Chapter 3

REVIEW OF LITERATURE
3.1 Communication Strategies in Service Sector

Call for effective communication strategy is a manifestation of complexity of doing business in “the information age”. Information today is utilized to acquire competitive edge and idyllic communication strategy will hub on absolute assimilation and actions on information received for gain of organization. Communication strategy in today’s globalised world has to be precise, honest and efficient so that organizational goals are visibly communicated. Financial service sector over world is considered to be one of the most volatile and vulnerable one, nonetheless it is imminent enough to clutch large number of investors. Contemporary age of Service Industry athwart the globe is emerging up as a developed economy due to Globalization and enhanced technological innovations, which is optimum mix to retain sustainable development. Vital combination of these two feature has not only supported organizations to make money from existing markets , but has also augmented customers in provisos of availability of choices and knowledge they acquire with respect to selection of accurate service for them in particular. This slant of customers have made market exceedingly competitive and constrained and service providing sectors to glance at their internal and external premises, to ally them to gear up and espouse market in their favor.

Indian Financial service sector has acknowledged role of communication strategies corresponding to impending challenges in the form of Liberalization which has opened up doors for Private players too. With this backdrop, it becomes imperative to study communication, and spurring diversified communication strategies which are now dominant to achieve sustainable development. Financial service sector essentially consist of Banking and Insurance that caters needs of almost all class of society thereby strengthening direct link with consumers and communicating organizational strategies to them in terms of services they dispense.
Present study is an attempt to study the extensive literature on Communication strategies in financial service sector and review the same by studying the following areas in detail:

- Changing Paradigms - From Production to Service sector.
- Service sector – Major players Banking and Insurance Industries.
- Role of Communication Strategies in Service Sector.

Thus this will facilitate us to scan present scenario of communication strategies in financial sector. There is a need for change agents who care for people as humans who possess social skills in awareness and communication.\(^1\) This calls for SWOT up of evolution and emergence of service sector and communication strategies development in present scenario.

**Changing Paradigms – From Production to Service Sector**

Changing set of objectives is instrumental in achieving organizational success. With organization’s own set of goal, and guide lines to achieve them it is equally important for them to assess change that is taking place in surrounding (internal and external) and make endeavor to incorporate it in organization which will facilitate them to achieve predefined long term organizational targets. World has witnessed change, or say it is a paradigm shift which is not a night mare but resultant of continuous efforts of researchers and thinkers who have practically made efforts to enhance organizational efficiency and overall productivity. The process of change which enables us to see 21’st century scenario Largely termed as “information age” is resultant of incessant research and innovations in industrial development which was instigated from raw manufacturing majorly termed as “artistic productions”, unfortunately this era did not last for long as demands for goods outshined productions and

\(^1\) Umali Dioscoro 1976.
also artistic productions were always not up to mark. This became apparent into further
development which headed for primary Industrialization. The key focus here was to endow
with industry needs thus manual and early stages mechanical instruments were developed for
industries. This Industrialization then was followed by mass production laying emphasis on
Taylor’s scientific management principle. Developed countries were enormously contented
and overwhelmed with this innovative development, major rationale behind it was
standardized production on huge dimension gratifying consumer needs and contributing to
economy. Thus Industrialization and mass production was acceptably established concept
and a strategic shift accepted all over world, they being economic drivers. In later years major
focus was on quality in whatever delivered and this laid major emphasis on “process analysis
from product analysis”. Following W Edwards Deming Philosophy PDCA cycle was
implemented and focus was to measure all activities carried out and create a perfect
feedback system. On same argument concept of Zero defect was acknowledged and
executed to purge defect thereby reducing cost of production. This was dawn of service era
where production was done keeping consumer in centre and “consumer satisfaction” thus
transpired as an evolving principle, which though slowly but grew with a robust edge. Recent
scenario has time-honored the actuality that consumer is eventual power in economy and
therefore catering their wants in form of goods and services should be prioritized. At same
time it was also acknowledged that serving consumers with respect to their primary needs is
indispensable and also a strong pillar towards sustainable economy. Thus this laid stress on
evolution and development of service sector in India on a wider perspective. Present scenario
focuses on service providing sectors and their major contributions to strengthen economy
which relies majorly on key service sector like:
- Advertising and Marketing Services
- Health care and hospital services
- Information and technological services
- Logistics services
- Financial services – Banking and Insurance sector

Fundamental objective of any aforementioned service sector is to assure consumer needs and increasing organizational profitability. Today service sector has acquired significance because extreme competition widespread in market has compelled organizations to deliver best and use their wherewithal superlatively. So not only service but quality service has gained magnitude in due course of time. Thus here it becomes imperative to overview importance of service sector and its quality aspects.

3.2 Major Players of Banking and Insurance Sector

Services in broad-spectrum are defined as any act of performance that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to physical product.² Service sector is developing at a brisk pace. For the first time in last five decades, service sector has started gaining importance in Indian Organizations because they struggle for competitive advantage in an atmosphere characterized by Liberalization and Globalization and also customers who are now knowledgeable than before. The customer today is well aware of preference available to him and is always keen to have optimum utilizations of amount he spends, this has distressed service sector and has constrained them to look forward and persuade consumer needs and to put them on priority. Under this prevailing situation for service Industry there are two fold

² M Ragavachar, K V Ramani, Delivering service quality, pg 142
Challenges first to identify consumer needs and secondly to communicate that they are able to cater their needs. Present situation of Service sector is in transit where customers are yet not aware for their own needs and also are unable to identify organizations which are able to cater their needs to finest. The service sector is also spurring up on parallel grounds to compete where competitors have a common pool to thrash on thus making consumers more important. Here it becomes important to discuss, how is service different that produced goods? Why are few service sectors able to make prime place in market? What makes them different? To resolve this it becomes indispensable to synopsis primary literature. Literature on service industry provides unassailable grounds to feature services which are intangibility, inseparability, heterogeneity, and perish ability. The fundamental difference universally cited by authors (e.g., Bateson 1977; Berry 1980; Lovelock 1981; Rathmell 1966, 1974; Shostack 1977a) is intangibility. Because services are performances, rather than objects, they cannot be seen, felt, tasted, or touched in same manner in which goods can be sensed. Intangibility, according to Bateson (1979) is critical goods-services distinction from which all other differences emerge. Distinctive feature of service than production is that goods are first produced, then sold and then consumed, services are first sold, then produced and consumed (Regan 1963). Since customer must be present during production of many services (hair-cuts, airplane trips), inseparability "forces the buyer into intimate contact with the production process" (Carmen and Langeard 1980, p. 8). Inseparability also means that the producer and the seller are the same entity, making only direct distribution possible in most cases (Upah 1980) and causing marketing and production to be highly interactive (Gronroos 1978). Heterogeneity concerns the potential for high variability in the performance of services. The quality and essence of a service (a medical examination, car rental, and

restaurant meal) can vary from producer to producer, from customer to customer, and from
day to day. Heterogeneity in service output is a particular problem for labour intensive
services. Delivering service is an art concept and completely different than mass production.
Tough attempts are made to maintain quality and control variation in services produced and
provided, there are chances of diversification with respect to some services (Eg restaurant
meals). Perish ability means that services cannot be saved (Bessom and Jackson 1975,
Thomas 1978). Motel rooms not occupied, airline seats not purchased, and telephone line
capacity not used cannot be reclaimed. Because services are performances that cannot be
stored, service businesses frequently find it difficult to synchronize supply and demand. The
literature advocates that each unique characteristic of services leads to specific problems for
service marketers and necessitates special strategies for dealing with them. The elucidation
to this can be recognized as integrated communication strategy to be implemented by the
organization which will man oeuvre on multiple levels. Under existing state of affairs it
becomes significant to study “Communication Strategies” that will be of assistance to
organizations to win over persisting situation and will permit them to construct positive image.
Communication strategies in financial service sector with special reference to Banking and
Insurance sector becomes further significant here because these are sectors encompassing
of almost all class of people of society and also offering and creating widest most range of
services that aims towards higher standard of living. How can we deny that India is a
developing country and is developing at colossal pace making all efforts to cope up with
developed countries? Thus this calls for study of Strategies in communication of Financial
services. Service sector has gained prime importance this does not indicate that production
sectors is dwindling but at same time this intangible element with state of its art is able to
deliver exactly what consumers want in first place and secondly are also able to create and
offer though interlinked diversified services through which they are able to attract most of consumers.

3.3 Communication Strategies- Fundamental concepts

Present century is techno innovation where communication is exigent and exciting where major focus is to discover and cope up with upcoming challenges. Greater Competitive pressures, shorter product life cycles, increased demands for quality and service, more regulatory constraints, awareness for environmental concerns and reemphasis on human value have made organizations too diverged and also too complex. This is exactly the focal point where a complete structured and sophisticated communication strategies to be implemented that aims at enhancement of productivity and quality in whatever delivered, this will ultimately lead to consumer satisfaction and overall development of organization. Communication in organization is as ancient as organizations are and charisma of communication can be witnessed during industrial revolution era where scientific management was of prime magnitude and communication at that time was close supervision and ample set of instructions to blue collar workers. This communication is also termed as “one way communication” as they were not supposed to ask and were to work as per instructions. Communication strategies implemented during scientific management period were most simplified as they had limited and systematic communication to workers and they were expected to follow same. There was no room for negotiations, opinion or suggestions and confrontations or conflict resolutions making process simple but then questions here was lack of inter communication strategy development and dwindling level of job satisfaction of employee directly affecting quality and productivity. This leads to development of various approaches in communication, which can be enlisted as administrative approach, human relations approach developed by Dale Carnegie, Behavioural approach, where major
contribution was done by Elton Mayo and the contingency approach. Contingency approach in communication strategy development is widely accepted because there is a paradigm shift from industrial society to information society due to enhanced use of technology and telecommunications in organizations. Secondly shift observed is from centralized to decentralised decision making process, participatory governance replacing pre presentations and networking becoming more important that traditional hierarchies. This made communication strategies intense and frequent. We adopt definition of communication provided by Rogers and Agarwala-Rogers (1976, p. 9) : "Communication is process by which an idea is transferred from a source to a receiver with intention of changing his or her behaviour". Thus, effective communication results in changes intended by information source (Rogers and Agarwala-Rogers, 1976; Rogers and Shoemaker, 1971)\(^4\). Communication strategies one of the integral part of financial service sector and most fragile one so it has to be managed carefully. Before stepping towards communication strategies it is important to peep in concepts and basic evolution of communication.

The word communication has derived from word *communis* (Latin word) which means common. Besides commonality this words involves concept of transfer, meaning and information. Inter personal communication is a face to face oral or written communication. In interpersonal communication emphasis is on transferring information from one person to another. Communication is an important tool as a basic method of effecting behavioural change and it incorporates psychological processes (perception /learning and motivation) on one hand and language on other. In simple words, communication means exchanging information among individuals working in any organisation. Elliott Jacques --- communication

\(^4\) http://dx.doi.org/10.1108/09564239910255361
is sum total of directly and indirectly, consciously and unconsciously transmitted feeling, attitudes and wishes. Compiling basic instincts of communication, it has a definite goal to achieve and not just conveying a message, it is a tool to move towards target. The two ways process of communication largely supports not merely passing of information but also a constant follow up actions too. In early era communication was considered to be an integral organizational process which has now been transformed and considered as a global communication process on equal grounds on all sides._Communication in today’s world is pervasive._

Second line of thinking in connection to this is how communication forms an integral part of organizations? How does communication aids to industry? Management has to see that what they wish to convey to their employees and get their work done is to be rightly, communicated, so that there is no misunderstanding amongst people working in organisation. Policies and decisions are effectively to be communicated .Effective communication is tool to motivate employees. The more complex the organisation, more important it becomes to establish that the correct information is passed, on to right person at right time through right medium. If policies and decisions related to organisation are effectively, communicated than in that case employees after understanding it will work effectively which will result into maximum productivity. Communication is tool to influence and direct employees towards their goal and this increases their morale. It helps other function of management like planning and coordination also it is effective to which will bring mutual understanding, between all existing hierarchy levels in any organisation. Mary Cushing Niles says that--- Good communications are essential to coordination. Good communication leads to mutual understanding and this in turn leads to job satisfaction among employees with complains and grievances are given due consideration and this itself makes them feel satisfied. In absence of communication,
leadership is not possible. For leadership to exist a two way communication establishing close relations, between persons is essential. The efficacy of leadership depends on unambiguous and comprehensive system of communication. Robert Berth says that human relations are impossible without communication and communication is impossible without human relations. It is clearly to be understood that employees are to be dealt as human and not as machines, views and opinions of managers are to be conveyed to employees and the beliefs and complaints of employees in turn are to be mangers so that sound human relations, are developed through communication. Understanding importance of communication it will be equally important for us to understand how in organizations especially in service sector communication works? The purpose of communication is to secure desired response by transmitting the information. Communication has been defined as process. There are four elements in communication process: Action, Continuous change in time, Advancement or progress over time, Goal or result. The main components of communication process, Sender of the message is a person who wishes to make contact to pass some message. With respect to organisation, such senders may be superior, subordinate or any other person. From the sender one can also decide the flow of communication. This is the subject matter of communication, which is to be passed form sender to receiver. This can be views, ideas opinions, feelings, and orders anything. Subject matter of communication is normally abstract and intangible thus us transmission requires support of symbols like words, picture, gestures. Process of converting message in to communicating symbols is known as encoding. Message, which is encoded into, symbols s transmitted by sender through a channel like written form, personal contact, phone etc. Receiver is the person to whom symbols are transmitted. He could be any party as shown in case of sender. Decoding process is exactly reverse process of encoding. Subject matter of communication received in form of symbols by
the receiver is decoded means he converts that again into form of message Feedback is necessary to ensure that receiver has received the message and understood in the same sender as the sender intended to reach him. Feedback is compared to engineering factor means correcting style of communication if it has not reached properly. Subject matter of communication is message ,idea or suggestion which is not in physical form but it is abstract and intangible so its needs symbols which may be in form of words, pictures, diagrams etc. Verbal / oral communication includes most common symbols of communication and that too in oral form in respect to organisational and non-organisational. Employees normally spend 50% of their time in some form of oral communication. Under this process, both parties’ sender and receiver exchange their ideas through oral words. E.g.: passing orders, face-to-face discussions, telephonic talks, lectures, conferences interviews, public speeches, slides, movies etc. The benefit of these forms of communication is that it is easiest way to communicate, cost, and time to decode message is saved. Distance is not a problem and communication is instant. Effective because it is done face-to-face or telephonic where gestural communication is possible that means emphasising any part of message through expression or movement is possible which helps receiver understand it in true sense. Instant feedback is received from gestures, expression of receiver which gives clear cut picture of work to be done in future on basis of that communication. Again, if any clarification is required it is given at that same time thus very little scope of ambiguity. The only limitation we find in this method of communication is that proof of what is communicated if future references are required which cannot be made available unless and until every important communication is recorded being highly technical. No authenticity of oral communication sometimes if oral communication is not taken seriously than it may lead to serious problems in such case written communication is advisable. However, this depends on mutual trust and
understanding between sender and receiver. Time consuming at times when at once it is not understood and is to be clarified repeatedly there are chances of subject matter being changed in this case. Again, irrelevant communication enters and effective working is adversely affected. Moving further written communication means transmission of contents by written words. In form of letters, circulars, notes, manuals, magazines, diaries, suggestions etc. With the invention of internet instant written communication is possible. Four c's are of most importance they are clear, concise, and correct and complete---Dr Terry. This is considered to be ideal communication strategy prevailing in any organization as Authenticity is the key to successive communication written communication is considered as authentic communication because it can be presented as and when needed and it is therefore taken seriously into actions. It provides proof for further reference and base for future communication. This is considered as biggest merit. In organisation many records are maintained like performance appraisal forms, rules, policies, procedures. The drawback of this style of communication is its cost and skills in communication which involves time and huge investment with respect to companies dealing on international platforms. Compared to oral communication as it is to be draft precisely, clearly leaving no scope of ambiguity. Written communication becomes formal mean of communication, this is normally used in organisation where it is bureaucratic, and keeping of records has more importance than achieving results. Secrecy is not maintained as it comes into record and chances of leakage are most. Still confidential reports related to promotion, transfers in organisation are prepared in routine. Nonverbal communication when done in absence of words and done with expression, gestures are known as non-verbal communication. This is normally used with verbal communication but occasionally it is exclusively used. Body movements and facial expression is given importance here. Formal channel as the very name implies is the deliberately created
officially prescribed path for flow of communication between various positions in the organisation. It is deliberate attempt to regulate flow of organisational communication to make it orderly and thereby to ensure that information flows smoothly and timely to the points required. Informal communication is based on the informal relationship that spontaneously grows up in the organisation. It is neither official nor authoritative. It is generally conveyed by gesture, glance or smile even. Informal communication is also termed as grapevine communication. Upward communication flows from a subordinate to superior position. It includes information about subordinates work performance, problems relating to work, performance appraisal, feedback of understanding orders, opinion attitude, feeling, procedure, new ideas etc. Downward Exactly opposite way of communicating than upward is downward communication. Here communication flows from top to bottom where managers in order to get work done will pass orders, conduct meetings. It stands out as a great force for controlling, influencing and initiating activities of organisation members. Communication in this category includes orders and instructions about how work is to be carried, relations to be understood between two working parties organisational policies and procedures, Horizontal It is the flow of information between persons on same level in organisation .Consultation, exchanging information, ideas thoughts and creativity is done by this way of communication. Horizontal communication if in operation at various levels in an organisation is a real check in the power of top leaders. Normally it is observed that organizations use optimum mix to create unique communication strategies ideally suitable to their organizations and try to attain organizational efficiency thereby. Though organizations have sound communication strategies it is observed that gap do exist between planning and implementation of communication strategies in the organization internal work structure which is potential enough to react on external perspective and can soils organizational goodwill. With respect to service industries it
becomes imperative to study what acts as barriers or breakdowns to effective communication in any organizations?

- **Badly Expressed message**

  When sender is not very careful sending message, makes some error in drafting and also chooses wrong words and uses confusing language then in that case interpretation becomes difficult and leads to problems.

- **Change of meaning during transmission**

  Meaning of message may change as it passes from one person to another. It is believed that about 30 percent of information gets evaporated during transmission and so only in written communication is more preferable. In large industrial units this oral communication is not possible and capacity to grasp message of the messenger is also to be checked in this case.

- **Lack of attention**

  Some type of communication becomes a routine part and no attention is paid towards it say of e.g. in organisation notices, bulletins, reports etc. This is true at all level in organisation and thus some important communication is lost.

- **Unclear assumption**

  Sometimes sender and receiver both assume certain things, which is practically not stated in the message and this is because due to any reason proper clarification is not made and so assumption are made. This type of assumptions may lead to costly affair. E.g. Purchase to be made from routine party. Discount terms to be changed each year or not.

- **Insufficient adjustment period to change**

  Some important changes done in organisation if are not intimated well before in time then in that cases it may not be implemented properly. Thus it becomes necessary to communicate changes well in advance.
• Lack of trust
Supervisors are the persons who connects top and bottom and in this case if their style of passing message is wrong it may lead to environment of distrust between two horizons.

• Overloaded communication
In case if one employee is responsible to send message to all the respective zones ,in such cases he feels overloaded and may forget to pass on important information. He may also think of the quick disposal of information rather than accuracy of it.

• Neglect of proper ordering information
Information should be arranged in order of its importance .important information is to be passed first so that actions can be planned and persons involved into it may not feel displeased. It is the flow of information between persons on same level in organisation .Consultation, exchanging information, ideas thoughts and creativity is done by this way of communication. Horizontal communication if in operation at various levels in an organisation is a real check in power of top leaders.

The role of communication in organization development cannot be denied. An organization foremost duty is to communicate to its all links its vision, mission and goals to be achieved through them and also has to communicate what strategies will be helping them to attain the same. But at the same time it is equally important for organization to decide what is right way of communication termed as communication strategies so that the action plan is rightly implemented and not withered off. Here method of communication, plan becomes more important that plan it rightly termed as strategy. Communication is not just informing what organization thinks but it’s also a motivation plan. Providing the information and sustaining the motivation and providing mechanisms for continuing interaction between planners and people
is a complex process which requires appropriate communication programmes. In an organization there are critical areas which needs communications support, user oriented communication approaches, Potential new communication technologies and much more. It is acknowledged by all the organizations that communication is valuable resource which can contribute significantly to service industry and overall economy. Role of communication is a major catalyst changing the economic and social changes world over. Communication form an integral part for any country’s overall development and the organizations especially dealing with consumers should have a complete structured communication strategy to enhance internal productivity and satisfy consumer needs on sound grounds. But then this is yet not the scene in developing economy like India. There are handful of organizations that have systematic communication strategies apart from publicity and advertisements that can contribute to the profit of the organizations. On one hand it is acknowledge that communication is critical resource contrary to this there are no absolute policies for the building and development of communication strategies.

3.4 Role of Communication Strategies in Service Sector

Service Industry has primary aim to cater needs of consumer and in case of financial service industry especially banking and insurance it becomes much imperative to focus on a communication strategy that is largely based on consumer or say consumer oriented communication strategy should be developed. Consumer strategy in this particular sector has to be very much significant and should be able to distinguish needs from wants. Effective communication strategy is one which is able to align between demand and supply of service. The communication strategies employed by the financial service sectors in past years have

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5 Communication strategies for productivity improvement. Dr Florengel Rosario- Braid pg 1
shown uniform patterns as under:

(1) Focus on information dissemination towards a particular target group.
(2) Mass media and audio visual tools used for interpersonal exchange approaches.
(3) Information and knowledge dissemination.

Communication role is obviously critical in present scenario. An improved system of distribution of information, literacy skills and rationality to improve people’s ability to interact and utilize information, and the strengthening of links which connect people and institutions are some of the present day communication requirements. The acceptance of new information and communication order augurs well for a new era where planners of communication system would place more concern in use of communication in providing interaction among various sectors of society. This will further lead to balanced flow of communication and emphasis on media content which will promote goals of international understanding and global development.

Research acknowledged that, where there were adequate communication inputs in form of extension services, trained communicators, and systematic use of communication resources for informing and teaching new skills, there was concomitant effect in form of enhanced consumer satisfactions. By this time we have been able to identify that communication is integral part of service industry and therefore there should be some structured mechanism for implication of communication strategies. Major players of communication strategies communicators can be enlisted as Government, Technology resource centres, marketing and media agencies and extension and receiver organizations who have to focus on following functions:

- Link client systems with resource institutes
- Link research institutions with resource institutions so that feedback on client needs
may generate changes in innovation of strategies.

- Link institution change with institutionalization of technology with appropriate government agencies.
- Check the adequacy of message.
- Monitor program performance and modify content of messages, strategies and technology.
- Convey market signals to those allocating technical resources.

Another important aspect to be studied while developing communication strategy is dynamics affecting communication contingencies. There are various contingencies that should be rationalized before formulation of communication strategies in service sector. Though all the contingencies cannot be reviewed as managers may have unique situations to be faced before them but still an effort to study general contingencies faced during the construction of communication strategies can solve the purpose to large extent and enable organizations to construct idyllic communication strategy. It is acknowledge that major influences are from social and business sector creating contingencies particularly diversity, competition and product quality, and ethics. Diversity in form of Gender, culture, age, education play vital role in constructing free flow communication strategy specially in service sector. The last line focus of communication strategy is to ensure that there is no gap between planners and implementers.

To conclude marketing of services with special reference to Banking and Insurance it is becoming a recognized and accepted subset of marketing discipline where the communication strategy has a pivotal role to play. 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 specific communication strategies that can bring innovative changes in the service sector, especially in the context of financial sector reforms, which has brought paradigm shift.