REVIEW OF LITERATURE
CHAPTER II

REVIEW OF LITERATURE

INTRODUCTION

Marketing by service industries are yet to gain momentum, especially when it comes to marketing by commercial banks. In India, the liberalization of the financial sector has impelled all the players to redefine what business they are in and strategically think how to stay ahead in the existing business. Marketing orientation of banks is imperative for survival and success.

EARLIER STUDIES

Marketing of financial services by banks is under active and extensive discussion among academicians and bank personnel. Survey and research have been conducted both by academic researchers and practitioners on the various aspects of services marketing in general and financial services marketing by banks in particular both in India as well as abroad.

Service Marketing

A study by George William R and Hiran C Barksdale (1974) on the marketing activities in the service firms discovered that services marketing is generally on the low ebb. Service firms tend to be less marketing oriented; less likely to have marketing mix activities carried out in the marketing department; less likely to perform analysis in the area of service product; more likely to undertake advertising internally rather than go to specialized advertising agencies; less likely to have overall sales plan; less likely to develop sales training programmes; less likely to utilize the
services of marketing consultants and marketing research firms; and less likely to spend much on marketing, as a percentage of gross sales.¹

Study by Bessom, Richard M and Donald W Jackson Jr (1975) of 400 service and marketing firms revealed that service firms are less likely to have marketing departments, to make use of sales planning and training, and to employ marketing professionals like consultants, advertising firms and market research agencies.²

James F Devlin (2000) studied as to how attempts can be made to add value when offering services exhibiting increased complexity, intangibility and impalpability in the eyes of most consumers. It was found that the features and quality of the core service provided are judged by managers to be more important in adding value to more complex services; as are organizational factors such as image and reputation. In addition, price is perceived to be significantly more important in adding value to more simple, rather than complex, offerings.³

Characteristics of Services

Anne M Smith (1990) studied way the four distinguishing characteristics of services-intangibility, inseparability, heterogeneity and perishability affect clients’ perceptions of quality service from banks. The study revealed that intensifying competition and increasing customer expectations have created a climate where ‘quality’ is considered to be a major strategic variable for improving customer satisfaction and thus the profitability of financial service providers.⁴

Financial Services Marketing

Sankaran M (1999) studied the measures that would help domestic players in financial services sector to improve their competitive efficiency, and thereby to
reduce the transaction costs. The study found that the specific set of sources of sustainable competitive advantage relevant for Financial Service Industry are: a) product and process innovations, b) brand equity, c) positive influences of ‘Communication Goods’, d) corporate culture, e) experience effects, f) scale effects, and g) information technology.5

Trevor Watkins (1989) while studying the current state of the financial services industry worldwide identified four major trends: (1) the trend towards financial conglomeration; (2) globalization (3) information technology in bank marketing; and (4) new approaches to financial services marketing. These trends, it was concluded, will affect the marketing of banks and other financial services in the 1990s.6

Marisa Maio Mackay (2001) examined whether differences exist between service and product markets, which warrant different marketing practices by applying ten existing consumer based measures of brand equity to a financial services market. The results found that most measures were convergent and correlated highly with market share in the predicted direction, where market share was used as an indicator of brand equity. Brand recall and familiarity, however, were found to be the best estimators of brand equity in the financial services market.7

Bank Marketing

In Berry, Kehoe and Lindgreen’s study (1980) it has been found that most frustrating aspects of bank marketing were a) lack of management support, b) lack of interdepartmental cooperation c) crisis management d) government intrusion e) advertising and media problems.8
T G Nair (1992) in his study depicts the growth and expansion of Financial Services industry in India. Banks in order to overcome the competition from other agencies are providing a wide range of services. Public sector Canara Bank observed the year 1984 as ‘Year of Marketing’ to create among the staff an awareness of the need for customer satisfaction. The findings stress greater need for a change in the attitude, especially in the case of the counter clerks, field staff and sales force of the bank, towards the customers.9

Customer Needs

Geiger’s (1975) study was to establish the needs of customers. Social structure of the bank’s customers and the image that the customers had of the banks were studied along with customers judgment of the range of services that the banks had to offer, the effectiveness of various advertising and other sales promoting measures, and the customers’ will to save and other habit. Findings indicate that satisfied customers are more positively minded than those who are critical of what their banks have to offer them.10

The study by Syed Asad Akbar (1990) revealed the need for a more customer-oriented approach to bank marketing, and more emphasis on improved marketing strategies. Stressing the need for a ‘Plan Oriented Marketing’, suggestions were made that new product development should be done on an on going basis and schemes which have failed to take off should be reviewed and if necessary modified or dropped.11
Lewis and Birmingham (1991), studied the needs, attitudes and behaviour of youth market for financial services and found the youth market not homogenous in terms of needs and behaviour.\textsuperscript{12}

Boyd et al (1994) conducted a study on consumer choice criteria in financial institution selection in USA and found that reputation and interest rates (loans/savings) more important than friendliness of employees, modern facilities and drive-in-service.\textsuperscript{13}

Rajagopla Nair (1994) in his study on rural bank marketing found that security and liquidity are the major pre-requisites for deposits by rural customers and that interest rate on deposits is not at all a criterion for rural bank depositors to deposit their savings with commercial banks.\textsuperscript{14}

Huu Phuong Ta and Kar Yin Har (2000) studied bank selection preferences of undergraduates in Singapore. In the study, nine criteria for bank selection decision and five banks were identified, and the decision problem structured into a three-level hierarchy using the Analytic Hierarchy Process. The findings indicate that undergraduates place high emphasis on the pricing and product dimensions of bank services.\textsuperscript{15}

**Products**

National Institute of Bank Management’s study on deposit mobilization (1969) concluded that mobilization of resources is one important facet of the various services performed by banks. Banks should classify depositors into segments and take intensive measures to market their services to them. They should design suitable schemes to mobilize the savings and attract them through suitable media of publicity.
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The various techniques of banks are essentially based on the principles of mobility, flexibility, convenience, reduction of cash drain, automatic facilities and special inducements. More personalized service to achieve deposit mobilization at branches.16

**Place**

In Rossier’s study (1973) suggests that banks should not open a branch without first analyzing market potential and determining the expenditure required to obtain a sufficient market share. The risk in expansion is not so much one of opening unprofitable branches, but rather of allocating scarce resources of managerial talent, qualified personnel and capital to marginal projects.17

A study by Meidan (1976) revealed that about 90 percent of the respondents banked at the branch nearest to their home place or place of work. Convenience, in terms of location, was also found to be the single most important factor for selecting a branch.18

Ron Laursen and Ron McTavish (1994) in their research found that workplace banking - the provision of banking services to company employees at their place of work – was attractive to employers and employees and that they utilized the services to a great extent.19

**People**

Peter W Turnbull (1982) places the branch bank manager in a central position in the business in respect of the marketing efficiency of the banks at the local level. The study identified three reasons which underlie the lack of marketing orientation: motivation, ability and time, and says that banks need to move quickly to ensure that branch bank managers can speedily meet the challenge. It was suggested that managers
be given knowledge inputs on the principles of marketing and develop in them the commitment to implementing the principles in practice.\textsuperscript{20}

**Promotion**

A study conducted by Preston \textit{et al} (1978) indicates that there is no significant difference between the retention rates of premium-attracted and of non-premium offered deposit accounts. Consequently, the conclusion is that customers attracted by a free premium were just as loyal as those customers attracted by a lower-price banking service premium.\textsuperscript{21}

Dr. 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.\textsuperscript{22}

F G Crane (1990) using a case study analysis, found that corporate advertising should be an integral component of the marketing communications program of a financial services institution and recommends that managers need to pay more attention to successfully integrate corporate advertising integrated with product advertising.\textsuperscript{23}
Advertising

In Rayburn's study (1978) it was suggested that the purpose of the advertising and promotional functions is to create demand for the bank's services and to build and maintain goodwill towards the organization.24

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 suggested as the best method, since it educates the potential rural customers into the bargain.25

Singh J D (1983) in his study examined the trends in bank advertising in the seventies in India. The study revealed that the bank advertisements were created seemingly for the sake of advertising rather than for creating the market or serving the customer satisfactorily. There is lack of professionalism in bank advertising and marketing. Suggestions were made to give stress on 'positioning the bank' rather than on selling the products after identification and prediction of customer requirements.26

Image Building

Karur Vysya Bank (1989) undertook a study on the image of the bank. The study disclosed that the success of bank marketing depends on building a bank image in the minds of the customers. In a market where product competition does not exist, it is the bank image that will survive.27
Leonard and Spencer (1991) studied the importance of bank image as a competitive strategy for increasing customer traffic flow. Preference for banks amongst students as provider of financial services; greater confidence in large-medium-sized banks, importance of courtesy by personnel, competitive deposit rates and loan availability were the key findings.28

Henry A Laskey, Bruce Seaton and J A F Nicholls (1992) evaluated the effectiveness of alternate forms of bank advertising, the alternative forms of which differ in terms of main message strategy and overall method of presentation (structure). The study examined the relative effects of verbal only advertisements compared to those that combine both pictures and words. The differences between informational and transformational strategies were also studied, by including both male and female models while studying transformational strategies. Results suggest that advertisements, which include both verbal and pictorial components were superior and informational strategy is more effective for bank advertising than a transformational strategy.79

Marketing Communication

Andersen P.H (2001) studied marketing communication using three classical rhetorical elements, and found communication process as developing an understanding of the communicator's intentions and qualities (ethos) and the communication climate (pathos), both of which are necessary for engaging in constructive dialogues with customers (logos). On this basis, the study outlined a model for integrating practices of marketing communication with relationship
building and illustrated the model using a case study from a Danish bank as a reflective device.39

Marketing Techniques

Research on Marketing techniques by Hussain, Farhat Dr (1987) found that in particular, the banks should apply marketing techniques in the following areas: i) Identifying the present and future needs of the market for services both for deposits and lending, ii) Selecting the markets the banks want to serve and identifying the needs of the target group, iii) Setting up of targets for existing services and introducing new services, iv) Persuading customers to use the services at the profit to the bank, v) Deciding best locations for new branches, and vi) Expanding internationally.31

Ashok Kumar (1991) made an attempt to review and assess the extent of application of marketing concepts and techniques in the banking sector. It has been recommended that while formulating marketing strategy, a bank should focus attention on consumer sovereignty, on the attitude, responsiveness and personal skills of their staff, on revitalizing the marketing department, on top management support to the marketing department, and on participation of marketing personnel in key bank decisions. Efforts should be made by the banks to understand and estimate the attitude and perceptions of their customers as accurately as possible to enable them to plan the market segments and design service offerings to suit their customers.32
Market Segmentation

The real need of market segmentation was investigated by Laurent (1979) employing a factor analysis centered around five banks that differed from each other on seven main attributes: friendliness, quality of service, community spirit, modernness of facilities, convenience, range of services and ownership. The main findings revealed that on the basis of perceptions of the overall image of the five banks relative to each other, there existed three distinct market segments: convenience, service, and staff friendliness-oriented segments.33

Laroche, Rosenblatt & Manning (1986) studied diverse demographic segments to find the services used and factors considered important in selecting a bank. Key findings included importance of location convenience, speed of service, competence and friendliness of bank personnel.34

Ricky Yee-Kwong Chan (1993) conducted a study on the banking behaviour of college students that confirmed several findings from western countries like limited banking demand of students, popularity of split banking in account ownership, price consciousness of students, and importance of locational convenience and on-campus promotion. Suggests that in order to turn this segment into a lucrative one, bankers need to adopt a long-term perspective and place more emphasis on service quality and promoting the concept of “one-stop banking”.35

In a study by Clifford J Schultz and Russ Alan Prince (1994) the factors that predict the successful sale of financial services to affluent investors were gone into, by collecting data using a new set of scales that measure traits, selling strategies, and
compliance gaining tactics. Results suggest that effective relationship managers to sell the services of financial service institutions to various, geographically diverse, affluent investors use these tactics called ‘infotainment’.36

Raj Singh Minhas and Everett M Jacobs (1996) used benefit segmentation by factor analysis group customers in relation to their particular attitudes and behaviour instead of geographic, demographic, socio-economic, and psychological characteristics to segment the market for financial services. The study identified eight benefits, in order of their popularity as personal service, investment, limited banking, accessible cash, cash card, advice, money management, and full banking.37

Achim Machauer and Sebastian Morgner (2001) studied the use of segmentation by demographic factors in bank marketing and found that the correlation of such factors with the needs of customers is often weak. Finding is that segmentation by expected benefits and attitudes could enhance a bank's ability to address the conflict between individual service and cost-saving standardization.38

Niels Peter Mols (1999) in his study found that the bank customers may be divided into an Internet banking segment and a Branch banking segment and that the former is growing and the latter is declining, necessitating the development of technology in bank marketing.39

Technology

In their study ‘Services Marketing – Challenges and Strategies’, Dr.Chidambaram and Ms.K. Alameleu (1996) suggested that banks should become technology friendly. By investing in technology a bank can carve a niche for itself. Well-furnished premises are a must for the satisfaction of both employees and
customers. Professionalized, well-trained and motivated employees will improve the marketability of a bank.\textsuperscript{40}

Gaston Leblanc (1990) studied customer motivations towards the use and non-use of an Automated Teller Machine (ATM) customers of a financial institution. An analysis of results based on demographic variables revealed significant differences between users and non-users in terms of education only. Results also show that convenient accessibility of a financial institution and avoidance of waiting lines is the principal reasons for using the automated teller.\textsuperscript{41}

Robert Rugimbana and Philip Iversen’s study (1994) was to determine the association between consumer ATM usage patterns and their perceptions of ATM attributes by identifying those variables that distinguish users and non-users. The results based on a survey of 630 retail banking consumers from two separate Australian banking institutions suggest that successful marketing strategies must focus on the most important attributes of ATMs as well as identify different user groups and develop strategies to maximize their patronage.\textsuperscript{42}

Mathew Joseph, Cindy McClure and Beatriz Joseph (1999) explored the use of technology in the delivery of banking services as it is being employed to reduce costs and eliminate uncertainties. Results indicated that consumers have perceptual problems with some aspects of electronic banking.\textsuperscript{43}

Mark R Nelson (1999) studied the trends and patterns surrounding the interface between the marketing and information services functions within the financial services industry. It was found that many banks lack alignment or integration between their marketing and information services functions. Improving
this cross-functional interface may lead to more effective use of information technology to support the marketing function in many banks.44

The study by Ali Yakhlef (2001) found that as more and more of the transaction processing load is taken over by technology, banks are concentrating on strengthening their marketing approach and re-inventing their business model. Traditional bank branches, with an infrastructure supporting transaction processing, were being transformed into an open-space interface within which bank experts engage intimately with their customers, delivering specialized, advisory services with more focus on retail banking.45

Retail Banking

Bill Stephenson and Julia Kiely (1991) researched into the key issues facing banks in order to become better at selling in the personal banking market. The results indicate that the radical change in management style, training, motivation and recognition of branch sales personnel is called for. Developing a true sales culture requires major alterations to management structure and style, and is most likely to be successfully achieved by ‘top-down’ target setting based on corporate business objectives.46

James F Devlin (1995) studied the developments in the distribution of retail banking services in the UK, using the case study of First Direct, a subsidiary of Midland Bank that successfully introduced telephone-banking service. It was found that in an increasingly competitive and deregulated environment, superior distribution strategies concerned with how to communicate with, and deliver products to the
consumer could provide institutions with significant competitive advantage in the marketplace.\(^{47}\)

**Strategy**

Study by Hughes (1969) had revealed that banks used different benchmarks for measuring the degree of success of a branch marketing strategy – dollar volume of deposits, market share of deposits, the number of depositors and the share of the depositors.\(^{48}\)

Ravisankar T S (1985) in a study on ‘Marketing Strategies and Planning for Business Growth in Banks’ says that the marketing plan for banking services should be supported by appropriate marketing strategies. He suggests that marketing strategy for banks must be oriented towards customers-current and potential.\(^{49}\)

NIBM (1986) conducted a large-scale survey to study the behaviour of households and to develop appropriate marketing strategies for deposit mobilization and found that banking is largely a habit of literate Indians. Majority of the non-bank savers is illiterates. The level of awareness of bank deposit schemes is quite low among rural non-bank savers. The study stresses the need for adopting appropriate marketing strategies to penetrate untapped market for deposits.\(^{50}\)

Radhakrishnan (1987) conducted a study on ‘Marketing of Banking Services, Constraints, Challenges and Strategy’ and found that mixed banking, complaints from customers about bank charges, competition from Non-banking financial companies and growing investment consciousness of the public are some of the impediments to bank marketing. It is suggested that the Branch Manager can design appropriate
marketing strategy through identification of customer needs and service efficiency with appropriate differentiation by understanding customer behaviour.51

Kusumakara Hebbar (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 and enhance customer satisfaction. Rude behaviour of the employees, suspicious looks of the staff, vague knowledge of the products, undynamic promotional methods etc., may hamper the banking business in rural areas.52

Saxena (1988) has in his study found that it was a mistaken belief that every other instrument of saving available in the market competes with bank deposits. As each saving instrument aims at satisfying one or the other motive for saving and is different in nature, instruments of one group are not likely to affect others. The study concludes that banks should adopt aggressive marketing strategies to identify new potential customers in order to maintain their share in the savings of the household sector.53

Tser-yieth Chen (1999) applied the Critical Success Factor (CSF) approach to identify the appropriate CSFs underlying the strategies employed in banks. The result of a factor analysis suggested four composite CSFs: bank operation management ability, developing bank trademarks ability, bank marketing ability, and financial market management ability.54

Young (1999) utilizing perceptual mapping to assist in analyzing market structure and in developing strategies, tried to examine how consumers perceive
alternative banks on important attributes. It was found that market structure analysis could assist the bank in identifying potential opportunities in differentiation and in assessing the viability of low cost as a competitive advantage.\(^5\)

**Quality of Service**

Lovis Harris Associates (1984) conducted a national consumer survey to determine what characteristics are most important in bank selection in UK. It revealed that the quality of customer service was one of the three top issues and the consumers ranked the quality of their bank relationships as even more important than the fees charged for services.\(^6\)

In the study by Lewis (1991), an international comparison of bank customer's expectations and perceptions of service quality were made. It was found that in spite of the existence of very high expectations of service quality and high perception of service received, gaps did exist.\(^7\)

Barbara R Lewis (1993) studied the service quality initiatives in financial services to find the determinants and measurement of quality. Attention was also given to research applications, which focus on management, employee and customer perspectives. The findings emphasizes the need for an integrated approach to service quality and the development of service quality measurement tools.\(^8\)

Galloway and Blanchard (1996) studied the retail customer perceptions of those factors which determine service quality and whether or not life stage affects perceptions of quality. The study proposes a model based on the three dimensions of process/outcome, subjective/objective and soft/hard.\(^9\)
Worcester (1997) in his study found that banking in Britain has suffered a crisis of identity in recent years due to falling standards of service. The study suggests that marketing and image research studies should be given the same attention as the monthly financial figures, should be treated with the same respect and should feed into strategic decision making. The study identified five areas of activity for financial institutions to focus, namely: strategic direction; legal threats to survival; capital management; succession; and protection and promotion of the corporate reputation.

Customer Service

La Londe, Cooper and Noordewier (1988) found customer service as a separate mix of elements and sees the logistics function as being subsumed within the customer service activity. The result of this study shows the relative importance of customer service contrasted with other elements of the marketing mix including advertising, promotion, and sales effort. Most respondents rated customer service ahead of advertising, promotion and sales effort in terms of importance and ranked third behind product and price.

The study by Biswas N Bhattacharya (1991) concludes that to succeed in a liberalized and deregulated market scenario bankers have to stress the maxim of marketing that customers come first. Marketing management should cover the entire organization and strategy must combine the various structures and functions of an organization to deliver satisfaction to the customer on an ongoing basis. ‘Cross culture Marketing’ will require the induction of skills and infusion of marketing knowledge through training and development. Since only satisfied employees can
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give satisfactory customer service, strategic human resource management will be very important.62

Robert Johnston’s (1997) study found that certain actions, such as increasing the speed of processing information and customers, are likely to have an important affect in terms of delighting customers. However other activities, such as improving the reliability of equipment, will lessen dissatisfaction rather than delight customers. Suggests that it is more important to ensure that the dissatisfiers are dealt with before the satisfiers and emphasizes the need for genuine commitment and attentiveness by front-line staff.63

Dan Sarel and Howard Marmorstein (1998) examined the effects of perceived employee action and customer prior experience, on reactions to service delays by conducting a field study of customers experiencing actual delays in a major retail bank. The findings indicate that events and actions taking place prior to, during and after the delay, affect consumer response.64

The key insights of a multi-year, multi-sector stream of research on customer service by Parasuraman suggest that the scope of marketing should be broadened to include the delivery of customer service as an integral component and that a judicious blending of conventional marketing and superior customer service is the best recipe for sustained market success.65

Eapen Varghese (2001) in his study attempted to assess the customer service rendered by commercial banks in Kerala. It was found that there is no difference between the services rendered by public sector banks and private sector banks.66
Quick Service

Kamath (1979) conducted a study on the marketing of bank service and customer service with special reference to the customers of the branches of Syndicate Bank in Bombay City. The study concluded that quick and better services offered by a bank would be the most important variable in attracting and retaining a bank customer. Price and Place mixes have less relevance in the marketing mix of banking products and services.67

Ranade M P (1985) in his study on ‘Marketing of deposits and allied services to non-resident customers opinion’ concluded that quick service is the major factor influencing a Non Resident Indian’s (NRI) selection of a bank. Existing deposit schemes alone does not satisfy the NRIs.68

Customer Satisfaction

Luiz Moutinho and Douglas T Brownlie (1989) explored the nature and direction of the satisfactions that are delivered to consumers of bank services. It was revealed that respondents had high levels of satisfaction with regard to the location and accessibility of branches and ATMs, and acceptance of the current levels of banking fees; but expressed some caution in their evaluation of new and improved service.69

A study by Rosenberg and Czpeil (1984) claims that it is between five to ten times as expensive to win a new customer than it is to retain an existing one.70

Research by Susan Fournier and David Glen Mick (1999) revealed that customer satisfaction is an active, dynamic process that evolves over time and should
not be considered only from the perspective of a single transaction. Findings suggest that the (dis) satisfaction of other relevant household members often contribute to an individual customer’s (dis) satisfaction.\textsuperscript{71}

Customer Loyalty

Gerrard and Cunningham (2000) has developed a model of bank switching that contained six switching incidents. The study also investigated if certain demographic characteristics of Singapore’s graduates could be used to distinguish those who have switched banks from their counterparts. The results showed that the types of incident that most often influenced bank switching were ‘inconvenience’, followed by ‘service failures’ and ‘pricing’. The demographic characteristics that were subject to testing, namely gender, age, salary and racial group, showed no significant differences.\textsuperscript{72}

Relationship Marketing

Jain, Pinson & Malhotra (1987) studied the customer loyalty in retail banking and found that customer loyalty is a useful construct. Economic rationale swayed bank non-loyal segment whereas the bank loyal segment placed greater emphasis on human aspects of banking.\textsuperscript{73}

Meidan and Moutinho (1988) conducted an attitudinal research on bank customer perceptions and loyalty. The key findings were that banks should develop ATM usage; financial institutions should review basic banking services and that customer loyalty is a function of more than one variable.\textsuperscript{74}

Bhattacharya and Ghose (1989) studied the nature of marketing of banking services in the 90s, given the challenges confronting the commercial banking. The
study revealed that the 90s saw an aggressive marketing approach in rural and semi-
urban sectors anticipating, identifying, reciprocating and satisfying customers’ needs
effectively, efficiently and profitably and thereby improve the banker customer
relationship.75

Reichheld and Sasser (1990) in their study observed a cross-industry trend and
have found sales and profits per account rise along with the longevity of the
relationship. And therefore it is suggested that organizations should attempt to
improve their customer retention efforts.76

The study by Jean Perrien, Pierre Fillatruult and Line Ricard (1992) identified
the major problems raised by the implementation of an effective relationship
approach. Competitive pressures as well as the search for fee based incomes; mainly
derived from cross selling, have forced commercial financial institutions to redefine
their marketing strategies and to focus on ‘relationship marketing’. From this critical
analysis, it is concluded that relationship banking is a major corporate issue, not the
sole responsibility of front-line people marketing and strategic issues are merging.77

Christine Ennew (1996) examined the extent to which participation in the
banking relationship occurs and the implications of this for quality of service. It was
found that the development of effective customer relationships is the key element of
marketing strategies in the service sector. The ability of an organization to develop
and maintain a relationship with its customers will be dependent on their willingness
to participate. For participation to be worthwhile, customers must perceive that it
yields benefits that are greater than those which accrue from non-participation.78
The study by James Barnes and Darrin Howlett (1998) offers a consumer-focused approach to defining the principles of relationship marketing, and examine the conditions under which service marketers can expect to form relationships with their customers. The research reveals that the affective dimensions of the service encounter best predict quality relationships.\textsuperscript{79}

Dwayne Gremler, Kevin Gwinner and Stephen Brown (2001), using the four dimensions of interpersonal bonds viz., trust, care, rapport, and familiarity, found that as a customer's trust increases in a specific employee or employees, positive word of mouth (WOM) communication about the organization also increases. Such a trust is a consequence of three other interpersonal relationship dimensions: a personal connection between employees and customers, care displayed by employees, and employee familiarity with customers.\textsuperscript{80}

**Internal Marketing**

Research by Singh (1985) on Bank Marketing found that a good number of banks in India had taken steps to make use of internal marketing for purposes of raising the customer service consciousness, and business mindedness on the part of their employees.\textsuperscript{81}

The study by Scott Kelley (1990) considered the customer orientation of the customer contact personnel in four banks and found that specifically the relationships between employee motivation, satisfaction, and role clarity are all directly related to customer orientation. However when these variables are considered together, motivation and role clarity appear to have the greatest impact on the customer orientation of employees.\textsuperscript{82}
A pilot study in internal marketing by Helman and Payne (1992) suggested that formalized internal marketing programmes are still fairly rare. Other findings were:

- Internal marketing is generally not a discrete activity, but is implicit in quality initiatives, customer service programmes and broader business strategies.
- Internal Marketing comprises structured activities accompanied by a range of less formal *ad hoc* initiatives.
- Communication is critical to successful internal marketing.
- Internal marketing performs a critical role in competitive differentiation.
- Internal Marketing has an important role to play in reducing conflict between the functional areas of the organization.
- Internal Marketing is an experiential process, leading employees to form their own conclusions.
- Internal marketing is evolutionary: it involves the slow erosion of barriers between departments and functions. It has an important role in helping with the balancing of marketing and operations.
- Internal Marketing is used to facilitate a spirit of innovation.
- Internal marketing is more successful when there is commitment at the highest level, when all employees cooperate, and an open management style prevails.83

The empirical study on internal service encounter satisfaction by Dwayne Gremler, Mary Jo Bitner and Kenneth Evans (1995) by using the critical incident methodology found that internal customers are similar to external customers in that,
with a few interesting differences, the same types of events and behaviours distinguish satisfactory and dissatisfactory incidents in both internal and external encounters. Introducing the concept of the ‘internal service encounter’, it was found that an internal customer’s (i.e. employee’s) satisfaction with a service firm could be significantly influenced by service encounters experienced with internal service providers.\textsuperscript{84}

Christo Boshoff and Madele Tait (1996) studied the internal marketing concept based on the belief that a firm’s internal market/employees can be motivated to strive for customer consciousness, market orientation and sales mindedness through the application of accepted external marketing approaches and principles. This study reveals that these objectives could be achieved by marketing, among others, the service firm’s goals, objectives and values to frontline employees.\textsuperscript{85}

Study by Donald J Shemwell and Ugur Yavas (1998), found that establishing a sales culture is very important to a bank’s success. The study recommends strategies to increase sales per employee, improve cross selling to high-value customers, and enable banks to focus on solving customer needs to the mutual benefit of both parties. It requires providing consistently excellent service quality and sales and customer interaction training for all boundary-spanning employees.\textsuperscript{86}

The study by Adrian Sargeant and Saadia Asif (1998) was to explore the relevance of the concept of internal marketing to the financial service arena and the extent to which it may be possible to utilize internal marketing as a means of reducing the service gaps. The research found no evidence that internal marketing as a concept is as yet fully understood by management, either at the junior, or more senior levels,
within each organization and that there is a clear need to adopt a more strategic perspective on internal marketing activity to reduce the service gaps and to compete effectively in a market increasingly driven by the quality of the service demanded.\textsuperscript{87}

Mark Durkin and Hadyn Bennet (1999) conducted research among employees of a large retail bank and found three different types of employee commitment (internalized commitment, identification commitment and compliance commitment). It was found that high levels of internalized commitment are essential for the successful implementation of the emerging relationship marketing strategy. Employees show unexpectedly low levels of internalized commitment, coupled with higher than expected levels of compliance commitment. Combined with respondents low intention to leave, the case bank seems to have many employees who, while reluctant to leave, seem at best unable, and at worst unwilling to embrace new change initiatives and who consequently show low levels of identification with the values of the organization.\textsuperscript{88}

Research by Lindgreen and Crawford (1999) suggests that for employee empowerment to work there has to be investment in proper customer focused staff training to enhance such different skills as industry knowledge, customer service communications, presentation and teamwork.\textsuperscript{89}

Need for Study

Almost all studies reviewed above highlight that significant studies have been made in various parts of the world on the pivotal role of various aspects of marketing of financial services. However, there is a dearth of research studies conducted to
evaluate the marketing strategies of financial services by commercial banks, especially in the context of financial sector reforms, which has brought paradigm shift in the way financial services are marketed by commercial banks. In this context, a systematic study taking the premier bank of Kerala – State Bank of Travancore - as a case study assumes relevance and deserves deeper academic attention.
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