



# BANK MARKETING : FROM 1P TO 6Ps

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### 1. Introduction

Peter Drucker stated that, “Marketing is so basic that it cannot be considered as a separate function. It is the whole business seen from the point of view of its final result; that is, from the customer’s point of view... Business success is not determined by the producer but by the customer.” A customer focus, indeed, customer centrality typifies the organization that is marketing oriented. One that does not have such an orientation is bound to fail, especially in an environment that is complex and turbulent.

Banks in the Sri Lankan financial market compete for the customer’s mind and heart shares in as much as they compete for actual share of market. The urgency and immediacy with which banks compete for the aforesaid metrics have become increasingly evident in evolving market settings we have witnessed since the liberalization of the economy in the late 1970’s. The increasing number of banks and their plethora of products presumably fashioned to meet financial needs of a specific markets witnessed over the past two decades, in particular, have made the Sri Lankan’s financial market more complex and dynamic.

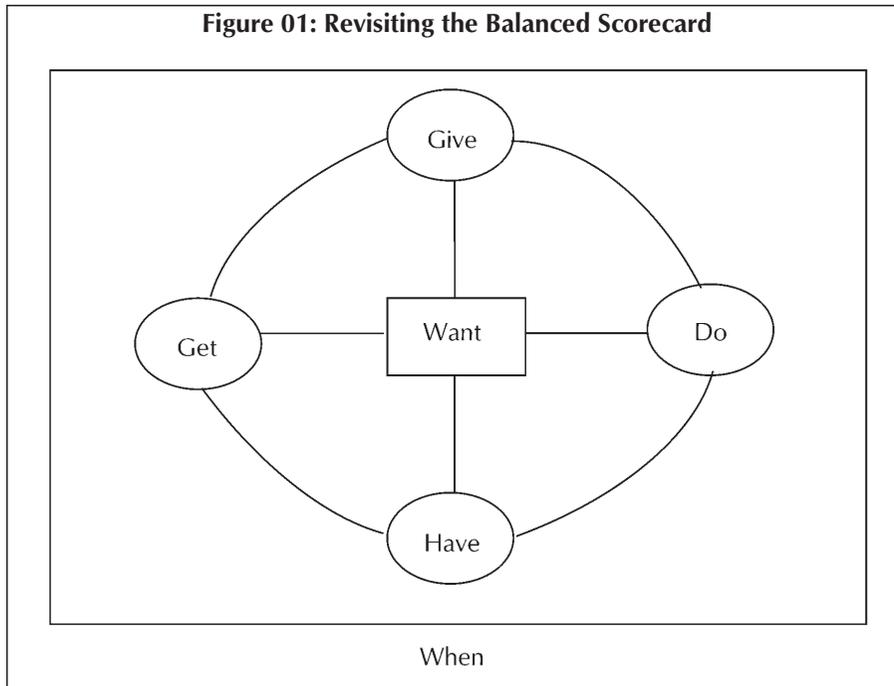
The global and regional economic meltdown and the attendant turmoil, exacerbated by falling demand and restrictive regulatory measures, domestically, have made the country’s financial market not just *complex but turbulent*. Now, what is the place and role of marketing in a bank’s attempt to *get, keep and grow customers profitably* in this complex and turbulent setting?

### 2. Value Proposition

A bank, like any other organization follows a fundamental process and attempts to manage it effectively and efficiently.



**Figure 01: Revisiting the Balanced Scorecard**



Source: Liyanage Uditha (2010)

At the centre, is what the organization **wants** to be in a fundamental sense. This is the intent, scope, scale, role, and ownership structure of the organization. This relates to the organization's vision and strategy as per Kaplan and Norton's (1996) Balanced Scorecard (BSC). This must be placed within a given futuristic time frame ("**when**" of the framework). **Get** relates to the time-bound results the organization wants to achieve. This will include both financial and marketing results such as ROI, net profit, sales turnover or interest margin and market share, customer satisfaction and loyalty. It is interesting to note that "get" goes beyond the financial perspective of the BSC, and includes market-specific measures as well.

Once the desired results that the organization "wants to get" are defined, then the question of what the organization intends to **give** in terms of products and services has to be answered. Here, market offerings to identified markets and customers must necessarily be underpinned by a strategically designed and clearly articulated value proposition (VP). The VP must be *distinctive, desirable, deliverable* and *defensible*. (Liyanage Uditha, 2003).



The “value cluster” that the bank offers its customer begins but does not end with functional value as in the case of higher interest rates and better customer service. A sense of belonging to the bank, a sense of importance that the customer senses and feels in his or her transactions and relationship with the bank, and a sense of status that the customer demonstrates to the society at large are all parts of the value offering. The functional, experiential and symbolic value (Aaker D. A., 2002) or the functional experiential, relational, and psycho-social values (Liyanage U., 2003) are listings of customer value that capture its multi-faceted nature.

Inevitably, the organization has to *design, develop, and deliver* internal processes and systems that will enable it to *give* the products and services and *get* the desired results. The internal processes and activities are signified by the **do** in the framework. The **have** of the framework relates to the financial, technical and the human resource base, including its knowledge and intellectual capital. It is interesting to note that Kaplan and Norton’s BSC includes only the human resource.

In marketing theory, value is created through 3Ps. They are *product* (including physical evidence in service marketing settings), *place* (including processes that help move the product or service towards the end user) and *promotion* (as in marketing communication). This value offering (V) is then related to the *price*, the customer is called upon to pay. The 4Ps or the marketing-mix are the elements of the value proposition signified by the equation:  $V=P$  (Liyanage U., 2003).

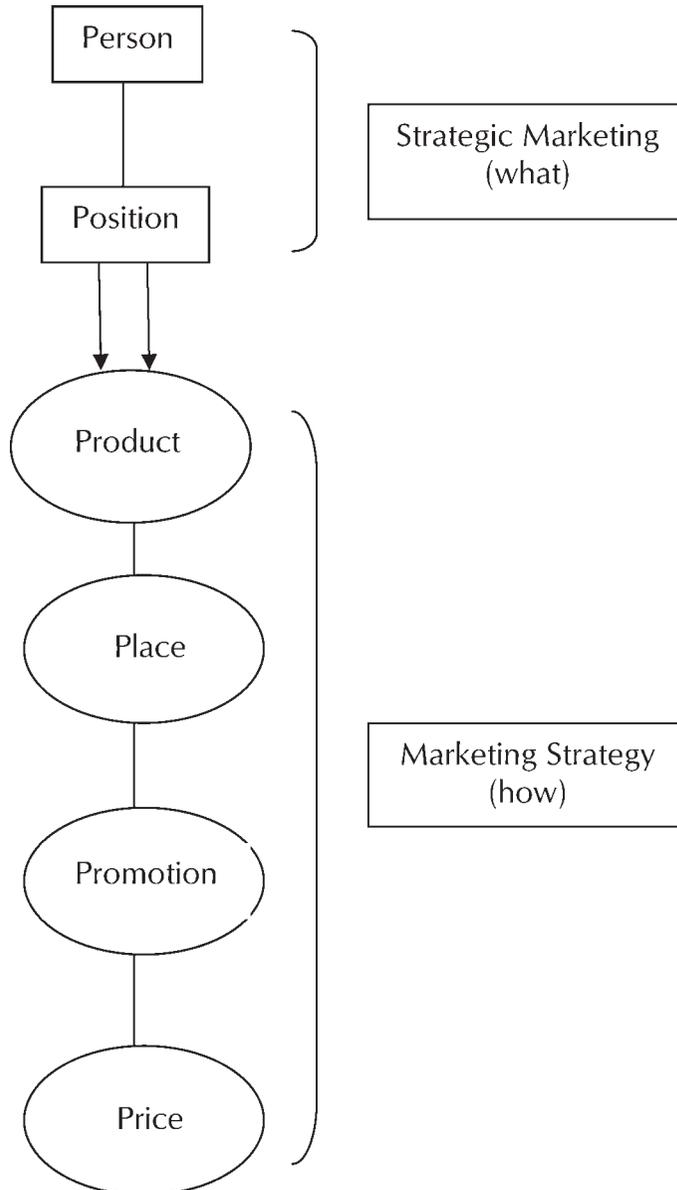
### 3. Strategic Marketing

Marketing Strategy or more specifically, Marketing-mix Strategy is about the management of the 4Ps. Marketing Strategy essentially deals with the question, “how” do we *develop* and *deliver* value. Importantly, before this question can be answered, we need to know “what” value needs to be *designed* and to whom. These two questions relate, not to Marketing Strategy but to Strategic Marketing.

Strategic Marketing’s domain is characterized by 2Ps. They are; *Person* and *Position* (Liyanage U., 2010). *Person* relates to the specific target customer the organization intends to deal with. This first element of Strategic Marketing is indeed important. It is about choosing the battlefield. That is, selecting your business scope and profiling the typical customer you want to transact with and eventually relate to. The *Position* relates to the target customer’s mind. What is the customer’s frame of reference (FOR) or mental category (MC) in which the organization wants to position itself and its offerings and what are the meaningful Point(s) of Difference (POD) that your offering will enjoy *vis a vis* others in the self-same frame of reference of the customer’s mind? This is the strategic question that would help the organization to clearly *find* a position and then *take* a position in the customer’s mind. “Finding a position” is all about the aforesaid FOR and POD, while “taking a position” is all about the specific mental associations or mental schema that the customer has in his or her mind about the organization’s brand, and its market offering.



**Figure 02: Strategic Marketing vs Marketing Strategy**



Source: Liyanage U., (2010)

#### 4. Bank Marketing in Sri Lanka

We need to ask the question about the place and role of Strategic Marketing (2Ps) and its implementation or operationalization through a specific Marketing Strategy (4Ps) in Sri Lankan banks. Interviews with heads of marketing or those responsible for the marketing function in four leading commercial banks and the two leading state-owned banks clearly suggest that the marketing function in Sri Lankan banks, in general is by and large confined to one 'P', namely promotion or marketing communication.

A disproportionate amount of time is spent by marketing personnel with regard to media advertising and non-media, below-the-line promotional activities and programs. The senior management, it was noted does "see" the primary and in some cases the solitary role of marketing as getting its communication act together.

There is little or no effort made by marketing personnel in defining, designing delivering the strategic *Position* the bank should hold in the customer's mind. The importance of seeing "*banks as brands*" is not appreciated. Marketing again exerts little influence on the selection of markets to enter and in regard to target customer selection (*person*). Product development is typically the task of senior management in operations. Channel selection and branch management in the distribution (*place*) of the products is typically left in the hands of non-marketing personnel. *Price*, interestingly is typically determined by committees that do not have the participation of marketing personnel.

#### 5. Conclusion

Most marketing heads in Sri Lankan banks are *de facto* Marketing Communication heads. That is the way the top management "sees" it, and regrettably how some marketing personnel themselves "see" it. The role of Marketing must be elevated. Indeed, its profile must be raised.

Bank Marketing is a relatively recent development. Marketing in Sri Lanka came of age, as it were in FMCG companies that were well managed. Most of these companies were MNC's and were following marketing best practice adopted elsewhere. More recently, the service industry felt the importance of marketing in a narrow and tactical sense and in the form of providing customer service and care, and projecting an image through marketing communication. The next phase in the evolution of marketing practice across the organization through Strategic Marketing (2Ps) and Market Strategy (4Ps) must now be ushered in. We need to move from 1P marketing to 6Ps marketing. Indeed, we will do well to remember the words of Drucker. "Marketing is the *whole* business seen from the point of view of customers".



## References

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