

CHAPTER-II

RESEARCH DESIGN

To understand how banks formulate strategies and its implementation in banking services to be effective in its operation, one must examine banking as service industry. In the content of a swiftly changing environment, redefine marketing strategies to suit a banker's needs, analyze how the marketing of financial services differs from that of other products, identify the tasks involved there in and set forth a series of steps for effective bank marketing.

In the process of this a number of research articles were presented and some of the related information is presented in the following paragraphs:

Review of Literature:

A marketing strategy combines product development, promotion, distribution, pricing, relationship management and other elements; identifies the firm's marketing goals, and explains how they will be achieved, ideally within a stated timeframe. Marketing strategy determines the choice of target market segments, positioning, marketing mix, and allocation of resources. It is most effective when it is an integral component of overall firm strategy, defining how the organization will successfully engage customers, prospects, and competitors in the market arena of corporate strategies, corporate missions, and corporate goals. As the customer constitutes the source of a company's revenue, marketing strategy is closely linked with sales. As per the research conducted by Tiebbar (1988) studied marketing strategies of banks aimed at inculcating the habit of thrift among the people. The suggestion is that keeping the rural branches open on Sundays can augment savings. Direct marketing is also suggested to reduce waiting time exponentially and enhance customer satisfaction. Erratic behavior of the employees, suspicious looks of the staff, vague knowledge of

the products, un dynamic promotional methods etc., may hamper the banking business in rural areas.¹

In the process of study, Mehta (2010) in his article” Personal Selling-A Strategy for promoting Bank Marketing “reported that there is lack of Marketing Communication in Indian Banks .He suggested for adopting banks suitable marketing promotion strategies for better business. He emphasized that on adoption of personal selling as a strategy for marketing promotion in Banks the banking business can improve considerably²

In another study made by Gupta, and Mittal (2008), in their article” Comparative Study of Promotional Strategies of Public and Private Sectors Banks in India “stated that a well -designed promotional strategy is very important to promote banking services effectively .They studied that the promotional strategies of private and public sector banks are almost similar. Both types of banks take the help of almost all type of media to promote their services. The major difference in the promotional strategies adopted by banks is in the two techniques of the promotion and they are "Personal Selling" and "Direct Marketing". The difference is that public sector banks do not adopt the strategies of promotion as personal selling and direct marketing; on the other hand the same are adopted by private sector banks.³

According to A.S.Mohanrani and C.Mahavi, Feb (2007) conducted an empirical study on, —Product related characteristics, Promotion and Marketing Mix are key tools in determining Purchase Behavior of Purchase Decision by Teenagers.

Results suggest that teenagers are influenced by updated information of the product

¹ Kusumakara, tlebbar C. (1988). 'Bank Marketing in Commercial Banks, Southern Economist,1 7-18

² Mehta, Suresh(2010) “ Personal Selling –A Strategy for promoting Bank Marketing”State Bank of India Monthly Review.

³ Gupta, S L and Arun Mittal (2008), Comparative Study of Promotional Strategies of Public and Private Sectors Banks in India, Asia Pacific Business Review, Vol IV, No. 3, pp-87-93.

and hence they go for information search, collect information from different dealers on various aspects like price, technology etc. They are also influenced by peer compulsion of sales talk of the dealers. Teenager's employees two strategies- Emotionally convincing & logically convincing to convince their parents. Logical teenagers give importance to sales promotion factors like offers & schemes, while emotional teenagers give importance to aesthetic appearance, color, brand value, popularity & social image on selecting the products.⁴

Ronald T. Rust, Catherine N. Lemon, Valarie A. Zeithaman (2004) conducted the study on —Return on marketing: using customer equity to focus on marketing strategy, their framework enables what if evaluation of marketing ROI, which can include such criteria as return on quality, return on advertising, return on loyalty program and even return on corporate citizenship given a particular shift in customer perceptions.⁵

Das and Ghosh (2006) investigated the performance of Indian commercial banking sector during the post-reform period. They have evaluated several efficiency estimates of individual banks using non-parametric data envelopment analysis. They have employed three different approaches, viz. intermediation approach, value-added approach and operating approach in defining inputs and outputs of banks.⁶

Narjess Barakri, Jean-Claude Cosset, Klaus Fischer, Omrane Guedhami (2005) conducted the study on —Privatization and bank performance in developing countries, we examine the post privatization performance of 81 banks from 22 developing countries. Our results suggest that in the post privatization period,

⁴ Prof. A.S.Mohanrani & Dr. C.Mahavi, Feb (2007) conducted an empirical study on,—Product related characteristics, Promotion and Marketing Mix are key tools in determining Purchase Behavior of Purchase Decision by Teenagers —Indian Journal of Marketing, issue no.-2, page no.-3.

⁵ Ronald T. Rust, Catherine N. Lemon, Valarie A. Zeithaman (2004) ,—Return on marketing: using customer equity to focus on marketing strategy|| – Journal Of Marketing, Vol.-68, No.-1, January

⁶ Das, A. & Ghosh, S. (2006). Financial Deregulation and Efficiency: An Empirical Analysis of Indian Banks during the Post-reform Period. Review of Financial Economics, Vol. XV, pp. 193-221.

profitability increases but depending on the type of owner, efficiency, risk exposure and capitalization may worsen or improve. Over the time, privatization yields significant improvement in economic efficiency and credit risk exposure.⁷

Since the study is concentrated on marketing strategies in banking industry, review relating to marketing strategies is covered in the above paragraphs. But marketing strategies comprises of marketing mix which involves 7Ps to organize business in effective manner. In the process of that a detailed review is collected with regard to 7Ps and presented in following paragraphs includes - product, price, place, promotion, people, process and physical evidence.

Vashist (1987), in his doctoral work, evaluated the performance of PSBs with regard to six indicators, i.e., branch expansion, deposits, credit, priority sector advances, differential rate of interest, advances and net profits, over the period 1971-83. The study has ranked Indian Overseas Bank at the top and Dena Bank at the bottom. To improve the performance of commercial banks, the study has suggested development of marketing strategy for deposit mobilization, profit planning and strengths, weaknesses, opportunities and threats analysis in banks.⁸

K.G.K. Subba Rao (1988) conducted the study on Indicators of banking development state wise analysis and the main findings of study are there has been substantial reduction in coefficient of variation among the states, in the post-nationalization period.⁹

⁷ Narjess Barakri, Jean-Claude Cosset, Klaus Fischer, Omrane Guedhami (2005),—Privatization and bank performance in developing countries|| – Journal Of Banking And Finance, Vol.-29, No.-8-9,

Aug.-Sept.

⁸ Vashist, A.K. (1987). Performance Appraisal of Commercial Banks in India. Ph.D. Thesis, Department of Commerce, H.P. University, Shimla.

⁹ K.G.K. Subba Rao (1988),—Indicators of banking development state wise analysis|| – RBI Occasional papers, Vol. – 9 , No.-1, March

Marugesan and Rao (1991) analyzed the performance of Public Sector banks in the context of (i) productivity and growth, (ii) social objectives, and (iii) profitability ratios over the period 1973-86. The major conclusions of the study are (i) the performance in terms of deposit mobilization, opening of branches and deployment of advances during the study period has been impressive, (ii) both operating expenditure and establishment expenditure have declined during this period indicating an efficient management of banking activities, (iii) deposit-credit ratio in rural areas has increased, (iv) public sector banks have not performed better in terms of profitability, and (v) gross and net profits have also declined.¹⁰

Kittiwat Uchupalanan (2000) conducted the study on competition and IT Based innovation in banking services, this article examines the dynamic relationships between competitive strategy and information technology based products and process innovations in financial services. The study draws on detailed case studies of five IT based innovations inter branch online service, automated teller machine service, credit card service and electronic fund transfer at point of sale service.¹¹

Robert A.W. Kole & BAS Hillebrand (2003) conducted the study on —What makes product development market oriented? Towards a conceptual frame work, author presents a conceptual frame work detailing the elements of market oriented product development and the relationship between these elements.¹²

Rajani Sofat & Preeti Hiro, (2007) conducted a comparative study on Creativity and Innovations in retail banking- A comparative analysis of financial product offered by ICICI & HDFC bank. Results suggests that now challenge for

¹⁰ Marugesan, B. & Rao, C. (1991). Production, Profitability and Social Objectives in Public Sector Commercial Banks in India. *Journal of the Indian Institute of Bankers*, Vol.67, No. 3, pp. 100-102.

¹¹ Kittiwat Uchupalanan (2000) , —Competition and IT Based innovation in banking services – *International Journal Of Innovation Management*, Vol.-4, No.-4, Special Issue, December

¹² Robert A.W. Kole & BAS Hillebrand (2003), —What makes product development market oriented?

Towards a conceptual frame work|| – *International Journal Of Innovation Management*, Vol.-7, No.-2,

banking sector in the current scenario is to design and innovate the financial product which are convenient to use & continuously meet financial goals of the customers.¹³

Dixit, V.C. (2004) concludes that for successful marketing and to make it more effective, identify the customer needs by way of designing new products to suit the customers. The staff should be well equipped with adequate knowledge to fulfill the customer's needs. We should adopt long-term strategies to convert the entire organization into a customer-oriented one.¹⁴

Bhatia (1978) attempted to analyze the economic performance of Indian banking system as reflected in its output, price and profitability over the period 1950-68. The main findings of this study are: (i) the profit performance of Indian banking system during the period 1950-68 has been satisfactory; (ii) the structure of banking system (represented by the number of bank offices and the deposit concentration ratio) during the period has an insignificant effect on its performance.¹⁵

Ravi Dhar And Stephen M. Nowlis (2004) conducted the study on To buy or not to buy: Response mode effects on consumer choice, this article extends research on evaluation differences in response modes to situations in which the no-choice option is available. Prior research on choice deferral has presented the no-choice option as another response option (i.e. an unconditional brand choice response mode), which has its primary focus on the selection decision.¹⁶

Nikhil Chandra Shil & Bhagban Das conducted study on —Customer Satisfaction with regard to Banking. The study reveals that Customers nowadays are very choosy about the way they spend their money. Quality is the first and foremost

¹³ Rajani Sofat & Preeti Hiro, September (2007), —Creativity and Innovations in retail banking- A

comparative analysis of financial product offered by ICICI & HDFC bank||-Indian Journal of

Marketing, Issue no.-9, Page no.-24.

¹⁴ Dixit, V.C. (2004), "Marketing Bank Products", IBA Bulletin, (April), p.15

¹⁵ Bhatia, R.C. (1978). Banking Structure and Performance: A Case Study, Unpublished Doctoral Dissertation. West Virginia University (USA).

¹⁶ Ravi Dhar And Stephen M. Nowlis (2004) To buy or not to buy: Response mode effects on consumer choice – Journal Of Marketing Research, Vol.- XLI, No.-4, Nov.

preference. Therefore, it is of utmost importance for every organization to understand, respect, and satisfy their customer's needs and feelings continuously.¹⁷

Dwivedi, R. (2007) explained that finance functions are important but not as important as the marketing functions. Friction between the marketing and finance functions would be detrimental to the smooth development and functioning of any business organization. Finance objectives like value maximization to shareholders are integral parts of any new strategy adopted by the organization. But this objective seems to have been lost amidst the flurry of marketing activities focusing on market share. Conscious efforts must be taken to avoid the missing core objective and for sales growth.¹⁸

Goerge J. Avlonitis and Kostis A. Indounas (2005) conducted the study on Pricing objectives and pricing methods in the services sector, the findings of the study reveal that the objectives, which are pursued, are fundamentally qualitative rather than quantitative in their nature with a particular emphasis given on the company's customers. The pricing methods, which are adopted by the majority of the companies, refer to the traditional cost-plus method and the pricing accounts to the market's average prices.¹⁹

Jain, A. (2007) described that marketer has to know that each and every country is having various marketing environment. Comparatively, it has to be very clear that the international marketer is bound to hold on the reorganization that every marketing environment differs from place to place as well as nation to nation than that

¹⁷ Nikhil Chandra Shil & Bhagban Das, August (2008) conducted study on —Customer Satisfaction with regard to Banking: An Application of QFD|| – Management Research, Vol.7, No.8

¹⁸ Dwivedi, R. (2007), “Managing Marketing-Finance Interface”, Journal of Commerce and Trade, Vol. 2, No. 2 (Oct.), p. 32

¹⁹ Goerge J. Avlonitis and Kostis A. Indounas (2005) the study on Pricing objectives and pricing methods in the services sector – Journal Of Services Marketing, Vol.-19, No. 1-2

of the same country state. It is also evident from the study that the global business transactions have to be sound planned and objectives oriented in nature.²⁰

Subba Rao (1982) conducted a study to find out the influence of different media of advertisement and different forms of personal selling on the deposit mobilization of commercial banks both in urban and rural areas. The study suggested that the medium of English News papers need not be used widely as its impact is very little on urban customers and it is almost negligible on rural depositors. Personal selling or direct contact has been found to be more powerful method, since it educates the potential rural customers into the bargain.²¹

Sreedhar (1991) have dealt with marketing in commercial banks. They have emphasized motivation research, marketing research and promotional aspects in marketing of services and suggested to improve the marketing strategies to cope with

Chidambaram (1994) studied the promotional mix available to bankers for the marketing of services such as direct marketing, public relations, social banking and customer meets. The study concludes that a good promotional mix is one that a) that takes into account the objectives of the bank and lays emphasis on those services which are of current significance, b) reaches various customer segments very effectively, c) creates a desire to seek out the services offered, d) builds a positive image for the bank, and e) strike a balance between cost and effectiveness.²²

James L. Walker (1995) conducted the study on service encounter satisfaction, he conducted the study on this model affords one a better understanding of the process of service satisfaction. By identifying and separating the peripheral and core dimensions of services, by explicitly considering the evaluation process over time, by implementing the concept of active and passive expectations within a service

²⁰ Jain, A. (2007), "Managerial Role in International Marketing Strategies", *Journal of Commerce and Trade*, Vol. 2, No. 2 (Oct.), p. 29

²¹ Subba Rao, P. (1982). 'Commercial banks and deposit mobilization - A survey'. *Prujnan*, Vol XI, Mo.3.

²² Chidambaram R M. (1994). 'Promotional Mix for Bank Marketing'. *IBABulletin*, Vol. 16, No.3, 24-26

encounter, and by incorporating a consumer's zone of indifference, a more realistic decision process for consumer evaluations of services comes forth.²³

Richard A. Spreng, Gilbert D. Harrell, Robert D. Meckoy (1995) conducted the study on service recovery: impact on satisfaction and intentions, observed across a variety of service industries, indicates that customers who have experienced problems with service suppliers are often dissatisfied with the ways in which the problems are resolved.²⁴

Kenneth E. Clow, John L. Beisel (1995) conducted the study on —Managing consumer expectations of low margin, high volume services, any interaction that occurs between a service business and a consumer is initiated and maintained because of the existence of expectations. Service retailers desire 3 acts from customers: prompt payment from the consumer on completion of the service, repeat purchase of the service in future, and positive word of mouth promotions about the service.²⁵

Baptista, Estin (1995) conducted the study on —Can accompany be both low cost and service oriented', based on recent experience of many companies, some made observation that it is difficult to be both. Five reasons why increases in services often do not result in improved performance: Company fails to determine exactly which components of service are valued, they do not recognize that different customer segments value different components of service, they underestimate the organization and HR efforts and they fail to develop methods.²⁶

Laurids Hedda (1996) conducted the study on customer Acquisition In Sticky Markets based on 75 sales people critical incidence reports on success and

²³ James L. Walker (1995), —Service encounter satisfaction: conceptualized|| – Journal Of Services

Marketing, Vol.-9, No.-1

²⁴ Richard A. Spreng, Gilbert D. Harrell, Robert D. Meckoy (1995) Service recovery: impact on satisfaction and intentions – Journal Of Service Marketing, Vol.-9, No.-1

²⁵ Kenneth E. Clow, John L. Beisel (1995) conducted the study on —Managing consumer expectations of low margin, high volume services – Journal of Services Marketing, Vol.-9, No.-1

²⁶ Baptista, Estin (1995) —Can accompany be both low cost and service oriented' – The Journal of Services Marketing Vol.-9, No.-3

failures in establishing new relationships in a sticky business market for industrial components, a classification of 4 contingencies and associated strategies for acquisition for acquisition of new customers are suggested: new or first time users of company products, existing users of the product who are looking for a new supplier because they are unhappy with the existing supplier, existing users who may be open for an additional supplier and existing users who break existing ties with a present supplier, despite of their satisfaction to take up a new supplier. ²⁷

Ricky Yee- Kwong Chan, Y.H. Yong (1999) conducted the study on Bank generic strategies: does porter's theory apply in an international banking centre, it is suggested that the feasibility very much depends on a bank organizing and coordinating capabilities that are developed and refined through managerial commitments, learning and experiences, as well as a careful assessment of various organizational activities and it's inter relationships within the entire business system. ²⁸

Harish Kumar (2004) conducted the study on —A comment on customer satisfaction measurement in banking services – Business perspectives. The private banks, specially the foreign ones have been giving the nationalized banks a run for their money. Banks like ICICI, UTI, HDFC, IDBI And Kotak Mahindra Bank have made spectacular growth both in terms of volume of business generated and customer services by launching various innovative banking products which were hitherto unheard in Indian economy at least. Entry and / or expansion of such foreign banks as City Bank, American Bank, Standard Chartered Bank, HSBC Bank Etc. have all along been leading the way both in terms of innovative approach to tap potential

²⁷ Laurids Hedda (1996), —Customer Acquisition In Sticky Markets|| – International Business

Review, Vol. – 5, No.-5, October

²⁸ Ricky Yee- Kwong Chan, Y.H. Yong (1999) , —Bank generic strategies: does porter's theory apply

in an international banking center|| – International Business Review, Vol.-8, No.-4, August

customer base and introduction of imaginative products and services in the Indian market.²⁹

Chandan, Jean Louis and Boris Bartikowski (2004) conducted the study on —An ordinal satisfaction scale allowing to classify respondents as satisfied, indifferent or dissatisfied, the authors identify semantic descriptions of the boundaries of the indifference zone pertaining to a satisfaction measurement scale. They analyzed expressions of dissatisfaction, indifference and satisfaction and proposed an ordinal measurement scale of consumer satisfaction.³⁰

Raj Kumar Venkateran And V. Kumar (2004) conducted the study on —A customer life time value framework for customer selection and resource allocation strategy, the analysis suggests that there is potential for improved profits when managers design resource allocation rules that maximize CLV. Managers can use the authors framework to allocate marketing resources efficiently across customers and channels of communication.³¹

Mehta (2010) in his article “Personal Selling—A Strategy for promoting Bank Marketing” reported that there is lack of Marketing Communication in Indian Banks. He suggested for adopting banks suitable marketing promotion strategies for better business. He emphasized that on adoption of personal selling as a strategy for marketing promotion in Banks the banking business can improve considerably.³²

²⁹ Harish Kumar (2004) , —A comment on customer satisfaction measurement in banking services|| –

Business perspectives, Vol.-6, No.-1, Jan-June

³⁰ Chandan, Jean Louis and Boris Bartikowski (2004) , —An ordinal satisfaction scale allowing to classify respondents as —satisfied, —indifferent or —dissatisfied – International Journal Of Research And Marketing, Vol.-19 Cowling, A. and Newman, K. (1995), —Banking on people, Personnel Review, Vol. 24 No. 7, pp. 25-41.

³¹ Raj Kumar Venkateran And V. Kumar (2004) A customer life time value framework for customer selection and resource allocation strategy – Journal Of Marketing, Vol.-68, No.-4, October

³² Mehta, Suresh(2010) “ Personal Selling –A Strategy for promoting Bank Marketing”State Bank of India Monthly Review.

R.K. Uppal, April- Sept (2007) conducted study on —Retail Banking In India: An emerging Issues and Future Outlook. The study reveals that to remain competitive in the financial services landscape banks are required to expand their product lines, add new delivery channels, develop more effective marketing system & techniques & enhance service quality levels.³³

K.S.Jaiswal & Nitu Singh conducted a study on —Retail Banking: Indian Scenario. Results suggest that changing face of Indian consumers in term of no. of households & their income class, building an affluent middle class are factors of opportunity & retention of customers, indebtedness & information technology are challenges for retail banking in India.³⁴

Mahesh and Rajeev (2006) have attempted to measure the deposit efficiency of Indian commercial banks by using „stochastic frontier“ technique for the period 1985-2004. The results show that, on an average, Indian commercial banks are around 75 per cent efficient in producing deposits compared to the best performing banks within the sample. Public sector banks as a group rank first in the deposit efficiency measures. Deregulation and resulting competition amongst the banks have significant impact on the deposit efficiency of Indian commercial banks.³⁵

Patnaik, U.C. and Chhatoi, B. (2006) assess the marketing efforts of the State Bank of India, which enjoy the status of premier bank in India. He also concludes that banks have a wide network of branches for delivery of products. It has taken up some measures to improve the quality of its employees and customer service at branches.

³³ Dr. R.K. Uppal, April-Sept (2007), —Retail Banking In India: An emerging Issues and Future Outlook||- Management Trends, Vol: 4, No.2.

³⁴ Dr. K.S.Jaiswal & Nitu Singh, January (2007), —Retail Banking: Indian Scenario||-Indian Journal of Marketing, Issue no.1, page-32

³⁵ Mahesh, H.P. & Rajeev, M. (2006). Banking on Deposit Mobilisation: Efficiency Pursuits of Indian Commercial Banks. The Indian Economic Journal, Vol.54, No. 3, October-December.

But, its pricing are wilting under competition without any regard to costs and it is yet to give due emphasis to its promotional measures.³⁶

K. Sivaloganathan (2004) conducted the study on —Relationship marketing in banking services: the need of hour, he conducted the study on customer services should be personal and professional. However with a rapidly increasing customer population and the parallel growth of demand for qualitative and competitive services, a lot still remains to be desired. In fact, banking sector reforms will be meaningless if they do not improve customers‘perception of banking services.³⁷

Gurumurthy, N. (2004) asserts that technology today is claimed to be a ‘leveler’ and not a ‘differentiator’. After the ‘wow’ feelings die down, technology would become a must for most clients. Banking products can be easily copied and replicated by competitors unlike manufactured products. It is also not a viable model for marketers to compete on price. The solution, therefore, would lie in effective application of marketing strategies.³⁸

Booz Allen Hamilton (2005) conducted the study on —Improve productivity to make the most of branch popularity study has created a framework for understanding the drivers of performance. As well as staff roles and time-spend, it has identified four other drivers: network size and structure, sales process effectiveness, performance measurement and management and process efficiency.³⁹

³⁶ Patnaik, U. and Chhatoi, B. (2006), “Bank Marketing” edited book by Sonali Publications, New Delhi.

³⁷ K. Sivaloganathan (2004) ,—Relationship marketing in banking services: the need of hour|| –

Udyog Pragati: Journal For Practising managers, Vol.-28, No.-2, April- June

³⁸ Gurumurthy, N. (2004), “Marketing Bank Products”, IBA Bulletin, (April), p.23

³⁹ Booz Allen Hamilton (2005) ,—Improve productivity to make the most of branch popularity|| –

The banker, Vol.-133, No.-949, March

Adrian J. Palmer (1995) conducted the study on —Relationship Marketing: Local implementation of a universal concept, this paper discusses the nature of relational exchange and governance within a cross cultural context advises caution in the implementation of western style tactical relationship marketing activity in markets where relationships represent core cultural values.⁴⁰

Lynthia Webster (1995) conducted the study on —Marketing culture and marketing effectiveness in service firms, marketing culture refers to the unwritten policies and guidelines which provide employees with behavioral norms, to the important the organization as a whole places on the marketing function, and to the manner in which marketing activities are executed.⁴¹

Malik (1996) explained the importance of human capital for successful banking. He described the various aspects of human resources development in banks. He observed that skill level of a significant segment of the workforce in Indian banks was not up to standard and they opined that banks seeking major performance improvements had no option but to overcome these obstacles speedily.⁴²

Gupta, O. (1997) described the emergence of services sector and banks experience in service marketing. He emphasized customer satisfaction as the key to success and suggested a few measures to meet the needs and expectations of the customers.⁴³

⁴⁰ Adrian J. Palmer (1995), —Relationship Marketing: Local implementation of a universal concept||

– International Business Review, Vol.-4, No.-3, September

⁴¹ Lynthia Webster (1995) , —Marketing culture and marketing effectiveness in service firms|| –

Journal Of Service Marketing, Vol.-9, No.-2

⁴² Malik, S.C. (1996), “Building Human Capital for Banking”, Vichaar, Vol. 16, Issue 4, (Oct.)

⁴³ Gupta, O., “Emerging Issues in Service Marketing-Banks Experience”, SBI Monthly Review, (Dec.),p. 627

Toya Kerko, Chizuru Nishio (2003) conducted the study on —Analysis of customer retention model in retail financing services, the authors develop a model of the relationship between transaction account and financial investments based on theories of consumer behavior towards perceived service quality, satisfaction and loyalty. They identified three key factors: product quality, interaction quality and organization quality, which affect customer satisfaction and loyalty formation in the Japanese retail financial market.⁴⁴

Sunil Gupta, Donald R. Lehmann and Jennifer Ames Suart (2004) conducted the study on —Valuing the customers International Journal of Research in Marketing, Vol.-XLI, No.-1, Feb., they find that a 1% improvement in retention, margin or acquisition cost improves firm value by 5%, 1% and 1% respectively. They also find that a 1% improvement in retention has almost 5 times greater impact on firm value than a 1% change in discount rate or cost of capital. The results show that the linking of marketing concepts to share holder value is both possible and insightful.⁴⁵

H.C. Purohit & Avinash D. Parthardikar conducted study on Service Quality Measurement and Consumer Perception about the Services of Banking Institutions. This study reveals that the perception of the consumers on different nationalized banks may differ due to the behavior of the individual employees or officers otherwise all the services were rated as good by the respondents; except for loaning interest rate and mortgage facilities⁴⁶.

Laren, Juliano A And Espirioza, Francine S. (2005) conducted the study on Satisfied Consumers: Analyzing satisfaction as an antecedent of loyalty, a field experiment was conducted to test the relationship between consumer satisfaction and

⁴⁴ Toya Kerko, Chizuru Nishio (2003) , —Analysis of customer retention model in retail financing services – International Journal Of Research In Marketing, Vol.- 12 (1-2)

⁴⁵ Sunil Gupta, Donald R. Lehmann and Jennifer Ames Suart (2004) Valuing the customers International Journal of Research in Marketing, Vol.-XLI, No.-1, Feb

⁴⁶ Dr. H.C. Purohit & Avinash D. Parthardikar, March (2007), —Service Quality Measurement and

Consumer Perception about the Services of Banking Institutions|| - Indian Journal of Marketing, vol.

loyalty. A sample of college students was used. Results indicated a positive relationship between the two variables. A considerable amount of the variance of loyalty was explained by satisfaction.⁴⁷

Christian Homburg, Nicole Koschate and Wayne D. Hayer (2005) conducted the study on Do satisfied customers really pay more? A study of relationship between customer satisfaction and willingness to pay, two experimental studies a lab experiment and a study involving a real usage experience over time reveal the existence of a strong, positive impact of customer satisfaction on willingness to pay, and they provide support for a non linear, functional structure based on disappointment theory (i.e. an inverse S-shaped form).⁴⁸

Jagdish N. Seth, Atul Parvatiyar (1995) conducted the study on—The evolution of relationship marketing an alternate paradigm of marketing to be developed that is more process rather outcome oriented, and emphasizes value creation rather than value distribution.⁴⁹

James L. Walker (1995) conducted the study on —Service encounter satisfaction: conceptualized, he conducted the study on this model affords one a better understanding of the process of service satisfaction. By identifying and separating the peripheral and core dimensions of services, by explicitly considering the evaluation process over time, by implementing the concept of active and passive expectations

⁴⁷ Laren, Juliano A And Espirioza, Francine S. (2005) the study on Satisfied Consumers: Analysing satisfaction as an antecedent of loyalty International Journal Of Research In Marketing, Vol.-8 (2), with reference to Vol.-22, No.-2, June

⁴⁸ Christian Homburg, Nicole Koschate and Wayne D. Hayer (2005) conducted the study on Do satisfied customers really pay more? A study of relationship between customer satisfaction and willingness to pay – Journal Of Marketing, Vol.-69, No.-2, April

⁴⁹ Jagdish N. Seth, Atul Parvatiyar (1995), —The evolution of relationship marketing|| – International

within a service encounter, and by incorporating a consumer's zone of indifference, a more realistic decision process for consumer evaluations of services comes forth.⁵⁰

Pamela A. Kennett, George P. Moschis, Danng N. Bellenger (1995) —Marketing financial services to mature consumers, numerous opportunities for improvement exists i.e. improving readability through larger printing, increasing employees knowledge of the aging process, avoid age stereotypes, home delivery and pick up of documents, convenience is an important consideration and different mature consumers have different needs. Financial services providers would be best served to focus on two main areas: training and segmentation.⁵¹

Pamela A. Kennett, George P. Moschis, Danng N. Bellenger (1995) —Marketing financial services to mature consumers, numerous opportunities for improvement exists i.e. improving readability through larger printing, increasing employees knowledge of the aging process, avoid age stereotypes, home delivery and pick up of documents, convenience is an important consideration and different mature consumers have different needs. Financial services providers would be best served to focus on two main areas: training and segmentation.⁵²

Martin Fojt (1995) conducted the study on —Enhancing quality in service industry, to the extent of necessity of providing a service that is —right first time is imperative. There are downsides to its introduction, but these can usually be avoided through careful and sensitive system introduction. An effective system enables

⁵⁰ James L. Walker (1995), —Service encounter satisfaction: conceptualized|| – Journal Of Services Marketing, Vol.-9, No.-1

⁵¹ Pamela A. Kennett, George P. Moschis, Danng N. Bellenger (1995) —Marketing financial services to mature consumers|| – Journal Of Services Marketing, Vol.-9, No.-2

⁵² Pamela A. Kennett, George P. Moschis, Danng N. Bellenger (1995) —Marketing financial services to mature consumers – Journal Of Services Marketing, Vol.-9, No.-2

companies to travel a virtuous circle; an image of efficiency creating customer satisfaction and generating additional business.⁵³

Sanes (1995) conducted the study on —No news is bad news – The Journal Of Services Marketing, Vol.-9, No.-3, one thing is certain – your customers complain about you. If they are not complaining to you, you can be certain that they can be complaining to others and those other people might be your potential customers. Most dissatisfied customers tell other nine people and a persistent 13% of dissatisfied customers tell twenty other people.⁵⁴

Martin Fojt (1995) conducted the study on Many financial institutions still confuse customer care with quality, several companies in the financial sector now provide evidence of a greater and deeper commitment to continuous improvement but with the same notable exceptions, most initiatives under quality banner seem to confuse quality with customer care; quality does not seem to have permitted the organization as a way of life.⁵⁵

A. Ananth & A. Arulraj, conducted study on —Banking Services Quality in Nagapattinam District, Tamilnadu. This study reveals that at every level of dealing with the customers, the bank management needs to educate employees for banking activities and processes.⁵⁶

Kola and Akinyele (2010) in their article “Evaluation of Effectiveness of Marketing Communication mix element in Nigerian Service Sector” state that Creating effective communication with customers is the most important aspect in services marketing. The effectiveness of advertising and personal selling practices of Nigerian service sector in communicating with its customers with the aim of finding

⁵³ Martin Fojt (1995) Enhancing quality in service industry – The Journal of Services Marketing, Vol.-9, No.-3

⁵⁴ Sanes (1995) No news is bad news – The Journal Of Services Marketing, Vol.-9, No.-3

⁵⁵ Martin Fojt (1995) conducted the study on —Many financial institutions still confuse —customer care with —quality – The Journal Of Services Marketing, Vol.-9, No.-3

⁵⁶ A.Ananth & Dr. A. Arulraj, february (2011), conducted study on — Banking Services Quality in

solutions to improve the existing communication and customer satisfaction was accessed. Five parameters 1) Providing Information 2) Creating Awareness 3) Changing Attitude 4) Building company Image 5) Enforcing Brand Loyalty were considered in the study. The research revealed that both these elements are moderately effective in providing information, creating awareness and changing attitude whereas ineffective in building company image and enforcing brand loyalty.
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Ashok Kumar M. & Rajesh R. conducted study on —Whether Today’s Customers are Satisfied? - A study with banks. This study reveals that both Public and Private sector banks lack one or the other aspects so that there is no significant difference between overall satisfactions of the banks.⁵⁸

Rajasekhara (2008) in his article “Assessment of Effectiveness of Marketing communications mix elements in Ethiopian Service Sector” stated that creative effective communication with customers is most important aspect in services marketing. He evaluates the effectiveness of advertising and personal selling practices of Ethiopian service sector in communicating with its customers with the aim of finding solutions to improve the existing communication and customer satisfaction. He found that marketing communication mix elements viz. Advertising and personal selling are moderately effective in providing information, creating awareness and changing attitude whereas ineffective in building company image and enforcing brand loyalty.⁵⁹

T. Uma Maheshwara Rao, Ch. L. Hymavathi (2005) conducted the study on —Internet banking in Indian Scenario, they should also be prepared to handle system

⁵⁷ Kola and Akinyele (2010) “Evaluation of Effectiveness of Marketing Communication mix element in Nigerian Service Sector”

⁵⁸ Ashok KumarM. & Rajesh R., September (2009), —Whether Today’s Customers are Satisfied? - A study with banks||- Indian Journal of Marketing, vol. 39, issue no.-9, page no.-56.

⁵⁹ Rajasekhara Mouly Potluri. (2008). “Assessment OF Effectiveness of Marketing communications mix elements in Ethiopian Service Sector

disruptions, system hackers, security lapses and virus attacks. This fact is further proved by RBI guidelines, which encouraged the implementation of internet banking in India.⁶⁰

Enin Babakus, Sevgim Eroglu and Vgur Yavas (2004) conducted the study on modelling consumer's choice behavior: an application in banking, results suggest that consumer bank choice behavior can be represented as a global construct with three viable components (search, credence and experience) and provide implications for bank managers.⁶¹

Zillur Rehman (2005) conducted the study on —Service Quality: Gaps in the Indian banking industry, this study deals with the measurement of service quality of banks in India. It investigates the discrepancy between customers' expectations and perceptions towards the quality of services. The study was conducted using the SERVQUAL instrument. The results indicate that the sample population has perceptual problems with their banking service experiences.⁶²

Mushtaq A. Bhatt (2005) conducted the study on —Correlation of service quality in banks: An empirical investigation the results of the study lead us to the

⁶⁰ Prof. T. Uma Maheshwara Rao, Ch. L. Hymavathi (2005) ,—Internet banking in Indian Scenario|| –

Indian Journal Of Marketing, Vol.-XXXV, No.-4, April

⁶¹ Enin Babakus, Sevgim Eroglu And Vgur Yavas (2004) , —Modelling consumers choice behavior: an application in banking|| – Journal Of Services Marketing, Vol.-18, No.-6 & 7

⁶² Zillur Rehman (2005) ,—Service Quality: Gaps in the Indian banking industry|| – ICFAI Journal Of

conclusion that service quality of foreign banks is a comparatively much better than Indian banks and there are service quality variations across demographic variables.⁶³

Martin Fojt (1995) conducted the study on calculating the return on quality, four principles behind this approach are: quality is an investment, quality efforts must be financially accepted, it is possible to spend too much on quality and not all quality expenditures are equally valid. Quality improvements should be treated as investments: They must pay off and spending should not be wasted on efforts which do not carry their own weight.⁶⁴

Kulkarni (2000)⁶⁵ and Kohli (2001)⁶⁶ have discussed the various aspects such as manual banking to computerized banking, stage of automation in nationalized banks, new private sector Indian banks and foreign banks. Kohli has found out that the advancement in computing and telecommunications has revolutionized the financial industry, and banking on the net is fast catching on. As e-commerce gets transformed into m-commerce with the increasing use of technologies, banking business is in for a major overhaul.

Jeanne M. Hogarth, Marianne A. Higert And Jane M. Kolodiansky (2004) conducted the study on —Consumer resolution of credit card problems and exit behaviors, the study focuses on consumer resolution efforts with credit card problems and likelihood of —exiting – i.e. discontinuing the use of given credit card or of the financial institution associated with the credit card among all the households (63 %)

⁶³ Mushtaq A. Bhatt (2005), —Correlation of service quality in banks: An empirical investigation|| –

Journal Of Services Research, Vol.-5, No.-1, April To Sept.

⁶⁴ Martin Fojt (1995) Calculating the return on quality – The Journal Of Services Marketing, Vol.-9, No.-3

⁶⁵ Kulkarni, R.V. (2000). Changing Face of Banking from Brick and Mortar Banking to E-banking. IBA Bulletin, Vol. XXII, No. 1, January, p.8.

⁶⁶ Kohli, S.S. (2001), Indian Banking Industry: Emerging Challenges. IBA Bulletin, Vol. XXIII, No. 3, March, pp. 437-448.

with a problem, nearly 2/3 were able to resolve this problem, while over half (55 %) exit.⁶⁷

A, Kumaresan & I. Chitrakala &K. Gowtham, April (2010) conducted study on — Credit Card Holders‘ Expectations and Preferences Towards Selected Banks In Coimbatore City, Tamil Nadu□- Indian Journal of Marketing, vol. 40, issue no.-4, page no.-40. This study reveals that effective measures should be taken to make the consumers more aware about the pros and cons of the credit cards among the users. ⁶⁸

R.L.Godara & S.L.Gupta conducted the study about, Awareness, Expectation and Acceptances levels of the Customers with respect to the Use and Effectiveness of the New Techniques in Banking in India. Result of the study reveals that the hectic lifestyle of the people where time is a scarce resource is the main factor which is compelling customers to use new techniques in banking. Thus in spite of being a relatively new introduction, it is quite surprising to find from the survey, the kind of popularity that new technology gadgets have achieved.⁶⁹

Research Gap:

Based on the above review on the subject, it was felt that the research is conducted in the areas of banking performance, comparative study between public and private sector banks, pricing strategies, communication strategies, product strategies etc but there is no research is conducted by covering comprehensive

⁶⁷ Jeanne M. Hogarth, Marianne A. Higert And Jane M. Kolodiansky (2004) Consumer resolution of credit card problems and exit behaviours – Journal of Services Marketing, Vol.-18, No.-1

⁶⁸ A.Kumaresan & I. Chitrakala &K. Gowtham, April (2010) ,— Crdit Card Holders‘ Expectations and

Preferences Towards Selected Banks In Coimbatore City, Tamil Nadu||- Indian Journal of Marketing,

vol. 40, issue no.-4, page no.-40

⁶⁹ Dr. R.L.Godara & Dr. S.L.Gupta, Jan-June (2007)] conducted the study about, —Awareness, Expectation and Acceptances levels of the Customers with respect to the Use and Effectiveness of the

New Techniques in Banking in India||- Management Journal of Delhi Productivity Council, Vol.11,

strategies relating to banking business. Therefore it is considered as a research gap and taken as a study topic to cover the above gaps and to bring out a detailed study in the above mentioned topic.

SCOPE OF THE STUDY:

The public sector banks and old private sector banks who command over 80 percent market share in the banking industry must seize this opportunities in big way and respond aggressively to market demand if the growth in banking has to accelerate. So, after awareness of all new challenges and opportunities, banks have to focus on no. of trends like the reach and value that banks offered to customers, its technological convenience, the high cost of intermediation leading to change in progress, yet to gain momentum, consolidation through mergers and acquisitions. To overcome these challenges banks can adopted many marketing strategies like E-banking, product differentiation, reform banks as supermarket, use customer guidelines to form new strategies, use information technology in service sectors and in this regard respondent's opinions were gathered basing upon Visakhapatnam district.

NEED OF THE STUDY

The research is to evaluate of the banking sector in India has primal importance due to intense competition, and changing banking reforms. This research is very important because in today scenario there is strong competition in public and private sector banks. It's very important to know which sector is performing well and what are the marketing strategies adopted by banks of public sector and private sector.

OBJECTIVES OF THE STUDY:

1. To study marketing efforts of select public and private sector banks in terms of their market analysis.
2. To make a comparative analysis of marketing systems, procedures and staff of the banks under study.
3. To identify customers preference of banks and analyze reasons for their selection.

4. To analyze the role of 7 Ps framework in formulating marketing strategies of select public and private sector banks and assess its effectiveness in the fulfillment of marketing objectives.
5. To examine the demographic factors of customers and analyze their influence in the selection of banks and their satisfaction level.
6. To evaluate strategies for customer retention and customer loyalty.

HYPOTHESES:

H01: There is no significant association between age and marketing mix

H02: There is no significant association between Gender and marketing mix

H03: There is no significant association between Location and marketing mix

H04: There is no significant association between Education and marketing mix

H05: There is no significant association between Occupation and marketing mix

H06: There is no significant association between Income and marketing mix

METHODOLOGY AND SAMPLING:

i) Methodology:

Application of appropriate methods and adoption of scientific procedure is a sine-qua-non of systematic enquiry. This has an important bearing on the collection of reliable and accurate information as well as on the outcome of the study.

ii) Sampling:

A sample of 560 customers and 60 banking personnel has been taken at stratified random sampling covering all categories viz. bank employees, managers, customers covering from different banks were considered. The sample covers all the levels of the customers viz., small, medium and large.

iii) Data Collection:

Data has been collected from both primary & secondary sources. The researcher personally visited the banks during June-2012 to Dec-2012. An

administered questionnaire was circulated to the selected Employees including the managers of the banks in order to collect first hand information. This has been followed by personal interviews of informal nature and also with customers of the different selected bank of the study.

Data was collected through the techniques of schedule, interview and observation. One comprehensive schedule meant for investors was designed and the same was administered after pre -testing in a pilot study. Interviews with the sample respondents took place at the times convenient to them. Convenient timings for the interviews have been fixed in advance mostly during early hours of the office or during lunch break and at times in the houses of respondents. Personal interviews were conducted with all the respondents. The interviews were often prolonged & spread over multiple sessions. Since the interviewer personally visited the financial organizations, the technique of non-participants observation was also used which enabled the researcher to get more insight into the phenomena.

Secondary sources of data were also used and they include record files, brochures and other published and unpublished material of the institutions as well as outside stock broking agencies.

The enquiry is essentially in the nature of a qualitative study. Though the study has not used any advanced quantitative methods, a few statistical techniques like the following were used wherever necessary to make the data more precision and systematization.

Statistical tools:

To analyze and compare the study, various tools are been followed, out of which tools conveniently used for making analyses and interpretation of the data are:

- Factor analysis
- ANOVA

Scoring and Measurement of variables:

The different items in the Schedule indicate different scale factors, i.e., variables. The different items relating to both the dependent variable and the intervening variables are provided on Likert pattern of 5-point scale. The five response categories together with the numerical values assigned to them for computation are: Strongly Agree (2) Agree (1) Neutral (0) Disagree (-1) Strongly Disagree (-2).

The values on each of the items together with the values of the items measuring each variable for each respondent are added and the same is taken as the raw score of that particular respondent on that specific variable.

Reliability of the Questionnaire

Cronbach's alpha

Cronbach's alpha is a measure of internal consistency that is, how closely related a set of items as a group. Cronbach's alpha can be written as a function of the number of test items and the average inter-correlation among the items. For conceptual purposes, the formula for the standardized Cronbach's alpha is given below.

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Here N is equal to the number of items, c-bar is the average inter-item covariance among the items and v-bar equals the average variance.

The researcher has administered the alpha scale method of reliability analysis. For the present study, the alpha coefficient is 0.7196,

PRESENTATION OF THE STUDY

The study was presented in five chapters as mentioned below. The first chapter deals with introduction of Entire gamut of Banking industry and marketing aspects of banking. The second chapter is devoted for a discussion on the nature of the enquiry and the methodology along with review of literature. A profile of SBI, Andhra Bank, ICICI, HDFC and socio-economic profile of the respondent employees

have been presented in the third chapter. The fourth chapter deals with analysis part of the data collected through administered questionnaire and the fifth chapter comprises the summary, conclusions and suggestions for the betterment of the organizations.

LIMITATIONS OF THE STUDY

Following are the few constraints faced during the study.

1. Elaborate study was not possible due to limited availability of data. The survey was conducted based on stratified random selection which has its own defects.
2. Banking employees and customers time availability is limited.
3. The size of the sample representing the universe is very small.
4. Information furnished in the study may be applied for similar nature of study.