Importance of Branding in Pakistan

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Executive Summary

Commercial Banks have undergone a radical change in the recent years. Once operating in a non-competitive environment similar to utilities, they now face competitors not only from within their own industry, but from a slew of rivals developing out of other financial services. In order to keep their customer base, banks will have to continually improve and strengthen marketing and outreach. As a result, banks are spending more and focusing more on advertising and branding concepts. A very important factor of branding in organizations is their unbreakable and long lasting relationship with the various facets of consumer behaviour. Learning the meaning of brands – how they link to consumer behavior, consumer culture, and distinguishing one brand from another – is important in the development of brand loyalty. This is exactly what banks today need to understand and take advantage of. Branding is a relatively new concept for the financial industry. Switching costs appear to be prevalent in the use of banking services. The depositors find it costly to close an account with their current bank to open an account in another bank. Time is invested in doing so, funds may be tied in the process, and the new service might require some specific investment in learning to use it. Other switching costs might include uncertainty over the quality of service, such as branch service quality, product availability, and even how long it takes to get through the phone system to a customer representative. Customer inertia is likely to be such that in order for a consumer to switch banks, at least one of the following should occur: current service deteriorates relative to expected new service at another bank enough to cover switching costs; large discount by another bank; some other large expected gain from switching. Thus there is an increased to develop brand loyalty among customers of a banking organization. Today's power

brands have common denominators: They reflect the company's core values and the employee culture and they consistently meet or exceed customers' expectations at every touch point. For a company's brand vision to become a reality, all employees must understand the brand vision and the company's promise and share an active role in consistently applying the promise to everything they do.

Appendix

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CHAPTER 1: INTRODUCTION

1.1 Introduction and Background:

Business is a multi-dimensional phenomenon. In understanding this, it is essential to look at it in the broader context. Business is multi-dimensional because the number of products, their markets, and their cost of production are rapidly changing. The changes in market demand and various elements of cost of products are very much influenced by the outrage of advertising, marketing and changing perceptional influences of customers. Business has been perceived as a profit oriented work, which requires both the physical effort as well as mental conception that are explained through theoretical analysis. Business is thus the result of perception by five senses, which have an impact on the intellectual thinking leading to formulation of certain concepts that clarifies certain ideas. In a number of cases this is explained through the development of theories of various kinds of inter-relationships, which are conceived for elaborating various kinds of phenomenon required in conducting business.

For instance, if we include various kinds of marketing methods, which are now being used in the form of marketing strategies, then the multi-dimensional nature in business has contributed in increased production of various kinds, improvement of quality and the availability of these products in various parts of the world. Multi-dimensional aspect may also be equated with business development. It can be said that the business system in financial markets has also been changing and those who are involved in this business are going through new kinds of risks besides the traditional risks of political turmoil, Financial frauds and bank runs, but also risks in competition, in introducing new and better quality products, and that too at lower prices. Customers need more and more goods of several kinds to make their life more comfortable and improve the efficiency of their work and in a number of cases individuals who have the spirit of enterprise also formulate certain goals that they want to achieve in their lives. Because of these objectives business activities have emerged that are so important that a man cannot enjoy living without them. The end result of business activities historically is continuous increase in products and services.

New products, better packaging has brought a good change in the living style of rich and middle class families to a very great extent and a small change in the case of poor. The theory of business may be stated in terms of continuous business development through enhancing markets for old products as well new products by finding new techniques of getting more funds for increasing financial needs of business organizations. In addition to old and new products with better packaging and brand name, a business is theorized as the effort of businessmen to discover new markets for their products and innovate new products for the expected changes in the market.

Banks too have undergone a radical change. Once operating in a non-competitive environment similar to utilities, they now face competitors not only from within their own industry, but from a slew of rivals developing out of other financial services. In order to keep their customer base, banks will have to continually improve and strengthen marketing and outreach. For similar reasons banks and advertising agencies that have started to produce superior print and broadcast advertisements, an activity that was hardly spent on in prior years.

1.2 Significance of the Project Study:

This research project has focused on the Pakistani banking industry and how it has evolved over the past years. This evolution has not only taken place in the organizations but also in the customers. Various factors of increased competition and customer preferences are studied to see what are the parameters on which they base their competitive decisions. Thus it would be interesting to see what the Pakistani banking industry looked like two three decades ago and what it is now. Definitely coming a long way up it has managed to become one of the successful sectors of business in Pakistan and is also one of the industries with the fiercest competition. Analysis of financial statements to see how banks have increased or decreased their advertising and marketing budgets has also been done.

1.3 Methodology:

The following methodology was adopted to gather information and material for the project :

1. Consultation with various books and financial journals.
2. Analysis of Financial Statements.
3. An extensive internet research was under- taken.
4. Consumer survey through closed end questionnaires was carried out.
5. Study of various marketing and business models that banks have adopted.

1.4 Organization of Study :

The project is organized according to the following outlines:

1. The first chapter consists of the introduction to the project.

2. The second chapter of the project comprises of the Marketing and Branding overviews.
3. The research and information about the concerned Pakistani banking industry is given in chapter 3.
4. The consumer survey analysis formulates the fourth chapter.
5. The fifth chapter deals with the analysis and findings of the project.
6. The sixth chapter consists of the Financial and statistical data.
7. The seventh chapter consists of the conclusions
8. Eighth chapter has few recommendations and brand implementation guidelines. At the end is the bibliography and appendix.

CHAPTER 2: OVERVIEW OF BRANDING AND MARKETING IMPORTANCE

2.1 Introduction:

Brands are to products and services what celebrities are to people. We know them, and we either like them or hate them. Thus we come to embrace "Intel Inside" because it, like Starbucks, like McDonalds, like Nike and Coca Cola gives us faith in an item we are fundamentally unable to articulate. Brands are a means of differentiating a company's products and services from those of its competitors. There is plenty of evidence to prove that customers will pay a substantial price premium for a good brand and remain loyal to that brand. It is important, therefore, to understand what brands are and why they are important.[1]

2.2 What is a Brand:

There are many definitions of brands:

- A name, term, sign, symbol or design, or a combination of these, that is intended to identify the goods and services of one business or group of businesses and to differentiate them from those of competitors.[2]
- A mixture of tangible and intangible attributes symbolized in a trademark, which, if properly managed, creates influence and generates value.
- The intangible sum of a product's attributes: its name, packaging, and price, its history, its reputation, and the way it's advertised. [3]

Three other important terms relating to brands should be defined at this stage:

2.3 Brand equity:

"Brand equity" refers to the value of a brand. Brand equity is based on the extent to which the brand has high brand loyalty, name awareness, perceived quality and strong

[1] http://www.directessays.com/viewpaper.php?request=27662
[2] http://www.essaysamples.net/show_essay/78685.html
[3] http://www.ameinfo.com/27400.html

product associations. Brand equity also includes other “intangible” assets such as patents, trademarks and channel relationships.

2.4 Brand image:

“Brand image” refers to the set of beliefs that customers hold about a particular brand. These are important to develop well since a negative brand image can be very difficult to shake off.

2.5 Brand extension

“Brand extension” refers to the use of a successful brand name to launch a new or modified product in a new market.

2.6 Advantages of brands:[4]

There are many advantages to businesses that build successful brands. These include:

• Higher prices

• Higher profit margins

• Better distribution

• Customer loyalty

2.7 Reasons for these Advantages:

A brand is created by augmenting a core product with distinctive values that distinguish it from the competition. This is the process of creating brand value. All products have a series of “core benefits” – benefits that are delivered to all consumers. For example:

• Watches tell the time

[4] http://www.marketingprofs.com/5/BensonFoley1.asp

• CD-players play CD’s

• Toothpaste helps prevent tooth decay

• Garages dispense petrol.

Consumers are rarely prepared to pay a premium for products or services that simply deliver core benefits – they are the expected elements of that justify a core price. Successful brands are those that deliver added value in addition to the core benefits. These added values enable the brand to differentiate itself from the competition. When done well, the customer recognizes the added value in an augmented product and chooses that brand in preference. Companies that possess a strong brand identity have many unique advantages and attributes versus their competition.

2.8 The benefits of a strong brand to the Company

- A strong brand influences the buying decision and shapes the ownership experience.
- Branding creates trust and an emotional attachment to the product or company. This attachment then causes the company’s market to make decisions based, at least in part, upon emotion-- not necessarily just for logical or intellectual reasons.
- A strong brand can command a premium price and maximize the number of units that can be sold at that premium.
- Branding helps make purchasing decisions easier. In this way, branding delivers a very important benefit. In a commodity market where features and benefits are virtually indistinguishable, a strong brand will help customers trust the company and create a set of expectations about its products without even knowing the specifics of product features.

- Branding will help "fence off" customers from the competition and protect the company's market share while building mind share. Once a mind share is reached, customers will automatically think of that company first when they think of its product category.
- A brand is something that nobody can take away from the company. Competitors may be able to copy products, patents will someday expire, trade secrets will leak to the competition, the proprietary manufacturing plant will eventually become obsolete, but brand will live on and continue to be unique. In fact, a strong brand name may be the company's most valuable asset.
- Brands also help people connect with one another.
- A strong brand can make actual product features virtually insignificant.[5] A solid branding strategy communicates a strong, consistent message about the value of the company. A strong brand helps sell value and the intangibles that surround the company's products.
- A strong brand signals that the company wants to build customer loyalty, not just sell product. A strong branding campaign will also signal that seriousness about marketing and that it is intended to be around for a while.
- Branding builds name recognition for the company or product.

2.9 Benefits for the Consumer:

Branding does not only benefit the big corporations but they also provide certain benefits to their customers. These may include the following:

[5] http://www.storm.ca/~dclarke/branding.html

- The Loyalty Factor Consumers with a positive buying experience of a brand will perceive the brand to offer value, simplicity and convenience. A consumer is much more likely to remain a loyal customer if the purchase experience is a positive one. Strong brand loyalty provides consumers with peace of mind when purchasing a product or service.
- Consistency Consumers are willing to pay more, travel farther and wait longer for a brand they trust and feel connected to. Power brands offer consistency and a positive buying experience and meet consumers' expectations. McDonald's golden arches consistently offer consumers the same product from Milwaukee to Moscow, taking the mystery out of the buying decision and meeting consumers' expectations around the globe.
- Differentiation Strong brands allow companies and consumers to differentiate themselves in a crowded marketplace. When many companies are offering a similar product or service at competitive prices, consumers will buy from a company they trust and whose promise continually meets their expectations. Successful brands do not attempt to compete solely on product, price or services but rather compete for the power of brand image. The strength of the Nike brand is so powerful today that they do not even show their product in their advertising. Instead, Nike focuses on selling an image, an emotion and a feeling of earned power. A Hand to Hold Strong brands are the first consideration when consumers face important decisions about which they have little knowledge eg a search for a telecommunications or Internet provider.

2.10 Brands and Consumer Behaviour:

Another very important factor of branding in organizations is their unbreakable and long lasting relationship with the various facets of consumer behaviour. Certain brands have different meanings and attitudes towards different people. Learning the meaning of brands – how they link to consumer behavior, consumer culture, and distinguishing one brand from another – is important in the development of brand loyalty. A brand resides within the consumer's minds and feelings. It is their experiences and perceptions of the brand which can be influenced, and some which cannot. Branding is essential to the consumers and marketers. It helps consumers speed up the process of purchasing a particular brand, provides a form of self-expression, and builds trust of a certain brand. Branding for marketers serves as a way to introduce new products, differentiate products from competitors, and help promote all their products. It separates you from your competitors that is relevant and motivating to the customers and adds value.

What attracts the customer to a product is the personality of the brand. A customer purchases a certain brand knowing that it will fulfill a real or perceived need. Brand personalities start with the customer. Marketers, who want their brand to be successful, pay attention to the consumers' desires and needs and their purchasing behavior.

2.11 Branding in the Financial Service Sector:

Branding is a relatively new concept for the financial industry. They are slowly realizing that they need to manage their strategic assets, too. With so much brand jargon in business these days, it is hard to understand what a brand really means to a business. It is often associated with slogans, advertising campaigns, logos and organizational names. Brand is much more emotional in nature since it is tied to ideas of reputation, trust, and quality of a firm. The brand is what a person feels after repeated interactions with any aspect of products or services. Since the brand is so connected to what a firm stands for in the minds of the key constituents, it represents a promise that the firm makes with its clients to deliver a set of experiences. Brands like BMW, Sony, Fed Ex and many more are successful because they deliver time and time again on the promises that they have made to their customers.

CHAPTER 3:BANKING SECTOR OF PAKISTAN

3.1 Introduction:

The banking sector in Pakistan consists of Commercial Banks and Specialized Banking Institutions. In the past 58 years, banking in Pakistan crossed many important milestones. Starting virtually from scratch, banking steadily assumed its pivotal role in resource mobilization and channeling savings into economic activities. From a network of 195 branches and a deposit base of Rs881 million in 1947[6], today the sector consists of more than 22 domestic and over 14 foreign commercial banks with over 8,200 branch offices and a deposit base of over Rs1.3 trillion[7]. It meets the entire banking needs of the private sector and a sizeable portion of public sector borrowing. More importantly, it employs over 100,000 workers. [8]

3.2 Analysis of Growth:

Critics find the pace of growth slow by the standards of comparable Asian economies. They are right but they overlook the fact that on its way to attaining this status, banking in Pakistan passed through some bad patches, which were the result of ill-conceived state intervention, faulty regulation and others that stemmed from a management style that lacked a sense of direction and commitment to the profession.

Yet, by all standards and through all stressful periods including the 1965 and 1971 wars, demonetization and hefty devaluations of the currency, break-up of the country, nationalization of banking and industry, de-linking of the rupee from the dollar, collapse of a few banks and privatization of four big banks, and the adverse effects of freezing of foreign currency deposits, this sector performed reasonably well. Viewed in this

[6] http://www.sbp.org.pk/publications/wpapers/wp08.pdf
[7] http://www.sbp.org.pk/publications/fsa.htm
[8] Banking sector review 2004

perspective, commercial banking hasn't done too badly, though there was room for doing more.

3.3 Adverse Effects of Nationalization:

Nationalization of banking started in the early 70s. After merger of some banks five nationalized commercial banks (NCBs) were set up. These NCBs maintained their dominance in providing financial intermediation services in the country till 1991. Due to restriction on opening of private banks, the NCBs kept on expanding their financial networks without much concern on how efficiently they transformed various inputs into financial services and products.[9] Since Pakistan Banking Council maintained its supervisory role on NCBs, the powers of State Bank of Pakistan (the central bank) were effectively curtailed. Subsidized credit attracted political beneficiaries into the NCBs loans leading to swelling of portfolio of non-performing loans while credit rationing promoted financial repression.

Sustained slide in efficiency and productivity under state control prevented banking from becoming a vibrant institutional arrangement. Exchange controls, mandatory resource allocation targets, credit ceilings and a legal system that seemed to side more with bad borrowers than with banks shaped Pakistan's banking for far too long. It ultimately led to the closure of industrial units, ballooning of the banks' portfolios of delinquent loans, and a rapid slide in standards of professionalism in the banking sector.

At the end of fiscal year 1990, the banking sector did not provide a level playing field for

[9] "Banking Sector Reforms", By Dr. Ishrat Hussain, The News

competition because public sector banks dominated the scene with 92% share in total banking assets.[10] A series of financial sector reforms were implemented in 1990s. The reforms included privatization of NCBs, liberalization of banking sector and granting of full autonomy to State Bank of Pakistan (the central bank) as regulator of banking industry.

3.4 The Emergence of Private Sector Banks:

To break this mould, in 1991 setting up banks in the private sector was allowed once again. But during the 1990s, bank regulation also went through phases of liberalization and re-regulation as SBP struggled to regulate the sector that had a mix of five gigantic and several smaller banks. Monetary policy remained tight as SBP tried to curb inflation by sucking in liquidity from the markets. This resulted in hiking up interest rates and forced many more marginally profitable industrial units to close rather than revamp their manufacturing facilities. Banks survived the adversities emanating from this scenario as well.

3.5 The Reformation of the Banking Sector:

By 2000 it became imperative to de-regulate the sector on a visibly credible basis. Radical policy changes initiated in 2000 have begun to pay dividends. Doing away with the legacy of exchange controls and resource allocation targets has allowed banks the flexibility they need to become efficient, and responsive to rapidly changing market demands. There have been some hiccups but that is to be expected whenever radical changes are initiated.

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[10] *http://www.gulf-news.com/Articles/news.asp?ArticleID=108194*

Commercial banks are now experimenting with ideas and technology that have been tested by other developing countries with results indicating a discernable rise in operational efficiency that has benefited all the stakeholders. The innovations, which include increased automation, bringing vast networks on-line and promoting electronic and internet banking, will cut banks' operating costs, facilitate customer access, and add to the overall efficiency of this sector.

3.6 Statistical Evidence of Growth:

During the quarter-1 of financial year 2004 as per SBP Quarterly report there has been robust growth in deposit mobilization and credit off take with a rise of PKR 23.1 billion in net credit to the private sector. [11]

Changes in Selected Banking Sector Indicators (Billion Rupees)

	FY 01	**FY 02**	**FY 03**
Deposit Mobilization	112.2	173.5	275.1
Gross disbursements	105.9	199.3	387.3
Net Credit	66.9	41.7	133.2
Credit to Private Sector	54.3	32.3	167.7
Stock pf NPLs	18.8	14.0	-7.0
WA lending rates (basis points)	103	-185	-454
WA deposit rates (basis points)	-89	-83	-227

Note: Negative sign indicates decline over the previous year

Source: State Bank of Pakistan

Accordingly, the SBP set the target for monetary expansion to the tune of Rs 230 billion or 11.1 percent higher than last year. The net foreign assets (NFA) of the banking system

[11] SBP Quarterly Report 2004

were targeted to increase by Rs 130 billion and net domestic assets (NDA) were set to increase by Rs 100 billion. [12]

Within the NDA, credit to the private sector was projected to expand by Rs 85 billion while Rs 6 billion was earmarked for public sector enterprises (PSEs),it added. The report further said that the government sector was expected to remain fiscally prudent and therefore a meager amount of Rs 15 billion was earmarked for net budgetary borrowings and a retirement of Rs 6 billion was projected for commodity operations. The overall monetary expansion target was consistent with a real GDP growth of 5.3 percent, inflation of 4 percent, and an export target of $ 12.1 billion for 2003-04.

The monetary expansion during July-March 2003-04, amounted to Rs 254.8 billion (12.26 percent) compared to an expansion of Rs 211.2 billion (11.99 percent) in the same period of last year. During July-March 2003-04, the NDA of the banking system increased by Rs 204.4 billion (13.28 percent) against a decline of Rs 45.7 billion (-2.98 percent) in the corresponding period of last year, it added. The increase in NDA has resulted mainly due to a massive expansion of private sector credit which had an unprecedented increase of Rs 244.6 billion in the first nine months of the current fiscal year against Rs 106.6 billion in the corresponding period of last year.

3.7 Improved Financial Performance:

The performance of the Pakistani banking sector has improved considerably in the years 2002 and 2003 on account of the following:

[12] www.sbp.org.pk

- **Induction of professional management**

  The performance of nationalized banks has significantly improved as the restructuring process initiated in these banks since the year 1997 has begun to show positive results.

- **Reduction in administrative costs versus total income**
  Banks, especially the nationalized banks have taken steps, to reduce their administrative expenses.

- **Reduction in tax rates**

  The tax rates have reduced from 58% in 2001 to 50% in 2002 to 44% in 2003 to 41% in 2004 and will decline to 38% in 2005 and reach 35% for 2006 onwards.[13]

3.8 Reform Measures by State Bank of Pakistan:

The State Bank of Pakistan/ Ministry of Finance have introduced the following reforms in the banking sector:

- Further strengthening of Prudential Regulations.
- The policy for opening and closing of branches has been significantly liberalized.

[13] Dr. Ishrat Hussein's Article on banking sector reforms

- A free-floating market driven exchange rate system has been introduced. In addition, restrictions on buying and selling of foreign exchange by banks have been removed.
- The Banking Companies (Recovery of Loans, Advances, Credits and Finances) Act, 1997 was introduced in February 1997. Special banking courts have been established under this Act to facilitate the recovery of non-performing loans and advances from defaulted borrowers.
- The Government has formed the Corporate and Industrial Restructuring Corporation (CIRC) to take over the non-performing loan portfolios of nationalized banks on certain agreed terms and conditions and issue government guaranteed bonds earning market rates of return. The purpose for which CIRC has been established is two-fold:
    - to concentrate recovery efforts against loan defaulters
    - to improve the profitability of nationalized banks
- Appointment of independent persons to the Board of Directors of the Nationalized Commercial Banks
- The requirement for minimum capital of banks has been enhanced to Rs 1 billion to encourage consolidation of smaller banks.
- To improve the quality and reliability of reporting, the format of statutory accounts has been revised on the basis of

International Accounting Standards, quarterly reporting to the shareholders has been initiated, and periodic reporting to regulators has increased. In addition, the State Bank of Pakistan has published a list of approved auditors for various sizes of banks.

- Good corporate governance culture is being enforced, both by the SBP and SECP, covering director's responsibilities, improved reporting, empowerment of audit committees and internal audit and independence of external auditors.
- Credit rating for all commercial banks has been made mandatory.
- Extension in the period of carry forward of losses to 10 years and offsetting of losses by parent company in case of acquisition is allowed.
- Tax rates for commercial banks have been reduced.
- Tax laws have been changed to facilitate merger and acquisition of banks and financial institutions by allowing group tax loss relief. [14]

3.9 Hindrances in the Profitability of the Sector:

During the 1990s when banks in Pakistan were finding it difficult to mobilize resources to keep pace with rising requirements of business and industry, banks had experimented with several new strategies. In their effort to mobilize resources, they had innovated a

[14] Banking Sector Reforms, THE NEWS

variety of deposit and investment products to encourage higher savings, and the newly formed banks expanded their branch networks. Unfortunately, the momentum was blunted, but only temporarily, by the immediate after-effects of 9/11.

From mid-2002 onwards Pakistani banks experienced an unprecedented upsurge in inward remittances inundating them with liquidity and forcing them to lower interest rates to unprecedented levels. It led to widespread criticism by the savers. The changed scenario - opposite of what was witnessed during the 1990s - called for a radical change in business strategy if, besides meeting the demands of their borrowers, banks were to remain a relevant institutional arrangement for investors and savers as well. This was a tough challenge, which called for developing a multi-pronged strategy. Banks are still grappling with this issue that holds out a variety of threats to their traditional institutional character. So far, the focus of their strategies remains a rapid reduction in intermediation costs through administrative re-arrangements, guarding against loan losses resulting from aggressive lending and increasing the return to depositors through these measures. But a questionable move in this context has been their over-aggressive entry into the equity markets. It has raised many eyebrows.

Some of the cost cutting initiatives have not been popular - for instance, branch closures and employee layoffs by big banks to rationalize their networks and administrative costs in order to prepare them for privatization. These moves added to skilled unemployment but they had to be taken to bolster the banks' ability to support business and industry in facing up to stiffening competition from abroad, and the threats expected to surface in 2006.

Besides the increased use of information technology and automation to cut costs, the most visible change has been the rapid expansion in portfolios of consumer credit. Even though it took banks in Pakistan over half a century to realize its importance, it is a commendable move because, for the first time in Pakistan's history, it will allow the common man his due share in economic prosperity.

3.10 Challenging Current and Up Coming Competition:

The improved health of Pakistani banks along with their future plans has convinced many that the network of foreign banks operating in Pakistan may be poised to go through challenging times in future, as local institutions gear up for competition. The improvement in the way that Pakistani banks are managed, has also led to an improvement in the quality of services offered to local clients.

Unlike the past when depositors received mediocre service at banks, the turnaround is clearly visible. Pakistan's local banks have become increasingly savvy, offering products such as access to ATM machines, consumer services such as a variety of loans for purchases ranging from the modest to posh range, and previously unavailable services for business travelers such as rupee-denominated travelers' cheques. Moreover, improved quality has meant that the time taken for services such as remittances from one branch to another has been substantially reduce. The turnaround at domestic banks, comes just four years after Pakistan began aggressively addressing the problems faced by the country's banking sector, whose need to reform had been long ignored. A series of golden handshakes enabled banks to become leaner, and increasingly meaner. Banks are competing feverishly for expanding their portfolios of credit cards, leasing and hire purchase facilities, and mortgage financing. The upsurge in consumer credit has been spurred by a variety of factors but essentially by the enormous rise of liquidity in the money market following 9/11, a sharp decline in interest rates as a consequence thereof, and the choices now available to the corporate borrowers to raise funds by floating a variety of investor-friendly commercial papers.

However, experts believe that it would be a mistake to overlook the fact that institutional arrangements are far from satisfactory for extending consumer finance on a secure basis. The lack of reliability of the sources of repayment for these loans remains a stumbling block that banks must be aware of. Besides, over-borrowing by consumers and the consequent rise in interest rates to stabilize prices eventually always lead to a recession. This predictable scenario now seems to be emerging in Pakistan because interest rates are now on the rise and may jeopardize consumer re-payment ability.

A disturbing aspect of competition has been that in their efforts to withstand the pressure being generated by the borrowers' unending demands for cutting lending rates, banks are adopting practices that may prove self-damaging. Observers believe that banks are becoming overzealous in lending. This profile of competition is allowing borrowers to keep switching their unpaid liabilities from one bank to another. This could prove counter-productive because banks could be saddled with irresponsible borrowers who don't really believe in repaying.

Of much greater significance in this context is the fact that competition is undermining the sanctity of written agreements and borrowers' commitments with financial institutions. The danger is that if borrowers get into the habit of breaking their banking relationships, often without having the legal right to do so, and banks accept this borrower behaviour as routine, it could undermine the sanctity of the law for which bankers alone will be to blame.

3.11 Current Scenario and the Increasing Importance of Small Depositors:

The banking industry in Pakistan has experienced change in its ownership structure, level of competition, regulatory environment, instruments of market discipline and greater supervision since 1990.

Banks hold the view that the deposit rates are governed by demand and supply and the small savers do not have any claim on their profits. Household savings provide the bulk of the bank deposits that are used by the banks for lending, trading and investments. But the situation is beginning to change.

As indicated by the new monetary policy statement, the foreign capital inflows which provided so much excess liquidity in the financial system, are expected to decline in the period under review. Sooner or later, the banks as well as the economy will have to increase their reliance on household savings for investment needed to achieve the medium-term economic growth of six to eight per cent.

3.12 Recent Trends in the Banking Sector:

The key trends in the banking sector are as follows:

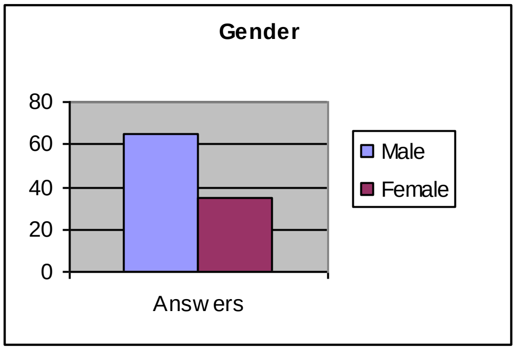
- Increased Merger & Acquisition activity in the banking sector with local private banks having made several domestic acquisitions
- Large expansion of branch network and deposits by private and some foreign banks

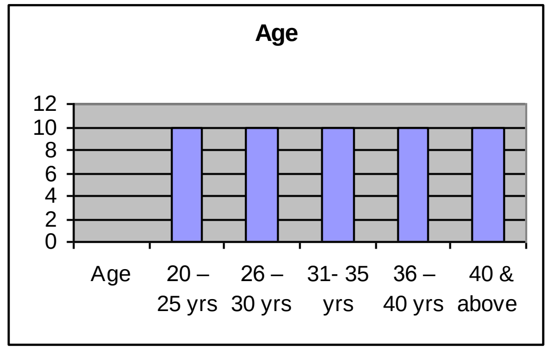
- Rationalization of branches by nationalized banks
- Increased focus towards consumer finance
- Increased focus on attracting local rupee deposits
- Increased emphasis towards automation and customer service
- Reduction in the increase in non performing loans as a result of better governance of banks and greater accountability process initiated by the government
- Significant increase in inward remittance business as a result of governmental clamp down on unofficial remittance channels following September 11.

Pakistan's Banking sector has come a long way from it started in 1947. Going through many ups and downs and hardships and successes it has reached a point where it is contributing its due share in the nation's growth and prosperity. Increased considerations and concessions and interactions with the State Bank of Pakistan has made all this possible. These include the freedom to enter into foreign currency term borrowing arrangements with banks abroad, extend foreign currency denominated loans to domestic borrowers, trade freely in foreign exchange, gilt-edged paper and equities markets, and expand networks without bureaucratic hindrance. More changes are on the cards which will equip Pakistani banks even better to face up to competition in the 21st century.

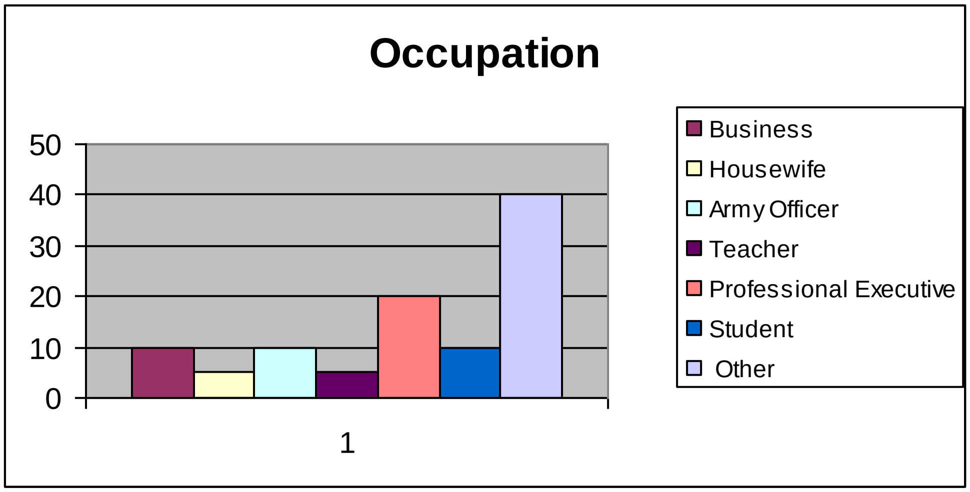
CHAPTER 4: CONSUMER SURVEY

A consumer survey was carried out using an equal mix of people from various walks of life. The results are presented below.

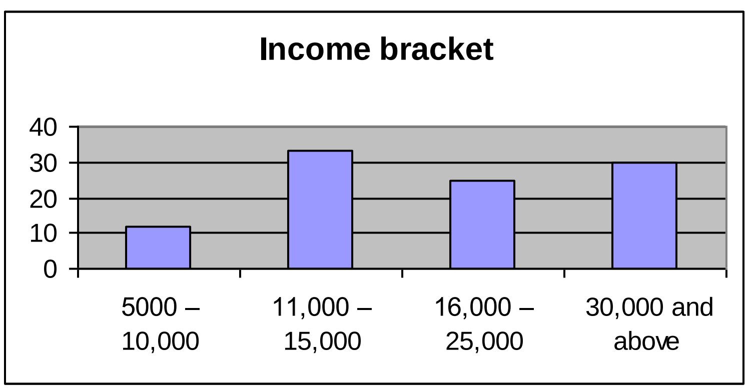


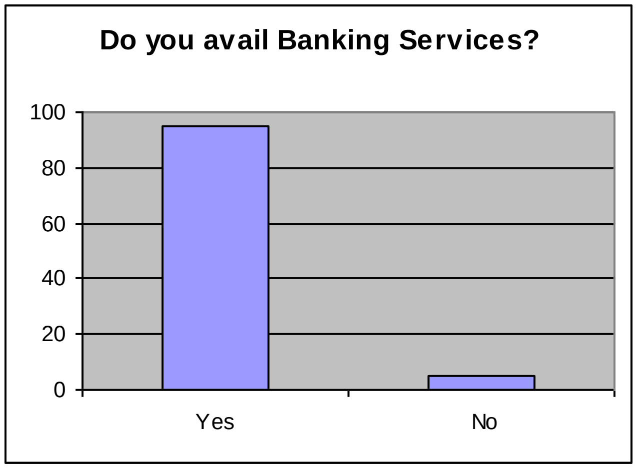


The questionnaire was distributed equally between 100 men and women of ages ranging from late teens to 60s and up. The reason for this is that I wanted the opinion of both the genders and all ages. That’s why the distribution was controlled to facilitate participation by all.

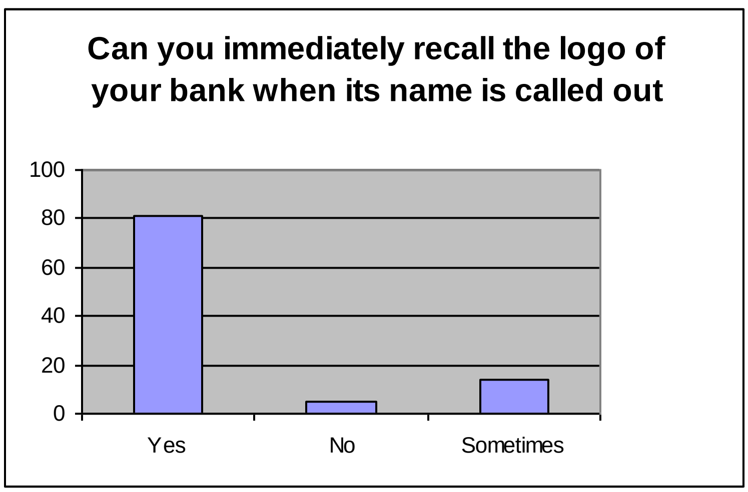


Being the era of electronics and media, nearly ninety five percent of the sample marked using banking services. Be it a business man, a house wife or a student, all individuals need to make monetary transactions and if not transaction they need a place for safe keeping of their assets. This is where banks provide the solution to all their financial needs and desires.

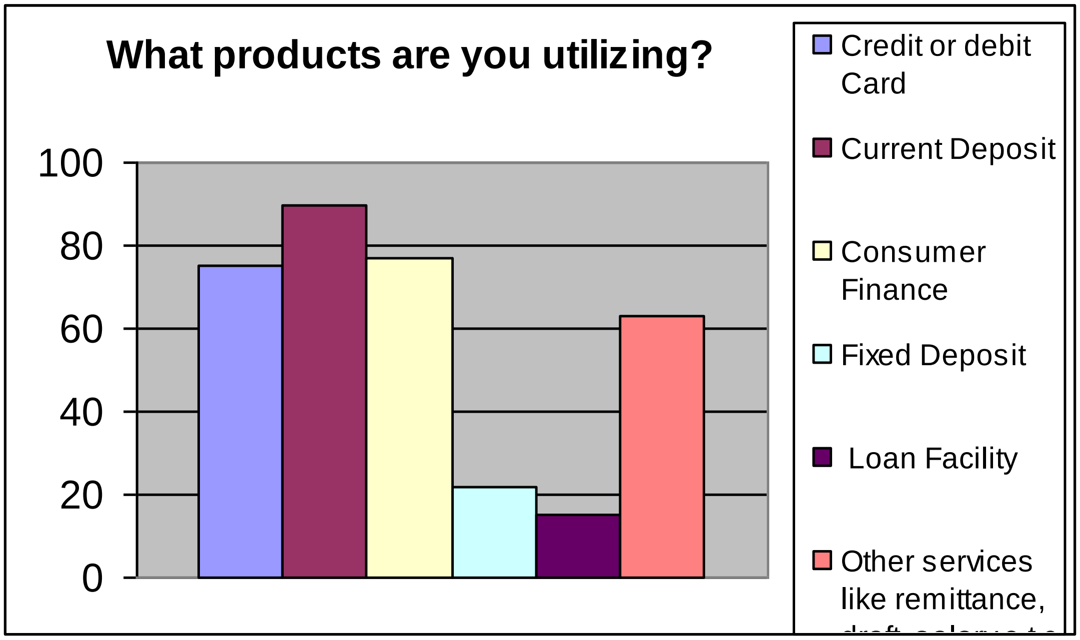




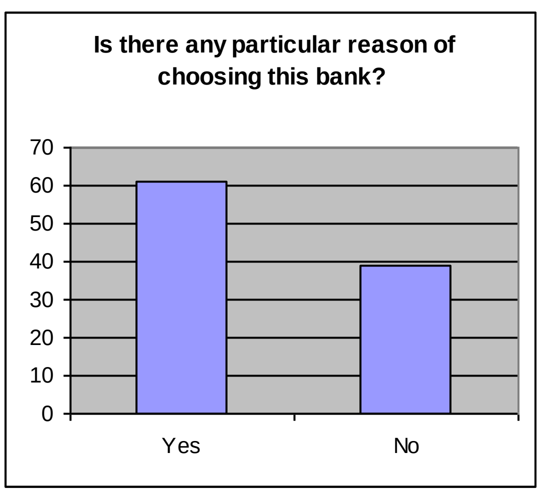
Almost 95% of the people used banking services. This is an evidence of the fact that banking which used to be a limited service has become one of the basic necessities of our lives now.

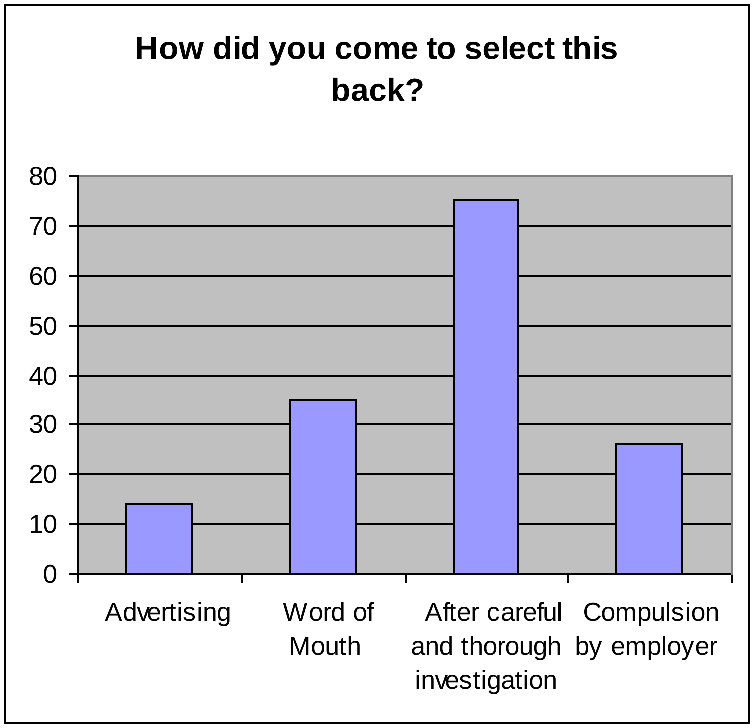


When it came to recall and recognition ability of the sample, nearly 80 percent of the people could remember the logo of their bank. this means that they not only use their services as a commodity that they have purchased rather look in to all its details and build an image of it in the minds. When the name is called there are certain colors, patterns and attributes that immediately come to their mind as a picture and they associate themselves with it. So the banking services they use become the part of their evoked set.

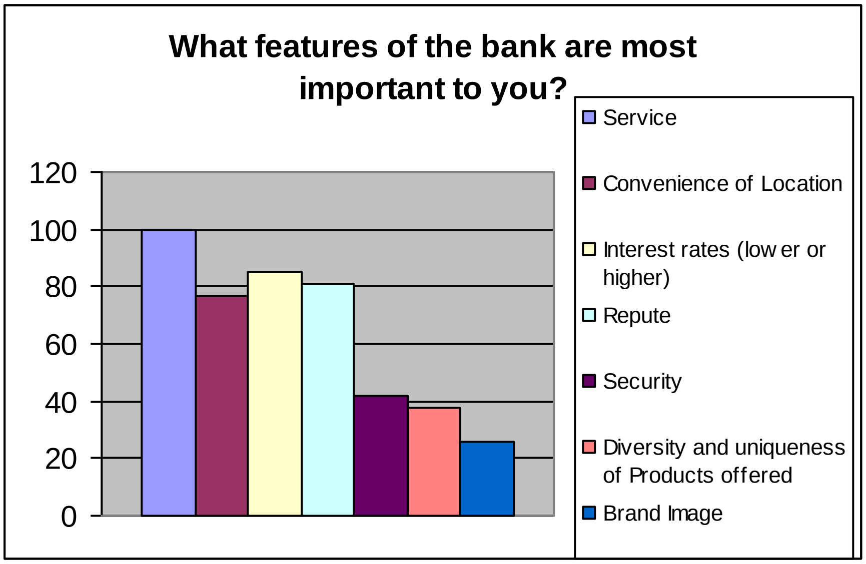


The above graph showed that unlike in the past, today people use a wide variety of banking products. Once only a deposit institution today it is a financial super market meeting all financial needs of their customers.

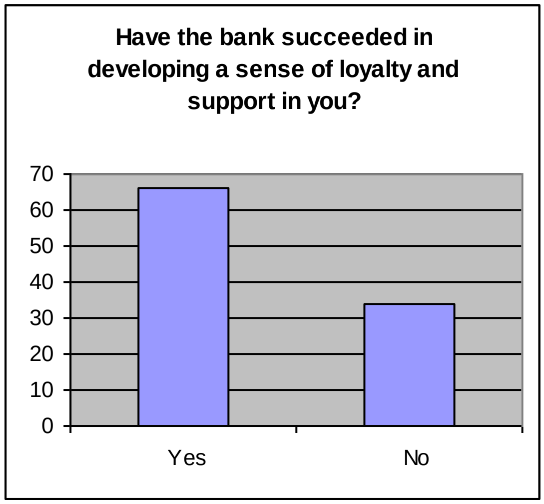




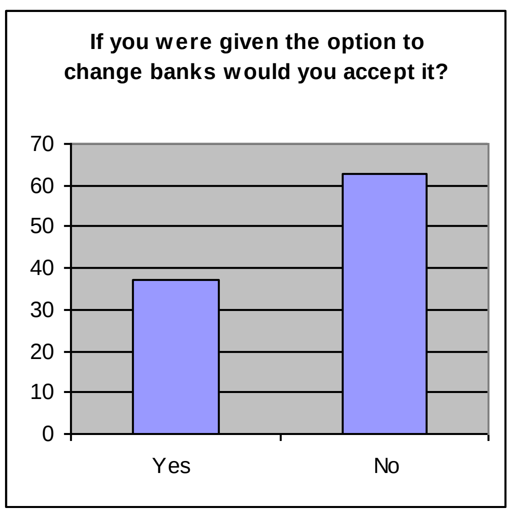
On the question of how did they select their bank, most people used the thorough research and information gathering answer. Being a very personal and precious affair of the human being, it is quite clear that they could not make hasty decisions when it comes to safe keeping of their very precious assets. Thus although people used word of mouth and advertising also, it only affected their selection procedure in the awareness stage. Media and reference groups only made them aware of the presence of a certain bank, and then their own information gathering procedure let to the selection of a particular brand.



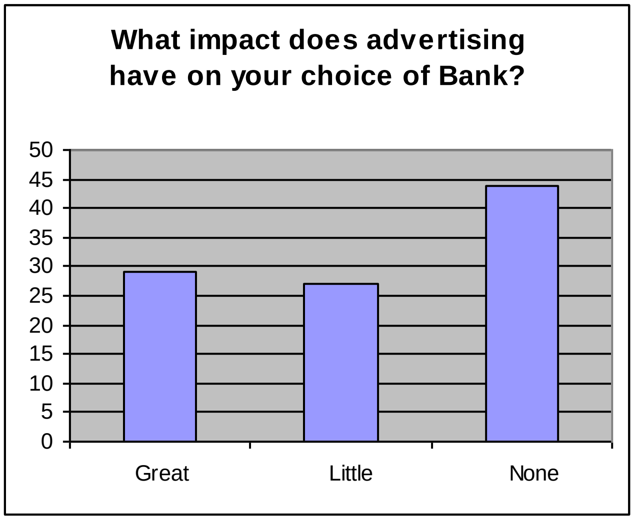
The most important aspect for a bank is its service. And that is what the sample ranked the top most. Being a tangible product it all depends on staff attitude and manners that may retain a customer in the long run. One bad episode not only can take that particular customer away but may also lead to bad publicity refraining ten others from joining in. being monetary in nature, the second important criteria for any customer is profit. What they would get and what they would have to give. Therefore, the exchange of value is their second consideration.



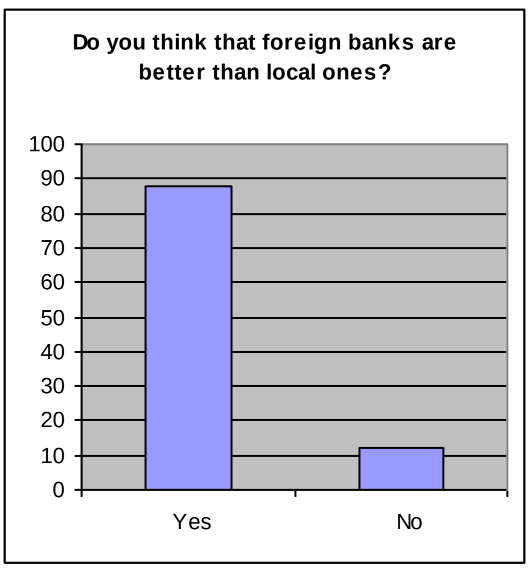
Although 66% people believe they are loyal to their bank, this rate may be diminishing to increased customer awareness, literacy and information availability. Now a customer may use more than one bank for its financial needs. Wherever they would get a better bargain, they would be willing to invest there.

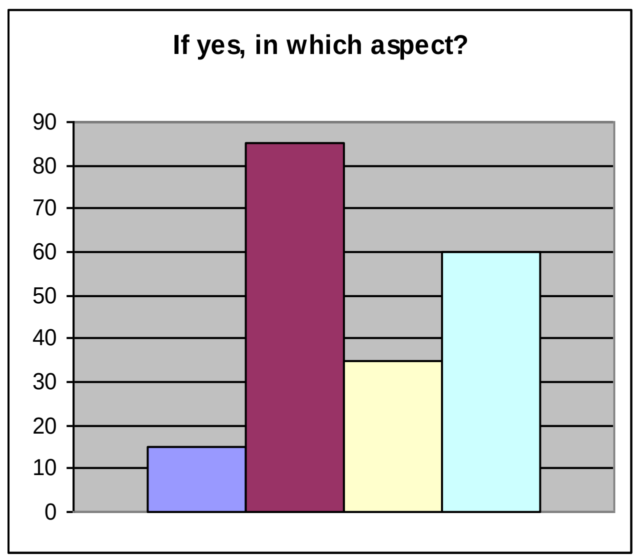


The above graph also shows or verifies the loyalty of customers towards their banks.



29% people believe that advertising effects a great deal of their decision making process. This means that even in banks advertisements play a big role in developing brand loyalty and recognition.





A huge chunk of the sample believes that foreign banks are much better that Pakistani banks. This is a very common perception that not only prevails in the banking sector but also any other field of business that one may look into. Its part of Pakistani psychology to cherish something that is imported rather than giving a chance to the local ones. Another aspect that is revealed through this is that a person employing the services of a foreign bank may feel more prestigious and self confidence in its reference group and peers. He would like to boost abut his brand and the self esteem established from using a foreign brand would be high lightened.

CHAPTER 5: FINDINGS AND CONSUMER BEHAVIOUR ANALYSIS

Banking, like so many sectors, is a shining example of the modern consumer mantra - choice. Many building societies have converted to banks, one can get a loan, pension and insurance in one stop, and they are all falling over themselves for our custom. The revolution started 30 years ago with the humble automated telling machine (ATM)[15], which provided an alternative for those too busy to wait inside their branch. Now an astonishing £98bn is withdrawn from hole-in-the-wall machines every year[16]. Then a decade ago, First Direct introduced telephone banking. It now has nearly one million customers, operators are available round the clock, and it is estimated that one-third of the population will do some banking over the phone this year.[17] In the drive to win customers and cut costs, postal savings accounts proved popular, as they were able to offer higher rates of interest. And now there is the Internet. Many banks are already offering online accounts, and demonstrates the real potential of the medium.

The idea of managing a brand is a new one for the industry, as many financial service firms have historically perceived brand management as only relevant to consumer goods. As a result, financial service firms are not likely to have strong brand management capabilities in house. Interestingly the results of annual inter brand survey in 2002

[15] www.pakistaneconomist.com

[16] http://news.bbc.co.uk/low/english/business/the_company_file/newsid_262000/262065.stm

[17] http://milwaukee.bizjournals.com/milwaukee/stories/2005/08/08/focus5.html

showed that only four (Citibank, Morgan Stanley, Merrill Lynch and JP Morgan)[18] out of 75 of the most valuable global brands are bank brands. Thus, the opportunity exists for the banks to gain competitive advantage by investing in brand management and enjoy the business performance benefits.

5.1 Changing Perspectives in Pakistan's Banking Industry:

As pointed out in previous chapters as well, Pakistan's Banking industry has under gone radical changes over the past ten to fifteen years. An as a result marketing and branding are two important consideration today needed by various players for survival. Some of the driving forces of change have been:

- Privatization
- Improved regulatory framework
- Innovative products
- Better informed Customers
- Improved Economic Conditions of the Country
- New Technology

Banking is one of the most sensitive businesses all over the world. Banks play very important role in the economy of a country and Pakistan is no exemption. Banks are custodian to the assets of the general masses. The banking sector plays a significant role in a contemporary world of money and economy. It influences and facilitates many different but integrated economic activities like: -

[18] http://www.brandchannel.com/papers.asp

- Resources mobilization
- Poverty elimination
- Production and distribution of public finance
- The banks always help public to purchase cars or homes etc
- Banks play societal activity role e.g. funding to education or health.
- Banks serve an industrial project or agricultural development of the country
- Banks play very positive and important role in the overall economic development of the country.

5.2 Comparative Analysis of Domestic Industry:

Nationalization of banks in the seventies was a major upset to domestic banking industry of the country, which changed the whole complexion of the banking industry. With irrational decision at the top all the commercial banks were made subservient to the political leadership and the bureaucracy. Specialized banking institutions were already working in the public sector. The new accountability paradigm changed the business ethics in the banking industry, and with this change started the disaster. Nationalization of banking industry was accompanied by violent changes in the external value of rupee. The commercial banks thus lost their assets management equilibrium, initiative and growth momentum. They ceased to be a business concern and became big bureaucracies. This was accompanied by indiscreet loaning under political pressure. They suffered from three terminal diseases: non-performing loans; higher intermediation cost; and loss of initiative and entrepreneurship. The rise to Labor Unions and Officers Associations made life tough and working conditions ugly to honest, dedicated and industrious workers in the realms of domestic banking industry.

The era of nineties was the climax of privatization, deregulation and restructuring in the domestic banking industry and financial institutions. The Muslim Commercial Bank was the first bank to privatize. Followed by Allied Bank limited, United Bank Limited and now the Habib Bank Limited have been privatized. One thing good for that particular period was the recruitment of fresh officers in the domestic banking industry through well-organized policies of Banking Council. With the decay of Banking Council there was flood of insincere, nonprofessional, incompetent candidates directly appointed/ recruited in all the domestic banks of the country.

5.2.1 Public Sector Commercial Banks

- National Bank of Pakistan NBP
- First Women Bank Limited FWB
- The Bank of Khyber KB
- The Bank of Punjab BOP

The government of Pakistan permitted small private sector banks to operate, which indulged in doubtful policies to promote business. The public sector banking, which constituted the backbone, thus continued to suffer because of their approach, size and carried over liabilities. Mehran Bank is the prime example of that kind of lax banking in the country, which ultimately merged into National bank of Pakistan i.e. last resort of domestic banking industry.

5.2.2 Domestic Private Banks

- Askari Commercial Bank Limited
- Bank Al-Falah Limited
- Bank Al Habib Limited
- Bolan Bank Limited
- Faysal Bank Limited
- Metropolitan Bank Limited
- Platinum Commercial Bank Ltd
- Prime Commercial Bank Limited
- Saudi Pak Commercial Bank Ltd
- PICIC Commercial Bank Limited
- Soneri Bank Limited
- Union Bank Limited
- Muslim Commercial Bank Limited
- Allied Bank of Pakistan
- And Mashreq Bank to name a few.

In the meanwhile, western banks started entering into the business. They, with the support of ruling elite, concentrated on the big business, leaving the routine business to the local banks. This reduced the profitability of the local banks and at the same led to fiercely competitive industry where all players want the largest chunk of the pie.

5.2.3 Foreign Banks

- ABN Amro Bank
- Al Baraka Islamic Bank

- American Express
- The Bank of Tokyo Mitsubishi
- CITI Bank
- Credit Agricole Indo Suez
- Deutsche Bank
- Doha Bank
- Habib Bank A. G. Zurich
- Hong Kong Shangai Banking Corporation
- IFIC
- Mashreq Bank PJSC
- Oman Bank
- Rupali Bank
- Standard Chartered Bank

5.2.4 Specialized Banks

- Zari Tarqiati Bank Ltd.
- Industrial Development Bank of Pakistan
- Punjab Provincial Cooperative Bank Limited

The emergence of all these players in the sector has led increased focus on the marketing and promotional strategies of the business. Now more than ever one finds banks sponsoring events, spending on expensive advertisements of television and newspaper and even giving out promotional schemes to attract the less sophisticated market of Pakistan. Foreign banks with already established high brand image and the experience and learning of serving a diverse global community, have an edge over the local sector banks. There are 17 listed banks in Pakistan 2004. Four banks are still not listed, which are Habib Bank, United Bank, Allied Bank of Pakistan, Dawood Bank. Standard Chartered Bank, Citibank, Deutsche Bank and ABN AMRO Bank are main foreign banks in the country. These four banks continue to enjoy a significant share in the market, both in terms of deposits and advances. All the foreign banks of the country are busy to invest heavily in the field technology and e-commerce in order to overcome branch limitation. All the foreign banks have been busy to introduce new products and idea to grab larger proportion of the local markets. Foreign banks are carrying major proportion of local business in credit cards, consumer finances and housing finance.

Many domestic banks have increased their general standards. Ours is the age of plastic money. Internet-based services are constantly increasing the number of ATM machines, either by installing their own machines or making arrangements with other networks. The number of Debit Cards has also been increasing at an unprecedented rate.

All the domestic and foreign banks vigorously institutionalized consumer financing in the country and earned handsome profits. The borrowing to private sector has also increased which ultimately boasted the profitability of all the domestic banks of the country. In the last 3 to 4 years many domestic banks have been suffering from surplus liquidity crisis mainly due to low demand for credit and slowdown of manufacturing sector in the country. Almost all the banks are now buy to invest in capital markets to increase their exposure in equities. To stop that risky trend the State Bank of Pakistan issued the instructions to follow the Prudential Regulations in letter and spirit and not invest in the capital markets beyond the limits. The domestic bank's lending under consumer finance and housing finance have also been growing. The analysis of Annual Reports of banks shows that their income from core banking activities has been growing. The other positive point is that there are growing expectations for increase in interest rates.

The growth in advances has started matching growth in deposits. The quality of asset as well liability products have been improving. The ratios of non-performing loans have decreased. Bank ALfalah is the first to opt for the listing policy of the government and also offered its share to general public. Two of the state-owned banks, Habib Bank and United Bank, have been privatized but the government still holds a substantial stake in these banks.

Allied Bank of Pakistan was privatized in early nineties. But due to many internal and external reasons it continues to suffer. Some meaningful senior managerial changes would be better at the earliest. Dawood Bank has recently emerged on the banking scenario of Pakistan and it is good addition. The bank has come into existence as a result of acquisition of Pakistan operations of a Sri Lankan bank by a local business group. It is also not listed at the local stock exchanges. Meezan Bank is the first bank of the country, which is carrying complete Islamic banking.

5.3 Comparative Analysis of Domestic Banking Industry of Pakistan (Rs. million)

Bank	Deposit	Advances	Investments
ACB	51,732	30,035	26,759
BAH	34,240	23,775	18,831
Bop	23,767	6,621	8,295
BB	7,761	3,298	1,328
FB	24,554	21,935	6,842
HBL	328,182	167,523	142,877
KB	2,640	490	2,118
MB	5,079	3,532	856
Metro	28,515	19,444	15,013
MCB	182,706	78,924	89,610
NBP	362,866	140,547	143,525
PCB	21,155	10,876	10,306
PB	14,640	9,016	7,534
SPB	12,341	8,522	6,365
SB	20,545	11,378	9,844
UB	37,760	28,890	11,822
UBL	154,915	74,117	69,385

Source : annual reports of respective banks

The above table describes the comparative amounts of deposits, advances and investments held by various banks. It clearly shows that NBP and three of the former public banks (now privatized) hold the largest chunk of deposits and advances in Pakistan. Following them are local domestic banks like Askari commercial and union bank.

5.4 Comparative Analysis of Earning Per Share of domestic Banking Industry of Pakistan

Name of the Bank	1Q2003	1Q2004	Growth
Askari Comm. Bank	2.16	2.43	13%
Bank Al Habib	0.70	1.44	107%
Bank of Punjab	0.23	1.17	407%
Bolan Bank	0.07	0.10	43%
Faysal Commercial Bank	1.91	1.39	-28%
KASB Bank	0.16	0.05	-68%
MCB	2.21	1.92	-13%
Meezan Bank	0.17	0.38	126%
Metropolitan Bank	1.09	1.68	54%
PICIC Commercial Bank	0.56	1.05	88%
Prime Commercial Bank	0.46	0.76	66%
Saudi Pak Commercial Bank	0.92	0.36	-61%
Soneri Bank	0.60	1.21	102%
Union Bank	0.54	0.62	13%

Source : annual reports of respective banks

Although the largest banks holding deposits are former public sector banks, immense growth is visible in the local small domestic banks. As a result of privatization all banks now compete on a level playing field, where small banks are emerging fast and growing at increased rates.

5.5 Gross Assets of Different Domestic Banks of the Country (Rs. in Million) Gross Assets

Bank	2002	2003
ACB	70,313	85,387
BAH	49,437	58,148
BoP	29,525	43,621
BB	10.595	11,726
FB	36,671	47,606
KB	4,037	8,990
MB	6,971	11,102
Metro	41,381	58,982
MCB	235,139	272,324
NBP	432,803	471,860
PCB	27,982	40,134
PB	21,637	29,566
Total	955,907	1,139,446

Source : annual reports of respective banks

Gross assets of all banks are increasing showing a positive sign of the sector as a whole. In some of the small banks like KASB and Meezan bank, the assets have almost doubled in just one year. This presents an attractive window for those who want to entire the market and signals a healthy banking sector, which in turn leads to a sound economy.

5.6 Administrative Expenses of Different Domestic Banks (In Millions)

Bank	**2002**	**2003**
ACB	1,090	1,436
BAH	760	1.062
BoP	900	999
BB	380	375
FB	619	835
KB	204	327
MB	195	255
Metro	513	662
MCB	8,079	7,575
PCB	326	564
PB	512	719

Source : annual reports of respective banks

Administrative expenses, which also include portions of advertising expense, also seem to be at an increasing direction. With bigger banks like MCB having largest expense in terms of amount, it is evident that they are spending more as costs because of their larger clientele and exposure of the market as a whole.

5.7 Profit After Tax (In millions)

Bank	**2003**	**2004**
ACB	687	1,103
BAH	290	1,012
BoP	284	689
BB	4	-20,139
FB	656	2,151
KB	-114	25
MB	223	214
Metro	430	678
MCB	1,739	2,230
PCB	319	621
PB	176	277

Source : annual reports of respective banks

Although the total assets, deposits and investments seems to be growing in the sector, the profit after taxation shows a slightly different picture of the entire scenario. As total costs are also increasing, the profits are some times eroded. This means that banks need to be careful about what they spend on not only administration but also advertising and marketing. Meaning they should carry out cost benefit analysis of what they spend on advertising and try to earn maximum by spending minimum.

5.8 Total Equity of Different Domestic Banks (Rs. Million)

Bank	**2002**	**2003**
BB	1,113	1,092
FB	4,120	5,080
KB	593	1,216
MB	1,476	1,637
Metro	2,074	2,753
MCB	6,314	7,726
NBP	14,279	18,134
PCB	1,323	1,784
PB	1,380	1,536

Source : annual reports of respective banks

Total equity of many banks is also increasing but this increase may be a measure to meet regulatory capital requirements set by the State Bank of Pakistan.

However changing business environment of Pakistan is providing the domestic banks with the opportunity to build an image for themselves and become strong competitive players of the industry.

5.9 Environmental Analysis:

Pakistan had an environment where business organizations were limited. Farming was the main factor contributing to the GNP. Since 1950 things have been changing in Pakistan and environment was the major factor in business development and in shaping the business system of Pakistan. Environment may be classified as microenvironment and macro environment. Good business organizations monitor the changing environment and continuously adapt their business firms and the opportunities, which are created by the changing environment. Environmental changes which affect all banks may be identified in eight categories namely, economics, demographics, psychological, technological, political, legal, social and cultural. Each one of these factors is not within control of the banking organizations and they have to adjust their business policies and practices on the basis of present changes or expected changes. All these factors can be studied using various models of marketing and consumer behaviour. Therefore, some analysis is provided below:

5.10 Pest Analysis:[19]

Political , legal and regulatory factors	**Economic and financial factors**	**Social**	**Technological**
Political Stability	Economic growth and stability of the country	Demographics, Population growth rates, Age distribution	Government research spending
Government organization/attitude	Inflation rates	Income distribution	Industry focus on technological effort
International trade regulations and restrictions	Government spending	Labor / social mobility	New inventions and development
Consumer protection	Investment policy	Lifestyle changes	Rate of technology transfer
Environmental regulations and protection	Taxation	Work/career and leisure attitudes Entrepreneurial spirit	Life cycle and speed of technological obsolescence
Employment laws	Exchange rates	Education	Energy use and costs
Competition regulation	Interest rates & monetary policies	Fashion, hypes	(Changes in) Information Technology
Tax policies	Stage of the business cycle	Health consciousness & welfare, feelings on safety	(Changes in) Internet
Safety regulations		Living conditions	(Changes in) consumers uses in Technology

5.10.1 Political Factors:

As listed in the above table, political factors include government regulations and legal issues. These are the laws and rules by which all players of

[19] Source: site (www.ecommerce-now.com/.../ ecommerce-now/PEST.htm)

the banking industry must abide by. All over the world including Pakistan, various Banking laws prevail. These include hundreds and hundreds of small and big clear-cut rules like capital adequacy, abiding by audit regulations, different types of ratios and many other laws formulated by the State Bank of Pakistan. The legal and political framework plays a very important role in the working and operations of the banking industry. Being a financial service provider a very strict adherence to rules and regulations are necessary by the players of this sector for their normal operations. In prior years the role of regulatory body was shared between SECP and SBP. Inefficiencies, corruption and banking crimes like Benami kay accounts and loop holes for money laundering were prevalent. However, after the banking sector reforms, SBP has been made a corporation and it now has the sole responsibility and authority over the players of this industry. With cancellation of license of a leading bank due to malpractice and non-abidance of rules and change of management of another bank because of similar reasons, SBP has set an example for the remaining banks to adhere strictly to the banking laws prevalent.

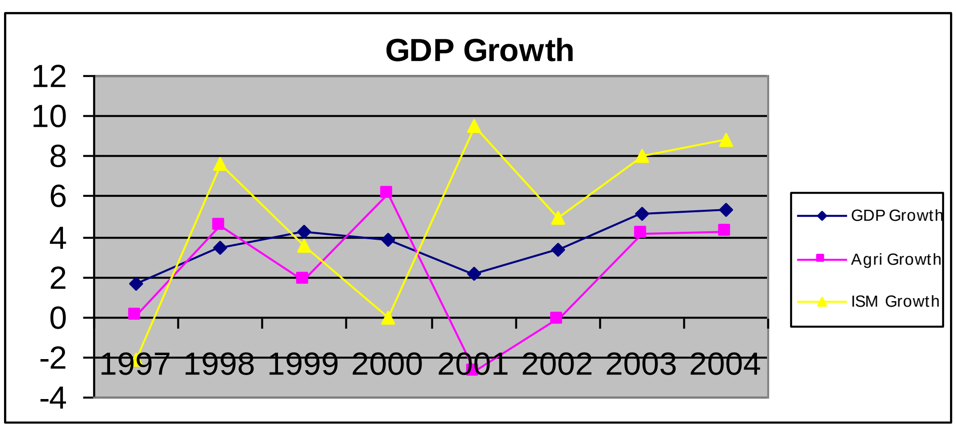
Global and national political stability and protection are other factors that need to be closely monitored. The current regime followed the privatization practice which has led to the increased efficiency and superior competition in the sector. In prior years, political figures used to manipulate various banking products and led to the increasing percentage of non performing loans. Changing international political scenario after 9/11 has also had an effect on the banking industry. Example could be that due to global concerns on money laundering and funding terror organizations, special emphasis has been given to remittances through banks. Also change of government regimes and civil disturbances like strikes and protests (like the one that occurred outside ALfalah Bank due to Bahria Town sale of limited plots) can prove to be an adversely impacting element on the industry.

Pakistan is also at present encouraging foreign investments and strengthening of the private sector. So for the past some years the number of private scheduled banks operating in Pakistan have grown considerably.

5.10.2 Economic Factors:

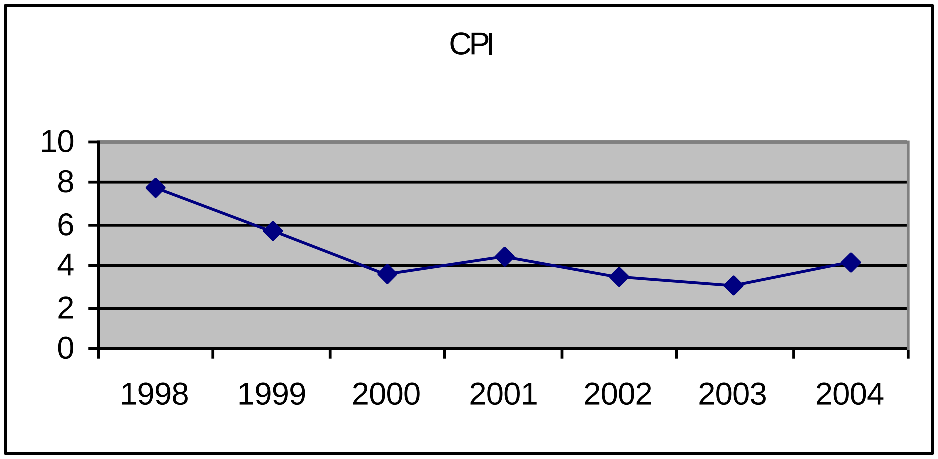
Economic and financial factors not only affect the purchasing power of potential and existing customers but also the investing and saving patterns of the general public. Marketers need to consider the state of a trading economy in the short and long-terms. This is especially true when planning for international marketing by foreign banks.

GDP Growth[20]



[20] http://sbp.org.pk/publications/bsr/bkg_system_review(2004).pdf

Consumer Price Index [21]



These factors affect the purchasing power of potential customers and the firm's cost of capital. Pakistan has experienced many economic changes in the last five to seven years. With many political problems faced by Pakistan in its 57 years long history, it was after 1999 that substantial results started to come on the ground. The policies were implemented in their true form and expected results were achieved. This has also made affects on the masses. Over time purchasing power of people have changed. Not only that, their attitude towards spending has also changed. Now people prefer to spend on their lifestyles and make them look stylish. This change in mindset has been encouraging for the banking businesses as they have experienced healthy growth. That is why the consumer banking arena has been the most flourishing segment of the industry. People having more to spend, are willing to do so through credit cards and consumer finance packages. Not only this, but by the boost of business in the country, there is now increased banking activity in the sector. All businesses from purchasing plots to

[21] http://sbp.org.pk/publications/bsr/bkg_system_review(2004).pdf

buying and selling shares is done through banks. With government promoting Poverty alleviation, another branch of financing the microfinance bank has also been given a boost. So emergence of specialized banks is also a new trend in the industry.

The recent federal budget announced a new tax on the withdrawal of amount of 25,000 and up. Such changes also impact the business in this sector.

5.10.3 Social Factors:

Social Factors include the demographic and cultural aspects of the external environment. These factors affect customer needs and the size of potential markets. In the banking business, the cultural and social considerations of the targeted market must be studied closely. Before launching a new product it is important to study the demographics like literacy rate, per capita income, gender distribution e.t.c of that particular region. For instance spending huge amounts on the promotion of credit card sales in an agricultural town like Fateh Jang e.t.c wont be a wise decision. There is a large differentiation found in the preferences and spending and saving habits of various cultures and social set ups. The impact of religion, reference groups, perceptions, occupation, and social class almost totally changes the type of financial services a consumer demands.

Pakistan has not only gone through the economic changes in the last five to seven years but a great shift has been experienced in social and cultural patterns too. Societies have reshaped with some value being modified and some new being added. The social setup has experienced a significant make over. The social classes, once deprived and left out, have joined the society with the help of boasting their lifestyles. This all has been possible because of economic revival of Pakistan and its re-bonding with international community. The effects have been felt and to some extent been possible because of the banking sector. Through consumer finance, goods that were previously thought as luxury have now become the need for many segments. The prime example being Automobiles. With change in trends from one earning member to two or more than two, saving and spending patterns have changed significantly.

5.10.4 Technological factors:

With increased emphasis and utilization of technological devices in the banking sector, technology plays a vital role in their success. Not only do they affect the operations but also the way they advertise and reach their customers. Introduction and innovation in products and services is also possible through technology. The emergence of internet banking and chip cards are examples of such new products.

5.11 Porter's Model:

The five forces model is the framework for analyzing determinants of industry profitability. It is used to identify the threats and opportunities confronting a company that is thinking of entering into a particular industry. The model focuses on five particular forces that Porter says shape the competition that is in each particular industry. Rivalry among established firms is the central focus that is surrounded by the threat of potential entrants and substitute technologies, as well as bargaining power of buyers and suppliers.

5.11.1 Bargaining Power of Suppliers:

The suppliers of the banking industry are the depositors who keep their money in the banks and banks are able to fund the needs of their borrowers through this money. When it comes to their bargaining power, it used to be very low in the pre- privatization period. With only few banks to go to they could hardly make a significant choice based on their preferences. but today with so many banks operating they have a significant opportunity to set a good bargain, if not on the bases of interest, then on service, commission and convenience.

5.11.2 Bargaining Power of customers:

In the banking industry, the customers are both the depositors and borrowers. But as the depositors are also the suppliers, here only the borrowers are taken as customers. When it comes to their bargaining power, then it is significantly low. As the main goal is to obtain credit, it is more or less in the hands of the banking institution to make the decision.

5.11.3 Threat of Substitute products:

When it comes to the services provided by banks, currently in Pakistan they face a very low substitute risk. The leasing sector being the primary substitute for consumer finance, is it self very weak to present any competition. Absence of thrift, loan and saving and mortgage institutions lead to reduction of this threat.

5.11.4 Threat of new Entrants:

With strict regulatory frame work, very high initial costs and already established brand names and large banks there are many other barriers to entry present in the industry. So the threat of new entrants is relatively low but could increase in the future.

5.11.5 Intensity of Rivalry:

With the high growth experienced by the industry in terms number of banks and number of customers, the rivalry to retain and attract these customers is also increasing at a high rate. With nearly no competition in the pre privatization era, the intensity has increased severely.

5.12 SWOT Analysis:

SWOT analysis is used to study the internal or microenvironment of any organization. SWOT analysis is a tool for auditing an organization and its environment. It is the first stage of planning and helps marketers to focus on key issues. SWOT stands for strengths, weaknesses, opportunities, and threats. Strengths and weaknesses are internal factors. Opportunities and threats are external factors.[22] However, as this report is focusing on a couple of sample banks, an over all SWOT of domestic banks as compared to foreign banks is provided. This would act as a complementing factor to further understand how local banks can compete the brand war.

5.12.1 Strengths

- Local banks have a large network of locations, including remote areas of the country, where the consumers can access bank facilities. Foreign banks might have not seen investing in remote areas as profitable, but it gives the local banks a clear-cut edge in larger market share and consumer base.

[22] http://www.marketingteacher.com/Lessons/lesson_swot.htm

- The central bank policies are aimed at strengthening commercial banks in general. They helped domestic banks more while supporting foreign banks marginally. Some policies were recovery of non-performing loans, exemption of accrued income at the time of calculating tax liability and rules governing provisions against doubtful loans.
- They have developed a long history with the people of Pakistan and many customers prefer to use the same banks due to their prior experiences.
- Being local, most of their employees and managers are from the same country. As a result their decisions are based on their better understanding of the Pakistani community, its people, culture and other psychological factors.

5.12.2 Weakness

- Due to stringent corporate governance standards, as well as lack of commitment when tackling the problem of non-performing loans, the banking industry has never been able to perform to its utmost potential.
- Inefficiencies and a carefree and indifferent attitude as service is concerned are matters that have yet to be controlled by the top management of most of Pakistan's public sector banks.
- Adjudicating on an appeal filed by the State Bank against the November 1991 decision of the Supreme Court against interest-based banking, the Shariat Appellate bench upheld the original verdict, which had declared the charging of interest as un-Islamic. Even as of now, the government's response is not clear. As Pakistan is an Islamic state, its banking sector has a few hurdles,

which it has to cross. This, in turn, has slowed down the progress of this sector.

- Political instability through out the history of Pakistan's existence has always been a major influence on the development of its banking sector. Lack of investments in projects, trade sanctions, freezing of foreign accounts and a feeling of insecurity amongst general population, are few significant reasons, which highlight the weakness of today's banking sector of Pakistan.
- There are a large number of banks and some of them are undercapitalized, poorly managed with scanty distribution network.
- Banks have typically focused on trade and corporate financing with a narrow range of products and have not diversified into the consumer and mortgage financing for which there is an ample unsatisfied demand.
- Family-owned businesses and small businesses are reluctant to disclose information to banks to obtain loans, which may result in frauds or money laundering.

5.15.3 Opportunity

- The local banks need to diverge more of their time and resources towards electronic banking. There is a surge of demand amongst local population to use online banking, as it is hassle free and saves time. Local banks need to upgrade their technology and utilize this opportunity, because at the moment, no bank has fully exploited this venture.
- Agriculture, small and medium enterprises and housing sectors are underserved and have limited access to credit. It is potentially a huge market

which local banks can reach into. With good marketing and careful planning, local banks can make of this opportunity, especially in the agricultural sector, as local banks have the infrastructure already in place, to reach remote places within Pakistan.

5.15.4 Threats:

- The biggest threat to local bank comes from foreign banks and the competition they bring into the banking sector. Automation and greater use of technology by foreign banks has improved the standards and quality of services. If local banking sector does not react to this situation quickly enough, soon the foreign banks will take over their market share.
- Pakistani banks have a majority of the market share, but one needs to look at profit margins of both foreign and local banks to really assess the inefficiencies or the lack thereof. If the local banks do not make themselves more efficient and introduce some drastic cost cutting measures, they will soon loose not only their market share but also their own capacity to operate.

5.16 Reference Group Influence Matrix:

Reference groups are people in a consumer's micro-social environment who are salient or relevant for the consumer. Reference groups can influence an individual's cognitions, affective responses, and behaviors. The many types of reference groups include formal, informal, primary, secondary, membership, inspirational, and dissociative. Combinations of these are possible. Consumers are likely to be influenced if the information is perceived as enhancing their knowledge of the environment or their ability to cope with some aspect of it. That is, if they believe it will help them to achieve some goal, they will respond.

Product ownership will be strongly influenced by reference groups, and brand selection will also be strongly influenced. Marketing managers hope to encourage consumers to construct new means-end chains that link the product to a consumer's values or goals. Reference groups can influence the types of means-end chains consumers create. Marketers might influence consumers' means-end chains by using reference group appeals such as celebrity endorsements in advertisements.[23] The following matrix measures reference group influence on two dimensions. One is the need's exposure, i.e whether it is used Publicly or privately and the other distinguishes a necessity from a luxury.

Need Exposure

	Private		**Public**
Need Type	**Necessity**	**For the Business class, Consumers both individual and institutions**	**----------------**
	Luxury	**--------------------**	**--------------------**

[23] www.ucs.mun.ca/~lcarter/chap11/tsld005.htm

If we look at the reference group influence matrix for the banking clients, then for most people today it has become a necessity and being a financial affair they like to keep it private. However small segment of clientele still prevails in the society that would make sure they publicize the bank services they use and how good or bad they are. But majority of the market still lies in the upper left coordinate. This means that although brand involvement in the selection and purchase process is high, the larger population of the consumers consider it to be a private affair and if this need is unfulfilled, it may cause permanent deprivation.

5.17 Consumer Decision Making Process:

Consumer purchase decision process
Problem recognition:
Security of funds, need of credit, financial transactions
↓
Information search:
Friend's relatives, advertising and Visits to banks
↓
Alternative evaluation:
Other acceptable brands and locations banks.
↓
Purchase decision:
Assessment of receiving value for given price, reputation,
Service, interest rates and convenience

↓
Postpurchase behavior:
Satisfaction from product and experience

growth strategy. Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. Ansoff's matrix offers strategic choices to achieve a company's objectives. There are four main strategies to follow:

5.18.1 Market Penetration:

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. Market penetration seeks to achieve four main objectives:

• Maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling

• Secure dominance of growth markets

• Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors

• Increase usage by existing customers – for example by introducing loyalty schemes. A market penetration marketing strategy is very much about "business as usual". The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.[24]

In this strategy, HBL and MCB are both using repeat advertising campaigns to especially improve on their current clientele. By revising interest rates and offering small promotional benefits like free vocational trips e.t.c banks are focusing on expanding their current market.

[24] www.tutor2u.net/business/strategy/ansoff_matrix.htm

15.18.2 Market Development:

Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets. There are many possible ways of approaching this strategy, including:

• New geographical markets; for example exporting the product to a new country

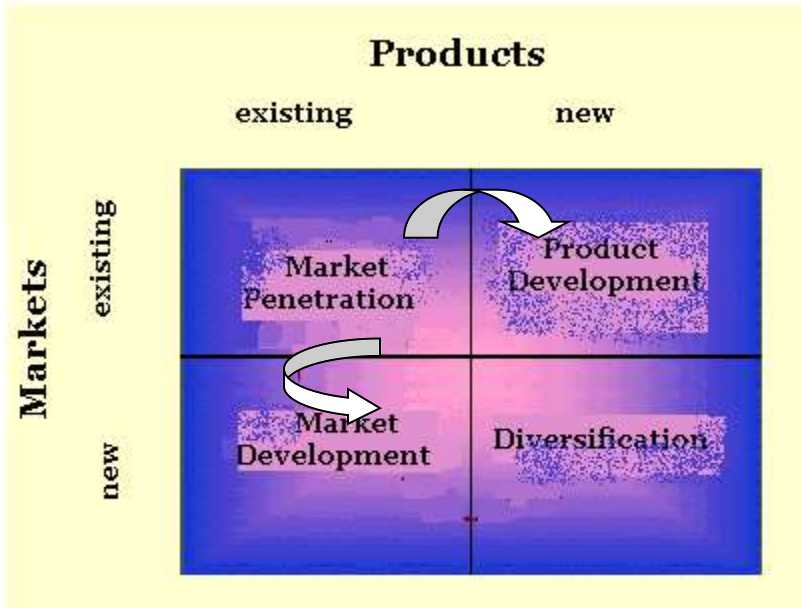
• New product dimensions or packaging

• New distribution channels

• Different pricing policies to attract different customers or create new market segments.[25]

By opening new branches in smaller parts of the country like Dir, Chakwal e.t.c banks that have newly entered the market are trying to increase their market segments. Also by coming up with agri products like for the farmers Union bank offers Kissan Loans they have tried to enter into an untapped market that prevails in Pakistan.

[25] www.tutor2u.net/business/strategy/ansoff_matrix.htm



5.18.2 Product Development:

Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets.

Ideal example of product development has been done by UBL where they have launched the Chip card for their existing and new customers. Banks like HBL and MCB also need to focus on this strategy to gain market share.

5.18.4 Diversification:

Diversification is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience. For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.[26]

Currently the diversification in services offered by banking industry has been halted to some extent. But previously banks like HBL diversified their portfolios of products by entering into Finance Leases, mortgages and investment banking arena.

5.19 Is branding prevalent in Pakistani banks

What strategies are feasible? The answer: Successful differentiation that resonates in one's marketplace. This is a valuable strategy even for banks that are in the game to be acquired, because it will generate a higher purchase price. But what can be the difference between banks? Some might think that all banks are alike and therefore cannot be differentiated. Such unenlightened thinking is common in many industries. History reveals however that anything can be made distinctive and a preferred choice of buyers. For decades, ketchup, pickles, flour and sugar were sold as commodities in large unmarked tubs. Then Heinz, C&H and Gold Star came along and turned these commodities into unique brands and made billions of dollars. Even though they are almost identical biologically and chemically with other competing brands in the same category, buyers perceived differences. And that influenced their purchase decision. It still does to this day. How do we distinguish between similar brands and how does one brand become preferred? The explanation is subtle. The more similar the competing companies are in a marketplace, the more important any difference becomes. And when

[26] www.tutor2u.net/business/strategy/ansoff_matrix.htm

meaningful differences are difficult (or impossible) to find in their products or services, the market will find differences outside of the product or service. Therefore the careful management of the seemingly inconsequential then becomes a priority required to achieve marketplace success.

If a bank is perceived as no different than its competition, it's in trouble. It's going to be a long, hard journey, fraught with unbearable risk. It may be a short journey with a premature end. Creating and communicating uniqueness in a way that resonates in the market is central to any successful business strategy.

Consider the history of banking. In the beginning a community had one bank. That was Stage One. The city got a basic, acceptable reliable service. It was a minimal service, but the market gladly accepted it. Then comes Stage Two: Competition. Now there is a second and a third bank. The citizens have a choice of service providers. Now dominance depends on differentiating your service as the preferred choice. Enter the notion of Marketing. The banks listen and make refinements that customers ask for: branches, ATM cards, credit cards, lower fees, specialized loan programs, toasters, blenders and other gimmicks. Now competition is entrenched. Few banks will enter Stage Three. This involves domain shifts and diversifications in similar of different businesses. It has to be something no customer imagined. And this is the key: To differentiate itself clearly from among a crowd of look-alike banks who are all meeting customers expressed needs, the Stage Three bank must surprise everyone with a wonderful new feasible idea that will resonate. And then promote it wisely. Whereas Stage Two is market driven, Stage Three is imagination driven. Stage Two is responsive. Stage Three is creative. Banks today like

Bolan bank and Allied banks have spent loads of money of changing their logos and slogans. This has distinguished them from other banks with coordinated logo, colors and slogan. Since meaningful differences are difficult (or impossible) to find in competing bank services, the market will choose a bank with some other difference that resonates, no matter how apparently inconsequential.

5.20 Advantages of branding to Banks:

Specialized financial services such as investment and wealth management do not fit in with these tidy and compartmentalized perceptions. In fact, research indicates that banks are *not* perceived as financial advisors and are not top of mind when the mass affluent seek to grow their wealth. Simply stated, banks (because of the very fact that they are banks) are not a primary choice for customers seeking to manage and grow their wealth. To become a choice, banks must clearly define the brand of their in-house financial services group *as distinct from the brand of the bank itself.*

There are five strategic advantages to building a distinct brand for an in-house financial services group:

1. ***Increase cross-sell.*** A distinct brand can enable the financial services group to more effectively disassociate and differentiate itself from the aforementioned perceptions customers maintain of banks while still taking advantage of the positive associations customers hold for their bank in particular.

2. ***Increase sales***. A distinct brand can empower the financial services group to seek business development opportunities beyond the existing customer base of the

bank itself. When non-bank affiliated brokers like Schwab and Merrill are competing for your bank's customers, you must compete for their local customers, regardless of whether or not they are current customers of your bank.

3. ***Increase customer acquisition for the bank.*** A distinct brand can facilitate the bank's ability to compete with other banks' financial services groups and can serve as another channel by which your bank can acquire new mass affluent retail and commercial customers.

4. ***Avoiding co-branding provides competitive advantage.*** Building a distinct brand for your bank's financial services group can enable it to stand out amongst its banking peers, many of which have co-branded with third-party independent brokerage firms. When Bank A has partnered with an independent brokerage firm, along with Banks B, C and D, each bank has surrendered its competitive advantage and commoditized its financial services offering.

5. ***Increase shareholder value.*** Distinct brands can increase the value of your bank. This is often reflected in higher fees for your services and higher return on investment for your investors.

5.21 Use of various Media to enhance Brand:

A good way of marketing brands is by integrating it into the mass media such as television, radio, magazines, billboards, newspapers, and the Internet. The visual and sensory attitude of a brand is an important element to distinguishing different brands and media plays a crucial role in the effect. The use of television, magazines, and radio is effective when marketers want to deliver a message to a widespread, anonymous audience. Another branding media such as cable television and direct mail are targeted towards a narrowly defined audience with unique demographic characteristics or special interests. Direct mail is more flexible in targeting a certain market and content customization.[27]

Television, radio, and magazines have been a trustworthy media to promote a certain brand but the Internet is emerging as a new promising media. The Internet was not as effective as building brands with the other media. The Internet can influence consumer perceptions of brands positively. The characteristics of the Internet are different from the conventional media in many ways. One difference is besides advertising certain products, it can serve as a place for customers to get more information, purchase the products, and send payments. This is an advantage over other marketing functions because no other branding medium can accomplish this. Also, the Internet is interactive which people enjoy. Consumers can visit websites to learn more about a product and customize the content to fit the individual's desires. Another difference is the capacity for multimedia content. A website can contain not only text and images but audio and video media. The nature of multimedia is eye-pleasing and fun to use and can impact the brand tremendously. The users can have a feel for a brand instead of just viewing it. Advertising on the Internet can definitely improve sales and brand recognition.

[27] Banks turn to branding, BBC News Online: BusinessMonday, June 28, 1999

5.22 Banks and Advertising Media:

Newspapers are the advertising medium of choice, taking anywhere from 14% to 44% of [28]marketing dollars, depending upon bank size. While newspapers have been the primary beneficiary of bank advertising dollars over the past ten years, the competitive landscape has shifted. In 1995, television was the second most popular medium[29], followed by radio. Ten years later direct mail has taken the second spot, followed by television. With almost all large banks and most smaller banks already used direct mail in 1995, the growth has principally come from the number of mailings per bank.

A bank's market is often a good fit with a newspaper's circulation area, especially with smaller- and medium-sized banks. Newspapers possess a principle advantage over broadcast media: the ability to both explain complicated banking products and consumer "caveats" within an ad. The boom in direct mail usage has come along with a perceived need for banks to target specific groups of customers or non-customers for certain products or services.

Looking across the different bank sizes, the use of database marketing varied from a low of 20% to a high of 90%[30]. If one includes those banks that will add database marketing within the next year, the usage across all size ranges is at least 40%. The databases are primarily used for mailing and telemarketing, followed by results tracking, market segmentation, and customer profiling.

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[28] http://www.bizjournals.com/washington/stories/2004/07/12/smallb3.html?page=2

[29]http://news.bbc.co.uk/hi/english/special_report/1998/10/98/imf/newsid_184000/184282.stm

[30]http://news.bbc.co.uk/hi/english/special_report/1998/10/98/imf/newsid_184000/184282.stm

Ad Analysis:

Use of FCB Grid in Ad analysis:

The FCB Grid uses involvement (high-low) and think/feel as the two dimensions for classifying product categories. This classification suggests that purchase decisions are different when thinking is mostly involved and others are dominantly involved with feeling. In addition, different situations also exist, resulting in decision-making processes which require either more or less involvement. The product category matrix is fabricated using these two dimensions. Vaughn indicates that the horizontal side of the matrix is based on the hypothesis that over time there is consumers' movement from thinking toward feeling. Also, Vaughn believes that high and low involvement (the vertical side of the matrix) is also a continuum, proposing that high involvement can decay to relatively low involvement over time.[31]

Involvement Dimensions:

The concept 'involvement' has been adopted to demonstrate "the receptivity of individuals to communication". Involvement has also been used to explain consumer's reaction to advertisements. Among a variety of different -- but with a reasonable degree of correspondence between them -- definitions of involvement, the definition that "involvement implies attention to something because it is somehow relevant or important seems to be a brief summary of all definitions of involvement. It is now widely accepted that purchase decisions differ accordingly to the consumer's level of involvement in

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[31] http://www.ciadvertising.org/studies/student/99_spring/interactive/joohwan/vaughn/intro.html

making the product or brand choice and that involvement is most evidently manifest in the complexity or simplicity of attitudes formed and held toward the product brand.

By manipulating advertising message involvement, found that modifications in manipulation instructions may alter the pattern of results: shifting of individuals into high-and low-involvement groups. The involvement adopted in the FCB Grid is summarized into three kinds of consumer involvement. The three scales defining involvement encompasses decision importance, degree of thought required and perceived risk of choosing the wrong brand.[32]

Brain Specialization or theme:

The maker separated consumers' purchase decisions into thinking-involved and feeling-involved. This decision conceptualization is somewhat, but not totally, based on brain specialization, which explains anatomical separation of the cerebral hemispheres of the brain.

The separated brain functions lead to specialized perception of messages. The left side is relatively more capable of handling linear logic, language and analysis - in short, the cognitive (thinking) function. The right side is more intuitive, visual and engages in synthesis - the affective (feeling) function. Even though there are limited physiological evidence and not enough empirical support that can support this brain process, the implication about advertising based on this brain process is that advertising response will vary depending upon the thinking or feeling communication process.

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[32] http://www.ciadvertising.org/studies/student/99_spring/interactive/joohwan/vaughn/involvement.html

While more study about thinking and feeling in advertising is necessary to make advertising more effective throughout its development, the distinction between thinking and feeling made by Holbrook (1978) can help us to conceptualize these two elements with the aim of making better creative execution. According to Holbrook (1978), the thinking aspects in advertising are "logical, objectively verifiable descriptions of tangible product features." He defined feeling aspects in advertising as "emotional, subjective impressions of intangible aspects of the product." By remembering this conceptualization of thinking and feeling in advertising, advertisers can better understand "the uncertainties of advertising strategy and the perplexities of creative execution.

5.22.1 Advertisement 1:

Composition:

This advertisement was printed in a leading Urdu newspaper of the country. The reason for using Urdu as the medium of language is being a local bank, MCB realizes that almost 50% of the Pakistani citizens read Urdu newspaper, and an Urdu advertisement would attract them more. It would be more comprehendible for them and at the same time it would give them a feeling of localism. The ad also shows some of the names of the brand partners of the product and gives a detail information of what the product is all about. In the same way it has indirectly marketed three modes of payments that they offer. MCB Virtual, Telephone Banking and the Smart Card. Focus or main need that have been emphasized in the ad is convenience.

Targeted Segment:

Clearly the ad is targeted towards the middle income group. Placement in an Urdu newspaper is a depiction of this as well. Another factor leading to this conclusion is that the upper class do not pay their own bills anyway. They have servants to do chores like this for them. So its mostly the upper middle or the middle income group, the white collar working class who is short of time and has to go through the hassle of paying bills. At the same time female clients have been targeted because they have to face most inconvenience in such crowded places.

Theme:

The theme of this ad is informational.

Brand Involvement:

For the targeted class the brand involvement is high in nature. Active information research is carried out to select a particular brand of bank.

Product Involvement:

The product involvement for the product is also high.

Brand Involvement

Product Involvement

	High	**Low**
High	**Brand Loyalist**	**Routine Brand Buyers**
Low	**Information Seekers**	**Brand Switchers**

Placement in FCB grid:

Advert Theme

Product Involvement

	Think	**Feel**
High Involvement	**Informative**	**Affective**
Low Involvement	**Habitual**	**Satisfaction**

The above ad has been placed in the upper left quadrant of the FCB grid because it gives out a lot of information about the product, and thus by giving facts and figures it makes the customer think about the potential product. On the y axis, the product requires high involvement when it comes to the purchase of a banking service.

5.22.2 Ad 2:

Composition:

This advertisement was printed in a leading Urdu newspaper of the country. The reason for using Urdu as the medium of language is being a local bank they want to speak the local language of their customers or target market.

The ad is simple and is a product penetration effort towards increasing Auto finance sales. It offers a promotional benefit which attracts the customers through its very picture. Buy one get one free. That is what it says. But the small transcript shows that it can only happen to a lucky draw winner. Nevertheless, the very idea of getting a second car free, makes the customer read the entire ad. The color of the cars depict the logo and trademark of HBL and portrays to the customer the marketers brand.

Targeted Segment:

Clearly the ad is again targeted towards the lower and upper middle income group. It is this class of the society which would be able to afford auto lease and would cherish the opportunity to get one car free.

Theme:

The theme of this ad is informational.

Brand Involvement:

For the targeted class the brand involvement is high in nature. Active information research is carried out to select a particular brand of bank.

Product Involvement:

The product involvement for the product is also high.

Brand Involvement

Product Involvement

	High	**Low**
High	**Brand Loyalist**	**Routine Brand Buyers**
Low	**Information Seekers**	**Brand Switchers**

Habib Bank being a very well known bank of the country has very high brand recognition thus it can be placed in the high brand involvement column. Also as banking is an important purchase of the customer, he or she would spend considerable time and make a lot of effort before purchase of a product. Therefore product involvement is also high.

Placement in FCB grid:

Advert Theme

Product Involvement

	Think	Feel
High Involvement	**Informative**	**Affective**
Low Involvement	**Habitual**	**Satisfaction**

The above ad is again placed in the informative quadrant of the FCB grid. Because banking is a product which involves people's money, its financial aspects like interest rates, commission fees e.t.c are very often highlighted in adverts. That's why most of the ads focus on the think column.

5.22.3 Ad 3:

Composition:

This is the Ad of a foreign bank Standard Chartered. Now looking at the ad that was again published in an Urdu newpaper they have used English as their mode of language. The ad emphasizes on personal level banking and how priority banking is important to a customer. It does not actually market a product through this ad but only reminds the customers of the kind of service they would receive on purchasing any of their products.

Target Market:

The targeted market of this ad is the upper income group. Clearly using English language in an urdu newspaper depicts that they want to attract the upper more literate tier of the society and instead of emphasizing on interest rates or promotional schemes, the ad focuses of service and quality of relationship with their clients.

Theme:

Theme of the Ad is Play of words and emotional.

Brand and Product Involvement:

Brand Involvement

Product Involvement

	High	**Low**
High	**Brand Loyalist**	**Routine Brand Buyers**
Low	**Information Seekers**	**Brand Switchers**

Placement in FCB grid:

Advert Theme

Product Involvement

	Think	**Feel**
High Involvement	**Informative**	**Affective**
Low Involvement	**Habitual**	**Satisfaction**

Unlike the previous two local bank adverts, this ad focuses on the emotional side of the customer. It emphasizes more on the sentiments and feelings of the potential audience and creates an aura of emotional bonding for them. Thus instead of the informational quadrant it is placed in the affective side.

5.23 AD Comparisons:

Both of the Above ads are credit card ads. One of them represents a foreign bank while the other is a local private sector bank. Appearing in the same newspaper each shows different perspectives and needs. For one the need is emotional and more towards personal life styles while for the local bank focuses on the need of extra credit. One focuses on the middle-income class and households. While the other focuses on the working class and upper income brackets. Theme of one is emotional while that of Union bank is informational.

These two ads are from local privatized banks offering similar sort of products to their customers. The main emphasis here is on Profit. That is why both ads are of similar nature and focus on the similar target market for clientele. Both are informational ads and give details of how a customer can earn higher and higher through using their product.

5.24 Advantages of using Newspaper medium:

1. The first was that some banks, especially in smaller markets, prefer to advertise when the paper is thinnest. This happens because banking, unlike other retail, does not trend towards specific days of the week.
2. Second, the advertisements stand out better when they aren't lost amid ads for department stores and supermarkets.

3. Another point, made by a smaller bank competing against a statewide giant, was that the business section may not be the best place to advertise. If the larger banks are placing display advertisements in the business section, a smaller bank may want to focus on a local news section.

Many newspapers may want to develop marketing plans for banks using the categories unique section and placement needs. While newspapers have received the majority of bank advertising money, it has become increasingly threatening as banks continue to explore new methods of reaching their customers. Direct mail has made great inroads into the market, and many banks are beginning to explore the Internet and online banking as ways of improving consumer response to marketing efforts.

5.25 Enhanced Importance of Branding due to emergence of Consumer Finance:

5.25.1 Initial Stand Point:

Acquisition of consumer durables and vehicles, even residential properties under the hire-purchase arrangements is common globally. However, the concept was not common till recently in Pakistan. Leasing companies and Modarabas were the first to undertake this initiative. After the instructions from the central bank to the commercial banks to allocate a specific of their total credit extension under consumer financing, there seems to be a big boom. Initially commercial banks were a little reluctant to undertake this activity, though part of their mandate, due to lack of sufficient legal cover. However, this was merely an excuse because the demand for funds was always more than the supply. Commercial banks were contended with extension of credit under working capital financing arrangement. Bulk of their investment was also in government securities offering very high rate of return. Therefore, they were not keen in undertaking consumer financing.[33]

5.25.2 Pros and Cons of Consumer Financing by Banks:

After 9/11 situation has changed altogether. Commercial banks are suffering from 'surplus liquidity' crisis. With the reprofiling of Pakistan's external debt and reduction in government borrowing, bulging deposits and lower credit offtake banks are sitting on tonnes of money. Due to the policy of the State Bank of Pakistan, to lower the interest rates, the return on government securities has also gone down substantially. Therefore, most of the financial institutions had no option but to enter in consumer financing. It offers very attractive return to the financial institutions. The orthodox bankers do not approve commercial banks undertaking consumer financing activity. Their disapproval is based on the potential mismatch of demand and supply for funds. Many banking sector analysts attribute this attitude to the bad habits, easygoing, of bankers who do not either want to take pains of finding credible borrowers or are shy to assume risk. They still love to extend credit against collateral, because in case of default the

[33] CONSUMER FINANCING *The untapped market By SHABBIR H. KAZMI* Mar 10 - 16, 2003

easy recourse is available, though they may not succeed in recovering the amount for years.

The banking sector analysts also believe that 'working capital experts' of banks are not capable of undertaking consumer financing. Credit extension under working capital is based on the historical data of the client. Whereas, consumer financing is based on future income generating capacity of the clients and their debt settling habits. Since it is difficult to quantify/ascertain the two, the risk-shy bankers just avoid it. However, many bankers strongly believe that small borrowers are prompt and in time in settling their liabilities. In case they default, their default is circumstantial. Whereas, many big borrowers are habitual defaulter and knowing the weakness of the system take the full advantage, rather exploit the situation. Most of the small borrowers cannot acquire funds from commercial banks only due to the condition of providing collateral.

One of the factors encouraging the big borrowers to commit default has been the inadequate legal cover available to the financial institutions for repossessing the assets of defaulters. However, many banking sector experts believe that there has been always sufficient legal cover available but banks hardly asserted their right. They always avoid filing recovery suit, knowing that some irregularity are often committed at the time of approval of disbursement or the lack of sufficient collateral.

According to analysts, "Mohib Textile is a glaring example of the banking history of Pakistan. When the sponsors defaulted it was also found that many irregularities were committed at the time of disbursement of funds. Most of the lenders were keen in making out of the court settlement. However, only one financial institution insisted on filing a recovery suit. The suit changed the whole complexion of the case and the unit was ultimately sold off." Since then the situation has improved substantially. Many amendments have been made in the existing laws and new laws have been promulgated, including the Takeover Law and the law regarding 'bouncing' of cheque.

5.25.3 Emergence of Co-Branding Phenomenon in Banks:

With the changing market complexion and creation of enabling environment a number of commercial banks have signed Memorandum of Understanding (MoUs) with local vendors of consumer durables. The range of products available under consumer financing includes domestic appliances and office equipment. Under the prevailing arrangement, there are three types of partners: **1)** manufacturers, **2)** vendors and **3)** financial institutions. Each player has a defined role and without the active participation of any of the partners the system cannot work effectively and efficiently. The responsibility of each player relates to its core activities.

Manufacturers, while co-branding campaigns with financial institutions, get the advantage of achieving higher economies of scale. They have the responsibility to ensure regular supply, quality, after sales services. Vendors have to ensure proper display, pricing and sales staff. Financial institutions have to provide financing through well documented programmes and undertake adequate promotional activities. If each player actively and efficiently discharge its due responsibility, only then all the players can reap the benefits. One of the major impediments in the growth of consumer financing is the mindset of sellers and buyers. Sellers persuade the buyers to make purchases against cash by offering higher discount on cash sales. The shyness on the part of sellers has grown due to the general perception that payment from financial institutions takes longer time. Buyers also believe that deferred payment means additions of substantial financial charges. The mark up rates charged on hire-purchase agreements were significantly higher in the past, may be due to lower volume or too few sellers and too many buyers.

Another key issue has been the lengthy and cumbersome credit approval system. Financial institutions attribute this to the lack of available data about the consumers. It has been difficult to verify the authenticity of national identity cards, addresses given on the cards and actual location of the client, certification of income of the client and the credit worthiness. Since the reliability of data is low, financial institutions assume higher defaults and provisioning, all these added to higher mark up rates.

Most of the financial institutions are now actively involved in car financing. To expedite the approval system, most of the institutions have established help/credit approval desks at the leading car showrooms. This strategy has enabled both the car manufacturers and the financial institutions in achieving turnover. According to some sector experts, vehicles sold under financing arrangement have around 45 per cent share in the total sales of vehicles. It is understood that Leasing Association of Pakistan maintains the database of all the leases underwritten by its members. This database helps in avoiding cross leases.

Since the average lending rates have come down significantly during the last three years, the mark up rates being charged on hire-purchase agreements have also been reduced. However, many sector experts believe that spread is high. The higher mark up rates can be attributed to lower volume. When leasing companies started underwriting leases of vehicles, the rate was almost double the prevailing rate. At present the average mark up rate for car financing is around 11 per cent. Therefore, it is expected that once the volume of consumer financing business attains a substantial size and average lending rates also go down, the mark up rates will be further curtailed.

5.25.4 Examples of Some Co branding Institutions:

A number of banks have signed co-branding agreements, the leading institutions are Habib Bank, ABN AMRO Bank, PICIC Commercial Bank and National Bank of Pakistan. Some of the leading manufacturers entering into such agreements are LG, Samsung, Philips. Siemens, Waves, PEL and Skyflame. Inbox Business Technologies, a leading assembler of personal computers, has also signed co-branding agreement with some leading financial institutions. Some of the vendors who have also signed co-branding agreements include, Home Appliances and IMPL and National Electric Company.

PICIC Commercial Bank offers consumer financing under EASYPIC scheme. It has signed a number of MoUs with local manufacturers/vendors. The bank signed its first MoU on December 27, 2002 with Dawlance.[34] The second MoU was signed with Samsung Electronics on January 01, 2003. It signed the third agreement with Inbox on February 03, 2003. The bank claims that it charges no processing fee and no down payment, mark up charged is low, repayment on easy terms and quick processing.

Habib Bank offers its scheme under Lifestyle co-branded with Samsung for financing of wide range of domestic appliances. The tenure of financing ranges from 12 to 36 months depending on the preference of clients. Along with the usual features of quick approval and convenient terms, full credit life insurance coverage is also offered.[35]

CresLease has also entered into a co-branding agreement with Samsung Electronics. It demands 20 per cent deposit and lease tenure is two years.

Inbox offering high-end and reliable computer technology has entered into co-branding agreement with AMB AMRO Bank and PICIC Commercial Bank. In addition to signing up as a Citibank e-merchant, Inbox has also been made a merchant for the Citibank Smart Installment Plan (CSIP). This arrangement offers customers an easy, affordable and 'smart' way to purchase computers from Inbox.

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[34] Press Release of PICIC Commercial Bank

[35] CONSUMER FINANCING *The untapped market By SHABBIR H. KAZMI* Mar 10 - 16, 2003

5.25.5 Future Outlook:

At present consumer financing schemes offered by different banks mostly cover large cities or urban areas. Most of the clients are corporate employees, professionals and high-worth individuals. With the active promotion by the co-branding partners and extension of schemes of rural areas the market size is expected to grow.

The two key problems faced in consumer financing are authentication of client profile and repossession of assets in case of default. To overcome these problems, financing companies demand post-dated cheques for all the installments. The strategy has been yielding positive results, higher recovery rate. However, repossession of assets remains a problem. There is a need to further reduce the mark up rates being charged. It is believed that with the growth of market size and better arrangement with manufacturers and vendors efforts will be made to reduce the mark up rates. The size of market can only grow if more and more people go for this option with a commitment to make timely payment and avoid default.

CHAPTER 6: FINANCIALS AND STATISTICS

6.1 Sector Data:

(Concld.)

(End of Period: Million Rupees)

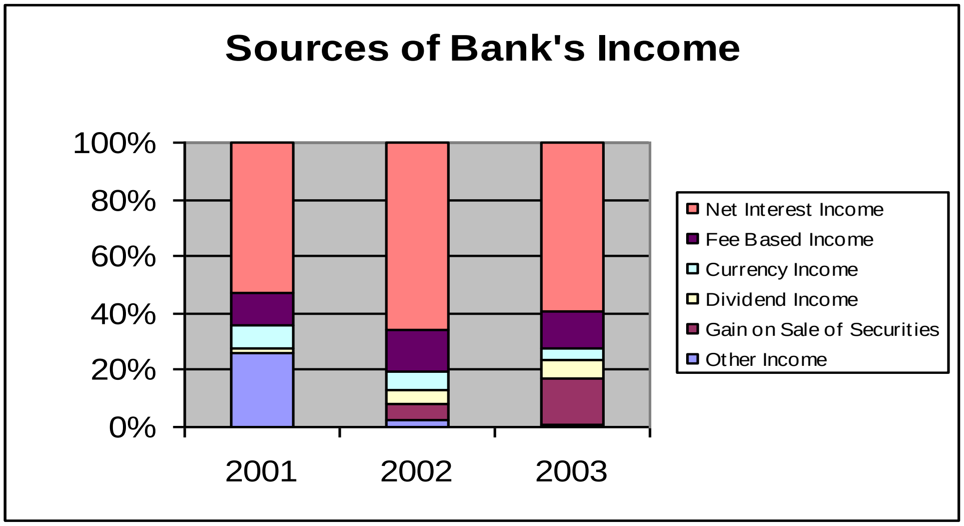
BORROWER	Dec. 2003	Jun.2004	Dec. 2004		
	All Banks	All Banks	All Banks	Commercial Banks	Specialized Banks
Personal	**128,449.3**	**158,064.7**	**203,725.3**	**201,008.0**	**2,717.3**
A. Bank Employees	32,774.0	35,700.2	42,522.1	39,946.9	2,575.2
B. Consumer Financing	95,675.3	122,364.5	161,203.2	161,061.1	142.1
i) House building	5,902.3	9,698.5	18,304.0	18,304.0	-
ii) Transport	18,646.1	31,554.1	49,261.2	49,253.4	7.8
iii) Credit cards	8,766.1	12,376.1	13,155.8	13,155.8	-
iv) Consumer durable	1,037.5	1,997.7	3,190.5	3,129.2	61.3
v) Personal loans	39,480.5	48,126.6	61,783.9	61,734.3	49.6
vi) Other	21,842.8	18,611.6	15,507.9	15,484.5	23.3

[36]

The above table shows the evident growth of consumer based assets of the commercial banks. With high increases in credit extended through credit cards and house finance, consumer durables have not been very far behind.

[36] http://sbp.org.pk/publications/fsa.htm

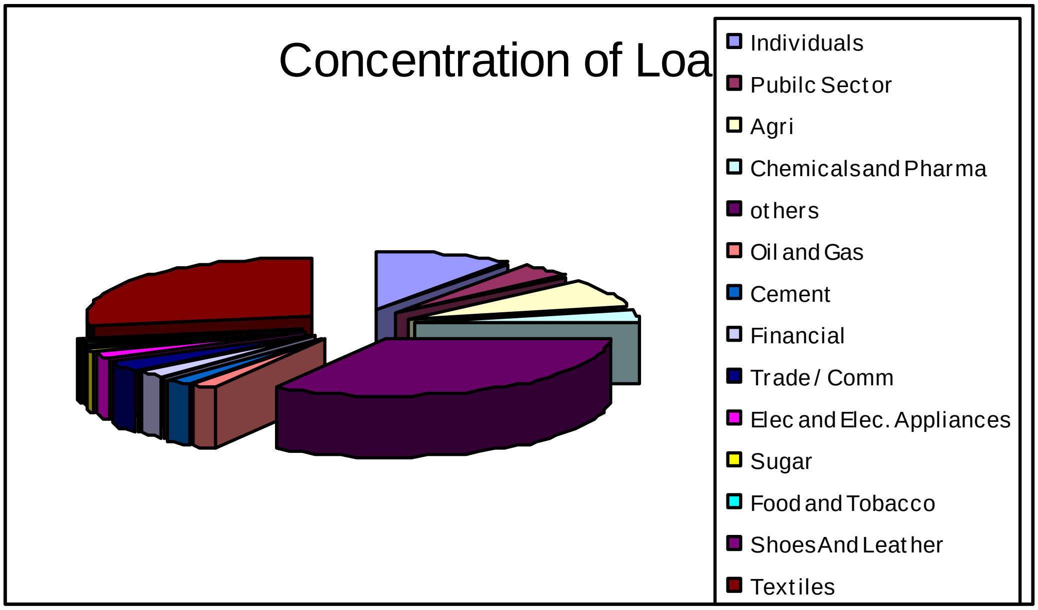
Figure 6.2: Sources of Bank's Income:



	2001	2002	2003
Other Income	3.3	2.1	0.9
Gain on Sale of Securities	0.7	6.2	16.5
Dividend Income	2.3	4.4	6
Currency Income	10.2	7	4.4
Fee Based Income	14.6	14.2	12.8
Net Interest Income	68.9	66.1	59.4

The ratio of income coming from asset based products of the commercial banks is also increasing the above graph clarifies that most income is interest income.

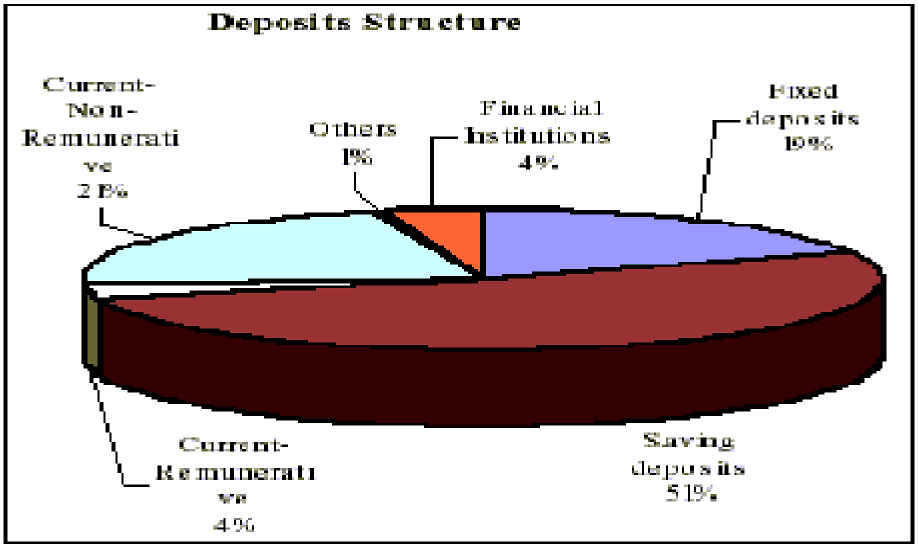
Figure 6.3 Concentration of Loans:[37]



The concentration of loans graph suggests that the highest amount of loans or bank assets goes to the textile sector. Being the largest and most profitable export of Pakistan, a lot seems to be dependent on it. However dependency on this also leads to less diversity and hence risk. Therefore banks need to focus their assets and loan efforts to up coming and growth sectors like telecom, oil and gas and cement.

[37] http://www.sbp.org.pk/reports/annual/arFY03/The%20Banking%20Sector.pdf

Figure 6.4 Deposit Structures of Banks[38]



The deposit structure, which represents the liability side of the bank's balance sheet shows that the highest deposit base is maintained in the savings accounts. This means the liquidity is very high. Banks need to develop products in a such a way that they can make their customer's trust on the bank increase and thereby persuade them to invest in longer term products. This would also help match the asset liability structure of the banks.

[38] Banking Sector Review 2004

Figure 6.5 Concentration of Borrowers:[39]

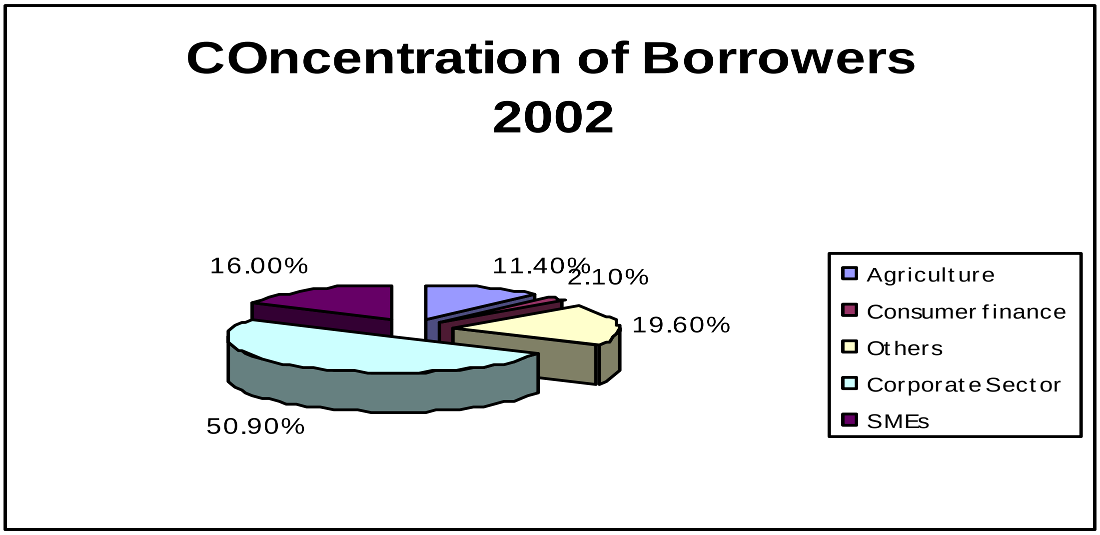
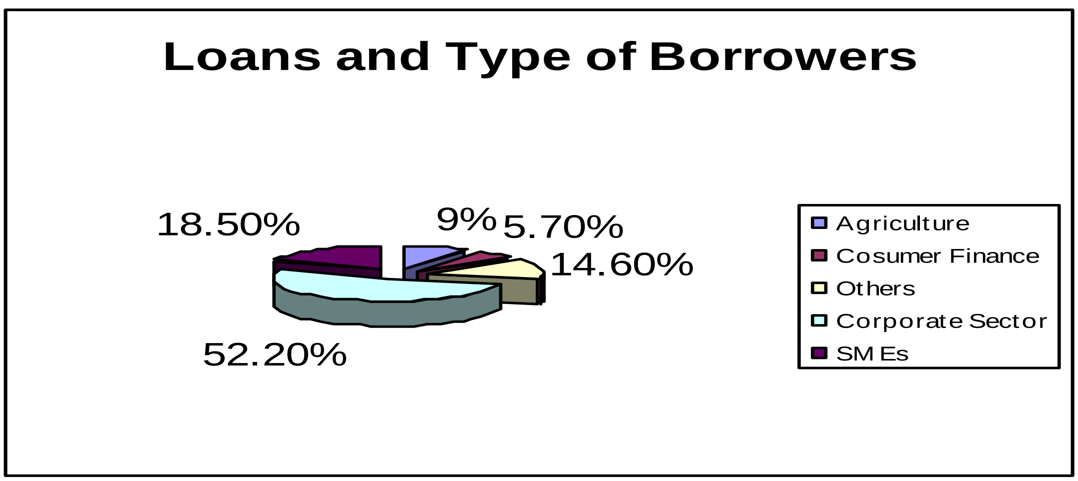


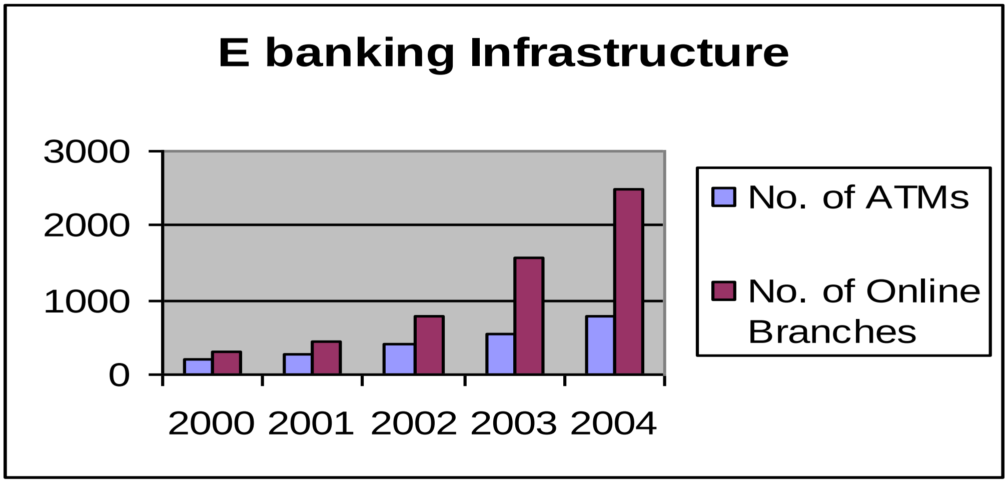
Figure 6.6 Concentration of Borrowers 2004[40]



The percentage of lending to consumers over the previous years also shows a marked increase of 5 %. This points towards the high potential growth and future lucrative ness of the sector.

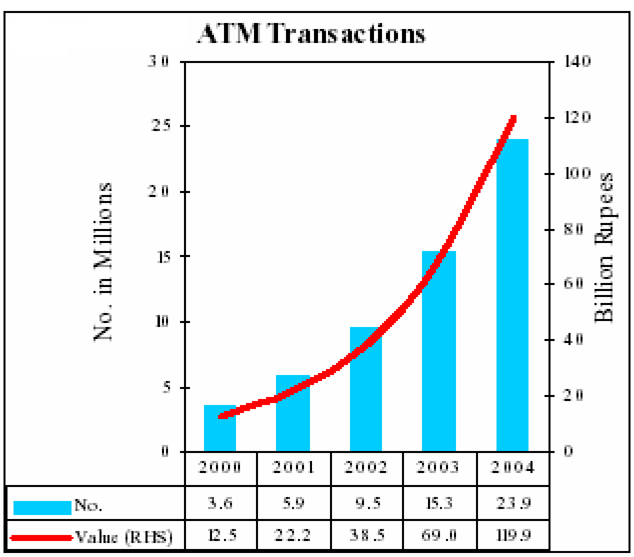
[39] Banking Sector Review 2003
[40] Banking Sector Review 2004

Figure 6.7 E-banking Infrastructure:[41]



A growth in e banking and online transactions provides good opportunities for commercial banks to increase the presence with the consumers and at the same time come up with new products and explore new untapped market segments.

Figure 6.8 Number of ATM Transactions:[42]



Rise in ATM transactions shows increased sophistication of payment mechanisms and consumer's enhanced trust on technology. Once an alien technology, its usage is still growing providing customers with convenience and superior service experience.

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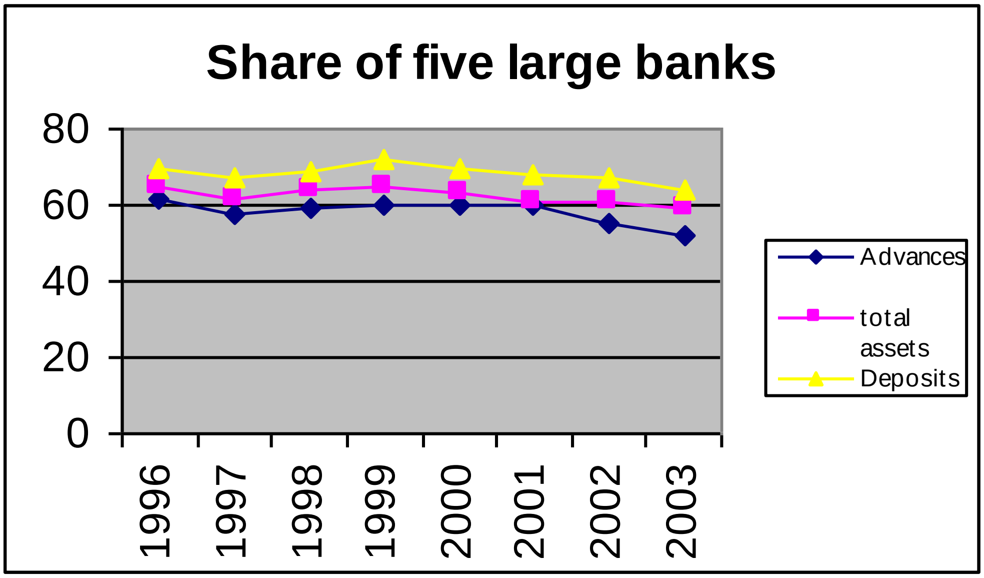
41 http://www.sbp.org.pk/publications/FMR/index.htm

42 http://www.sbp.org.pk/reports/annual/arFY03/The%20Banking%20Sector.pdf

Figure 6.9 Share of Five Large Banks:[43]



The above graph shows a decrease in the balance sheet items of the top five banks, namely HBL, UBL, ABL, MCB and NBP. The reason for this down fall could be the increase in the number of banks over the years where some of them provide tougher competition. With market expanding slower than the number of players, the share of these banks is decreasing.

[43] Banking Sector review 2004

Figure 6.10 Household Financing:[44]

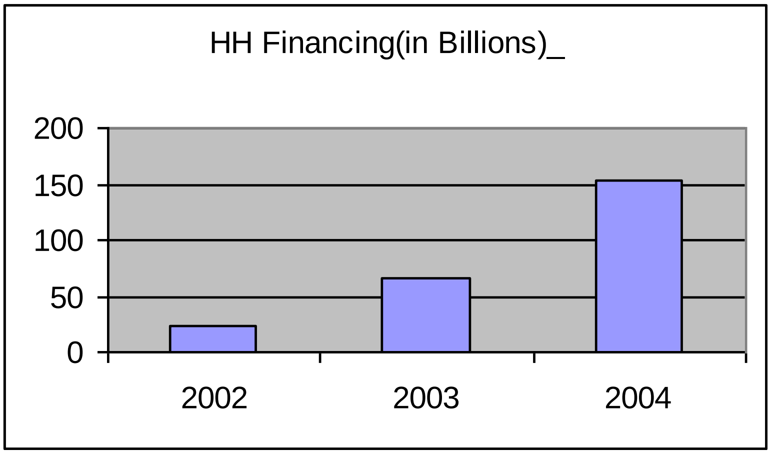
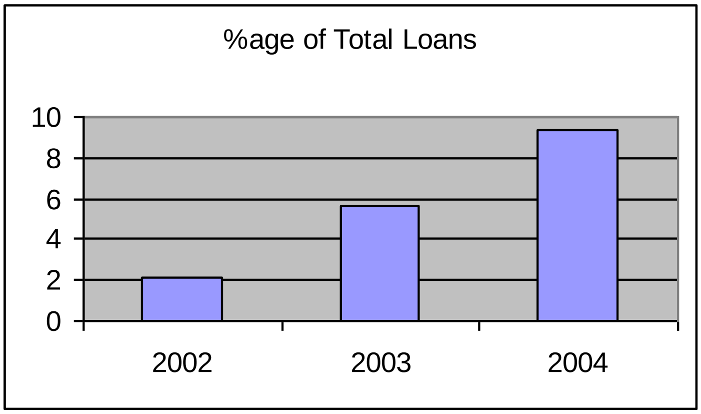


Figure 6.11 Household financing as a percentage of total loans:



The above two graphs shows that the share of household financing is increasing over the year. This shows that the market is growing and further inertial growth can be predicted in future.

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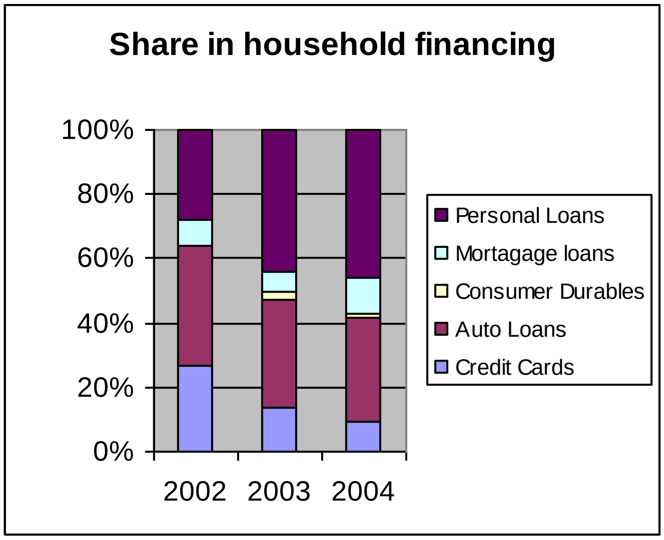
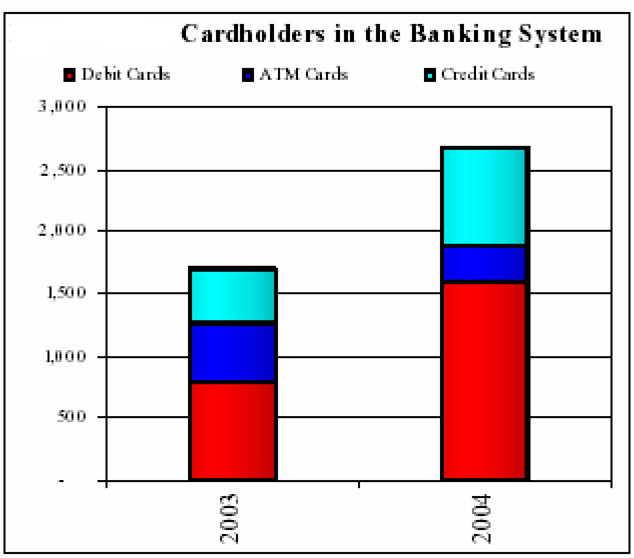
[44] http://www.sbp.org.pk/reports/annual/arFY03/The%20Banking%20Sector.pdf

Figure 6.12 Compositions of Loans in the Banking Sector:



The highest growth is seen in the personal loans section when it comes to the asset side of the banks. With the increasing emphasis of bundle products like smart cards with two and three in one capabilities, card holding may be slowing down but that may also be because of the fact that total market is growing at a faster rate than the market for credit cards.

Figure 6.13 Number of Card Holders in Pakistan's Banking System:[45]



With ATM cards becoming part of the smart card category their growth is slowing down. However new entry of debit card is picking up sharply.

[45] Banking System Review 2004

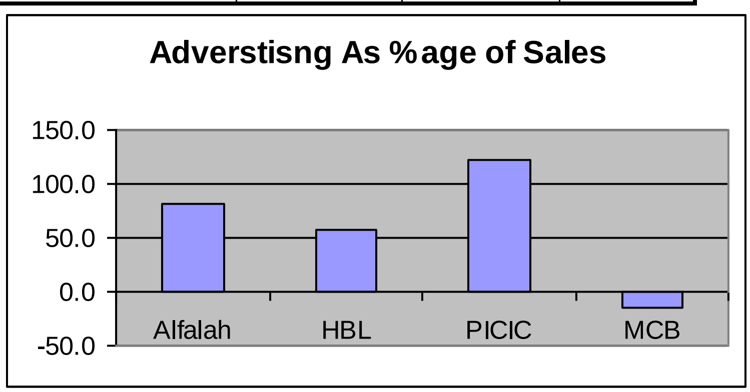
6.2 Some Bank Financials:[46]

Income Statement Changes:

Advertsing expenses (in Millions)	2003	2004	Growth
Alfalah	96,732	243,643	151.9
HBL	190,921	287,670	50.7
PICIC	21,208	50,174	136.6
MCB	162,594	124,304	-23.5

Highest increase in advertising expense is witnessed in bank ALfalah and PICIC Commercial bank. With a 50 % increase in HBL's Advertising it cant be said as a small figure.

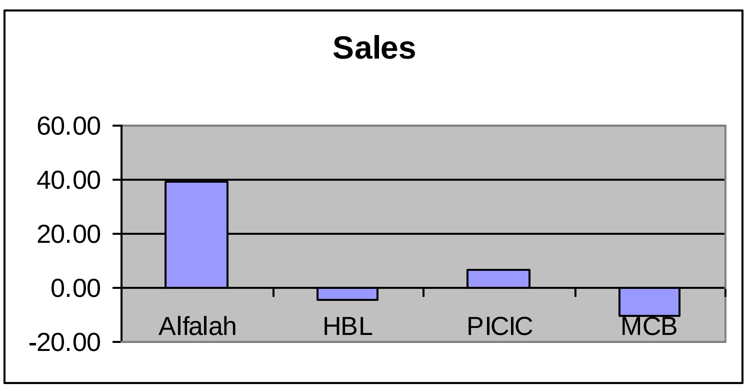
Adverstisng As %age of Sales	2003	2004	Growth
Alfalah	2.40	4.34	80.8
HBL	1.00	1.59	58.2
PICIC	1.61	3.58	122.4
MCB	1.56	1.33	-15.0



[46] All figures are taken from annual reports

Looking at the advertising budget as percentage of sales it is clear that PICIC has the highest because of its aggressive advertising on television as. But the growth in HBL and ALfalah is also significant. There is a decrease in the expenses of MCB and one reason could be that now they are focusing on the house finance sector and not advertising has been done in that arena. In the previous year we could also see MCB advertising on television with its Car for you product.

Sales (In Millions of Rs.)	**2003**	**2004**	**Growth**
Alfalah	4,033,380	5,620,203	39.34
HBL	19,049,914	18,146,938	-4.74
PICIC	1,318,040	1,401,890	6.36
MCB	10,396,994	9,347,247	-10.10

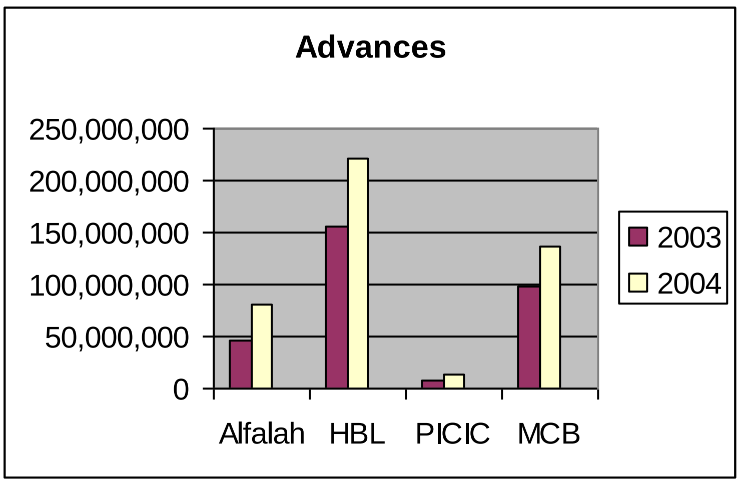


Keeping the importance of all other factors in mind, one reason for the decline in MCB sales being greatest could be decrease in the advertising and publicity expenses. Where as

ALfalah being one of the large spenders both on electronic and print media has shown marked increase in sales.

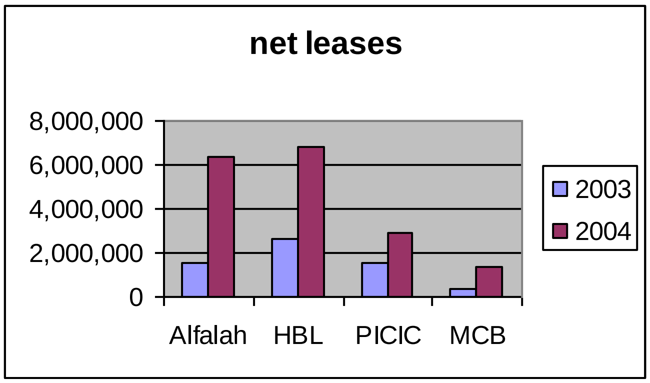
Assets Impact:

Advances (In Millions of Rs.)	2003	2004	Growth
Alfalah	45,709,334	80,733,210	76.6
HBL	155,985,729	220,599,097	41.4
PICIC	8,194,717	13,694,157	67.1
MCB	97,200,179	137,317,773	41.3



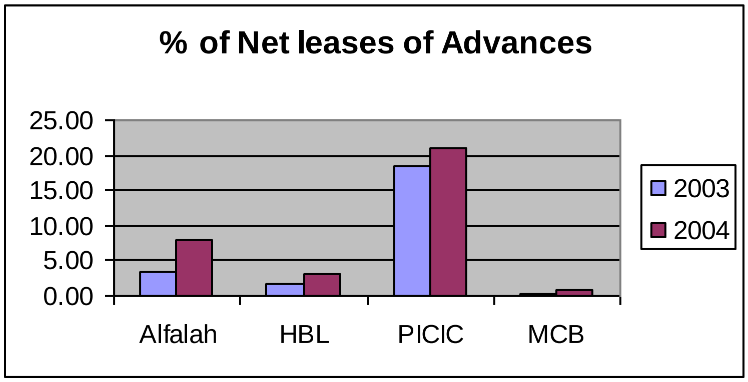
The growth levels of the four banks show that those that invested heavily in advertising and publicity were able to gain a more significant increase in the assets in terms of advances extended to consumers.

Net investment in finance lease (in Millions)	2003	2004	Growth
Alfalah	1,517,397	6,374,637	320.1
HBL	2,643,150	6,833,790	158.5
PICIC	1,514,566	2,891,414	90.9
MCB	397,169	1,322,440	233.0



With enhanced focus on Consumer finance it quite evident that banks have been significantly increasing their portfolio with lease advances and credit.

% of advances as Leases	2003	2004	Growth
Alfalah	3.32	7.90	137.9
HBL	1.69	3.10	82.8
PICIC	18.48	21.11	14.2
MCB	0.41	0.96	135.7


% of Net leases of Advances
25.00
20.00
15.00
10.00
5.00
0.00
Alfalah
HBL
PICIC
MCB
2003
2004

CHAPTER 7: CONCLUSIONS

7.1 Conclusions:

Therefore, after the thorough analysis of what is going on in the banking industry and how consumer banking is becoming a huge growth potential for all, following conclusions can be drawn:

7.1.1 Increasing Importance of branding in Banking Sector:

Currently although the brand recognition is still little among the consumers of the Pakistani market the time is not far when it would become an essential consideration. If brands are a strategic asset, then how do they affect business? Strong brands effect business performance in various ways.

- **Impact on external stake holders:**

  There are multiple competitive advantages associated with strong brands. Not only do strong brands result in better investment performance for banks, but they also decrease acquisition costs since customers are more likely to repeatedly purchase a product or service that they have come to trust and to whom they have demonstrated loyalty. This benefits the financial super market image being promoted by various institutes. This phenomenon can be quite clear from the fact that a vast majority of bank's clientele stick to their brands for years. The consumer survey also showed that many of the customers happy with their brands would not like to switch them due to the high switching costs involved. The strength of these relationships directly affects the bottom line: Profit. Evidence shows that it is much more expensive to acquire a customer then to keep one.

There are multiple competitive advantages associated with strong brands. First, clients are more willing to pay a premium price for strong brands. For example, a citi gold premium client would be willing to pay more for service than an ordinary Habib Bank customer would. Second, a strong brand simplifies client choices. Once a client has purchased a brand, he or she would not have to go the entire decision making process again, but instead will rely on past experience to guide them. Strong brands would thus help to reinforce clients' decision to choose a firm and to stay with them over time. This again supports the one stop shop phenomenon many that many banks are promoting.

- **Impact of internal stakeholders:**

  The benefits of strong brands are not limited to external business performance; the organization benefits as well. People are naturally attracted to firms with strong brands, which translate to better pool of talent applying for positions. Once employees join a firm, if they see evidence that the brand is managed well and is priority within the company, they are more likely to have confidence in the firm and will thus more strongly support management decisions.

7.1.2 Brand Management Challenges in Banking Services.

While there are so many benefits associated with brands, it is interesting that so few financial firms commit to actively and consistently managing their brands. In general brand management poses several challenges in financial services:

- Brand management is relatively new concept for the industry.
- Brand relevance is difficult to maintain with so many client types
- The similarity of the product offerings make differentiation more difficult
- The client advisor relationship often the key to the industry, is hard to control
- Industry trends have made brand positioning very complex.

7.1.3 New Concept:

Branding is the big thing in banking at the moment. Although never the trendiest of industries, Banks too are entering the marketing and branding arena. Further evidence that financial services have shaken off their dry image can be found in the startling success of new and repeated banking campaigns on various forms of media. So the pressure is on the big banks to maintain their share of an ever more competitive market. Many branding consultancies point out that organizations such as banks tread a fine line between creating a radical image and alienating existing customers.

7.1.4 Diverse Client group:

Banks serve a variety of clients with differing needs, which in turn makes it difficult to build a brand that is relevant to all groups. In addition to the challenge of the novelty of brand management, a firm faces the challenge of staying relevant to its many types of clients in the financial services world. Banks serve a variety of clients with differing needs, which in turn makes it difficult to build a brand that is relevant to all groups. However, financial service firms can transform this challenge into an opportunity to tailor a more comprehensive group of products to a specified client type. For example, the individual wealth management client not only benefits from the standard equity investments accounts, but can also take advantage of foreign exchange services and innovative products like equity linked securities that were once solely the domain of business clients. This means that there is a strong future prospect for cross selling. Another difficulty that financial services firms face in brand management is the similarity of product offerings from the firm to firm. Product innovations in financial services are short lived since its is relatively easy to copy new product offerings. The result is that financial firms find other aspects of their business, such as the client advisor relationship, as a means to differentiate from the competition.

7.1.5 Commodity Nature of Products:

The difficulty in differentiating based on product offering leads to the elevation of the clients advisor relationship to the most important driver of client loyalty. This trend creates another challenge for the financial firms since the most influential way of reaching the client is actually the most difficult to manage. As a result they face the challenge of managing the process of educating client advisors and other staff who have direct contact with the client to ensure that they deliver a consistent branded experience. This investment results in a virtuous cycle where clients facing staff are more willing to engage clients, the brand then strengthened, and the staff become more enthusiastic about service delivery.[47]

7.1.6 Changing Trends:

A final set of challenges in financial services involves the difficulty of positioning brands in the face of industry trends such as global local debate and recent merger acquisition activities. The task of positioning a brand involves deciding which part of "what a brand stands for" will be actively communicated to the target audience. Many firms have encountered the challenge of highlighting global capacity and simultaneously emphasizing the ability to deliver locally tailored products. At the same time, the slew of mergers and acquisitions in the late 1990s required financial services firms to make significant decisions about the relationship between their brands.

Although financial services firms face the challenge – the novelty of brand management, maintaining relevance to various client types, managing the clients, and the complexity of brand positioning – the empirical benefits warrant investment of their resources, through building or acquiring the skills needed to achieve proper brand management.

In Pakistani market as well banks having realized the need for brand and its recognition, have started changing their outlooks. The first change being in Allied bank limited

[47] Even the smallest business benefits from branding,From the July 9, 2004 print edition

who came up with a new, more attractive and modernized logo.

The second change came with Bolan bank Limited. This name gave a regional look to the bank, limiting the clientele's attraction towards the bank. now they are using a more personalized name "My Bank". although not very new of anything hi fi, this name gives a warm and affectionate appeal to the consumer and does not by any means promote provincial disparities.

An the latest change has been the name of Muslim Commercial Bank to MCB Bank, more of a one stop shop for all your financial services needs.

CHAPTER 8: RECOMMENDATIONS

After looking at the challenges and benefits that the banking sector can have through engaging in branding activities, it is important to keep certain considerations in view while implementing it in one's organization.

8.1 Implementing brand management in financial services:

Given the opportunity to leverage brands in the financial services world, what are the basics to keep in mind when implementing brand management? The following provides a high-level view:

Brand management checklist:

- Do you know what you want your brand to stand for?
- Does the message your clients receive reflect your brand?
- Do the messages your employees receive reflect your brand?
- To what degree are the interactions with your clients guided by brand?
- Is the brand incorporated in organizational decision making?
- Do you know what your brand to stand for?

Ensure that the bank have established a set of goals for it's brand that is based on how it wants the clients to perceive it, how it want to differ from the competition and how it wants clients to support the business. With a goal for the brand in place, bank would be able to determine how to position the brand in the short to medium term to achieve the end result.

8.1.1 Do the message clients receive reflect the bank's brand:

Once strategy is set for a brand, identify the messages that will best communicate the brand's promise. Integrating these messages across various channels, such as advertising media and sponsorship, will ensure that clients receive a consistent message regarding the bank's brand. The various communication departments within the organization may need to be realigned to establish consistency in client messaging.

8.1.2 Do messages employees receive reflect the bank's brand.

After ensuring that client messaging is " On brand" verify that employees communications consistently reflect the brand. Employees benefit from education about brand at all levels of the organization, not just marketing. Letters from management, emails, informal meetings, intranet sites and road shows should all be infused with the key messages consistent with the bank's brand strategy.

8.1.3 To what degree are the interactions with your clients guided by brand?

Once employee communications are in place, it is beneficial that each client interaction represent the brand. To assess the client interactions first identify all points where the clients interacts with the firm; assess each of these interactions with regards to the brand and determine what improvements are necessary; finally modify those interactions to reflect the brand promise through initiatives such as training, mentoring programmes and performance evaluations that improve and sustain better brand related relationships.

8.1.4 Is brand incorporated in organizational decision making:

Finally, check to see at what level senior management uses brand in business planning and organizational development. It is beneficial that the five or ten year plan including product service goals high light strategies that help an organization to achieve its brand goals.

8.1.5 So what do clients say about a banking firm when its not there?

With a solid plan to develop a brand the clients would start to notice that the firm is, delivering on the brand promises made to them. The Bank will also have a framework for making long term decisions to grow its brand, gain competitive advantages and ultimately improve business performance.

8.2 Recommendations:

Almost three years ago in 2001, the consumer banking sector had yet to go beyond such basic concepts such as personalized services and savings accounts. Today, there are over 40 scheduled banks offering consumer banking services at various levels of product development at the leading edge of banks providing consumer financing are the multinational banks such as CITI bank, Abn Amro, and standard chartered. Then there are large commercial banks such as Muslim Commercial Bank, and Allied bank, which were state owned but have been privatized in the last decade or so. Then some local private banks such as Bank AlHabib, Soneri, and Union Bank. Finally we have banks such as United bank limited, Habib bank limited, and National bank of Pakistan. Although the government has recently disinvested its majority stake holding in UBL and HBL, both banks are in a transition phase and has just begun making their mark in consumer banking. NBP, and others such as the bank of Punjab, are still wholly government owned.

All these banks have a set of advantages to help them survive in an increasingly cut throat market, and each one of these banks will have a bearing on the future direction of consumer banking in the country.

Analysis of the various adverts and advertising activities showed that Multinational banks have the benefits of the knowledge base of their foreign principles an advantage that often helps them be the first when it comes to introducing new products, services and technologies to their portfolio matrixes. Local privatized banks such as Soneri and Union, for their part, have the advantage of being able to offer the same service to a larger body of urban middle class consumers, at a lower cost, there by increasing products awareness and usage in limited urban centers. Finally, formerly government owned banks and current nationalized commercial banks, such as HBL, UBL and NBP, with their large networks and low cost of funds scenario have the advantage of being able to drive down the prices of these consumer banking products. Due to their large retail footprints, i.e. huge branch networks they increase availability of these products to large audience across the metropolitan divide, in recent years, the government and the state bank of Pakistan have been encouraging banks to into consumer banking in a big way. The result is that to date consumer banking has entered a crucial stage with an advantage of volume growth found with the large nationalized and local privatized banks.

Says a source from a multinational bank,[48] if you look at the growth curve of consumer banking, we are probably sitting on the threshold of a huge rise. With nationalized commercial banks, such as NBP, focusing on consumer banking, the market will grow many folds in the next few years.

[48] Aurora Magazine, The Dawn

This sentiment is echoed by Pakistani banks. Meaningful growth in consumer banking will only happen when the nationalized commercial banks and recently privatized banks become active. Because of their high penetration and brand reach, they have the ability to effect the market more than other small banks. It is they that will introduce these services to new consumers in virgin markets leading to market expansion.

8.2.1 Exploit Branch Networks and Localized Advantages of Large domestic Banks:

One of the strengths identified by the SWOT analysis of the local banks showed that their huge branch network is a plus point for them. By exploiting this, banks such as HBL, UBL and NBP are ideally poised to take consumer banking to the smaller cities. Thanks to their shear size, these banks have the advantage of being able to generate huge volumes of business, there by reducing the price of product development. Already the big three have individual networks of over 1000 branches across Pakistan and a customer base of between 4 to 5 million.[49]

HBL's foray into consumer banking shows the kind of impact that these old monoliths can exercise on the growth of consumer banking. In 2002, HBL's consumer banking product portfolio was worth billion rupees. In 1 year, this portfolio grew to over 6 billion rupees[50], and by the end of this year the bank is expected to plug numbers ranking between 17 and 20 billion rupees. The bank's recent acquisition by the Aga Khan fund for economic development is expected to lent even greater impetus to this growth. The bank at present has over 800

[49] http://www.sbp.org.pk/reports/annual/arfy04/Chapter_5.pdf

[50] HBL Press Release

branches that dispense consumer financing related services and is committed to having a consumer financing desk at each of its 1400 branches by 2005. [51]

8.2.2 Enter into New Untapped Markets:

As pointed out by the Ansoff Matrix in the earlier chapter, banks can adopt various strategies for growth and survival. One of these could be market development. Access to second and third tier market brings enormous competitive advantages to Pakistani banks. If you look beyond metros there is a huge market out there like Faisalabad, Gujaranwala and Multan that can deliver large markets of extremely affluent consumers. Even rural areas have a lot of affluence, especially if you look at the agrarian income brackets. All these segments are viable and have an existing relationship with their local bank.

8.2.3 Provide Enhanced Training of Manpower:

One of the conclusions in the previous chapter was that due to the commodity nature of the banks products and services, they are easy to copy. And as a consequence of this client staff relationships and service quality becomes the most important consideration. Thus, training manpower is vital. The above advantages may bring challenging as well. While Pakistani banks may have the branch network and reach they lack the trained manpower and the back lined systems required to pursue the business with the zeal that would really be the catalyst for a true takeoff.

In an interview last November with aurora magazine, M.A Manan pointed out that one of the greatest challenges for post privatized UBL was training the

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[51] www.habibbankltd.com

managers and staff on how to handle the new focus of the business. The problem, therefore, is that until both the human resource capital and the back line systems are in place these banks will continue to be followers with the leadership coming form the multinational banks.

8.2.4 Cash in on their Localized Brand:

The problem with foreign banks is that they continue to target essentially the same customers, and are not breaking into new segments. They are failing to develop a larger market and continuing with product and market penetration techniques. This action of theirs can be identified by the competitors as a weakness and they should fully exploit it.

Under these circumstances, real growth will only come from Pakistani banks. Apart from their huge branch networks and customer base, Pakistan banks believe they are better equipped to deal with local consumers because they have the necessary experience to customize products to specific local preferences.

8.2.5 Increase Product Innovations:

Again as pointed out in the conclusions section, Foreign banks lead in product innovation due to their international exposure and expertise. But this too can sometimes create and opportunity for local banks. Because product innovation in multinational banks is usually driven by their foreign principles, it means that they sometimes overlook crucial local factors, that may help the product take off. Added to that is the fact that, when it comes to launching new products Pakistani banks do not need to revert to a principle overseas. Often in consumer banking speed can make the difference between a hit and a miss.

Customers only come when their need is urgent and this has to be fulfilled fast, otherwise you lose the customer. In the short term foreign banks will continue to focus premium services and limit themselves to selected segments. Local and newly privatized banks, o0n the other hand, will focus on their wide reach and lower cost options. When it comes to premium services, the challenges is to find consumer willing to pay more for better services, and at the same time expand the market something which foreign banks have worked hard at. For example, in the last five years, even the qualifications benchmarks for premium products such as gold cards have been drastically reduced.

In the 90s,there were three credit cards players in the market, all offered by foreign banks. The size of the total portfolio was about 200,000 cards, and while these banks would post their membership gains and losses every year, the overall size of the market was the same, fixed 200,000 cards. It was just the same share switching hands.

This changed when Bank ALfalah launched a no fee credit card ; the bank notched up the fastest 100,000 new members; in essence a totally new market share. Infact, ALfalah no free credit card changed the way credit cards were marketed in Pakistan, and the story of its launch is considered to be a good case study of how a late entrant can tilt the field to its advantage.

Plastic money too is set in to be a big profit center in the future, despite the fact that the launch of debit cards has had disappointing results. Banks blame this on a host of reasons but despite the set back they remain optimistic about the debit card’s long term viability.

Another area where banks are expecting windfalls is home finance. Both government and SBP are encouraging banks to become more aggressive in this sector, while the GOP is hoping that home financing will do for the construction industry what auto financing did for the automobile manufacturers.

8.2.6 Retention of High end Clients:

Apart from the search for new markets, another challenge is retaining high value customers. In the first few years following the introduction of consumer banking in Pakistan, preferential banking was a profit centre, particularly for multinational banks. However, today every bank is targeting these consumers. With so many banks offering the same products, how does one bank stand out from the other. The answer is, “differentiation is created by innovation.” This either can be achieved by differentiated repayment options or differentiated segments.

8.2.7 Improve Service Levels and Introduction of CRM Principles:

Product development and service levels are what create real differentials. In consumer banking, customer services means more than just a pretty voice on the phone ; its how the product is designed, the need it fulfils and the speed at which it fulfils the need all this can make or break a bank.

Clearly, customer relationship management is a crucial area banks need to focus on, especially given that, with so many banks vying for the same customer expectations are rising. According to a source at a prominent local private bank, ‘high income groups will continue to be high priority clients for all banks. The challenge for preferential banking is that high value clients tend to do business with more than one bank, which means that they are targeted by competing banks, making it tricky to retain them.'' Loyalty thresholds are very low. Banks must provide very high levels of convenience in terms of customer services and products development in order to keep customers engaged with bank. The task is not just to meet consumer expectations, but to exceed them, and for banks, losing business is more than just losing a customer, its losing equity. Consumer banking is based on trust and referrals. If you lose a customer, particularly because of a service related issue, that has a domino effect, leading to the loss of potential new business.

8.2.8 Increased Focus on Advertising and Branding:

With the stakes on retaining consumers so high, banks are investing in advertising and brand communication, with corporate branding making a comeback. A source in a multinational bank says,' while product based advertising helps gain business tactically, in the long term, it's the corporate brand that gets the customer. Because the customers' money is involved, only a banks good name will provide that sense of security. While print media advertising continues to be the medium of the choice, banks are increasingly promoting themselves on private satellite television stations, mainly because of the existing competitive tariff labs. Furthermore, with an expanding base of well informed customers, bankers and their brand communication partners are feeling the need to come up with more creative and credible advertising. Increasingly, banks are spending huge amounts on improving their retail presence. However, while advertising has its part to play, product development is what retains the customer. While aggressive brand communication may attract first time customers only good product development would retain them. Advertising builds the image and products sustain them. Banks must concentrate on product offerings and services as word of mouth is still the most effective way to build perception in our society.

With so many banks vying for the same piece of the pie, banks are undercutting each other in a scramble to gain customers. For example in recent years as a result of low interest rates auto financing came down from 22 % to 7.9 - 12 %. Similar decreases took place in other products. The danger is that by lowering interest rates they would comprise their own commercial interests especially when all banks are fighting for a larger share without any expansion of the overall market.

Final Conclusions:

A brand is simply a company's promise to its customers. It is a high impact way for companies to differentiate themselves and to establish credibility, confidence and consistency of image and trust with consumers. Successful brands are not about logic and reason; they are about emotion and perception. Successful brands create an emotional connection and a passion with consumers that is a believable impression of the company. Good brands create positive mind share with the buying public, but great brands create both mind share and heart share with consumers. Today, established corporations and new start-ups spend a tremendous amount of time, energy and resources to establish or reinforce a strong brand image.

A brand ‘s price and by extension profitability is driven by both market share and the nature of the category or product market in which the brand competes. A brand’s relative market share has a different impact on profitability depending on whether the overall category is dominated by premium brands or by value brands. In the former instance, most of the brands should be profitable and the brands should command a premium price. In the latter case, although the brand may be profitable, it will not command a premium price. Building brand equity and brand power today is a monumental task, requiring a shared vision and focus throughout a company. Today's power brands have common denominators: They reflect the company's core values and the employee culture and they consistently meet or exceed customers' expectations at every touch point. For a company's brand vision to become a reality, all employees must understand the brand vision and the company's promise and share an active role in consistently applying the promise to everything they do.

So even for banks, we can say:

1. That brands are now more important than they have ever been.
2. And that the greatest threat they face is the self-importance of the people who build and maintain them, and their preoccupation with what is career-enhancing over what is brand-enhancing.
3. Because, in the digital age especially, the health of bank brands is shaped by many seemingly trivial things beneath the dignity of most marketers. Often these are actions, not words.
4. A new generation of creatives has a vital role to play in recognizing this, but only if they are prepared to lose their snobberies and exercise their imagination