

Agricultural Lending: Marketing Strategies

Strategy	Characteristics	Implications
Mass Marketing	<ul style="list-style-type: none"> • No differentiation by customer; assumes user homogeneity • Only option for a bank that does not segment its market • Bank will have one marketing mix for its entire market 	<p><i>Advantages.</i> Mass marketing creates the largest potential market, which leads to the lowest marketing costs, which in turn can lead to lower prices or higher margins.</p> <p><i>Disadvantages.</i> Strategy is rarely successful because markets are not homogeneous; they are made up of different types of buyers with diverse wants regarding product benefits, price, channels of distribution, and service.</p>
Segment Marketing	<ul style="list-style-type: none"> • Implies ability to segment a market and cater to the varying needs of different segments • Each segment's buyers are assumed to be quite similar in wants and needs. • Bank will tend to concentrate on selected segments that it will seek to dominate • Separate product and marketing programs are developed for each segment • Bank will have several marketing mixes 	<p><i>Advantages.</i> Bank can create a more fine-tuned product/service offering and price it appropriately for the target audience. The choice of distribution and communication channels becomes much easier. The bank may face fewer competitors in particular segments. Risk is lower; even if one segment's profit weakens, the bank can be sustained by other segments. Permits the bank to enjoy certain economies of scale and scope, thus giving the company a cost advantage in each segment in which it competes.</p> <p><i>Disadvantages.</i> Requires more resources and effort to develop separate product/service offerings. The bank must be able to effectively segment its market; if it does not, segment, marketing may be unsuccessful or unnecessarily expensive.</p>
Niche Marketing	<ul style="list-style-type: none"> • The bank serves a group of customers who seek a distinctive mix of benefits • All bank activities are concentrated on a particular market with a view to achieving the strongest position within that market • Implies ability to segment a market and select a profitable segment to serve • Bank will have one marketing mix • Often the best strategy for a smaller bank 	<p><i>Advantages.</i> Niches are fairly small and normally attract few competitors. Because it is focusing on one market segment, the bank should be able to understand its needs and preferences better than anyone else and therefore serve it best. The bank will enjoy a good chance of becoming the supplier of choice to the segment and earn the largest market share and margin.</p> <p><i>Disadvantages.</i> Higher risk; if the segment becomes less populated as consumer preferences shift or attracts too many competitors, all banks in the segment will see profits shrink and those who depend on the segment for their livelihood will have greatest difficulty surviving.</p>