

Market Strategy of HDFC Bank and ICICI Bank

Srujan Kumar.K

JRF Scholar, (Ph.D)
Department of Commerce,
Osmania University,
Hyderabad.

Prof.Dr.Patrick Sir
Guide

Department of Commerce,
Osmania University,
Hyderabad.

Abstract:

Banking is the backbone of a modern economy. Health of banking industry is one of the most important pre-conditions for sustained economic progress of any country. The world of banking has assumed a new dimension at the dawn of the 21st century with the advent of tech banking, thereby lending the industry a stamp of universality. In general, banking may be classified as retail and corporate banking. Retail banking, which is designed to meet the requirements of individual customers and encourage their savings, includes payment of utility bills, consumer loans, credit cards, checking account balances, ATMs, transferring funds between accounts and the like. Corporate banking, on the other hand, caters to the needs of corporate customers like bills discounting, opening letters of credit and managing cash.

The Indian banking scene has changed drastically with the private sector making inroads in an area hitherto dominated by large public sector banks. Growing disinvestment is likely to impact the banking industry as well. There is every possibility of privatization of public sector banks, leading to greater operational autonomy. The development of the Indian banking sector has been accompanied by the introduction of new norms such as Income Recognition and Capital Adequacy, by the government. The latter implies that banks can lend on the basis of their respective capital base. These norms have caused banks to construct equity on their own, before going in for debt. Disintermediation is a real threat for banks. Of late, banks are adopting the EVA (Economic Value Added) concept wherein revenues are viewed in the context of the risk

associated with them. The New World order has ensured "Survival of the Fittest". New services are the order of the day, in order to stay ahead in the race. Banks are now foraying into net banking, securities, consumer finance, housing finance, treasury market, merchant banking and insurance.

BANKING STRUCTURE IN INDIA

Scheduled Banks in India

(A) Scheduled Commercial Banks

Public sector Banks	Private sector Banks	Foreign Banks in India	Regional Rural Bank
(28)	(27)	(29)	(102)
<ul style="list-style-type: none"> Nationalized Bank Other Public Sector Banks (IDBI) SBI and its Associates 	<ul style="list-style-type: none"> Old Private Banks New Private Banks 		

(B) Scheduled Cooperative Banks

Scheduled Urban Cooperative Banks (55)	Scheduled State Cooperative Banks (31)

Here we more concerned about private sector banks and competition among them. Today, there are 27 private sector banks in the banking sector: 19 old private sector banks and 8 new private sector banks. These new banks have brought in state-of-the-art technology and Aggressively marketed their

products. The Public sector banks are facing a stiff competition from the new private sector banks.

The banks which have been setup in the 1990s under the guidelines of the Narasimham Committee are referred to as NEW PRIVATE SECTOR BANKS.

New Private Sector Banks

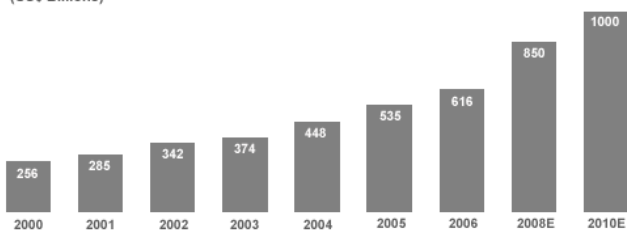
- Superior Financial Services
- Designed Innovative Products
- Tapped new markets
- Accessed Low cost NRI funds
- Greater efficiency

INDIAN BANKING INDUSTRIES

The Indian banking market is growing at an astonishing rate, with Assets expected to reach US\$1 trillion by 2010. An expanding economy, middle class, and technological innovations are all contributing to this growth.

The country's middle class accounts for over 320 million people. In correlation with the growth of the economy, rising income levels increased standard of living, and affordability of banking products are promising factors for continued expansion.

Growth in Indian Banking Assets (US\$ Billions)



The Indian banking Industry is in the middle of an IT revolution, Focusing on the expansion of retail and rural banking. Players are becoming increasingly customer - centric in their approach, which has resulted in innovative methods of offering new banking products and services. Banks are now realizing the importance of being a big player and are beginning to focus their attention on mergers and acquisitions to take advantage of

economies of scale and/or comply with Basel II regulation.

COMPANY PROFILE



The Housing Development Finance Corporation Limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India (RBI) to set up a bank in the private sector, as part of the RBI's liberalization of the Indian Banking Industry in 1994.

The bank was incorporated in August 1994 in the name of 'HDFC Bank Limited', with its registered office in Mumbai, India. HDFC Bank commenced operations as a Scheduled Commercial Bank in January 1995.

HDFC is India's premier housing finance company and enjoys an impeccable track record in India as well as in international markets. Since its inception in 1977, the Corporation has maintained a consistent and healthy growth in its operations to remain the market leader in mortgages. Its outstanding loan portfolio covers well over a million dwelling units. HDFC has developed significant expertise in retail mortgage loans to different market segments and also has a large corporate client base for its housing related credit facilities. With its experience in the financial markets, a strong market reputation, large shareholder base and unique consumer franchise, HDFC was ideally positioned to promote a bank in the Indian environment.

HDFC Bank began operations in 1995 with a simple mission: to be a "World Class Indian Bank." We realized that only a single minded focus on product quality and service excellence would help us get there. Today, we are proud to say that we are well on our way towards that goal.

	March 2006	March 2007	March 2008
<i>Cited</i>	228	316	327
<i>Branches</i>	535	684	761
<i>ATMs</i>	1323	1605	1977

TECHNOLOGY USED IN HDFC BANK

In the era of globalization each and every sector faced the stiff competition from their rivals. And world also converted into the flat from the globe. After the policy of liberalization and RBI initiatives to take the step for the private sector banks, more and more changes are taking the part into it. And there are create competition between the private sector banks and public sector bank.

Private sector banks are today used the latest technology for the different transaction of day to day banking life. As we know that Information Technology plays the vital role in the each and every industries and gives the optimum return from the limited resources.

Banks are service industries and today IT gives the innovative Technology application to Banking industries. HDFC BANK is the leader in the industries and today IT and HDFC BANK together combined they reached the sky. New technology changed the mind of the customers and changed the queue concept from the history banking transaction. Today there are different channels are available for the banking transactions.

We can see that the how technology gives the best results in the below diagram. There are drastically changes seen in the use of Internet banking, in a year 2001 (2%) and in the year 2008 (25%). These type of technology gives the freedom to retail customers.

Centralized Processing Units	⇒	Derived Economies of Scale
Electronic Straight Through Processing	⇒	Reduced Transaction Cost
Data Warehousing , CRM	⇒	Improve cost efficiency, Cross sell
Innovative Technology Application	⇒	Provide new or superior products

HDFC BANK PRODUCT AND CUSTOMER SEGMENTS PERSONAL BANKING

Loan Product	Deposit Product	Investment & Insurance
<ul style="list-style-type: none"> • Auto Loan • Loan Against Security • Loan Against Property • Personal loan • Credit card • 2-wheeler loan • Commercial vehicles finance • Home loans • Retailbusiness banking • Tractor loan • Working Capital Finance • Construction Equipment Finance • Health Care Finance • Education Loan • Gold Loan 	<ul style="list-style-type: none"> • Saving a/c • Current a/c • Fixed deposit • Demat a/c • Safe Deposit Lockers 	<ul style="list-style-type: none"> • Mutual Fund • Bonds • Knowledge Centre • Insurance • General and Health Insurance • Equity and Derivatives • <u>Mudra</u> Gold Bar
Cards	Payment Services	Access To Bank
<ul style="list-style-type: none"> • Credit Card • Debit Card • Prepaid Card <hr/> <p>Forex Services</p> <ul style="list-style-type: none"> • Product & Services • Trade Services • <u>Forex</u> service Branch Locator • RBI Guidelines 	<ul style="list-style-type: none"> • <u>NetSafe</u> • Merchant • Prepaid Refill • <u>Billpay</u> • <u>Visa Billpay</u> • <u>InstaPay</u> • <u>DirectPay</u> • <u>VisaMoney</u> Transfer • e-Monies • Electronic Funds Transfer • Online Payment of Direct Tax 	<ul style="list-style-type: none"> • <u>NetBanking</u> • <u>OneView</u> • <u>InstaAlert</u> • <u>MobileBanking</u> • ATM • Phone Banking • Email Statements • Branch Network

HDFC BANK MARKET STRATEGY

HDFC BANK mission is to be "a World Class Indian Bank", benchmarking themselves against international standards and best practices in terms of product offerings, technology, service levels, risk management and audit & compliance. The objective

is to build sound customer franchises across distinct businesses so as to be a preferred provider of banking services for target retail and wholesale customer segments, and to achieve a healthy growth in profitability, consistent with the Bank's risk appetite. Bank is committed to do this while ensuring the highest levels of ethical standards, professional integrity, corporate governance and regulatory compliance. Continue to develop new product and technology is the main business strategy of the bank. Maintain good relation with the customers is the main and prime objective of the bank.

HDFC BANK Market Strategy Emphasizes The Following:

- Increase market share in India's expanding banking and financial services industry by following a disciplined growth strategy focusing on quality and not on quantity and delivering high quality customer service.
- Leverage our technology platform and open scaleable systems to deliver more products to more customers and to control operating costs.
- Maintain current high standards for asset quality through disciplined credit risk management.
- Develop innovative products and services that attract the targeted customers and address inefficiencies in the Indian financial sector.
- Continue to develop products and services that reduce bank's cost of funds.
- Focus on high earnings growth with low volatility.

INSIDE HDFC BANK FIVE "S", PART OF KAIZEN WORK PLACE TRANSFORMATION

Focus on effective work place organization Believe in "Small changes lead to large improvement"

Every successful organization has their own strategy to win the race in the competitive market. They use some technique and methodology for smooth running of

business. HDFC BANK also acquired the Japanese technique for smooth running of work and effective work place organization.

Five 'S' Part of Kaizen is the technique which is used in the bank For easy and systematic work place and eliminating unnecessary things from the work place.

BENEFIT OF FIVE "S"

- It can be started immediately.
- Everyone has to participate.
- Five "S" is an entirely people driven initiatives.
- Brings in concept of ownership.
- All wastage is made visible.

SWOT ANALYSIS OF HDFC BANK

<p>STRENGTH</p> <ul style="list-style-type: none"> • Right strategy for the right products. • Superior customer service vs. competitors. • Great Brand Image • Products have required accreditations. • High degree of customer satisfaction. • Good place to work • Lower response time with efficient and effective service. • Dedicated workforce aiming at making a long-term career in the field. 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Some gaps in range for certain sectors. • Customer service staff needs training. • Processes and systems, etc • Management cover insufficient. • Sectoral growth is constrained by low unemployment levels and competition for staff
<p>Opportunities</p> <ul style="list-style-type: none"> • Profit margins will be good. • Could extend to overseas broadly. • New specialist applications. • Could seek better customer deals. • Fast-track career development opportunities on an industry-wide basis. • An applied research centre to create opportunities for developing techniques to provide added-value services. 	<p>Threats</p> <ul style="list-style-type: none"> • Legislation could impact. • Great risk involved • Very high competition prevailing in the industry. • Vulnerable to reactive attack by major competitors • Lack of infrastructure in rural areas could constrain investment. • High volume/low cost market is intensely competitive.

COMPANY PROFILE



ICICI Bank is the largest private sector bank & second largest bank in the country in terms of assets. It is a pan-India player with around 950 branches

(including recently acquired Sangli bank). The bank has boosted its overseas operations in the last three years and now has presence in 18 countries either through subsidiaries or representative offices. Together with its subsidiaries, ICICI Bank offers a complete spectrum of financial services & products ranging from commercial banking to investment banking, mutual fund to insurance.

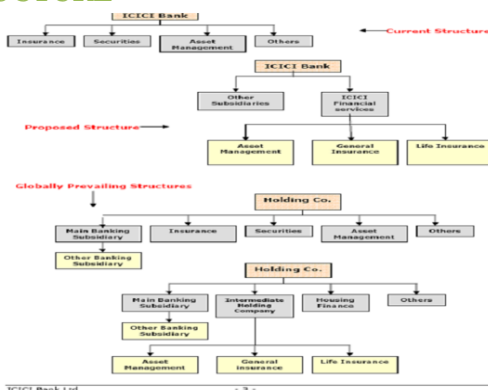
ICICI has a very compelling growth story ahead of it as Indian economy continues to boom. The GDP growth in India has been an average 8% for the last 3 years. Although I think that the market has some more downside left to it, if I were to build a new position in ICICI, I would start buying here on dips maybe in one-thirds or one-fourths.

Investment Rationale:

ICICI Bank will remain a one of the most fancied stocks among the investors who believe in India's long-term growth story.

- Retail banking though slowed down will remain focus area for ICICI Bank
- Massive scale up in international banking
- Innovate approach to tap potential in Rural & SME sector
- Robust non-interest income compensating for slower growth in Net Interest Income
- Sangli Bank acquisition will help the bank to improve CASA deposits.

ICICI BANK: ORGANIZATIONAL STRUCTURE



7 P'S OF MARKETING FOR ICICI BANK

1) PRODUCT MIX

1. DEPOSITS

ICICI Bank offers wide variety of Deposit Products to suit our requirements. Coupled with convenience of networked branches/ over 1800 ATMs and facility of E-channels like Internet and Mobile Banking, ICICI Bank brings banking at your doorstep.

Savings Account: ICICI Bank offers a power packed Savings Account with a host of convenient features and banking channels to transact through

Senior Citizen Services: The Senior Citizen Services from ICICI Bank has several advantages that are tailored to bring more convenience and enjoyment in your life.

Young Stars: It's really important to help children learn the value of finances and money management at an early age. Banking is a serious business, but we make banking a pleasure and at the same time children learn how to manage their personal finances.

Fixed Deposits: Safety, Flexibility, Liquidity and Returns!!!! A combination of unbeatable features of the Fixed Deposit from ICICI Bank.

Recurring Deposits: Through ICICI Bank Recurring Deposit you can invest small amounts of money every month that ends up with a large saving on maturity. So you enjoy twin advantages- affordability and higher earnings

Roaming Current Account: Only Roaming Current Account from ICICI Bank travels the distance with your business. You can access your accounts at over 500 networked branches across the country

Bank @ Campus: Thanks to bank@campus, child can now surf the Net and access all the details of his / her account at the click of a mouse! No need to visit the bank branch at all.

ICICI Bank Salary Account: is a benefit-rich payroll account for Employers and Employees. As an organization, you can opt for our Salary Accounts to enable easy disbursements of salaries and enjoy numerous other benefits too.

2. INVESTMENTS

Along with Deposit products and Loan offerings, ICICI Bank assists you to manage your finances by providing various investment options such as:

ICICI Bank Tax Saving Bonds
Government of India Bonds
Investment in Mutual Funds
Initial Public Offers by Corporate
Investment in "Pure Gold"
Foreign Exchange Services
Senior Citizens Savings Scheme, 2004

3. ANYWHERE BANKING

ICICI Bank is the second largest bank in the country. It services a customer base of more than 5 million customer accounts through a multi-channel access network. This includes more than 500 branches and extension counters, over 1800 ATMs, Call Centre and Internet Banking.

Thus, one can access the various services ICICI Bank has to offer at anytime, anywhere and from anyplace.

4. LOAN

- a) Home Loans
- b) Personal Loans
- c) Car Loans
- d) Two Wheeler Loans
- e) Commercial Vehicle Loans
- f) Loans against Securities
- g) Farm Equipment Loans
- h) Construction Equipment Loans
- i) Office Equipment Loans
- j) Medical Equipment Loans

5. CARDS

- a) Credit Card
- b) Debit cum ATM Card
- c) Travel Card

6. DEMAT SERVICES

ICICI Bank Demat Services boasts of an ever-growing customer base of over 7 lacs account holders. In their continuous endeavor to offer best of the class services to our customers we offer the following features:

- Digitally signed transaction statement by e-mail.
- Corporate benefit tracking.
- e-Instruction facility - facility to transfer securities 24 hours a day, 7 days a week through Internet Interactive Voice Response (IVR) at a lower cost.
- Dedicated specially trained customer care executives at their call centre, to handle all queries.

7. MOBILE BANKING

With ICICI Bank, banking is no longer what it used to be. ICICI Bank offers Mobile Banking facility to all its Bank, Credit Card and Demat customers. ICICI Bank Mobile Banking enables you to bank while being on the move.

8. NRI SERVICES

Online money transfer facility available to nris worldwide through www.money2india.com at the click of a button!

BENEFITS:

- Free money transfers into accounts with over 30 banks in india
- Demand drafts issued and payable at over 1250 locations in india
- Online tracking of the status of your funds
- Superior exchange rates
- Offline money transfer facility is also available across geographies through
- Our local branches and in association with partner banks/ exchange houses.

2) PRICING MIX

The pricing decisions or the decisions related to interest and fee or commission charged by banks are

found instrumental in motivating or influencing the target market.

The RBI and the IBA are concerned with regulations. The rate of interest is regulated by the RBI and other charges are controlled by IBA.

The pricing policy of a bank is considered important for raising the number of customers' vis-à-vis the accretion of deposits. Also the quality of service provided has direct relationship with the fees charged. Thus while deciding the price mix customer services rank the top position.

The banking organizations are required to frame two-fold strategies. First, the strategy is concerned with interest and fee charged and the second strategy is related to the interest paid. Since both the strategies throw a vice-versa impact, it is important that banks attempt to establish a correlation between two. It is essential that both the buyers as well as the sellers have feeling of winning.

3) PLACE

This component of marketing mix is related to the offering of services. The services are sold through the branches. The 2 important decision making areas are: making available the promised services to the ultimate users and selecting a suitable place for bank branches.

The number of branches OF ICICI: 1900 in India and 33 in Mumbai.

Why they select this place as branch?

The selection of a suitable place for the establishment of a branch is significant with the view point of making place accessible. The safety and security provisions a Convenient to both the parties, such as the users and the bankers Infrastructure facility Near to station and located on s. v. road well crowded area.

4) PROMOTION MIX

Advertising: Television, radio, movies, theatres

Print media: hoardings, newspaper, magazines

Publicity: road shows, campus visits, sandwich man, Sponsorship

Sales promotion: gifts, discount and commission, incentives, etc.

Personal selling: Cross-sale (selling at competitors place), personalized service

Telemarketing: ICICI one source Call center (mind space)

5) PROCESS

Flow of activities: all the major activities of ICICI banks follow RBI guidelines. There has to be adherence to certain rules and principles in the banking operations. The activities have been segregated into various departments accordingly.

Standardization: ICICI bank has got standardized procedures got typical transactions. In fact not only all the branches of a single-bank, but all the banks have some standardization in them. This is because of the rules they are subject to. Besides this, each of the banks has its standard forms, documentations etc. Standardization saves a lot of time behind individual transaction.

Customization: There are specialty counters at each branch to deal with customers of a particular scheme. Besides this the customers can select their deposit period among the available alternatives.

Number of steps: numbers of steps are usually specified and a specific pattern is followed to minimize time taken.

Simplicity: in ICICI banks various functions are segregated. Separate counters exist with clear indication. Thus a customer wanting to deposit money goes to 'deposits' counter and does not mingle elsewhere. This makes procedures not only simple but consume less time. Besides instruction boards in national boards in national and regional language help the customers further.

Customer involvement: ATM does not involve any bank employees. Besides, during usual bank transactions, there is definite customer involvement at

some or the other place because of the money matters and signature requires.

6) PHYSICAL EVIDENCES

Physical evidence is the material part of a service. Strictly speaking there are no physical attributes to a service, so a consumer tends to rely on material cues. There are many examples of physical evidence, including some of the following:

- Internet/web pages
- Paperwork
- Brochures
- Furnishings
- Business cards
- The building itself (such as prestigious offices or scenic headquarters)

The physical evidences also include signage, reports, punch lines, other tangibles, employee’s dress code etc.

Signage: each and every bank has its logo by which a person can identify the company. Thus such signages are significant for creating visualization and corporate identity.

Financial reports: The Company’s financial reports are issued to the customers to emphasis or credibility.

Tangibles: bank gives pens, writing pads to the internal customers. Even the passbooks, chequebooks, etc reduce the inherent intangibility of services.

Punch lines: punch lines or the corporate statement depict the philosophy and attitude of the bank. Banks have influential punch lines to attract the customers.

Employee’s dress code: ICICI bank follows a dress code for their internal customers. This helps the customers to feel the ease and comfort.

7) THE PEOPLE

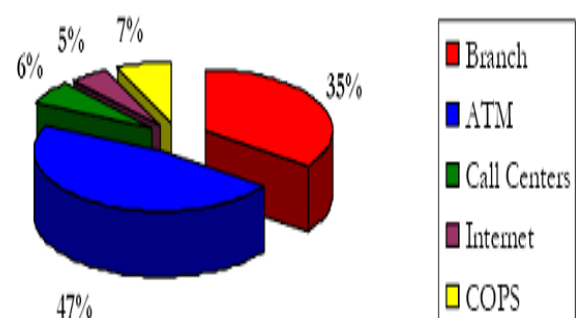
All people directly or indirectly involved in the consumption of banking services are an important part of the extended marketing mix. Knowledge Workers, Employees, Management and other Consumers often

add significant value to the total product or service offering. It is the employees of a bank which represent the organisation to its customers. In a bank organization, employees are essentially the contact personnel with customer. Therefore, an employee plays an important role in the marketing operations of a service organisation.

DISTRIBUTION STRATEGY & CHANNEL STRATEGY OF ICICI BANK
DISTRIBUTION STRATEGY:

- Cross selling of products as a major area of focus
- Creation of concept of DSA (Direct Selling Agent)
- Creation of concept of DST (Direct Selling Team)
- Effort on the part of the bank to reach the customer rather than waiting for the customer
- Use of internet, mobile, ATM’s and other technological device to reach and serve the customers

CHANNEL STRATEGY:



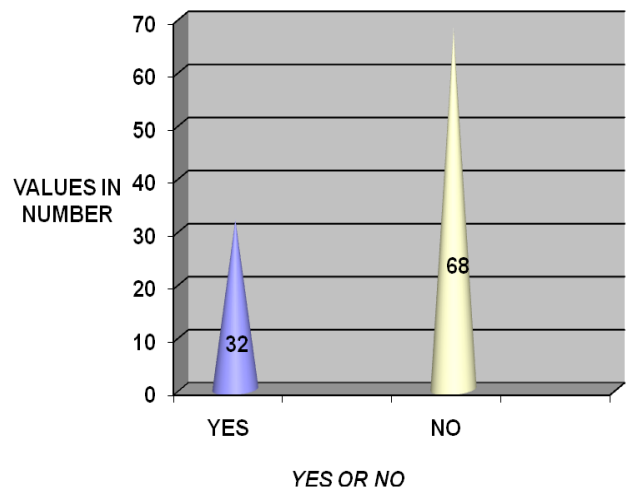
- Red- 35% Branch
- Blue- 47% ATM
- Green – 6% Call centers
- Violet- 5% Internet
- Yellow- 7% COPS

ICICI BANK: SWOT ANALYSIS

	STRENGTHS	WEAKNESSES
OPPORTUNITIES	<p><u>S – O Strategies</u></p> <p><u>Strength:</u> Large Capital base.</p> <p><u>Opportunity:</u> Market Expansion.</p> <p><u>Strategy:</u> Deep Penetration into Rural Market.</p>	<p><u>W – O Strategies</u></p> <p><u>Weakness:</u> Workforce Responsiveness.</p> <p><u>Opportunity:</u> Outsourcing of Non Core Business.</p> <p><u>Strategy:</u> Outsource Customer Care & other E-Helps.</p>
THREATS	<p><u>S – T Strategies</u></p> <p><u>Strength:</u> Low operating costs</p> <p><u>Threat:</u> Increased Competition from others Pvt. Banks.</p> <p><u>Strategy:</u> Steps to Ensure Loyalty by old Customers.</p>	<p><u>W – T Strategies</u></p> <p><u>Weakness:</u> Not Equal to International Standards.</p> <p><u>Threat:</u> Entry of many Foreign Banks.</p> <p><u>Strategy:</u> Consider additional benefits</p>

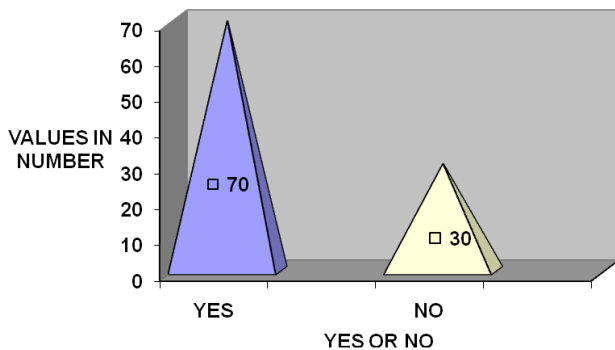
1. - 38% says ICICI.
2. - 12% says HDFC.
3. - 20% says OTHERS.

QUESTION 3: Do You Think That Bank Is Giving A Good Return?



DATA ANALYSIS AND INTERPRETATION

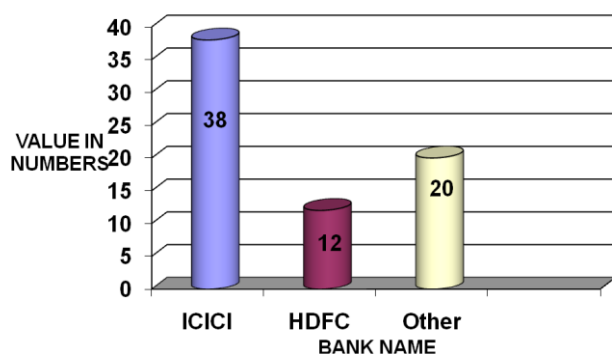
QUESTION 1: Are You Having A Bank Account?



(Figure-1)

- 1- 70% says yes
- 2- 30% says no

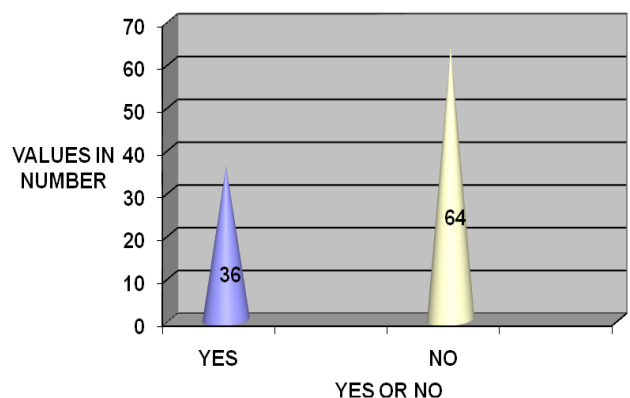
QUESTION 2: Where Do You Open An Account?



(Figure-2)

1. 32% Bank giving a yes return.
2. 68% Bank giving a no return.

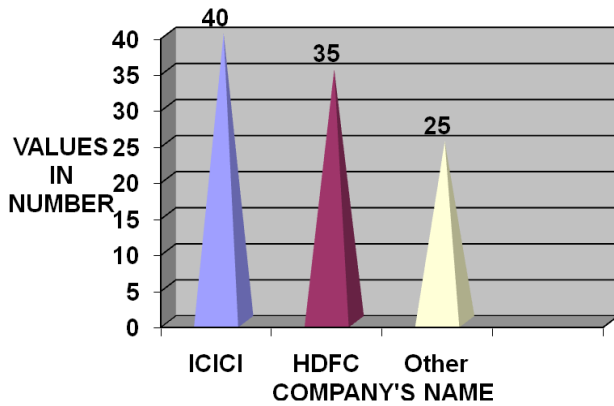
QUESTION 4: Are you planning to get account or loan from any company?



(Figure-4)

1. 36% says yes
2. 64% says no

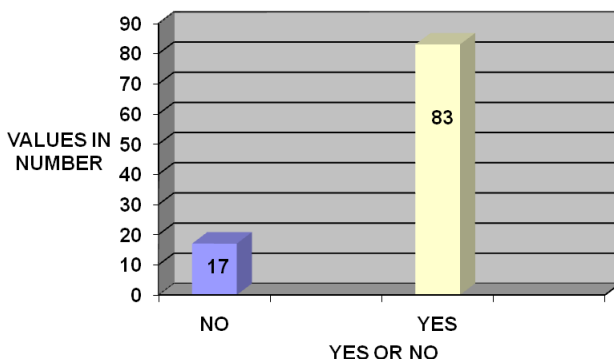
QUESTION 5: In which company are you looking to invest?



(Figure-5)

1. 40% says ICICI BANK
2. 35% says HDFC BANK
3. 25% says OTHER BANKS

QUESTION 6: If get an opportunity in future would you like to be getting attached with ICICI Bank?



(Figure-6)

1. 17% says no
2. 83% says yes

SUGGESTIONS

- ICICI Bank and HDFC bank has to improve its brand image, i.e. it has to position itself in the minds of prospects in a better way in comparisons to others.
- It should provide better career opportunities for the retention of its potential advisors.

- Further it has to provide training to its recruited advisors by good and efficient training methods, which might be a little bit customized if needed.
- It should more emphasize in advertising, as it is the most powerful tool to position ant brand in the mindsets of customers.
- It should provide online training and for those who are in jobs and want to become advisors ICICI should provide evening training classes, so that they can join the training after doing their jobs.

CONCLUSION

Banking is also now being regarded as a versatile financial planning tool. Research indicates that Indians have four basic financial needs during their life asset accumulation (such as buying a house or car), protecting their family, securing their children's education, and provision for their retirement.

India being a country having a huge population of around one billion people with only 32% of the banking population in India possessing banking the country has a vast potential, which has been left untapped till now.

Banking Company Banking advisors are the lifeline and a very huge asset so each company try to recruit and select a potential force of Banking advisors because this is the advisors who generate maximum business for the Bank. Banking advisors provide a very strong support to the Bank and do all possible efforts to generate huge amount of profit to the company and for him.

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