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Service Marketing Mix with Special Reference to Indian Banking

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Abstract

Bank marketing deals with providing services to satisfy customers' financial needs and wants. To satisfy these financial needs, customers want specific services. Service marketing mix plays an important role in bank marketing. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the markets. This paper discusses elements of service marketing mix; product, price, place, promotion, people, process and physical evidence in Indian banking and explores that price fairness and transparency, distributing banking services in convenient way, behavior of employees, customers' education, tangibility and process through technology play important role in differentiating banking services from its competitors.

Keywords:

Bank Marketing, Service Marketing Mix, India

Introduction

The services sector is the most significant sector, which contributes maximum to the GDP in Indian economy. Among fast growing developing countries, India is distinctive for the role of its service sector. Although there are other emerging markets where the share of services in GDP exceeds the share of manufacturing, India stands out for the size and dynamism of its services sector. The share of services in India's GDP increased rapidly from 30.5 per cent in 1950-51 to 55.2 per cent in 2009-10. If construction sector is also included, the share increases to 63.4 per cent in 2009-10 (Economic Survey 2010-11).

In India, the banking sector is a central component of services sector. Banks are the most common institutions for transfer of funds and investments. Prior to economic liberalisation, public sector banks enjoyed a monopoly over market due to protectionist policies of the government. The liberalization policy of the Government of India in 1991 permitted entry to foreign and private banks in the banking industry, leading to increased competition. Because of increased competition, banks are exploring marketing strategies to differentiate their services from their competitors. For designing effective marketing strategies, knowledge of service marketing mix is essential. This paper examines the role of service marketing mix (product, price, place, promotion, people, process and physical evidence) in Indian banking sector.

Service Marketing Mix

Bank marketing deals with providing services to satisfy customers' financial needs and wants. To satisfy these financial needs, customers want specific services. All the techniques and strategies of marketing are used so that ultimately they induce the people to do business with a particular bank. This requires satisfaction of customers. Traditional marketing mix can not be responsible for the total marketing function of a service organization like banks. It requires all elements of service marketing mix. Service marketing mix plays an important role in bank marketing. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the markets. It helps in differentiating services of a particular bank from its competitors.

Product

Core product is core benefit that a customer is buying while purchasing a product. According to Lovelock and Wirtz (2006), the core product is a vital constituent of the services offering and basically addresses two questions; first, "what do the buyers get when they purchase the product" and "what business are we in"? Schneider and Bowen (1995) also argued that fancy facilities, modern equipment, stylish uniforms and terrific signs can never countervail for bad/mediocre food, poor financial advice, an inappropriate will, or lousy music. Hauser and Clausing (1988) also demonstrated the influence of diverse product (or service) attributes on customers' perceptions. The quality of this core product largely influences and sometimes may be the ultimate determinant of the overall service quality from the viewpoint of the customers (Schneider & Bowen, 1995).

In the banking sector, the core products are 'deposits' and 'advances'. All the banks have these two main products and differentiation of banking services with reference to core product is difficult to achieve. Banks differentiate their services on the basis of value added services which mainly cover information technology based services. And, customer has to be tech-savvy for availing these value added services. Some example of value added services are: mobile banking, mobile and DTH (Direct to Home) recharge through internet banking, electronic fund transfer, etc.

Price

Zeithaml (1988) has defined price as "what is given up or sacrificed to obtain a product". Jacoby & Olson (1977) defined objective price as the actual price of a product/ service. Perceived price was defined according to Zeithaml (1988) as the price that is encoded by the consumer. Chang and Wildt (1994) defined perceived price as the consumers' perceptual representation or subjective perception of the objective price of the product / service. Price perceptions are formed in relation to internal reference prices; the theoretical justification for which can be found in prospect theory (Varkie and Colgate 2001), that explains that losses or sacrifices are encoded by consumers with respect to internal reference points (Thaler 1985). According to Biswas and Blair (1991) consumers recognize prices as high or low, depending on their internal reference points, which are established either by exposure to competitive prices or past prices.

Price in banking sector means interest rate and service charges. Prices are being controlled by RBI in banking sector but limited deregulation has allowed banks to differentiate their services on the basis of differential interest rates. Due to complexity of pricing structure in loans, maintaining transparency without hidden charges is an essential prerequisite for differentiating bank services.

According to Dutta and Dutta (2009), for Indian banking services evaluation, there is not much differentiation in the price (due to regulations by RBI). Therefore, the main differentiator for banking service evaluation would be ServQual dimensions, systematization of services, servicescape and social responsibility (Dutta and Dutta, 2009). It implies that price is not important in Indian banking industry. But, Associated Chambers of Commerce and Industry of India (2009) survey on growth and emergence of public and private sector banks in India reveals that private sector banks are not preferred for traditional items, such as loans, as their offers are difficult to understand and perceived rate of interest is high, whereas public sector banks are perceived more reliable with lower rates of interest. In Indian banking industry where differentiation is not much in terms of prices, it is required to be fair and transparent without hidden charges.

Place

Place in banking services means providing banking services at right time in convenient way. Inseparability of production and consumption is the most intriguing characteristic of services. Service provider's physical connection to the service, the customer's involvement in the service production process and involvement of other customers in the service production process create challenges for service provider. As income of people is rising, there is inclination towards convenience related services. Growing demand of laundry services, housekeeping, home delivery grocery outlets are some example of services that reflect convenience orientation of people.

When customers can't go to service provider to buy services due to time or location, they are provided services through home delivery. While reserving a seat in advance, customer may expect convenience from the reservation service provider. Similarly bank customer may expect proximity of ATM or bank branch while withdrawing money or 24X7 hrs. facility for electronic transactions. Banking services delivered via the Internet, mobile phone interface, voice response system, call center, automatic teller machines and via face to face in a branch or visit at customer's home not only have various cost implications for bank but also drastically affects the nature of service experience for the customer. If more complexity is associated with a service purchase, customers prefer face to face interaction with service provider.

For availing loan service, customers have to rely on personal channels. Therefore convenience of location plays important role on customer perception regarding banking services. Customers with higher knowledge about a service are more likely to use self-service channels like ATM and internet banking. But, convenience is a key driver of channel choice for the majority of consumers (Berry et al., 2002). Milligan (1997) suggests that banks with an extensive branch office system and ATM network would have the opportunity to attract customers who are in convenience segment.

Promotion

Marketing communication helps in differentiating the services when there is no perceptible difference available (Jauhari and Dutta 2009). A clear focus on the interplay between customers and promotion is an unavoidable aspect of bank marketing. Through promotion, banks communicate their brand messages and their offers to customers.

Allahabad Bank, State Bank of Hyderabad and Union bank are providing education loan but Alllahabad bank focuses on a better career; State Bank of Hyderabad focuses on right support and Union bank talks about the good future (Jauhari and Dutta 2009). In a service setting, marketing communication tools are especially important because they help create powerful images and a sense of credibility, confidence and reassurance (Lovelock et al., 2004). Without effective communications, prospects may never learn of a service firm's existence, what it has to offer them or how to use its products to best advantage. In the emerging competitive markets, marketers are using promotional tools in aggressive way to differentiate their services from their competitors. Promotion is actually communication with customers. In banking services, it helps in communicating with customers regarding offering new products, change in interest rate, festival season offers, opening new branches etc. effective media used by banks to communicate about its services at right time helps in satisfying its customers. Due to complexity of prices involved, customers are left with little choice but to interact with employees to get more clarity. Choosing the right advertising medium by banks for communicating its services helps to satisfy its customers. In Indian banking sector, aggressive and attractive promotional strategies are not visualized. Most often, important schemes are verbally communicated to customers by employees. Decision to buy particular banking services largely depends on decision convenience provided by employees. Notice boards at branches also play significant role in providing information to customers.

People (Customers and Employees)

Customers and employees both participate in service delivery. Their participation is unavoidable in service delivery. So, both are responsible for effective service delivery. Customers can't be separated from the production process of service firms and can contribute to their own satisfaction. But, the level of participation may be different across different service firms (Hubbert, 1995). If consumers' presence is required during service delivery, it is termed as low participation. For example, In Movie Theater, service is provided regardless of any individual purchase. Payment may be considered the required input from customers. If consumers' inputs are required for service creation, it is termed as moderate participation. These inputs may be in the form of information, personal effort or physical possession. A customer has to give all relevant information and physical documentation to an accountant for preparing tax return. In case of high participation, customer co-creates the service product. Here customers have to actively work with service provider to coproduce the service. In weight reduction program customer has to actively follow all the instructions given by instructor to reduce weight. Mills and Moberg (1982) highlighted that in service transactions, the raw material to be converted to service output depends, to a great extent, on the facts and information furnished by the customer. Also, clients play a crucial role in influencing the outcome of the transformation process as well. In banking services, customers' inputs are required for producing services like opening account, granting loan or other services. So customer participation is considered as moderate.

If customers believe they are partially (or totally) to blame for the failure, they will be less dissatisfied with the service provider than when they believe the provider is responsible and could have avoided the problem (Bitner,1990). If bank customers are giving all required information to employees which is required for producing services like opening account, granting loan or other services then services may be produced without delay. For pensioners, submission of live certificate is must once in a year otherwise pension will be stopped. So customer role is important in banking sector. Banking customers may enjoy using the computer to obtain airline tickets, or they may like to do all of their banking via ATMs and automated phone systems. Customer education plays an important role in making them learn regarding their role.

According to Armando (2005), successful service providers can satisfy customer's banking requirements through human element, particularly 'face-to-face' interaction with the customer. It is worthwhile to mention that employees' behaviour plays an important role in differentiating banking services. Welcoming the customer with smiling face, friendliness, politeness, understanding customers' problems, etc. have positive impact on customer perception. Jones and Dent (1994) found that a smiling face has a valuable effect on customer behaviour. In India people rely more on social bonding than individualistic approach. Business transactions in a collectivistic culture like India emphasizing social bonding are different from those of individualistic cultures emphasizing structural bonding (Dash et al., 2007). Therefore, employees' behavior plays a dominant role in differentiating banking services.

Physical Evidence (Tangibility)

Tangibles are defined as the appearance of physical facilities, equipment, personnel and communication material (Zeithaml et al., 2009). Tangible indicators in the physical environment of a service firm influence behaviour of customers and their future purchase decisions (Burgers et al., 2000). Consumers look at tangible elements and assume about the service firm and its performance (Lenka et al., 2009). Better tangible aspects of service quality of the bank branches enhance customers' satisfaction (Lenka et al., 2009). Apart from the physical décor of the workplace, tangible aspects also include display of current guidelines regarding rate of interest in each investment plan, required service charges for different bank transactions, and other facilities provided by the banks (Lenka et al., 2009).

Physical evidence is important for banks as this is the environment in which the service is delivered and where the bank employees and customers interact. Furniture, equipments, staff members, pass book, cheque book, information boards, etc. provide tangibility to banks. Customers use tangible cues to assess the quality of services provided. According to Bitner (1992) physical environment helps to distinguish a service provider from its competitors and facilitates to influence customer behaviour.

Process

Since customers are present during service delivery, 'process' is important for customer satisfaction. Process explains how services are being delivered by service organization. If customer does not have sufficient time, he seeks bank that provides effort and time saving banking services. Technology has remarkable influence on the growth of service delivery options (Dabholkar & Bagozzi, 2002). More and more banks have adopted latest technological tools to deliver their services and this has resulted in reduced costs, creation of value-added services for customers (Zhu et al. 2002), and the facilitation of their employees' jobs and ultimately, the provision of self-service options for customers (Dabholkar & Bagozzi, 2002). Technology invasion in Indian banks started with the introduction of magnetic ink character reader, currency note counting machine and automation of front-and-back-office operations of the branches (Lenka et al., 2009). According to Milakovich (1995) process improvement has become the focal point of the service quality revolution, because of its promptness in responding to customers than their competitors. Ahire et al. (1995) also elucidated that, by improving the quality of the processes directly or indirectly, the overall quality of the products or services can be made better. Another study by Zemke and Schaaf (1990) quoted a study conducted by Cambridge Reports, a Massachusetts-based research firm, which found that 44% of the respondents indicated that 'ease of doing business with' was the basic motive for choosing a financial firm. IT based services help in improving the service process by responding to customers more speedily while facilitating the work. Information technology improves customer service as it is convenient to access and use (Bitner, et al., 2000). Technology-enabled services provide constant, reliable and quality service (Lenka et al., 2009).

Conclusion

All the above service marketing mix elements revolve around customers. Differentiating the services from competitors is the principal requirement of every service organization. Knowing customers' perceptions regarding services offered to them will help to know their feeling about service marketing mix and relationship of these factors with satisfaction will help marketers to decide marketing strategies for their customers. In banking services price fairness and transparency, distributing banking services in convenient way, behavior of employees, customers' education, tangibility and process through technology play important role in differentiating services from competitors.

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