Creativity And Innovation In Marketing Strategies Of Banks

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INTRODUCTION

Creativity and innovation is often the key to the success of a business. Creative thinking and innovation are particularly useful during Strategic Planning (when strategizing) and in Product and Service Management (when designing new products and services.)

Strategic Innovation is the creation of growth strategies, new product categories, services or business models that change the market and generate significant new value for consumers, customers and the organisation. The innovation process challenges an organisation to look beyond its established business boundaries and mental models and to participate in an open minded, creative exploration of the realm of possibilities. Strategic Innovation can be said to walk on a stair of innovation levels that leads to the profitability of any organization. The aim of this paper is to show how creativity and innovations in marketing strategies play a vital role in banks.

CREATIVITY

Creativity is defined as the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining. Creativity is a core competency for leaders and managers and is one of the best ways to set one company apart from the others.

Corporate Creativity is characterized by the ability to perceive the world in new ways, to find hidden patterns, to make connections between seemingly unrelated phenomena, and to generate solutions. Generating fresh solutions to problems, and the ability to create new products, processes or services for a changing market are part of the intellectual capital that give a company its competitive edge. Creativity is a crucial part of the innovation equation.

In the creative process, there are always two different (but interrelated) dimensions or levels of dynamics with which one can create:

- **Divergent thinking** is the intellectual ability to think of many original, diverse, and elaborate ideas.
- **Convergent thinking** is the intellectual ability to logically evaluate, critique and choose the best idea from a selection of ideas.

Creativity requires whole-brain thinking; right-brain imagination, artistry and intuition, plus left-brain logic and planning.

INNOVATION

The National Innovation Initiative ™ (NII) defines innovation as "The intersection of invention and insight, leading to the creation of social and economic value."

Innovation is defined as using new ideas or applying current thinking in fundamentally different ways that results in significant change.

There are three types of innovation that contribute to wealth creation in organizations:

1. **Business Model Innovation:** Significantly changing the structure and / or financial model of the business.
2. **Operations Innovation:** Improving the effectiveness and efficiency of core business processes and functions.
3. **Product/Services/Markets Innovation:** Creating new or significantly differentiated products, services or go-to-market activities.

IBM GLOBAL INNOVATION STUDY 2006

Innovation is defined as using new ideas or applying current thinking in fundamentally different ways that result in a significant change. The nature of innovation-the inherent definition of innovation-has changed today from what it was in the past. It's no longer individuals toiling in a laboratory, coming up with some great invention. It's not an individual. It's individuals. It's multidisciplinary. It's global. It's collaborative. (Sam Palmisano, Chairman, President and CEO, IBM.)

Marketing Strategy

A **Marketing Strategy** is a process that can allow an organization to concentrate its limited resources on the

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greatest opportunities to increase sales and achieve a sustainable competitive advantage.Nowdays; Banks are utilizing their resources in an efficient way to gain a high market share. A strategy consists of a well thought out series of tactics to make a marketing plan more effective. Marketing strategies serve as the fundamental underpinning of marketing plans designed to fill market needs and reach marketing objectives. Plans and objectives are generally tested for measurable results.

As the customer constitutes the source of a company's revenue, marketing strategy is closely linked with sales. A sale is the pinnacle activity involved in selling products or services in return for money or other compensation. It is an act of completion of a commercial activity. The "deal is closed" means the customer has consented to the proposed product or service by making full or partial payment (as in case of installments) to the seller.

MARKETING STRATEGIES OF BANKS IN INDIA

A "commercial bank" is what is commonly referred to as simply a "bank". The term "commercial" is used to distinguish it from an "investment bank", a type of financial services entity which, instead of lending money directly to a business, helps businesses to raise money from other firms in the form of bonds (debt) or stock (equity).

Marketing strategies are dynamic and interactive. They are partially planned and partially unplanned. A key component of a bank's marketing strategy is to often keep marketing in line with a Bank's overarching mission statement.

Basic theory: 1. Target Audience 2. Proposition/Key Element 3. Call to Action.

From the time of nationalization of the 14 major scheduled commercial banks in 1969 till the early 1990s, the main trust of banks was on social banking. The greatest asset of any consumer finance business is its base of customers. In today's competitive market, acquisition of profitable customers is tricky and tough. Nurturing the relationship to acquire long-term profitable assets require lots of perseverance, innovation and research. All customers are different, and to acquire their value, they need to be treated differently.

OBJECTIVES

1. To examine the marketing strategies of financial services in the Banking Industry.
2. To identify the factors that influence the financial services rendered by banks.

METHODOLOGY

The study required both primary and secondary data. The primary data was collected with the help of a personal interview conducted with the bank employees. The secondary data was collected from websites, journals & bank magazines.

BANKING SERVICES

The primary operations of banks include:

- Keeping money safe while also allowing withdrawals when needed.
- Issuance of checkbooks so that bills can be paid and other kinds of payments can be delivered by post.
- Provide personal loans, commercial loans, and mortgage loans (typically loans to purchase a home, property or business).
- Issuance of credit cards and processing of credit card transactions and billing.
- Issuance of debit cards for use as a substitute for checks.
- Allow financial transactions at branches or by using Automatic Teller Machines (ATMs).
- Provide wire transfers of funds and electronic fund transfers between banks.
- Facilitation of standing orders and direct debits, so payments for bills can be made automatically.
- Provide overdraft agreements for the temporary advancement of the bank's own money to meet monthly spending commitments of a customer in their current account.
- Provide charge card advances of the Bank's own money for customers wishing to settle credit advances monthly.
- Provide a cheque guaranteed by the Bank itself and prepaid by the customer, such as a cashier's check or certified check.
- Notary service for financial and other documents.

FACTORS THAT INFLUENCE THE BANKING INDUSTRY

Businesses, for-profit and non-profit, are facing change like never before. Numerous driving forces to this change include a rapidly expanding marketplace (globalization), and increasing competition, diversity among consumers, and availability of new forms of technology.

RECENT INNOVATIONS AND STRATEGIES THAT LEADS TO HIGH GROWTH

- A publishing strategy can serve as the foundation of a marketing plan. A marketing plan contains a set of specific actions required to successfully implement a marketing strategy.
- As part of wealth management, ABN Amro even offers advice about art as an investment, says Sutapa Banerjee, Senior Vice-President, Head-Private Banking.
- As B. Madhivanan, Joint General Manager, ICICI Bank, says, "It is the age of commoditized business. Give the consumer a product and a reason to use it."

A marketing strategy often integrates an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. Similarly, the various strands of the strategy , which might include advertising, channel marketing, internet marketing, promotion and public relations can be orchestrated.

BANKING ON TECHNOLOGY

Having woken up to the fact that offering various services tailored to meet customers' specific needs can actually bring in more business, banks today sell financial products. Some of the areas where the public sector banks face certain challenges and hence, need to work further to achieve the desired results, particularly with regard to fully leverage the available technology for rendering better banking services to the public at large. There were a lot of technology changes going in the industry, which plays an important role in providing services. So, there is a need of lot of development in this sector to attract the customer and expanding the market.

Technological developments like mergers, universal banking, e-banking and internet technology - these developments are really affecting the pace of business of banking especially, the Internet technology. So the banking system has only one option and that is to keep pace with the technological developments and upgrade themselves accordingly.

AWARENESS OF ELECTRONIC PAYMENT PRODUCTS

As is well known, the financial sector has witnessed a quantum jump in the availability of technological solutions for delivery of financial services, and the RBI too has launched several payment system products for improving the efficiency of the payment system.

CAPITAL MARKET BANKS

Capital market banks underwrite debt and equity, assist company deals advisory services, underwriting and advisory fees, and restructure debt into structured finance products.

NATIONAL ELECTRONIC FUND TRANSFER

- The RBI launched the NEFT in November 2005 as a more secure, nation-wide retail electronic payment system to facilitate funds transfer by the bank customers, between the networked bank branches in the country. It has, however, been observed that the public sector banks are not the most active users of this product and the majority of NEFT outward transactions were originated by a few new-generation private sector banks and foreign banks.

  For instance, in June 2008, while these banks as a segment accounted for a little over 43 per cent each of the aggregate volume of outward and inward NEFT transactions, the share of public sector banks in total outward NEFT transactions was over 12 per cent, of which, half the volume was the contribution of the State Bank of India.
- **Credit card machine services and networks:**

  Companies which provide credit card machine and payment networks call themselves "merchant card providers".
- **Bank cards:**

  Bank cards include both credit cards and debit cards.
  e.g MasterCard, VISA Card
- **Credit cards:**

HSBC and Trent Limited, a Tata Group company, have launched Star India Bazaar credit card, India's first private label credit card. Holders of these cards will be eligible for exclusive Star India Bazaar discount programmes.

Puneet Chaddha, Senior Vice-President and Head, Cards and Retail Assets, HSBC Bank, says, "Consumers prefer credit cards based on the category in which they spend more. So frequent fliers prefer cards that give them benefits on air travel, car owners prefer credit cards with benefit of fuel purchase, women prefer credit cards offering benefits on supermarket purchases, and so on. Consumers have started holding different cards offering different benefits, so card preferences are changing as per the benefits offered by a specific category."

The concept of such niche or co-branded cards is expected to grow, says Murali M. Natrajan, Head-Consumer Banking, Standard Chartered Bank, India and Nepal. "No two customers are alike and each needs to be treated differently, in a customized manner. The credit card is the first step in the bank's efforts towards customization."

Most credit cards also offer health and life insurance cover. Many banks have now waived the annual fee on credit cards. While their competitors may dismiss this as a marketing ploy and say it is one way to cover other hidden costs, customers do not stand to lose.

Credit cards can also be used to contribute money to a worthy cause. For this, one needs a card that has a tie-up with a non-profit making non-governmental organisation.

NGOs

State Bank of India has tied up with four such NGOs, the Cancer Patients Aid Association, the National Association for the Blind, SOS Children's Villages of India and the World-Wide Fund for Nature (WWF), India. The SBI Social Card allows cardholders to donate to such NGOs every time they use it. Similarly, Citibank has a tie-up with CRY and WWF.

ATM NETWORKS

The National Financial Switch (NFS) network started its operations on August 27, 2004 and is owned and operated by the Institute for Development and Research in Banking Technology (IDRBT), Hyderabad. NFS is one of the several shared ATM networks which interconnect the banks' ATM switches together and thus, enable inter-operability of the ATM cards issued by any bank across the entire network.

While there are a few other ATM networks also functioning in the country, the NFS has emerged to be the largest one, with a network of 28,773 ATMs. ATM deployment can become more economical and viable for banks by pooling their respective ATM resources. The main advantage of an ATM network is that it obviates the need for having bank-specific multiple ATM installations in the same geographical area, thereby reducing the entailed costs for the banks but without compromising on the reach of the banks to their customers.

A PUBLIC SECTOR BANK'S MOBILE ATM

From the customers' perspective, the ATM card of any bank can be used in any ATM which enables more convenient and wider ATM access for the bank customers of varied banks in different geographical areas.

The new-age private sector banks can be said to be the forerunners in offering such customer-oriented service. Concepts such as anywhere banking, 12-hour banking and transactions through ATMs (automatic teller machines), which were introduced by them, have revolutionized the banking practices in India. Today, many of the routine banking operations, such as cash transactions and checking the statement of account can be done through ATMs. Telephone or Internet banking is also slowly catching on.

Although late to wake up to customer-centric operations, public sector banks are catching up with their private sector counterparts. Today, State Bank of India and its seven associates in various States have 5,000-odd ATMs, constituting the largest cash-spewing network in the country. ICICI Bank has 4,530 ATMs, HDFC Bank 1,054 and UTI Bank 1,737.

QUASI BANKS

The ATMs are themselves turning into quasi banks, as they offer value-added services in addition to plain vanilla cash withdrawal and deposit. Services such as mobile recharge facility, utility bill payments, insurance premium payments and payment of donations to temples are growing. Banking holidays are, therefore, no longer to be feared. The convenience of seven-days-a-week, 24-hours-a-day banking has attracted consumers, says Aspy Engineer, Vice-President, Retail Banking, UTI Bank.

A study by the National Council of Applied Economic Research for Visa International Asia Pacific released earlier this year says that the number of ATMs in the country has grown from 1,100 in 2000 to 14,000 in 2004. Industry experts estimate that there would be an additional 5,000-6,000 ATMs by the end of the year.

In fact, banks are taking transactions to the doorstep of the customers with mobile ATMs. During the monsoon havoc in Mumbai, ICICI Bank provided a mobile ATM van in suburban Kalyan.

EDUCATION LOANS

Banks are even taking loans to the customers. Recently, Dena Bank adopted a novel way to canvass for its education loans called Dena Vidya Laxmi. A specially designed light commercial vehicle equipped with helpdesks and counselors visited several colleges. Specialized counters were set up in colleges to enable students to avail themselves of loans.

INSURANCE

Financial services have an important role to play in the economy of a nation. The growth of the insurance industry, a part of financial service has led to the emergence of a new distribution channel, Bancassurance. Collaboration of the banks and the insurance industry is sure to provide customer delight.

Cross-selling also helps banks to personalize products for their customers. For instance, banks give loans against insurance, or link deposit schemes to insurance, depending on customer needs, says Paul Ingty, Deputy General Manager, Head of Marketing and Cross Selling, State Bank of India.

FINANCIAL PRODUCTS

Recently, Banks today do much more than lend and borrow money. They sell financial products; pay utility bills; file tax returns; and even get the PAN (Permanent Account Number issued by the Commissioner of Income Tax) card made for their customers.

Paresh Sukhtankar, Head-Credit and Market Risk, says "The more products we sell, the more we are strengthening our relationship with the customer."

MOBILE BANKING

Nowadays, Bank customers may soon not need to log on to the Internet to visit branches. Using their mobile phones; customers will be able to do most of their banking, thus saving time and money. With the Reserve Bank of India coming out with the operative guidelines for mobile banking transactions:

- Transfer funds from an account in one bank to any other account in the same or any other bank on real time basis, irrespective of the mobile network will be possible.
- Transaction limit of Rs. 2,500 per mobile banking transaction subject to an overall cap of Rs. 5,000 per day, per customer.

12-HOUR BANKING

Another new concept introduced by private sector banks is 12-hour banking. Some public sector banks - Dena Bank, Bank of Baroda and Andhra Bank - have recently begun 8 a.m.-to-8 p.m. banking.

24-HOUR BANKING

Some of these private and public sectors banks even offer 24-hour banking at their branches located at strategic places like airports. Plastic money has changed the way people look at money. If credit and debit cards have made cash redundant, co-branded cards are changing the customers' spending patterns and lifestyle. The benefits from these cards range from earning frequent flyer miles and free talk time to waiver on fuel surcharge. ICICI Bank has gone a step further: it has localized the cards. For example, it offers Big Bazaar credit cards to customers staying in Parel, a locality in Mumbai, where the bazaar is located in Parel.

WEALTH MANAGEMENT

Wealth management or private banking is another new concept which is becoming popular. It includes all financial services (banking, investment, tax management, legal solutions and transmission of wealth to the next generation), from `cradle to grave', according to Kausik Deva, Head of Marketing, private banking, BNP Paribas.

OTHER SERVICES

Banks are on their way to becoming a one-stop shop for selling products such as mutual funds, insurance and RBI bonds and offer service such as payment of utility bills and equity trading. Citibank has a dedicated helpline that offers support services, including home maintenance, purchase of any product through Internet, purchase of movie or train or air tickets.

CONCLUSION

As we all know, Indian banks are becoming more and more innovative and are gradually dominating the market. They are capturing market share from their counterparts - the foreign banks by offering services in an innovative way. Public banks are leading in the market .In the field of business, bank are achieving very high growth rate as compared to other sectors because of new creativity and innovations in their marketing strategies. If they improve continuously, there is not even an iota of doubt that they will compete well with the foreign banks.

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