

Impact of select Nationalised Banks Marketing strategies – A Demographic Perspective

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Abstract

Understanding the needs, desires and problems of customers and redefining the business operations for satisfying customers' needs are the major challenges facing the banks. Marketing strategies has thus emerged as an important element in the activities of banks. Demography is the study of the vital and measurable statistics of a population. demographic variables include age, gender, marital status, family size, family life cycle, income, occupation, education, religion, race, generation, nationality, social class, etc., The study was a **Descriptive study** and conducted on basis of the marketing Strategy adopted by the select Nationalized Banks in India. The major findings of the study paved the way for the emergence of some useful suggestions to the marketing strategies of financial services in banking industry.

The customers are very enthusiastic in using more reliable and innovative banking services.

Key Words: Impact, Nationalised Banks, Marketing strategies, Demographic Perspective,

Introduction

Demography is the study of the vital and measurable statistics of a population (Schiffman and Kanuk, 2004, p.8). demographic variables include age, gender, marital status, family size, family life cycle, income, occupation, education, religion, race, generation, nationality, social class (Kotler, 2003, pp 183-203). Demography are used to describe a population in terms of its size, distribution and structure. Size stands for number of individuals in a population, while structure describes the population in terms of age, income, occupation, and education. Distribution of the population describes the location of individuals in terms of geographical region and rural, urban or sub urban locations. Each of these factors influences the behavior of the consumer and contributes to the overall demand for various products and services (Howkins et al., 1995, p.78). Hence, a study of demographic variables of consumers is absolutely essential for marketers to formulate suitable strategies for marketing their products and services in the market effectively.

Conceptual frame work

Demographic information identifies potential for sales and consumption of product, although it does not identify why or by whom a particular brand is used. This information is relatively accessible and cost-effective to gather. Further, demographic variables reveal trends relevant to marketers such as shifts in age and income distributions, etc. they can help establish consumer profiles that may present attractive market opportunities. Hence, marketers, in growing numbers, are using demographic information for developing marketing strategies and programs. (Schiffman and Kanuk 2004, pp 55-63).

On the other hand, demographic data do not consider the psychological or the social factor influencing consumers. They do not explain the decision process, which the consumers undergo while making a purchase. Most importantly, demographics do not delve into the reasons as to why consumers make a particular decision. Demographics are descriptive in nature. Even so, the importance and implication of demographic variables in marketing are obvious but here the researcher has taken both Demographic and psychological variables like Self-Concept, Decision Making and Personality level of the customers of Banks. **Koutouvalas and Siomkos (2006)**

Review of Literature

Alfred Chandler (1962) specified that strategy is the determination of the basic long-term goals and object of an enterprise and adoption of courses of action and the allocation of resources necessary for carrying out these goals.

Simon and Premier (1970) quoted that market strategy has two principal components:

1. Selection of a market target group toward whom the effort of the firm will be devoted and
2. Development of a marketing mix.

Jerome McCarthy (1975) suggested that the marketing strategy focus on some target customers with a view to developing a more satisfying and profitable marketing mix one that will give the firm differential advantage over its competitors.

Mintzberg (1976) Innovation is considered to be critical in the case of pharmaceutical industry. Through his studies quoted that truly outstanding managers are those who combine intuition and analysis. **Payne and Anderson (1977)** further stated that the issues involved strategic planning are innovation risk taking and proactively.

Donal Robin (1978) explained marketing strategy as the blending of the Marketing Mix to satisfy the needs of target buyer's best subject to the constraints of the marketing environment.

Hofer and Schendel (1978) proposed that the organization strategy is the fundamental pattern of pressure and planned resources deployments and environmental interactions that indicates how the organization will achieve its objectives.

Jeffery Bracker (1980) quoted that the business strategy has the following characteristics: an environment and situational analysis is used to determine a firm's posture in its field, and then the firm's resources are utilized in an appropriate manner to attain its major goals. Strategic management is the direct organizational application of the concepts of business strategy that has been developed in the academic realm that is strategic management entails the analysis of internal and external environments of a firm to maximize the utilization of resource in relation to objectives.

Noel Zabriskie and Hullemantel (1981) gave insights into the strategic plan to possess the market opportunities they are very important in a strategy marketing plan. Therefore strategic marketing has to be the lead function is strategic planning.

E. Ralph Biggadike (1981) cited that essentially, marketing fees strategy management as being market driver and provides aids for hypothesizing about

customer needs and competitive behaviour. The areas of importance for a state management professional is marketing are the basic concept market segmentation positioning and the marketing mix. He also mentioned that market segmentation and its counterpart, positioning must rank as marketing most important contribution to strategic management. Thus these two concepts deal directly with analyzing a firm's environment so as to make strategy decision about the extent of a firm's domain in that environment.

Voram Wind and Vijay Mahajan's research for the PIIMS project (1981) examines the correlations of profitability is the modern corporation, found business with large market shares to be more profitable than those with small shares are woo (1981) continued the research to find that the successful market leaders had lower degrees of sharing with other divisions while the less successful leaders had higher degrees of sharing.

Cook (1983) quoted further that marketing strategic decision requires judgment about the value of marketing expertise.

Peter Bennett (1983) contemplated that the competitive advantage exists when the match between the competence of a company and the factors for success within the industry permits the firm to outperform its competitors.

Michael McGinnis (1984) further stated that strategic success would increasingly depend on the ability to manage effectively the issues of intelligence firm balance, analysis, innovation, proactively and risk taking. Those forms that learn to manage their fundamental issues will probably enjoy more successes and suffer fewer disappointments than those that do not master the fundamentals.

Michael Porter (1985) asserted that there are two basic steps to attain the competitive advantage. First firms may pursue a strategy of low costs, which enables them to offer similar products at lower prices than those charged by the competitors. Second firms may pursue a strategy of differentiation that is one of trying to convince customers that their products have unique benefits that offset their premium prices. Both their strategies have the same effect they increase the perceived of the products.

Nandi G.N (1985) in his article titled "Bank Marketing"- the problems of distribution, focused on the different marketing techniques adopted by commercial banks for distribution of banking services. He observed that as days go by customer expectations are increasing, as a result, customer dissatisfaction increases to a great extent. He suggested that the banking should concentrate more on the existing marketing strategies, update it and make it more effective for serving the customer better.

Godse, V. T. (1986) in his article titled "**Planning for Banking -- The Indian Experience**". In July 1969, major commercial banks in India were nationalized, 80% of banking business of the country into the public sector and providing more banking facilities to the rural population. State Bank of India (SBI), the largest public-sector bank in India and Bank of Baroda (BOB), a major commercial bank, introduced long-range planning (LRP), performing a corporate position audit, and assessing the implications of the external environment and included: 1. identification of strengths and weaknesses, 2. identification of specific corporate objectives, 3. planning resource requirements, 4. establishing a management information system, and 5. monitoring and evaluating performance. Implementation was impeded by a

lack of adequate environmental data, lack of an appreciation of the purpose of internal appraisal, and an avoidance of sophisticated quantitative techniques **David Asker (1988)** conducted a study to say that as marketing information becomes more important for firm decisions the value of marketing expertise increases measuring the value market information also provides a measure of the value of marketing expertise.

Gary Hamel and C.K. Prahalad (1989) found those only few competitive advantages are long lasting. Keeping up with the existing advantages is not the same as building new advantages. The essence of strategy lies in creating tomorrow's competitive advantages faster than competitors minimize the ones you possess today. A company capacity to improve existing skill and learn new one's is the most defensible competitive advantage of all they quote the successful approaches adopted by Japanese firms to faster competitive innovation.

Michael Porter (1990) in his later research quoted that the competitive advantage is achieved through innovation. In its broadest sense this includes both new technologies and new processes. New bases for competing better means of competition new production process and new marketing approaches are all aspects of innovation. Encouraging firms to make major long run innovations is particularly critical. Michael Porter (1990) in another journal cited that company's developing strategies to achieve the competitive advantage would invaluablely establish a competitive edge for their country.

Bhattacharyya, Arunava, Lovell, C A K, Sahay, Pankaj. (1997) in their article titled "The **impact of liberalization on the productive efficiency of Indian commercial banks**" An examination is made of the productive efficiency of 70 Indian commercial banks during the early stages (1986-1991) of the ongoing period of liberalization. Publicly owned Indian banks are found to have been the most efficient, followed by foreign-owned banks and privately-owned Indian banks. In addition, there was a temporal improvement in the performance of foreign-owned banks, virtually no trend in the performance of privately-owned Indian banks, and a temporal decline in the performance of publicly-owned Indian banks. These patterns are explained in terms of the government's evolving regulatory policies.

Philip Kotler (1998) commented that strategy marketing process is defined as taking place within the content of strategic management process and as being concerned with the development of marketing position and programs at product and marketing levels.

E.W. Chirwa (2003) in his article, "Determinants of commercial banks profitability in Malawi: A co-integration Approach" investigated the relationship between market structure and profitability of commercial banks in Malawi using time series data between 1970 and 1994. He used time series technology of co-integration and error correction mechanism to test collusion hypothesis and determine whether a long-run relationship exists between profits of commercial banks and concentration in the banks India. He concluded by supporting the traditional collusion hypothesis of a long-run positive relationship between concentration and performance.

Methodology & Procedure:

The research study was set in Mysore and Mangalore. A sample of 480 was drawn from the customers of 5 Nationalised banks. The procedure adapted to obtain the

samples was Convenience Sampling. The researchers themselves prepared a questionnaire in consultation with the experts on Impact of various banking strategies. The questionnaire consisted of 90 questions based on 5point Likert scale. The respondent had to answer on a 5 point scale with the options-SA (Strongly agree), A (Agree), NAND (Neither agree nor disagree), D (Disagree), and SD (Strongly disagree). Once the data collection was over, the respondents were classified as low (<120), medium (121-240) and high levels (241 -360) of strategies on the basis of their scores obtained from the questionnaires.

Statistical Analysis

These levels of strategies were later associated with various demographic profiles of the sample using chi-square tests. Chi-Square Test was used to examine the association between the general profile of the respondents and customer's perception towards the marketing Strategies.

Result Analysis and Discussion

The hypotheses generated, for the purpose of the research study, have been discussed in the light of the latest research studies available.

1. Hypothesis: There exists an association between the Respondents Status in the Family and Bank Marketing Strategy.

A significant association was observed between respondent status and levels of banking strategies, where Chi-square value of 41.145 was found to be significant at .000 levels. From the table it is clear that wife and others had higher levels of strategies compared to children (Table 1).

It is found that the hypothesis is accepted and it is to conclude that the Respondents Status in the Family has the significant influence on the Marketing Strategy adopted by the Banks and the positive association exist between these two variables. Where the above statement seems to be true, when have an insight towards the following (Barry, 1986) claims that that group that has most significant influence on all over behavior including purchase behavior is our immediate family. Smith and Taylor 2002 note that there are often several individuals involved in anyone person's decision to purchase goods and services. Bradley 1985 states that husbands wives and children, all display varying degrees of influence in household purchases the family size also can yield different consumption pattern says that the children influence many buying decision in a family. Thus the family members has the direct relation with the marketing strategy adopted by banks and has an direct influence towards the selection of the Banks.

2. Hypothesis: There exists an association between the Gender and Bank Marketing Strategy.

Gender wise comparison revealed again a significant association with banking strategies ($X=7.023$; $2p=.03$), male respondents possessed higher banking strategies compared to female respondents.

The hypothesis is true as there is a significant association between the Gender of the respondent and Overall Marketing Strategies adopted by Banks. The gender differentiation has been applied not in purchase of product but also for the services to be obtained in the service sector. Product/Service consumption can be related to a person's gender also. A men and women buy different products and have different needs. They tend to have different attitudinal and behavioral orientations based

on partly on socialization practices. Gender differentiation has longer has long been applied in clothing, hair styling, cosmetics and magazine (kotler 2003 pp.287-291). Gender too has been a long established segmentationvariable. In marketing, there is an increasing amount of evidence to suggest that targetingneeds to be either male or female in tone, style, and wording and design (statt 1997 pp 113-128).

3. Hypothesis: There exists an association between the Age and Bank MarketingStrategy

(Table: 3 Chi-square Test Age and Bank Marketing Strategy of Banks)

Chi-square test revealed a significant association between age groups and banking strategy levels, where we find that chi-square value of 53.257 was found to be significant at .000 levels. It is clear that respondents in the younger age groups possessed higher levels of banking strategies.

From the above it is very clear that their exists a significant association between the Age ofthe respondent and Bank marketing Strategy. Hypothesis is accepted. Product needs andinterest often vary with consumer's age (schiffman and kanuk 2004 pp 55-63).age apexproduct consumption the age distribution of the consumer market is important in themarketing of some products. Soft drinks sales for instance, depend upon the youth market.An organization that markets its products to a specific age group must be alert to the changesin the group especially changes in size of the group, as this provides varied marketing opportunities. Statt 1997 notes that age is the most frequently used demographic variable inthe market segmentation. One reason for this is that the life cycle has been divided by the society into easily recognizable and mutually exclusives age groups-infants, children, teenagers, young adults, and so on. So, marketers need to be aware of how the population ischanging with respect to age.

4. Hypothesis: There exists an association between the Educational Level and BankMarketing Strategy

(Table: 4 Chi-square Test between Educational Level and Bank Marketing Strategy)

A significant association was observed between respondent s educational levels and levels of banking strategies, where Chi-square value of 26.005 was found to be significant at .000 levels.

It is clear respondents with higher educational qualifications possessed higher levels of banking strategies. Education has a powerful influence on consumer in response to the Marketing Strategyadopted by banks. There exists a significant association between the levels of literacy. Thelevel of literacy in specific areas and regions may provide marketers with opportunities to sell sophisticated products and services. Higher education gives entry to the professions socialaspiration and consumer levels are raised. As the population of society gets more educated itbecome more sophisticated for customer's behavior. Marketers must adjust to that increasing level of consumer sophistication with in an increasing number of people attaining higherlevels of education marketers can expect to see changes in product preference and buyer withhigher income and more discriminating tastes (Stanton et al., 1994 pp 129-136).

5. Hypothesis: There exists an association between the Occupation and Bank Marketing

Strategy

(Table: 5 Chi-Square Test between Occupation and Bank Marketing Strategy)

Demographic factors like Occupation have a bearing on the types of the product which individuals want where they shop and how they evaluate possible purchases (Lancaster and Massingham 1998 pp 51-66). From the above table it is observed that there exists a significant association between the Occupation and Bank Marketing Strategy. High level occupations that produce high income usually influenced by the marketing strategy adopted by Banks. Social class is a composite culture that influences the customers in their perception towards the strategies adopted (Lancaster and Massingham, 1998, pp. 51-66).

6. Hypothesis: There exists an association between the Monthly Income and Bank Marketing Strategy

(Table: 6 Chi-square Test Monthly Incomes and Bank Marketing Strategy)

When levels of monthly income were associated with banking level strategies, a significant association was observed with chi-square value of 31.728 with significance level of .000. From the table it is clear that those respondents with lower levels of income had used higher levels of banking strategies.

There exists a significant association between Monthly Income of the respondent and Bank marketing Strategy. Propensity to save or consume depend upon the disposable or discretionary Income in the hands of the customers. Marketers commonly segment market on the basis of income because they feel that it is a strong indicator of the ability to pay for a product or a specific model of the product. (Schiffmann and Kanuk 2004 pp 55-63)

Marketers commonly segment market on the basis of income because they feel that it is a strong indicator of the ability to pay for a product or a specific model of the product. Measurements of ability to buy and Save include disposable or discretionary income as a measure of the ability to spend. (Husted et al; 1989, pp 124-170) Each social class may represent a distinct target market for a concern (Evans and Berman, 1984, pp. 78-104) Demographic information identifies potential for sales and consumption of product, Hence, marketers, in growing numbers, are using demographic information like Income for developing marketing strategies and programs.

7. Hypothesis: There exists an association between the Marital Status and Bank Marketing Strategy

A significant association was observed between marital status and levels of banking strategies (Chi-square=22.92; p=.000), where we find that married respondents used higher levels of banking strategies compared to unmarried ones.

It is very clear that marital status of the respondent has the significant association with the Bank Marketing Strategy. Marketers are also interested in determining the demographic and media profiles of house hold decision makers to develop appropriate marketing strategies. Marketers have discovered the benefits of targeting specific marital status groupings such as singles, divorced individuals,

single parents and dual incomemarried couples, etc (schiffmann and kanuk 2004 pp 55-63).

8. Hypothesis: There exists an association between the Religion and Bank MarketingStrategy.

A non-significant association was observed between religion and levels of banking strategies, indicating a similarity in the response pattern of respondents from different religions and their levels of banking strategies.

There arises no significant association between the Religion and Bank Marketing strategy.This is proved when refer the study of Devlin and Gerrard (2005). They studied that the Indian financial market is very diverse and the preferences of services change acrossdemographic factors like education, age, sex, salary/earnings level, etc., relative importance ofvarious choice criteria for main and secondary banks. But religion has no such importancetowards the marketing Strategies adopted by banks in selecting it.

Conclusion

As we all know that Indian banks are becoming more and more innovative andgradually dominating the market. They are capturing market share from their counterpartof the foreign bank by offering services by an innovative way. Nationalized banks are leading in the market in the field of business; banks are achieving very high growth ratesas compare to other sectors because of their new creativity and innovations in marketingstrategies. All the strategies such as functional orientation strategy, customer relationshipstrategy, value added strategies, infrastructure strategy and promotional strategy influencethe customer perception towards the bank marketing strategies. Yet promotional strategy and infra structure strategy must be updated and new technology must be implementedthrough attractive modes in order to delight the customers. If they improve continuouslydefinitely they will compete well with foreign banks. Thus, a country's economical soundness will flourish when banking sector grows.

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