

## PROMOTIONAL STRATEGIES AND TECHNOLOGICAL INNOVATIONS IN BANKING INDUSTRY

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### **Introduction:**

The businesses today are trying to use more and more direct communication methods with customers. Internet and phone let businesses communicate with customers directly and answer their queries immediately. The business institutions are relying on direct marketing to influence the attitude and behaviour of the customers.

Direct Marketing has been the focus of business institutions recently. According to Philip Kotler, direct marketing is "*direct marketing channels is the use of direct connection with consumers to address their customers and deliver goods and services without using the mediator of marketing. These channels are: direct mail offer, selling on the catalogs, telemarketing, interactive television, computer sales presentations calling for public websites and mobile sites*".

Direct Marketing Association defines direct marketing as: "An interactive system which uses one or more advertising media to effect a measurable response and/or transaction at any location".

Banks maintain database of each customers and can modify their products to meet the specific requirements of each customer. Here, market research help banks to understand about the consumer needs, competitor offerings and distribution channels.

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Banks use direct marketing strategies as it is effective and direct method of communicating with customers. Along with this, it makes message more personalized and individualized. Technological advancements in telecommunications and information technology have enabled direct marketing to create a strong impact on communicating messages to customers. The emergence of Internet as a new distribution channel have created new opportunities for direct marketing.

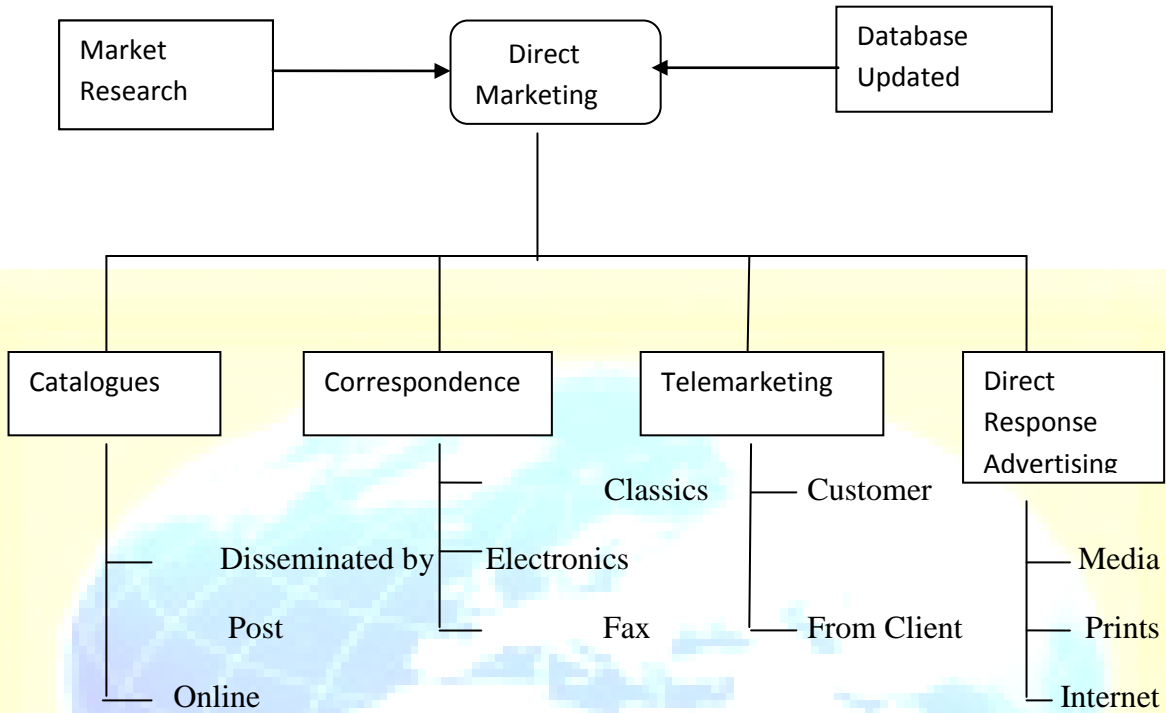
### **Emergence of Direct Marketing:**

There are several factors which led to the emergence of the direct marketing and communication systems:

- Decrease in traditional media advertising's effectiveness which has been caused by the changing TV habits of the audience and the increasing cost of advertising campaigns.
- Change in shopping behavior, as customers perceive shopping as cumbersome and time consuming.
- The technological development has also led to the emergence of the direct marketing. The development of low-cost customers has facilitated the use of the databases to keep track about the commercial contacts with the customers.
- Direct Marketing also offers a way to bypass intermediaries and establish direct contact with customers.

### **Direct Marketing Strategies**

The main advantage of direct marketing over traditional media is personalised messages. For this, marketing database helps a lot. Instead of using standardised advertising messages and a 'shotgun' approach, a marketing database makes possible a 'rifle' approach and, at the limit, a truly personalised message by including details relevant to the target customer and not to others.



Components of Direct Marketing (W. Wells, J. Burnett, S. Moriarty, 2003)

As evident from the figure, Databases are key to direct marketing. As with any interactive marketing system, computerised database is a mandate. According to Kotler, marketing database is

'... an organised collection of data about individual customers, prospects or suspects that is accessible and actionable for such marketing purposes as lead generation, lead qualification, sale of a product or of a service, or maintenance of customer relationships'.

In addition to the personal identification elements, the database must include information on patterns such as:

- Past purchase behaviours

- Preferred brands
- Size of orders.

According to Direct Marketing Association, database has four main objectives:

- Maintain existing and potential customers list
- to provide a means of providing storage and performance measurement;
- to provide a means of storing and measuring results with direct response advertising;
- provide a direct means of communication continues, by mail or telephone.

To obtain a positive behavioural response from the prospect, the message must include an offer or a proposition sufficiently attractive to induce prospects to respond. In the simplest case, it is an offer to purchase the product. It could also be:

- The opportunity to inspect the product
- A free sample or a free credit
- Participation in a contest or in a club.

The attractiveness of the offer is a key success factor.

Measuring Response: In an interactive marketing system, the key objective is to engage in a dialogue with individual customers, and it is therefore essential to obtain some kind of response.

The ideal response is placing an order, but other forms of response are sought, such as:

- Agreeing to a sales appointment

- Returning a reply coupon
- Confirming receipt of information
- Agreeing to attend an exhibition
- Providing more information about needs and wants.

In an interactive marketing system, potential customers are self-selected since only potentially interested customers will respond.

One of the greatest advantages of direct marketing is that responses to campaigns are measured, enabling marketing management to identify the effectiveness of different approaches.

### **Technological Innovations in Banking Industry**

The technological development in IT and telecommunication, changing consumer behavior and increased competition has led to the integration of modern technology with the traditional delivery channel in the banking industry. Innovation is the development of new solutions that meet market and customer requirements. This can be achieved through effective products and services or new ideas or technologies.

The emergence of internet as a new distribution channel for banks have brought a major change in the banking industry. There is no need to visit the branch to transfer the funds as that can be done over the internet. Internet has revolutionized the way banks operate. The main advantage has been the transfer of information quickly for individuals as well as companies. The entry of foreign and private banks have made electronic banking available along with the traditional banking system.

The electronic banking can be divided into two categories: Internet Banking and Mobile Banking. To access internet banking, customer needs to obtain login id and password from the banks. The emergence of Internet banking or home banking started in the early 1980s. In India, the entry of private banks and foreign banks have led to improvement in the customer services with electronic banking being at heart of this transition.

For the banks one of the most obvious advantages is that it has the lowest cost of any of the current delivery channels and it is cheaper than mailing information or providing phone services. Moreover, banks can have cost savings by sending e-statements instead of paper statements and accepting online bill payments.

<b>Banking Transaction Costs</b>	
<b>Channel</b>	<b>Average cost per transaction</b>
Full service branch	\$ 1.00
Mail	\$ 0.70
Telephone	\$ 0.55
ATM Full Service	\$ 0.28
PC Banking	\$ 0.015
Internet Banking	\$ 0.010
<b>Definition:</b> Direct cost of a non-cash payment transaction (excludes set-up, installation and capital expenditure cost)	

Banking Transaction Costs (Benton, 2002)

Thus, the introduction and use of new technologies and innovations is the strategic needs for any financial institution that targets both retail and corporate segment, which leads to an improvement in operational staff work, by targeting the growing activities of guidance, coordination and counseling clients.

### **Conclusions:**

The marketing strategy, for a product developed and based on information and communication technologies, should focus on customer and his needs. The marketing strategies adopted by banks should include, customer financial literacy, the bank's financial possibilities, customer's financial possibilities and benefits that can be attributed to particular distribution channel.

For an effective direct marketing campaign, mail, telemarketing and other direct-response

media should be carefully chosen. But regardless of the means chosen, managing customer information is imperative for banks. The banking operations should become more intelligent as there is significant change in the technology and customer shopping behavior.

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