AN ANALYSIS OF SERVICE SECTOR MARKETING MIX IN BANKING SECTOR

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INTRODUCTION

With the changing passage of time, the world has witnessed the tremendous change and growth in the service sector. The growth of the service industry can be mainly attributed to the change in life style, industrial economies, population, and technology. There is a drastic change in the industrial environment and inter-industry relationships because of two vital components viz Service and information technology. Services are contributing to the development of wide spectrum of business avenues and are offering broader employment opportunities and information technology has made the entire world boundary less.

In the present paper an attempt has been made to discuss the two aspects i.e. role of service sector and share of banking industry in service sector, and marketing mix used in banking sector.

SERVICE SECTOR- THE WORLD VIEW

Development of service industry has become an important indicator of maturity of an economy. More than 75% of the global economy is now accounted for by services (45% in developing economies). Services are the fastest growing sector in global trade. The share of developing countries in world service exports increased from 14% in 1990 to 21% in 2008. The average growth of service exports from poor countries has exceeded that of rich countries during the last two decades. The service exports are growing faster than goods exports. In brief the globalization of services has enabled developing countries to tap into services as a source of growth.

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It is not surprising that services are expanding rapidly in upper middle income developing countries. Their economies increasingly resemble those of rich countries where services have long dominated economic growth. This note, however, focuses on the contribution of services to poor countries, defined as the low income and lower middle income countries in the World Bank classification in 2009. Low income countries have a per capita income of US$995 or less and lower middle income countries have a per capita income in the range of $996-$3495 according to the World Bank.

In the previous decade, according to Bureau of economic analysis, US Commerce department, the services account for over $3.5 billion in output and contribution for 60% of US Gross Domestic Product. More than 75% of the private sector US workforce is employed in the service sector. In Canada, Britain, France, Italy, Japan and Germany at least 50% of work force is employed in service sector.

According to International Monetary Fund (IMF), April 2013 the service sector's contribution is 63.6% towards the GDP of world economy whereas the sectors of agriculture and industry contributed 5.9% and 30.5% respectively. Following figure 1.1 shows the nominal GDP sector composition towards the world economy in 2012.

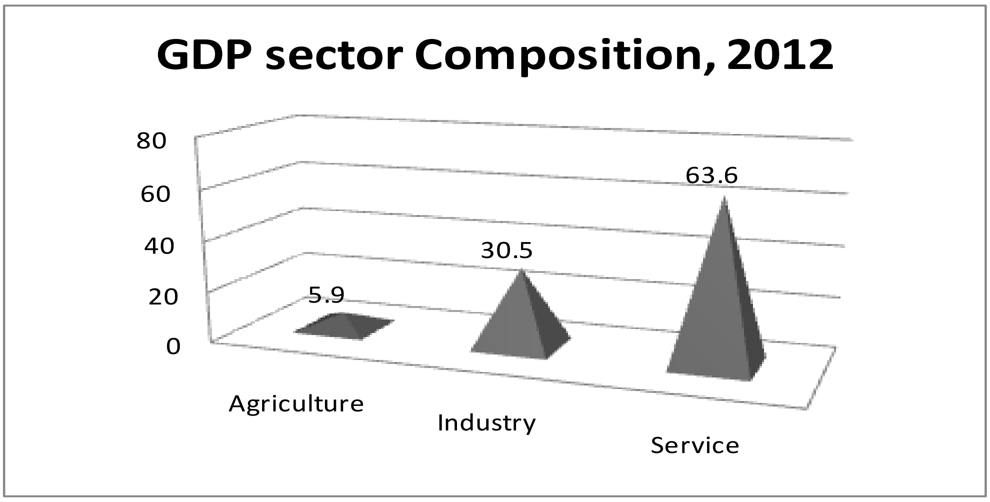

Fig.1.1: Nominal GDP sector Composition, 2012

Source: International Monetary Fund, World Economic Outlook Database, 2013.

The following table 1.1 shows the nominal GDP sector composition of countries towards the world economy for the year 2012.

Table 1.1: Nominal GDP Sector Composition of Countries (in % & in million dollars), 2012

Sr. no.	Country	Nominal GDP	Agriculture	Industry	Service
0	**World**	**71,277,366**	**5.9%**	**30.5%**	**63.6%**
1	United States	15,653,366	1.2%	19.1%	79.7%
2	China	8,250,241	10.1%	45.3%	44.6%
3	Japan	5,984,390	1.2%	27.5%	71.4%
4	Germany	3,366,651	0.8%	28.1%	71%
5	France	2,580,423	1.9%	18.3%	79.8%
6	United Kingdom	2,433,779	0.7%	21.1%	78.2%
7	Brazil	2,425,052	5.4%	27.4%	67.2%
8	Italy	1,980,448	2.0%	23.9%	74.1%
9	Russia	1,953,555	4.4%	37.6%	58.0%
10	India	1,946,765	17.0%	18.0%	55.0%
11	Canada	1,770,084	1.8%	28.6%	69.6%
12	Australia	1,542,055	4%	26.6%	69.4%
13	Spain	1,340,266	3.3%	24.2%	72.6%
14	Mexico	1,162,891	3.7%	34.2%	62.1%
15	South Korea	1,151,271	2.7%	39.8%	57.5%
16	Indonesia	894,854	14.3%	46.9%	38.8%
17	Turkey	783,064	8.9%	28.1%	63.0%
18	Netherlands	770,224	2.8%	24.1%	73.2%
19	Saudi Arabia	657,049	2.0%	66.9%	31.1%
20	Switzerland	622,855	1.3%	27.7%	71.0%
21	Sweden	538,237	1.8%	26.9%	71.3%
22	Poland	513,821	3.4%	33.6%	63%
23	Belgium	513,396	0.7%	21.6%	77.7%
24	Norway	483,650	2.7%	38.3%	59%
25	Iran	482,445	11.2%	40.6%	48.2%
26	Taiwan	466,832	1.3%	32%	66.9%
27	Argentina	447,644	10%	30.7%	59.2%
28	Austria	419,243	1.5%	29.5%	69%
29	South Africa	408,074	2.5%	31.6%	65.9%
30	United Arab Emirates	360,136	0.7%	59.4%	39.8%
31	Thailand	345,649	13.3%	34%	52.7%
32	Denmark	333,238	4.5%	19.1%	76.4%
33	Colombia	328,422	8.9%	38%	53.1%
34	Venezuela	315,841	4.7%	34.9%	60.4%
35	Greece	303,065	3.3%	17.9%	78.9%

Source: International Monetary Fund, World Economic Outlook Database, April 2012.

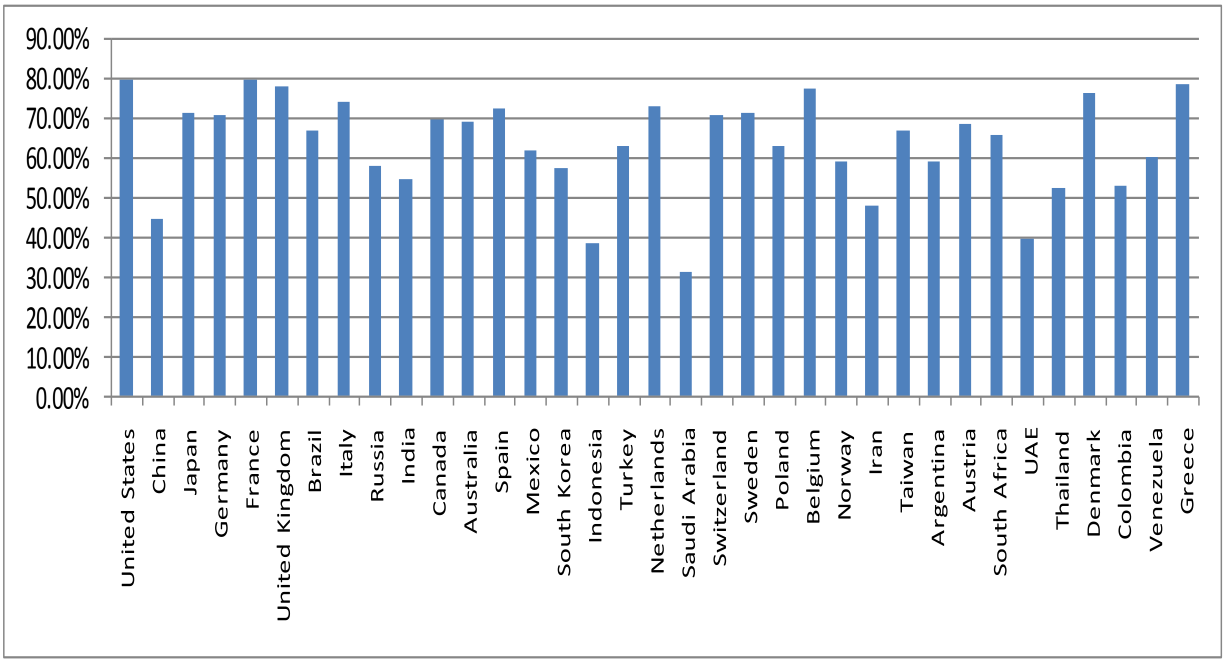

Fig.1.2: Service sector share of countries towards the world economy, 2012
Source: International Monetary Fund, World Economic Outlook Database, 2013.

PERFORMANCE OF SERVICES SECTOR IN INDIA

Service sector proves saviour of Indian economy during the global crisis as it grows by 9.4% despite slowing GDP growth. The global recession only partially succeeded in slowing the Indian economy thanks to the continual offsetting growth of service sector to nearly 10% in the year 2010-11. The Economic Survey 2011-12 pointed out that the Services Sector grew by 9.4% which was little higher than 9.3% in the previous year. The dampening effect of international investment into industry sector slowed the GDP growth rate to 6.9% unleashing a flurry of worries for the Government. The industry sector contributes nearly 26% to the GDP. However, maintaining the growth momentum the Service Sector recorded expected growth rate to bottom out the industrial slow down across the globe. The Sector along with the agricultural sector placed India in the top fastest growing economies of the world despite Euro zone crisis and North American economic instabilities.

The Indian economy has successfully navigated the turbulent years of the recent global economic crisis because of the vitality of this Sector in the domestic economy and its prominent role in India's external economic interactions. The share of services in India's GDP at factor cost (at current prices) increased from 33.5% in 1950-51 to 55.1% in 2010-11 and to 56.3% in 2011-12. If construction is also included, the Service Sector's share increased to 63.3% in 2010-11 and 64.4% in 2011-12. Table 1.2 shows the sectoral decomposition of GDP growth of Indian economy from 1999-2000 to 2011-12.

Table 1.2: Sectoral decomposition of GDP growth of Indian economy from 1999-2000 to 2011-12.

Year	GDP growth rates (Factor cost)	Agriculture growth (%)	Industry growth (%)	Service growth (%)
1999-2000	6.04	0.5	4.6	9.5
2000-01	4.35	-0.2	6.4	5.7
2001-02	5.81	6.3	2.7	7.2
2002-03	3.84	-7.2	7.1	7.5
2003-04	8.52	10.0	7.4	8.5
2004-05	7.60	1.6	9.4	9.4
2005-06	9.49	5.1	9.7	10.9
2006-07	9.60	4.2	12.2	10.1
2007-08	9.30	5.8	9.7	10.3
2008-09	6.70	0.1	4.4	10.0
2009-10	8.40	1.0	8.4	10.5
2010-11	8.39	7.0	7.2	9.3
2011-12	6.88	2.5	3.9	9.4

Source: Planning Commission, Government of India, 2013.

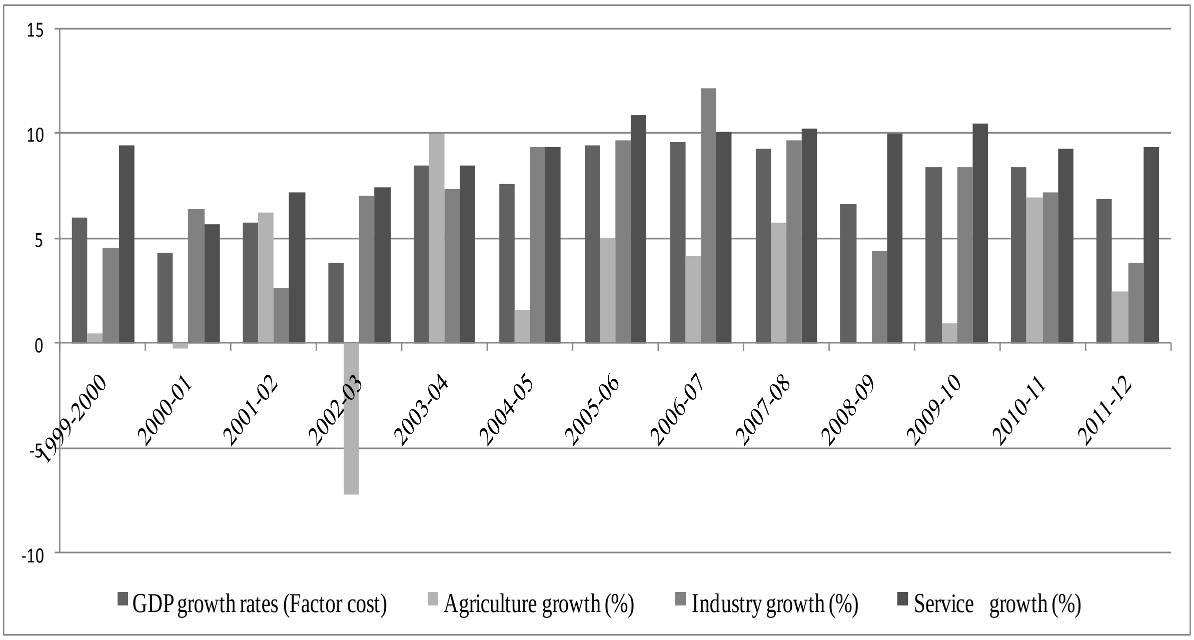

Fig.1.3: Sectoral decomposition of GDP growth of Indian economy from 1999-2000 to 2011-12.

Source: Planning Commission, Government of India, 2013.

The table 1.2 and figure 1.3 clearly show the increasing share of service sector in GDP. In the year 1999-2000 it was 9.5%. In 2001 and 2002 it was 7.2% and 7.5%. For the years 2005, 2006, 2007, 2008, 2009, and 2010 the share of service sector towards the GDP of Indian economy was 9.4%, 10.9%, 10.1%, 10.3%, 10.0%, and 10.5% respectively. For the years 2011 and 2012 it stood for 9.3% and 9.4%. It is evident from the table 1.2 that although the overall rate of GDP decreased in certain years but the share of service sector remained increasing.

CONTRIBUTION OF SUB-SECTORS OF SERVICE INDUSTRY

Different indicators like share in national and states' GDP, FDI, employment, and exports indicate the importance of the services sector for the Indian economy. The share of services in India's GDP at factor cost (at current prices) increased from 33.5% in 1950-51 to 55.1% in 2010-11 and to 56.3% in 2011-12. If construction is also included, the service sector's share increases to 63.3% in 2010-11 and 64.4% in 2011-12. With a 16.9% share, trade, hotels, and restaurants as a group is the largest contributor to GDP among the various services' sub-sectors, followed by financing, insurance, real estate, and business services with a 16.4% share. Community, social, and personal services with a share of 14.3% is in third place. Construction, a borderline service inclusion, is at fourth place with an 8.2% share. Table 1.3 shows in detail the share of different services categories in GDP at factor cost (current prices).

Table 1.3: Share (in %) of different Services Categories in GDP at factor cost (current prices) for the years 2004-05 to 2011-12

	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Trade, hotels, & restaurants	**16.1**	**16.7**	**17.1**	**17.1**	**16.9**	**16.5**	**17.2**	**18.0**
Trade	14.6	15.1	15.4	15.4	15.3	15.1	15.7	16.6
Hotels & restaurants	1.5	1.6	1.7	1.7	1.5	1.4	1.5	1.5
Transport, storage, & communication	**8.4**	**8.2**	**8.2**	**8.0**	**7.8**	**7.7**	**7.3**	**7.1**
Railways	1.0	0.9	0.9	1.0	0.9	0.9	0.8	0.7
Transport by other means	5.7	5.7	5.7	5.6	5.5	5.3	5.3	5.4
Storage	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Communication	1.7	1.6	1.5	1.4	1.4	1.4	1.1	0.9
Financing, insurance, real estate, &	**14.7**	**14.5**	**14.8**	**15.1**	**15.9**	**15.8**	**16.0**	**16.6**

business services								
Banking & insurance	5.8	5.4	5.5	5.5	5.6	5.4	5.6	5.7
Real estate, ownership of dwellings, & business services	9.0	9.1	9.3	9.6	10.3	10.4	10.4	10.8
Community, social, & personal services	**13.8**	**13.5**	**12.8**	**12.5**	**13.3**	**14.5**	**14.0**	**14.0**
Public administration & defence	5.9	5.6	5.2	5.1	5.8	6.6	6.1	6.1
Other services	8.0	7.9	7.6	7.4	7.5	7.8	7.9	7.9
Construction	**7.7**	**7.9**	**8.2**	**8.5**	**8.5**	**8.2**	**8.2**	**8.2**
Total services (excluding construction)	**53.0**	**52.9**	**52.9**	**52.7**	**53.9**	**54.5**	**54.4**	**55.7**
Total services (including construction)	**60.7**	**60.8**	**61.0**	**61.2**	**62.4**	**62.7**	**62**	**63.9**

Source: Central Statistical Office (CSO) data

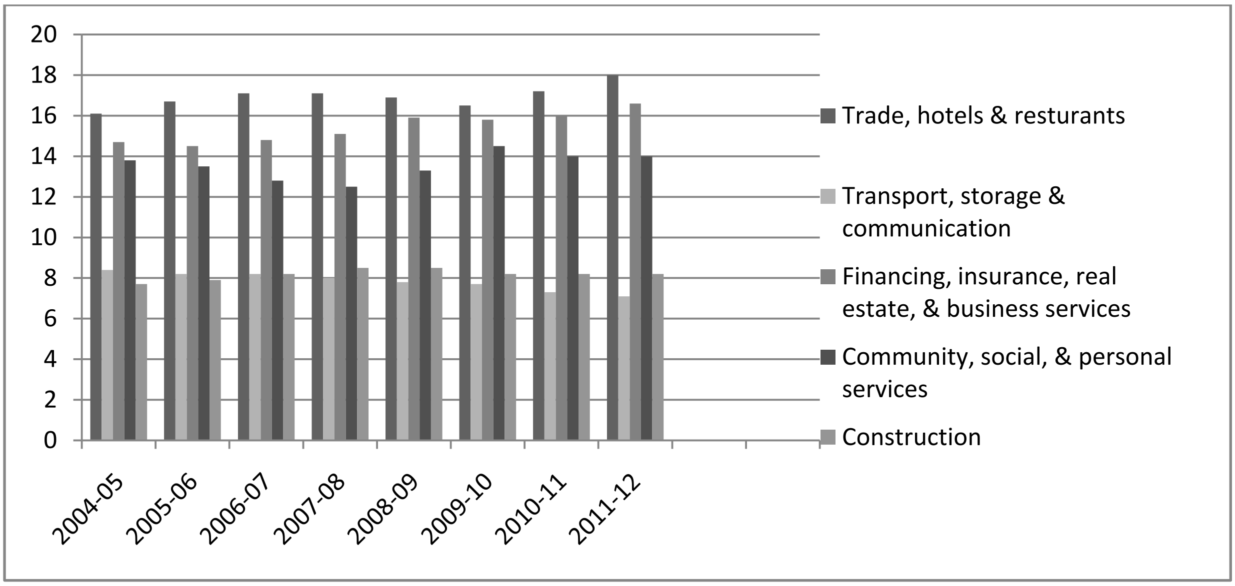

Fig.1.4: Share (in %) of different Services Categories in GDP at factor cost (current prices) for the years 2004-05 to 2011-12.

Figure 1.4 shows the overall share of different sub-sectors of service sector. It is clearly evident from the table 1.3 and figure 1.4 that the contribution of financial institutions (banking, insurance, real estate, & business services) is continuously increasing in service sector.

The entire discussion boils down the conclusion that service sector is indispensable for growth dynamics of every country in the world. India's place at the world scene alongwith that of China is quite optimistic from the point of view of growth. The contribution of service sector depends upon the marketing strategies being adopted by the IT giants or players. Whatever success has displayed by Indian economy in service sector activities is all because of outstanding and innovative marketing strategies adopted by Indian players. And the outstanding marketing strategies have been adopted by Indian service sector giants is simply because of the financial sufficiency on account of liberal banking grants, loans etc. The growth of banking sector has been consequential of the growth of IT sector companies and other companies. The growth of IT & financial sector is complementary to each other.

CONCEPT OF BANK MARKETING

Bank marketing has been generally viewed by various bank marketers as "that part of the management activity, which seeks to direct the flow of banking services profitably to selected customers". From a strategic managerial perspective "bank marketing is an integrated business activity directed at identifying, creating and servicing demand". Because marketing focuses on the customers, the success of the bank is depended on its capacity to satisfy consumer wants and needs.

According to **Deryk Weyner** bank marketing is "identifying the most profitable markets now and in the future, assessing the present and future needs of customers, setting the business developments goals and making plans to meet them and managing the various services and promoting them to achieve the plans- all in the context of a changing environment in the market". So the adoption of marketing concept by banks recognizes that customers' needs are changing and banks must satisfy them at a profit to the bank.

Bank marketing is the creation and delivery of financial services suitable to meet the customers' needs at a profit to the bank. Two important functions of bank marketing are:

(i) To attract and mobilize deposits, and

(ii) Attract borrowers and users of services.

Marketing scope in banking sector should be considered under the service marketing framework. But bank marketing does not only include service selling of the bank but also is the function which gets personality and image for the bank on its customers' mind. The reasons for marketing scope to have importance in banking and for banks to interest in marketing subject can be arranged as**:**

1. **Change in demographic structure:** Differentiation of population in the number and composition affect quality and attribute of customer whom benefits from banking services.
2. **Intense competition in financial service sector:** The competition became intense due to the growing international banking perceptiveness and recently being non limiting for new enterprises in the sector. Increase in liberalization of interest rates has intensified the competition.
3. **Bank's wish for increasing profit:** Banks have to increase their profits to create new markets, to protect and develop their market shares and to survive on the basis of intense competition and demographic chance levels.

MARKETING MIX IN BANKING SECTOR

A major task of marketing management is to blend together the 7Ps of the marketing mix in such a way that they fulfill the needs of selected target markets. In many senses, the marketing mix provides a bridge between marketing strategy and marketing tactics. The aim of *marketing strategy* is to establish a match between the banks skills and capabilities and the needs of the target market. *Marketing tactics* are more closely concerned with decisions about how to deliver the product or service offer, which reflects this matching process.

The marketing mix has both strategic and tactical dimensions. The strategic dimension is primarily concerned with decisions about the relative importance of mix elements for a particular product. While the tactical dimension works within the framework created by decisions regarding the balance of the mix and is primarily concerned with the specification of precise details of each element in the mix

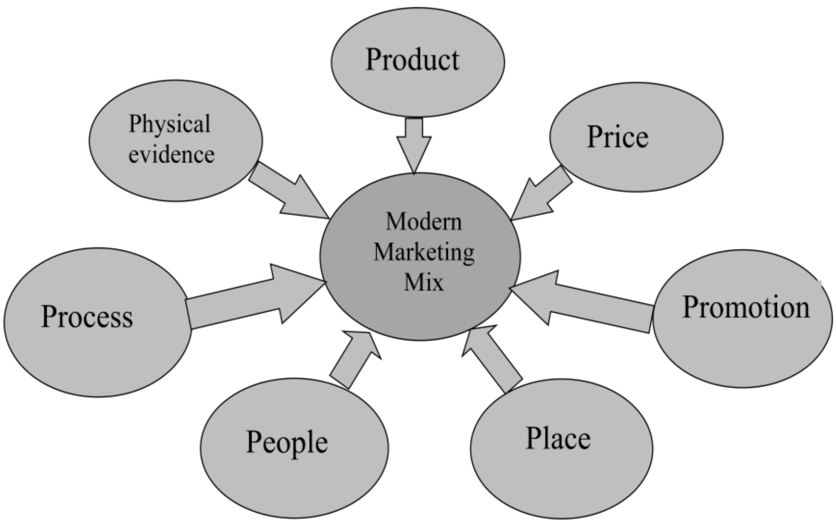

Fig.1.5: Marketing Mix in Banking Sector

1. PRODUCT MIX:

1. Deposits: Banking sector offers wide variety of Deposit Products to suit our requirements. These are Savings Account, Senior Citizen Services, Fixed Deposits, Recurring Deposits, Bank @ Campus, Bank Salary Account etc.

2. Investments: Along with Deposit products and Loan offerings, Banks provide various investment options such as Mutual Funds, Life insurance, Gold Bonds.

3. Anywhere Banking

4. Loan: It offers a wide range of loans like Home Loans, Personal Loans, Car Loans, Two Wheeler Loans, Commercial Vehicle Loans, Loans against Securities, Farm Equipment Loans, Construction Equipment Loans, Office Equipment Loans, Medical Equipment Loans etc.

5. Cards: Credit Card, Debit cum ATM Card, Travel Card

6. Demat Services

7. Mobile Banking

8. Online Money Transfer: The facility available to NRIs worldwide through the click of a button.

PRICING MIX

The pricing decisions or the decisions related to interest and fee or commission charged by banks are found instrumental in motivating or influencing the target market. The RBI and the IBA are concerned with regulations. The rate of interest is regulated by the RBI and other charges are controlled by IBA.

The pricing policy of a bank is considered important for raising the number of customers' vis-à-vis the accretion of deposits. Also the quality of service provided has direct relationship with the fees charged. Thus while deciding the price mix customer services rank the top position.

The banking organizations are required to frame two- fold strategies. First, the strategy is concerned with interest and fee charged and the second strategy is related to the interest paid. Since both the strategies throw a vice- versa impact, it is important that banks attempt to establish a correlation between two. It is essential that both the buyers as well as the sellers have feeling of winning.

Another element to consider in the pricing of earning assets is the risk of loss. Most notably, this is relevant in loan pricing. Many banks assign a risk weighting to individual loans over a certain size or based on loan type and assign a credit risk charge based on those ratings.

Customer relationships are difficult to assign a value to in the pricing process. Customers will generally press for some price concessions in consideration of other relationships they have with the bank.

Asset and liability mix also impacts pricing results. Generally speaking, banks operating with higher loan-to-asset ratios are able to afford to pay more for deposits. Likewise, banks can afford to be more competitive on certain deposit products if they have fewer maturities in a particular timeframe or less total outstanding balances in a product line.

PLACE

This component of marketing mix is related to the offering of services. The services are sold through the branches. The two important decision making areas are: making available the promised services to the ultimate users and selecting a suitable place for bank branches.

The Reasons for selecting specific place as branch

• The selection of a suitable place for the establishment of a branch is significant with the view point of making place accessible.

• The safety and security provisions

• Convenient to both the parties, such as the users and the bankers

• Infrastructure facility

• Near to station and located on s. v. road well crowded area.

• Market coverage

PROMOTION MIX

• Advertising: Television, radio, movies, theatres

• Print media: hoardings, newspaper, magazines

• Publicity: road shows, campus visits, sandwich man, Sponsorship

• Sales promotion: gifts, discount and commission, incentives, etc.

• Personal selling: Cross-sale (selling at competitors place),personalized service.

PEOPLE:

All people directly or indirectly involved in the consumption of banking services are an important part of the extended marketing mix. Knowledge Workers, Employees, Management and other Consumers often add significant value to the total product or service offering. It is the employees of a bank which represent the organization to its customers. In a bank organization, employees are essentially the contact personnel with customer. Therefore, an employee plays an important role in the marketing operations of a service organization.

To realize its potential in bank marketing, banking sector become conscious in its potential in internal marketing – the attraction, development, motivation and retention of qualified employee-customers through need meeting job-products. Internal marketing paves way for external marketing of services. In internal marketing a variety of activities are used internally in an active, marketing like manner and in a coordinated way. The starting point in internal marketing is that the employees are the first internal market for the organization. The basic objective of internal marketing is to develop motivated and customer conscious employees. A service company can be only as good as its people. A service is a performance and it is usually difficult to separate the performance from the people.

PROCESS

Flow of activities: All the major activities of banks follow RBI guidelines. There has to be adherence to certain rules and principles in the banking operations. The activities have been segregated into various departments accordingly.

Standardization: Bank have got standardized procedures got typical transactions. In fact not only all the branches of a single-bank, but all the banks have some standardization in them. This is because of the rules they are subject to. Besides this, each of the banks has its standard forms, documentations etc. Standardization saves a lot of time behind individual transaction.

Customization: There are specialty counters at each branch to deal with customers of a particular scheme. Besides this the customers can select their deposit period among the available alternatives.

Number of steps: Numbers of steps are usually specified and a specific pattern is followed to minimize time taken.

Simplicity: In banks various functions are segregated. Separate counters exist with clear indication. Thus a customer wanting to deposit money goes to ‘deposits’ counter and does not mingle elsewhere. This makes procedures not only simple but consume less time. Besides instruction boards in national boards in national and regional language help the customers further.

Customer involvement: ATM does not involve any bank employees. Besides, during usual bank transactions, there is definite customer involvement at some or the other place because of the money matters and signature requires.

PHYSICAL EVIDENCE

Physical evidence is the material part of a service. Strictly speaking there are no physical attributes to a service, so a consumer tends to rely on material cues. There are many examples of physical evidence, including Internet/web pages, Paperwork, Brochures, Furnishings, Business cards, The building itself. The physical evidences also include signage, reports, punch lines, other tangibles, employee's dress code etc.

Signage: Each and every bank has its logo by which a person can identify the company. Thus such signages are significant for creating visualization and corporate identity.

Financial reports: The Company's financial reports are issued to the customers to emphasis or credibility.

Tangibles: Bank gives pens, writing pads to the internal customers. Even the passbooks, chequebooks, etc reduce the inherent intangibility of services.

Punch lines: Punch lines or the corporate statement depict the philosophy and attitude of the bank. Banks have influential punch lines to attract the customers.

Employee's dress code: Many banks follow a dress code for their internal customers. This helps the customers to feel the ease and comfort.

MARKETING STRATEGIES USED BY BANKING SECTOR

Banking Sector has carried out various marketing initiatives to enhance its reach. They included

- Segregating and targeting existing high value customers,
- Cross sales of other products,
- Setting up call centers and outbound sales force to secure new customers.
- Plans are also made to utilize database marketing to pursue large and medium sized corporate, government and trade finance customers.
- Database marketing is expected to draw increased revenue from cross selling, lower costs and increased customer loyalty.
- Banks have also introduced various other ways of reaching out to customers like extension of hours of work(increased daily working hours by two hours and Sunday banking was introduced)
- Aggressive marketing through print and television media.
- It is the part of banking sector philosophy to open new branches .The sector is forging ahead with cutting edge technology and innovative new banking models, to expand its Rural Banking base, looking at the vast untapped potential in the hinterland.

- It is also focusing at the top end of the market, on whole sale banking capabilities to provide India's growing mid / large Corporate with a complete array of products and services.
- It is consolidating its global treasury operations and entering into structured products and derivative instruments.

CONCLUSION

It is widely recognized today that the success and vitality of the service sector are essential factors in measuring an economy's progress, its quality and future. The service sector not only improves competition in every national market, but also indicates growth at the global level. The service sector consolidates competitiveness in advanced economies and assures social welfare in less economically developed countries. The contribution of service sector depends upon the marketing strategies. And the outstanding marketing strategies have been adopted by Indian service sector giants is simply because of the financial sufficiency on account of liberal banking grants, loans etc. The growth of banking sector has been consequential of the growth of IT sector companies and other companies. But for its growth banking sector has to adopt new and innovative marketing strategies.

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