

# CHAPTER I

## INTRODUCTION

### 1. Background of the Study

For proper and efficient utilization of resources, it needs proper plan and strategic development and for plan and strategic development, huge amount of capital investment is required. Nowadays Bank is viewed as means in the process of the economic growth. The mobilization of the domestic resources is one of the key factors in the economic development of the country. Bank and financial institution collect immobilized money in the form of deposit from every corner and parts of the country and provides these deposits in the form of short term and long term loan. For the economic growth and development of a nation, proper utilization of available resources in efficient manner is highly necessary. The major problem of developing country like Nepal is the problem of economic growth with stability. Due to various factors, the economic activities have been highly fluctuating. In present situation of distortion of financial institution have higher threats to run into marketing risk. Major Banking problem have been caused by weakness in marketing plan for any bank and financial institution. (Thapa, 2008: p.1)

A bank is an institution which deals with money and credit. It accept the deposit from public and mobilize the fund to productive sector. Bank therefore is known as a dealer of money. In other word A bank and financial institution is an organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to others for expenditure. Bank is the establishment for keeping money valuable etc. safely the money being paid out on the customer order (by means of cheque). Similarly, a definition is encyclopedia that a Bank is a business organization that receives and holds deposits of fund from others and makes loan or extend credit and transfer funds by written order of deposit. The main business of a bank is to pool the scattered idle deposits in the public and channel it for productive use. It collects deposits and invests or lends to those who stand in need of money. Bank, in other words, is a custodian of money received from depositors. Hence, it's responsibility towards the general public is

pretty different than those who are involved in different type of trade and service. Modern day banks exhibit the trial more of a department store with a wide range of financial products to offer. (Shrestha, 2009: p. 1)

Deposit is the strongest pillar for any bank or financial institution. Without these not a single institution cannot survive. But currently, the banking system of Nepal doesn't seem to be going on the right way. The ongoing uncompetitive interest war and expansion of banking network haphazardly have further broadened the problem. In Pokhara valley more than 100 of these institutions are competing with each other to sustain in the stiff competition. With the shivering economic condition worldwide, most of the countries are going through liquidity crunch. Nepal is not untouched by this situation. Most of the banks are having a run for deposit. Banking and financial institutions are facing a tough time to meet the customer's obligations. Liquidation of Nepal Development Bank, Samjhana Finance Company and crisis-ridden declaration by Nepal Rastra Bank against Nepal Share Market Finance and United Development Bank have been haunting the depositors. People rather feel safe to keep the money at homes than deposit them in Banks and Financial institution. While NRB's recent step to demoralize lending in real estate sector in order to protect the economy as whole has further not only pushed the bank notes away from bank but also effected the lending sector overall immensely. Decline growth of inflow of remittance in country, decreasing foreign reserves, dwindling political atmosphere of country, capital flight especially to U.K are the contributing factors for economic slowdown. To some extent this economic slowdown can be minimized through appropriate marketing planning and execution. The banking industry is definitely a very competitive market. Marketing and banks have been sharing a mutual relationship since the establishment of banks and finances in the country. Actually bank marketing is the design and delivery of customer needed services worked out by keeping in view the corporate objectives of the bank and environmental constraints. But the old marketing reforms need to be changed. Because of its competitiveness, companies will have to set up their bank marketing policies to more modern forms and expand their horizons in order to maintain customer levels necessary for their company to remain successful. Some banks still mail out their brochures to customers and advertise new things that are happening with their institution but the truth of the fact is that most people do not

deal with regular mail, brochures, newspaper ads or business cards like they used to. Technology has come a long way. With the continuous growth of competition in the market place, understanding customers has become more and most important method of marketing. Research has shown that high marketing contributes significantly to profitability. It is said that customer is king of the market. Every customer focus on benefits so they are attracted to those banks where they feel convinced enough to deposit their money. Here, in the highly competitive, complex and dynamic environment of the banking industry, it has been widely seen that long customer relationships are totally based on their rate of return on their deposit. People invest their savings with an expectation of getting some reward for leaving its liquidity. They only deposit their money in those banks where they can get higher return. (Shrestha, 2013: p.11)

Marketing is the process used to determine what products or services may be of interest to customers, and the planning to use in sales, communications and business development. It generates the strategy that underlies sales techniques, business communication, and business developments. It is an integrated process through which companies build strong customer relationships and create value for their customers and for themselves. (<http://en.org.wikipedia.org/wiki/>). The banking industry is definitely a very competitive market. Since, Marketing Planning and execution plays a crucial role in the success of the business so this study is to make an attempt to analyze the marketing planning and execution that have been followed by Bishwa Bikash Bank Limited to strengthen the position of the organization in term of deposit collection.

Bishwa Bikash Bank Limited (BBBL) is a Regional level Development Bank having its Head office at Pokhara-4, Chipledhunga, Kaski, Nepal. Bishwa Bikash Bank has been registered under the company act 2063 (Bikram Era) with a mandate to operate as a Development Bank within the framework of Bank & Financial Institution Act 2063 (Bikram Era). BBBL was established with the aim of collecting idle sources of funds and lending it to productive sector by providing employment opportunity for overall economic development of the country through effortless, reliable and quality banking service. BBBL has 13 branches all over the country. The bank is established

by 75 promoter shareholder. Board committee possesses eight members out of which five are from promoters and others from the general public. The Bank has an ownership of 61% with 39% shares owned by the general public. All the decisions of BBBL are taken by the BOD under the rules and regulations formulated by NRB as well as Bank and Financial Institution Act 2063 B.S. The bank is permitted as 'B' class licensed financial institution from Central bank of Nepal (Nepal Rastra Bank). BBBL is a regional development bank having approval to operate within 10 districts of Nepal. These are: Kaski, Tanahun, Syangja, Parbat, Rupandehi, Nawalparasi, Chitwan, Bara, Parsa and Makwanpur.

As slogan "your convenient bank", BBBL is committed to provide quality service conveniently. ([www.bbbank.com.np](http://www.bbbank.com.np))

## **1.2 Statement of the Problem**

During the era of arm-chair banking, the banks and financial institutions were very few and people had no other option than follow the rules of the few banks which were serving the customers. But the current scenario has changed. With the growing competition in the banking industry there is increasing in deposit withdrawal in banks. The recent Nepal Rastra Bank's initiatives have necessitated a dire need for banks to take marketing of their products very seriously. It is obvious that competition amongst banks would increase in the following years and as such there is need for real marketing planning to be applied to further professionalize the industry. It is believed that banks with more funds would be well positioned to become one of the leaders in the dynamic and competitive sector and marketing plays a vital role in deposit attraction and sourcing of funds. Also we know that deposit is indispensable for every banks so it is necessary to understand influencing factor & make appropriate marketing policy so that banks can attract customers for the longer period to deposit in their bank. The basic problem of this study is to identify and analyze the marketing planning of Bishwa Bikash Bank Limited. Some of the problems are specified below:

- What is the current position of deposit?
- How is the environmental scanning and analyzing practice to decide appropriate marketing policies?
- How effectively the organization developed the marketing mix strategy?
- How market segment practice is done?
- How marketing planning is evaluated?

### **1.3 Objectives of the Study**

Deposit is the emerging issues in today's economic crisis period. In such a situation, marketing is necessary to expand the horizon of deposit in order to maintain customer's level necessary for the organization to remain successful. Therefore the general objectives of the study is to explore the different prospective of marketing.

- To identify the current position of deposit of the organization?
- To present environment scanning and analysis practice by the organization to decide appropriate marketing policies.
- To analyze the marketing mix development by the organization.
- To identify the market segmentation practice by the organization.
- To analyze the evaluation of marketing plan.
- To suggest the appropriate marketing planning for the organization.

### **1.4 Significance of the Study**

With the entrants of new commercial banks, financial institutions and development banks, obviously competition is going to be stiffer in the coming days as these banks and financial institutions are going to share the same market. Moreover, some banks coming with strategic alliance with other banks have further expanded the horizon of competition. There are still challenges for the bank to understand, identify and determine the factors that influences the customer to make decision in selection of bank to deposit the fund. So the significance of the study is to boost the general marketing philosophies to cope with the prevailing marketing competition. It will help a particular organization to draw some drawbacks in case of deposits. In addition this research will help the next potential researcher to research on this topic.

### **1.5 Limitations of the Study**

This research is conducted for the partial fulfillment of M.B.S. degree. Having very limited time and resources for a researcher, this study confines only to pokhara based branch of Bishwa Bikash Bank Limited. To complete this research, the researcher will also follow the different sources available like books, journals, articles, internet,

dissertation etc. The study can not cover the overall marketing subject because of time and size of subject matter. Every necessary data is not possible to get, however researcher will try to search the data through different discipline to cover the research subject matter. Some of the limitations of the study will:

- The study is limited to marketing planning and execution in deposit.
- The study is based on information available from head office.
- The time and available funds are limited to study so, the scope of the study is also limited.
- The analysis is based on the primary and secondary data but majority of the study depends on primary data.
- It is not only a case study hence the conclusion drawn from the study not only for the specified organization it will work as general knowledge.
- Major portion of analysis and interpretation is based on available secondary data and primary information. Thus, reliability of the study is also based on reality of collected primary and secondary data and information.

## **1.6 Organization of the Study**

The researcher plan to divide the dissertation into five capters.

### **Chapter 1**

This chapter is an introduction chapter deals with general background of the study, statement of the problem, objective of the study, significance of the study and limitation of the study & including organization of the study

### **Chapter-2**

This chapter is a review of literature; it includes conceptual review, concept of planning, process of planning, concept of environmental scanning, process of environmental scanning, marketing planning, marketing environment, marketing mix, market segmentation, criteria for market segmentation, importance of market segmentation, concept of banking, history/development of banking sector in Nepal,

banking in pokhara, marketing in context to bank and financial institution, review of related studies and research gap.

### **Chapter-3**

This chapter explains the research methodology employed to conduct this study, tools and technique used in analysis of the data as well. This chapter includes research design, population and sample, sources of data, data collection procedure, data analysis tools and limitation of the methodology.

### **Chapter-4**

This chapter is the backbone of the whole study as it includes collection of the data, analyzing those using different tools and techniques and also this chapter includes presenting them in crystal view.

### **Chapter-5**

Fifth and last chapter is conclusive and suggestive chapter. It includes summary of the study, conclusions and recommendation for further improvement. Besides these, bibliography & annexure are also presented at the end of the thesis. Similarly, acknowledgement, table of contents, list of tables, list of figures, acronyms used are included in the front of the thesis report.

## **CHAPTER II**

### **LITERATURE REVIEW**

This chapter focuses on the conceptual review and research review on the subject matter of the study. The former section presents the theoretical aspects of the study and the latter one presents the review of related studies carried out in the study area.

#### **2.1 Conceptual Review**

Conceptual review provides knowledge about some theoretical aspect related to the subject matter of the research. It comprises of concept of planning, planning process, concept of environmental scanning, process of environmental scanning, marketing planning, marketing environment, marketing mix, market segmentation, criteria for market segmentation, importance of market segmentation, concept of banking, history/development of banking sector in Nepal and banking in pokhara and marketing in context to bank & financial institution.

##### **2.1.1. Concept of Planning**

Planning is deciding in advance what to do, how to do it, when to do it and what to do it. Planning plays a vital role in helping to avoid mistakes or recognize hidden opportunities. It is the sole concept of any business organization. Without the proper and efficient planning, no firm can accomplish its predetermined goals and objectives. Preparing a satisfactory plan of the organization is essential. Planning helps in forecasting the future, makes the future visible to some extent in terms of products, management, finances, and most importantly, markets and competition. It bridges between where we are and where we want to go. Planning is looking ahead. Planning is the continuous process, selecting and developing the course of action to accomplish an objective. It is the basis from which future management actions spring. To plan is to look ahead and chalk out future course of operations. It is the determination of a course of action to achieve a desired result. (Kulkarni: 1985: p.187). Planning can be of two types. They are:



### **i) Strategic (Long-Range) Planning:**

Long range planning covers the time horizon of 5-10 years. It is a top management function in which organization's purpose, mission and overall objectives, and policies are developed to position the organization advantageously in its operating environment.

The main purpose of long range planning is:

- i. To implement capital plan.
- ii. To keep organization in strong position.
- iii. To be alert towards new techniques.
- iv. For focusing long-term opportunities.

### **ii) Tactical (Short-Range) Planning:**

Generally short term planning is done for short time period. The purpose of short term planning is to acquire and facilitate resources, personnel, and raw material. It is also helps to control cost through planned acquisition and create new opportunities by assessing the environment and resources.

## **2.1.2 Process of Planning**

### **i. Analysis of External and Internal Environment**

It is necessary to consider the external environment of an organization. The term external environment includes socio-economic condition and political condition prevailing in a country. Socio-economic refers to classification of society on the basis of income, age, class, living condition, expectations and the like. These factors are not controllable ones. But, every organization has to prepare the plan according to the changing trends in external environment.

Internal environment is an analysis of the strength and weakness of an organization. Due consideration is made on the availability of resources, profitability, plant capacity, available manpower, communication effective and the like.

### **ii. Determination of Objectives**

The objectives of an organization are pre-planned Objectives specify the results expected. Once the organization's objectives are determined, the section-wise or department-wise objectives are planned at the lower level. Defining the objectives of every department is a very essential one; then only clear-cut direction is available to the departments.

### **iii. Determining Planning Premises**

Premises are planning assumption about the environment in which the plan is to be carried out. Thus, it is a forecast of sales volume, production cost, product line, competition, tax rates and policies, profitability and political and social conditions. There are number of sources to draw from when preparing forecasts for the organization. Thus, planning premises are vital to the success of planning as they supply pertinent and information relating to future.

### **iv. Examination of Alternative Courses of Action**

An action may be performed in many ways but a particular way is most suitable to the organization. Hence, the management should find alternative ways and examine them in the light of planning premises.

According to Koontz and O'Donnell, "There is seldom a plan made for which reasonable alternatives do not exist. Moreover, before weighing alternatives and reaching a decision, one is wise to search for alternatives that may not be immediately apparent. Quite often an alternative does not immediately prove to be the most profitable way of undertaking a plan."

### **v. Weighing Alternative Course of Action**

All the alternative are not suitable to an organization. Each alternative has its own strong and weak points. So, there is a need for weighing all the alternatives to determine the best alternative.

### **vi. Selecting a best alternative**

The selection of the best alternative is based on the weighing of various alternatives. A course of action is determined according to the circumstances prevailing. No, partiality is shown while selecting the best alternative.

#### **vii. Formulating of Action Programmes**

The determined course of action is adopted for each department, product, for a quarter, month, week etc. Finally, the management should draft a final plan in definite terms. The action programme includes fixing time limit for performance, allocation of work to individuals and work schedule. There are necessary to achieve the objectives within the specified period.

#### **viii. Follow-up and Evaluation**

The shortcomings of planning can be identified through a follow-up action and rectified then and there. The management should watch how the planning is being done. The continuous evaluation of planning is also necessary. It means that the actual performance is compared with the planning and then corrective action is taken if there is any deviation. (Ramasamy, 2000: p.51-52)

#### **2.1.3 Concept of Environmental Scanning**

Environmental scanning can be defined as 'the study and interpretation of the political, economic, social and technological events and trends which influence a business, an industry or even a total market' (<http://en.org.wikipedia.org/wiki/>).

It is further defined as a data collection practice which is aimed at collecting information about an environment such as an office or institution that can be used in planning, development, and ongoing monitoring by managers and supervisors. Once data has been collected with scanning it can be processed and analyzed to create a brief to be used in decision making. Environmental Scanning is the monitoring, evaluating and disseminating of information from the external and internal environment to key people within the organization. In other word it is the method or technique of acquiring information and analyzing the trends emerging in the marketing environment. It involves monitoring changes and development in the

marketing environment that have potential impact on the business of an organization. Its purpose is to identify strategic factors—those external and internal elements that will determine the future of the organization. The reason to conduct environmental scanning is in preparation for a major change such as a new facility, a big shift in policy, or a product launch. Scanning and gathering data before entering the planning stage is a useful tool to help identify weaknesses, opportunities, threats, and strengths. These can be built upon in the planning stage to create a strong and effective plan to address issues identified during environmental scanning. Failure to collect information before starting plans can result in costly mistakes and missed opportunities. (Shrestha, 2011: p.86)

Environmental scanning is the acquisition and use of information about events, trends, and relationships in an organization's external environment, the knowledge of which would assist management in planning the organization's future course of action. (Aguilar, 1967, Choo & Auster, 1993) Organizations scan the environment in order to understand the external forces of change so that they may develop effective responses which secure or improve their position in the future. They scan in order to avoid surprises, identify threats and opportunities, gain competitive advantage, and improve long-term and short-term planning (Sutton, 1988). To the extent that an organization's ability to adapt to its outside environment is dependent on knowing and interpreting the external changes that are taking place, environmental scanning constitutes a primary mode of organizational learning. Environmental scanning includes both looking at information (viewing) and looking for information (searching). It could range from a casual conversation at the lunch table or a chance observation of an angry customer, to a formal market research program or a scenario planning exercise. (<http://informationr.net/ir/7-1/paper112.html>)

Basically in most of the organizations today scanning is conducted on a regular basis; an example might be an annual review of a working environment conducted with surveys, observation, and other study methods. In continuous scanning, an environment is constantly being scanned and analyzed. While a continuous process is time consuming and costly, it allows for rapid adaptations to changing situations. Mostly regular environmental scanning helps to analyze the strength, weakness,

opportunities and threats. The following might be the probable SWOT in most of the organization.

<b>Strengths</b>	<b>Weakness</b>
<ul style="list-style-type: none"> <li>J End-user sales control and direction.</li> <li>J Right products, quality and reliability.</li> <li>J Superior product performance vs competitors.</li> <li>J Better product life and durability.</li> <li>J Spare manufacturing capacity.</li> <li>J Some staffs have experience of end-user sector.</li> <li>J Have customer lists.</li> <li>J Direct delivery capability.</li> <li>J Product innovations ongoing.</li> <li>J Can serve from existing sites.</li> <li>J Products have required accreditations.</li> <li>J Processes and IT should cope.</li> <li>J Management is committed and confident.</li> </ul>	<ul style="list-style-type: none"> <li>J Customer lists not tested.</li> <li>J Some gaps in range for certain sectors.</li> <li>J We would be a small player.</li> <li>J No direct marketing experience.</li> <li>J We cannot supply end-users abroad.</li> <li>J Need more sales people.</li> <li>J Limited budget.</li> <li>J No pilot or trial done yet.</li> <li>J Don't have a detailed plan yet.</li> <li>J Delivery-staff need training.</li> <li>J Customer service staff need training.</li> <li>J Processes and systems, etc</li> <li>J Management cover insufficient</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>J Could develop new products.</li> <li>J Local competitors have poor products.</li> <li>J Profit margins will be good.</li> <li>J End-users respond to new ideas.</li> <li>J Could extend to overseas.</li> <li>J New specialist applications.</li> <li>J Can surprise competitors.</li> <li>J Support core business economies.</li> <li>J Could seek better supplier deals</li> </ul>	<ul style="list-style-type: none"> <li>J Legislation could impact.</li> <li>J Environmental effects would favor larger competitors.</li> <li>J Existing core business distribution risk.</li> <li>J Market demand very seasonal.</li> <li>J Retention of key staff critical.</li> <li>J Could distract from core business.</li> <li>J Possible negative publicity.</li> <li>J Vulnerable to reactive attack by major competitors.</li> </ul>

(<http://www.businessballs.com/swotanalysisfreetemplate.htm>)

Without taking into account relevant environmental influences, an organization cannot expect to develop its strategy. Scanning improves an organization's abilities to deal with rapidly changing environment in a number of ways which are listed below.

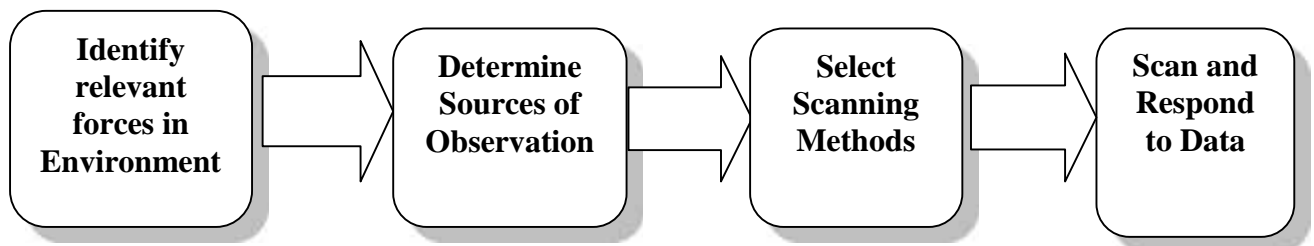
- i. It helps an organization capitalize on early opportunities rather than lose these to competitors.

- ii. It provides an early signal of impending problems, which can be defused if recognized well in advance
- iii. It sensitizes an organization to the changing needs and wishes of its customers.
- iv. It provides a base of objective qualitative information about the environment that strategists can utilize.
- v. It provides intellectual stimulation to strategists in their decision making.
- vi. It improves the image of the organization with its publics by showing that it is sensitive to its environment and responsive to it.
- vii. It is a means of continuing broad-based education for executives, especially for strategy developers. (www.scribd.com/doc/.../env-scanning)

#### 2.1.4 Process of Environmental Scanning

The steps involved in environment scanning are:

Figure : 2.1



Process of Environmental Scanning

**a) Identify relevant forces in the environment:**

They can be external forces, consisting of political-legal, economic, socio-cultural, technological factors (PEST) forces.

**b) Determining Sources of Observation:**

They are determined by top management and can be:

- i) Personal experience of management
- ii) Managers, employees and competitors
- iii) Experts, consultants, researchers
- iv) Meetings, conferences, committees
- v) Newspaper, journals, reports, books

vi) Other sources

**c) Select Scanning Method:**

They are selected carefully and can be:

**i) Extrapolation methods:** This techniques requires information from the past to explore the future. The future is assumed to be some function of the past. There is a variety of extrapolation techniques, including forecasting, trend analysis, regression analysis.

**ii) Historical analogy:** When past data cannot be effectively used to analyze an environmental trend, the trend is studied by establishing historical parallels with other trends. This method assumes that sufficient information is avliable from the other trend. Turning points in the progression become guideposts for predicting the behaviour of the trend being studied.

**iii) Intuitive reasoning:** This technique calls for a rational institution by the scanner. Intuitive thinking requires freethinking unconstrained by past experience and personal biases. Individual judgement is typically used to provide the “best guess”. However the validity and reliability of such judgements cannot be evaluated.

**iv) Scenario building:** A scenario is a composite picture of the future. This gives an account of the events that would contribute to the situation. Multiple scenerios are usually developed. This procedure involves constructing a time-ordered sequence of events that have a logical cause-and-effect relationship to one another. The resulting forecast is based on the interrelationships among the events.

**v) Cross-impact matrix:** Forecasts derived by means of various methods may be combined into a well-integrated and internally consistent description of the future. To ensure internal consistency in these forecasts, cross-impact matrices are used to search for important interaction among them and to see their potential impact on each other.

**vi) Model building:** Mathematical and econometric models of the environment are simulated. Simulations are good example of model-building techniques. When underlying cause and correlated can be specified in equation forms, many simultaneous regression equations are used to forecast economic changes.



**vii) Network methods:** Two types of network methods are popular: contingency trees and relevance trees. A contingency tree is a graphic display of logical relationships among environmental trends that focuses on branch points, at which several alternate outcomes are possible. A relevance tree is a logical network similar to a contingency tree, but assignment degrees of importance to various environmental trends with reference to an outcome.

**viii) Delphi technique:** The Delphi techniques is the systematic collection of expert opinion in varying stages, using feedback to develop new forecasts. This method involves questioning each member of a panel of experts concerning some future event or trends. Each expert is independently questioned. Systematic pooling of expert opinions in varying stages. Feedback is used to develop for forecasts.

**d) Scan and Respond to Data:**

The collected data is studied, analyzed, assessed, interpreted, correlated and understood. Crucial developments in the environment are pin-pointed. They can be:

- ) Events: Important and specific occurness
- ) Trends: Direction or sequence of events that have some momentum and durability.
- ) Issues: Current concerns arising from events and trends.
- ) Expectations: Scanning serves as a basis for SWOT analysis (strengths, weakness, opportunities and threats) (Agrawal, 2014: p. 38-39)

### **2.1.5 Marketing Planning**

Marketing planning is a logical sequence and a series of activities leading to the setting of marketing objectives and the formulation of plans for achieving them; it is the work of setting up objectives for marketing activity and of determining and scheduling the steps necessary to achieve such objectives. It consists of identifying systematic steps that will help the company formulate detailed actions to implement broad strategies. So, the marketing planning is a market-driven process of strategy development taking into account constantly changing business environment and the need to achieve high levels of customer satisfaction. (Shrestha, 2011: p.192)

In general, marketing planning can be defined as deciding in advance the marketing activities to be performed in future by the company for one or more target markets. It is a systematic process for developing and coordinating marketing decisions. (Shrestha, 2005 : p.189)

Cravens, Hills and Woodruff define Marketing planning as the process of making coordinated set of decisions that comform a marketing strategy for one or more target market".

Marketing planning is essential for every marketing organization for determining the future course of actions. More especially marketing planning is essential for the following reasons.

- i. It envisages determinations of future courses of marketing actions
- ii. It involves an analysis of past events and projections of future events.
- iii. It culminates into a marketing program which schedules in terms of time and resources for different marketing actions
- iv. It is aimed at facilitating executive actions and achievements of marketing objectives.

In most of the marketing company, marketing plan is used to describe a special marketing document for attaining small market goal such as successful launch, new product or as overall development of a new market. (Shrestha, 2005: p.190)

### **2.1.6 Concept of Marketing Environment**

Marketing is environment specific. It operates in a dynamic environment. Marketing environment refers to all actors and forces which influences exchange relationship of marketing with target customers. They affect the performance and outcomes of marketing. Cravens, Hills and Woodruff defines marketing environment as "The forces which are external to the marketing functions, largely uncontrollable, potentially relevant to marketing decision making and changing and/ or constraining in nature." (Shrestha, 2005: p.10)

The marketing environment can be divided into the micro-environment and the macro-environment. The competitive forces identified by Michael Porter in his seminal works "Competitive Strategy" (1980) and "Competitive Advantage" (1985) offer an instructive framework to study the components of the micro-environment and the factors that determine the competitive structure of the organization which includes following forces:

**i. The level of rivalry among firms in an industry:** Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. The more the firms compete against one another for customers, the lower is the level of industry profits. In intense competition, weaker firms are eliminated, and the strong firms survive. When firms compete for the same customers and try to win market share at the other's expenses, all must react to and anticipate their competitor's actions.

**ii. Bargaining power of suppliers:** Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants. If there are only a few suppliers of an important input then suppliers can raise the price of that input. An expensive input results in lower profits for the firm. Firms are at a disadvantage if they become overly dependent on any powerful supply.

**iii. Bargaining power of buyers:** Powerful customers—the flip side of powerful suppliers—can capture more value by forcing down prices, demanding better quality or more service (there by driving up costs), and generally playing industry participants off against one another, all at the expense of industry profitability. If only a few large customers are available to buy firm's output, they can bargain to reduce the price of that output. As a result, firms make lower profits. Thus, a firm's ability to identify it's main customers and produce goods and service they want is a crucial factor affecting its competitive position.

**iv. Threat of new entrants:** The easier it is for firms to enter an industry, the more likely it is for industry prices and therefore industry profits to be low. Thus, the higher

barrier to entry, the lower is the threats of competition. With lower competitions, it is easier to obtain customers and keep price high

**v. Threat of substitute products:** Often, the output of one industry is a substitute for the output of another industry. Firms that produce a product with a known substitute cannot demand high prices for their products. This constraints keeps their profits low. A substitute performs the same or a similar function as an industry's product by a different means. Videoconferencing is a substitute for travel. Plastic is a substitute for aluminum. E-mail is a substitute for express mail. Sometimes, the threat of substitution is downstream or indirect, when a substitute replaces a buyer industry's product. (Pant, 2005: p. 24-25)

Companies and their suppliers, marketing intermediaries, customers, competitors and publics all operate in macro environment of forces and trends that shape opportunities and pose threats. These forces represent "non controllable" which the company must monitor and to which it must respond. In the economic arena company and consumers are increasingly affected by global forces. The beginning of the new century brought a series of new challenges, the step in decline of the stock market which affected savings, investment and retirement fund, increasing unemployment, corporate scandals and of course rises of terrorism. These dramatic events were accompanied by the continuation of other already existing longer term trends that have profoundly influenced the global landscape. Within the rapidly changing global picture, beside micro-environment the firm must monitor six major forces, demographic, social-cultural, economical, natural, technological and political-legal. Marketers must pay attention to their interactions because these will lead to new opportunities and threats. (Kotler, 2006: p.73)

**i. Economic Environment:**

The economic environment is important to marketers because it affects the amount of money people have to spend on products and services. One of the components of the economic environment is the distribution of income. Economies around the world not only vary in their absolute or total level of wealth but also in how their wealth is spread within the population. For example, poor countries may be classified either as those which have a highly unequal spread of wealth or those where it is more evenly

shared. The former group of countries may be markets for luxury goods, despite the level of poverty. In contrast, the second type of country may be more attractive to marketers of inexpensive goods for the mass market. Consumers around the world differ in the extent to which they save money and the use they make of credit facilities. A high propensity to save will result in a lower propensity to consume. However, these patterns will also have a secondary effect on the overall macro economy of a nation. A country where people have a high propensity to save is likely to be characterized by low interest rates, which will affect industry's borrowing costs. (Kotler, 2004: p.30)

The uncertain economic climate in the Asian economies has important implications for international marketers. Organizations must determine that how these changing incomes affect purchasing power and how they adopt it for the firm's profitability. (Kotler, 1999: p.41)

## **ii. Demographic Environment:**

The demographic environment itself is affected by changes in the mix of age groups in the population. If the population becomes older, this will lead to rising demand for products and services consumed by older people and a similar fall in demand for products consumed by younger people. The development of ethnic markets can also be relevant. In a number of countries, the ethnic mix of consumers is changing due to immigration and other factors. This will be reflected in changing demands for various goods, not only from the specific ethnic group but from other consumers whose tastes have been affected by them. Furthermore, as ethnic groups immigrate to other countries, their own tastes can affect those of consumers in the host nation (e.g. Asian foods are now sold in UK supermarkets). The demographic environment is also affected by the level of education in a country, since changes in education have an impact on the wealth of a nation and the tastes of its people. The lifestyles of a population also have an impact on the macro environment facing marketers. In Western countries there has been a growth in households made up of single people; and a large proportion of women now go out to work. This has resulted in an increase in the sales of convenience foods. There are also a greater proportion of couples

whose children have grown up and left home. Such couples have more disposable income to spend on luxuries, holidays and home improvements. (Kotler, 2004: p. 30)

### **iii. Natural Environment:**

This is important to marketers in so far as it is the source of many raw materials and fluctuation in supply and can affect the prices paid for purchases. Furthermore, the increasing cost of some raw materials has meant that re-cycling of some materials, such as aluminum has become economic. There is increasing pressure from public opinion as to where raw materials are sourced from, and their effect on the natural environment. Paper manufacturers have had to pay attention to sourcing pulp from renewable forests, where trees are replanted to make up for those which have been felled. There is also pressure on them not to use chemicals and bleaches in their processing of paper. The increased cost of energy is also having an effect on the types of products that appeal to consumers. For example, in some countries there is a trend towards small cars and products that save energy. Finally, due to developments in technology, it is possible for manufacturers and consumers to cause less damage to the environment. Various European countries encourage the use of catalytic converters in cars to reduce the levels of poisonous gases that are emitted into the atmosphere. (Kotler, 2004: p.31)

### **iv. Socio-Cultural Environment:**

According to Kotler, culture is “the set of basic values, perceptions, wants and behaviors learned by a member of society from family and other important institutions. Social factors also influence behavior of consumers. A person's family, friends and social organizations strongly affect product and brand choices. The person's position within each group can be defined in terms of role and status. A buyer chooses products and brands that reflect his or her role and status. (Kotler,1999: p.46).

People's opinions and tastes are shaped by the society in which they live. It should be noted that societies are not made up of homogeneous populations. They contain sub-cultures, which are beliefs and values shared by smaller groups of people. Such groups may arise out of a common race, religion, social activity or hobby. Sub-cultures are important to marketers insofar as they may have different consumption habits from the rest of the population. The following are some aspects of culture that

influence people's consumption: the 'core' culture is that set of values handed down from generation to generation and which is reinforced by social institutions such as schools and places of worship. Core values are likely to be strongly held and it may be difficult for marketers to promote a message that runs counter to them.

**v. Technological Environment:**

Technological environment can act as the most dramatic force in changing the working style and destiny of the firms. Technology is changing rapidly and every new technology replaces an older one. Marketers need to understand the new technologies and the ways that how these technologies can be helpful to serve customers. Firms must track technological trends and determine that whether their product is fulfilling the customer's demands still or not. Some major factors of technological environment may be R&D activity automation, technology incentives, rate of technological change, impact of emerging technologies, impact of internet and reduction in communication costs. Marketers need to understand the new technologies and the ways that how these technologies can be helpful to serve customers. (Kotler,1999: p.185)

Technological developments offer marketers both opportunities and threats. Although firms can offer customers a wider array of advanced products, changes in technology also mean that there may be more than one technical solution to a customer's needs. Where a market converges towards one technological standard, there can be problems for marketers who have promoted an alternative standard. Increased technological development accelerates the speed of obsolescence.

Marketers have to consider how their product may need to be developed over time, if it is to remain competitive. The risks from technological changes have meant that firms are increasingly entering into 'strategic alliances' with customers, suppliers and even competitors. Indeed, there has been an increasing emphasis on open, long term relationships, based on trust between customers and suppliers. This is expected to help in the development of products and the management of technological risks. (Kotler, 2004: p.32)

## **vi. Political-Legal Environment:**

Analysis of Political environment is very critical as this environment has a strong influence upon the activities of any organization in a society. Political environment strongly affects the marketing decisions. The political stability of a country has its impact on the consistency of policies of local secondary values. People's opinions are influenced by the media, role models and changing tastes. Marketers are influenced by the regulatory environment. This has implications for their obligations to customers and the wider public. Customers are increasingly able to seek redress for faulty products, and those who live near manufacturing plants are able to claim compensation for pollution. The political environment around the world has recently favored the privatization of public companies. Such companies have also been able to compete more freely in the private sector. Political changes in Eastern Europe have also meant that these markets are now open to marketers from around the world. (Kotler, 2004: p.32)

Political environment, Government agencies and pressure groups have a strong influence upon the activities of any organization in a society. Political environment strongly affects consistency of policies of local government. Importance of public interest groups and business regulations can be found from the political environment. (Kotler, 1999: p.167)

### **2.1.7 Concept of Marketing Mix**

"Marketing Mix is the combination of the four major components that compromise an organizations marketing program." Further Kotler defines it as "set of marketing tools that the firm uses to pursue it's marketing objectives in the target market." (Shrestha, 2005: p. 12)

Marketing mix is the set of marketing tools that the firm uses to pursue its marketing activities in the target market. Marketing-mix decision must be made for influencing the trade channels as well as the final customers. Robert Lauterborn suggested that the sellers' four Ps correspond to the customers' four Cs.

**Four Ps**

**Four Cs**



Product	Customer solution
Price	Customer cost
Place	Convenience
Promotion	Communication

(Kotler, 1999: p.16)

Marketing mix is generally accepted as the use and specification of the four ps describing the strategic position of a product in the marketing place. One version of the origin of the marketing mix starts in 1984 when James Culliton said that a marketing decision should be a result of something similar to recipe. This version continued in 1953 when Neil Borden, in his American Marketing Association presidential address, took the recipe idea one step further and coined the term “Marketing Mix”. (Agrawal, 2002: p.15)

In early 1960s Professor Neil Borden at Havard Business School identified a number of company performance actions that can influence the consumer decision to purchase goods or services-they represent “marketing mix.” Professor E. Jerome Mc Carthly, also at the Havard Business School in the early 1960s, suggested that the marketing mix contains 4 elements; product, price, place and promotion. (Barlon, 2006: p.7)

Generally the four P's are the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environment. The goal is to make decisions that satisfy the need of the target market in order to create perceived value and generate a positive response. Kotler and Armstrong (2008) define marketing as satisfying customer needs. A marketer must understand its consumer needs, develop products and services accordingly that cover those needs and provide superior customer value, and prices, distributes and promotes these products effectively, then those products would sell easily. They say organizations should create a marketing mix which satisfies the needs of customers in terms of the four P's: Product, Price, Place (distribution) and Promotion. The principle of 4P's holds great importance for service marketing since it involves interaction with the customer at the point of purchasing the service. As well as that, services are intangible, heterogeneous and perishable; on the contrary of products whereby

production is separate from consumption, products are intangible, standardized and non-perishable.

### **I. Product Mix**

"A product can be defined as a collection of physical, psychological service and symbolic attribute that collectively yield satisfaction or benefits to a buyer or user." (Keegan, 2009, p. 357)

Products come in several forms. Consumer products can be categorized as convenience goods, for which consumers are willing to invest very limited shopping efforts. Thus, it is essential to have these products readily available and have the brand name well known. Shopping goods, in contrast, are goods in which the consumer is willing to invest a great deal of time and effort. For example, consumers will spend a great deal of time looking for a new car or a medical procedure. Specialty goods are those that are of interest only to a narrow segment of the population—e.g. drilling machines. Industrial goods can also be broken down into subgroups, depending on their uses. It should also be noted that, within the context of marketing decisions, the term product refers to more than tangible goods, a service can be a product too. ([http://www.consumerpsychologist.com/intro\\_Product.html](http://www.consumerpsychologist.com/intro_Product.html)).

For the organizations having intangible products have to acknowledge the fact that customers see the product/service 'as complex bundle of benefits that satisfy their needs', thus when developing a product/service, first should be identified the core needs that the product/service will satisfy, then design the actual product and finally create the bundle of benefits that will best satisfy the customers.

Kotler and Armstrong (2008) put it clear on what the aspects are under the P of Product of the Marketing Mix. They say it is an offering that brings value to target customers and may come in the form of a pure tangible good (product) or a pure service. As well they say that there can be a combination of both and that today, as more products and services become more commoditized, a lot of firms are moving to a more recent level of creating value for their customers. Instead of simply making products and delivering services, organizations are creating and managing experiences for their customers with their product. (Kotler, 2004: p. 356)

## II. Price Mix

Price is defined as the exchange value of a product or service always expressed in money. To the buyer price is a package of expectation and satisfaction. (Sherlekar, 2010: p. 254) Price is how much the firm will charge consumers for the product. Typically, a lot of thought goes into pricing because setting a price too high can result in few sales. There are also dangers in setting a price too low, since such a price may make potential customers think the product lacks quality. Marketers use this knowledge to help determine price so that profit is made from the product. The marketing mix may also include special pricing incentives, like coupons. (<http://www.wisegeek.com/what-is-a-marketing-mix.htm>.)

Price is the only P in the marketing mix which is a variable which not costs money but generates it; it is the amount of money that is charged for either a product or service or the total of values that consumers will exchange for the benefits for making use of or having the product or service. Prices should fall within the borders of too high prices which will not produce enough demand and between too low prices which will not produce enough profit (Kotler & Armstrong 2008). It must be co-ordinated with product design, distribution and promotion decisions to form a consistent and effective marketing programme. Kotler and Armstrong (2008) as well state that by setting a price it is important to look at its competitor's strategies and pricing, especially in homogeneous markets where there is a low difference between the products or services that are offered. (Kotler, 2004: p. 357)

Kotler and Armstrong define three basic marketing price strategies which service organization can attend, the strategies are:

**a. Cost-based pricing strategy:** It is the simplest pricing method of pricing. It is adding a standard markup to the cost of the product. Most of the organization set their prices on the basis of costs because price of the particular product should cover at least the costs incurred for the production of the products concerned. Under cost oriented pricing different organizations use different pricing method such as mark up pricing, target return pricing, average cost pricing etc. (Kotler, 2004: p. 357)

**b Demand-based pricing strategies:** setting up the price as per beneficiaries expectations. It uses buyer's perception of value not the seller's cost as the key to pricing. Value based pricing means that marketer cannot design a product and marketing program and set the price. Price is considered along with the other marketing mix variable before the marketing program is set. (Kotler, 2004: p. 359)

**c. Competition-based strategy:** Consumers will base their judgments of a product value on the price that competitors charge for similar products. One form of competition based pricing is going-rate pricing in which a firm bases its price largely on competitor's prices with less attention paid to its own cost or to demand.

The firm might charge the same as, more than or less than its competitors. It is also used when firms bid for jobs. Using sealed bid pricing, a firm bases its price on how it thinks competitors will price rather than on its own cost or on the demand. A firm wants to win a contract and winning it requires pricing less than other firms. (Kotler, 2004: p. 361)

### **III. Place / Distribution Mix**

A Place or distribution element of marketing mix gets the product to the target customers. It involves marketing channels and physical distribution. Marketing channels makes the product accessible to the members and customers. (Agarawal, 2009: p.29)

The place identifies the channels through which services will be offered and are accessible to different market segments. Sargeant 1999 pointed out that organizations have to indicate the location appropriately for the sake of resource providers and resource consumers. Place in the marketing mix defines where the product is sold, through which channel and with what transportation, logistics etc (Kotler & Armstrong 2008). Although services are not tangible, their delivery may need tangible assets (for example: a client of a bank needs a place to talk to the service employee). (Kotler, 2004: p. 360)

Woodruffe (1995) underlines that the distribution (or place) in the marketing

mix of services marketing has the main purpose of making services accessible and available. Where accessibility has been defined as the easy and convenience with which services can be bought, used or received and where availability is defined as the extent, to which services are obtainable or capable of being purchased, used or received. The author as well describes the importance of geographical location as part of the service since it must be accessible to customers, either when customers have to come to a company or when a company is traveling towards the customer. Lastly, Zeithaml and Bitner (2003) mention that it is important to manage supply and demand and that the experienced waiting time for customers should be decreased making waiting fun, or at least tolerable.

#### **IV. Promotion Mix**

Promotion is how the firm spreads the word about a product. It involves working with stores to distribute samples, holding public relations events, and buying advertising in the print media, the broadcast media or both. The role promotion plays in the marketing mix depends on how much the firm wants to publicize the product and how much money it has set aside to do so. Today, the internet is also a market for product promotion, and online campaign can be fairly inexpensive yet effective. (<http://www.wisegeek.com/what-is-a-marketing-mix.htm>)

Promotion consists of short-term incentives to encourage purchase or sales of a product or service. Whereas advertising and personal selling offer reasons to buy a product or service, sales promotion offers reasons to buy now. The purpose of promotion is namely: to inform and persuade the current and potential customers regarding benefits from the existing or new services; to inform customers about the service uniqueness or to differentiate its services from the other organizations. (Kotler, 2004: p. 509)

Many factors (noise, inappropriate media or person, vague message etc) can distort the message (Sargearn 1999), thus before developing and conveying the message these factors should be taken into consideration because poorly conveyed message is non-effective. Hence, there should be clarity and consistency of messages to have maximum impact. Hence, communicating clarity and consistently to have

maximum impact a promotion mix is used which is known as integrated marketing communication” (Kotler, 1999: p. 766)

**a) Advertising:**

“Advertising is any paid form of non personal presentation and promotion of ideas, goods or services by an identified sponsor” (Kotler, 1999: p. 766). It may be done through various means or media such as print medias like hoarding, posters, banners, brochures & audio visuals, displays, electric etc. However, an effective advertisement is one which can change the target audience's attitudes in favor of the firm's offer. (Shrestha, 2005: p. 227)

Advertising is a non-personal form of mass communication and offers a high degree of control for those responsible for the design and delivery of the advertising message. Then the author stated that the flexibility of this tool is good because it can be used to communicate with a national audience or a particular specialized segments and a vast number of people can be reached with the message, so the cost per contact can be the lowest of the tools in the mix. At the same time the author blamed that the ability of advertising to persuade the target audience to think or behave in a particular way is suspect and the effect on sales is extremely hard to measure and in addition, the credibility in that audience is less likely to believe message delivered through advertising than they messages received through some other tools. (Fill, 1999: p.5)

According to (Etzel, Walker, Stanton, 2004: p.549), there are three ways of advertising:

- ) Develop an internal advertising department.
- ) Use an outside advertising agency
- ) Use a combination of an internal department and an outside advertising agency.

**b) Personal selling:**

Personal selling can be taken as the most effective and vital tool of the promotional-mix. It is traditionally perceived as a communication tool which involves face-to-face activities undertaken by individuals, often representing an organization, in order to inform, persuade or remind an individual or group to take appropriate action, as

required by the sponsor's representative. (Fill, 1999: p.6) According to the author, a sales person engages in communication in a one-to-one basis where instantaneous feedback is possible and the costs associated with interpersonal communication are normally very large.

Personal Selling involves two ways, personal communication between sale person and individual customers whether face to face, by telephone, through video or web conference or by other means. Personal Selling can be more effective than advertising in more complex selling situation. Sales person can probe customers to learn more about their problems then adjust the marketing offer to fit the special needs of each customer an renegotiate terms of sale. They can build long-term personal relationship with more key decision makers. (Kotler, 2004: p. 527)

**c) Public relations:**

Public relation promotes favorable attitudes and opinions towards an organization, its policies and products in public. They develop favorable relationships with group that has interest in organizations objectives. "The public relation can be defined as relation building activity with various stakeholders by obtaining favorable publicity." (Kotler,1999: p. 766). It is the art and social science of analyzing trends, predicting their consequences, counseling organization's leadership, and implementing planned programs of action which will serve both the organization's and the public interest (The Mexican Statement, 1978). The statement also indicates the necessity of public relation of being a part of the wider perspective of corporate strategy. Third-party like magazines, newspapers, news programs etc. disseminate the messages on behalf of a particular company or organization.

While Kotler and Armstrong describes it as building good relationship with the company's various publics by obtaining favorable publicity, building up good corporate image and handling or heading off unfavorable rumors, stories and events. It involves many functions beyond product publicity including public affairs, lobbying and investor relations. For e.g.: most organization website features special sections for current and potential investors. (Kotler, 2004: p. 515)

**d) Sales promotion:**

Sales promotion is a variety of short term incentives to encourage trial or purchase of a product or service, it means sales promotion serves as an inducement to buy or use certain product while typically offering value to prospective customers. Generally, sales promotion includes any promotional technique other than personal selling or advertising that stimulates the purchase of a particular products or services. (Shrestha, 2011: p.335)

The institute of Sales promotion defines sales promotion as “a range of tactical marketing techniques designed within a strategic marketing framework to add value to a product or service in order to achieve specific sales and marketing objectives.

“Short term incentive to encourage the purchase or sell of the product and services.”

Samples, cash refunds, price packs, premiums, advertising specialties, patronage rewards, point-of-purchase displays and demonstrations, and contests, sweepstakes and games can be used for consumer promotion tools. Advertising and personal selling often work closely with another promotional tool, sales promotion. It consists of short term incentives to encourage, purchase or sale of a product or service. Whereas advertising and personal selling offer reasons to buy a product or service. Rather than creating only short-term sales or temporary brand switching, sales promotion should help to reinforce the product’s position and build long term customer relation. (Kotler, 2004: p. 509-510)

**e) Direct Marketing :**

Direct marketing is a term used to refer to all media activities that generate a series of communications and responses with an existing or potential customer. Telephone, mail, fax, e-mail, the Internet etc can be used to communicate directly with specific consumers and to create and sustain a personal and intermediary-free dialogue with them. The above discussion leads to a conclusion that a marketer can use any of the promotion tools or a combination of more than one tool for promoting a product or service. But it depends on the nature of the product, price, customers’ locations, prevailing competition, cost involved, availability of the budget for promotion, company’s overall objectives etc. It is worth mentioning here, that the success of the



promotional activities largely depends on the realistic selection of the promotional tool(s) and the creativity in operating the promotional activities. (Fill, 1999: p.7)

Direct marketing consist of direct connections with carefully targeting individual consumers to both obtain an immediate response and cultivate lasting customer relationships. Direct marketers communicate directly with customers often on a one to one, interactive base. Using detailed database, they tailor their marketing offers and communication to the needs of the narrowly defined segments or even individual buyers. Beyond brand and image building, they usually seek a direct, immediate and measurable consumer response. (Kotler, 2004: p.543)

### **2.1.8 Concept of Market Segmentation**

Market segmentation is a process of dividing the total market for a good or service into several smaller groups, such as that the members of each group are similar with respect to the factors that influences demand. (Agrawal, 2010: p.90)

According to Philip Kotler, market segmentation means "the act of dividing a market into distinct groups of buyers who might require separate products and/or marketing mixes." (Kotler, 2004: p.239)

Market segmentation involves dividing the market into distinct segments according to some specific criteria what reflect different purchasing wants and needs. it is a customer-oriented philosophy that seeks to identify need and want clusters in the market and develop marketing mix and program to satisfy those needs and wants. It is the basic tool for the implementation of the marketing concept. Market segmentation is a method for achieving maximum market response characteristics of various parts of the market. The purpose of market segmentation is to make it possible for firms to produce products or services that are closer with buyer requirements. (Shrestha, 2011: p.93)

Market Segmentation is the process that a firm adopt to divide the market into distinct group on the basis of needs, wants, behavior or taste for its different products or

services; (Day 1984). (European Journal of Economics, Finance and Administrative Sciences Issue 29 (2011) via (<http://www.eurojournals.com>))

Market segmentation is a two-way step process of

- i. Having broad product markets and
- ii. Segmenting these broad products markets in order to select target markets and develop suitable, marketing mix.

This two step process isn't well understood. First time, market segmentation efforts fail because beginners start with the whole mass market and try to find one or two demographic characteristics to segment this market. Customer behavior is usually too complex to be examined in terms of just one or two demographic characters. For e.g.- not all the elderly men buy same products or brands. Other dimension usually must be considered starting with customer needs.

Ideally good market needs to follow the following criteria:

- i. Homogeneous (Similar) within- the customers in a market segment should be as similar as possible with respect to their likely responses to marketing mix variables and their segmenting dimensions.
- ii. Heterogeneous (Different) between- the customers in the different segments should be as different as possible with respect to their likely responses to marketing mix variables and their segmenting dimensions.
- iii. Substantial- the segments should be big enough to be profitable.
- iv. Operational: the segmenting dimensions should be useful for identifying customers and deciding on marketing mix variables. (Perreault, 1999: p.73-p.75)

Organizations today have recognized that they cannot appeal to all buyers in the market place or at least not to all the buyers in the same way. Buyers are too numerous, too widely scattered and too varied in their needs and buying practices, moreover, the organizations themselves vary widely in their abilities to serve different segments of the market rather than trying to compete in an entire market. Sometimes against superior competitors each firm must identify the parts of the market that it can

serve the best and profitably. Thus, most organizations are being choosier about the customers with whom they wish to build relationships. Most have moved away from mass marketing towards market segmentation, selecting one or more of them and developing products and marketing programs tailored to each. Instead of scattering their marketing efforts. Firms are focusing on the buyers who have greater interest in the values they create best. Once market orientation is attained, the next step of the process is to determine to target marketing segment. It is impossible to satisfy the needs of all the general public, thus the standardized approach becomes obsolete because it presents high risk of failure. Hence organizations are embracing the concept of market segment which consists of a group of customers who share a similar set of needs and wants. Organizations face the challenge of having diverse customers with diverse needs and wants, making it difficult to maximize the benefits for mass markets. In this regard it is important to determine if there exists a distinct pattern of customer needs (identifying segments), then tailor unique marketing mix for each segment. (Kotler, 2004: p.235)

### **2.1.9 Criteria for Market Segmentation**

The basic segmentation criteria utilized by marketers are categorized by: Geographic, Demographic, Psychographic and Behavioral factors which have been described by Kotler and Armstrong in “Principles of Marketing”.

**i. Geographic segmentation** – Calls for dividing the market into different geographical units such as nations, regions, climate, states, countries, cities or neighborhood. A firm may decide to operate in one or few geographical areas but pay attention to geographical differences in needs and wants. Many organizations today are localizing their products advertising, promotion and sales efforts to fit the need of individual regions, cities and neighborhoods. (Kotler, 2004: p. 239)

The reason for geographic segmentation is simply that consumers wants and products usage often are related to one or more of these subcategories. Geographic categories are also measurable and accessible-two of the conditions for effective segmentation.

**ii. Demographic segmentation** –divides the market into groups based on variables such

as age, gender, family life cycle, income, occupation, education, religion, race, generation and nationality. Demographic factors are the most popular base for segmenting customer groups. One reason is that customer's needs, wants and usage rates often vary closely with demographic variables. Another is that demographic variables are easier to measure than most other types of variables. Even when market segments are first defined using other bases, such as benefits sought or behavior, their demographic characters must be known in order to assess the size of target market and to reach it effectively. (Kotler, 2004: p. 241)

Demographic segmentation is frequently used because they are often strongly related to demand and are relatively easy to measure. (Etzel, Walker & Stanton, 2004: p.151)

**iii. Psychographic segmentation** – Segmenting the market on the basis of social class, life style and personality. Social class indicates the socio economic status such as upper class people, lower class people or middle class people. Each social class represents a potential market segment. Life style represents the living habit with which one is acquainted. Every class or groups of people are different living habit according to which market can be segmented. While personality indicates the internal quality or image of consumers. Like the perception toward a product, ambition etc. Each character of personality represents a potential market segment. Marketers often go beyond demographic attributes in an effort to better understand why consumers behave as they do. They engage in what is called psychographic segmentation which involves examining attributes related to how a person thinks, feels and behaves. Frequently included in a psychographic segmentation effort are personality dimensions, life style characteristics and consumer values. (Kotler, 2004: p. 359)

**iv. Behavioral segmentation** – divides markets based on people's knowledge, loyalty, benefits, attitude and response towards the product. In this regard behavioral variables are employed: occasions (how often the customer buys the product); benefits (what customers seek); user-status and usage rate (how frequently the product is used); loyalty status (how loyal customers are); buyer- readiness stage (awareness of customers about the product), and attitude (how customers feel for the product) . Here every individual's behavior counts as on the basis of one's behavior

towards a certain product, a market can be segmented. Many marketers believe that the behavioral variables are the best starting point for building market segments. (Kotler, 2004: p. 244)

### **2.1.10 Importance of Market Segmentation**

Market segmentation is the process of subdividing a market into subsets of customers that behave in the same way or have similar needs. Each subset may conceivably be chosen as a market target to be reached with a distinctive marketing strategy. The process begins with a basic segmentation- a product specific factor that reflects differences in customer's requirements or responsiveness to marketing variables. (Keegan, 2009: p. 218)

Market segmentation is customer oriented and thus it is consistent with the marketing concept. In segmenting, we first identify the wants of customers within a submarket and then decide if it is practical to develop a marketing mix to satisfy those wants. By tailoring marketing programs to individual market segment any organization can do a better marketing job and make more efficient use of it's limited resources. Such a firm might compete very efficiently in one or two small market segments. However, it would likely be overwhelmed by the competition if it aimed for a major segment. By developing strong positions in specialized market segments, medium sized firms can grow rapidly. Even very large organization with the resources to engage in mass marketing, supported by expensive national advertising campaigns is doing mass market strategies. These company embrace market segmentation as a more effective strategy to reach the fragment that once constituted a mass or homogeneous market in the U.S. (Ettel, Walker, Stanton, 2004: p. 147)

Some few other importance of market segmentation has been enlisted below:

- i. Facilitates consumer-oriented marketing: Market segmentation facilitates formation of marketing-mix which is more specific and useful for achieving marketing objectives. Segment-wise approach is better and effective as compared to integrated approach for the whole market.
- ii. Facilitates introduction of suitable marketing mix: Market segmentation enables a producer to understand the needs of consumers, their behavior and expectations as

information is collected segment-wise in an accurate manner. Such information is purposefully usable. Decisions regarding Four Ps based on such information are always effective and beneficial to consumers and the producers.

- iii. Facilitates introduction of effective product strategy: Due to market segmentation, product development is compatible with consumer needs as there is effective crystallization of the specific needs of the buyers in the target market. Market segmentation facilitates the matching of products with consumer needs. This gives satisfaction to consumers and higher sales and profit to the marketing firm.
- iv. Facilitates the selection of promising markets: Market segmentation facilitates the identification of those sub-markets which can be served best with limited resources by the firm. A firm can concentrate efforts on most productive/ profitable segments of the total market due to segmentation technique. Thus market segmentation facilitates the selection of the most suitable market.
- v. Facilitates exploitation of better marketing opportunities: Market segmentation helps to identify promising market opportunities. It helps the marketing man to distinguish one customer group from another within a given market. This enables him to decide his target market. It also enables the marketer to utilize the available marketing resources effectively as the exact target group is identified at the initial stage only.
- vi. Facilitates selection of proper marketing programme- Market segmentation helps the marketing man to develop his marketing mix programme on a reliable base as adequate information about the needs of consumers in the target market is available. The buyers are introduced to marketing programme which is as per their needs and expectations.
- vii. Provides proper direction to marketing efforts: Market segmentation is rightly described as the strategy of "dividing the markets in order to conquer them". Due to segmentation, a firm can avoid the markets which are unprofitable and irrelevant for its marketing purpose and concentrate on certain promising segments only. Thus due to market segmentation, marketing efforts are given one clear direction for achieving marketing objectives.
- viii. Facilitates effective advertising: Advertising media can be more effectively used because only the media that reach the segments can be employed. It makes advertising result oriented.

- ix. Provides special benefits to small firms: Market segmentation offers special benefits to small firms. The resources available with them are limited as they are comparatively new in the market. Such firms can select only suitable market segment and concentrate all efforts within that segment only for better marketing performance. Such firms can compete even with large firms by offering personal services to customers within the segment selected.
- x. Facilitates optimum use of resources: Market segmentation facilitates efficient use of available resources. It enables a marketing firm to use its marketing resources in the most efficient manner in the selected target market. The marketing firm selects the most promising market segment and concentrates all attention on that segment only. This offers best results to the firm in terms of sale, profit and consumer support as compared to the results available from spending such resources on the total market.
- xi. In conclusion, it can be said that market segmentation offers benefits not only to marketing firms but also to customers. The marketing job will be conducted efficiently and the available resources will be utilized in a better manner. These advantages also suggest the importance of market segmentation and make a case in its favor. ( [kalyan-city.blogspot.com/.../market-segmentation-importance-in.html](http://kalyan-city.blogspot.com/.../market-segmentation-importance-in.html) -)

### **2.1.11 Concept of Banking**

Bank can be defined as an institution, which collects from deposits from natural or legal person and channel then to needy investors or entrepreneurs in the form of loan and advance. They provide security to the money of the depositors and help them earn interest on the another wise idle money that would have stayed in their home. In loan and advances they provide to investors and entrepreneurs they will charge slightly higher rate of interest and earn profit. Actually the difference in the rate of interest they take on loans and advances and rate of interest they pay on deposit is call spread of interest and that is determines the profit of the bank. Higher the spread of interest higher will be the profit. A question may arise how will the banks be able to return the money to the depositors when they present cheques as they have lend the same to the investor and entrepreneurs? The thing is that they will not lend the same to the investors but will keep certain part with them. At present, NRB has restricted Bank

not to lend more than 80% of the deposit they have collected plus capital they have invested. Hence, they will be return money to the depositors when they present cheques, moreover all the depositors will not need or ask for the whole amount they have deposited in the bank. However, in some instance when the credit of the bank goes bad and there is higher Non Performing Loans (NPL) then they will not be able to return the deposit of the depositors when they ask for and hence the general public loss the faith in the bank and all the depositor will ask to return their deposit and this situation is termed as bank run.

Modern banks not only accept deposit and lending but also performs number of complex activities like electronic fund transfer, investment banking, forex transactions, merchant banking, insurance treasury, financial advisory, credit rating, lease financing, export credit, consumer financing, managing retirement plans and lot more activities. A bank is lot more different from other corporate organization as it deals with the most liquid asset, i.e. cash/money. The activities of the banks are highly monitored by the central bank of each nation and they are highly regulated by them. (Shrestha, 2012: p.2-3)

The name bank is said to be derived from the Italian word banco which means desk or bench. During the time of Renaissance, Florentines banker used to make their transactions above a desk covered by a green tablecloth and it is believed that the word bank was derived from this word banco as they used to collect deposit from public and make lending to needy investors. However, it is believed that there are traces of banking activities even in the ancient times. The word trace its origin back to the Ancient Roman Empire where moneylenders would set up their stall in the middle of enclosed courtyards called macella on a long bench called a banco from which the words banco and bank are derived.

There are few other words like “Back” in Germany and “banke” in French that are also believed to the origin of the word bank. No matter whether the word Bank has been derived from any of the word that are mentioned above, but all these word means the same thing, joint stock companies that collect deposits and provide loan to the general public. The first bank casa de san Giorgio in Genoa was established in



1148 A.D. Bank of Venice was established in 1147 A. D. In 1401 Bank of Barcelona was established in Barcelona. Modern bank started to take rapid speed from 17th century. In 1609, the bank of Amsterdam was established. Likewise in 1610 A.D. Bank of Hamburg was established in Germany. The first central bank was established in 1844 A.D. as "The Bank of England".

In context of Nepal the first bank is Nepal Bank Limited established in 1994 and the Central bank of Nepal, Nepal Rastra Bank (NRB) was established in 2013 only. (Shrestha, 2012: p.2-4)

To further clarify the concept of Bank, here are few standard definitions:

"Bank is an institution which collects money from those who have in spare or who are saving it out of their income and lends this out to those whose requirement". (Crowther, 2001: p.81)

A bank and financial institution is a business organization that receives and holds deposits of fund from others makes loans or extend credit and transfer funds by written order of depositors.

Bank and financial institution is a corporation, which accepts demand deposits subject to check and makes short-term loans to business enterprises, regardless of the scope of its other services.

"Financial Institution" means an institution established under the prevailing laws with the objectives of providing loans for agricultural cooperative, industrial or any other specific economic purpose or of collecting deposits from the general public and the word also includes an institution prescribed as financial institution by Government of Nepal by publishing notice in the Nepal Gazette.

([http://www.nrb.org.np/lgd/acts\\_ordinances/nepal\\_rastra\\_bank\\_act\\_2002\\_%5Benglish%5D.pdf](http://www.nrb.org.np/lgd/acts_ordinances/nepal_rastra_bank_act_2002_%5Benglish%5D.pdf))

Commercial Bank Act 2031 B.S of Nepal has defined that "A commercial bank is one which exchanges money, deposits money, accepts deposits, grants loans and performs

commercial banking functions and which is not a bank mean for cooperative, agriculture, industries for such specific purpose” However, the bank and Financial Institutions Ordinance, 2060 has merged the five banking Acts including the commercial bank Act, 2031, which defines the bank with respect to their transactions. Later on the Ordinance has been replaced by Bank and Financial institutions in two ways based on their transactions one as bank and other as financial institutions. According to this Act. “This Act has laid emphasis on the functions of commercial bank while defining it. Commercial banks provide short term debts necessary for trade and commerce. They take deposits from the public and grant loans in different forms. They purchase and discount bills of exchange, promissory notes and exchange foreign currency. They discharge various functions on the behalf of their customers, provided that they are paid for the services. The act has categorized bank and financial institutions into 4 classes on the requirement of paid up capital required for obtaining license to operate financial transactions. At present 4 classes and their paid up capital requirement it's illustrated in the table below:

**Table 2.1**  
**Classes of Financial Institutions and their Capital Requirement**

Class	National level	Regional Level*	4-10 Districts*	1-10 Districts*
A	200 Crores			
B	64 Crores		30 Crores	30 Crores#
			20 Crores	10 Crores
C	30 Crores#			30 Crores#
	20 Crores			10 Crores
D**	10 Crores	6 Crores***	2 Crores##	1 Crores

Notes:  
 \*Outside Kathmandu Valley and such Institutions needs their area of lending limited to the approved districts only  
 # Applicable to those institutions involved in Leasing transactions.  
 \*\*Institutions having micro finance transaction.  
 ## Institution limited to 5 districts of rural area  
 \*\*\* Operating within a development region

*Sources: Directives of Nepal Rastra Bank.*

### 2.1.12 History/Development of Banking Sector in Nepal

The banking sector in Nepal has developed to its current state in a gradual process. Its evolution can be traced back to the establishment of “Kausitoshikhana” as a banking agency during the time of Prithivi Narayan Shah and “TejarathAdda” to its current expansion of above 260 Financial Institutions. Banking sector of Nepal has come a long way for the initial stage to its present stage in quite a short span of time. Even pioneer bankers would also not have imagined that it would come to its present stage where internet banking, mobile banking can be performed from staying at home. History of banking in Nepal can be summarized in 4 distinct phases:

### **i) First Phase of Nepalese Banking**

The first phase of the Banking in Nepal can be traced back to the date when a merchant named Shankhadhar had started “New Year- Nepal Sambat” after freeing all the people of Kathmandu Valley from their debts. This shows that there was an existence of money lender at that time and some form of banking did exist at that time as well. Further King Jayasthiti Malla had given the responsibility to a caste of society called “Tankadhari” which was responsible for transactions of money in the society.

However a distinct starting of the organized financial institution in Nepal started after the establishment of “Tejarath Adda” in 1993 B.S. The purpose of Tejarath Adda was to provide loans to Government officials and provide loans against the security of Gold and Silver to the general public. Still at that time it would not accept deposits from the general public.

### **ii) Second Phase of Nepalese Banking**

The replacement of “Tejarath Adda” by Nepal Bank Limited on 30th Kartik 1994 B.S. marked the second Phase of Nepalese banking. Nepal Bank Limited was established with an authorized capital of Rs. 10 million. Sadar Mukuki Khana of the then His Majesty’s Government brought into circulation of 5, 10 and 100 rupees notes. In the beginning Nepal Bank Limited was given the role of central bank with modern banking facilities and with the passage of time it was felt that a separate Central Bank is necessary.

Nepal Rastra Bank was established on 14<sup>th</sup> Baishak 2013 B.S under NRB Act 2012 which has been replaced now by NRB Act 2058 to match the current need of the

modern banking. The central bank of Nepal issued notes on 7<sup>th</sup> Falgun 2016 B.S for the first time. Prime objective of that time was to replace prevalent Indian currency in Nepal, stop dual monetary system and to apply monetarism in all part of Nepal. Further its objective at the time of establishment was to provide issuance of note, to bring Nepalese currency in use, to manage monetary system well, to encourage national industry by mobilizing the capital for the development of nation and too develop banking system in Nepal. Its objectives have changed over time and at present is main objective is regulating banks and financial institutions prevalent in Nepalese economy, maintenance of positive balance of payment maintaining exchange rate through NRB Act 2058.

After the establishment of Nepal Bank Limited and Nepal Rastra Bank another Bank was established in 2022 under Baniija Bank Act 2021 called Rastriya Baniija Bank. Rastriya Baniija Bank was established according to the recommendation of NRB. Rastriya Baniija Bank went along with Nepal Bank Limited due to higher Non Performing Assets. After they went trouble NRB started restructuring program and they are now slowly recovering.

Yet another bank was established in initiation of government for promoting agriculture sector of the economy. Agriculture Development Bank was established on 7<sup>th</sup> Magh for financing in Agriculture sector of the economy.

### **iii) Third phase of Nepalese Banking**

After the establishment of Agriculture Development Bank, there was gap around 2 decades for further opening of the banks in Nepal. In 2040 a Joint Venture Bank Nepal Arab Bank Limited (NABIL) was established under the Commercial Bank Act 2031 and Companies Act 20221 which marked the starting the 3<sup>rd</sup> phase of Banking in Nepal. After NABIL Bank, came Nepal Investment bank limited (the then Nepal Indosuez Bank) and Standard Chartered Bank (the Grindlays Bank Limited) in 2042 and 2043 respectively. Soon many other joint venture banks were established after that like Himalayan Bank Limited (JV of Habib Bank of Pakistan), Nepal SBI Bank Limited (JV of SBI India), Nepal Bangladesh Bank Limited (JV of International Finance Investment and Commerce, Bangladesh), Everest Bank Limited (JV of

Punjab National Bank, India), Bank of Kathmandu (JV of Syan bnank Thailand), Nepal Credit and Commerce (former Bank of Ceylon. JV of Srilanka and Nepalese Investor). So third phase of Nepalese Banking saw the foreign investment in Nepal grow in banking sector. Along with it grew the other local banks like Lumbini Bank Limited, Machhapuchchhre Bank Limited, as regional based banks and Laxmi Bank Limited, Siddhartha Bank, Kumari Bank etc in Kathmandu.

#### **iv) Fourth Phase**

After the establishment of democracy in early 90s in Nepal and liberalization of Banking Sector, banks were able to determine the rate of interest on the basis of demand supply and further to started the concept of regional banking and development banking which marked encouraging progress and massive expansion of various types of banks and thus marked the 4<sup>th</sup> phase of Nepalese Banking. With the promulgation of NRB Act 2058 (Amendement 2063) and Bank and Financial Institution Act 2063 that categorized the banks into various categories as per the capital requirement and forms of transactions possible to be done by them, many financial institution sprouted, at national as well as regional level. The range of financial inclusiveness has widened, environment for capital mobilization eased, and opportunities in the banking sector extended with the expansion of the financial sector. (Shrestha, 2009: p.3-4)

#### **Current Scenario**

At present there are 29 Commercial Banks, 86 Development Banks and 59 Finances companies at the end of fiscal Year 2069/70. Along with Banks and Financial Institutions, there are 31 Microfinance Development banks, NRB licensed Cooperative and 31 NRB Licensed NGOs which are given limited right for banking transactions. There has been decline in number of finance companies due to the merge of finance companies with commercial banks and development banks and 2 decrease of commercial bank is due to the merger between Bank of Asia And NIC Bank and Commerz & Trust Commercial Bank and Global IME Bank Ltd. Table below shows the growth in number of banks and financial institutions over the year.

**Table 2.2**

### **Banks and Financial Institutions in Nepal**

<b>Banks and Financial Institutions</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Commercial Banks	20	25	25	27	31	31	29
Development Banks	3	58	61	78	87	88	86
Finance Companies	74	78	78	79	79	70	59
Microfinance Development Banks	12	12	13	18	21	24	31
NRB Licensed Cooperatives (Under taking limited Banking transaction)	17	16	16	16	16	16	16
NRB Licensed NGOs (Under taking micro finance transaction)	47	46	45	45	38	36	38
Insurance Companies	21	25	25	25	25	25	25

*Source: Nepal Rastra Bank (Banking and Financial Statistics) Mid Jan 2014.*

As the banking business works and operates in a dynamic environment where there is involvement of most liquid assets named cash. With the widening of cash transactions and network of banking there will be involvement of higher degree of risk and scope of monitoring needs to widen else the failure of banks and financial institution will be evident which has been shown as a result of failure of few development banks and finance companies like Nepal Share market and Finance Company, Capital Merchant and Finance Company and Gurkha Development Bank.

#### **2.1.13 Banking in Pokhara**

At present there are 29 Commercial banks having 58 branches operating in Pokhara. There are 19 branches of 13 Finance Companies among which 4 are with their head office in Pokhara Valley. There are 13 microfinance institution working in Pokhara Valley. Another class of financial institution under our study, Development Banks has 63 branches of 25 Development Bank among which 8 have their head office in Pokhara. When we combine all these financial institution together there are more than 85 financial institutions branches alone and more than 125 outlets serving the population of Pokhara Valley.

#### **2.1.14 Marketing in Context to Bank & Financial Institution**

The simplest definition that comes to mind is that “marketing is blend of all those activities involved in the transfer of goods and services from the producer to customers”. Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customers relationship in ways that benefit the organization and it’s stakeholders. “Marketing practice tends to be seen as a creative industry which includes advertising, distribution and selling.” It is also concerned with anticipating the customer’s future needs and wants which are often discovered through market research. (Kotler and Keller, 2005: p. 97)

Marketing philosophy, in any context, refer to the need satisfaction of the institution’s clients. The basic step involves identifying the needs of the customers and developing products to suit their needs or modifying the existing products accordingly. It also requires the need for foreseeing wants of the customers in future and developing suitable products of their requirement. Deryk Weyer of Barclay’s Bank attempted a comprehensive definition for Bank Marketing. According to him, it consists of identifying the most profitable markets now and in future; assessing the present and future needs of customers; setting business development goals and marketing plans to meet them and managing the various services and promoting them to achieve the plans, all in the context of a changing market environment. Successful marketing in a bank calls for commitment at all levels to the task defined in this regard. Achieving higher business standards and operational performance through marketing of banking services should be one of the directional goals of the organization.

(<http://cab.org.in/Lists/Knowledge%20Bank/DispForm.aspx?ID=19>)

Another definition is that “The term marketing comes from the word market-which is a group of potential customers with similar needs who are willing to exchange some thing of value with sellers offering various goods/services- that is, ways of satisfying those needs.” Of course some negotiations may be done face-to-face at some physical location or it can be done indirectly through a computer network or middlemen who link buyers and sellers living far apart. (Perreault, 1999: p. 15)

Marketing is the process used to determine what products or services may be of interest to customers, and the strategy to use in sales, communications and business

development. It generates the strategy that underlies sales techniques, business communication, and business developments. It is an integrated process through which companies build strong customer relationships and create value for their customers and for themselves. (<http://en.org.wikipedia.org/wiki/>)

Some of the other numerous definitions of marketing are given below.

Marketing is the process by which an organization relates creatively, productively, and profitably to the marketplace. Marketing is the art of creating and satisfying customers at a profit. Marketing is getting the right goods and services to the right people at the right places at the right time at the right price with the right communications and promotion.” (Kotler, 1991: p.31)

The Institute of Marketing defines marketing as the management function which organizes and directs all the business activities involved in assessing and converting customer’s purchasing power into product or service, and in moving the final product or service to the final user or consumer so as to achieve the product target or other objective set by the company. This definition is in line with other good definitions. Marketing ensures that it is a source aimed at stimulating exchange of goods and services. It clearly indicates that the aim of marketing is more than profit objective.

The Chartered Institute of Marketing defines marketing as "the management process that identifies, anticipates and satisfies customer requirements profitably.” This definition looks not only at identifying customer needs, but also satisfying them (short-term) and anticipating them in future (long-term retention). (Shrestha, 2011: p. 3)

## **2.2 Review of Related Studies**

Burkett (1986) pointed out that "Interest rate regulation has proved to be a significant disincentive for savings mobilization." A policy of adequate real interest rates on deposits is “inconsistent with policies of low interest rate lending”. If an interest rate ceiling exists for loans and deposits, the financial spread to cover costs shrinks and thus often makes savings mobilization too costly. Even if official deposit interest rate ceilings do not exist, BFIs must fix them at very low levels to cover their costs when loan interest rate ceilings exist. This often results in negative real interest, which



represents strong disincentives for depositors to save in financial institutions. Low-interest refinancing opportunities such as donor quasi-equity and soft loans or cheap rediscount facilities as the central bank also make deposit-faking a costly, and thus unattractive, alternative. Further to this, minimum reserve requirement may significantly contribute to the cost of savings mobilization by freezing a portion of the capital-earning capacity at no or very low interest.

Adams (1985) have pointed out that a Financial Institution mobilizing saving must respond to the depositors request for safety efficiency and stability. In addition the financial institution needs to deliver the products demanded at a reasonable price. Because the roles are reversed in the credit business, the institution must convince depositors that it will handle their funds with care and provide them with benefits such as return and/or liquidity. Hence, the business of deposit taking should increase institutional efficiency and profitability and strengthen the professionalism of the governance structure by introducing greater customer-orientation.

Yavas, Babakus and Ashill (2006) have carried out the study on “What do Consumers Look for in a Bank? An Empirical Study”. They described the new form of competition makes an understanding of consumer choice behavior to the financial services industry crucial so that bank can attract large group of customers. The study focus on providing a better understanding of how consumers choose their financial institution and how banks are fare in this environment. So, different factors which the customer are looking in a bank in their bank selection process is shown in the report very nicely and use of different techniques to analyze the report.

Cooper (2000) In his article entitled strategic marketing planning for radically new products, the authors outlines an approach to marketing planning for radically new products, disruptive or discontinuous innovations that change the dimensionality of the consumer decision. The planning process begins with an extensive situation analysis. The factors identified in the situation analysis are woven into the economic webs surrounding the new product.

Lehmann (2001) Much research has focused on how consumers and competitors respond to short-term changes in advertising and promotion. In contrast, the authors

use Procter & Gamble's value pricing strategy as an opportunity to study consumer and competitor response to a major sustained change in marketing mix strategy, they compile data across 24 categories in which P&G has a significant market share, covering the period from 1990 to 1996, during which P&G instituted major cuts in deals and coupons and substantial in advertising. For the new product the author's finds that deals and coupons increase market penetration and surprisingly have little impact in customer retention. For the new product advertising works primary by increasing penetration, but its effect is weaker than that of promotion. The authors find that competitor response is related to how strongly the competitor's market share is affected by the change in marketing mix and the competitor's own response and to structural factors such as market share position and multi market contact. The net impact of these consumer and competitor response is a decrease in market share for the organization that institutes sustained in promotion coupled with increasing advertisement.

Sapkota (2012) did a study on "Product Promotion planning and implementation of Pokhara Noodles Pvt. Ltd. in Pokhara. Pokhara noodles offers 14 different brands of white and brown noodles in the market to attract more customers. Lack of brand choice reduces the number of consumers in the long-run. Here, the company uses consumer promotion tools, trade promotion tools, and sales incentives as well under sales promotion tools.

Objectives:

- ) To analyze the promotional activities of the company.
- ) To assess the process of formulation, implementation and control of promotional plan.
- ) To identify the existing problems of promotional activities of the company.
- ) To analyze the attitude of the consumer towards the promotional activities.

Findings:

- ) The company uses coupon, cash prize, lucky draw contest and sample as consumer promotion tools, bonus and scheme as trade promotion.

- ) Most of the consumer i.e. 54.30% are exposed to the television commercial of the company, very few consumer i.e. 25.90% know that the company published ads in magazines as well.
- ) The company promotes its product through wall painting rather than hoarding boards because wall paintings are cheaper and effective promotion tools.
- ) Consumer's watch/listen/read advertisements of the company for entertainment, information, time pass. They are also exposed to the ads because they can not be always avoided. The consumer mostly watch/listen/read advertisement for the sale of entertainment.
- ) The manager of the company view that the shortage of manpower in the marketing department is the main problem of effective product communication for the company. They opine that the messages created by the company are clear; budget is sufficient; and media is adequate.

Gharti (2012) has conducted a study on "Sales planning of Dairy Industry in Pokhara" Comparative study of Pan-G dairy& Bajgan dairy.

#### Objectives:

- ) To study and analyze the existing sales planning methodology of Pan-G dairy and Bajgan dairy with seasonal demand.
- ) To study and analyze the relationship between sales and profit.
- ) To compare the sales planning methodology and performance of Pan G dairy and Bajgan dairy.

#### Findings:

- ) Target growth in sales revenue each year is nearly achieved but not planning.
- ) There is consistency between planning sales and actual sales as a whole. Bajgan dairy has better trading profit margin ratio as compare to Pan-G dairy. Pan-G dairy and Bajgan Dairy has not adopted the practice of preparing monthly budget which is necessary for planning and control.
- ) Sales of Pan-G dairy is higher than Bajgan dairy. Net profit margin of Pan G dairy is higher than net profit of Bajgan dairy in last five fiscal year. However, the net

profit of Pan-G dairy has reduced significantly in five years time whereas Bajgan dairy has increase net profit in last five years.

- ) While setting the target sales for next, Pan-G dairy and Bajgan Dairy has not consider other factor such as growth of consumer & other relevant factor.

Gurung (2007) did a study of “brand equity of Gunilo Products”. Gunilo agro brand product was the first firm that conceptualized and implemented the product of our traditional foods item in a systematic and well planned manner. It has successfully established a good position in the market from seven years. The products are marketed under Sital agro products under the ownership of Bindu Karki. It is a Pokhara based urban consumer's access to traditional Nepalese food. The enter ship was registered in the year 2055 B.S. under cottage and small scale industry in Kaski.

#### Objectives:

- ) To access brand awareness of Gunilo Products.
- ) To measure loyalty of customers toward Gunilo Products.
- ) To analyze the value perception among customers about the products.
- ) To assess the overall image of the brand.
- ) To assess the view of retailers about the brand in comparison to other competitive brand.

#### Findings:

- ) The distribution of Gunilo product is limited up to Pokhara valley, awareness level is low Out of total respondents of 303, only 100 respondents knew about the product. (i.e., only 33 %)
- ) Sales persons were found to be the main source of customer’s awareness of the product. 41% from sales personnel, 30% from shop display, 13% through friends, 11% from advertisement, 3 % from other sources and 2 % from the family members.
- ) Brand loyalty varied by gender and value perception whereas occupation doesn’t have any effect on brand loyalty of the product.
- ) The mostly cited reason for buying this product is taste 42% and high quality 38%

- ) 70% of the retailers opined that Gunilo products are better than other competitive brand.
- ) Since the products are daily consumed as household items, the main buyers of the products were found to be married women.

Thapa (2009) has conducted a study “Promotional activities of Machhapuchhre Bank Limited”

Objectives:

- ) To analyze how the bank make public relation with the customers
- ) To identify the promotional tools used by the bank
- ) To find out the promotional media to flow the promotional messages.
- ) To assess the impact of promotional activities to its customers.
- ) To analyze the competitive position of the bank.
- ) To make the appropriate suggestions to the bank.

Findings:

- ) 48% of the respondents have felt that MBL’s personal relationship with customer is like as other bank. 34% respondents have felt that the personnel relationship is in the form of politeness and 18% of the respondents have felt that PR is like as slogan of MBL.
- ) Major of the clients have known about the bank through brouchers/posters/ hoarding boards.
- ) 42% of the respondents have focused on mobile banking as a suitable direct marketing activity, 34% ATM/debit card, 24% have felt suitable direct marketing activity as internet banking.
- ) 5 % respondents have felt that the effective sales promotional tool is the trade promotion, 28 % have focused on consumer promotion and 22% on sales promotion.
- ) As per respondents 365 days/ evening counter service is found to be the best service provided by the bank.
- ) ABBS is a good product of the bank as per the respondents.
- ) The attractive deposit scheme, locker facility is also good product of the bank.

Kunwar (2010) has conducted a survey on “Marketing Strategies of Bio Gas Company in Nepal”

Objectives:

- ) To identify the promotional strategy of the company
- ) To assess the promotional mix used by the company.
- ) To analyze the promotional planning and execution process of the company.
- ) To analyze the strength, weakness, threats and opportunities of the company in regard to the promotional activities.

Findings:

- ) The most common promotional tools used by the company are the sales promotion, public relation, personal selling.
- ) The best reason for choosing advertising as a promotional tool is because of the market expense and less time consuming. The sales promotion because of market coverage and sales the personal selling because of the cost effectiveness and convenience reason.
- ) In advertising, the company makes use of the all the media locally and sometimes in national media too. The use of magazine is found very less. The priorities are given to local radio and newspaper.
- ) The company’s promotional expense is below Rs. 5000 per month. The company can increase its promotional activities with different strategy and tools according to the need and demand at the right time with right choice.

### **2.3 Research Gap**

Researchers have conducted many research reports on marketing field with related subject matter. But the choice of the subject is due to the fact that there is no previous research found on making study on Marketing Planning & Execution in Deposit Collection (BBBL). The study tried to show that the overall marketing planning in deposit collection followed by BBBL. Also, this study attempts to show the deposit status of BBBL in consecutive five years. Researcher has attempted to prepare & present this report with full enthusiasm and all possible primary data as well as secondary data are collected, analyzed & presented here in respective manner.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

A systematized research methodology is a prerequisite of research work to achieve the set objectives of the study and in order to do so a definite research methodology has been developed which is presented in this chapter. . It includes the research design, nature & sources of data, data collection procedure, data analysis tools and limitations of methodology.

#### **3.1 Research Design**

Research design is an integrated framework of the whole study that guides the researcher in formulating, implementing and controlling the research work. To achieve the set objective of the study, it emphasizes upon descriptive method and studies the changes in the key variables overtime. Generally research design means definite procedures and techniques which guide to study and propounds ways for research viability. The problems that follows in the task of defining the research is the preparation of design; is the plan structure and strategy of investigation concerned to obtain answer to research question and to control variance. The main objective of the study is to find out the different marketing planning of Bishwa Bikash Bank Limited and the way these planning have been executed. BBBL is purposefully selected. To analyze this, descriptive tools are used. It also assesses the opinion and describes the situation and events occurring at present.

#### **3.2 Population and Sample**

The term population for research means all the members of any well defined class of objects or events. It refers to the industries of the same nature and it's services and products in general. Similarly, the sample is only the portion or subset of the universe population. Here all the groups, individuals and elements under study are population and unbiased representation of the population is the sample. For the purpose of this study, Development Bank represents population; so far 86 development Bank have been established in Nepal. Whereas, this study being a study of a single unit, Bishwa

Bikash Bank Limited, 150 numbers of customers, 15 marketing staffs and 4 management staffs has been selected as the sample for the study.

### **3.3 Nature and Sources of Data**

Data are crucial for every research work. The sources of data used in this study are as follows:

#### **Primary Sources:**

Primary data are those, which are collected for the first time, and thus happen to be original in character. In primary sources, data are collected through various respondents and respective Bank. Primary data are collected through opened & closed questionnaire, interviews with the management team, marketing team and the customers.

#### **Secondary Sources:**

The secondary data are those, which have already been collected and passed through the statistical process. For this study, secondary data are also used. These secondary data are collected mainly from published as well as the unpublished internal reports. Supplementary data and information are collected from other regulatory authorities like annual report, organization bulletins & brochures, reports and journals, related websites q

### **3.4 Data Collection Procedure**

Three distinct sets of questionnaires are prepared and these are presented by taking unstructured and structured types of interview to the management team, marketing team of the bank and the customers with the brief introduction of nature of the study. The annual reports and other required information of the bank were obtained from their head offices and Pokhara based branch offices and the official websites. NRB reports, directives and other publications were obtained from NRB Pokhara branch and its official website. The dissertations related to the subject matters were consulted at the Western Regional Library Pokhara. Different text books related to the subject matters were consulted at Western Regional Library, Pokhara. Field visit is the major



method to collect data from the respondents. The researcher himself assisted the customers in filling questionnaires.

### **3.5 Data Analysis Tools**

The data are the main raw materials for the study. All the data are the input for the research process, so the data available should be first managed, arranged, accumulated and presented in an appropriate manner and a systematic processing requires appropriate analytical and descriptive tools. The respondents are categorized, tabulated, processed and analyzed. The primary data, opinions of respondents and marketing personnel of the Bank are processed and computed to show the weighted mean, value and percentages. The data are also cross tabulated on the basis of the age, sex, education and income level.

Data has been analyzed with the help of MS Excel program. For this, a descriptive analysis has been done. Descriptive study has been done by presenting it in charts, tables and percentage. In the present study, percentage has been used to obtain the actual number of views and opinions on the questions being asked.

### **3.6 Limitations of the Methodology**

- 1) The analysis is based upon both the primary and secondary data. Hence it may suffer from the limitations of both.
- 2) The method adapted from the online website sources may get changed or updated during the course of research which may create a problem in the whole thesis writing process.
- 3) Insufficient research has been done so far in the related subject matter, so there is a limitation of finding excess of data.

## CHAPTER IV

### DATA PRESENTATION AND ANALYSIS

This chapter contains two major sections. First section contains data presentation and analysis of the data collected from three different categories of respondent's i.e marketing team, management team and customers. Graphical presentation such as pie charts, bar diagrams, line charts etc is presented wherever necessary. The analysis of data is presented underneath the table.

The second section contains major findings received from the first section. The data tables and their analysis derived from the respondents' are grouped as: respondent's profile, market scanning and analyzing process, marketing mix applied, market segmentation process and marketing plan & execution.

#### 4.1 Respondent's Profile

In this section, Biographic Data of 15 marketing staffs, 150 customers, and 4 management staffs has been presented in form of gender, age, qualification, position and employment status.

**Table 4.1**  
**Biographic Data of Marketing Staffs**

Attribute	Biographic data of marketing staffs	
	Frequency	Percentage
<b>Gender</b>		
Female	2	13.33
Male	13	86.67
<b>Total</b>	<b>15</b>	<b>100</b>
<b>Age</b>		
26-35	13	86.67
36-45	2	13.33
<b>Total</b>	<b>15</b>	<b>100</b>
<b>Qualification</b>		
Bachelors	2	13.33
Masters	13	86.67
<b>Total</b>	<b>15</b>	<b>100</b>
<b>Position</b>		
Assistants	5	33.33
Officers	8	53.34
Managers	2	13.33
<b>Total</b>	<b>15</b>	<b>100</b>

*Source: Field Survey 2014*

Above table shows that there are more males as opposed to females engaged in marketing process. 13 (86.67%) represented males and 2(13.33%) females. Most of the staffs are between the ages of 26 : 35. The age range of 26-35 and 36-45 accounted for 13 (86.67%) and 2(13.33 %) respectively. Regarding education, most of them are master's degree holder. 13(84.67%) of total staffs have completed the master's degree education whereas 2(13.33%) are Bachelor's degree holder. Out of the total staffs, 5(33.33 %) are working in assistant level, 8(53.34%) accounted for Officer Level whereas 2(13.3 3%) are in the post of Manager.

**Table 4.2**  
**Biographic Data of Customers**

Attribute	Biographic Data of customers	
	Frequency	Percentage
<b>Gender</b>		
Male	68	45.33
Female	82	54.67
<b>Total</b>	<b>150</b>	<b>100</b>
<b>Age</b>		
18-25	17	11.33
26-35	32	21.34
36-45	48	32.00
46-55	39	26.00
Above 55	14	9.33
<b>Total</b>	<b>150</b>	<b>100</b>
<b>Qualification</b>		
Intermediate	59	39.33
Bachelors	42	28.00
Masters	18	12.00
Illiterate	31	20.67
<b>Total</b>	<b>150</b>	<b>100</b>
<b>Employment Status</b>		
Employed	74	49.33
unemployed	29	19.33
Student	13	8.67
Retired	34	22.67
<b>Total</b>	<b>150</b>	<b>100</b>

*Source: Filed Survey 2014*

Table 4.2 shows that more females as opposed to males are doing banking. 54.67 % of the total respondents are females and 45.33 % are males. Most of the customers are

between the ages of 36 to 45. The age range of 36-45 occupied 32%. Whereas the respondents aged 18 to 25, 26 to 35 and 46 to 55 and above 55 accounted for 11.33%, 21.34%, 26% and 9.33% respectively. Out of total 39.33%, are intermediate, 28% have passed the bachelors degree, 20.67% are illiterate whereas only 12% have passed the master's level. As regard to employment status, 49.33% of customers are employed, 19.33% are unemployed, 8.67% are students and 22.67% are retired customers.

**Table 4.3**  
**Biographic Data of Management Staffs**

Attribute	Biographic Data of Management Staffs	
	Frequency	Percentage
<b>Gender</b>		
Male	4	100
Female	0	0
<b>Total</b>	<b>4</b>	<b>100</b>
<b>Age</b>		
26-35	1	25
36-45	3	75
<b>Total</b>	<b>4</b>	<b>100</b>
<b>Qualification</b>		
Bachelors	0	0
Masters	4	100
<b>Total</b>	<b>4</b>	<b>100</b>
<b>Position</b>		
Chief Credit	1	25
Manager	1	25
Dy. General Manager	1	25
Chief Executive Officer	1	25
<b>Total</b>	<b>4</b>	<b>100</b>

*Source: Filed Survey 2014*

Above table shows that there are four members in management team. Chief Executive Officer (CEO), Deputy General Manager (D.G.M), Manager and Assistant Manager (Credit) in which all of them 4 (100%) are males. The data shows that 1(25%) are

between the ages of 26 and 35 and 3(75%) falls in the age group of 36-45. On the education level, all 4 (100%) have completed the masters level.

#### 4.2 Current Position of Deposit of BBBL

This part includes the current deposit ratio of deposits in the consecutive five fiscal years. Also the part analyses how much the organization has been able to achieve its target.

**Table 4.4**  
**Deposit & Growth Rate**

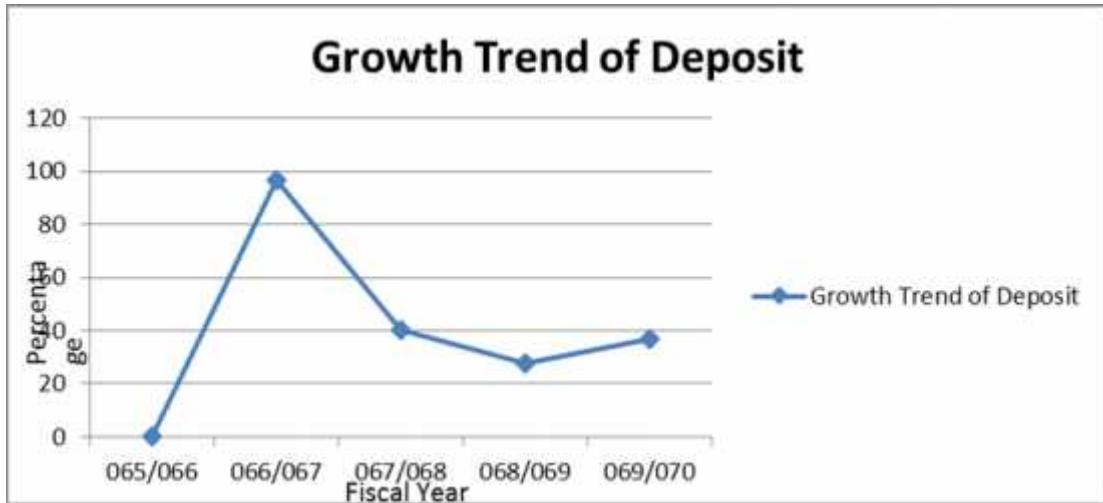
**Fig in '000**

<b>Years</b>	<b>Deposit</b>	<b>Growth in %</b>
065/066	6,43099	-
066/067	12,63490	96.47
067/068	17,74424	40.44
068/069	2226871	27.81
069/070	31,10,564	37.00

*Source: Annual Reports*

Table 4.4 shows the growth rate of deposit in consecutive five fiscal years. In F.Y 2066/67 there has been nearly two times growth in deposit of the bank by 96.47%. Simultaneously, the deposit has gradually fallen down by 40.44% and 27.81% in the fiscal year 067/068 and 068/069 respectively. In the F/Y 069/070 there has been slightly growth in deposit by 37%. More precisely the result depicted by the data can be presented in figure as follows.

**Fig. 4.1**  
**Growth Trend of Deposit**



**Table 4.5**

**Deviation of Actual Deposit with the Target**

**Fig in NPR '000**

Year	Deposit		Var
	Actual	Target	
<b>065/066</b>	6,43,099	700,000	(56,901)
<b>066/067</b>	12,63,490	1200000	64,490
<b>067/068</b>	17,74,424	1800000	(25,576)
<b>068/069</b>	22,26,871	2200,000	26,871
<b>069/070</b>	31,10,564	3000000	110,564

*Source: Unpublished internal reports (Var = variance)*

The table 4.5 depicts that in the F/Y 065/066 the bank did not meet its deposit target by 5.7 crore Likewise in the F/Y 066/067 the actual deposit has exceeded the target by Rs. 6.4 crore. Whereas in the F/Y 067/068 the target has not been achieved. There is the deviation by 2.5 crore. Likewise in the F/Y 068/069 and 069/070 the actual deposit has exceeded the target by 2.7 crore and 11 crore respectively.

**4.3 Environmental Scanning and Analyzing Practices**

Environmental sectors that receive environmental scanning factor, reliable sources for the purpose, modes used to scan and SWOT analysis have been analyzed in this part.

**Table 4.6**

**Environmental Scanning Factors**

Sectors	Rank wise no. of responses					TR	WV	MV	OR
	1	2	3	4	5				
Technological	0	4	0	5	6	15	58	3.9	3
Economic	7	2	2	4	0	15	33	2.2	5
Socio-Cultural	2	3	6	0	4	15	46	3.1	4
Demographic	0	0	2	7	6	15	64	4.3	1
Political/Legal	0	2	2	4	7	15	61	4.1	2
Natural	9	1	5	0	0	15	26	1.7	6

Sources: Field Survey (TR: Total Response; WV: Weighted value; MV: Mean Value and Or: Overall Rank)

The table 4.6 reveals the overall rank of the environmental sectors that receive greater attention during scanning process. It is seen that among the six sectors, demographic sector receive greatest scanning attention. With the highest mean score it stands in the first rank. Political/legal stands the second sector. Likewise, technological stands in the third rank. Whereas Socio-Cultural sector, economic and natural are the last three sectors that receive least attention during scanning process. They stand in the fourth, fifth and sixth ranks.

To scan the environment sectors, reliable sources are necessary. These sources can either be internal or external. The table below shows the different sources the marketing staffs depend upon for scanning process.

**Table 4.7**  
**Sources for Environment Scanning**

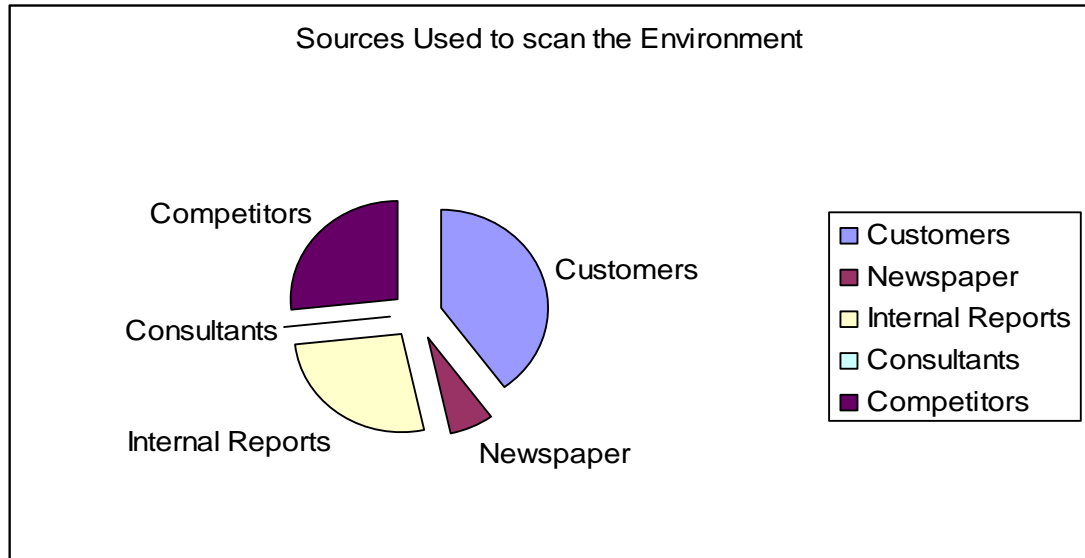
S.No	Sources of scanning	Frequency	Percentage
1	Customers	6	40.00
2	Newspaper	2	13.33
3	Internal Reports	4	26.67
4	Consultants	0	0
5	Competitors	3	20.00
<b>Total</b>		<b>15</b>	<b>100</b>

Sources: Field survey

Table 4.7 reflects that near to half of the percentage of respondent's i.e: 6(40%) believe that customers are the most reliable sources for environmental scanning. While 4(26.67 %) of them believe that the Internal Reports are reliable source. 3(20%) agree that competitors are reliable source. Whereas only 2 (13.33 %) of them believe the news papers to be reliable source. While as per the result obtained consultants are indicated not reliable by the respondents. The result thus obtained has been clearly explained through the figure below.



**Fig 4.2**  
**Sources used most frequently to scan the environment**



From this figure it will be clear that customer was the most used sources to scan the environment, whereas consultants was the least used for environment scanning

**Table 4.8**  
**Appropriateness of Scanning Methods**

Scanning Mode	Very Appropriate	Mod. Appropriate	Less Appropriate	Total
Continuous (Monthly)	3 (20)	8 (53.33)	4 (26.66)	15 100
Periodic(Once in three months)	10 (66.66)	3 (20)	2 (13.33)	15 100
Irregular (Once in a six months)	2 (13.33)	3 (20)	10 (66.66)	15 100

*Sources: Field Survey (Figures in brackets indicates percentage)*

Table 4.8 unfolds the responses of the marketing staffs towards the appropriateness of the scanning modes. 20% of the total respondents agree that continuous mode which is scanning once in a month is very appropriate. While 53.33% of them agree it to be moderately appropriate and the remaining 26.66% agree it to be less appropriate. Regarding periodic mode, which is scanning the environmental factors once in three

months, highest 66.66% of the respondents agree it to be very appropriate, 20% agree it to be moderately appropriate whereas 13.33% said it to be less appropriate. Whereas irregular method, which is scanning environment once in six months, is concerned only 13.33% said it is highly appropriate, 20% said it is moderately appropriate while largest 66.66% said it to be less appropriate.

#### 4.3.1 SWOT Analysis

Under this part, strengths, weakness, opportunities and threats are analyzed in accordance to the responses of the management team headed by C.E.O, D.G.M, Manager and Assistant Manager which are presented in table 4.9.1 and table 4.9.2

**Table 4.9.1**  
**Major Weaknesses and Strengths of the Organization**

Strengths	Weakness
1. Huge deposit and lending.	1.Late Branch expansion in major cities.
2. Strong Financial position.	2.Lacking employee training.
3. Increment in profit in every year.	3.Lack of major facilities like E-Banking.
4. All the promoters having sound financial condition.	4.Small geographical area coverage.

*Sources: Field Survey*

The table 4.9.1 depicts that the respondents believe that huge deposits and lending are the prime strengths of the organization. Also according to them the strong financial position, increment in profit in every year and all the promoters having a sound financial condition are their major strengths.

Whereas according to the staffs, late branch expansion in the major cities is the prime weakness. Besides that, lacking employee training and the lack of major banking facility like E-Banking is the major weaknesses of the organization.

**Table 4.9.2**

**Opportunities and Threats of the Organization**

<b>Opportunities</b>	<b>Threats</b>
1. Since the political situation of the country is stable, the organization can expand the services to new geographical areas and serve the people all around.	1. More than 100 banks/FI in market of Pokhara and more in pipeline.
2. As the number of immigrants is gradually growing, remittance is also taking a peak.	2. New entrants & rapid expansion of branch by banks/FI.
3. Banking literacy is gradually growing. 4. Exploring new investment sector.	3. Liquidity Crunch and Unhealthy interest competition. 4. Change in laws or technology.

*Sources: Field Survey*

Opportunities provide the organization with a chance to improve its performance and win a competitive advantage. Whereas threats can be an individual, group or organization that aim to reduce the level of organization performance. Table 4.9.2 is the representation of the potential threats and opportunities as pointed by the staffs. Talking about the opportunities, as the country is now politically stable in comparison to previous years so the organization can expand the services to new geographical areas which is a major opportunity Also the growing number of immigrants shows remittance can be one of the potential opportunities for a banking market. Besides, banking literacy among the people is gradually increasing and people are motivated to save and invest which is an opportunity for any bank or finance.

As per the threats are concerned, the respondents have recognized increasing number of banks and financial institutions in Pokhara rapidly in the short year span as one of the potential threat. Also changes in laws or technology, unhealthy interest competition with the limited customers to serve are the major threats according to the respondents.

#### 4.4 Marketing Mix Strategy

This section is related to marketing mix strategy. It contains issues related with 4 P's of marketing specially product utilization, methods of pricing, places from where the services are provided to the customers and the promotional methods and determination of customer satisfaction level also.

##### 4.4.1. Product Mix:

This part focuses about the saving deposit product types of BBBL and different products offered to the customers by the organization. So, it is entirely based on the customer's point of view

**Table 4.10**  
**Saving Deposit Products of BBBL**

<b>Saving Deposit Products</b>		
Normal Saving Account	Bishow Specific Saving Account	Group Saving Account
Specific Saving Account	Elder Citizens Saving Account	Semi-fixed Transit
Children Saving Account	Shareholder Account	Sajilo Bachat Khata
Super Saving Account	Salary Management Account	Staff Saving Account
Female Saving Account	Structure Saving Account	Remittance Saving Account

*Sources: Brouchers*

The table 4.10 shows that the saving deposit product of BBBL. It is clear from the table that there are altogether 15 types of saving deposit products in BBBL. All account mentioned is an interest bearing account on daily basis balance Any individual or organization are eligible to open this account. Free ATM Debit card will provided to those customers who will open the specific, subha labha, structure, staff and shareholder account only.

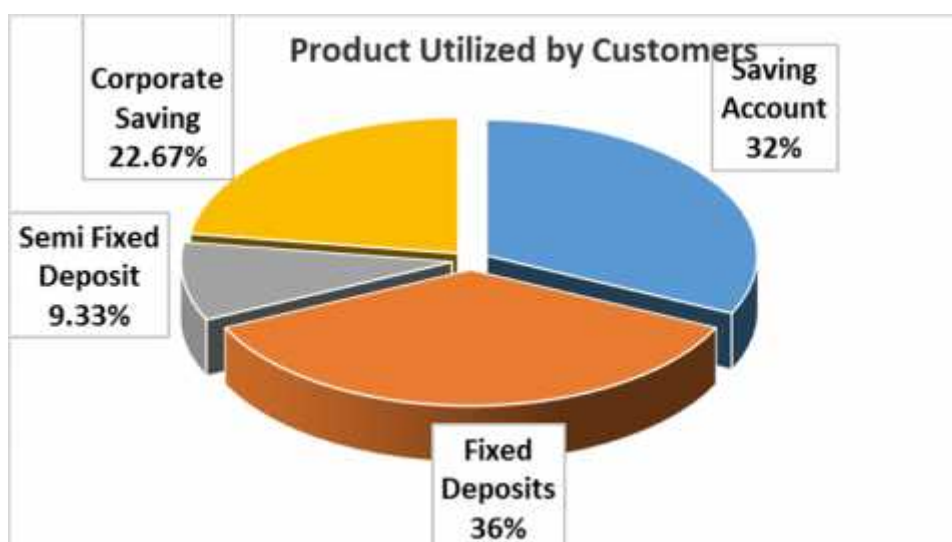
**Table 4.11**  
**Products Utilized by the Customers**

S.No	Type of products	No. of respondents	Percentage
1	Saving Account	48	32.00
2	Fixed Deposits	54	36.00
3	Semi Fixed Deposit	14	9.33
4	Corporate savings	34	22.67
	<b>Total</b>	<b>150</b>	<b>100</b>

*Source: Field Survey*

According to the table 4.11, out of 150 respondents, 48(32.00%) customers are enjoying saving account, 54(36.00%) customers has availing fixed saving account however 14(9.33) customers has been enjoying the semi fixed deposit and 34 (22.67%) customers are enjoying schemes under corporate saving. Majority of the customers are enjoying the fixed deposit saving rather than other products. The data in table 4.11 is presented in figure 4.3 as follows.

**Fig 4.3**  
**Types of Products Utilized by the Customers**



**Table 4.12**  
**Status of Banking Services Viewed by Customers**

<b>Products</b>	<b>Exc (5)</b>	<b>V.Good (4)</b>	<b>Good (3)</b>	<b>Satf (2)</b>	<b>Bad (1)</b>	<b>Total</b>	<b>Mean</b>	<b>Rank</b>
ABBS service	14	18	52	54	12	<b>150</b>	<b>2.79</b>	<b>IV</b>
Accommodation & Parking	20	36	34	48	12	<b>150</b>	<b>3.03</b>	<b>III</b>
Attractive Deposit Schemes	25	35	40	40	10	<b>150</b>	<b>3.17</b>	<b>II</b>
Remittance Service	25	35	50	28	12	<b>150</b>	<b>3.22</b>	<b>I</b>
SMS Banking	13	25	45	43	24	<b>150</b>	<b>2.73</b>	<b>VI</b>
ATM Service	15	25	47	32	31	<b>150</b>	<b>2.74</b>	<b>V</b>

*Sources: Field Survey (Note: Exc= excellent V.Good=Very Good Satf=Satisfactory)*

As demonstrated by the above table no. 4.12, the customers have rated remittance services, attractive deposit scheme and accommodation & parking as the top three services provided to them because the customers have ranked first, second and third respectively to these services. Whereas customers have ranked fourth to the ABBS service and fifth to ATM service provide to them. While the customers have viewed that the SMS Banking is not in the good position. They have placed sixth or last rank to this service.

#### **4.4.2. Pricing Mix**

In this section BBBL published interest rate of deposit product is listed. Also, to determine the pricing policy of the organization, the researcher has consulted the management team headed by a C.E.O, D.G.M, Manager and Assistant Manager. By the visit and the interview the result thus obtained has been presented as follows.

**Table: 4.13****Interest Rate in Saving Deposit Account & Fixed Deposit Account of BBBL**

Saving Deposit Product	Interest Rate	Fixed Deposit	Interest Rate	
			Quarterly	At maturity
Normal Saving Account	4.50%	6 Months	-	7.50%
Specific Saving Account	6.00%	9 Months	-	8.25%
Children Saving Account	5.50%	1 Years	8.75%	9.00%
Elder Citizens Saving Account	5.50%	More than 1 Yrs & Below 2 Yrs	9.00%	9.25%
Female Saving A/c	5.75%	2 Year	9.25%	9.50%
Bishwa Specific Saving Account	5.50%	More than 2 Yrs & Below 3 Yrs	9.50%	9.75%
Super Saving A/c	5.75%	3 Years	9.75%	10.00%
Shareholder Account	6.50%	4-5 Years	10.25%	10.50%
Salary Management Account	5.75%	Above 5 Years	Negotiable	Negotiable
Structure Saving Account	5.75%	Elder Citizens Fixed Deposit	8.85% (monthly)	-
Group Saving Account	4.50%	Special Fixed Deposit	9.00%	-
Semi-fixed Transit	4.50%			
Sajilo Bachat Khata	4.50%			
Staff Saving Account	6.50%			
Remittance Saving Account	6.00%			

*Sources: Brouchers*

The table 4.13 shows that the bottom line of interest rate in saving deposit is 4.50% which is provided to the customers who enjoy the normal saving account, group saving account, semi-fixed transit and sajilo bachat khata. 5.50% IR is leived in children saving account, elder citizens saving account and bishwa specific saving account whereas 5.75% IR is leived on female saving account & super saving type of account. Likewise, the customer who will open the specific saving account & remittance saving account will get the 6.00% interest rate. Maximum of 6.50% IR in saving deposit is provided to the staff saving account and shareholder account.

In FD account the published interest rate of BBBL is 7.50% to 10.50%. Interest rates are fixed depending upon the amount and time period the deposit remains with the bank. The longer the time period, higher is the interest rate offered. Interest in FD is categorized on quarterly basis and at maturity basis. The customer will get the 7.50% & 8.25% IR on quarterly basis for the tenor of 6 month & 9 month respectively. The bank has fixed the IR of 8.75% on quarterly basis & 9% at maturity for the tenor of 1 Yrs. Likewise, 9% & 9.25% IR on quarterly & at maturity basis is provided to those customers, who will open the FD account for more than 1 Yrs and below 2 Yrs. 9.25% IR is leived for 2 years on quarterly interest payable & 9.50% IR is leived at maturity of FD amount with total interest. For the period of 3 Yrs 9.75% IR with quarterly interest & 10% at maturity is fixed . Similarly, maximum published of 10.50% IR is granted to those customers who will availing the FD account for the tenor of 4-5 years. Like this, the customer whose age is aboce 40 years old can open the elder citizen fixed deposit account. In this type of account they can get 8.85% IR on monthly basis. The bank has launched the special fixed deposit account in which 9% IR is fixed.

**Table 4.14**  
**Rank Status of the Pricing Methods**

S.No	Particulars	Rank
1	Cost Oriented Pricing	Third
2	Demand Oriented Pricing	Second
3	Competition Oriented Pricing	First

*Sources: Field Survey*

Table 4.14 highlights the different pricing methods applied by the organization. Among the three methods of pricing, competition oriented pricing method has been ranked first by the respondents, while demand oriented pricing method second and cost oriented pricing method have been ranked the third.



**Table 4.15**  
**Attitudes Toward Charges on Different Facilities**

Facilities	Rating						Total	
	High		Moderate		Low			
	R	%	R	%	R	%	R	%
Interest on Deposit	15	10	100	66.67	35	23.33	<b>150</b>	<b>100</b>
Cheque Lost Charge	120	80	30	20	0	0	<b>150</b>	<b>100</b>
Cheque Bounce Charge	98	65.34	50	33.33	2	1.33	<b>150</b>	<b>100</b>
ATM Charge	40	26.67	65	43.33	45	30	<b>150</b>	<b>100</b>
Locker Charge	20	13.33	80	53.34	50	33.33	<b>150</b>	<b>100</b>
SMS Banking Charge	45	30	55	36.67	50	33.33	<b>150</b>	<b>100</b>

*Source: Field Survey (Note: R= Response)*

The table 4.15 unveils the views of the customers regarding the prices charged for the different facilities. It can be seen that regarding the interest on deposits, 15 (10%) of the total customers believed it to be high, 100 (66.67%) of them confirmed it to be moderate whereas the highest 35 (23.33%) of them said it is low. For Cheque Lost Charge, the highest 120 (80%) of the customers considered them being high and only 30 (20%) of them considered it to be moderate. Regarding the cheque bounce charge, 98 (65.34%) respondents said it is high, 50 (33.33%) of them believed it to be moderate whereas 2 (1.33%) of them said it is low. For new and renewal ATM Card issuance, 40(26.67%) respondent believe that it is high, 65(43.33%) respondent believe it to be moderate and 45(30%) said that it is low. Likewise, 20(13.33) respondent believe that Locker Charge of Bank is high, 80(53.34) respondent said that is moderate whereas 50(33.33) said that it is low. Regarding the charge in SMS Banking, 45(30) of the total customer feel it low.

#### **4.4.3 Place Mix:**

In this part, places from where the services are provided are tabulated and analyzed.

**Table 4.16**  
**Head Office and Branch Offices of BBBL Establishment Year**

<b>S. No</b>	<b>Branches</b>	<b>Year of Establishment</b>
1	Head Office, Chipledhunga, Pokhara	2064-08-05
2	Gagangaunda Branch, Lekhnath	2066-03-03
3	Lakeside Branch, Pokhara	2066-04-16
4	Bagar Branch, Pokhara	2066-05-29
5	Bhairawaha Branch	2066-06-03
6	Narayangadh Branch	2066-06-18
7	Kushma Branch, Parbat	2066-08-10
8	Butwal Branch	2066-09-18
9	Nayagaun Branch, Butwal	2067-02-22
10	Walling Branch, Syangja	2069-01-15
11	Dulegauda Branch, Tanahun	2069-09-12
12	Tandi Branch, Chitwan	2069-09-12
13	Bhedabhari Branch, Nawalparasi	2070-01-27
14	Golpark Branch, Butwal	2070-01-27

*Sources: BBBL sources*

The above table 4.16 shows that the organization has been providing the services to the customers from head office at Chipledhunga, Pokhara and the three other Pokhara based branches situated at Lakeside, Bagar and Gagangauda. Likewise, the bank has also have been providing service to the customer from Bhairawaha, Narayangadh, Kushma, Butwal, Nayagaun, Walling, Dulegauda, Tandhi, Bhedabari and Golpark, Butwal. The Head Office was established in the year 2064-08-05. Gagandauda branch was established in the year 2066-04-16, 2066-05-29, Whereas Lakeside, Bagar, Bhairawaha and Narayangadh branch was established in the year 2066-10-13, 2066-06-03 and 2066-06-18 respectively and the Kushma Branch was established in the year 2066-08-10. Similarly, Butwal Branch & Nayagaun Branch was established in 2066-09-18, 2067-02-22. Dulegauda Branch and Tandhi Branch was established in the same day .ie. 2069-09-12 and Bhedabari Branch & Golpark Branch was also established in the same day ie.2070-01-27.

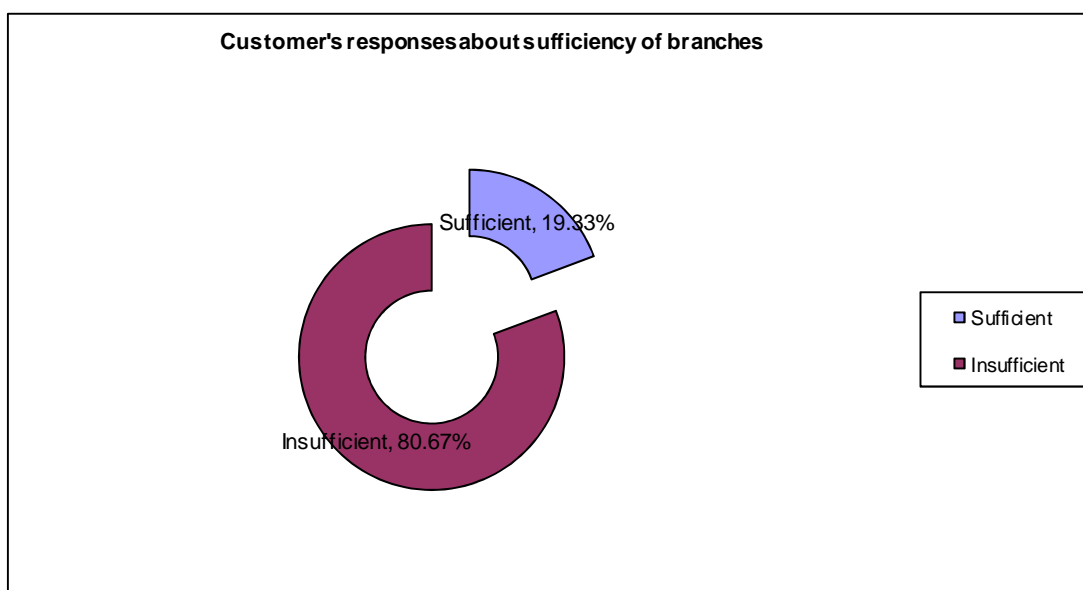
**Table 4.17**  
**Sufficiency of the Branches for Services**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Sufficient	29	19.33%
Insufficient	121	80.67%
<b>Total</b>	<b>150</b>	<b>100%</b>

*Source: Field Survey*

Table 4.17 reveals that 80.67% of the total customers agree that the number of branches is insufficient for them. Whereas only 19.33% of the customers agree that the number of the branches is sufficient for them. The result thus obtained has been presented through the figure 4.4 below.

**Fig: 4.4**  
**Sufficiency of Branches**



The table below has been analyzed in accordance to the responses of the management team which is an attempt to show both the advantages and disadvantages the Bank faces when expanding the branches.

**Table 4.18**  
**Advantages and Disadvantages of Expanding Branches**

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>➤ Increase in total loan and deposits.</li> <li>➤ Increase in customer satisfaction through ABBS facilities</li> <li>➤ Increase in number of customers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Increase in operating cost.</li> <li>➤ Need of more staffs.</li> <li>➤ Increase in marketing cost.</li> </ul>

*Source: Field Survey*

The above table illustrates that the major advantage of expanding branches is it increases total loan and deposits. Also the customer satisfaction level increases as they can transact through any branch. Likewise, the numbers of customers increase when number of branches increase. Talking about the disadvantages, the major disadvantage is the operating cost increases while expanding the branches. Likely, numbers of staffs increase which give rise to staff expenses. To promote these branches advertising should be done massively, this increase the marketing costs also.

#### **4.4.4 Promotion Mix:**

Different questions were asked to the customers to ascertain the utilization of the various promotional tools used by them and about the level of satisfaction. Also here were the questions asked to the marketing staffs about the different promotional tools they use to promote their services, appropriate time for promotion of services and effectiveness of promotional activities undertaken. The result thus obtained have been analyzed and presented.

**Table 4.19**  
**Status of the Promotional Tools used by the Organization**

S.No	Promotional Tools Used	Respondent	Percentage	Rank
1	Advertising	8	53.33	First
2	Public Relation and Publicity	2	13.33	Third
3	Sales Promotion	1	6.67	Fourth
4	Direct Marketing	4	26.67	Second
5	Personal Selling	0	0	Fifth
	<b>Total</b>	<b>15</b>		

*Source: Field Survey*

The above table no: 4.19 highlights that among the different promotional tools, advertising is the prime promotional tool used by the organization. It has been ranked first by the respondent which is followed by direct marketing in second place. Public relationship and publicity is the third tool used whereas the Sales Promotion is the least used promotional tools which occupy fourth places. The bank did not used personal selling promotional tools. Thus, it stands in last position.

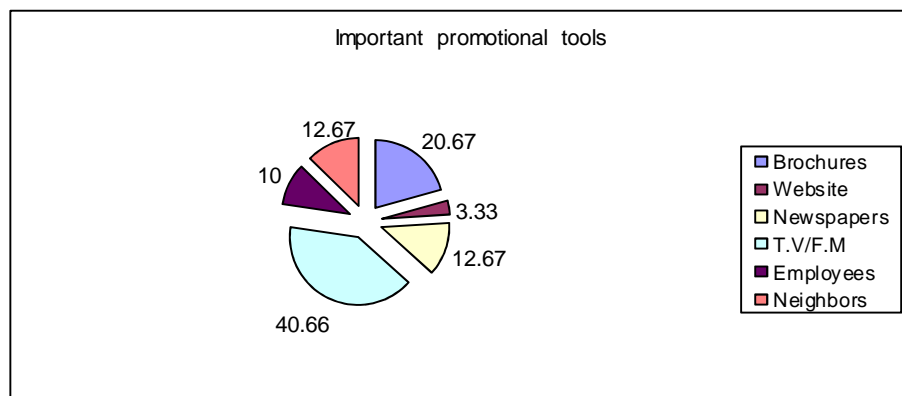
**Table 4.20**  
**Promotional Tools Viewed Important by Customers**

S.No	Particulars	Respondents	Percentage
1	Brochures	31	20.67
2	Website	5	3.33
3	Newspapers	19	12.67
4	T.V/F.M	61	40.66
5	Employees	15	10.00
6	Neighbors	19	12.67
	<b>Total</b>	<b>150</b>	<b>100</b>

*Source: Field Survey*

The above table unfolds that highest 40.66% of the customers have considered T.V/F.M as important promotional tool. 20.67% of them have considered brochures as the important promotional tool. Whereas the next 12.67% each of total respondents confirmed neighbors and newspapers to be the important promotional tools. Likewise, 10% have confirmed employees to be important promotional tool and the least 3.33% said websites is the important promotional tool. The data in table 4.20 is presented in figure 4.5 as follows.

**Fig. 4.5**  
**Promotional tools used by the customers**



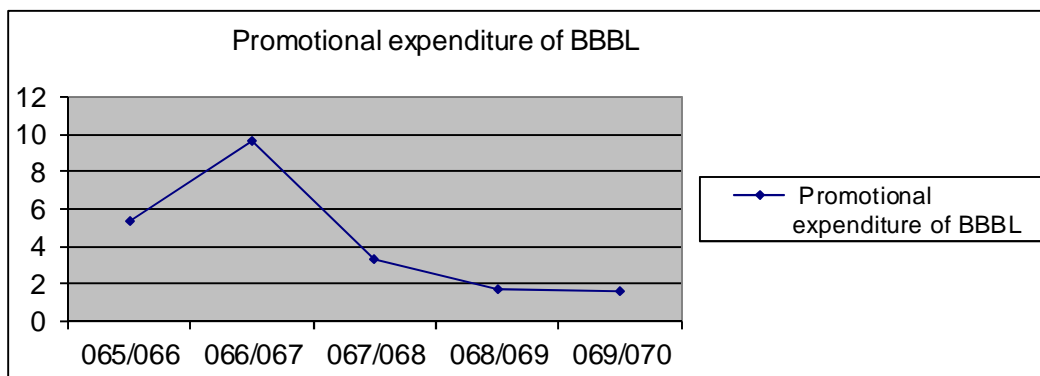
**Table 4.21**  
**Promotional Expenditure out of total Operating Income**  
**Fig in'000**

Year	Operating Income	Promotion Expenditure	% of Promotion Expenditure
065/066	10,942	581	5.30
066/067	14,563	1401	9.62
067/068	57,346	1883	3.28
068/069	84,034	1413	1.68
069/070	96,323	1499	1.56

*Source: Annual Reports*

It is apparent from the above table that the promotion expenditure percentage of its total operating income for the promotional activities is in decreasing trend, though the operating income is in increasing trend. In F/Y 2065/066, it has spent NPR 5.81 lakhs which is 5.30 % of its total income for promotional activities. The spending for the same purpose has increased to NPR 14.01 lakhs in F/Y 066/067 which is 9.62 % of the total operating income of the year. Whereas in the F/Y 067/068, it has spent 18.83 lakhs i.e., 3.28% of the total income for promotional activities. The same has decreased to 14.13 lakhs and 1.68 % of the total operating income in the F/Y 068/069. While in the F/Y 2069/070, the organization has spent NPR 14.99 lakhs which is 1.56 % of the total income for the promotional purposes. Thus from the table it is clear that despite the immense necessity of marketing in this stiff competition, bank marketing activities is simultaneously decreasing which is clear from the figure 4.6.

**Fig. 4.6**  
**Promotional Expenditure out of total Operating Income**



From the graph line it can be clear that the promotional expenditure of BBBL is in decreasing trend. In this tough competition, instead to carry out the extra promotion cost for bank marketing, the bank has minimized the promotional expenditure cost which is followed by each fiscal year.

**Table 4.22**

**Appropriate Time for Undertaking the Promotional Activities**

S.No	Time	Respondents	Percentage
1	All around the year	6	40.00
2	Off season	0	0
3	Trade Fair	2	13.33
4	Under New Schemes	3	20.00
5	During expansion of Branches	4	26.67
	<b>Total</b>	<b>15</b>	<b>100</b>

*Source: Field Survey*

The above table highlights that the majority of the respondents constituting 40 % of the total believe that the organizations should undertake the promotional activities all around the year while 4 staffs constituting only 26.67% said that they should undertake these activities during the expansion of branches. Whereas 20 % of the respondents believe that these activities should be undertaken during the launch of new schemes and only 13.33 % supported for these activities to be under taken during the trade fairs while none of the staffs support to undertake these promotional activities during off seasons.

**Table 4.23**

**Effectiveness of Promotional Activities Undertaken**

Scale	Strongly effective	Effective	Neither effective nor ineffective	Ineffective	Total
Respondents					
No. of respondents	2	4	7	2	<b>15</b>
Percentage of Respondents	13.33	26.66	46.67	13.34	<b>100</b>

*Source: Field Survey*

Above table 4.23 unseals that only 2 (13.33%) respondents believe that their promotional activities are strongly effective. 4 (26.66%) respondents viewed that the same is just effective. But 7 respondents which is the majority constituting (46.67%) scored the same as average. They said that the promotional activities presently undertaken are neither effective nor ineffective. Whereas 2 (13.34%) of the respondents believed them to be ineffective.

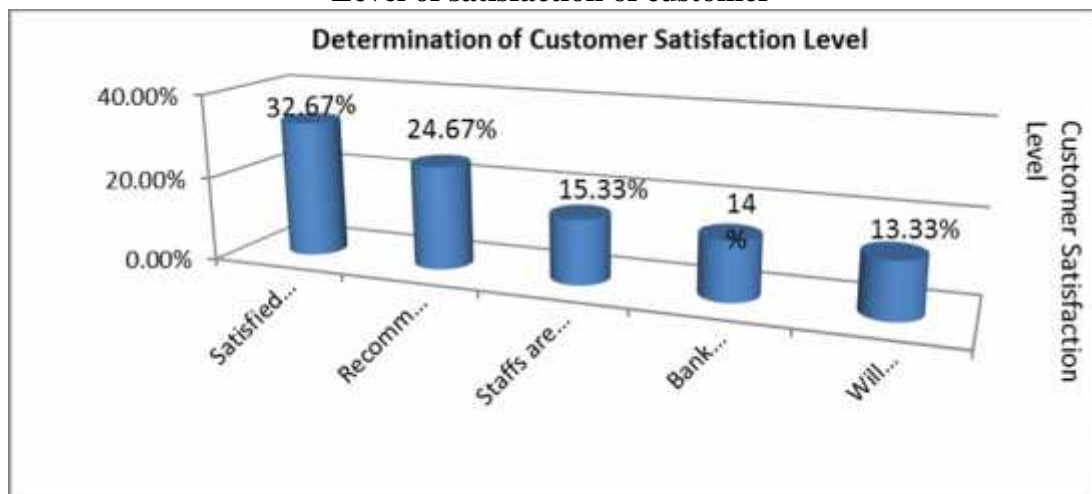
**Table 4.24**  
**Determination of Customer Satisfaction Level**

Particulars	Frequency	Percentage
Generally satisfied with the Bank service	49	32.67%
Recommend this Bank to others	37	24.67%
The staffs are courteous and Friendly	23	15.33%
The Bank quickly solves my problems	21	14.00%
Will choose the Bank over others	20	13.33%
<b>Total</b>	<b>150</b>	<b>100%</b>

*Source: Field Survey 2014*

The table shows that 32.67% of the respondents are satisfied with the services provided to them. 27% said they would recommend the bank to others. Whereas 13.33% confirmed they would choose the particular bank over other banks and finances. 15.33% of the total respondents said the staffs of the bank are courteous and friendly with them and 14% only believed that the bank solves their problems quickly. These therefore suggest that the CRM practice have indeed helped in the customer satisfaction and has resulted in high level of customer satisfaction as stated above. The result thus obtained has been presented in the figure 4.7.

**Fig 4.7**  
**Level of satisfaction of customer**





## 4. 5 Market segmentation practices

For execution of marketing plans, market should be appropriately segmented. So, in this part, different questions were asked to the marketing staffs to ascertain the factors they consider important while segmenting the market, reasons behind market segmentation, effectiveness of market segmentation and effect on revenue after segmentation. The results obtained from the questionnaire are tabulated and have been analyzed as below:

**Table 4.25**  
**Important Factors for Market Segmentation**

Factors		Rank wise no. of responses					TR	WV	MV	OR
		1	2	3	4	5				
<b>Demographic Factors</b>	Age of Customers	0	2	8	3	2	15	50	3.33	VI
	Income of customers	0	0	1	2	12	15	71	4.73	I
	Occupation of Customers	0	2	0	7	6	15	62	4.13	IV
<b>Geographic Factors</b>	Market size	1	2	6	5	1	15	48	3.20	VII
	Geographic Location	0	0	3	2	10	15	67	4.47	II
<b>Behavioral Factors</b>	Customer Loyalty	1	7	4	3	0	15	39	2.60	VIII
	Customer Needs	0	0	5	4	6	15	61	4.07	V
<b>Psychographic Factors</b>	Lifestyles	7	8	0	0	0	15	23	1.53	X
	Values and Attitudes	6	9	0	0	0	15	24	1.60	IX
	Benefits (Interest Rate)	0	0	3	6	6	15	63	4.20	III

*Source: Field Survey*

From the above table it is clear that different factors are considered important while segmenting the market. It shows that income of customers, geographic locations and benefits (interest rate) are the three important factors for segmenting the market. These have been ranked first, second and third respectively. Whereas in fourth, fifth and sixth have been ranked occupation of customers, customer's needs and age of customers. Likewise, market size and customer loyalty have been ranked seventh and eighth. And the least important factors in segmenting the homogeneous market are

values and attitudes and life styles of customers. They occupy consecutive ninth and tenth rank.

**Table 4.26**  
**Reasons for Market Segmentation**

S.No	Fiscal year	Respondents	Percentage
1	Meet customers demand	2	13.33
2	Part of marketing strategy	4	26.67
3	Compete in the market	3	20.00
4	Gain profit	6	40.00
	<b>Total</b>	<b>15</b>	<b>100</b>

*Source: Field Survey*

Above table 4.26 highlights the reasons for segmenting the market. There are 40.00% of the total respondents who consider gaining profit is the prime reason behind market segmentation. Followed by 26.67 % of the respondents who consider it to be just a part of marketing strategy. Whereas 20.00% consider that the reason behind market segmentation is to compete in the market while the least 13.33% of the total respondents said the reason behind it is to meet the customers demand.

**Table 4.27**  
**Effectiveness of Market Segmentation**

Response	Frequency	Percentage
Highly effective	2	13.33
Effective	10	66.67
Moderately effective	3	20.00
Total	15	100%

*Source: Field Survey*

Table 4.27 reveals that only 13.33% of the totals marketing staffs agree that market segmentation has been highly effective in case of their organization. Whereas the highest 66.67% believe that it has been just effective for the organization while 20%

of them agree that the market segmentation strategies have been moderately effective for the organization.

**Table 4.28**  
**Effect in Revenue after Market Segmentation Practices**

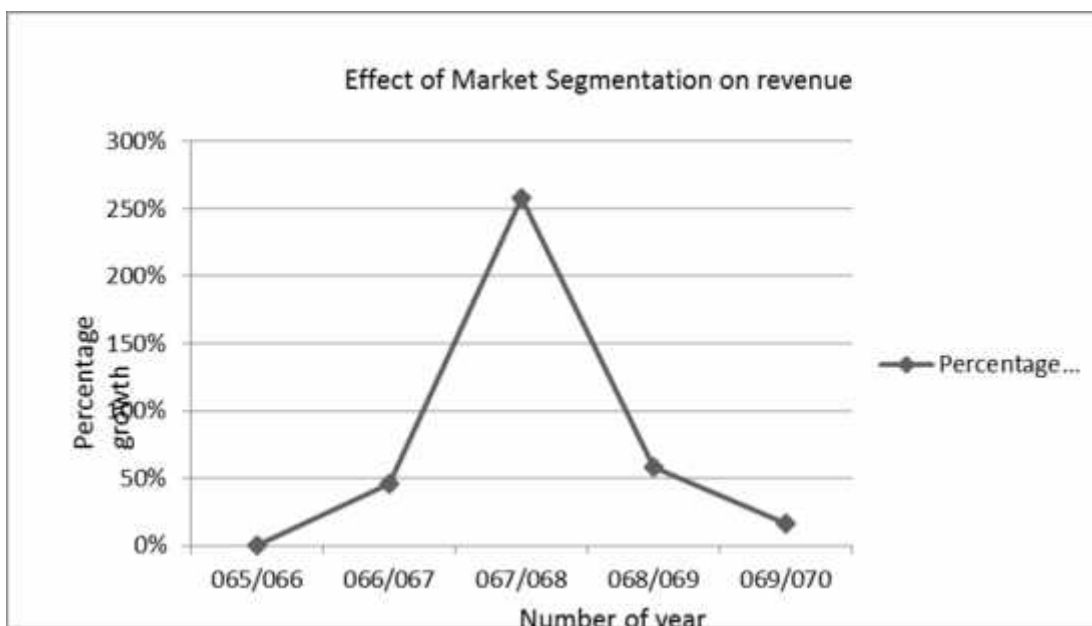
**Fig in '000**

<b>Fiscal Year</b>	<b>Revenue</b>	<b>Percentage Growth</b>
065/066	9,993	-
066/067	14,563	45.73
067/068	52,183	258
068/069	82,294	57.70
069/070	96,043	16

*Source: Annual Reports*

The table executes the effect in the revenue after the market segmentation. In the Fiscal year 066/067 the revenue has increased by 45.73% whereas a tremendous growth in revenue is seen in the fiscal year 067/068 by 258.00 percent which has slowed down in the F/Y 068/069 by 57.70 %. Again, there is seen a fallen in revenue by 16.00 percent in 069/070. In general, the statistics shows a positive trend in increase of revenue after market segmentation. The same has been shown by the figure 4.8

**Fig.4.8**  
**Growth trend of revenue after market segmentation**



## 4.6 Evaluation of Marketing plans

The part ultimately focuses on the recently executed marketing plans by the organization, future long terms plans, necessities of effective marketing plans and the problems in the execution of these plans. Based on the interview taken with the C.E.O and the marketing staff the results obtained have been analyzed and presented underneath.

Deposit is the strongest assets for the organization. In a simple word “Deposit” means amounts deposited in current, savings or fixed accounts of a bank or financial institution, and this term also includes such amounts as a bank or financial institution accepts through such various financial instruments as prescribed by Nepal Rastra Bank. To increase the deposit, the recent market planning executed by the Bishwa Bikash Bank are:

- ) Launch of E-Banking:
- ) Upgrading the pumori plus IV version software from pumori III.
- ) Branch Expansion: Till date, the bank has been able to expand the branches in the major locations of Pokhara like Lakeside, Bagar and Gagangaunda whereas outside the valley, it has expanded the branch to Kushma, waling, Dulegauda, Butwal, Narayangadh, Tandi and Bhairawaha.
- ) Remittance service: The Bank has started providing the remittance service through IME, Hulas Remittance, Western Union Money Transfer, Prabhu Money Transfer, City Express, Himal Remit, Easy Remit, Express Money and Money gram. Currently, it has also started to provide the remittance service through City Express and Reliable Remit.

**Table 4.29**  
**Long Term Future Plans for Deposits**

S.No	Plans	Target time	Work-In-Progress
1	ATM Installation in Narayangadh and Gagangauda	End of 2014	Proposal from the vendors demanded. Market survey to determine the extra cost.
2	Addition of services like E-Banking	End of 2014	2 <sup>nd</sup> Meeting with F1 Soft International
3	Upgrade the new version of Pumori Software	Mid of 2014	Final meeting with Mercantile system Pvt. Ltd. for new version software installation.
4	Branch expansion in remote areas.	Mid of 2015	Settle default loans to bring the low NPL
5	Merger with other financial institution	End of 2016	Searching a Good bank or finance who has its head office at outside of pokhara valley.

*Source : Field Survey*

The table 4.29 highlights some of the long term plans of the organization. ATM installation in Gagangauda and Narayangadh is one of the long term future plans targeted to be achieved around end of 2014. For it certain procedures like proposal from ATM providers are demanded and analysis of market survey to determine the extra cost are undertaken. Additions of certain services like E-banking is also the future plans targeted to be achieved at the end of 2014. Likewise the bank has a planned to upgrade the new version of software at the mid of 2014. For it, almost final deal with mercantile office is done. Similarly the other long plans include branch expansion in remote areas. This plan is targeted to be achieved before the mid of 2015. For this the bank is paying attention to settle the default loans and bring down the low Non performing loan (NPL) because according to NRB policy branch expansion is restricted incase the bank has a high NPL. Other long term plans include merger with other financial institution which is targeted to be merged before end of 2016. For it, the organization is searching a good bank and finance having its head office at outside of pokhara valley.

The part underneath focuses on the necessities of marketing plans, problems in the execution of these plans and contribution of effective marketing plans in the growth of the organization. For this the views of the marketing staffs who are involved in the process are collected and these have been analyzed and presented in table

**Table 4.30**  
**Necessities of Effective Marketing Plans**

Statement Observations	Scale					H.E	Mean	Rank
	H.I Total	1	2	3	4			
To increase number of customer	0	0	2	5	8	15	<b>4.4</b>	<b>I</b>
To maintain or improve Market Share	0	2	1	6	4	15	<b>3.4</b>	<b>III</b>
To create/improve Brand Recognition	0	0	3	6	6	15	<b>4.2</b>	<b>II</b>
To create favorable climate for future product scheme	0	7	6	2	0	15	<b>2.7</b>	<b>V</b>
To inform the customers	0	6	5	4	0	15	<b>2.9</b>	<b>IV</b>

*Sources: Field Survey*

The table 4.30 depicts that the marketing plans are necessary to increase number of customers. With a mean score of 4.4 it lies in the first rank. Secondly, these plans are necessary to create and improve the brand recognition among the customers. With mean score of 4.2, it occupies the second rank. Whereas respondents view that the marketing plans are also necessary to maintain or improve market share. With the mean score of 3.4, it lies in the third rank. Whereas the respondents view that these marketing plans are less effective to inform the customers and create favorable climate for future sales. Because they have been placed in the fourth and the fifth rank respectively with mean score of 2.9 and 2.7.

**Table 4.31**

**Statistical Representation of the Problems in Execution of Marketing Plans**

<b>Factors</b>	<b>Very High (5)</b>	<b>High (4)</b>	<b>Very Low (3)</b>	<b>Low (2)</b>	<b>Uncertain (1)</b>	<b>Total</b>	<b>Mean</b>	<b>Rank</b>
Problem of small market	6	5	1	2	1	15	3.86	II
Lack of clear banking policies	3	5	2	3	0	15	3.13	IV
Cut throat competition	7	4	2	1	1	15	4.26	I
Lack of marketing personnel in the organization	2	4	4	3	2	15	3.06	V
Lack of expert marketing agency	4	5	3	3	0	15	3.66	III

*Sources: Field Survey*

According to the table 4.31 prevailing cut throat competition is the major problem in the execution of marketing plans as it has been ranked first. In rank second and third are placed the problem of small market and lack of expert marketing agency. Likewise, the other problems in the execution of marketing plans are the lack of clear banking policies and lack of marketing personnel in the organization. They have been ranked fourth and fifth respectively.

**Other Problems faced**

- ) One of the prominent problems occurring in the execution of the marketing plans is the unstable political situation of the country.
  
- ) The only controlling body for Banks and Finances is Nepal Rastra Bank. As the NRB policies are always changing, there have been difficulties in making the long term marketing plans.

- J) Because of closure of certain banks and financial institutions, customers are losing confidence from banks and finances. This is one of the major problems in executing the marketing plans.
- J) Old marketing policies are still in the trend. Due to this new marketing plan to increase deposit and loans are lacking which is one of the major hindrances in the formulation and execution of the new marketing plans.
- J) The unhealthy competition seen in the banking sector is creating a problem in formulating appropriate marketing plans.

#### **4.7 Major Findings**

The major findings of the study have been enlisted below:

- A deposit has a positive growth trend in consecutive five fiscal years. The average increase rate in deposit is 40.34% respectively.
- As far the actual deposit is concerned in the F/Y 065/066 the target deposit has not achieved by 5.69 crore. Similarly, in the F/Y 066/067 the actual deposit has exceeded the target by 6.44 crore. But in the F/Y 067/068 again the actual deposit has not been achieved by 2.56 crore. Likewise in F/Y 068/069 and 069/070 the actual deposit has exceeded the target by 2.69 crore and 11.05 crore respectively.
- Among the different environmental sectors, demographic sector receive the greatest scanning attention. It has been ranked first. Political/legal and technological have been ranked second and third respectively. While socio-cultural sectors, economic and natural sectors have been ranked fourth, fifth and sixth respectively.
- Among the different sources used to scan the environment, the organization relies more heavily on customers, internal reports and competitors rather than the other sources available like newspapers and consultants.
- To scan and analyze the environmental forces, periodic mode i.e. scanning the environmental factors once in a three month is followed by the organization.
- Talking about the weaknesses and strengths, huge deposit and lending, strong financial position of the organization are the major strength while late branch expansion in the major cities, lack of employee training, lack of major facilities like E-Banking, is the major weakness.



- The potential opportunities of the organization are political stability in the country, increase in the remittance business and the growing banking literacy among the customers. Whereas the potential threats are the growing number of banks and financial institutions in the country, new entrants and rapid expansion of branches by other banks and finances, restrictions by NRB in lending and liquidity crunch with the growing unhealthy interest competition.
- Majority (36%) of the total respondents are enjoying fixed deposit saving. Followed by saving account (32%) in second place and corporate saving (22.67%) in third. Whereas only 9.33% of the total respondents are enjoying semi fixed deposits.
- Among the different services offered by the bank, remittance has been ranked first by the customers. While lying in the second position, customers prefer the attractive deposit schemes. Also accommodation and parking occupies the third place in the preference of the customers. While ABBS system and ATM occupy fourth and fifth place. While despite so much of development in technology, customers have ranked SMS Banking provided by the Bank in the last rank.
- Regarding pricing of the products, the organization has given more preference on competition oriented pricing method to achieve the overall target of the Bank. It is ranked first. Demand oriented pricing has been ranked second and third is the cost oriented pricing method.
- Regarding views about the interest on deposits, 10% of customers confirmed it is high, while the highest 66.67% confirmed it is moderate and 23.337% said it is low.
- The bank has been so far able to provide the services to it's customers through Head Office located in Chipledhunga, Pokhara and the other branches. Amongst them all, the customers have overall rated the services of HO is good in comparison to other branches.
- About the sufficiency of the branches, 29 customers (19.33%) viewed it is sufficient whereas more than half 121 customers (80.67%) said it is insufficient.
- Talking about the advantages and disadvantages of branch expansion, the main advantages increase in total loan and deposit, increase in customer satisfaction and increase in number of the customers at the same time increase in operating cost,

necessity of more staffs and increase in the marketing cost are the main disadvantages of branch expansion.

- Among the different promotional tools, the organization has been using advertising as prime promotional tool. It has been ranked followed by direct marketing in second rank and Public relationship in third. Whereas sales promotion and the personal selling are the least used promotional tools by the organization as they have been ranked fourth and fifth.
- Talking about the customer's perception, 40.66% of them view T.V/F.M as important promotional tool. While 20.67% view brochures as important promotional tool. Whereas 12.67% said newspapers and employees as important promotional tool. 10% and 3.33% of total respondents have viewed employees and websites as important promotional tools.
- It is seen that the organization promotional activities cost is in decreasing trend despite of the huge operating income. It is seen that in the F/Y 065/066 it has spent 5.30% of the total income for promotional activities followed by 9.62%, 3.28%, 1.68% and 1.56% in the following F/Y 066/067, 067/068, 068/069 and 069/070 respectively.
- 40% of the respondents believe that these promotional activities should be undertaken all the year round. Whereas 26.67% say these activities should be undertaken during the expansion of branches. While 20 % believe it should be undertaken during the launch of new schemes whereas the least 13.33 % believe it to be undertaken during trade fairs.
- Regarding the effectiveness of the promotional activities, 2 (13.33%) of respondents viewed them to be strongly effective, 4(26.66%) viewed them to be effective, 7(46.67%) viewed them neither to be effective nor ineffective while 2(13.34%) confirmed them to be ineffective.
- When asked about the level of satisfaction, 32.67% of the total respondents said that they are satisfied with the services of the Bank. 24.67 % said they would recommend the Bank to others. Likely, 15.33% said the staffs are satisfied and courteous with them, 14% said the Bank quickly solves their problem whereas 13.33% said that they would choose the Bank over others.

- For the segmentation of market, income of customers, geographic location and interest rates are considered important as they have been ranked first, second and third respectively by the respondents. Likely in the fourth, fifth and sixth rank have been placed factors like, occupation of customers, customer needs and age of customer. Similarly, market size, customer loyalty, values and attitudes and lifestyles are the factors for segmentation considered less important as they have been ranked seventh, eighth, ninth and tenth by the respondents.
- Regarding about the reasons for market segmentation, 46.67% of the total respondents opined that gaining profit is the main reason behind it. While 33.33%, 13.33% and 6.67% respectively viewed that it is just a part of market strategy, for competing in the market and meet customers demand.
- Viewing the effectiveness of market segmentation, 2 out of 15 respondents confirmed them to be highly effective, 66.67% said them to be effective whereas only 20% confirmed them to be moderately effective.
- The total revenue of the organization has somewhat by lesser or smaller percentage grown after the market segmentation in the five F/Y. In the year 066/067, it has grown by 45.73% followed by 258%, 57.70% & 16.00% in the F/Y 067/068, 068/069 and 069/070 respectively.
- Recently the bank has a plan to launched programs like E-Banking, upgrade the new version software and branch expansion to increase the deposit.
- Regarding the long term plans of the organization, ATM installation in Narayangadh and Gagangauda and merger with other financial institution.
- Talking about the overall effectiveness of the marketing planning, they have been effective to increase the sales of the organization firstly, secondly to maintain or improve market share and create or improve brand recognition. Thirdly to inform and educate market and lastly to create a favorable climate for future sales.
- About the marketing problems faced by the marketing staffs during the implementation of marketing strategies, the problem of marketing tools being very expensive is the top one. Beside that the other top two problems faced by them is the problem of small market and lack of banking knowledge amongst the customers.

# **CHAPTER V**

## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Summary**

Banks are those institutions that offer the widest range of services especially credit, savings and payments services. Today due to increasing number of bank and finances, these institutions are facing many pressures like intensifying competition, the spreading internationalization of banking markets and continuing innovations in technology and automation. Also today customers are becoming more sophisticated and choosy in their needs and to cope with these, available services have to be improved while new ones have to be developed. In recent years, some banks and finances have upgraded services like provision of credit card services, insurance cover and provision of automated teller machine (ATM) to their customers. But these are not enough. The financial institutions need to pay attention in formulating new and appropriate marketing planning to retain the existing customers and attract new ones.

Marketing plan in general should consists of situational analysis as a first step, defining the objectives as a second, shaping the strategy, defining tactics, estimating the budget and establishing the system of controls.

Marketing Planning is actually a set of objectives, policies and rules that guide the organization's marketing effort over time. This involves analyzing every components of marketing like market scanning, understanding marketing mix and market segmentation and maintaining customer relationship management. Appropriate marketing planning help in attaining the desired objectives of an organization. In the absence of planning an organization cannot explore new opportunities, there will be a high risk of making wrong decisions and there will be lack of control over the process of resource allocation. Thus it can also be said that marketing planning is the work of setting up objectives for marketing activity and of determining and scheduling the steps necessary to achieve such objectives.

This primary objective of the study is to analyze the overall marketing planning followed by Bishwa Bikash Bank Limited. The specific objectives of the study seek to analyze the deposit condition of the organization for the period of 2064/065 to 2069/070. Others objectives are to know it the marketing scanning and analyzing process, to evaluate the marketing mix followed by the organization, to understand the market segmentation process and to evaluate the plan of the organization. Many facts have been collected through the primary data that have been obtained by questionnaire method and interviews with the key personnel. Similarly, the secondary data have been obtained through the published and unpublished reports that have been processed and analyzed respectively. The collected data were grouped and presented in the tabular form. Their mean values were calculated to ascertain ranking of various factors. Similarly bar graphs, line graphs and pie charts have been used to present the data moreover clearly and precisely. Finally, the results of the organized data were interpreted to draw the conclusion of the study.

The deposit trend of the organization obtained through the published report shows an increasing trend. Through the interview and questionnaire process, it is reflected that the demographic sector receives the greatest scanning attention. For the scanning process, the organization follows a periodic method and depends on the customers as the most reliable source. Regarding the marketing mix, remittance service has been given the first rank and advertising as the most important means of promotion mix. While analyzing about the market segmentation age of customers from demographic factor has been ranked first. Market segmentation process has been considered effective by the marketing personnel. Overall, the respondents under study claimed that marketing planning is very essential for the organization to survive and grow. And its adoption will contribute immensely toward the overall development of their organization.

## **5.2 Conclusions**

Based on the findings, the following conclusions have been drawn:

- There has been a positive growth trend in deposit in the consecutive five fiscal years from 064/065 to 069/070 which is a positive side. The average growth trend for deposit is 40.34%.

- Among the three different modes of scanning, the highest 66.66% of the total respondents have rated periodic method to be most appropriate for the organization. This fact concludes that scanning the environmental factors once in three months is most accessible for an organization.
- The respondents (40%) rated the customers as the most preferred source to scan the environment whereas despite the fact that we are now in the age of print and media in which newspapers are seen as a key information sources, newspapers are least preferred by the organization to scan the environment.
- The number of customer enjoying the fixed deposit account is more rather than other type of accounts. Similarly, Customer prefer the remittance service provided by the bank among than other services of the bank.
- Regarding the pricing method, out of the three methods, the organization focuses on Competition oriented Pricing method. It is concluded that as the competition in the banking industry is so stiff and services offered by banks are intangible, it is hard to pre evaluate the permissible price of the products. In such cases, competition oriented pricing method proves to be useful.
- The Bank has placed their branches in the city centers which are best accessible for the largest number of customers. This fact concludes that the target customers are the customers from the cities rather than from villages.
- Advertising is the main media used to provide the services to the customers. Among the different advertising media, F.M/radio/television media is mostly preferred by the customers. It may be due to a fact that F.M/radio are easily reachable to large number of customers and the messages are also understandable by all groups of people.
- The promotion expenditure out of total operating income of the bank was in decreasing order. Despites, the immense necessity of marketing in the stiff competition, bank marketing is simultaneously decreasing. Thus, it can be concluded that the bank has minimize the promotion cost which is followed by each year.
- The Bank has well performed with the customer satisfaction as majority of customer's i.e 32.67% of the total customers are satisfied with the service of the bank and 24.67% of customers out of total respondent are willing to

recommend the Bank to others which is an indication that they were happy with the level of services provided to them.

- In market segmentation, income of customers from demographic factors is considered most important. This may be because the organization must consider the income of customers in order to create the appropriate marketing planning. Whereas the second factor considered important is geographic location from geographic factors. It must be in order to meet the target customers.
- Although market segmentation should all be targeted to meet the demand of customers, only 2 respondents out of the total 15 agree with the fact that market segmentation should be done to meet the demand of the customers. Thus it can be concluded that gaining competitive advantage or profit at the end of the year are the prime reasons for market segmentation.
- Marketing planning and execution require budget and expertise manpower. It is seen that the organization spends nominal budget and lacks expertise manpower. Therefore it might be concluded that the organization might not be able to successfully execute the marketing plans due to lack of the above said things.

### **5.3 Recommendations**

- Marketing planning and implementation are performed by the staffs of Credit/Marketing Department only. Staffs from account section should also be included in marketing activities, since operation/account section interact much with the customers operating saving accounts with the organization rather than the staffs of Credit/Marketing Department.
- The concepts of the 4ps of marketing which are products, price, place and promotion should be consumer oriented.
- The expenditure on promotional activities out of the operating income is very less as derived from the provided data of the five fiscal years. So, the organization is recommended to increase the total promotional expenditure so that the organization can increase number of customer.
- The organization should more interact with the customers and ask them about their perception of the quality of services and their future expectations from

the organization. This is the way of implementing CRM which is in actual relationship strategy to enhance the organization's customer service capabilities.

- Since the competition is very stiff and gaining momentum, the organization should make the new marketing plannings. Marketing through advertisement only is not enough to meet the demand of the market. For this the organization should spend much of it's operating income into promotional activities.
- Thought the organization is in operation since last 6 years, it has been able to launch branches only cities area which is not enough to meet the needs of customers of village area. So, the organization should expand the branches which should target not only the customers of cities but also the customers of villages as well.
- The organization still lacks the today's important banking services like E-banking service which have today become the most prioritized services by the customers. For customer satisfaction and retention the organization should have to include this service as well.
- For further research directions it is suggested to conduct the research from the point of view of appropriate marketing planning typically for service oriented business like banking industry.



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- b) Lack of Banking knowledge and awareness  V.High  High  
 Low  
 Very Low  Uncertain
- c) Means of marketing tools very expensive  V.High  High  Low  
 Very Low  Uncertain
- d) Lack of expert marketing agency  V.Hig  High  Low  
 Very Low Uncertain
- e) Lack of marketing personnel in the organization  V.High  High  
 Low  
 Very Low  Uncertain

12) In your opinion how has been the overall marketing planning been effective for your organization? Please tick the best option.

Particulars	Effective	Moderately effective	Ineffective	Highly ineffective
Increase the number of customer				
Improve market share				
Create brand recognition				
Inform and Educate market				
Create a favorable climate for future product scheme				

Any thing you want to say

.....

Thank you for your sincere cooperation

## Appendix 2

**For customers**

In order to fulfill my course of MBS (marketing) degree from T.U, I am conducting a research related to marketing planning in deposit collection. I request you to help me by fulfilling out the following questionnaire. Your participation will help to find valid and reliable result of the study. I believe that the findings of the study will be useful to me, customers and Bank itself.

Moreover, I assure that information you provided will not be used other than fulfilling my study requirement.

Please note the following while answering.

- ) There are no rights or wrong answers, all of your responses will be right.
- ) Based upon your answers on your opinion, not on how someone else would expect you to answer.

**Personal Information section:**

a. Name .....

b. Gender            Male ( )    Female ( )

c. Age                18-25 ( )                26-35 ( )                36-45 ( )  
                              46-55 ( )                56 and above                ( )

d. Educational Background

Primary ( )    Intermediate ( )    Bachelor ( )    Masters ( )    Illiterate ( )

e. Employment

Unemployed ( )            Student ( )                Retired ( )

Others .....

1) From how long have you been using the service of the bank?

- a) Three months
- b) Six months
- c) One year
- d) More than a year

2) Which deposit facility of bank you prefer the most?

- a) Saving A/C
- b) Current A/C
- c) Call A/C
- d) F.D Saving
- e) Semi Fixed Saving

3) State the particular service of the bank that you have been using so far?

.....

4) By which source do you generally perform your banking function?

- a) Walk- In
- b) Telephone
- c) Internet

5) What is your opinion about the services provided by the Bank?

Particulars	Excellent	Very Good	Good	Satisfactory	Bad
ABBS Service					
Accommodation and Parking					
Attractive Deposit Schemes					
Remittance Service					
SMS Banking					
ATM					

6) Which of the following marketing medium do you use to keep yourself update with the organization? Please tick.

- |               |                          |              |                          |
|---------------|--------------------------|--------------|--------------------------|
| a) Brochures  | <input type="checkbox"/> | d) T.V/F.M   | <input type="checkbox"/> |
| b) Websites   | <input type="checkbox"/> | e) Employees | <input type="checkbox"/> |
| c) Newspapers | <input type="checkbox"/> | f) Neighbors | <input type="checkbox"/> |

7) What is your opinion about the following?

- |                        |                                       |   |
|------------------------|---------------------------------------|---|
| a) Kind of service s   | i) satisfied <input type="checkbox"/> | ii) Dissatisfied <input type="checkbox"/> |
| b) Service speed       | i) satisfied <input type="checkbox"/> | ii) Dissatisfied <input type="checkbox"/> |
| c) Office location     | i) satisfied <input type="checkbox"/> | ii) Dissatisfied <input type="checkbox"/> |
| d) Employees attitudes | i) satisfied <input type="checkbox"/> | ii) Dissatisfied <input type="checkbox"/> |

8) Do you think that the Bank is targeted you?

- a) Yes                       b) No

9) Please indicate the extent to which you agree with the following. You are to assess the following on the scale of strongly disagree to strongly agree, strongly disagree carries the least weight of 1: while strongly agree carries the highest weight of 4. Please ( ) appropriate option.

Satisfaction	Strongly Agree	Agree	Disagree	Strongly Disagree
Generally, I am satisfied with the services of this Bank				
I will recommend this Bank to friends and family members				



The personnel of the bank are courteous and friendly				
The bank quickly solves my problems				
I will always choose this bank over any other banks and financial institution.				

11) Any suggestions you would like to give?

.....

Thank you for the co-operation

### Appendix 3

#### Interview Questions

##### Questions to Management Team

- 1) How long have you been working in this Bank?
- 2) When was Bishwa Bikash Bank Limited established?
- 3) When did you launch the other branches of your Bank?
- 4) What is the advantage and disadvantage of expanding branches?
- 5) What are the main objectives of your Bank?
- 6) What is the current status of your Bank?

- 7) What are the problems faced by your bank during the formulation and implementation of the marketing plans?
- 8) What is the pricing policy of your Bank?
- 9) What are the strengths and weaknesses of your Bank?
- 10) What are the opportunities and threats of your Bank?
- 11) On which bases do you segment the homogeneous market?
- 12) What difficulties do you face during the market segmentation?
- 13) What are the recent marketing plans executed by your Bank?
- 14) What are your future plans to collect more deposits?
- 15) Any comments, suggestions and recommendations?

Name:

Designation:

Qualifications:

Date:

Thank you for the kind co operation