anticipating identifying reciprocating (through designing and delivering customer oriented service) and satisfying the customer needs. Marketing to be effective and efficient, much be a well-organized process and should be customer-oriented.

Bank marketing process starts with the identification of customers’ needs and wants. It then tries to develop appropriate packages of bank services to meet customers financial and other related needs. Further, proper pricing, selection of suitable distribution channels and forecasting and researching further
needs become the essential aspects of this continuous process. Bank marketing is concerned with three aspects i.e. organization, customer satisfaction and profitability.

The application of the marketing concept in banks, while providing customer service, has remained an unexposed area. This has not drawn the specific attention of the researchers as yet.

In a service industry like banking, the range and quality of customer service is the most important factor which has to be taken care of in order to reverse the declining profitability trend. After nationalization of banks, according to report of various study groups, the customer of the counter has been the most neglected person. No service industry can take the risk of customer dissatisfaction at any point of time. For their very existence in the world of competition banks will not only have to market their services at competitive rates but will also have to improve the quality of service so provided.

Improvement in bank marketing does not necessarily mean the improvement in customer service. Bank marketing basically lays stress on the successful promotion of bank products, while customer service lays stress on the more important banker-customer relationship and the efforts to improve. It is noticed that in Europe and America, bank marketing management is fully developed. Customer service is the ‘in thing’ now and a lot of importance is given to it in these nations. However, it would be unfair not to mention the role of marketing management of customer service in banking industry. Marketing concept would imply that banking should focus its attention on customers and try to satisfy their needs. This will provide the banks a better
chance for customer service, cost efficiency, organizational effectiveness and meaningful management planning.

According to Thompson, Berry and Davidson successful and high performing banking in the future will be achieved by managing markets through the systematic utilization of planning procedures. They lay stress on the ‘market place’ where largely uncontrollable external changes occur that affect banking to varying degrees. This concept also tantamount to the reality that, “customer is the business”. They point out that the market approach to planning serves mainly as unifying element that channels decision making in a coordinated manner towards critical focal points. In this sense, planning becomes a systematic allocation of ‘human’ and ‘financial’ resources in a way that satisfies customer needs and wants at a profit.

Lal and Patnaik are of the view that in bank marketing, an approach should be made regard to market segmentation, in order to improve the marketing of banking services. They say that “Indian banks have followed the market segmentation approach to a limited extent. The massive field survey carried out by NIBM an Infotech company, at the instance of the IBM an Infotech company has found some market segments, such as illiterates and production workers, which are neglected by Indian banks. The survey emphasized the need for developing proper market strategies to exploit these potential market segments” Lal and Patnaik have given some suggestions for sound and successful marketing strategy for banks with regard to market segmentation.
2.4 I.T. Use for Marketing Banking Services:
The Government policy of globalization of economy and liberalization of financial sector has brought in an era of intense competition unfolding many challenges and opportunities. The hitherto insipid environment has been replaced by a vibrant environment characterized by new markets, new services, innovations and new approaches involving uncertainties and risks. Challenge thrown by this environment is sought to be met by several strategic responses such as restructuring of business processes and use of modern technology.

The business profile of a bank in India is undergoing a drastic change. It is no longer an all products bank providing routine services to all clients, who approach it. The advent of the forces of globalization, liberalization of more autonomy to banks, partial privatization of public sector banks and the resultant need to manage the business of banking in a more transparent and profitable manner are the hallmarks of the banking scenario today.

The future banks are not likely to be liveried in the same way as today. They will wear a totally different look. Some banks would be virtual banks, chasing customers, using latest technology; some of them would choose to be specialized banks, offering a new selected service. They could be swift banks, flat and lean, which would take decisions at blinding speed. While some banks would be investor friendly banks, dealing stock exchanges, the other would provide wide range of services using innovations.

The banks are now engaged in an in depth introspection for analyzing their strengths and weaknesses and identifying core competencies to set a mission in which they are likely to find
themselves as leaders. It could be observed that technology occupies a prime place in all strategies chosen by the banks, particularly private and foreign banks. Technology plays an increasingly critical role in improving operational efficiency and managerial effectiveness. Technology enables banks to keep the huge accounting engine going in full stream. It is an axis around which bank build new products and of the customers. Banks have thus role of technology as a key player in their strategies to meet the challenges posed by the environment.

Information Technology (IT) is one of the fastest growing industries in the world. The pace of development in IT has been tremendous. In the recent years, significant changes have taken place in computer hardware and software. Graphic User Interface(GUI), sophisticated RDBMs packages and software development tools, artificial intelligence, open integrated systems leading to co-operative processing, internet technology are some of the features of the current computer technology.

Along with the development in computer hardware and software, the communications technology has also made tremendous progress. The satellite communications networks have changed the way in which people and organizations interact with each other. The popularity and universality of the internet is a prominent example in this regard. The space and time barriers no longer exist and, as a result, speed, which was earlier a critical parameter will no longer, be so. It is therefore; natural that communications network has become a part of routine set up of any business organization. Effective communications network enabling speedy and uninterrupted dissemination of information and decisions will be the key to effective and satisfactory performance. Needless to stay that communication is
no longer an esoteric and glamorous device. It is now required to be an integral part of the business infrastructure. New products and services such as Electronic Funds Transfer (EFT), Anytime and Anywhere Banking are increasingly being designed around the communications network.

The liberalization policy of the government has encouraged international service providers who have in turn brought new technologies to the doorsteps of the bankers at competitive prices as under:

1. Very Small Aperture Terminal (VSAT)
2. Dedicated Telephone lines
3. Integrated Services Digital Network (ISDN)
4. Internet
5. Intranet
6. Enterprise-wide Networking
7. Automated Teller Machines (ATMs)
8. MICR Cheque Processing
9. Electronic Fund Transfer (EFT)
10. World Wide Web (WWW)
11. Electronic Data Interchange (EDI)
12. BANKNET
13. S.W.I.F.T.
14. Credit card and EFTPOS
15. Anywhere Branch Banking (ABB)

The above technologies softwares are already in active used in India. The future businesses will be functioning in communications and networked environment with shared information and information-based decision making with active use of Artificial Intelligence, Expert systems and Artificial Neural Networks. The banks are now required to plan their technology
and business strategies to harness these resources and derive competitive synergic advances.

**Computerization in Banks:**

Consequent upon the nationalization in 14 major commercial banks in July 1969, the banking industry underwent a phenomenal transformation. There had been tremendous growth in size of operations, number of branches, functional diversification, social perspective and deposits and advances. Considering the magnitude and complexity of its operation it was essential for the banking system to initiate steps towards mechanization/computerization of some of its operations in order to improve customer service, to improve housekeeping, to control branch operations and to generate decision support systems for the management.

Reserve Bank of India had, therefore, set up in 1983, a committee under the chairmanship of Dr. C. Rangarajan, Deputy Governor, to study the problems facing the banking industry and to make specific recommendations for mechanization/computerization at different levels in banks. The terms of reference of the Committee included interlaid

1. To identify the areas/functions where mechanization in banks will be essential, including extent of mechanization necessary of bank branches, Regional offices/Head Offices.
2. To suggest standardized procedures in various areas of work and examine the feasibility of having common processing arrangements for all banks at selected focal points.
3. To recommend appropriate types of equipment suitable for various types of processing
The implementation by banks of the recommendations of Rangrajan committee was closely reviewed and monitored by the RBI and the Ministry of Finance. After banks had gained experience in computerization of branch level and Regional/Zonal level operations, the Reserve Bank of India, constituted another committee in 1988 again under the chairmanship of Dr. Rangrajan, Deputy Governor, RBI to draw up a long term perspective plan for computerization for the period 1989-1994. The Committee reviewed the progress made by banks in the earlier period (1984-1989) and considered the problems faced by them in implementation of the plan and made recommendations for the further period of five years (1990-1994).

The major recommendations made by the committee were briefly as follows:

1. Branch computerization
2. Regional / Zonal/ Head Office Level computerization
3. Automated Teller Machines (ATMs)

The committee has reiterated that the objective of mechanization in India is not to replace man with machines. Rather, the objective is to make work-life meaningful. The programme of computerization envisaged will not result in any reduction of labor. Of course, there has to be reallocation of work, in fact, this will only reduce the drudgery involved in routine work. The rapid expansion that lies ahead of the banking industry, that computerization itself will help to user in, will provide increased employment opportunities. Banking is a service industry and improved efficiency will lead to a faster rate of growth in output and help to expand employment all round.
The decade of nineties was the most eventful one for banking industry in India. The process of financial sector reforms has changed the rules of games. Public sector banks are compelled to think in terms of technology up-gradation, risk management, organizational restructuring and new products development for augmenting fee based income and working for better customer convenience. There are more players, many more products but the prices are determined mostly by the market. The policies of the RBI induce more self regulation. It is therefore an open market situation, where survival of the fittest is the determining factor.