



**UNIVERSITI PUTRA MALAYSIA**

***MARKETING FINANCIAL PRODUCTS AND SERVICES  
FROM THE PERSPECTIVE OF A BRANCH MANAGER OF A  
BANK'S NEW BRANCH :  
A CASE STUDY***

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FROM THE PERSPECTIVE OF A BRANCH MANAGER OF A  
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A CASE STUDY

By

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## INTRODUCTION

EN Bank Bhd. Salak South Branch commenced business on May 11, 1996. One month has passed. An immediate task for the branch Manager, En Dzani was to formulate a strategy for the branch to support the bank's objectives. This request came from the Chief Executive Officer on the day En Dzani joined the Bank.

En. Dzani was welcomed by the Deputy GM on the first day he reported for duty. The Deputy GM informed En Dzani that he will be posted to a new branch in Salak South scheduled for opening in the month of April 1996.

"Salak South is a hard core Chinese area. I don't know whether you could be as effective as you used to be while you were in Kwong Yik Bank Berhad," the Deputy General Manager said to En. Dzani.

"I agree," En. Dzani said. "I will definitely give my best shot."

"Well En. Dzani," added the DGM. "You have only one month to familiarize yourself with EN Bank operation environment. It is actually our policy to recruit staff for new branches at least three months before the branch opening. As for Salak South branch we find difficulties in recruiting a branch manager three months ahead of the scheduled opening. As you are the only person available at this moment, the management has decided to appoint you as the branch manager. The management is aware of the constraint you might face in managing that branch. This is because the area is predominantly a hard core Chinese area where all the branch managers of all the other banks operating in that area are all Chinese. We believe however that with your exposure in Kwong Yik bank Berhad you should be able to deal with this problem".

Those words from the Deputy General Manager were still lingering in the minds of En. Dzani. He looked at his watch. It was already 5 p.m.

En. Dzani still remembered his meeting with the Chief Executive Officer immediately after talking to the Deputy General Manager. The CEO was mentioning about the bank's direction in the next 2 to 3 years. " We are moving towards achieving a Tier-1 status within the next 3 years. Our paid-up capital as at December 31, 1995, was RM300 million.

Over the next three years, to achieve a Tier-1 status, the paid up capital would be increased to RM 1 billion. We have firm commitment by the shareholders but our main concern would be whether we could create enough business to support the increased capital.

“En. Dzani”, said the CEO. “From now onwards, you would be very busy to familiarize yourself with the EN Bank operating environment. Next come the preparation for the opening of the branch and also the setting up of your branch operations. Once you have settled down, lets say within the second month after the opening of the branch, I would require you to brief me on your strategy on how you would mobilize your resources to create customers, keep them and attract new ones”.

## **SALAK SOUTH BRANCH**

### **Branch Opening**

Salak South Branch began operation on May 11, 1996. It was the 32nd. Branch of the Bank. Five thousand pamphlets were distributed to selected areas within the vicinity of the branch before opening of the branch. These were done using the service of a distribution company specializing in mass distribution of pamphlets. The pamphlets consist of information on the date of branch opening, location maps, and promotional gifts to be given to the first 300 customers of the bank.

The branch staff were also involved in the distribution of invitation cards. The branch manager and staff visited business premises in and around Salak South to extend invitation for the opening ceremony. It were during these visits, that feedbacks were gathered.

A brief ribbon cutting ceremony was conducted at the branch premises during the opening of the branch. This was done by the CEO and Group Advisor followed by a small reception. The opening of the branch was well organized and attracted about 100 customers on the first day of operations that falls on a Saturday.

## **Operating Environment**

The Branch premise was located along Jalan Besar Salak South. Businesses parallel to the roads are mainly retail shops. There are about 200 retail shops operating along the roads.

To the North of the branch premises, before entering the Jalan Besar Salak South is the Jalan Chan Sow Lin business area. This is where small engineering firms are clustered, providing services catering for larger companies on contract basis. On entering Jalan Besar Salak South from Jalan Chan Sow Lin a cluster of about 20 scrap metal dealers were located.

Towards the South of branch premises other 20 scrap metal dealers were also seen operating in the area. Thousands of small engineering firms were also operating in that area. These small engineering firms are mainly operating without proper business premises. They operate on government owned land thus may be termed as “professional squatters.”

A new business area was located in Taman Sungei Besi. This was where the concentration of new retail businesses and small factories were located taking over as the main business center in salak South.

At the back of the branch premises, the constructions of LRT tracks were seen to be undertaken and an LRT station was scheduled to be constructed just a few lots away from the branch premises. Also in that area which were once a squatters area, a new housing and business area which consist of townhouses, office lots, condominiums and semi-detached houses were currently taking shape and is known as Taman Sri Permaisuri. The project is being developed by a private firm jointly with Dewan Bandaraya Kuala Lumpur.

Prior to the opening of the branch, En Dzani had made several visits to local businessmen, government departments/agencies and housing developers to invite them to the branch opening ceremony. En. Dzani has taken this as an opportunity to conduct a simple survey on their needs, problems and expectations.

## Scrap Metal Dealers

Visits were made by En. Dzani to some of the scrap metal dealers to extend the invitation and also to gather information about their operations. There were about 70 such dealers around Salak South. About 30 of them were Indians. Of the 10 dealers visited, all informed that their accounts were with Bank of Commerce, Kuala Lumpur. All of them only maintained a current account with no borrowings.

They have been in operation for more than 15 years there. They have been banking with BOC (formerly UAB) since then. As their banker was situated in Kuala Lumpur, they find some difficulties in maintaining the accounts there, especially when they took about half a day to do their banking transactions. This was because of the traffic jams they had to face and car parking problems.

Their business dealings are mostly on cash basis. They pay their suppliers cash on delivery and their sales to established steel companies may also be considered on cash basis. As some of the steel companies are situated outside Kuala Lumpur, they have to wait for about five working days before their cheques were cleared and their accounts credited. The steel companies whom the dealers sold their scrap metals are reputable companies. Their cheques are as good as cash.

It was on some occasions that they require temporary overdraft facility especially when substantial cash payments had to be made but their cheques received from the steel companies were still uncleared. On such occasion, the owner had to approach the branch manager and negotiate for a temporary overdraft facility pending the clearance of the cheques. Although the situation where they require such facility was occasional, but when such situations arised as in the past, the owner was not around to negotiate with the bank. This had resulted in lost business opportunity.

In view of the traffic jams and problems associated with their occasional requirements of a temporary overdraft facility, most of the owners are willing to change banker. This is possible if they are allowed to draw against uncleared cheques drawn on the reputable steel companies as and when the situations arised.

Their operation also necessitates large withdrawals of cash from the bank to pay their suppliers as such the bank must also be able to cater such needs.

### Engineering Firms

En. Dzani had also visited some small engineering firms around Jalan Chan Sow Lin area. Several of the firms had dealing with the Hicom Group of companies under its engineering division. As there were several thousands of such small engineering firms operating around Salak South area, En Dzani was wondering how many percentages of them had dealings with the Hicom Group of companies.

The Hicom Group had committed to using the services of EN Bank to tap valuable synergistic opportunities to expand its business and enhance its earnings. Therefore the group's engineering division may be approach to provide leads or names of the engineering firms with whom they had dealings. These engineering firms will then be requested to establish banking relationship with EN Bank to reciprocate business.

As the needs of these small engineering firms vary from one another, once banking relationship has been established their actual needs could be analyzed thereafter.

### Institutions.

Government Institutions or Public Sector Banking has been practiced in other financial institutions in Malaysia. Depending on the size and appetite of the financial institutions, the department handling the portfolio varies from nil to very large.

In EN Bank, involvement in this sector had only just started. There are very limited contacts in these departments. Through a friend in one of the government departments, En Dzani was able to compile a list of departments, corporations, universities, governing boards, commissions and other related divisions in Selangor state and Wilayah Persekutuan and also a list of federal government ministries, governing boards, commissions and related divisions within the federal level. (Appendix 2.)

En. Dzani's checking with some of the government departments/agencies revealed that they received allocations from the government on a quarterly basis. This was when funds were placed with financial institutions in terms of short term fixed deposits. The amount is huge but many financial institutions compete for such deposits.

Other financial institutions had already established relationships with these government bodies. When funds were available these financial institutions were called to collect cheques to be placed with the respective institutions. Personal service was necessary as these government bodies do not go to the Bank to place or withdraw deposits.

Besides Government Institutions, the Bank has a total number of 55 lawyer's firms that are operating in Kuala Lumpur, under its panel of lawyers. There are also 16 Insurance companies under its panel.

Some of the lawyers had visited En. Dzani at the branch premises and indicated that they would like to reciprocate business. According to the branch manager of one of EN Banks branch, the deposits from lawyers were substantial. Lawyers could also provide lead for marketing of loan products legal documents pertaining to sales and purchase of properties and other business deals were handled by them.

#### Housing Developer

There were about 37 housing development companies of which EN Bank through its branches had established relationship. Twenty-seven of such companies are currently undertaking housing projects in Selangor and Wilayah Persekutuan of which EN Bank participates by granting End-Financing facilities to buyers.

The buyers could approach any of EN Bank branches and obtain the pre-arranged housing loan facility to finance the purchase. As Salak South branch had only recently been opened, it was therefore necessary for the branch to establish relationship and create awareness of its existence. Customers who reside around Salak South branch could therefore be directed to Salak South branch for such financing.

Most housing developers had already established banking relationships with one or several financial institutions. Thus for any new project these financial institutions were the first being approached for their financing needs. Other financial institutions would only know about the project after it's launching. As for EN Bank Salak South, it was starting with a zero customer base, En. Dzani thought a different approach would therefore be necessary to penetrate the housing loan market.

### Retail and Walk-in Customers

Retailer conducting business within the vicinity and those potential customers residing around Salak South also requires special attention. Especially so when En Dzani's checking with KY Bank that had been operating in that area since 15 years ago revealed that the deposits figure from these retail customers amounted to about RM30 million. En. Dzani was wondering on the amount involved if the deposits with other financial institutions were taken into consideration..

These retail customers are very critical. As Salak South area was once a squatter's area, they enjoy close relationship with each other. Some of the locals whom En Dzani visited confirmed this. Bad services provided by any financial institutions in that area would quickly travel like 'bush fire' through words of mouth.

These locals appreciate a fast and courteous service. En. Dzani thought that there exists an opportunity to reinforce service through excellent customer service. On the other hand there also exist an opportunity to destroy customer relationship with these locals if the service provided are not to their expectations.

### **Branch Organization.**

En Dzani who is heading the branch has had 18 years experience in the banking line. He was formerly with Kwong Yik Bank Berhad. His experiences include being the Assistant Branch Manager of two of the bank branches for 4 years and a branch manager of other two branches in Negeri Sembilan for 2 years respectively. His last posting was in Seremban Branch.

He is being assisted by En. Shukri as the Assistant Branch Manager. En. Shukri was formerly a senior officer of DCB Bank. Although En. Shukri has a total number of 10 years in the banking line. His experience was mostly in the area of auditing and in remittance section. En. Shukri joined EN Bank in March 1996.

In charge of the cash, savings and fixed deposit section was Pn. Zurina. She was formerly an officer with UMBC for at least 5 years. She joined EN Bank in March 1996.

Ms. Lim who is in charge of the remittance and accounting section has a total number of at least 10 years experience in the banking line. She was formerly an officer with DCB where she was promoted from rank and file. She joined EN Bank in April 1996.

En. Harun who had been with EN Bank for the past one year. He is the Customer Service Representative (CSR) for EN Bank Salak South Branch. The concept of CSR was recently formed to ensure that the service of the bank be enhanced as quickly as possible to meet the challenges ahead. CSR concept was drawn to provide the lead in providing excellent service to all customers.

CSR was formed not only to support the services provided by branches but also build up the deposit base of the bank quickly. CSR would provide high value added services to all customers in term of identifying the needs and packaging the bank's products to meet those needs as well as providing quality service.

The role of the CSR is wide ranging with emphasis placed on providing good service to the customers of the bank as well as to help the branches in developing their deposit base. As such CSR would have high level customers contact and therefore, they must possess good interpersonal skills as well as be conversant with the bank's product knowledge and services both in terms of product features as well as in-depth knowledge on the operational procedures. Although most of the time the CSR will be servicing customer in the branch premises, he is also expected to conduct visit to customers. This can be done after banking hours, that is after 3.30 p.m. only.

As a service and sales role model, it is essential that the CSR provides an effective, efficient and courteous service to all customers, regardless of their status.

Heading the Credit & Marketing section was Ms. Anna Yap. Ms. Anna joined the Bank in April 1996. She was formerly with MBB as a credit officer. She had a total number of 10 years experience in the banking line, eight years in branch operation and another 2 years in credit and marketing. She had left MBB in October 1995 and joined a consultant firm as a Conference Manager before joining EN Bank. Most of her dealings were with the owners of Housing Developer's companies. She had contacts with at least 50 Housing Developers all around West Malaysia.

Although all the officers are experienced in their respective field, none of the branch personnel has the exposure or experience in handling trade products.

There were five clerical staffs who have had at least 2 years experience working in other finance company or banks. Although they had the experience working in the banking environment, they were still new to the EN Bank working environment. Close supervision from the officers of the relevant section was necessary.

All the staff had undergone an induction program for two weeks at the Staff Training Center at the Bank's Head Office. The staff were stressed on the importance of customer service as a competitive advantage and how to provide service excellence.

As the Bank is still new and is currently undergoing rapid expansion, all the staff are aware that there exist numerous opportunities for them to rise up the corporate ladder. All the staff are enthusiastic on developing the branch banking business. All the branch personnel were committed to providing excellence service and this commitment was revealed during the branch meeting had recently.

## Products/Services

The Branch Provide a wide range of product and services compatible with all the other Banks operating in the area. The products/services provided were as follows:

### Corporate and Commercial Banking

- Money Usage Products
  - Bridging and End-Financing
  - CGC Loan
  - Fixed Rate Loan
  - Overdraft
  - Project Financing
  - Revolving Credit Facility
  - Share Margin Financing
  - Term Loan
- Trade Products
  - Bank Guarantee
  - Bills purchased/Discounted
  - Bills Receivable
  - BNM Export Credit Refinancing
  - Documentary collection
  - Letters of Credit
  - Shipping Guarantee
  - Trust Receipt Financing

### Retail Banking

- Loans
  - Super Mortgage Housing Loan
  - Overdraft Against Fixed Deposit
  - Share Margin Financing
  - Shophouse/Factory Loan
  - Executive Term Loan

- Deposits
  - Current Account
  - Fixed Deposit Account
  - Savings Account
- Remittances
  - Bankers Cheque/Demand Draft
  - Purchase/Sale of Foreign Currencies
  - Telegraphic Transfer
  - Travelers Cheques
- ATM Services
- Interest-Free Banking Scheme
  - Wadiah Savings Account
  - Mudharabah General Investment Account

The most recent product launched was the Executive Term Loan (ETL). The ETL was targeted at executive who earned at least RM4,000-00 per month or those with combined income of RM4,000-00 for joint application with spouse. This product was useful as a marketing tool to reciprocate business.

The Bank value innovative ideas from its staff. This was reflected in the Bank's mission statement as one of its core values. Realizing that the customer's needs are always changing, the bank's encourage its staff to be innovative in packaging products for the customers.

### **Budget/Pricing**

Management had given branch a total of RM11 million in deposits and RM5 million loans targets to achieve for the next 6 months. The breakdowns in deposits' figures are as follows :

Fixed Deposits	RM7 million
Current Deposits	RM2 million
Saving Deposits	RM2 million

Fixed deposits carries a cost of about 7.05% p.a to the branch, while Saving Deposits about 3.5% p.a. Current deposit carries no cost. The bank's interest rates for deposits as well as loans are competitive as compared to other banks. (Appendix 3.)

For loans' products, interest rates were usually pegged 1% to 4% above the Bank's Base Lending Rate (BLR). The Bank's BLR as at 31/3/96 was 9.05%. If on the average the total loans granted were pegged at 2% above the BLR, for every ringgit of current deposit, the Bank will make a spread or gross profit of 11.05%. From Saving Accounts, a spread of 8.05% and Fixed Deposit accounts, a spread of 4%.

Thus the higher the current deposits balance, the better the profitability of the bank. Current account is most preferred, followed by Savings Accounts and Fixed Deposits.

Preferably, the loans to deposits ratio should be on a 1:1 basis. If however, loan amount is greater than deposits, the branch has to borrow from head office at the rate of about 8.29%. If the deposit figure is greater than the loan, head office will pay branch at the rate of 7.29%. Thus a branch manager has to carefully blend the deposits ratio to achieve optimum profit for the branch.

### **Competition**

Along the Jalan Besar Salak South, the immediate competitor banks operating there were Kwong Yik Bank Berhad and Hong Leong Bank. Kwong Yik Bank Berhad began operation there about 15 years ago. Being the first Bank operating in that area, it commands a sizable market share of deposits and loans' products. The customers of the Bank are also loyal to the bank as they have been banking with the bank long enough to establish a long-term relationship.

Opposite Kwong Yik Bank Berhad was Hong Leong Bank. The Bank began business about a year ago. The premise which Hong Leong Bank operates was once occupied by DCB Bank.

When DCB Bank relocates the branch to a new business area in Taman Sungai Besi, Hong Leong Bank moved in. Some of the DCB Bank's customers who lives around the area moved to Hong Leong Bank.

En. Dzani had visited the Branch Manager of H.L Bank, Mr. Ng, prior to the opening of EBB Salak South Branch. Mr. Ng. informed that his branch was facing manpower shortage problem. Including himself, there were only three officers operating the whole branch covering all areas in operation and credit works. There were times when the branch was left with only one clerk who perform as a teller to attend to customers. These happen when one of his teller was on leave and another teller on sick leave. As a result his officer has to open a workstation and function as a teller.

On many occasions, relief clerks from other branch had to be employed at the branch when new clerks recruited resign from the bank after only about a month with the branch.

This had caused long queues at the counter and caused customer dissatisfaction. Eventually the customers would turn to other banks for their banking needs. It has been extremely difficult to get new clerks to work at the branch. At one time they were successful in filling all the vacancies. That was shortly after the SPM results were announced. Three months later all the recruits resign from the bank to further their studies.

En. Dzani had also spoken to some of the locals within the vicinity before the opening of EN Bank Salak South Branch. Almost all of them complaint of the poor service provided by HL Bank. The tellers seem to be impersonal in their service. They were like robots. They never smile. Many of the locals prefer some personal touch in the service provided to them. The service must be fast and efficient and at least greet them when they turn up to a bank for their banking needs.

As for Kwong Yik Bank Salak South Branch, many of the locals viewed that the service provided is quite slow. Some of them informed that they have to wait in the queue for a considerable long time. They have a big customer base as they have been in operation in that area for a long period of time.

Other Bank operating nearby was DC Bank. When DC Bank moved to a new location in Taman Sungai Besi last year, it had managed to capture a large number of new customers in that area. As a result of the new location, some of its customers who lives or whose business were located around it's old premises turned to HL Bank for their banking needs. In the new area, on several occasions its banking hall was overcrowded.

DC Bank used the number queue system. A customer would come to the Bank premises and obtain a number from a machine. He would then take a sit at the banking hall and wait for his number to be displayed. Many of the locals complained about the system. They prefer the conventional queue system as opposed to the number queue system.

## COMPANY BACKGROUND

En Bank Bhd was previously known as K M Bank. K M Bank was a family owned Bank. The Ling Brothers started the bank in the land of the hornbills -- Sarawak -- on Nov. 4, 1963. The Head Office then was in Sibiu.

Anticipating rapid expansion in Peninsular Malaysia, the Head Office was shifted to the bustling city of Kuala Lumpur in November 1990. Sibiu became the regional office.

On November 6, 1991, Edaran Otomobil Nasional (EON) acquired 5,153,420 ordinary shares that represented 46.85% of the issued and paid-up capital of K M Bank and became the major shareholder. At that time, the Bank had ten branches, that was in:-

Sarawak	Sabah	Peninsular Malsysia
Sibiu	Kota Kinabalu	Jln Tun Perak - KL
Rejang Park - Sibiu		
Kapit		
Limbang		
Miri		
Kuching		
Jalan Pisang - Kuching		