

TAPPING A NEW MARKET: WAYS AND MEANS

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ABSTRACT

The tirupati Urban Co-operative Bank was facing a problem to establish itself in the new market. The main reason behind this was the lack of suitable marketing Strategy and Unattractive schemes offered by the bank. After having a bad experience in Aurangabad the bank was very much concern about taking the steps regarding penetration of the new market. To overcome these difficulties the board of members decided to launch the new schemes. The case also highlights the importance of market analysis and probability testing.

Teaching Objectives and Target Audience

- Our teaching objective is to develop and guide students about the Market penetration of banking products.
- To understand the importance of market analysis for cooperative banks.
- To practically demonstrate the use of probability analysis for a given situation.
- To analyze the importance of correct decision making.

The case is suitable for MBA students.

KEYWORDS: *Cooperative Bank, Marketing Strategy, Market penetration*

INTRODUCTION

Tirupati Urban Co-operative Bank Ltd. was one of the leading co-operative banks in Nagpur district with 17 branches in Nagpurregion and one additional in Wardha. It was running its business very well with an amount of annual profit of Rs. 5crores and 90 lakhs. Mr. R.P. Raut CEO of the bank was contemplating about opening its branches in Vidharbha region. The bank had opened a branch in Aurangabad, but suddenly it had to shut down its operations because of lack of market penetration and lack of generation of day to day business. This issue was bothering Mr. Raut and he was perplexed with the dilemma of what shall be the next step?

Backed by the Meghe Group under the Chairmanship of Dattaji Meghe, Tirupati Urban Co-operative Bank's biggest assets were its loyal and talented workforce for last 25 years. Mr. Raut took pride for the support and never gives up approach of his staff. The bank was catering to all types of financial services including FDs, Home loans, Car loans, Education loans, Startup loans etc with the minimum of 8.5% p.a. The bank had an employee-centric approach wherein every employee was considered informally as the owner of the bank. They got monthly targets on the generation of leads, recovery of loans, deposits which helped in increasing the business of the bank. Regular monthly reviews were taken to

ensure that the targets were attained and the services were provided without any hiccups. For catering the services to different segments of lower and middle-income groups and also to give special attention towards women empowerment, the bank had 170 regular employees under its belt out of which 70% were women.

The attrition rate throughout the branches was very less because of its favorable HR policies. Even so much so the bank kept its branches opened on Sundays.

Since the management of the bank was contemplating to open its branches in various parts of Vidarbha as well as in parts of western Maharashtra, the previous experience of Aurangabad was haunting them regarding its future prospects and success. The major problem they faced that time, was to meet the day to day expenses of running a branch. The management waited for almost 2 years to bring the branch at least to BEP level. But finally, they couldn't succeed and decided to shut down the branch permanently.

The major concern for the bank was opening of new branches and also penetration of new market areas where already similar kinds of Co-operative banks along with District and State Cooperative banks along with other financial institutions were operating in full swing. Besides this tapping, the hitherto untapped areas of those markets would be other major challenges before the bank. Considering this the bank had decided to chalk out a plan with respect to designing one new financial product that would suit the residents of those areas. For this purpose, the board hired a marketing agency for conducting a market survey for analyzing the current market situation.

At the meeting, Mr. Raut, read the reports of the market analysis. He, along with the Board Members proposed new financial schemes that would be especially tailor-made for the residents of those areas. The board members decided to launch a new scheme named 'Daily Deposit Schemes'. The structure of the scheme would be designed in such a manner that it would benefit almost every stratum of the society right from lower income group to higher income group.

The Salient Features of the Scheme Were as Follows

- An individual could open a 'Daily Deposit Account' with the bank by depositing a minimum of Rs. 20 per day for 25 days in a month.
- The amount of deposit could be increased by multiples of Rs. 10. There was no maximum limit for the deposit amount.
- The rate of interest would be 9% per annum and 9.5% for a senior citizen. The term for the deposit was for three years, but the premature withdrawal was allowed after one year with an interest of 7% compounded annually.
- The additional rider to be provided by the scheme was the free life insurance having a sum assured of Rs. 50,000 to Rs. 1 lakh.
- Secondly, the loan facility would also be provided to the holder of the daily deposit scheme in the form of business loans, especially for the person who wanted to start new ventures. The maximum amount of a loan that could be procured was Rs. 2,00,000 in interest of 7.5% p.a.

Since the branch had to earlier shut down its operation in Aurangabad in 2 years time, due to lack of attainment of BEP level, it was assumed that at least the bank could wait for a period of 2 years to attain or cross the level of BEP. In order to ensure the success of the scheme, the management of the Tirupati Urban Cooperative Bank hired an agency for

conducting a thorough analysis of the current market situation and check the acceptability of the scheme in the market.

The result of the market analysis team was handed over to the board, so the management was contemplating on two aspects of its marketing strategies.

The management was having Option Two Options in Front of Them

- To endorse their product through famous celebrities and also to spend huge sum in advertisements.
- To market their product with the help of local people and self-help group.

If the company goes by the first option, following possibilities can occur:

A market analysis had a 30% probability of annual openings of 5000 Daily Deposit Accounts, a 40% probability of 4000 accounts and 30% probability of 3000 accounts. Apart from this the variable expenses that would likely to be incurred was Rs. 9,000 and Fixed expenses Rs. 50,00,000. The revenue generated from this for each account in considering other sources would be Rs. 11,000

If the company goes by the second option, following possibilities can occur:

A market analysis had a 30% probability of annual openings of 5000 Daily Deposit Accounts, a 40% probability of 4000 accounts and 30% probability of 3000 accounts. Apart from this the variable expenses that would likely to be incurred are Rs. 10,000 and Fixed expenses Rs. 8,00,000. The revenue generated from this for each account in considering other sources would be Rs. 11,000.

Which option should the management select?

Teaching Notes

Teaching Approach and Strategy

- To solve this case in 1 & ½ hour is enough.
- This case can also be considered for examination point of view.
- Minimum 4-5 members in the group are required to solve the case.
- This case can be used to teach what the difficulties are and problems that arise while establishing a new branch and penetrating a new market.
- After the class sessions, the teacher can discuss the solution of the problem arising in such situations and take the feedback from the students.
- This case can give an overview to the students about certain problems which are being faced by the co-operative banks.

Analysis

- What are the various marketing strategies which bank can adopt for penetrating a new market?
- What can be the special financial schemes to attract the local customers?
- What are the essential elements for running a branch of a co-operative bank?

Answers

Ans 1: Be social, Get involved, Approach new market, Rebrand to be energetic younger & modern, Compete with market

Ans 2: Daily deposit scheme, Gold loan scheme, Startup loans, Insurance plans, Pension plans

Ans 3: Land & place, Employee, Equipment/ Operating system, Security

Decision tree Analysis

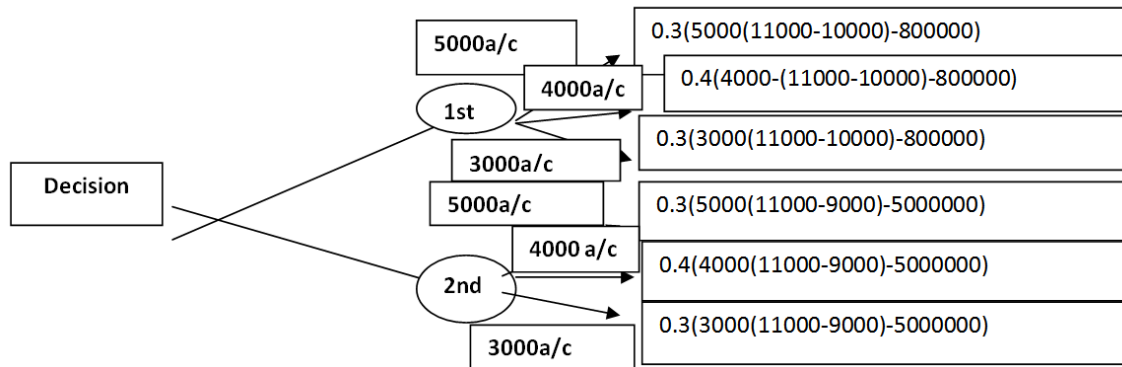


Figure 1

Decision Making through Expected Payoff

The probability of selecting both the options are 50 :50. Therefore the expected payoff of

Option 1 (Sales through local people)= $0.5 \times 32 \text{ lakhs} = 16 \text{ lakhs}$

Option 2 (Sale through celebrities)= $0.5 \times 30 \text{ lakhs} = 15 \text{ lakhs}$

Therefore the company should opt for the 1st Option as it is more profitable and has a high payback.

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