

DP10

Marketing of Financial Services

10 MAY 2002

1. Time allowed : Three (3) hours
2. Total number of questions : Five (5) questions
3. Number of questions to be answered : Four (4) questions [25 marks each]
4. Begin each answer to a new question on a fresh page.
5. Answer **all** questions in **English**.
6. A blank page is provided at the end of the question paper for rough work.

ANSWER FOUR (4) QUESTIONS ONLY

1. (a) The Boston Consulting Group's (BCG) growth share matrix is a popular marketing tool.
Describe the BCG growth share matrix. [15]
- (b) What are the limitations on the usage of the BCG's growth share matrix for your bank? [10]
(Total:25 marks)

2. (a) Describe the **macro**environment factors that affect a financial institution's marketing strategy. [15]
- (b) What are the **micro**environment problems that a bank should consider in its strategic marketing planning? [10]
(Total:25 marks)

3. (a) Describe the differences between conventional and Islamic banking systems. [15]
- (b) How are the sources of funds utilised in an Islamic bank? [10]
(Total:25 marks)

4. (a) Why is selling becoming an important function for retail financial services and who are involved? [10]
- (b) Compare relational selling strategies with transactional selling strategies. [15]
(Total:25 marks)

5. (a) How can a bank structure its sales force? [15]
- (b) How does your bank structure its sales force? Why do you think your bank chose this approach? [10]
(Total:25 marks)

OUTLINE ANSWERS

Question 1

Some candidates mistook this matrix for the Ansoff product/market opportunity matrix. Many were also not able to state the limitations on the usage of the BCG growth matrix for their banks.

1. (a) **Basic Concepts Of The Boston Consulting Group Growth Share Matrix**
 Figure 1.1 outlines the famous BCG-Growth Share Matrix which allows the classification of one's Bank's products according to their cash usage and generation along two dimensions i.e. relative market share and market growth rate. To be successful, the bank should ideally have a portfolio of products with different growth rates and preferably different market shares. The need for a portfolio of business becomes obvious especially in a Small (or Strategic) Business Unit or SBU.

The Bank requires products in which to invest cash and reap products that generate the cash. The balance portfolio has stars whose high shares and high growth assure the future and products that bring prominence to the Bank and hopefully to be turned into cash cow; cash cows that can be milked and supply funds for future growth and question marks which are relatively new products that can be converted into 'stars' with added funds whilst 'dogs' are products that have weak market shares in low growth markets but may generate some cash along the way though they are gradually phased out in the long run.

Figure 1.1 – The BCG Growth Share Matrix

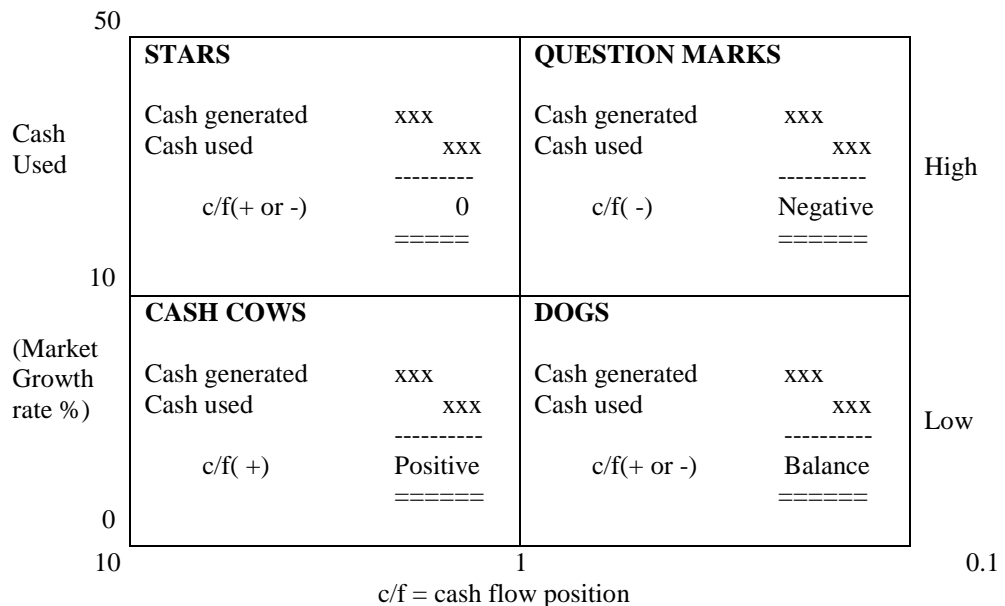
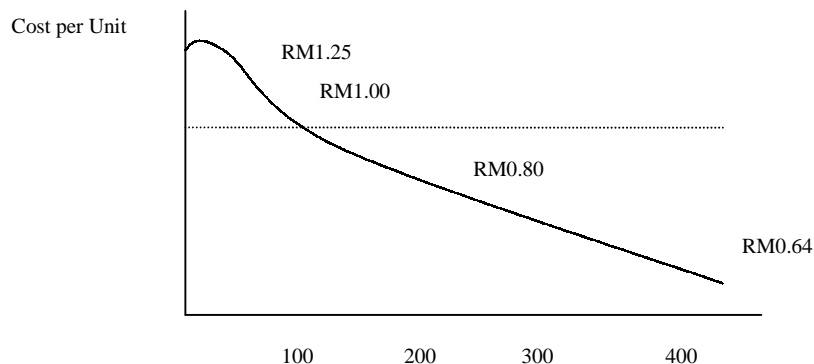


Figure 1.2 – A cost experience curve. Cost shown are declining on a 20% experience curve with each doubling of cumulative production



The growth share matrix stemmed from a discovery by the Boston Consulting Group or (BCG) regarding the experience curve or learning curve. In its studies, the BCG discovered that this behaviour was not peculiar to production costs alone but to total cost behaviour for a wide variety of products thus a Bank can also utilise this concept. The basic assumption used is that the total cost per unit will decline between 20% and 30% every time total production is doubled, as illustrated in Figure 1.2. This curve results from four basic effects, i.e.

- (i) Learning effects – As more experience is gained over time, planning, production and co-ordination become cost effective.
- (ii) Economies of scale – Total fixed cost of production capacity is allocated among larger units thereby reducing cost per unit (e.g: usage of an ATM investment)
- (iii) Substitution – the substitution of less expensive resources can help to reduce cost and
- (iv) Value engineering – Innovations and improved technology can produce cost benefits (e.g. platform delivery system have re-engineered retail banking)

From this simple concept, BCG inferred that if an organisation produce the most units of a certain products (more than any rival) it would enjoy a powerful cost advantage. Market Share thus becomes one dimension of the BCG's growth matrix. The logic of the other dimension (i.e. market growth rate) is rather evident because in a fast growing market, an organisation would accentuate the experience curve advantage as well as accelerate the garnering of the profits available.

STRATEGIC DECISIONS

Basically the growth Share Matrix helps the Bank to identify four major Strategic thrusts in terms of market share for the Bank to embark on, i.e:

- Increase market share
- Harvest
- Divest
- Hold market share

From this study and analysis of the BCG Growth Share Matrix portfolio, we gain a competitive insight of the concept for the Bank's SBU competitive strategy. A summary of the basic insight for strategic positioning that emerges with due regard to market thrusts and cash flow implications is presented in Figure 1.3; the latter can be inferred by reverting to the strategic and as well as cash flow implications discussed in Figure 1.1 of this paper.

Figure 1.3 – The Boston Consulting Group – Group Share Matrix

No.	SBU's Products	Market Share Thrust	Business Profitability	Investment Required	Net Cash Flow	BCG's Category
1	Mutual Fund – Currency	Increase	High	High	Zero	STAR
2	Pension Fund	Hold	Very High	Low	Zero	CASH COW
3	Venture Capital Fund	Increase	None	Very High	Negative	?
4	Mix Mutual Fund	Harvest	Low	Disinvest	Positive	?
5	Equity Mutual Fund	Divest	Negative	Disinvest	Positive	DOG

Strategic Alternatives No.1: Build Market Shares

For the two products, i.e. the Currency Mutual Fund and Venture Capital Fund, I recommend to build market share and grow them to become leaders in their own niche by investing in necessary assets and marketing distribution networks. It requires large infusions of cash plus top-notch aggressive managerial staff to manage the portfolios as well as monitor competitive developments.

For the Currency Mutual Fund that is performing well and have a high market share – our strategy as depicted in figure 1.3 is to increase and build market share and become a dominant leader to allow us to “milk it” when over time it becomes a cash cow. The product needs further financing is a medium risk business and it also in the growth stage of its product life cycle. It may still be running a negative net cash flow.

For the newly introduced Venture Capital Fund, which is becoming extremely popular, the strategy is to build up their share to become a star. It is the introductory stage of the product life cycle and has great opportunities as it is in a fast growing market. In order to develop this product, the Bank may have to forgo short-term profits and push this product into greater dominance in the market and also capture a higher portion of the relative market share. Although extremely high risk in nature, the venture capital fund; over time and provided if the Bank’s investment decisions is sound, it should pay off when companies are listed and traded in the stock market. With such a scenario, the Bank shall benefit in its capital gains which is usually tax-free in the Asia Pacific market. Most successful emerging entrepreneurial-driven businesses generate an average healthy profit-earning ration of 1:8 when their companies become floated.

Strategic alternative No.2 – Invest

The Pension Fund is the maturity stage of the product life cycle. For that Fund, the market growth has moderated to 5% per annum. Being well established, it no longer requires extensive research and development or promotional expenses, yet it is still enjoying large volume of business. It is a low risk product and reaps high profits from its diverse investments.

The Pension Fund have a near stranglehold in the market due to its long-standing establishment and good performance index (on the average returns to our investors was twelve percent per annum). The large capital base secured in the Pension fund allows the Bank to diversify into various instruments in order to ward off any cyclical downturn like we are experiencing in this economic downturn.

The Bank should adopt a strategy to hold market share and the cash generated from the handsome management fee is critical supporting other matrix of the product portfolio and financing innovations in funds management. The Pension fund management is considered a cash cow but the Bank must be aware of competitive efforts to penetrate our business and takes pro-active marketing strategy to ward off these thrusts. A strategy available is to nurture and built strategies alliance with successful pension funds in other countries to cross sell and cross-invest the business and gain global competitiveness from this leverage linkage. Once stabilised, this product can be defended profitably against competitors.

Strategic Alternative No.3 – Harvest

The product to harvest is the Mix Mutual Funds, due to the stagnant and poor market prospect. Presently, its competitive market strength is sufficient to permit maintenance of its position without major investments of cash.

Harvesting involves milking as much short-term cash from a business as possible, even allowing the market share to decline further if necessary. The Mix Mutual Fund was unfortunately launched with a ‘bad timing’, i.e. the current Asian economic crisis, inevitably affects its once rising performance of becoming a STAR. We recommend harvesting the Mix Mutual Fund until the equity market recovers from its present doldrums.

Strategic Alternative No.4 – Divest

The Equity Mutual Fund is in the maturity stage of the market and suffering a shakeout in the industry. The Equity Mutual Fund is suffering from poor market position, losing money and has little chance of positive cash flow. Competitive situational analysis suggests that maintaining the poor position will be tough and expensive and does not fit into Bank’s long term corporate mission, i.e. to be a leader in international funds management.

We should consider divesting the Equity Mutual Fund by liquidating the fund so that resources can be reinvested into more profitable business. At this point of time due to

recessionary trends, the Bank's Equity fund have performed badly and become DOG over a period of a year or so. Returns to investors fell from a high point of 18% per annum to negative equations and many investors are pulling out and we are also experiencing loss of market share. The Bank should divest its Equity Mutual Fund by dissolving the fund and entering into an agreement to joint venture with an Equity fund from another friendly competitor who have been performing well over the long haul. A joint strategic equity fund management alliance shall save the Bank from further losses, market deterioration and its integrity and salvage whatever that is left in the DOG portfolio, i.e. it may still have a small net positive cash flow left in its "bones".

(b) **Short Comings of the BCG Growth Share Matrix Concept**

Of late, there have been criticisms of the BCG's Growth Share Matrix. Andrew (1981) described it as a rather vulgar and destructive vocabulary. In practice, the portfolio concept has been widely accepted in spite of its derogatory connotations – for example who in a financial institution wants to manage a DOG!

Although the concept have tested water, amongst the problems the Bank have to be aware of in utilising the matrix for its SBU are as follows, i.e:

(i) Problems of Classifications

The definition of an accurate market share is of vital importance. Relative market share as used in this example is an index that compares the Bank's strength in relation to key competitors. In this instance, we are comparing our bank against world class top ten leading banks in the world. Therefore, if the yardstick is expanded to include the other European banks like the big four clearing banks in United Kingdom; who are also major players in international funds management, then a different scenario arises. There are two traps that surfaces, i.e. one is to define the market so narrowly that the Bank's products end up on variably as the leader or so broadly that the Bank's products are unrealistically represented!

(ii) Lack of Applications Directions

The growth share matrix does not clearly compare business in terms of investment opportunities. For example, it does not identify amongst the two question marks i.e. the Mix Equity Fund of Venture Capital Fund, which the Bank's management should decide to develop into a star, and which be allowed to focus less resources?

(iii) Over Simplifications

Another shortcoming is that it offers only general strategy recommendations without specifying how such critical strategies can be effectively implemented at SBU level.

(iv) Failure to consider long term horizon

Some analyst will abide by whatever the portfolio dictate without studying the implication of long term effects. An example is RCA/Zenith/GE divesting in TV business by the early 70s in the USA. Today, American companies are hard pressed to refocus on the HD TV and billions of dollars have to be re-invested to help them 'catch-up'. Similarly, some banks are on the merging trail and may divest some core business. As such, a bank should consider its VISION and obligations to customers before radical decisions are taken, especially those that will affect its goodwill customer base and re-investment.

We all know the adage "Experience is the greatest teacher". With regard to Strategic Planning, business experience can infuse important guidelines for analysis for the business portfolio. However, this is more realistic in theory than practice as we tend to neglect past history and its outcomes. As high technology tools such as database computers and business modeling becomes easily available, we expect shared experience will be capitalised on more fully in the future growth share matrix models.

Question 2

Candidates were able to describe the macro-environment factors that affect a financial institution's marketing strategy but were unable to identify the micro-environmental aspects of the above.

2. (a) **Macroenvironment**

Political and regulatory

The political and regulatory environment in which a bank operates in has a profound impact on its marketing decision, among others. A stable political environment exudes confidence to the public, and particularly that of the bank management to continue operations and possible expansion of their banking network, without fear of being nationalised. Legislation is aimed at protecting companies from hostile takeovers, consumers from unfair business practices and the interests of society against unbridled business behavior. The banking industry is one of the most regulated because of bank's fiduciary responsibility. This is to curb excessive risk taking by banks that may undermine the stability of the economy in the event of bank runs caused by less than prudent lending policies.

Economic

The economic environment consists of factors that affect consumers spending patterns and their purchasing power. Purchasing power is measured by the people's income, prices of goods and services, savings and credit that can be augmented through borrowing. It is also influenced by government fiscal and monetary policies. Banks would be well equipped to meet the needs of their target market by noting the changes in these major economic variables that is the driving force of the consumer loans market. This would also affect their pricing policies so that it is affordable for the average consumer to service their borrowings.

Technological

It should be noted that one of the most dramatic forces shaping people lives is technology, which also affect other macro-environment forces, and create spin-off changes in them. For example, the enforcement of intellectual property rights; a variable of the regulatory environment. The emergence and proliferation of information technology in today's business environment present both opportunities and threats to organisations, including banks. There is a shift in consumption patterns and marketing systems have to be adapted to meet this shift. For example, people need not visit a bank for routine transactions as they could link up with their banks through home-banking facilities. For instance, Citibank introduced a telebanking service, Citiphone, in which customers can perform various banking transactions; from practically anywhere through the phone. This displaces the need to perform those transactions, traditional at branches. Customers can check their account balances, request for account statements, make fixed deposit placements and even request for a new cheque book without having to queue. Banks that invest in the technology will have to head-start against their competitors and capture a larger share of the market segment that they are in a position to service.

Social and cultural

Social and cultural determinants, in its simplest form can be defined as a way of life. It can be distinguished in terms of people's ideas and values, beliefs and norms. A culture is learned through people's interaction with their environment, shaping their attitudes and it changes as the society faces new problems and opportunities. Some people unconsciously define their relationship with their environment, other people, nature and organisations. A marketing implications that flows from people's attitude towards organisations is that banks need to find new ways to win consumer confidence as more people are transacting with non-bank financial institutions.

The macroenvironment is the uncontrollable forces that an organisation has to monitor and adapt to, by manipulating the marketing mix that can best capitalise on the opportunities and minimise the negative effects that the environment has on the organisation.

- (b) The Institute of Marketing Malaysia defines marketing means business. One of the most potent tools available for an organisation is called the marketing mix. The marketing mix is attributed to Neil H Borden of the Harvard Business School and refers to a set of marketing

ingredient used to achieve its objectives. A cook select from a wide range of ingredients and effectively combines them in different amount to bake a successful cake. Similarly, a financial services manager picks and chooses from an extensive set of ingredients in order to find the right recipe of success. The thrust of the financial industry is more difficult than that for consumer of industrial goods because it is a service industry. Services are intangible and much more difficult to package, sell or be demonstrated to the consumers.

Product

Financial service product include mortgages, savings accounts, fixed deposit, hire purchases, business loans, overdrafts, export finance, foreign exchange, credit cards, insurance, stock brokering, trustee services and mutual funds. These are intangible, difficult to visualise, touch or smell and are usually mans to an end. For example, a loan to a business could be used to support business expansion and life insurance policy is to provide coverage for the family's dependants in the event of an untimely death or disablement for the breadwinner.

Place

Most financial services are sold through the 'place' or the branch. As such, financial institutions have invested heavily in bricks and one inherent advantage of branch outlets is that the financial institution becomes part of the living community, form the social-economic perspective.

Nonetheless, there appears to be a shift from traditional branches to other new accessible retail outlets. In the USA, Sears & Roebuck entered the financial services industry with a new breakthrough – a special centre in their retail supermarket outlets. Citibank is experimenting with mobile 'petrol kiosks-like outlet' known as Citistations in the USA. Standard Chartered Bank has pioneered drive-in banks in Malaysia, which is still popular with its customers in Kuala Lumpur.

Another well-known technological development, which is challenging the nature of the place, is the introduction of ATMs as well as shared ATM networks. Some ATMs are found in non-financial institutions building such as factories, petrol-kiosk, shopping complexes, public transportation areas. In shared ATM networks, consumers can access an ATM at a competitor's branch as a result of the tie-up amongst the banks and finance companies on ATM reciprocity. Financial services are extended one stage further by offering the corporate electronic services. The next line development will be towards homebanking in line with the Multimedia Super Corridor developments. This will become more acceptable if the whole concept of home financial services is expanded to include videotext and teleshopping, and if home computers become as affordable as televisions. The idea of homebanking would certainly be accepted by the 21st Century generations of consumers acclimatised to technology.

Promotion

As with consumer goods, financial service needs promotion in order that the products are made known to the consumers. The methodology of promotion varies with the target audience, the design of the product and the business volume expected. Traditional practice consists of the use of advertising, branch displays utilising posters, desktop flyers, brochures, promotions at local trade exhibitions and seminars and public relations with the press and public. The traditional manner for promotion has changed considerably in the last five years where financial services are now being promoted aggressively through television, radio and billboards advertising.

Also, emphasis has shifted from conservative image advertising to focussing on new products and features or unique selling points (Hong Leong's Teleloan & Citibank's Mortgage Power).

Other new directions for financial services are direct mail campaigns at targeted audiences and the introduction of full-time sales personnel specialising in marketing of financial services.

Price

The bottomline is what counts most in business. For financial institutions, the pricing of products are reflected in the interest rates and service fees. The interest rate is usually reflected in the percentage on top of the bank's base lending rates. Due to regulation, pricing for some bank's products are undifferentiated and the prime example is the fixed interest rate for priority lending on mortgages for houses below RM100,000 in purchase value. For such mortgage products, pricing in interest rates is not a player in the marketing mix. Corporate treasurers are constantly seeking finer rates on foreign exchange for their treasury management and pricing for such products by banks are of vital importance.

Pricing of financial products is further complicated by the other '7 Ps' which will determine the lever of pricing. For example, the marketing of gold credit card differs from the normal credit card of the same heritage. Consumers are willing to pay a higher premium on entrance and subscription fees in return for the prestige, better service, greater flexibility and higher credit limits of a gold card. As such, the perceived better value products for upmarket service is a function of the other "Ps" of the marketing mix and consumer behaviour and attitudes prevailing in the society. In general, well-developed pricing policies can provide good yield to financial institutions. Sometimes, financial institutions who are more than its budgeted deposits or liabilities booked into its books, may price itself out of the market by offering lower rates than others (e.g. fixed deposits).

People

Selling efforts by financial institutions take both a personal and impersonal form. Due to their intangible nature, financial services lack the form and touch of consumer products. The delivery mechanism is through branch staff and the way staff deal with customers in an integral part of the product itself. Hence, personal selling and courtesy in conducting the business counts, as the service may be the most important feature of the product being sold.

This is the pertinent to financial products, which are complex and need personal clarification and selling. It is of relevance to many corporate sector businesses, loans transactions and marketing of life insurance policies.

Financial institutions therefore should place equal emphasis on training for their people. Training in product knowledge, selling, and the advisory role must be conducted in the outmost professional manner. Personal attention to appearance, courtesy in communication and commitment to service must be instilled in the personnel.

Another important aspect is the standard of service. A company may have advertised a message that spells "counter service within 30 seconds and served with warm, friendly smile". If the front line support staff are not informed not trained to provide this level of service, the whole promotional campaign will be termed as a disaster, as the advertising message is neither congruent nor synergistic to support the other Ps in the mix.

The quest for science in marketing mix is a dilemma. With the availability of modern computers, databases and sophisticated market research-cum-surveys, marketers are now in a better position to design the marketing mix. Marketers have learned to subject their mix to empirical check and measurement. The marketing mix, however, does not guarantee business success. Any productive answer for this year may well be challenged in the next. Product or services will be introduced improved or made obsolete. Prices may be undercut or margin undermined.

Promotions can be upstaged or drowned out. As alternatives or opportunities emerge, the place of distribution can become unproductive or less satisfactory.

Fortunately, the task is not as daunting as it sounds. Most financial institutions have established customers and competitive information. They know what customers will want in the immediate future. Major macro upheavals, such as the current economic crisis faced by Malaysian banks has caused the economists and statisticians to take the risk and look into their "crystal-ball" to postulate a future outlook for the business instead of being over pessimistic

and just keep on raising the Base Lending Rate and balance the asset and liability management.

Every marketer must decide how much time and money to invest in each of the five areas of strategic marketing planning.

Question 3

This question was generally well attempted as the concept of Islamic banking and conventional banking was well understood.

3. (a) Islamic banking is interesting for banking system that undertakes business, trade activities and all forms of transactions on basis of fair and legitimate profits, principally in the risk of equity participation on profit & loss sharing principle. It was introduced by the pioneer Bank Islam in Malaysia in the mid 80s i.e. in 1983. Today, most conventional Malaysians as well as foreign banks have introduced this system to coexist with its conventional banking system.

Two important features of Islamic banking is the role of syariah and the problems of RIBA. Syariah is an Islamic economy that promotes mutual cooperation and social responsibility to all its members. As a result, profiteering from a banking relationship or transaction is scorned.

RIBA is universally related to mean interest, especially excessive interest, which is “haram”. Payment or receipt of interest is considered usury and is thus prohibited in a total Islamic banking system. Therefore this is a hallmark difference between conventional versus Islamic banking.

The primary objective of the conventional banks is to maximise the wealth of its owners. Contrasted to this, Islamic bank views the greater importance to the public over its owners. Under the Syariah principle it is the Muamalat concept besides Ibadat which is the relationship of man to God. Islamic banks utilises’ deposit to serve the benefits of an Islamic society in general to fulfill its economic and social goals.

As Islamic banking engages in profit & loss sharing arrangements, depositors are viewed co-shareholders of the bank and are entitled to benefit from the profits earned by the Islamic bank as well as share the burden of losses too. Hence, a depositor is regarded as holding equity position in a bank. In conventional banks, depositors are paid an interest for usage of its funds by the banks. Such depositors are guaranteed of interest earnings and do not share losses incurred by the bank. Thus depositors are treated as a debtor versus creditor. Depositors in a conventional bank are treated as liabilities whereas they are not treated in this manner by Islamic bank.

- (b) Under Islamic banking, sources of funds are under the scrutiny of a Religious Board e.g. Syariah council that has to appraise the Islamic banking products and system of its consistency with the Syariah principles and practice.

Islamic bank can raise funds through issue of shares and deposits from customers. Deposits are also treated as shares and their nominal value is not guaranteed. There are four primary accounts:

- (i) Current Account under the principle of A Wadiah Yad-Dhamaanah law – where the bank seeks permission from the depositors to use funds for as long as the money is kept at the bank. Customers can withdraw on demand and bank give assurance to return the balance but depositors do not receive any returns.
- (ii) Savings and credit accounts – based on Al Wadiah law. Some banks offer no returns others invest deposits on profit and loss sharing basis.
- (iii) Investment accounts – based on the Al-Mudharabah law are based on two major instruments, i.e. General Investment Account (GIA) a special Investment Account (SIA). Under GIA, the bank as a custodian managing the funds. Both parties agreed on the profit and loss ratio. If the investment suffers a loss, GIA depositors will face a

loss too. For SIA, the depositors specify the manner in which the deposits are to be used by the bank. Profit from such activities are paid to the customers and bank and accounts are mainly directed at government bonds and corporate funds. It is based on an equity participation system.

- (iv) Other is the Qard Hassan on social service fund, which is a fourth banking account based on social consideration of an Islamic economy. Basically, it is funded by Zakat monies and also a portion of the bank's investment. Such fund is used for benevolent situations to individuals facing exceptional circumstances like illness, accidents, weddings or funerals, etc.

Question 4

- Many candidates mistook the question on selling retail financial services, for marketing mix.
- The question on the differences between relational and transactional selling strategies was well answered.

4. (a) The importance of selling is increasing in Malaysia due to the intense competition amongst banks and with the proliferation of new innovative and repackaged banking products. Personal selling of financial services is an important key feature of financial services because the latter is inseparable – the production and consumption are often interlinked. Therefore, banking services invariably involve some direct or indirect contact between the customer and bank.

Such services is best serviced and achieved by personal selling. Sales staff can probe into customers' needs and advise on financial packages to meet individual needs. Everyone in a bank plays an equitable role in selling – sometimes the customer service representative, teller etc can assist customers to seek the right products. Selling function in this respect does not only entail a specialist sales staff but everyone in the bank can be trained in selling of the bank services.

Personal selling is equally important for both the retail and corporate banking division. Corporate banking customers usually are more sophisticated and demanding on bankers to meet their complex financial needs and planning. In this respect corporate bankers have to become consultants and tailor make banking instruments to meet corporate banking customers' needs. There is a considerable overlap of functions for a corporate banker.

Personal selling is now an effective tool, especially with the introduction of financial planning services foretail customers. Even with the advent of internet banking, personal selling is still evident and necessary to provide the 'one to one' relationship personal touch marketing that is absent in the borderless internet banking – the key to success in competitive globalised environment.

- (b) Traditionally, the selling functions were ill conceived by bankers customers alike in the 20th century.

Transactional selling is a high-pressure selling activist in which customers are 'pushed' to buy products irrespective of the need for such products. Transactional means a bank is only concerned with making a quick sale or transaction; without identifying critical needs and often supported by weak or poor customer service. The bottom lime and market share is a significant importance to the bank; which leads to an aggressive push for customers.

On the contrary, relational selling is a customer-oriented approach to sales. The key to relational selling is on listening and understanding the customers. Through careful cross-examination, a bank staff unearths not only the current but future financial needs of the customer. A relational banker spends time to talk, analyse and advise customers.

Relational selling is also a well-thought-out selling leveraging on rapport and quality relationships. This type of selling is essential for success in today's marketplace, which is characterised by vigorous competition, lookalike products, customer loyalty, and quality products.

The outcome is positive as through relational selling the products recommended will be much better suited to customer's need. Such customers will be more satisfied and be loyal to the bank. It will lead to repeat sales and even future banking referrals to new customers. The relational selling process will build effective, long term relationship as it is now essential not only to 'obtain a customer but to keep them coming back'.

Over the long haul, it is also a more cost-effective sales approach and builds the bank's brand equity.

Question 5

Candidates answered this question poorly, thinking that the question was on sales cycle when it was asking on structuring sales force. Hence, they also answered part (b) wrongly by putting in points like sales corporation, training and motivational aspects, when it asked for how their own banks structure the sales force.

5. (a) Most organisations even banks have problems structuring their sales force. On the whole, organisational structure must be carefully thought through to avoid bureaucracy, redundancy and confusion to the end user i.e. your customers.

Four ways are available:

- (i) Geographic
Sales force can be structured in a geographical manner. e.g. West Malaysia and East Malaysia, Malaysia and Overseas branches, etc. This is also known as territorial structure.
- (ii) Product
As banks have many products, staff can be trained to specialise on selling all or certain products. Such product structure is popular when specialist know-how is required. Corporate banking, Retail banking, Custodial banking, Credit Card Marketing are some concepts of product structuring.
- (iii) Market
Market segmentation is another tool for bankers. Sales forces are sometimes chosen to assign to specialist customer groups, e.g. Priority banking versus retail banking, SMI versus multinational corporation accounts, etc. training Marketing staff and products are specially designed to suit such targeted market groups.
- (iv) Complex
Sometimes, with the merger of banks, the customers profile is large and complex. Sales staff are then chosen, retrained to be accountable for specific products and market combinations.

- (b) Answer is dependent on bank's philosophy, strategy and structure, e.g.

"Bank of America has disposed off its retail and Credit Card business in its global competitive strategic consolidation of its business. Bank of America is now focussed on Corporate, Commercial, SMEs banking with different Divisional structure, staff and products suited to market its services.

It has adopted a market segmentation structure whereby the division is empowered, trained and accountable for its bank marketing. In the initial phase, customers were unhappy to know that retail/credit card are no longer available but the management took pains to communicate and educate the customer of their structural change and over a period of time was acceptable etc.