MODULE-D

PAPER - 1

MARKETING OF BANKING SERVICES/PRODUCTS

PREPARED BY AMBITIOUS BABA
# Module D - Support Services – Marketing of Banking Services/Products

JAIIB/DBF Paper 1 (Module D)

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Unit 1 - Marketing An Introduction

**Market**

The word “Market” in common parlance refers to the place where goods can be bought or sold.

A market consists of all the potential customers sharing a particular need or want who might be able to engage in an exchange to satisfy that need or want.

**Types of Market**

<table>
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<tr>
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<th>Types of Market</th>
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<tbody>
<tr>
<td>Geographical Area</td>
<td>Local Market, Regional Market, National Market, World/Global Market</td>
</tr>
<tr>
<td>Product</td>
<td>Cotton/Tea/Vegetable market, Share Market, Bullion Market, Capital Market, Real Estate Market, Retail Loan Market</td>
</tr>
<tr>
<td>Nature of Transaction</td>
<td>Cash/Spot Market, Future Market, Commodity Market</td>
</tr>
<tr>
<td>Volume of Transaction</td>
<td>Retail Market, Wholesale Market</td>
</tr>
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</table>

**Marketing**

Marketing is the process of determining consumer demand for a product or services, motivating its sale and distributing it into ultimate consumption at a profit.

**Marketing- A Management Function**

Marketing provides entrepreneurship by identifying opportunities in customer requirements and mobilizing resources to capitalize on them. Marketing forms an interface with the existing and potential customers. It passes through the management functions of analyzing, planning, implementing and controlling.

**Selling vs Marketing**
### Basis for Comparison

<table>
<thead>
<tr>
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<th>Selling Concept</th>
<th>Marketing Concept</th>
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<tbody>
<tr>
<td>Meaning</td>
<td>Selling concept is a business notion, which states that if consumers and businesses remain unattended, then there will not be ample sale of organization’s product.</td>
<td>Marketing concept is a business orientation which talks about accomplishing organizational goals by becoming better than others in providing customer satisfaction.</td>
</tr>
<tr>
<td>Associated with</td>
<td>Compelling consumer’s mind towards goods and services.</td>
<td>Directing goods and services towards consumer’s mind.</td>
</tr>
<tr>
<td>Starting point</td>
<td>Factory</td>
<td>Target Market</td>
</tr>
<tr>
<td>Focuses on</td>
<td>Product</td>
<td>Customer needs</td>
</tr>
<tr>
<td>Perspective</td>
<td>Inside-out</td>
<td>Outside-in</td>
</tr>
<tr>
<td>Essence</td>
<td>Transfer of title and possession</td>
<td>Satisfaction of consumers</td>
</tr>
<tr>
<td>Business Planning</td>
<td>Short term</td>
<td>Long term</td>
</tr>
<tr>
<td>Orientation</td>
<td>Volume oriented</td>
<td>Profit oriented</td>
</tr>
<tr>
<td>Means</td>
<td>Heavy selling and promotion</td>
<td>Integrated marketing</td>
</tr>
<tr>
<td>Price</td>
<td>Cost of Production</td>
<td>Market determined</td>
</tr>
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</table>

## Marketing Management

Marketing management is the process of decision **making, planning, and controlling the marketing aspects** of a company in terms of the marketing concept, somewhere within the marketing system. Before proceeding to examine some of the details of this process, comments on two aspects will be helpful background.

**According to Philip Kotler,** “Marketing Management is the art and science of choosing target markets and building profitable relationship with them. Marketing management is a
process involving analysis, planning, implementing and control and it covers goods, services, ideas and the goal is to produce satisfaction to the parties involved”.

**Functions of Marketing Management**

- Analysis
- Planning
- Implementation
- Control

**Important of Marketing for Banks**

Marketing can support banking business only when the minimum 2 of the above 3 are competent enough. There is no point in doing marketing for a business if the product is not worth it, its just waste of money and effort as sooner or later customer would find out the value of the product and was it worth their investment/time.

Same rule applies to customer service and digital technology.

Marketing is no doubt necessary for banking as the competition is intense and nearly everyone wants to keep their hard earned money safe and secured. But to gain someone’s trust and for a long time Banks needs to fundamentally change the sales and marketing dynamics and include the above three in its core.

**Products and Services**

**What is Product?**

According to Philip Kotler “A product is anything tangible or intangible that can be offered to a market for attention, acquisition use or consumption that might satisfy a need or want”.

**Characteristics of Physical Products**

- Tangible
- Homogeneous
- Production and distribution separated from consumption
- Core value produced in factory
- Customers do not participate in the production process
- Can be stored
- Transfer of ownership possible
What is a service?

Philip Kotler and Paul N. Bloom define services as any activity or benefit that one party can offer to another, which is basically intangible and does not result in the ownership of anything. They added that its production may or may not be tied to a tangible product.

Characteristics of Service Products

Intangibility: Intangibility is an important consideration that complicates the functional responsibility of a marketing manager, specially while influencing and motivating the prospects/customers. The goods of tangible nature can be displayed, the prospects or buyers can have a view and they can even test and make a trial before making the buying decisions. The selling processes are thus found easier.

Inseparability: This is also a feature that complicates the task of professionals while marketing the services. The inseparability focuses on the fact that the services are not of separable nature. Generally, the services are created and supplied simultaneously.

Heterogeneity: Another feature is heterogeneity which makes it difficult to establish standard. The quality of services can’t be standardised. The prices charged may be too high or too low. In the case of entertainment and sports, we find the same thing. The same type of services can’t be sold to all the customers even if they pay the same price.

Perishability: This means that the service “units” cannot be stoked. If a seat is unfilled when the plane leaves or the play starts, it cannot be stored and sold next day or next week, that revenue is lost forever.

Different between Physical Goods and Services

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<th>Services</th>
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</thead>
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<tr>
<td>Tangible</td>
<td>Intangible</td>
</tr>
<tr>
<td>Homogeneous</td>
<td>Heterogeneous</td>
</tr>
<tr>
<td>Production and distribution</td>
<td>Production, distribution and consumption are</td>
</tr>
<tr>
<td>separated from consumption</td>
<td>simultaneous process</td>
</tr>
<tr>
<td>A Thing</td>
<td>An activity or process</td>
</tr>
<tr>
<td>Core value produced in factory</td>
<td>Core value produced in buyer seller interactions</td>
</tr>
<tr>
<td>Customers do not participate in the production process</td>
<td>Customers participate in the production</td>
</tr>
<tr>
<td>Can be kept in stock</td>
<td>Cannot be kept in stock</td>
</tr>
</tbody>
</table>


### Marketing of Financial Services

The characteristics of services viz, intangibility, inseparability, heterogeneity and perishability are all present in financial services, too. Some assume special meaning in the context of financial services. Intangibility has two aspects:

At one level, it is concerned with the fact that services are impalpable in the sense that they have no physical form.

Many services are intangible from a conceptual point of view, in that are not easily defined and may be difficult to understand. (Bateson)

**Types of Financial Markets in India**

- The credit Market
- Equity and term lending market
- Gilt-edged securities market
- Insurance market
- Mutual funds
- Consumer finance market
- The money market
- Debt market
- Leasing and hire purchase
- Foreign exchange market
- Stock markets

### Marketing of Banking Services

Bank marketing is the aggregate of functions, directed at providing services to satisfy customers financial (and other related) needs and wants, more effectively and efficiently than the competitors keeping in view the organizational objectives of the bank.

*This definitions highlights the following points:*

- Bank Provide services
- Aim is to satisfy customer needs and wants of specific nature
• The nature of needs and wants of the customer is primarily financial, while some may be incidental to or related to these.
• The competitive element, efficiency and effectiveness are major factors in the process.
• Organizational objective are still the driving force.

**Marketing Mix**

It is a marketing tool that combines a number of components in order to strengthen and solidify a product’s brand and to help sell the product or service. Companies have to come up with strategies to sell their products, and coming up with a marketing mix is one of them.

**Marketing Mix 4P's**

A marketing expert named E. Jerome McCarthy created the Marketing 4Ps in the 1960s. This classification has been used throughout the world. Business schools teach this concept in basic marketing classes.

The marketing 4Ps are also the foundation of the idea of marketing mix.

1. **Promotion:** How the awareness is created among the customers.
2. **Place:** Where the customer wants delivery of product.
3. **Price:** What the customer is ready to pay for this product.
4. **Product:** What are the features of the product.

**4Cs Marketing Model**
The 4Cs marketing model was developed by Robert F. Lauterborn in 1990. It is a modification of the 4Ps model.

It is not a basic part of the marketing mix definition, but rather an extension.

### Cost
According to Lauterborn, price is not the only cost incurred when purchasing a product. Cost of conscience or opportunity cost is also part of the cost of product ownership.

### Consumer Wants and Needs
A company should only sell a product that addresses consumer demand. So, marketers and business researchers should carefully study the consumer wants and needs.

### Communication
According to Lauterborn, “promotion” is manipulative while communication is “cooperative”. Marketers should aim to create an open dialogue with potential clients based on their needs and wants.

### Convenience
The product should be readily available to the consumers. Marketers should strategically place the products in several visible distribution points.

**The Marketing Mix 7P’s**
Today’s generation is quite impressionable and hence in order to enhance their personality, or to meet social standards, they gravitate towards branded products that are creating a stir in the market. This brand image is simply an impression or an imprint of the brand developed over a period of time in the consumer’s mindset.

This image of a brand is ultimately a deciding factor that determines the product sales. The brand image is very important, as it is an accumulation of beliefs and views about that particular brand. The character and value of the brand is portrayed by its image, as it is the main component in the scheme of things.

The brand image is eventually the mirror through which the company’s key values are reflected.

**Why Brand is Important?**

**User Association:** Brand is used as prestige or success by associating with glamorous personalities.

**Value Proposition:** Buying decisions are affected of influenced with brand value.

**Experience:** A proven track of good performance only can create brand. It creates faith among customers.
How Brand are Build?

- Quality
- Positioning
- Strong communication
- Time and consistency
- Innovation
- Consistent customer satisfaction
- Early entry in Market

Colours Play an Important Part in Logo

Orange: The Colour of dynamism, an organization, responsive to market condition & Customer needs.

Blue: The colour of trust and depth.

Maroon: The colour of warmth an organization that goes beyond the basics to understand its customers and provide them with products and services with a view to building lasting relationships.

Grey: The colour of stability.

White: The colour of ethics and organization which has set for itself high standards of corporate governance standards which guide its professionals who are committed to the highest levels of integrity and work ethics.

Electric orange: The colour of dynamism- brighter & Sharper.

Unit 2- Social Media Marketing

What is Social Media Marketing

Social media marketing is the use of social media platforms and websites to promote a product or service. Although the terms e-marketing and digital marketing are still dominant in academia, social media marketing is becoming more popular for both practitioners and researchers. Most social media platforms have built-in data analytics tools, which enable companies to track the progress, success, and engagement of ad campaigns. Companies address a range of stakeholders through social media marketing, including current and potential customers, current and potential employees, journalists, bloggers, and the general public. On a strategic level, social media marketing includes the
management of a marketing campaign, governance, setting the scope (e.g. more active or passive use) and the establishment of a firm's desired social media "culture" and "tone."

When using social media marketing, firms can allow customers and Internet users to post user-generated content (e.g., online comments, product reviews, etc.), also known as "earned media," rather than use marketer-prepared advertising copy.

**Some of the Popular Social Marketing Networks**

- Twitter
- Facebook
- Pinterest
- Google+
- LinkedIn
- Youtube
- Instagram

**Reason of Social Media Impact on Marketing**

- Brand Recognition
- Community
- Repeat Exposure
- Authority
- Influence
- Website Traffic
- Cost-effective
- Improved brand loyalty
- Healthier customer satisfaction

**Benefits of Social Media**

- Improved Social Signals (Which is a factor in the search ranking algorithm)
- Company Branding
- Improved Brand Awareness
- Word-of-mouth advertising
Increased customer loyalty and trust
Improved audience reach and influence

**Unit 3- Consumer Behavior and Product**

**Consumer Behavior**

**Maslow’s Hierarchy Needs**

While considering the marketing of a product, whether a physical or a service product, we must understand the customer’s need as per Maslow’s theory of hierarchy of needs and human behavior:

**Physiological Needs**

- Food
- Water
- Breathing
- Homeostasis

**Security and Safety Needs**

- Financial security
- Healh and wellness
- Safety against accidents and injury

**Social Needs**

- Friendships
- Romantic attachments
- Family
- Social groups
- Community groups
- Churches and religious organizations

**Esteem Needs**

- Self-respect
Recognition
- Status
- Success

Self-actualization
- Self-fulfillment

**Family Life Cycle**

The Family life cycle is divided into four stages and the financial status and Banking

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<tr>
<th>Stage</th>
<th>Financial Situation</th>
<th>Banking Needs</th>
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<tbody>
<tr>
<td>Young Bachelor</td>
<td>Per capita income high, as no Dependents. Few financial burdens.</td>
<td>Credit cards, auto loan, low cost banking services</td>
</tr>
<tr>
<td>Half nest (Married with young children)</td>
<td>Home buying priority, low liquidity</td>
<td>Mortgage loan, credit card, overdraft, durables loan</td>
</tr>
<tr>
<td>Full nest (Older couple, grown up children)</td>
<td>Income stabilized, good financial position</td>
<td>Home improvement, equity investment flexi-deposit, investment services</td>
</tr>
<tr>
<td>Empty nest (Older couple)</td>
<td>Significantly reduced income</td>
<td>Social security services, some loans</td>
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**Customer Relationship Management**

Relationship marketing is the attracting, maintaining and nurturing relationship with customer in a multi-service organization aimed at customer relations.

**Objective of Relationship Marketing**

- Long term customer retention
- Relationship with external market who influence or provide referrals
- Integrating marketing activities, customer service and quality standards

*Note:* CRM concept and the database becomes the focal point for all marketing activities from customer loyalty programmes to internal communication.
Comparison between Transaction Marketing and Relationship Marketing

<table>
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<th>Relationship Marketing</th>
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<tr>
<td>Single sale focus</td>
<td>Customer Retention Focus</td>
</tr>
<tr>
<td>Product Feature Oriented</td>
<td>Product Benefit Oriented</td>
</tr>
<tr>
<td>Short –time frame</td>
<td>Long time scale</td>
</tr>
<tr>
<td>Low Emphasis on Customer Service</td>
<td>High Emphasis on customer Service</td>
</tr>
<tr>
<td>Moderate Customer Contact</td>
<td>High Customer Contact</td>
</tr>
<tr>
<td>Moderate Quality Concern</td>
<td>High Quality Concern</td>
</tr>
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Activities under CRM

- Establish and maintain a customer information database
- Planning customer contact points
- Analyzing informal customer feedback
- Conducting customer satisfaction survey
- Managing communication programmes
- Hosting special events
- Auditing and reclaiming lost customers

Gap Analysis
Gap 1: Difference between Customer Expectations and Perceptions of needs by Management. Occurs when the company management does not understand what customers really want.

Gap 2: Difference between Perception of needs by Management and Specification of the service. Occurs when Management understand what customers want but this does not translate into correct specifications and orders to the rest of the company.

Gap 3: Difference between Specification of the service and the Service produced. Occurs when the people who “produce” the service are unable, unwilling or do not know how to reach the specified standard.

Gap 4: Difference between the Service produced and Communication. Occurs when the service expectations formed by customers based on corporate communication are not met.

Gap 5: There is no clear consensus on what this gap means. Initially, it meant the difference between Expectations and Perception of service, which may arise when the customer sees a characteristic of service quality as something undesirable. But this gap is also now used to identify overall customer dissatisfaction, which appears as the result of the sum of the other gaps. At Openmet, we prefer the first of the two versions because it adds to the analysis of the causes of dissatisfaction.

Product

Kotler has defined product as:
A product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need.

**Product Personality**

- The Core Features
- The Associated Features
- The Brand Name and Logo
- The Package and Label

**Product Levels**

The five product levels are:

**Core benefit:** The fundamental need or want that consumers satisfy by consuming the product or service. For example, the need to process digital images.

**Generic product:** A version of the product containing only those attributes or characteristics absolutely necessary for it to function. For example, the need to process digital images could be satisfied by a generic, low-end, personal computer using free image processing software or a processing laboratory.

**Expected product:** The set of attributes or characteristics that buyers normally expect and agree to when they purchase a product. For example, the computer is specified to deliver fast image processing and has a high-resolution, accurate colour screen.

**Augmented product:** The inclusion of additional features, benefits, attributes or related services that serve to differentiate the product from its competitors. For example, the
computer comes pre-loaded with a high-end image processing software for no extra cost or at a deeply discounted, incremental cost.

**Potential product:** This includes all the augmentations and transformations a product might undergo in the future. To ensure future customer loyalty, a business must aim to surprise and delight customers in the future by continuing to augment products. For example, the customer receives ongoing image processing software upgrades with new and useful features.

**Product Planning**

Product Planning comprises the process of developing and maintaining a portfolio of products, which satisfy the needs and wants of customers from different segments.

*The following are main tasks in managing the product mix:*

- Appraisal of each product line and each product item
- Decision on packaging
- Product differentiation and positioning
- Managing brands and developing brand equity
- New product development
- Managing the product life cycle of products/brands
- Managing product quality

**Product Life Cycle**

The product life cycle has 4 very clearly defined stages, each with its own characteristics that mean different things for business that are trying to manage the life cycle of their particular products.

**Introduction Stage** – This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of things like research and development, consumer testing, and the marketing needed to launch the product can be very high, especially if it’s a competitive sector.

**Growth Stage** – The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.
Maturity Stage – During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.

Decline Stage – Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (i.e. all the customers who will buy the product have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

New Product Development

The Process of product development comprises of following five main stage:

- Idea generation and screening
- Concept development and testing
- Product development
- Test marketing
- Commercial launch

Product Strategies

Marketing strategies which are on the product element are called product strategies.

i) Product Modification

- Quality Improvement
- Feature Improvement
- Style Improvement

ii) Product Elimination

The Major reasons for product elimination are:

- Sales keep declining continuously and there is no possibility of increasing sales.
- Profits keep declining continuously and there is no possibility of improving profits.
- Product prices are declining continuously and it may be difficult for the firm to supply at the prevailing market price.
- Excessive administration expenditure and time.
iii) Diversification

Diversification refers to entering attractive opportunities which are outside the existing business of the firm. **Three types of diversification are generally observed:**

**Concentric Diversification:** A type of diversification in which a company acquires or develops new products or services (closely related to its core business or technology) to enter one or more new markets.

**Horizontal Diversification:** Horizontal diversification involves the extension of a production of products or service above and beyond the industry, in which the company operates.

**Conglomerate Diversification:** Conglomerate diversification is growth strategy that involves adding new products or services that are significantly different from the organization's present products or services.

**Other Aspects of Product Development**

- Branding
- Packaging
- Labeling

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</tr>
<tr>
<td>• Unit wise Mock - 500+ Questions</td>
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<tr>
<td>• Module Wise Mock - 200 Questions</td>
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<tr>
<td>• Full length Mock 5 - 600 Questions (Each Mock 120 Q)</td>
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<tr>
<td>• Memory based Mock</td>
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</tbody>
</table>

Best Study Materials and Mock Tests for JAIIB/CAIIB Exams
When marketers talk about what they do as part of their responsibilities for marketing products, the tasks associated with setting price are often not at the top of the list. Marketers are much more likely to discuss their activities related to promotion, product development, market research and other tasks that are viewed as the more interesting and exciting parts of the job. Yet pricing decisions can have important consequences for the marketing organization and the attention given by the marketer to pricing is just as important as the attention given to more recognizable marketing activities.

### Objective of Pricing

- Maximum Profit
- Survival
- Market Share
- Cash Flow
- Status quo
- Product Quality
- Communication Image

### Different Between Short Term Objective and Long- term Objective

<table>
<thead>
<tr>
<th>Short Term Objective</th>
<th>Long Term Objective</th>
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Best Study Materials and Mock Tests for JAIIB/CAIIB Exams
<table>
<thead>
<tr>
<th>Profit Maximization</th>
<th>Profit Optimization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum return on sales turnover</td>
<td>Minimum return on investment</td>
</tr>
<tr>
<td>Achieving a particular sales level</td>
<td>Achieving a particular market share</td>
</tr>
<tr>
<td>Deeper penetration of the market</td>
<td>Entering new market</td>
</tr>
<tr>
<td>Keeping parity with competition</td>
<td>Providing commodities/services at prices that will stimulate economic development</td>
</tr>
<tr>
<td>Fast turnaround or early cash recovery</td>
<td>Stabilizing prices and margins in the market</td>
</tr>
</tbody>
</table>

**Factors Influencing Pricing**

<table>
<thead>
<tr>
<th>Internal Factors</th>
<th>External Factors</th>
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</thead>
<tbody>
<tr>
<td>Objectives of the firm—both corporate and marketing</td>
<td>Market characteristics—pertaining to demand, customer, competition</td>
</tr>
<tr>
<td>Characteristics of the product</td>
<td>Buyer's behavior and bargaining power</td>
</tr>
<tr>
<td>Life cycle stage of the product</td>
<td>Competitors policy</td>
</tr>
<tr>
<td>Usage characteristics—Use pattern, turnaround rate—of the product</td>
<td>Government controls and regulations</td>
</tr>
<tr>
<td>Price elasticity of the demand of the product</td>
<td>Social considerations</td>
</tr>
<tr>
<td>Costs of manufacturing and marketing the product</td>
<td>Bargaining power of suppliers</td>
</tr>
<tr>
<td>Composition of the product line of the firm</td>
<td>Understanding with prices cartels</td>
</tr>
</tbody>
</table>

**Pricing Methods**

The Pricing Methods are the ways in which the price of goods and services can be calculated by considering all the factors such as the product/service, competition, target audience, product’s life cycle, firm’s vision of expansion, etc. influencing the pricing strategy as a whole.
The pricing methods can be broadly classified into two parts:

- Cost Oriented Pricing Method
- Market Oriented Pricing Method

**Cost-Oriented Pricing Method:** Many firms consider the Cost of Production as a base for calculating the price of the finished goods. Cost-oriented pricing method covers the following ways of pricing:

**Cost-Plus Pricing:** It is one of the simplest pricing method wherein the manufacturer calculates the cost of production incurred and add a certain percentage of markup to it to realize the selling price. The markup is the percentage of profit calculated on total cost i.e. fixed and variable cost.

E.g. If the Cost of Production of product-A is Rs 500 with a markup of 25% on total cost, the selling price will be calculated as:

\[
\text{Selling Price} = \text{cost of production} + \text{Cost of Production } \times \frac{\text{Markup Percentage}}{100}
\]

Selling Price=500+500 x 0.25= 625

Thus, a firm earns a profit of Rs 125 (Profit=Selling price- Cost price)

**Markup pricing:** This pricing method is the variation of cost plus pricing wherein the percentage of markup is calculated on the selling price. E.g. If the unit cost of a chocolate is Rs 16 and producer wants to earn the markup of 20% on sales then mark up price will be:

\[
\text{Markup Price} = \frac{\text{Unit Cost}}{1-\text{desired return on sales}}
\]
Markup Price = 16/1 - 0.20 = 20

Thus, the producer will charge Rs 20 for one chocolate and will earn a profit of Rs 4 per unit.

**Target-Return pricing**– In this kind of pricing method the firm set the price to yield a required Rate of Return on Investment (ROI) from the sale of goods and services. E.g. If soap manufacturer invested Rs 1,00,000 in the business and expects 20% ROI i.e. Rs 20,000, the target return price is given by:

\[
\text{Target return price} = \text{Unit Cost} + \left( \frac{\text{Desired Return} \times \text{capital invested}}{\text{unit sales}} \right)
\]

\[
\text{Target Return Price} = 16 + \left( \frac{0.20 \times 100000}{5000} \right) = \text{Rs 20}
\]

Thus, Manufacturer will earn 20% ROI provided that unit cost and sale unit is accurate. In case the sales do not reach 50,000 units then the manufacturer should prepare the break-even chart wherein different ROI’s can be calculated at different sales unit.

**Market-Oriented Pricing Method**: Under this method price is calculated on the basis of market conditions. Following are the methods under this group:

**Perceived-Value Pricing**: In this pricing method, the manufacturer decides the price on the basis of customer’s perception of the goods and services taking into consideration all the elements such as advertising, promotional tools, additional benefits, product quality, the channel of distribution, etc. that influence the customer’s perception.

E.g. Customer buy Sony products despite less price products available in the market, this is because Sony company follows the perceived pricing policy wherein the customer is willing to pay extra for better quality and durability of the product.

**Value Pricing**: Under this pricing method companies design the low priced products and maintain the high-quality offering. Here the prices are not kept low, but the product is re-engineered to reduce the cost of production and maintain the quality simultaneously.

E.g. Tata Nano is the best example of value pricing, despite several Tata cars, the company designed a car with necessary features at a low price and lived up to its quality.

**Going-Rate Pricing**- In this pricing method, the firms consider the competitor’s price as a base in determining the price of its own offerings. Generally, the prices are more or less same as that of the competitor and the price war gets over among the firms.

E.g. In Oligopolistic Industry such as steel, paper, fertilizer, etc. the price charged is same.

**Auction Type pricing**: This type of pricing method is growing popular with the more usage of internet. Several online sites such as eBay, Quikr, OLX, etc. provides a platform to customers where they buy or sell the commodities.
**Differential Pricing:** This pricing method is adopted when different prices have to be charged from the different group of customers. The prices can also vary with respect to time, area, and product form.

**E.g.** The best example of differential pricing is Mineral Water. The price of Mineral Water varies in hotels, railway stations, retail stores.

**Pricing Strategies**

**Geographical Pricing:** Geographical pricing, in marketing, is the practice of modifying a basic list price based on the geographical location of the buyer. It is intended to reflect the costs of shipping to different locations.

**Psychological Pricing:** Psychological pricing (also price ending, charm pricing) is a pricing and marketing strategy based on the theory that certain prices have a psychological impact. Retail prices are often expressed as "odd prices": a little less than a round number, e.g. $19.99 or £2.98.

**Discriminatory Pricing:** Price discrimination is a microeconomic pricing strategy where identical or largely similar goods or services are transacted at different prices by the same provider in different markets.

**Market Skimming Pricing:** A pricing approach in which the producer sets a high introductory price to attract buyers with a strong desire for the product and the resources to buy it, and then gradually reduces the price to attract the next and subsequent layers of the market.

**Pricing Discounts and Allowances:** The seller generally allows some discount to the buyer. It is usually expressed as a percentage of sale prices. A seller may allow either of the trade and cash discounts or both of them.

**Promotion Pricing:** Price promotions or promotional pricing is the sales promotion technique which involves reducing the price of a product or services in short term to attract more customers & increase the sales volume.

**Product mix:** The product mix is the collection of products and services that a company chooses to offer its market. Pricing strategies range from being the cost leader to being a high-value, luxury option for consumers.

**Market penetration pricing:** Market penetration pricing is a pricing strategy that sets a low initial price for a product. The goal is to quickly attract new customers based on the low cost. The strategy is most effective for increasing market share and sales volume while discouraging competition.

**Bank Pricing**

**There are two major costs, which have to be considered while pricing bank products:**
• Interest Cost
• Servicing Cost

Factors which impact in bank pricing:

• Risk and return
• Monetary Policy
• Capital adequacy
• Cost- benefit analysis

Unit 5- Distribution: Meaning, Functions, Factors and Types

Distribution Channel

A distribution channel is a chain of businesses or intermediaries through which a good or service passes until it reaches the final buyer or the end consumer. Distribution channels can include wholesalers, retailers, distributors, and even the Internet.

Function of Distribution Channel

Product Promotion: Sales promotional activities are mostly performed by the producer but sometimes middlemen also participate in these activities like special displays, discounts etc.

Matching: The Distribution channel partners, shape and fit the offer to the buyer's needs, including alterations, grading, assembling and packaging. They also help in providing variety of offerings from different sources to the consume.

Negotiation: Middlemen negotiate the price, quality, guarantee and other related matters about a product with the producer as well as customer.

Physical Distribution: Marketing channels are responsible for assembly, storage, sorting, and transportation of goods from manufacturers to customers.

Marketing: Distribution channels are also called marketing channels because they are among the core touch points where many marketing strategies are executed. They are in direct contact with the end customers and help the manufacturers in propagating the brand message and product benefits and other benefits to the customers.

Risk Taking: Middlemen have to bear the risk of distribution like risk from damage or spoilage of goods etc. when the goods are transported from one place to another or when they are stored in the god-owns.
Types of Distribution Channels

Channels of distribution can be divided into the **direct channel** and the **indirect channels**. Indirect channels can further be divided into one-level, two-level, and three-level channels based on the number of intermediaries between manufacturers and customers.

**Direct Channel or Zero-level Channel (Manufacturer to Customer)**

Direct selling is one of the **oldest forms of selling products**. It doesn’t involve the inclusion of an intermediary and the manufacturer gets in direct contact with the customer at the point of sale. Some examples of direct channels are peddling, brand retail stores, taking orders on the company’s website, etc.

**Indirect Channels (Selling Through Intermediaries)**

When a manufacturer involves a middleman/intermediary to sell its product to the end customer, it is said to be using an indirect channel. Indirect channels can be classified into three types:

**One-level Channel (Manufacturer to Retailer to Customer):** Retailers buy the product from the manufacturer and then sell it to the customers. One level channel of distribution works best for manufacturers dealing in shopping goods like clothes, shoes, furniture, toys, etc.

**Two-Level Channel (Manufacturer to Wholesaler to Retailer to Customer):** Wholesalers buy the bulk from the manufacturers, breaks it down into small packages and sells them to retailers who eventually sell it to the end customers. Goods which are durable, standardised and somewhat inexpensive and whose target audience isn’t limited to a confined area use two-level channel of distribution.

**Three-Level Channel (Manufacturer to Agent to Wholesaler to Retailer to Customer):** Three level channel of distribution involves an agent besides the wholesaler and retailer who assists in selling goods. These agents come handy when goods need to move quickly into the market soon after the order is placed. They are given the duty to handle the product distribution of a specified area or district in return of a certain percentage commission. The agents can be categorised into super stockists and carrying and forwarding agents. Both these agents keep the stock on behalf of the company. Super stockists buy the stock from manufacturers and sell them to wholesalers and retailers of their area.

**Factors Influencing Channel selection**

Producers have to decide the types of channels for distribution of their products. The major factors influencing this decision are discussed below:
- Market Characteristics
- Product Characteristics
- Competition Characteristics
- Company Characteristics

<table>
<thead>
<tr>
<th>MARKET CHARACTERISTICS</th>
<th>BUSINESS USERS</th>
<th>CONSUMERS</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>GEOGRAPHICALLY CONCENTRATED</td>
<td>GEOGRAPHICALLY DISPERSED</td>
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<tr>
<td></td>
<td>EXTENSIVE TECHNICAL KNOWLEDGE AND REGULAR SERVICING REQUIRED</td>
<td>LITTLE TECHNICAL KNOWLEDGE AND REGULAR SERVICING NOT REQUIRED</td>
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<td></td>
<td>LARGE ORDERS</td>
<td>SMALL ORDERS</td>
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<table>
<thead>
<tr>
<th>PRODUCT CHARACTERISTICS</th>
<th>PERISHABLE</th>
<th>DURABLE</th>
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<tbody>
<tr>
<td></td>
<td>COMPLEX</td>
<td>STANDARDIZED</td>
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<td></td>
<td>EXPENSIVE</td>
<td>INEXPENSIVE</td>
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| COMPETITION CHARACTERISTICS | COMPETITOR USES THE DIRECT CHANNELS AND THE MANUFACTURER IS SATISFIED WITH ITS PERFORMANCE OR COMPETITOR USES INDIRECT CHANNELS AND THE MANUFACTURER THINKS CHOOSING THIS CHANNEL WOULD BE MORE BENEFICIAL | COMPETITOR USES THE INDIRECT CHANNELS AND THE MANUFACTURER IS SATISFIED WITH ITS PERFORMANCE OR COMPETITOR USES THE DIRECT CHANNEL AND THE MANUFACTURER THINKS CHOOSING THIS CHANNEL WOULD BE MORE BENEFICIAL |

<table>
<thead>
<tr>
<th>COMPANY CHARACTERISTICS</th>
<th>CHANNEL CONTROL IMPORTANT</th>
<th>CHANNEL CONTROL NOT IMPORTANT</th>
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<tr>
<td></td>
<td>BROAD PRODUCT LINE</td>
<td>LIMITED PRODUCT LINE</td>
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<td></td>
<td>MANUFACTURER HAS ADEQUATE RESOURCES TO PERFORM CHANNEL FUNCTIONS</td>
<td>MANUFACTURER LACKS ADEQUATE RESOURCES TO PERFORM CHANNEL FUNCTIONS</td>
</tr>
</tbody>
</table>

**Channels for Banking Services**

- Branches
- Telephones Banking and call centres
- ATM
- Personal Computer
- Plastic Cards
- Virtual Branches and Automated video Banking

**Mobile Banking**
Advantage

- With Mobile Banking, users of mobile phones can perform several financial conveniently and securely from their mobile.
- A person can check his/her account balance, review recent transaction, transfer fund, pay bills, locate ATMs, manage investments etc.
- Mobile banking is available round the clock 24/7/365
- Mobile banking is said to be even secure than online/internet banking. ETC ETC.

Disadvantages

- Mobiles banking users are at risk of receiving fake SMS messages and scams.
- The loss of a person’s mobile device often means that criminals can gain access to your mobile banking PIN and other sensitive information.

Internet Banking

Most online payments are done via internet banking option. It has become one of the most convenient payment methods for transferring money. Most banks have created their own apps that can be downloaded on the phone and used any time. Through mobile devices, users can make transactions through mobile apps, net banking facilities, or internet fund transfer services such as IMPS (Immediate Payment Services), NEFT (National Electronic Fund Transfer), and RTGS (Real-time Gross Settlement).

Advantages

- Easy To Operate
- Convenience Of Making Payments
- Round The Clock Availability
- Time Saving and Efficient
- Account Activity Tracking

Disadvantages
• No Online Banking Without Internet Access
• Threat Transaction Security
• Securing Your Password

Unit 6- Channel Management

Market channel System

Most producers do not sell their goods directly to the final users; between them stands a set of intermediaries performing a variety of functions. These intermediaries constitute a marketing channel. Some intermediaries such as wholesalers and retailers buy, take title to and resell the merchandise. They are called merchants.

Other- brokers, manufactures representatives, sales agents- search for customers and may negotiate on the producer’s behalf but do not take title to the goods. They are called agents.
Still Other- Transportation companies, independent warehouses, banks, and advertising agencies- assists in the distribution process but neither do they take title to goods nor do negotiate purchases or sales and they are called facilitators.

Market channels are set interdependent organizations involved in process of marketing a product or service available for use or consumption. Marketing channel decision are the most critical decisions faced by management. The company’s channel decisions involve relatively long-term commitment to other firms, company's pricing, advertising decisions, etc.

### Channel levels

- **Zero level**: Direct marketing channel e.g: Internet sale, door to door sale
- **One level**: Contains one selling intermediary such as a retailer
- **Two level**: Contains two selling intermediaries viz, wholesaler and retailer
- **Three level**: Wholesaler, who sells to jobbers, who in turn sell to retailers

### Channel Dynamics

**Vertical Marketing system (VMS)**: In conventional channels no members like producer, wholesaler or retailers have any dependency on each other. They are completely independent.

**Horizontal Marketing system**: It is one in which two or more unrelated companies put together resources or programmers to exploit an emerging marketing opportunity. In this companies use another company’s established channel.

**Multi-channel marketing systems**: With the proliferation of customer segments and channel possibilities, more companies have adopted multi-channel marketing,. It occurs when a single firm use two or more marketing channels to reach one or more customer segments.

### Channel Management Advantage

- Increased market coverage.
- Lower channel cost- for instance activating mobile banking rather than corresponding individually with customers.
- More Customized selling- using the technological advancement to mutual advantage and using the technical/ marketing personnel to sell more complex products.


**Unit 7- Promotion**

**Role of Promotion in Marketing**

Promotion is the exercise of communicating the properties of different elements of marketing mix to the customers with the intention of influencing them.

**Persuasion:** Promotion aims at persuading the consumers so that they start acting in favour of the firm. Persuasion seeks to bring about a change in attitude.

**Inform:** Promotion aims at conveying information about the properties of products to the prospects, to influence their desires and transform them into action.

**Reminding:** Promotion seeks to remind the customers about the offerings of the firm with a view to retaining their business and have a higher share in it.

**Reinforcing:** Promotion also aims at reinforcing the customer satisfaction. This helps in increasing the number of habitual customers.

**Promotion Mix**

The Promotion Mix refers to the blend of several promotional tools used by the business to create, maintain and increase the demand for goods and services.

**Advertising:** The advertising is any paid form of non-personal presentation and promotion of goods and services by the identified sponsor in the exchange of a fee. Through advertising, the marketer tries to build a pull strategy; wherein the customer is instigated to try the product at least once.

**Personal Selling:** This is one of the traditional forms of promotional tool wherein the salesman interacts with the customer directly by visiting them. It is a face to face interaction between the company representative and the customer with the objective to influence the customer to purchase the product or services.
Sales Promotion: The sales promotion is the short term incentives given to the customers to have an increased sale for a given period. Generally, the sales promotion schemes are floated in the market at the time of festivals or the end of the season. Discounts, Coupons, Payback offers, Freebies, etc. are some of the sales promotion schemes.

Public Relations: The marketers try to build a favourable image in the market by creating relations with the general public. The companies carry out several public relations campaigns with the objective to have a support of all the people associated with it either directly or indirectly.

Direct Marketing: With the intent of technology, companies reach customers directly without any intermediaries or any paid medium. The e-mails, text messages, Fax, are some of the tools of direct marketing.

Promotion Mix Strategies

There are two basic promotion mix strategies:

Push Strategy: In this, Promotion efforts are directed at the channel members to induce them to purchase the products and sell them to the final consumer. This is done through personal selling and trade promotions.

Pull Strategy: In this, the promotion efforts are directed to the final consumer to induce them to buy the product. Consumers will then demand the product from the retailer, who, in turn, will demand from the wholesaler and producers. This product experiences the “Pull” of demand.

Factors Influencing the Promotion Mix

Three major factors affecting the choice of promotion mix are

Type of Product:

Type of product plays an important role in deciding on promotion mix. Product can be categorized in terms of branded products, non-branded products, necessity products, luxury products, new products, etc. All these types of products need different promotional tools. For example, advertising is suitable for the branded and popular products. Personal selling may be fit for non-branded products. Advertising, personal selling, sales promotion and publicity – all four tools – are used for a newly launched product to get a rapid consumer acceptance.

Readiness of Buyer:

Different promotional tools are required at different stages of buyer readiness. Such as, at the comprehension stage, the blend of advertising and personal selling plays a vital role. Whereas at the conviction stage, personal selling is more effective. At the time of sales closure, the blend of sales promotion and personal selling is likely to be more effective.
Hence, the advertising and publicity are more effective at the early stages of buying decision process while the sales promotion and personal selling are more effective during the later stages.

Stage of Product Life Cycle:
Product passes through four stages of its life cycle. Each stage poses different threats and opportunities. Each stage needs separate marketing strategies. Each of the promotional tools has got different degree of suitability with stages of product life cycle.

It can be concluded that, in normal situations:

- Advertising, personal selling, and, even, sales promotion are used during the introduction stage. However, advertising is given more priority,
- More intensive advertising and sales promotional techniques are used during the second stage,
- More rigorous advertising along with personal selling are followed in the third stage, and
- Company prefers to curb the expenses in forth stage, and promotional efforts are reduced.

Unit 8 - Role of Direct Selling Agent/ Direct Marketing Agent in a Bank

Direct Selling

Direct selling refers to selling products directly to the consumer in a non-retail environment. Instead, sales occur at home, work, online, or other non-store locations.

Direct Marketing

Direct marketing is an advertising strategy that relies on the individual distribution of a sales pitch to potential customers. Mail, email, and texting are among the delivery systems used. It is called direct marketing because it generally eliminates the middleman such as advertising media.

Benefit of Direct Marketing

- It saves time and introduces customer to the various range of products.
- It is convenient, easy and hassle free for the customer.
• Various products are available at customer’s disposition
• It opens various delivery channels to the customer.
• Banks can offer a real time, customized and personalized marketing,
• It reduces the operational cost.
• It saves man hours and manpower in banks.
• It enables the banker to cater to the needs of individuals, both the commoner and the techno savvy.
• It enables the banker to use his available time for doing marketing jobs.
• It enables deployment of available manpower for other jobs

**Banker as a Direct selling Agent (DSA)/ Direct Marketing Agent (DMA) and his Job Role**

In The primary responsibility of the Banking Direct Selling Agent/Representative is branch management and in-branch services, teller and platform services, financial product sales, customer services, and management of lending risk to retail customer base. He builds a client base for banking direct sales through prospecting, networking, and referrals.

*A typical job description for the Banking Direct Selling Agent Representative role may include:*

• Develops new business prospects in specific geographic areas through cold calls.
• Interacts with existing customers to increase sales of the bank’s products and services.
• Requires a high school diploma or equivalent and **2-4 years of experience in the field** or in a related area.
• Familiar with standard concepts, practices, and procedures within a particular field.

**Code of Conduct for Direct selling Agents/ Direct Marketing Agents**

1. Tele-calling a Prospect (a prospective customer)

   • A prospect is to be contacted for sourcing a bank product or bank related product only under the following circumstances:
When prospect has expressed a desire to acquire a product through the bank’s internet site/call centre/Branch or through the Relationship Manager at the bank or has been referred to by another prospect/customer or is an existing customer of the bank who has given consent for accepting calls on other products of the bank.

- When the prospect’s name/telephone no/ address is available & has been taken from one of the lists/directories/databases approved by the DSA Manager/Team leader, after taking his/ her consent.
- The TME should not call a person whose name/number is flagged in any “do not disturb” list made available to him/her.

2. Leaving messages and contacting persons other than the prospect.

- Calls must first be placed to the prospect. In the event the prospect is not available, a message may be left for him/her. The aim of the message should be to get the prospect to return the call or to check for a convenient time to call again. Ordinarily, such messages may be restricted to:
  - Please leave a message that ______________ (Name of officer) representing HDFC called and requested to call back at __________ (phone number)’.
  - As a general rule, the message must indicate:
    - That the purpose of the call is regarding selling or distributing a bank product of HDFC Bank

3. No misleading statements/misrepresentations permitted

_TME/BDE should not_ –

- Mislead the prospect on any service / product offered;
- Mislead the prospect about their business or organization’s name, or falsely represent themselves.
- Make any false / unauthorised commitment on behalf of Axis Bank for any facility/service.

4. Telemarketing Etiquettes
PRE CALL
No calls prior to 0930 Hrs or post 1900 Hrs unless specifically requested.
– No serial dialing
– No calling on lists unless list is cleared by team leader

DURING CALL
– Identify yourself, your company and your principal
– Request permission to proceed
– If denied permission, apologize and politely disconnect.
– State reason for your call
– Always offer to call back on landline, if call is made to a cell number
– Never interrupt or argue
– To the extent possible, talk in the language which is most comfortable to the prospect
– Keep the conversation limited to business matters
– Check for understanding of “Most Important Terms and Conditions” by the customer if he plans to buy the product
– Reconfirm next call or next visit details
– Provide your telephone no, your supervisor’s name or your bank officer contact details if asked for by the customer.
– Thank the customer for his/her time

POST CALL
– Customers who have expressed their lack of interest for the offering should not be called for the next 3 months with the same offer
– Provide feedback to the bank on customers who have expressed their desire to be flagged “Do Not Disturb”
– Never call or entertain calls from customers regarding products already sold. Advise them to contact the Customer Service Staff of the bank.

5. Gifts or bribes
TME/BDE’s must not accept gifts from prospects or bribes of any kind. Any TME/BDE offered a bribe or payment of any kind by a customer must report the offer to his/her management.
6. Precautions to be taken on visits/contacts

DSA/DMA should:

- Respect personal space – maintain adequate distance from the prospect.
- Not enter the prospect’s residence/office against his/her wishes;
- Not visit in large numbers – i.e. not more than one DMA and one supervisor, if required.
- Respect the prospect’s privacy.
- If the prospect is not present and only family members/office persons are present at the time of the visit, he/she should end the visit with a request for the prospect to call back.
- Provide his/her telephone number, supervisor’s name or the concerned bank officer’s contact details, if asked for by the customer.
- Limit discussions with the prospect to the business – Maintain a professional distance.

7. Other important aspects – Appearance & Dress Code

DSA/DMAs must be appropriately dressed –

For men this means

- Well ironed trousers;
- Well ironed shirt, shirt sleeves preferably buttoned down.

For women this means

- Well ironed formal attire (Saree, Suit etc.);
- Well groomed appearance.

Jeans and/or T Shirt, open sandals are not considered appropriate.

8. Handling of letters & other communication

Any communication sent to the prospect should be only in the mode and format approved by the Bank.

Channels of Delivery in a Bank

The channels through which a bank offers its services are:

- ATM Counters
- Net Banking
- Phone Banking
- Mobile Banking
• Real time Gross settlement system/ SWIFT
• Single Window system
• Online trading Account
• Cash Management Scheme/CMS
• Linking Banking and Insurance Related Products
• POS Machines
• Kioks

**JAIIB Online Mock test with Explanation**

<table>
<thead>
<tr>
<th>JAIIB/DBF Paper I</th>
<th>Mock</th>
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| (Principle and Practices of Banking) | • Unit wise Mock- 450 questions  
• Module Wise Mock- 250 Questions  
• Full length Mock 5- 600 Questions (Each Mock 120 Q) |
| Visit-test.ambitiousbaba.com | • Case Study Mock  
• Memory based Mock  
Total- 1500+ Questions |

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**Unit 9- Marketing Information Systems**

**Marketing Information Systems**
"A marketing information system is a continuing and interacting structure of people, equipment and procedures to **gather, sort, analyse, evaluate, and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation, and control".

**Functions of Marketing information system**

- Collecting and assembling data
- Processing of data
- Analyzing the data
- Storage of data
- Dissemination of information

**Components of Marketing information system**
•  **Internal records system:** The Company can collect information through its internal records comprising of sales data, customer database, product database, financial data, operations data, etc.

•  **Market intelligence system:** The marketing intelligence system provides the data about the happenings in the market, i.e. data related to the marketing environment which is external to the organization. It includes the information about the changing market trends, competitor’s pricing strategy, change in the customer’s tastes and preferences, new products launched in the market, promotion strategy of the competitor, etc.

•  **Marketing research system:** The Marketing Research is the systematic collection, organization, analysis and interpretation of the primary or the secondary data to find out the solutions to the marketing problems. Several Companies conduct marketing research to analyze the marketing environment comprising of changes in the customer’s tastes and preferences, competitor’s strategies, the scope of new product launch, etc.

•  **Marketing management and science system:** It includes several software programs that can be used by the marketers to analyze the data, collected so far, to take better marketing decisions. With the use of computers, the marking managers can save the huge data in a tabular form and can apply statistical programs to analyze the data and make the decisions in line with the findings.

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**Advantage of Marketing information system**

• The MKIS framework provides a set of procedures and methods for regular, planning, purpose-oriented and systematic collection of data, its analysis, storage and retrieval.

• It helps in improving the data capture process, checks for reliability, consistency and quality of data.

• The operation of collecting, processing and transmitting data becomes smooth and the information flow to the decision- makers takes place in a ready for decision form.

• Provides tailor made information for specific needs.

• If facilitates repetitive use of the same information for different purposes.

• It also helps in sorting out conflicting information, which otherwise would lead to confusion and misdirect the decisions.
## JAIIB Online Mock test with Explanation

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