

# INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE, IT & MANAGEMENT

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## SERVICE MARKETING INNOVATION: A PARADIGM SHIFT (A CASE STUDY OF INDIAN BANKING SYSTEM)

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### ABSTRACT

*India is considered among the top economies in the world, with tremendous potential for its banking sector to flourish. The last decade witnessed a significant upsurge in transactions through ATMs, as well as internet and mobile banking. Financial Institutions are entering in the new business areas due to many mergers and acquisitions taking place in this sector. They are offering more diverse services now in a bid to retain the existing customers. The business organizations are looking at ways and means to streamline their business and to cut down the processing charges. On the other hand customers are looking online access to avail faster and more efficient ways of doing business. The Commercial Banks in India are the highly trusted organizations for customers. They have very successfully adopted many changes in their functioning. Now, there is a high degree of competition among the banks, especially after globalization and entry of more Private and Foreign banks. But the banks will have to adopt a full-fledged marketing strategy to ensure customer satisfaction for its survival and growth. Marketing scope prevailing in banking sector is being considered under the service marketing framework in this new business approach. The transition from one phase to another has largely been influenced by the dynamics of three critical factors – the players, the playing fields and the regulator. This paper examines and measures the quality of services provided by the Commercial Banks in India. Now the expectation of the customers is very high and the commercial banks in India will also have to adopt the service marketing concepts in their day to day working for their survival and growth.*

### KEYWORDS

Globalisation, liberalization, banking perceptiveness, service marketing, demographic, intense competition.

### INTRODUCTION

#### SERVICE MARKETING

The Service industry forms a backbone of Social and Economic development of a region. It has emerged as the largest and fastest growing sectors in the world economy, making higher contribution to the global output and employment. Its growth has been higher than that of Agriculture and Manufacturing sectors. It is a large and most dynamic part of Indian Economy both in terms of employment potential and contribution to National Income.

It covers a wide range of activities, such as trading, transportation and communication, financial, real-estate and business services as well as community, social and personal services. The various sectors that combine together to constitute service industry in India are:

- Trade
- Hotels and Restaurants
- Railways
- Other Transport & Storage
- Communication (Post, Telecom)
- Banking
- Insurance
- Dwellings, Real Estate
- Business Services
- Public Administration; Defence
- Personal Services
- Community Services
- Other Services

Banks in India have traditionally offered mass banking products. In the past banks in India were having little to do besides accepting deposits at rates fixed by the Central Bank and to lend money on the basis of a formula and rates stipulated by RBI. Prime Lending Rate was the benchmark for interest on the lending products. But PLR itself was, more often than not, dictated by RBI. Further, remittance products were limited to issuance of drafts, telegraphic transfers, bankers' cheques and internal transfer of funds.

### REVIEW OF LITERATURE

The concept of Service Marketing in the Banking Sector has been the subject of many studies and research endeavors among the scholars throughout the world. Some of the relevant studies are being presented here.

Ghani et. Al. (2011) concluded that the contribution of services to total growth is higher than industry's contribution. In poor countries, services and industry have contributed more to growth than in rich countries.

Ejaz Ghani (2010), Economic Advisor, South Asia Region, World Bank expressed that the globalization of services provides alternative opportunities for developing countries to find niches, beyond manufacturing. As the services produced and traded across the world expand with globalization, the possibilities for all countries to develop based on their competitive advantage expand Patnaik.U.C. et.al (2006) assessed the marketing efforts of the State Bank of India. He concluded that though the bank has taken up some measures to improve the quality of its employees and customer service at branches but its pricing are willing under competition without any regard to costs and it is yet to give due emphasis to its promotional measures.

Shankar (2004) concluded that focus on customer is not to be viewed as just a business strategy but should become the corporate mission. The challenge for banks is in the areas of people changing their beliefs and attitudes, technology and competition.

Shanti Sarup. K. (2004) found that for delivering quality service, it is imperative to have customer orientation as a culture in the bank. Customer orientation builds long term relationships resulting in customer satisfaction and cash flows to the banks.

Mukherjee et al (2003), presented the development of a theoretical framework for measuring the efficiency of banking services, taking into account physical and human resources, service quality and performance. Expenditures on quality improvement efforts and the impact of service quality on financial outcomes have long intrigued researchers.

Gadkari (1977) examined the critical success factors and stressed that excellence in customer service and high level of customer satisfaction will remain elusive goals even with the induction of the state of the art technology and competitive pricing of products if the employees at the grass root level are not committed to these goals.

Given this background, it is interesting to evolve the concept of Service Marketing more vigorously for the customers of Indian Banking Sector. In quest of an answer, the present study is undertaken to fill the gap.

### NEED FOR STUDY

The important factors that establish the need for Service Marketing in Indian Banks are detailed below:

- Intense Competition
- Changes in Banking Sector
- Well Informed Customers
- No Brand Loyalty
- Improved Customer Retention

### OBJECTIVE OF THE STUDY

The main objectives of this study are:

1. To analyze the present position of Service Marketing in Public Sector and Private Sector banks in India.
2. To examine the operational features of banks in India.
3. To examine the quality elements in the working of banks in India.
4. To offer suggestions on implementation of Service Marketing Approach in Indian Banking Sector.

### RESEARCH METHODOLOGY

- Sample Design: The universe of the study is Indian Banking Industry. The Indian Banking Industry has been divided into three major bank groups i.e. Public Sector Banks, Private Sector Banks and Foreign Sector Banks.
- Survey of Concerning literature
- The Experience Survey of 150 Bank Customers from Public, Private and Foreign Sector Banks in the State Capital Region of Ranchi.
- Sampling Unit: Customers from different age groups, gender, locations, income levels, families and educational backgrounds.
- Sampling Method: Convenience Sampling.
- Nature of Data: Primary as well as secondary data were collected from respondents and from journals, internet sites and from previous research related to the service in banking sector.
- Method of data collection: Personal interview with respondents.
- Type of questionnaire: Structured questionnaire with suitable scaling.
- Type of questions: Open ended, close ended, Likert scale and multiple choice questions.
- Pre-testing of questionnaire: It was done among selected respondents on judgment basis and corrections were made in the questionnaire, wherever required.
- Percentage, weighted average and graphs.

### RESULT AND DISCUSSION

**Part 1:** The research into “the concept of Service Marketing in Indian Banking Industry’ has been done in two parts as explained in the Research Methodology Section. The first part of empirical study had included the existing perception of service marketing concept explained by some of the management gurus which is very important for the organizations, staff, the customers and nation as a whole and its implication on the overall business of the banks in India.

#### IMPORTANCE OF SERVICE SECTOR IN INDIA

Also known as the tertiary sector, the development of a country's services sector is an indicator of its economic development. India's services sector is a vital component of its economy, as it presently accounts for around 60 per cent of its gross domestic product (GDP). It has matured considerably during the last few years and has been globally recognised for its high growth and development.

The growth in the services sector in India is expected to be around 5.6 per cent in FY 15 owing, particularly, to the growth in the IT sector. The services sector in India comprises a wide range of activities, including trading, transportation, communication, financial, real estate and business services, and community, social and personal services.

#### CONCEPT OF SERVICE MARKETING

A service is an activity or benefit that one can offer to another that is essentially intangible and does not result in the ownership of anything. This attribute of service is referred to by Mr. Philip Kotler, well known authority on marketing. Another management guru Mr. Shostack has elaborated the intangible character of services. He states that services are those separately identifiable, essentially intangible activities which provide want satisfaction and are not essentially tied to the sale of a product or another service. Mr. Bessom proposed that for the consumer services are activities offered for sale that provide valuable benefits or satisfactions. The concepts on ‘services’ by the various authorities mentioned above have the following implications.

- Services are by a large activities or they are services of activation rather things.
- As a result services are intangible.
- They take place in the interaction between the customer and service provider which means that services are produced and consumed simultaneously.
- Customer has a role to play in the production process as the services are provided in response to the problems of customers as solution.

#### IMPLICATIONS OF SERVICE CHARACTERISTICS

The special characteristics of services like intangibility, indivisibility, heterogeneity and ownership have led to a wider dimension of marketing than the normal 4 Ps of marketing services. Now the marketing should be looked into 7 Ps viz. Product, Price, Place, Promotion, People, Physical evidence and process of service delivery system. The service Characteristics, Implications and Marketing Strategy can be correlated as mentioned in the undernoted table:



Service Characteristics	Implications	Marketing Strategy
1. Intangibility	Difficult to judge quality and value in advance sampling is difficult. Relatively difficult to promote.	Use brand names. Focus on benefits. Use personalized service. Develop reputation.
2. Inseparability	Involves presence of performer/producer-sale is direct. Limited sale of operations.	Learn to work in larger groups. Work faster. Train more service performers.
3. Heterogeneity	Standardization of quality is difficult.	Careful selection and training of personnel. Define behaviour norms. Mechanize and automate. Maximum possible operation.
4. Perishability	Cannot be stored. Demand fluctuation poses a problem.	Advisable to match between supply and demand by a price reduction season wise.
5. Ownership	Customer has access to service but no ownership of facility or activity.	Impress advantages of non-ownership such as Easier Payment Service.

#### STEPS IN SERVICE PLANNING

The task begins at the corporate level with a statement of objectives. This statement leads into a detailed market and competitive analysis, addressing each of the markets in which the firm is involved or thinking of entering. Paralleling this step is a resource allocation analysis, requiring definition and appraisal of the firm's resources and how they are being allocated, as well as identification of additional resources that might reasonably be obtained. This pair of steps can be thought of collectively as a form of SWOT analysis, identifying strengths, weaknesses, opportunities and threats on both the marketing and operational / human resources fronts. Each leads to a statement of assets. The undernoted figure outlines the key steps involved in planning and creating services, emphasizing the need for managers to relate market opportunities to deployment of their firm's resources: physical, technological and human.

#### IMPLEMENTATION OF SERVICE MARKETING IN INDIAN BANKS

The Foreign Sector Banks and Private Sector Banks have already incorporated the concept of Service Marketing in their working. Thanks to competition from these banks, Public Sector Banks have also started to effect some visible changes in their day to day working. The concept of service marketing includes new products, placement, price and promotion in their business development plan; they have taken a 360 Degree turn. Public Sector Banks are sharpening their products and services while reasserting their strengths to cater to younger, savvier customers. From swank waiting rooms to glitzy lobbies and better service, they're pulling out all stops to attract customers. And they are conveying this through aggressive advertising. Some examples are quoted below :

State Bank of India has not let up its pace ever since it first ventured into aggressive advertising with its "Surprisingly SBI" campaign in 2005. Now, they are advertising their heritage by stating that it served some of India's best known personalities – among them Rabinder Nath Tagore and Dr. Rajendra Prasad – in their time. "The Banker to every Indian".

Another PSU Bank IDBI has been running the second round of its highly noticed 'Not just for the big boys' ad campaign featuring little boys and elephants. It has tried to establish itself as a bank not just for the big corporate but also for the SMEs and retail businesses.

Since 2005, a number of PSU Banks have gone in for revamps ranging from identity and image makeovers to an expansion of services. S.B.I, Corporation Bank, Bank of Baroda, Allahabad Bank, Union Bank, Canara Bank and OBC, to name a few.

#### MARKETING APPROACH TO BANKING SERVICES

Marketing of banking services is a device to maintain commercial viability and an approach to market the services profitably. It is a method to energize orientation. It is a managerial approach to excel competition. The marketing approach in bank services consists of the following elements :-

- To identify the financial requirements of the customers.
- To develop appropriate banking products and services to meet the requirements of the customer.
- To determine the fair and competitive prices for the products/services developed.
- Advertisement of the products and services to the existing and potential customers
- To set up suitable distribution channels and bank branches.
- Continuous focus on forecasting and research of future market needs.

In the wake of electronic banking the perception of bank marketing requires a new vision. The marketing of banking services relates to giving right direction to banks visa-a-vis multidimensional benefits to the different segments using the services of banks. The quality of services has undergone a major change due to the use of sophisticated technologies by the banking organizations. The holistic concept of management has made marketing of banking services a device to establish a balance between the commercial and social consideration often considered to be a balance between two opposite wings.

#### SERVICE MARKETING AND NEW DEVELOPMENTS IN INDIAN BANKING SECTOR

- Specific identification of Marketing Personnel and the desire to pick up MBAs through campus placements.
- Staff, especially at front end retained to deal with customer needs quickly, efficiently and pleasantly.
- Computerisation and Air-conditioning of branches.
- Simplification of systems and services to make transactions faster. This enabled quicker disbursement of loans, for example. Long queues, complex paperwork, multiple visits to the bank are the things of the past.
- Uniform look and feel at branches. Something MNC Banks introduced.
- Launch of new products and services.
- Online banking, multiple ATM services beyond cash withdrawals, online payment by instant debit to your internet banking account. Also, online transactions such as insurance premiums, mobile bills, ticket bookings, credit card payments and shopping etc.
- Focused customer acquisition and retention. SBI has a three-pronged strategy – customer retention in metros, customer acquisition and retention in smaller cities and towns and customer acquisition in rural India.
- Product personalization through cross selling. For instance, loans against insurance or insurance linked deposit schemes.
- Proactive sales with trained personnel approaching customers either on phone or when they visit the branch.
- Greater variety of loan products – retail, automobile, housing, SME and trade loans.
- Introduction of Single-window banking.
- Easy, even proactive availability of information on products and services through on the ground executives and literature at branches.

**Part 2 : Primary Data :** Personal Interview of 150 customers from Public Private, and Foreign Sector Banks in the National Capital Region of Delhi

## ANALYSIS AND FINDINGS

TABLE 1: SAMPLE DESCRIPTION

Demographics	% (Respondents)
<b>AGE</b>	
Less than 30	20
Less than 35	18
36-40	15
41-45	32
Above 45	15
<b>GENDER</b>	
Male	58
Female	42
<b>QUALIFICATION</b>	
Metric	8
HSC	10
Graduation	32
Post Graduation	28
Professional	22
<b>OCCUPATION</b>	
Student	12
Government Employees	18
Private Employees	16
Business/Trade	14
Professional	10
Housewife/ (Part time-jobs)	13
Agriculture	12
Others	5
<b>FAMILY NATURE</b>	
Joint	38
Nuclear	62
<b>Location</b>	
Urban	60
Semi-urban	24
Rural	6
<b>MARITAL STATUS</b>	
Single	31
Married	69
<b>FAMILY STRUCTURE</b>	
Bachelor	24
Newly Married Without children	22
Married with Dependent children	24
Married with Independent Children	16
Married with No children	8
Others	6

TABLE 2: NATURE OF COMPETITION IN THE BANKING INDUSTRY

Indicator	Pre-1991	Post-1991 (Fin. Sector Reforms)
Customer Service	Governed by Committee Reports & Law.	Consciously practiced as a way of banking.
Customer Feedback	Based on regulator's guideline/complaints/suggestions.	Willingly being practiced.
Product Innovation	Minor variations of vanilla products.	New products with Value additios.
Tools	Manual	Technology driven
Delivery Channel	Branch Network	More alternative like ATMs, Phone, banking, Internet banking, mobile banking, DSAs.
Pricing	Price = Cost + Profit	Profit = Price - Cost
Orientation	Inward looking	Outward looking
Status of the customers	Slave to theBank	King : because more banks approaching
Branch ambience	Resembld erstwhile Government offices.	Aims to simulate super-Market buying experience.

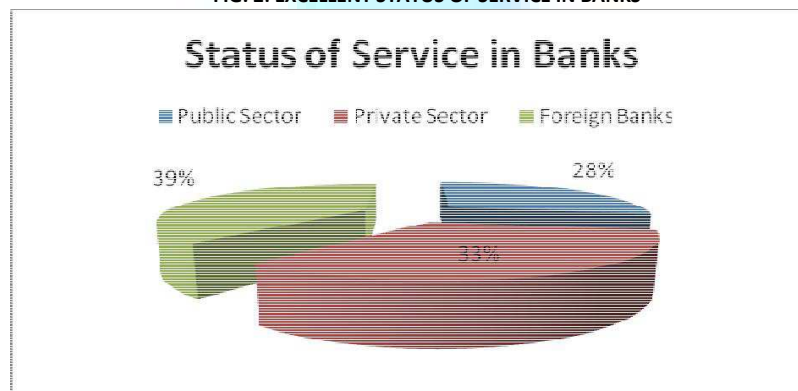
FIG. 1: SATISFACTION LEVEL OF THE CUSTOMERS WITH THE BANK SERVICES



Source: Department of Statistics

In the above table, the satisfaction level of the customers has been discussed. We can observe that customers always provide some grade to the level of services they are offered. They keep an objective in their mind and rate accordingly. The internal grading system could be applied within the company or the organisation. We can observe that 42 percent of the respondents have rated the services as Very Good and 14 percent as below the level of good service.

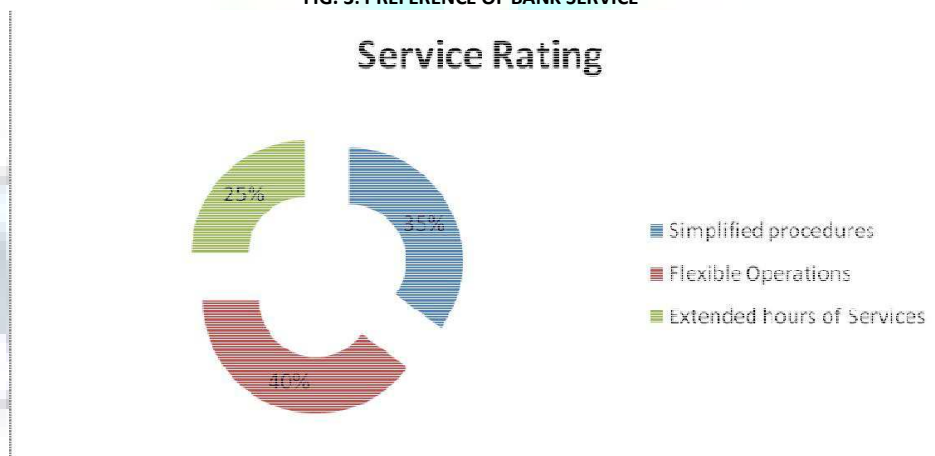
FIG. 2: EXCELLENT STATUS OF SERVICE IN BANKS



Source: Department of Statistics

Banks are trying to achieve the excellent status. Today, the banks will have to try their level best to hold the customers with them by providing the best service. Now, the banks are not just the clearing houses, but are the best marketable places too. Foreign Sector banks have realized this fact long ago and they have been providing the best services as per the requirement of their customers. It can be observed from the above analysis that 39 percent of the surveyed customers have given excellent position to Foreign banks, 33 percent to Private Sector Banks and 28 percent to Public Sector Banks.

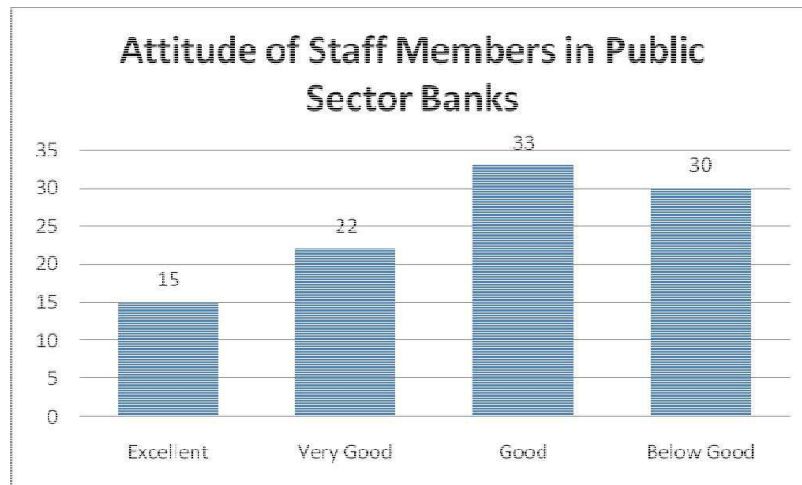
FIG. 3: PREFERENCE OF BANK SERVICE



Source: Department of Statistics

The competitive scenario has made banks to provide customized products and services. Customers have many options today. Banks will have to improve their scores on negative factors. Nowadays, flexibility in operations plays an important role for attracting the interest of bank customers. We can observe from the above table that 40 percent of the surveyed customers want the concept of flexible operations and 35 percent have conveyed that they want the simplified procedures in the banks.

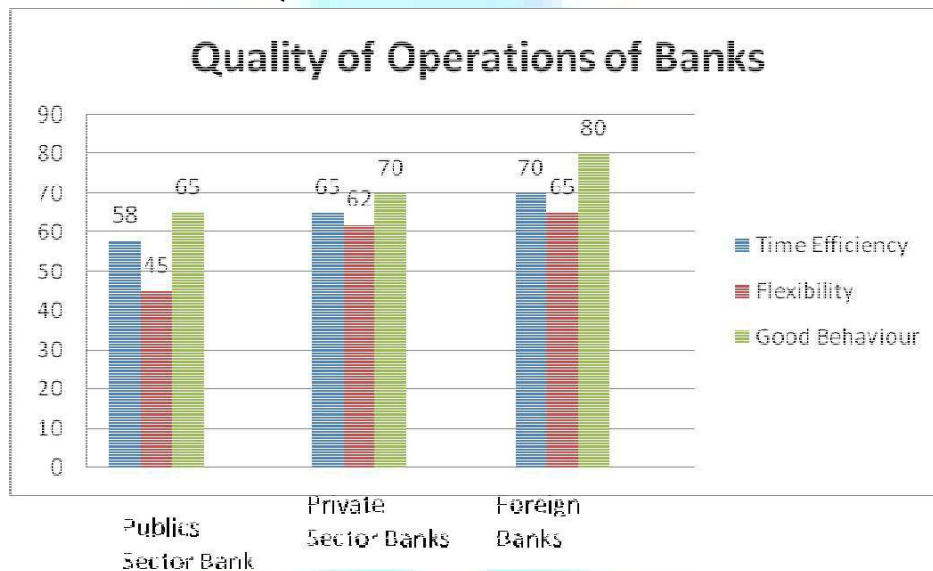
FIG. 4: ATTITUDE OF STAFF MEMBERS IN PUBLIC SECTOR BANKS



Source: Department of Statistics

The responses on the attitude of the staff members have been depicted in this table. It plays an important role in the satisfaction level of the customers. Banks are not only service providers but also solution providers to the customers. Employees are required to have maximum awareness in this regard. Excellent report has been given by 15% of the respondents. Though the Public Sector Banks which used to have a negative impact about the customer service role, but are changing very fast role in determining the quality of operations of banks.

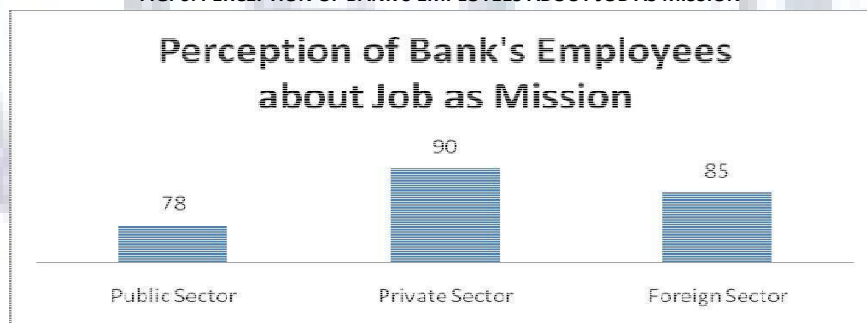
FIG. 5: QUALITY OF OPERATIONS OF PRIVATE BANKS



Source: Department of Statistics

Foreign Sector and Private Sector Banks are more flexible towards the customers. The customers get more attention of the staff there. Though, Public Sector Banks have also improved a lot but they are still trailing behind these Banks. This table shows the level of quality in the operations of Bank Service in India. Banks may fix an internal standard level of quality. The interest of the customers should be taken at the center of scale. The customers want flexibility and good behavior from the bankers. Flexibility plays a very important

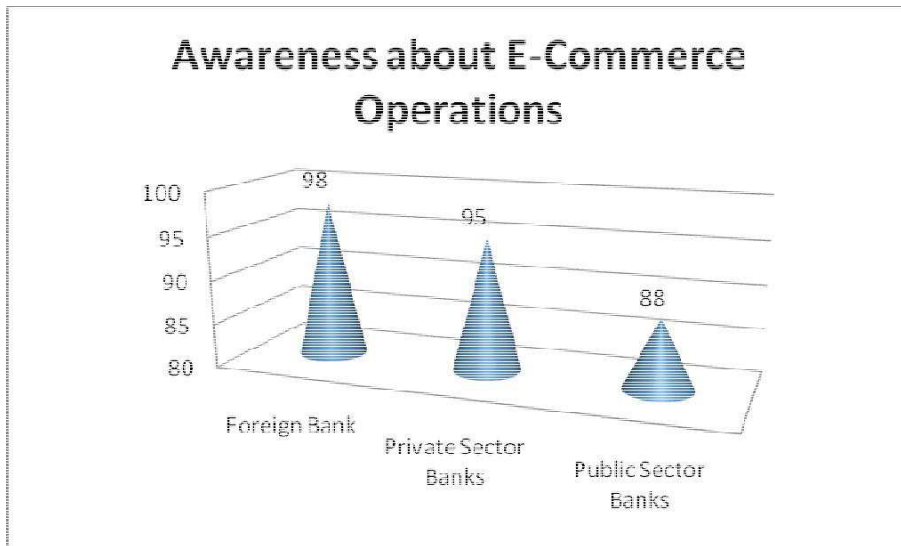
FIG. 6: PERCEPTION OF BANK'S EMPLOYEES ABOUT JOB AS MISSION



Source: Department of Statistics

In today's competitive business environment employees are supposed to take their jobs as a Mission. The casual approach is not going to help them in survival. This is necessary not only for the survival and growth of the organizations but for the employees also. It has been observed from the analysis of data, which is shown in the above table that Private sector employees (90%) consider their job as a Mission. Though, the Public Sector Banks are improving very fast (78%) but still the customers feel that the Foreign Sector and Private Sector Bank are more aware about this aspect of customer service.

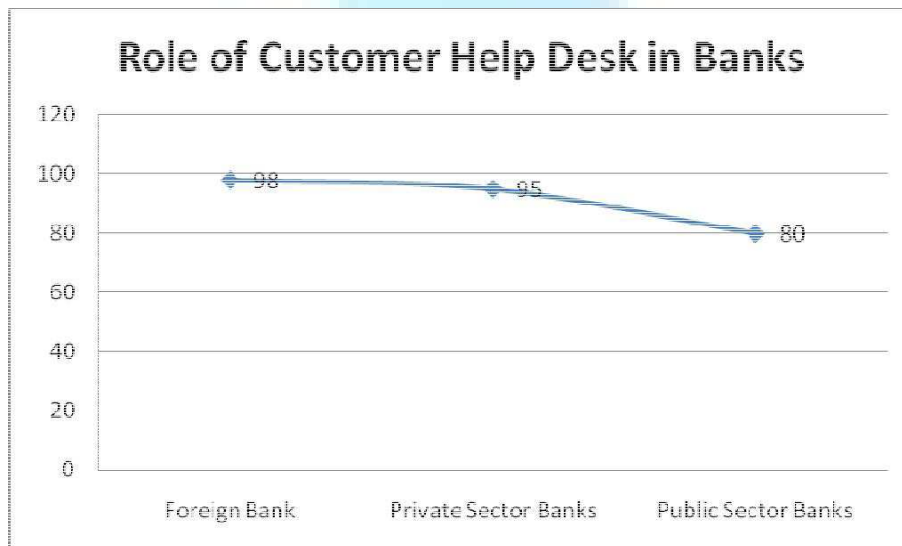
FIG. 7: AWARENESS ABOUT E-COMMERCE OPERATIONS



Source: Department of Statistics

Technology plays a very important role in business today. Banking technology is becoming rich day by day. Banks are trying to adopt these technologies. The changes can be observed easily from the working of the banks in India. E-commerce has taken over the prime place in today's banking business. We can observe that Foreign Banks with 98% score and Private Sector Banks with 95% score are leading in this aspect of service marketing. The Public Sector Banks (88%) have also improved a lot in this category by adopting the latest technology but still more is required.

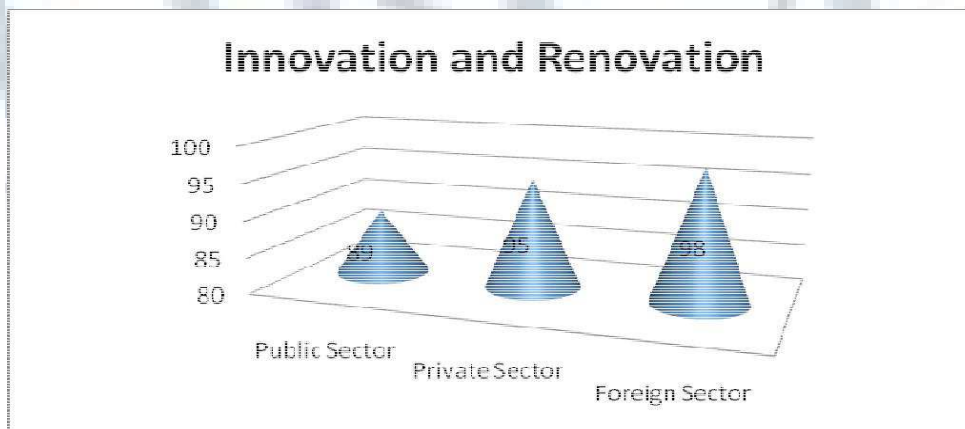
FIG. 8: ROLE OF CUSTOMER HELP DESK IN BANKS



Source: Department of Statistics

The customers expect immediate attention and help from the bank employees. In today's banking, the role of information desk has become very important. Customers may require some assistance in various transactions, in which help desk should be able to provide promptly with dignity and honour. It can be observed from the above table that Foreign Banks with 98% score are heading the list followed by Private Sector Banks with 95% score. The Public Sector Banks (80%) also have changed their interiors like Foreign & Private Sector Banks and have provided for Customer's Help Desk in each branch.

FIG. 9: CONCEPT OF INNOVATION AND RENOVATION IN BANKS



Source: Department of Statistics



Now, innovation and renovation are the keys of success in Service Marketing. Innovation in operations and renovations in the set up is must in today's business scenario. The customers want innovate products and services. The provision of all the financial services under one roof is the concept of modern banking. The banks are adopting different techniques to retain the customers. We can observe from the above table that Foreign Banks (98%) are leading in this aspect also and closely followed by Private Sector Banks (95%). The Public Sector Banks have scored 89% from the surveyed block.

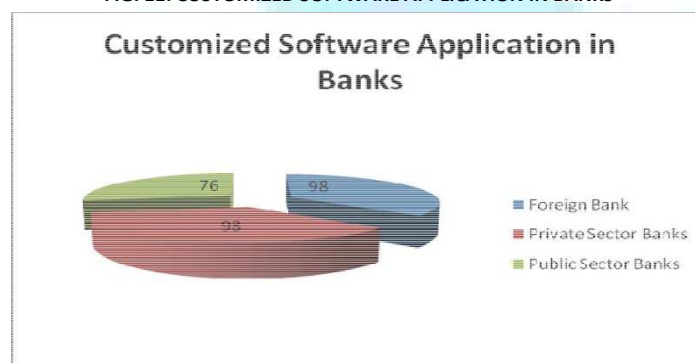
FIG. 10: LEVEL OF QUALITY IN BANK SERVICE



Source: Department of Statistics

Communication system is the effective tool for customer information and persuasion. The Financial Institutions are spending a lot of money on research to enable them to add new features in the customer service. The mood and the tastes of the customers are very important factors for the success of the communication system. From the analysis of the date, we can observe that customers prefer an informal rather than a formal atmosphere/ communication system.

FIG. 11: CUSTOMIZED SOFTWARE APPLICATION IN BANKS



Source: Department of Statistics

Today many advanced customized software are being used by the commercial banks in India. Most of the banks have adopted these to enable them to match with the practice at global level. We can observe from the analysis of the collected data that Foreign Sector Banks with 98% score are leading the table in this aspect also. The Private Sector Banks are also very close with 98% score. The Public Sector Banks with 76% are at the bottom of the table. They will have to use more customized software to compete with the foreign and private sector banks.

**FINDINGS AND CONCLUSIONS**

These are based on the study conducted under Phase One and two as explained above :

- Foreign Sector Banks have been rated as excellent followed by Private Sector and Public Sector Banks in India.
- Simplified procedure and flexibility are very important features of Service Marketing in Indian Banks.
- Attitude plays a very important role in service marketing organizations.
- Public Sector Banks are also catching up the Foreign Sector and Private Sector Banks as far as the latest technology is concerned.
- The Banks are no more just the clearing houses but have become marketable places now.
- The banks will have to diversify their business. The concept of all financial services under one roof is very essential in today's business environment.
- The competitive scenario has made banks to learn many concepts of Service Marketing but still there is a lot of scope for innovation.
- Help desk plays an important role in customer service and can be used more effectively with the help of latest technology, which is a very good tool of service marketing.
- The Banks should employ the specialized officers for Marketing, Finance and PROs for rendering efficient service. The concept of Campus recruitment be applied more aggressively.
- Innovation is required in every aspect of banking operation.
- The banks will have to use the concepts of service marketing to gain global position. The use of customized software in the market is essential in this regard.

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