

Hatton national bank plcs marketing functions marketing essay

[Finance](#), [Banks](#)



Marketing is the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return”.

(Kotler, 2011).

Marketing Concepts

Figure 1. 2. 1 Marketing Concepts

Production Concept – More oriented on producing more and more products.

Product Concept – Oriented on producing quality products.

Selling Concept -Selling the products using sales forces.

Marketing Concept – Customer oriented.

Social Concept – Thinking about company has to do something to the society/social services.

Objective of the Assignment

The objective of this assignment is to critically evaluate an organization that indulge in marketing warfare and experienced a noteworthy drop in performance, and how they have overcome the situation. Therefore we selected one of the Hatton National Bank’s non-core products, Gold Pawning and related marketing functions for our assignment. Gold pawning is a very attractive service product currently many estate banks, financial institutions and many more financial firms are experiencing.

Pawning is a cash advance given to customers by taking their gold items as a security. Before granting the advance, the condition of gold to be investigated properly in order to grant a quality advance. Doing so, pawning is a well secured loan scheme with high profitability.

The time period is 6 months - 12 months.

Relevant interest rate will be calculated at the redemption of the advance.

Non performing advances will be recovered by auctions held thrice a month.

What is Marketing Warfare?

Marketing warfare is a war for a product or a service to establish or to protect its position or to survive somehow in the market, by many competitors who produce a same product or service.

Strategies of Marketing Warfare

<http://www.quickmba.com/marketing/ries-trout/marketing-warfare/>

Introduction to Hatton National Bank PLC (HNB)

HNB is incorporated in 1888 as Hatton Bank and acquired by Grindlays Bank in 1970 and renamed as Hatton National Bank. Presently it is having 243 branches and 403 ATMs island wide. HNB started pawn broking in 1999.

HNB is the 2nd largest listed licensed bank and the 4th largest licensed bank in Sri Lanka. The products offered by HNB is as follows, Figure 2. 1 HNB Product Line

When we consider about Sri Lankan pawning market, it is rich with so many competitors, suppliers, buyers, substitutions and new comers. This is mostly because of its low risk and high profitability.

We can use Michael Poter's Five Forces to study the HNB's pawning market environment.

Porter's theory of Five Forces

Figure 2. 1. 1 Porter's Five Forces

Industrial Competitors-As so many government banks and private banks are involved in pawning (Peoples Bank, Bank of Ceylon, Sampath Bank)

Industrial Competition is very high. Peoples Bank is the market leader of pawning.

Buyers – As this is middle class segment oriented, there is a big market for pawning. So their bargaining power is high. They are bargaining for lower interest rates and higher advances.

Suppliers – Suppliers of this product are gold shops and other authorities who control the prices of gold and regulators (Government, Central Bank). Bank can choose the advance per pound according to their pricing. So the suppliers' power is high.

Potential Entrance – The entrance to the pawning market is not easy according to need of getting approvals, machines license. However, the exit is easy, because it is a short term advance and recovering procedures are simple.

Substitutes - Substitutes for pawning are leasing, hire purchasing and other loan schemes(. But this is an instant advance with a simple procedure the effect from substitutes is very low.

Consumer Behavior

Consumer behavior is the process of individual's or groups' behavior on searching, selecting, using and disposing a product or a service in order to satisfy their needs. Consumer behavior is controlled by culture, sub cultures, social class, personalities...etc.

If we consider about the Consumer Behavior in Sri Lankan pawning market, bank's marketing efforts (using of Marketing Mix-P7) on pawning and consumers' social cultural environment is influencing them to recognize their need, evaluate other alternative institutes on fulfillment of the need.

In the buying process customers are concerning about time cost, security for their gold items, maximum quantity of the advance can be received, transparency of transactions, privacy and the interest rates. According to the past experiences or information gathered by reference groups they evaluate the perceived value they got. If the perceived value is high, they will repeat the usage of that service.

We'll be discussing more about HNB's strategies on understanding Consumer behavior in later chapters. Deeply considering about the Consumer behavior HNB can easily develop their marketing concepts.

Warfare between HNB and Commercial Bank (COMB)

Although the Commercial Bank is branded as the best bank, they were not practicing on pawn broking before 2008. At that time HNB recorded a 21. 13 Billion LKR pawning balance, only seconding to Sampath Bank in private sector banks. Through several analyses COMB identified the positive impacts on this product and considered HNB as their benchmark on pawning.

COMB entered to the pawning market using proper customer analyses and gradually captured a significant market share of mainly HNB's. Following figures show the drop of HNB's market share due to their poor marketing strategies in the recent past.

Bank

2008

2009

2010

2011

HNB

21. 13

21. 91

27. 96

35. 71

COMB

0. 01

0. 29

2. 15

11. 84

Table 2. 2. 1 Pawning Performance in Billions

Bank

2009

2010

2011

HNB

0. 78

6. 05

7. 75

Commercial

0. 282

1. 857

9. 69

Table 2. 2. 2 Pawning Growth %

These figures show a significant downfall in HNB's pawning performance in recent years. By talking to the customers and staff members of HNB and Commercial Bank we found out some key points and summarized them as follows using Generic Strategies,

2. 4 Competitor Analysis Using Generic Strategies

HNB

COMB

Cost Leadership

Low advance per pound

Rs. 36000/=

Maximum advance per pound Rs. 38000/=

Comparatively high interest rate (36%)

Low Interest rate

(22%)

Differentiation

Average time per customer is 8 minutes

Average time per customer is 6 minutes

Low consideration about customer privacy

Highly consider about customer privacy

Less or few trainings for employees

More trainings for employees about marketing strategies

Figure 2. 3. 1 Analysis of Generic Strategies of banks

COMB was getting more advantages by their high rankings of other products and was able to grant a high advance for a low interest. In 2011 they reduced their interest pawning rate to 11% while other banks interest rate is 13%. They practiced an aggressive marketing campaign and develop the market share within 3-4 months. Most of the HNB customer base attracted by them due to HNB's poor counters attack.

COMB was highly promoting pawning through advertisements, door to door mobile campaigns...etc, while HNB is not highly promoting it. They were only considering about present customer base.

End of the war in North and North-East provinces, there was a new market segment for pawning and HNB was attracted them and established their services, mainly pawning in those areas and followed by COMB later on.

When we consider about customer privacy COMB is much more consider about it even with the interior settings of the pawning room. That increased the quality of their service. HNB didn't consider about it that much.

According to our analyses these are the main problems with HNB to lose their market share and market growth.

Evaluation of Segmentation, Targeting and Positioning

3. 1 Segmentation –

Segmentation is dividing the market into groups with similar needs inside the group and differs from other groups. When we consider about HNB pawning service, they have divided the consumers according to income and social class Demographic Segmentation and Geographic Segmentation choosing North, East liberal areas.

Both HNB and COMB has segmented the market similarly.

3. 2 Targeting-

Targeting is choosing the proper segment to implement their product. The segment will be profitable or currently neglected by other firms. HNB has targeted the middle class, medium income gainers. After the war they opened new branches in liberal areas and in more rural areas (Market Development).

We can use the Ansoff matrix to evaluate targeting strategy of HNB and COMB.

3. 2. 1 The Ansoff's Matrix

Product

Existing New

Market Penetration

Product/Service development

COMB

Market Development

HNB

Diversification

COMB

Existing

Market

New

Figure 3. 2. 1. 1 Ansoff's Matrix

3. 3 positioning

Positioning means that, establishing our product in the minds of customers, in a way which the product differs from competitors.

HNB – Pawning from the Best Retail Bank.

COMB – Pawning from the Best Bank.

3. 4 Strategies Used by HNB to overcome the Situation

Implementing a special gift schemes for the pawning customers.

Market Development strategy to capture North, East areas and rural areas.

Continuous training programs for the staff engaged in pawning.

Implementing a new IT System and reducing the average time spending for one transaction

Recommendations

HNB should more concentrate about the defensive attacks on aggressive attacks of competitors, as well as re-capturing the market share they lost in the past.

They need to develop a strong action plan to retain their market share by granting attractive advances, low interest rates, and continuous advertisements and extending of working hours.

Privacy of the customers should be considered as a serious matter.

New products related to pawning like gold pawning overdrafts to be practiced in order to capture the customers who dislike pawning and maintaining demand deposits with the bank.

These recommendations can also be used for other industry players who engaged in Marketing Warfare.

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