

Marketing of Bank Services: A Comparative Study on Some Selected Private Commercial Banks in Dhaka City¹

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Abstract: This paper focuses on the financial product marketing strategies adopted by different Private Commercial Banks in Dhaka city with a view to identify what they are now doing in this regard and what are the future prospects of marketing of financial products. The financial service sector in Bangladesh is now quite competitive to deal with changing environment. A number of external forces have exerted influences on the sector, including socio-economic, regulatory and technological factors. Changes to regulatory environment undoubtedly have had the greatest impact on this sector. Technology has also taken on increased importance for financial institutions especially for private commercial banks. There are now 30 private commercial banks are operating in Bangladesh & they are offering different products but there are a few basic differences among them in terms of structure and performance. Thus the competitions among them are increasing day by day and so marketing of financial products is now becoming an important concern. The present study is based on a survey on 8 randomly selected private commercial banks in Dhaka City to identify the marketing strategies they follow at present. The study finds that marketing strategies adopted by these banks to market their products are not well designed and incomplete to some extent. The study finds that there is a need to develop more effective marketing strategies suitable for long-term growth of these banks. The study also finds that they have very vague idea about Customer Relationship Management although they claim that they practice it.

1. Introduction

This comparative study focused on the various aspects of marketing, advertising, market positioning, promotioning etc. of some selected private commercial banks in Dhaka city. The private commercial banks, operating in Bangladesh, constantly focus on understanding and anticipating customer needs. They already made significant progress within a very short period of their existence. Many of the banks have been graded as top class banks in the country through internationally accepted CAMEL rating. They have already occupied an enviable position among their competitors after achieving success in

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all areas of business operation. Banking scenario undergoes changes time to time as this is very dynamic industry. Private Commercial Banks are offering different financial products with different features. They follow various strategies to market such products. This paper will mainly emphasize on how the Private Commercial Banks market their products.

2. Objective of the Study

The objective of the study is to identify the strategies Private Commercial Banks in Bangladesh use to market their products. At the same time the paper focuses to gain an understanding on issues that are important for developing marketing strategies for financial services. We have analyzed the relative position, pricing strategies, promotional activities etc. of the selected Private Commercial Banks operating in Dhaka city to identify their position in the market and the competitive situation as well.

3. Methodology and Data Source

3.1. Data Sources: Both primary and secondary data have been used to prepare this paper.

3.2. Data Collection Method

Primary Data regarding the banks' service marketing strategies have been collected through guided interviews of the respective banks' executives. In this regard a structured questionnaire with 21 questions has been used (see appendix for the questionnaire). Secondary Data have been collected from: Different text on Marketing, Financial Products Marketing as well as from the Brochures & reports of the selected banks for this paper.

3.3. Sample Plan & Size

Eight banks have been selected as sample on the basis of convenience for the questionnaire survey to find out the marketing strategies of the Private Commercial Banks (PCBs).

4. Literature Review

The financial service sector in Bangladesh is now quite competitive to deal with changing environment. There are now 30 private commercial banks operating in Bangladesh and they are offering different products and services but there are a few basic differences among them in terms of structure and performance. Thus the competitions among them

are increasing day by day and so marketing of financial products is now becoming an important concern. This paper focus on the strategies of financial product marketing, first of all it is important to know what a Marketing Strategy is and what are the financial products banks usually offer.

4.1. Marketing Strategy

A Marketing strategy can be defined as the outlines of broad marketing logic by which the business units hopes to achieve its marketing objectives and the specifics of target markets, positioning and marketing expenditure levels. It outlines specific strategies for each marketing mix element and explains how each responds to the threats, opportunities and critical issues spelled out in the marketing plan.

4.2. Understanding Financial Product Consumer

Understanding customers and customer's needs and requirements is the guiding philosophy of marketing. A marketing orientation requires the organization to view its business from the point of view of its customers. This demands an insight into the wider aspects of consumer psychology and behavior, including what motivates consumers, what their attitude and perceptions of the company and its products are, as well as an understanding of their decision processes.

4.3. Identifying & Targeting Financial Prospects

In addition to understanding the broader pattern of financial services consumer behavior, the development of an effective marketing strategy requires that financial institutions, especially commercial banks need to understand the differences among customers and their financial products requirements. This issue of customer differences can be identified through market segmentation. The benefits of market segmentation can be an aid in designing marketing strategy. The accuracy of a financial institution's identification of market segment contributes to its competitive advantage since it is one of the conditions of developing an effective marketing strategy. A number of conditions have been noted to affect the effectiveness of potential profitability of marketing strategy like measurability, substantiality, accessibility, action- ability and differentiability of the target. Again commercial banks can formulate the different segmentation on the basis of geographic and or demographic variables.

4.4. Development & Management of Financial Products

The product is usually the basis on which customer satisfaction is created. As such it is vital component of the marketing mix. The product provides the basis for competition, it

enables the organization to generate income and it can provide a tangible indication of the strategic direction of the organization. Thus the financial institutions specially banks have become increasingly concerned with a number of issues surrounding product strategy, including: the process and procedure involved in the development of new financial services and products; the factors which contribute towards the successful adoption of new product; how to manage the product over its life to protect it from competition; how to use branding to differentiate the product from similar alternatives; when to withdraw an unprofitable product from the range; and how to best implement the withdrawal process with minimal adverse effects for the banks as well as customers.

4.5. Channels of Distribution

Distribution involves a wide variety of activities culminating in the creation of three types of utility: time, place and possession. In terms of time, distribution allows the customer to gain access to financial service when it is convenient for them to buy. In terms of place, distribution makes products and services available to customers in locations which are accessible and convenient to them. With regard to possession distribution provides the customer with access to the product for consumption or future use. In addition to this, distribution function also provides a means of effectively communicating with the customers, and for customers to communicate with the banks.

4.6. Pricing for Financial Products

The price of a financial product can appear in many guises: some prices are obvious, some are not, some are based on monetary value, and others are not. For example, the price of a financial product may be the interest rate of a loan, the notice required to withdraw money from an account, a fee charged for advice given, commission paid to an intermediary such as a broker, the tax paid on a interest earned on saving etc.

4.7. Communication & Promotional Activities of Financial Products

Promotion performs a number of functions and roles, including informing, persuading and educating individual and groups, works harmony with the other elements of the marketing mix enabling the acquisition of new customers to take place, retention of existing customers, improvements of staff morale, and projections of a company image. There are several ways in which banks can communicate with its customers and prospects. The specific combination of promotional method is known as “Promotional Mix”. The mix includes advertising, sales promotion, personal selling, publicity and public relations, direct mail, direct response advertising.

4.8. Building & Managing Customer Relationship

Relationship marketing encompasses activities of attracting, maintaining, and enhancing customer relationships with the organization. Building relationships with customers is more than just a marketing function: it is an organizational philosophy that impacts on operations and processes, employees, customer service and quality.

5. Data Analysis and Findings

As the objective of the paper is to identify the strategies to financial product marketing in Private Commercial Banks in Bangladesh particularly in Dhaka city, we have selected eight local Private Commercial Banks (PCBs) as sample. A questionnaire was developed to identify the strategies regarding the financial product marketing. The questionnaire was administered by personal interviewing process with the relevant persons. The banks that we surveyed for the research are:

1. Arab Bangladesh Bank Ltd.
2. Bank Asia Ltd.
3. Dutch- Bangla Bank Ltd.
4. Eastern Bank Ltd.
5. EXIM Bank Ltd.
6. Prime Bank Ltd.
7. South-East Bank Ltd. and
8. One Bank Ltd.

5.1. Analytical Part of the Questionnaire

Marketing strategy is an integration of large number of factors; the questionnaire was designed in such a way that it could cover as much variables as possible. The analyses of data from the questionnaire are mostly descriptive. The analysis and findings are given below:

5.1.1. Segmentation: Bases for segmenting financial product customer

Understanding customer and their needs and requirements are important for developing marketing strategy. By analyses of questionnaire, it has been found that the factors affecting in segmentation of corporate banking and consumer / personal banking are different. The factors that banks emphasize to identify the needs and requirements are as follows:

For corporate customer:

- Financial Strength and credit worthiness
- Market Positioning
- Reputation & Integrity
- Industries
- Listed Companies

For personal banking:

- Occupation
- Income and Propensity to save
- Attitude towards banking
- Market demand
- Geographic concentration

5.1.2. Measuring the Customer Needs & Satisfaction

Out of the eight banks only one bank has said they measure the satisfaction through a written questionnaire and other two banks measure it by a simple verbal process. Others responded that they follow up the customer and through their post service behavior, they measure the customer satisfaction.

5.1.3. Product Differentiation Strategies

Innovation of new products is a rare case for the local PCBs in Bangladesh rather they modify their offerings from that of their competitors. They do this by analyzing the reports, brochure or with client interview, Central Bank's information & regulations, lending rate, deposit rate etc. The main criterion for differentiation is made by the pricing policy through lowering the lending rate from their competitors. Other criteria for differentiation are: maturity of products, market demand, and geographic concentration. Following table shows the major common criteria for differentiation of financial products in Private Commercial Banks:

Rank	Differentiation criteria
1.	Pricing policy/Interest Rate
2.	Maturity of products
3.	Market Demand/Trend
4.	Geographic concentration

5.1.4. Promotional Tools used for Marketing of Financial Products

From the survey it has been found that banks use advertising media in a greater extent, personal selling in a limited extent. Public relations for promotional purpose are used in medium extent. Analysis on promotional tools used by banks shows that advertising are widely used method of promotion than personal selling. The following table shows the ranking on three mediums of promotion:

Rank	Promotional Tools Used by Banks
1.	Advertising
2.	Personal selling
3.	Public relations

Advertising Media: All banks use newspapers as the promotional campaign and it is used to communicate about the new offer or any new news about the existing product and service of the banks. TV commercials are now widely used communicating vehicle by the banks as the survey showed. Out- door advertising media like bill-board, brochures etc are being used by the banks in medium extent.

Following table shows the rate of using three advertising media:

Percentage	Use of Advertising Media
100%	Newspapers
88%	Outdoor Advertising
50%	TV commercials

Personal Selling: Personal selling in the PCBs is not used in an extensive or structured form. The role of personal selling is taken by the relationship managers but mainly by the officers in branches. Only 25% of the banks use the personal selling strategy to market their products. Visiting corporate clients negotiating with them for the rate, presentation, attending client for both corporate and personal banking etc are some job done by personal selling.

Public Relation: The trend of using public relations in marketing is growing over time. 63 % of sampled banks use public relations activities to promote the bank's image as well as their products.

5.1.5. Branding Image and Symbol

Brand image and symbol are used in the form of a name or symbol or a combination of both to differentiate their offerings from those of their competitors. All banks try to use the brand image through an attractive slogan and by providing the quality service. Only one of the sample banks has Brand Manager. Priority Banking, Wealth Management Counseling, etc. are some slogans used by the banks to create a brand image.

5.1.6. Pricing Policy

From the analysis of surveyed data it can be said that 75% of the banks use competitive pricing strategy, 13% follow a mark-up pricing policy and 12% follow brand-pricing strategies which lead to higher prices (interest rates) compared to those of their competitors.

5.1.7. Spatial Convenience

Spatial convenience is provided by branch location and technology driven delivery services such as ATM. To create spatial convenience branches and ATM booths should be established near the target customers. But branches and ATM booths of local PCBs do not consider the customers' convenience, rather they emphasize on rent advantage. ATM is used to provide convenience by placing them in locations like shopping mall, in some central place of areas. Other banks are yet to take initiative to provide to provide service through ATMs. 63% PCBs use ATM booths only in Dhaka City.

5.1.8. Database Marketing

Private commercial banks recently have started customer database for marketing purpose. The research shows that all of the sample banks use database for marketing of their products.

5.1.9. Internet Banking

Almost all the private banks have their own website. Internet Banking has already been started. But the operation is not so much extended. Following are the common features of Internet Banking:

- View account balances and transaction history
- Verify deposits
- Check loan balances
- Check loan payment information

- View interest information
- Various information regarding their products

5.1.10. Customer Relationship Management

The survey shows that customer relationship management (CRM) is not being practiced by most of the private banks. They have vague idea about CRM. However, they try to follow these important aspects of CRM. These are as follows:

♦ Customer Retention:

100% of the surveyed banks give emphasize on retaining customers on the basis of existing customers base. Customer retention can also be made by effectively managing customers' complaints. The survey found that customers are retained through:

- Focus on existing customers
- Superior products & quality service
- Providing new facility
- Technological innovation
- Loyalty building & Satisfaction
- Quick response to customer needs and problems

♦ Managing Customer Complaints:

Customer complaints are identified by a number of ways: such as customer complaint box, written form, verbal form. The interviews show that the customer complaint boxes are generally not used by the customers. They usually make complaint about their problems telling the relevant person in the bank. Complaints are managed by taking quick actions.

♦ Relationship Managers (RMs)

The concept of Relationship Manager (RM) is being now used in the commercial banks but the job description of RMs is not well structured as they should. The job of RM is generally performed by the branch officers. The interviews revealed that the main job of Relationship Managers to reach out to the customers both corporate and personal, to make sure that the job is done in a systematic manner within the client's time frame. The relationship managers for corporate banking are very much important because during the relationship the bank attempts to solve the problems of client organization and satisfy its needs through a series of transactions.

5.1.11. Large Corporate Customers versus Small Business Customers:

The study reveals that banks understand the differences in needs between larger corporate customers and small business customers. Small business customers are more dependent on banks as a source of finance, compared to large corporations which usually have multiple banking relationships and can use the bargaining power to obtain better deals. As a result of this, small businesses tend to be more focused on price than larger corporations which favor quality of service and relationship development.

5.1.12. Societal Marketing: A Means of Publicity:

The survey shows that a good number of private commercial banks have already been engaged in societal marketing. They do this by engaging publicity through contribution to the charitable issues, creating public awareness on some important issues and sponsorship for many events, ideas and education, or charitable issues. Some of these activities are: donation to flood affected, anti dowry movement, stipends for students, rehabilitation for acid burned etc. Sport sponsorship is used by the banks in the live telecast of cricket and a few games and offers a large viewing figures and opportunity of targeting a wide audience. This broadcast sponsorship is intended to create popularity of the bank.

6. Summary of Findings

The analysis shows that financial product marketing in Private Commercial Banks (PCBs) in Bangladesh particularly in Dhaka city is not in a structured form. The presentation of data can be summarized as of the following findings:

- ◆ Developing an effective financial product marketing strategy is now being considered important by local PCBs
- ◆ 75% of the banks started the segmentation of target market on the basis of demography, geographic location, industry structure and type, size of the client-firm, repayment ability. Others are yet to adopt a clear strategy to segment their target market based on specific variables.
- ◆ Usually no pretest is used to market any financial product
- ◆ Innovation of new financial products is a rare case in PCBs rather they hardly upgrade their offerings on the basis on some changes in interest rate, maturity, market demand. They are able to upgrade their products which amount to 'congruent innovation' in the 'Innovation Adaptation Continuum (IAC)' process.
- ◆ Any new product and existing or modified offerings are communicated largely by newspapers, TV commercial is used in a limited form, and outdoor advertising through billboard are widely used.

- ◆ Internet banking has been used in a limited form. Balance of an account or loan or deposit can be checked and inquiries are possible through online. SMS banking through mobile phone is also a new e-product has been started recently.
- ◆ ATMs are used to provide a greater convenience to customers to withdraw money. Q-cash and debit cards issued by banks also give the spatial convenience to the customer by minimizing the distance of location. Besides this, Branches provide convenience to the customer paying utility bills and mobile bills. But the branches are located on the bases of bank's preference rather customers' convenience.
- ◆ Customer database are maintained by some of the banks. 100% of sample maintains the database and they use it for marketing and Customer Relationship Management (CRM).
- ◆ Most of the banks use a competitive pricing policy to attract and retain customers, some banks use mark-up pricing strategy and some use brand –based pricing policy.
- ◆ Branding is now getting a huge importance in order to get a unique identity of the bank and its products. Brand and brand mantra are being created by TV commercials, news paper advertising, bill-boards and attractive slogans are not sufficient enough to create brand.
- ◆ Relationship Manager is relatively a new concept for the local PCBs. 63% of the banks already have RMs. The rest are in a process of recruiting them. But the job description of RMs is not well structured as they should. The job of RM is generally performed by the branch officer.
- ◆ All the banks have their own websites which acts as an information center and promotional tool for the banks.
- ◆ Customer Relationship Management (CRM) is not being properly maintained by all the banks. Quick response to customer problems, quality and additional service, customer retention are the core point of CRM but these are not getting importance.
- ◆ It has been noticed that new banks are more aware in the aspects of customer relationship management (CRM), database management, electronic banking.
- ◆ The corporate customers' requirements are more complex than an individual customer. Banks should be more aware of it. But banks have somewhat lacking in this regard. They focus predominantly on what provide the business rather than what the customer actually want.
- ◆ Banks are now engaging in societal marketing for making public relations. Publicity for activity such as rehabilitation for acid-burned, anti dowry movement, prevention of environmental pollution, donation to flood affected etc are the part of societal

marketing. They do these to create a positive image on bank and its products towards peoples' mind.

7. Conclusion

This paper is focused on the marketing strategies of financial products in Private Commercial Banks (PCBs) in Dhaka city with a view to identify what they are now doing in this regard and what are the future prospects of marketing of financial products. Marketing is being practiced by the banks is not so much structured. The research shows that there is a great potential in marketing of financial products which will make the banking sector more effective. The PCBs are now feeling the greater importance of marketing because of increased competition, technological innovation and government regulations. They are trying to create a vision of marketing with a large number of promising issues like: Customer Relationship Management, Branding, Electronic Banking, Tele-banking, product differentiation attributes, etc. Thus the changing environment is creating a changing demand for marketing strategies and by developing an effective marketing strategy banks can retain market shares and profitability as well as competitive advantages. Finally, it can be concluded that although financial product marketing of PCBs in Bangladesh is in an early stage, it has a good potential for development, as banks are now aware of its importance.

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APPENDIX

Sample Questionnaire

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Bank Name:

1. Do you use market segmentation for the purpose of marketing of financial products? How?
2. Do you measure customer needs & motives for financial product marketing?
3. Do you use differentiation attribute to market a product? If yes, how?
4. What are the promotional tools you use to market the financial products?
5. What advertising media you use to promote your products?
6. How do you create and use brand image for marketing your product?
7. What is your pricing policy about the product relative to your competitors?
8. How do you add the spatial convenience (Distance) to your customer relative to your competitors?
9. Do you maintain customer database in marketing financial product?
10. Does your bank practice Customer Relationship Management?
11. If yes, how does your bank manage Customer Relationship? Explain various steps involved in this process.
12. How do you use Internet banking or Electronic Banking as a competitive advantage?
13. What factors do you consider important for developing & maintaining customer relationship?
14. What specific job do the relationship managers perform for marketing the financial products?
15. How do you manage customer complaints?
16. What are your strategies to retain customers?
17. How do you measure customer feedback about the product offered?
18. What are your strategies to market your products by personal selling?
19. Do you use direct marketing technique to promote your products? If yes, how?
20. Does your bank engage in societal marketing for the purpose of marketing?
21. What kind of societal marketing are you involved in?