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MEASURING MARKETING PROFITABILITY METRICS OF FIRST GENERATION PRIVATE COMMERCIAL BANKS IN BANGLADESH

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Abstract: *While a lot has been said about the Financial Profitability, not much has been said about the concept of Marketing Profitability for commercial banks. This paper introduces the Marketing Profitability Metrics (MPM) for the evaluation of Bank's Marketing Performance. One of the greatest challenges for marketing and brand managers is to quantify the financial return from marketing activities. Therefore, this paper exposes the quantification of marketing profitability Metrics and examines the influences of its contents on Banks' profitability. First generation of Private Commercial banks in Bangladesh have been considered for this study. Data have been collected from Bank's Annual reports and analyzed by using the SPSS software. Correlation analysis has been conducted to establish the nature of relationship among MPM, NP (Net Profit) and OP (Operating profit) of Banks. Positive Relationship has been found between NMC (Net Marketing Contribution) and OP. This study has also found the positive relationship between NMC and Net Profit (NP).*

Keywords: *Commercial Banks, MPM, NMC, MROI, MROS, NP, OP*

JEL Classification: *M31; G21*

INTRODUCTION

The performance of 'Marketing Profitability' for the financial institutions cannot easily be quantified due to the marketing practice. The selling of financial products and services is in many ways far more complex than the selling of manufacturing products. Lebas and Euske (2002) provide a good definition of performance as "doing today what will lead to measured value outcomes tomorrow". Performance relates to profit maximization which is a key objective in most commercial establishments. Empirical evidence suggest that other objectives (Gross and Net profit ratios, Return on Investment, Return on Equity, Earning per share, Dividend per share, and Price Earnings Ratios); normally perform a peripheral role to the profit goal (Pandey, 2006).Commercial banks also use the same ratios to clarify their profit performance indicators, where marketing performance is yet to discover on the basis of those ratios. Marketing has always been a grueling and competitive sport. What was already difficult is

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becoming increasingly difficult. If you're going to do it without measurement, it's like running a marathon, in an earthquake, blindfolded (Raab, 2010). Therefore, Marketing has a responsibility to measure the performance of investment in marketing and sales strategies.

Marketing is broadly defined here as what the whole company does to achieve customer preference and, thereby, its own goals (Webster, 1992). Accordingly, every bank has some interest in assessing marketing performance in this sense. Thus, the usage of marketing metrics has been increasingly reported (e.g., Shaw, 1998 and Ambler, 2000). The problem is that most of the metrics used to assess the outcomes of marketing activities are tactical and not directly relevant to the overall financial performance of the firm (Lehmann, 2004). The financial connection of marketing metrics has been associated with financial consequences, especially, elements of firm value (Ambler et al., 2004). Without discovering the financial connectivity of marketing operations, it is difficult to measure the Marketing Profitability of banks. The financial stream on measuring profitability derived from marketing function pays more attention to objective measures, and less to the subjective measures of the consumer perception stream. Simon and Sullivan (1993) used financial data showing the profits stemming from the brand and thus estimating the firm's overall brand equity. By this reference, using financial date is justified to calculate the contribution of Marketing. This study discovers the financial connectivity of MPM for measuring performance of marketing operations in the banking industry.

LITERATURE REVIEW

The concept of Marketing in the banking industry had taken after 1950 in western countries (Önce, 2013). "Perhaps no other concept in marketing's short history has proven as stubbornly resistant to conceptualization, definition or application as that of marketing performance (Bonoma and Clark, 1988)". Previous literature (e.g., Ittner and Larcker, 1998; Kaplan and Norton, 1992) cites increasing dissatisfaction with these traditional metrics. Conventional measures of productivity tend to be historical and do not provide information that can be used to assess the long-term future performance of the firm (Ittner and Larcker, 1998). While historical measurement of performance may be better than none, it does not allow for the assessment of impact that may take some time to resonate. The past performance of a firm is no predictor of future performance, thus historical measures have limited usefulness. Bayon et al. in 2002 discussed the failure history of accounting metrics that reflects the value of the intangible assets held by a firm and can be misleading and out of step with the skills and competencies used and required by the knowledge-intensive businesses of today (Kaplan and Nortorn, 1992). Today intangible assets are worth, on average, 69% of the firm's total market value as compared to 17% in 1978 (Sawhney and Zabin, 2002). If firms are to move away from considering marketing as an expense toward marketing as an investment, then it makes sense that returns on marketing need to be captured in a longer-term context (Seggie et al., 2007).

Practitioners and academics have shown increasing interest in the assessment of marketing performance (Clark, 1999; Marketing Week, 2001; Schultz, 2000; Shaw and Mazur, 1997). For a long time now (1997-2006), the Marketing Science Institute (MSI) has identified marketing metrics and marketing productivity as one of its top research priorities. Their study domain had included various aspects such as assessing marketing ROI, linking internal marketing program metrics (e.g., awareness) to external financial metrics (e.g., ROI), the valuation of customers, the valuation of brands, the valuation of innovation, measuring short-term and long-term effects of marketing spend, and global/international metrics and measures. The need for demonstrating the financial consequences of marketing expenditures has also been echoed widely at the Chief Marketing Officers (CMO) Summit jointly hosted by MSI, (Wharton and McKinsey 2002 and 2003 respectively). The Marketing Science Institute has raised marketing metrics to become its leading capital research project (MSI 2002). Extant research documents that marketing strategies, such as focus on customer retention (Reinartz and Kumar, 2003), innovation propensity (Roberts, 2001), strategic differentiation (Veliyath and Farris, 1997), and diversification into related businesses and geographical markets mitigate risk by reducing earnings volatility. Interbrand’s focus on linking brand strength to lower cost of capital is more normative than descriptive (Interbrand, 2004).

O'Sullivan and Abela (2007) identify three branches of marketing performance research. These are measurement of market productivity, identification of metrics in use and measurement of brand equity. This study focuses their second stream of research. Given the high and increasing value of intangible assets, it is clear that marketing investments and the resulting assets (brands, customers, and channels) play an important role in determining a company’s performance and financial value (Mylonakis, 2008).

The existing review of literature only assesses the qualitative measurements of first generation private commercial banks. The quantitative measures using profitability metrics and marketing contribution on sales are hardly found. This paper will fulfill this gap

OBJECTIVES

The specific objectives of this paper are twofold.

1. To develop the quantitative measure of Marketing Performance by the usage of term ‘Marketing Profitability Metrics’ include ‘Net Marketing Contribution (NMC), Marketing Return on Investment (MROI) and Marketing Return on Sales (MROS).

2. To identify the relationship among these metrics with Operating Profit (OP) and Net Profit (NP) of first generation commercial banks in Bangladesh.

METHODOLOGY

For this study, Annual audited reports (2008 to 2012) of all first generation commercial banks (Banks incorporated from the period of 1971-1990) of Bangladesh have been considered except ICB Islamic Bank Limited, since; this bank hasn't been consistent in their profitability for the last five years. Most Marketing metrics found from literature are external performance metrics and forward looking performance metrics. The three marketing profitability metrics, however, are internal performance metrics that should be derived from audited financial statement of banks. The contained data of financial statement is reviewed and audited by the accountancy for accuracy. Most data collection activity in the market today is driven by trends of specific brands and markets, not in measuring marketing inputs and output writ large (Stewart, 2008). For this reason, raw data are not, in themselves, of much use for marketing planning and measurement of outcome. As practiced in the commercial sector, however, data, reliability and validity are often assumed. The Cronbach's alpha of 0.739 shows that all the variables (NMC, MROS, MROI, NP, OP), are highly reliable. Some standards of this paper include: **(a)** Full data set that has been collected from Annual reports of banks, **(b)** Subsidiaries of banks are not considered in this study, **(c)** Interest income is considered as 'Sales Revenue' of bank in the sense of Marketing, and **(d)** Advertising and Publicity are considered only as marketing related investment for the bank.

MARKETING PROFITABILITY METRICS

Financial Accountability:

At a time when firms are cutting costs, it is essential for all functional disciplines within the firm to be financially accountable. Without measurement it is impossible to be accountable. So firms should measure marketing which makes marketing more accountable and discourage short-termism by focusing on measures like brand contribution (Ambler, 2000). It is one of the inspired sources for computing the Net Marketing Contribution (NMC) in my study. Measuring the return on marketing, it is essential to treat marketing expenditures as an investment (Schultz and Gronstedt, 1997).Traditionally many firms have viewed marketing as a short-term expense (Rust et al., 2004) to be indulged when finances are plentiful, and cut in times of hardship. However, only through treating marketing expenditures as an investment can marketing be compared to other tangible and intangible assets enabling the marketing function to play a role in the strategy of the firm (Schultz and Gronstedt, 1997).

Although some techniques exist for evaluating the financial return from particular marketing expenditures (e.g., advertising, direct mailings, sales promotion) given a longitudinal history of expenditures (for a review, see Berger et al., 2002), the approaches have yet to apply practically in the banking industry. Furthermore, the requirement of a lengthy history of longitudinal data has made the application of return on investment (ROI) models fairly rare in marketing. As a result, top management has too often viewed marketing expenditures as short-term costs rather than long-term investments and as financially unaccountable (Schultz and Gronstedt, 1997). Leading marketing companies consider this problem so important that the Marketing Science Institute has established its highest priority for 2002–2004 as “Assessing Marketing Productivity (Return on Marketing) and Marketing Metrics.”

Why Marketing Profitability Metrics should be addressed:

Marketing needs MPM to demonstrate its performance as well as take a more responsible role in managing profits and profitable growth. It has also a responsibility to account for investment in marketing and interest sales strategies for a Bank. Therefore, the Standard set of Marketing Profitability metrics should be addressed to assess the outcome of marketing activities have the potential to facilitate and improve a variety of management decisions. In the opinion of Stewart (2008), these decisions are: **(a)** optimization of resources in such activities as media planning and design of the marketing mix, **(b)** forecasting, including both forward forecasting and the analysis of various “what if” scenarios, and **(c)** the assessment of financial return and return on investment.

Financial Linkage of Marketing Profitability Metrics:

On limited occasions in the past, researchers have been able to establish a link between marketing metrics and its financial consequence to the firm (Rajendra et al., 2006). When you talk about marketing spending, other executives think of costs and profit loss. When you talk about future results, they think of revenue and growth. To formulate accurate forecasts, sales and marketing must sit together at the revenue table. CEOs and boards their opinion in *‘Definitive Guide to Marketing Metrics and Analytics, 2011’* that they don’t care about 99% of the metrics that marketers track – but they do care about revenue and profit growth. As per their discussion, there are two primary categories of financial metrics that directly affect revenue and profits: **(a)** Revenue Metrics: Marketing’s aggregate impact on company revenue. **(b)** Marketing Program Performance Metrics: The incremental contribution of individual marketing programs

There are many other areas of marketing metrics that are not addressed directly in this Guide. These include: **(a)** Customer Profitability: Lifetime value of an incremental customer, **(b)** Web Analytics: Measures Web visibility to target audiences against potential audiences, and compares against industry and competitor benchmarks, **(c)** Public Relations: Measures views and impact of corporate communications initiatives, **(d)** Product Performance: Comparatively measures the total sales and margins of individual products, **(e)** Brand Preference and Health: Assesses brand preference in relation to preference for competing brands, and **(f)** Sales Tool Usage: Measures which product marketing materials are being used the most and many other areas…

This is not to imply that these metrics are not important for marketers to track – just that they are likely to be less relevant to financially focused executives outside of marketing. The link between traditional marketing metrics and the financial performance of the firm is seldom explicit (Rust et al., 2004). Srivastava and Reibstein (2005) note that "pressure is being placed on marketing to justify expenditures and to translate their measures into financial outcomes, which is the language used by the rest of the firm."

Best (2010) made some comparison language between Financial Metrics and Marketing Metrics that are given in following Table 01.

Table 01: Financial Metrics and Marketing Metrics

FINANCIAL METRICS	MARKETING METRICS
Profit Metrics	***Market Metrics***
Gross Profit	Market Growth Rate
Return on Sales	Market Share
Return on Assets	Market Development Index
Expenses Metrics	***Customer Metrics***
Marketing & Sales Expense	Customer Satisfaction
General Administration	Customer Retention
Other Expenses	Lifetime Customer Value
Asset Management Metrics	***Competitiveness Metrics***
Sales to Asset Ratio	Product Performance
Accounts Receivable	Service Quality
Capacity Utilization	Customer Value
Shareholder Metrics	***Marketing Profitability Metrics***
Return on Equity	Net Marketing Contribution
Return on Capital	Marketing Return on Investment
Earnings per share	Marketing Return on Sales

Source: White Paper by Dr. Roger J. Best (2010)

Measuring Marketing Profitability Metrics:

Most companies recognize the need for marketing metrics and the potential benefit they provide, but they struggle where to get started. A 2010 survey of 400 companies found that 75 percent recognized the need for marketing metrics, but only 25 percent had implemented a marketing metrics program. The need for marketing metrics and how it can be used to measure and manage marketing performance is addressed by Dr. Roger J. Best in 2010.

Net Marketing Contribution (NMC): Revell (1980) utilizes interest margin as a performance measure for U.S commercial banks and defines interest margin as the difference between interest income and expense divided by total assets. Marketing profitability is based on an investment in marketing and sales required to achieve certain levels of sales and gross margins. Apple's net marketing contribution had a high correlation (.94) with operating income from 1999 to 2009. Apple's net profit was also influenced by its net marketing contribution. Net marketing contribution is a financial measure of marketing profitability and is computed as shown below with example:

Net Marketing Contribution	=	Sales Revenues	x	Percent Gross Margin	-	Marketing & Sales Expenses

Apple's net marketing contribution in 2009 was $10 billion, as shown below:

Net Marketing	=	$36.54 billion	x	36% - $3.12 billion
Contribution	=	$13.15 billion	-	$3.12 billion
	=	$10 billion		

Net Marketing Contribution in products is calculated by "NMC = Net sales – Cost of goods sold – Marketing Expenses" (Kotler and Armstrong, 2013), I would like to propose NMC calculation for financial institution as *Net Marketing Contribution (NMC) = Net Interest Income (Interest Income/Profit on Investment – Interest/Profit paid on deposits and Borrowings, etc) – Marketing Expenditure (Advertisement & Publicity)* and the calculation of NMC for First Generation Commercial banks in Bangladesh is given in Table 02.

Interest Income as Sales Revenue: Revenues from a business's primary activities are reported as sales, sales revenue or net sales. This includes product returns and discounts for early payment of invoices. All companies need to sell to accurate benefits that help the company to grow and survive and banks are not an exception. If we search in any dictionary for a definition of sale, we can find something like: "the exchange of goods or services for an amount of money or its equivalent" (Dictionary.com, 2010). Most businesses also have revenue that is incidental to the business's primary activities, such as different charges earned from services. This is included in revenue but not included in net sales. Sales revenue does not include sales tax collected by the business.

Bank's Interest Revenue is placed at Income statement of Bank's Annual Report as separate from Investment Revenue and Other revenue. Defining other revenue (non-operating revenue) is a revenue from peripheral (non-core) operations. For example, a company that manufactures and sells automobiles would record the revenue from the sale of an automobile as "regular" revenue. If that same company also rented a portion of one of its buildings, it would record that revenue as "other revenue" and disclose it separately on its income statement to show that it is from something other than its core operations.

Money income from activities those are ordinary for a particular corporation, company, partnership, or sole-proprietorship. For some businesses, such as manufacturing and/or grocery, most revenue is from the sale of goods. Service businesses such as law firms and barber shops receive most of their revenue from rendering services. Lending businesses such as car rentals and banks receive most of their revenue from fees and interest generated by lending assets to other organizations or individuals.

Advertising and Publicity as Marketing Expense: 'Advertising and Publicity' counted as marketing expenses for measuring the Bank's marketing contribution. Best (2010) opined that Marketing Expense should not include general administration expenses, R&D expenses or other expenses unrelated to the marketing & sales of company products. Therefore, MROI can be higher even in less investment on Marketing Expense as Advertising & Publicity. This statement of 'Roger' has been proved in my study at Table 01.

Financial advertising includes advertising performed by banks, financial institutions, insurance companies and investment companies. Most banking institutions address their advertising to holders of small accounts, thus, selecting to advertise their products and services mainly through mass media outlets (Mylonakis, 2008). A recent study (Merino et al., 2006) demonstrates the impact of long-term advertising on both short term performance (ROA), risk (volatility of ROA) and long-term intangible value (Tobin's Q).

Perhaps no marketing activity has been under greater pressure to demonstrate its contribution to firm value than advertising. While advertisers focus heavily measures such as awareness, the finance manager might be concerned with what a point of awareness means in terms of financial consequences. Many studies that assess the value of advertising have shown a negative return (Lodish et al., 1995). In retrospect, this is not very surprising, while the effects of advertising are typically long term (Dekimpe et al., 2004). This temporal separation of the returns as illustrated by the case of advertising becomes a cause for concern when the returns do not get accounted in the appropriate fashion.

Advertising may be used initially to build awareness and encourage usage, ultimately building a meaningful customer relationship. This relationship could later be leveraged to make future advertising allocations more productive

(Boulding et al., 1994 and Srivastava et al., 1998).This multi-period impact implies that while the costs are expensed in the period they are incurred, the longer-term benefits logically suggest that they should be treated as investments and amortized over time. That is, some proportion of advertising might be considered as `investment advertising,' while the rest might be considered as 'maintenance advertising,' a recurring expense (Srivastava et al., 2006).

Table 02: Estimated NMC of Banks in different Years (Taka in Million)

	2008	2009	2010	2011	2012
Arab Bangladesh Bank Ltd. (AB)	2,010	2,856	3,430	2,354	3,080
International Finance Investment & Commerce Bank Ltd. (IFIC)	**1,146**	**1,080**	2,055	**1,978**	2,757
The City Bank Ltd. (City)	1,445	1,932	3,375	4,221	4,626
Islami Bank Bangladesh Ltd. (IBBL)	**7,342**	**8,263**	**10,234**	**13,540**	**17,684**
United Commercial Bank Ltd. (UCBL)	1,963	2,567	3,764	5,058	6,530
Uttara Bank Ltd. (UB)	1,875	1,691	**1,870**	2,445	**1,711**
National Bank Limited (NBL)	2,147	2,451	3,917	5,208	5,408
Pubali Bank Ltd. (PBL)	3,954	4,256	5,162	6,258	7,384

* Bold Indicates either Highest Value or Lowest Value

Marketing Return on Investment (MROI): Marketing ROI is another important marketing profitability metric. Most marketing literature and practice have tended to rely on ROI (or, MROI, where the "M" stand for "Marketing") in a more generic sense as a means of outcome measurement. There are simple reasons to believe that the development and use of effective measures of return on marketing investment can produce greater returns for the firm while reducing total current marketing costs. The returns and cost savings obtained by firms that have successfully embraced the continuous quality improvement movement give us confidence that similar attention to the role of marketing in contributing to the financial performance of the firm will produce significant returns. While there are many marketing metrics that may be useful for diagnostic and tactical purposes, MROI is ultimately about economic outcomes, i.e., financial results. Only measures that can be linked to financial results will be credible because the firm is required to report its results in financial terms.

Relationships among marketing activities, with specific measures of outcomes, gauge financial results and provide justification for management decisions. Again, the influence of Sarbanes-Oxley will encourage this type of accountability, as marketers will increasingly be required to justify their expenditure in terms of ROI, like the rest of corporation. The validity of such forecasts will largely depend on the integrity of the data used to make them. It is simply the net marketing contribution divided by marketing and sales expenses. When Apple's 2009 NMC of $10 billion is divided by their $3.12 billion investment in marketing and sales (M & SE), a Marketing ROI of 325 percent is produced. This means that Apple strategies collectively produced $3.25 in net marketing contribution for every dollar invested in marketing and sales.

Marketing ROI = Net Marketing Contribution / Marketing & Sales Expenses

= $10.03 billion / $3.12 billion

= 325%

Often, marketing ROI models show ridiculously high returns because they don't incorporate all relevant variable and semi-variable costs like Staff costs for marketing departments, travel expenses and the cost of sales' time. Seventy-six percent (76%) of B2B marketing professionals agree or strongly agree that their "ability to track marketing ROI gives marketing more respect." (Forrester Research). According to a 2010 Lenskold Group / emedia Lead Generation Marketing ROI Study, the number one metric used by lead generation marketers is lead quantity, whereas barely half of marketers measure lead quality.

MROI must be an inherently financial construct (David, 2008). No measure or measurement system is complete without a specific link to financial performance. He explains some important contributions in his paper that helps to create the perception of MROI necessity. MROI contributes to economic outcome and impact of marketing actions. Return, risk, the time value of money and the cost of capital are reflected by MROI. It has also the ability to recognize the short time effect of marketing actions and long term outcomes. Few other important contributions of MROI are sound decision making, accountability, continuous improvement, and transparency for all stakeholders. Here I would like to propose the computation of Marketing Return on Investment (MROI) for the banking industry as *MROI = Net Marketing Contribution / Marketing Expenditure* and the calculation of MROI for first generation commercial banks in Bangladesh is given in Table 03.

Table 03: Estimated MROI of Banks in different Years (2008-2012)

Marketing Return on Investment (MROI)					
	2008	**2009**	**2010**	**2011**	**2012**
AB	9736.83%	5441.80%	6593.76%	5887.30%	7298.40%
IFIC	5136.62%	4980.59%	9751.78%	6615.12%	5698.93%
City	**2353.32%**	**1385.33%**	**1697.49%**	**2139.74%**	**3202.64%**
IBBL	18618.23%	**27270.16%**	**17056.69%**	17430.87%	15086.40%
UCBL	4580.75%	5098.95%	5307.37%	5576.08%	7806.42%
UB	**22612.27%**	15244.79%	15352.48%	**21314.15%**	11323.35%
NBL	4649.02%	3855.73%	7502.39%	13573.16%	**34952.79%**
PBL	13543.95%	12022.72%	10041.53%	11235.31%	11065.98%

* Bold Indicates either Highest Value or Lowest Value

Marketing Return on Sales (MROS): According to the idea of Best (2010), Marketing activity is easy to see and measure (costs going out the door), but marketing results are hard to measure. In contrast, sales activity is hard to measure, but sales results (revenue coming in) are easy to measure. Ratio metrics allow businesses to compare their performance to other companies, as well as other business segments within the organization. Marketing ROS is a simple marketing profitability metric that allows a business to compare performance across their organization as well as other publicly traded companies. Marketing ROS (MROS) for Apple's 2009 is calculated as follows:

Marketing ROS = Net Marketing Contribution / Sales

= $10.03 billion / $36.54 billion

= 27.5%

So here I would like to propose also the computation of Marketing Return on Sales (MROS) for the financial institution in Bangladesh as *MROS = Net Marketing Contribution / Total Interest Income* and the calculation of MROS is shown in Table 04.

Table 04: Estimated MROI of Banks in different Years (2008-2012)

Marketing Return on Sales (MROS)					
	2008	**2009**	**2010**	**2011**	**2012**
AB	**27.29%**	31.56%	**34.85%**	**18.35%**	**19.60%**
IFIC	32.61%	**27.90%**	50.85%	29.72%	26.40%
City	30.95%	33.63%	47.60%	44.83%	37.17%
IBBL	37.57%	38.67%	41.32%	42.29%	40.49%
UCBL	34.19%	36.85%	39.67%	32.95%	30.63%
UB	45.92%	37.64%	35.62%	37.02%	20.84%
NBL	37.09%	34.99%	41.20%	36.08%	28.31%
PBL	**58.12%**	**52.82%**	**57.33%**	**51.96%**	**44.17%**

* Bold Indicates either Highest Value or Lowest Value

ANALYSIS AND FINDINGS

Correlation analysis has been conducted among Net Profit (NP), Operating Profit (OP) and computed Net Marketing Contribution (NMC). Table 05 shows that Correlation coefficient is 0.899 between OP and NMC as well as 0.634 between NP and NMC. Whereas coefficient is greater than 0.8 considered as good (Malhotra and Birks, 2006). The calculation of OP, NP, NMC (Table 08 and Table 09) and the rank of Banks' performance (Table 10) have been conducted by using 5 years (2008 to 2012) average data.

Table 05: Correlation among NMC, OP & NP

		NMC	**OP**	**NP**
NMC	Pearson Correlation Sig. (2-tailed) N	1 40	0.899** 0.000 40	0.634** 0.000 40
OP	Pearson Correlation Sig. (2-tailed) N	0.899** 0.000 40	1 40	0.872** 0.000 40
NP	Pearson Correlation Sig. (2-tailed) N	0.634** 0.000 30	0.872** 0.000 30	1 30

** Correlation is significant at the 0.01 level (2-tailed).

Correlation between OP and NMC (Figure 01) shows that there is a positive relationship between these two variables. Also R-square (0.808) from Table 06 shows that these variables are strongly associated.

Figure 01: Operating Profit and Net Marketing Contribution

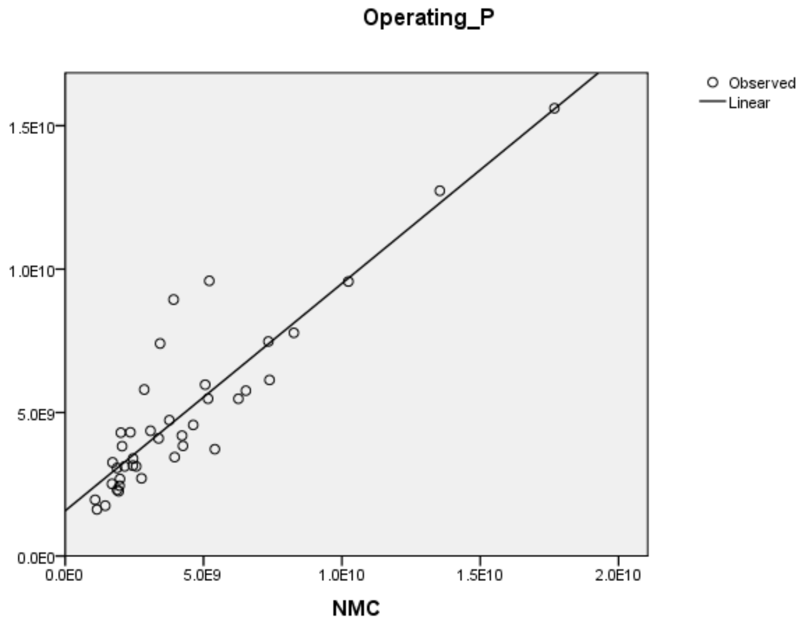

Table 06: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.899[a]	.808	.803	1.335E9

a. Predictors: (Constant), NMC

b. Predicted Variable: (Operating Profit) OP

Correlation between NP and NMC (Figure 02) shows that there is a positive relationship between these two variables. R-square (0.402) from Table 07 shows that these variables are also strongly associated.

Figure 02: Correlation between NP and NMC

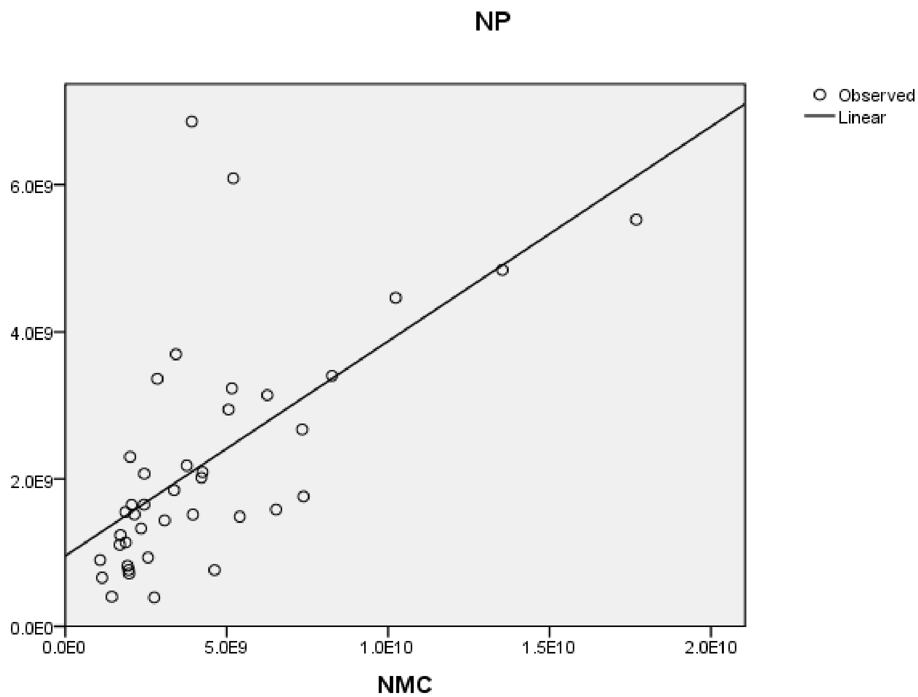

Table 07: Model Summary (between NMC and OP)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.634[a]	.402	.387	1.229E9

a. Predictors: (Constant), NMC

b. Predicted Variable: (Net Profit) NP

In figure 03, X axis shows comparison categories (OP and NMC) and Y axis shows amount (Taka in million). Here IBBL has the highest value in both OP and NMC. The average OP and NMC has also been calculated in Table 08.

Figure 03: Average OP and NMC of last Five Years (2008-2012)

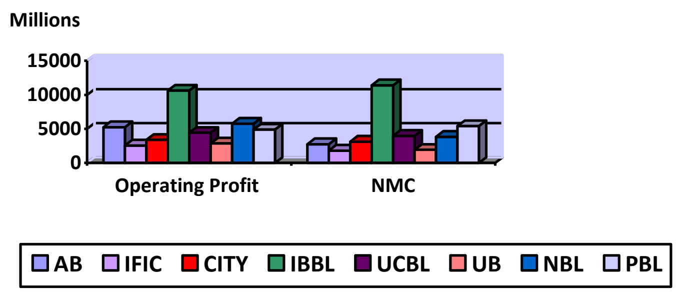

Table 08: Average OP and NMC of last Five years (2008-2012)

(Taka in Million)

	AB	IFIC	CITY	IBBL	UCBL	UB	NBL	PBL
OP	5,237	**2,560**	3,375	**10,634**	4,409	2,860	5,756	4,877
NMC	2,746	**1,803**	3,119	**11,413**	3,977	1,918	3,826	5,403

* Bold Indicates either Highest Value or Lowest Value

IBBL also keeps the highest position in NP and NMC (Figure 4), where X axis shows comparison categories (NP and NMC) and Y axis shows amount (Taka in million). The average NP and NMC for the last five years has been calculated in Table 09.

Figure 04: Average NP and NMC of last Five Years (2008-2010)

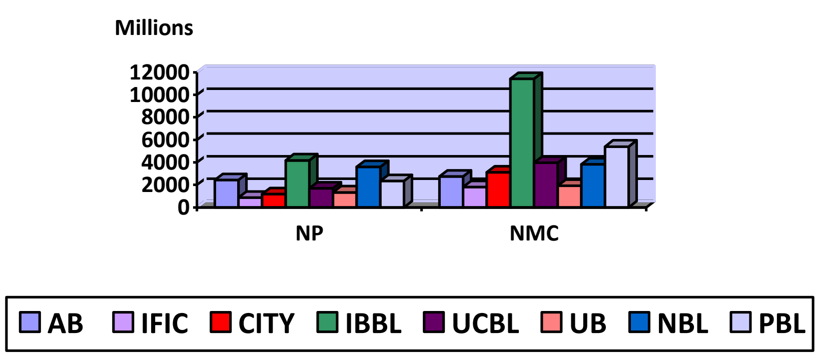

Table 09: Average NP and NMC of last five years (2008-2012)
(Taka in Million)

	AB	IFIC	CITY	IBBL	UCBL	UB	NBL	PBL
NP	2,425	**861**	1,169	**4,181**	1,682	1,336	3,604	2,348
NMC	2,746	**1,803**	3,119	**11,413**	3,977	1,918	3,826	5,403

* Bold Indicates either Highest Value or Lowest Value

Considering Figure 03 and Figure 04, we can conclude that IBBL has the highest histogram bar among all the case of NP, OP and NMC. On the other hand, 'International Finance Investment and Commerce Bank Limited' (IFIC) has the lowest bar in all cases compared to other First generation commercial banks in Bangladesh.

In the issue of MROI, IBBL holds the first position and City Bank is the lowest shown in Table 10. It is also noted that PBL holds the first position and AB bank has the lowest position in the case of MROS. Considering the top three positions, NMC shows the name of IBBL, PBL and UCBL respectively, MROI shows IBBL, UB and PBL respectively, and MROS shows PBL, IBBL and City Bank respectively.

Table 10: Bank's Position considering Average NP, OP, NMC, MROI and MROS from 2008 to 2012

	NP	OP	NMC	MROI	MROS
First	**IBBL**	**IBBL**	**IBBL**	**IBBL**	**PBL**
Second	NBL	NBL	PBL	UB	IBBL
Third	AB	AB	UCBL	PBL	City
Fourth	PBL	PBL	NBL	NBL	NBL
Fifth	UCBL	UCBL	City	AB	UB
Sixth	UB	City	AB	IFIC	UCBL
Seventh	City	UB	UB	UCBL	IFIC
Eighth	**IFIC**	**IFIC**	**IFIC**	**City**	**AB**

RECOMMENDATIONS

The quantification of Marketing Profitability Metrics has been valued by extracted data from annual report of first generation commercial banks in Bangladesh. The computation of this metrics can create the more accuracy of Bank’s Marketing Performance. Results and techniques of this computation can be a new opportunity to track the marketing related input and output for the banks. This approach may have significant application for decision making. This study recommends that the study of Marketing Profitability should be concerned more along with Financial Probability.

CONCLUSION

Despite the earnings of bank from different sources, the core function for the bank is to sell their interest by manufacturing deposited money that they can arrange by the effort of marketing investment. Different banks may have different concepts for selling their interest and capitalizing customer’s idle money. They may have also different strategies even in the case of target customer. Few perceptions are digested over the market that the cost of Advertisement is not influential for the customer of few banks like Islami Bank IBBL, Pubali Bank Limited (PBL) which was nationalized in 1972, etc. Since customer does not make any transaction by observing bank’s marketing related activities. Customer would rather go for transaction on the basis of trust and bank’s philosophy. It is true but the trust and bank’s own philosophy will never build in a day even in a year. We can never create a strong brand without having an identical position of attributes, benefits, beliefs and values. For creating a unique position in customer mind, we have to go for huge promotion like Advertisement and Publicity. No banks can get the result of marketing expense like advertising in a particular income year. In fact, it has been noted in marketing that marketing actions, such as advertising and promotion, have both a short-term and long-term effect on firm sales (Jedidi et al., 1999). In today, every commercial bank is more conscious regarding their investment in Advertising and Publicity. This study has shown that IBBL is the third and PBL is the fourth in position at the cost of Advertisement among the comparison of Eight Banks, although most of the target customers of IBBL and PBL are relatively lower class and lower middle class. This study does not permit to conclude that both of these banks need not to focus marketing related investment like Advertisement. The quantification of Marketing Profitability Metrics based on public perception may change even in within a second due to the volatility of customers’ perception. Therefore, Banks should focus on Marketing Profitability by analyzing their financial data so that decision makers could rely for the justification of their investment. The calculated way of MPM can be debated further in future study. But it is necessary to establish the way out of this approach in the field of Marketing for decision making efficiently more than earlier. The contribution of this study will be successful if banks realize the necessary of computing Marketing Profitability metrics.

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