Design of the Study
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INTRODUCTION

The marketing concept, as put forward by most marketing practitioners, is a business philosophy which tells that the purpose of any business is to satisfy the wants and needs of consumers at a profit. Successful firms have recognised that customers are fast becoming more sophisticated and the industry's traditional product orientation cannot respond to this change. No longer can the industry produce whatever it is capable of producing, and offer the product unmodified to customers. Within a regulated environment that practice may have worked well. But with the relaxing of controls it was no longer viable. Innovative business firms found that products and services had to be expressly designed to meet customer needs and their line divisions have accepted marketing as a way of life.

The classical marketing approaches focuses on the flow of goods and services from producer to consumer or user. In modern times marketing is viewed as the anticipation, management and satisfaction of demand through the exchange process.

While the evolution of marketing can be traced to people's earliest use of exchange process, it has really developed since the industrial revolution, as mass production and improved transportation enabled more transactions to occur.
Modern marketing concept emerged in the 1950's as a new philosophy of business management. It advocates that a business organization exists to satisfy the wants of its targeted customers and it approaches decision making from systems view of management and seeks to earn a satisfactory return on owners investment in the firm. Customers are the focal points for all decision making in the organisation and all functional areas are geared to satisfy targeted customer's wants. The marketing concept views customer orientation as the means to the end of achieving the organisation's goal.

In the words of Stanton, marketing consists of all activities designed to generate and facilitate any exchange intended to satisfy human needs or wants. In his view "marketing is a total system of business activities designed to plan, price, promote and distribute want satisfying products, services and ideas to target market in order to achieve organisational objectives".

This systems approach was also supported by Mc Carthy, when he states that the philosophy of marketing concept forces an integration of all business activities towards a specific goal (customer satisfaction) which can only lead to a more effective business management.

Marketing has also been expressed as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. From a societal point of view marketing links a society's material requirements and its economic patterns of response and requires that marketers strike a balance among;
Their targeted customer's wants

Their targeted customers long-term best interests

The society's long-run best interests and

The firms long-run return on investment

This concept is even tougher to implement than the traditional marketing concept. It requires marketer to accept their social responsibility to recognise that they exist within a larger social system that includes non-customers also to whom they have obligations.

Conceptually marketing may be described as beginning with determining customer needs and wants and then producing services and products which satisfy those needs and wants at a profit to the institution providing them. Functionally, it may be stated that in broadest terms marketing is management that anticipates and identifies the needs of customer and satisfy them through products or services at the right price, time and place.

Organizationally, marketing may be described as combining at least the operations of advertising, public relations, sales, sales training, market and social research, service/product development and pricing into a co-ordinated unit thereby giving a synergistic effect in dealing with virtually all consumer oriented matters of the business.
Marketing affects strongly on the people's beliefs and life-styles. In fact marketing has been criticized as developing materialistic attitudes, fads, product obsolescence, a reliance on gadgets conspicuous consumption and superficial product differences and wasting resources. Marketers reply that they merely respond to the desires of people and make the best goods and services they can at prices people will pay.

There are five competing concepts under which business and other organisations conduct their marketing activity; the production, product, selling, marketing and societal marketing concepts.

The product concept holds that consumers will favour those products that offer the best quality, performance and features and therefore the organisation should devote its energy to making continuous product improvements.

The selling concept holds that consumers will not buy enough of the organisation's products unless it undertakes a substantial selling and promotion effort. The Marketing concept emphasises the needs and wants of targets markets and delivering the desired satisfactions more effectively and efficiently than competitors.

Marketing and selling

To fully appreciate the concept of marketing it is better to differentiate marketing and selling. Levitt has observed that the difference between selling and
marketing is more than semantic. "selling focuses on the needs of the seller and marketing on the needs of the buyer. Selling is preoccupied with the sellers need to convert his product or service in to cash. Marketing on the other hand aims at satisfying the needs of the customers by means of the product or service and by the whole cluster of things associated with creating, delivering and finally consuming it. Drucker 12 has given a different approach stating that "selling and marketing are antithetical rather than synonymous or even complimentary." There will always one can assume, the need for some selling. But the aim of marketing is to make selling superfluous. The purpose of marketing is to know and understand the customer so well that the product or services fits him and sells itself. Ideally marketing should result in a customer who is ready to buy. All that should be needed then is to make the product or service available, ie, logistics rather than salesmanship, and statistical distribution rather than promotion.

It is thus evident that those companies claiming market oriented are really sales oriented. What is required is the integration of marketing function and marketing orientation throughout the different functional areas of the firm 13 While there may exist a marketing department in those companies, the major function will still be selling or advertising. In marketing the starting point is the customer, his likings, preferences, needs, expectations, etc. and his capacity to use the product or service. Thus marketing is a much broader concept, encompassing almost every effort connected with development, actual production and selling a product. Thus marketing is not merely another department like purchase, finance, production or personnel but it is the core of every decision taken in an organisation. The purpose is not to resolve
every issue in favour of the customer, no matter what the cost, but rather to remind that customers are the foundation of the company's business.

Service Marketing

Conceptually product marketing and service marketing are essentially the same. In other words the basic task of marketing remains the same irrespective of the products or services involved in the deal. But the nature and scope of service marketing, particularly that of financial services marketing is quite different from that in the area of tangible products.

Rathmell (1974) consider a service "as any tangible product bought and sold in the market place". Service was also expressed as "an activity or benefit that one party can offer to another, that is essentially intangible and does not result in the ownership of any thing. Its production may or may not be tied to a physical product."

A more comprehensive approach is that "a service is any task (work) performed for another or the provision of any facility, product or activity for another's use and not ownership which arises from an exchange transaction. It is intangible and incapable of being stored or transported. There may be an accompanying sale of a product."

Typically, service firms have four characteristics that distinguish them from marketing of goods. The higher level of intangibility, the greater degree of
perishability, the inseparability of service from the service provider and the greater variability in quality differentiates the marketing efforts.

Service firms have generally lagged behind manufacturing firms in developing and using marketing concepts. This is explained by several factors as follows:

- Many service firms stress technical expertise.
- Most service firms are so small that marketing specialists cannot be used.
- Strict licensing provisions sometimes limit competition and the need for marketing.
- Consumers have held a variety of service professionals in such high esteem that marketing has not been needed.
- In the past a number of associations prohibited advertising by their members.\(^{17}\)

The rapidly expanding importance of marketing as a business activity is illustrated by the adoption of marketing concepts and methods in various professional services such as law, medicine, dentistry, architecture and public accounting.

Service business are more difficult to manage when using only traditional marketing approaches. In a product business products are fairly standardised and sit on shelves waiting for customers. In a service business the customer interacts with the service provider whose service quality is less certain and variable. The service outcome is affected not just by the service provider, but the whole supporting production process. Thus service marketing requires more than just the traditional external
Marketing using the four P's, i.e., Product, Price, Place and Promotion. It requires internal marketing and interactive marketing. Internal marketing means that the service firm must effectively train and motivate its customer contact employees and all the supporting people to work as a team to provide customer satisfaction. Interactive marketing relates to the perceived service quality through the buyer-seller interaction.

**Marketing of financial services by banks.**

Marketing of financial services differs from marketing in other industries in the involvement of marketing not only in the provision of services to customers but in the procurement of raw material on which most of the services are based. In other words, bank marketing must perform two fundamentally different functions, i.e., attracting deposits and attracting borrowers or users of funds. This double-sided nature of banking business adds a fascinating element of complexity to the truly fascinating business of financial services.¹⁹

For decades, the structure of banking environment has provided banks with a clearly defined sphere of activity. This has meant that while banks were precluded from some activities, others were their exclusive domain. The profitability of their business was assured.²⁰ Many chose to act in concert rather than rock the boat by differentiating themselves and initiating a struggle for market share. Since banks are essentially, in the business of structuring various financial services around the needs of customers, it is widely accepted that financial management is the business that the banks are in.²¹ To go a step further, banks should be structured around their
customers financial management needs rather than around their own operational procedures.

The banking environment all over the world has undergone radical changes due to a number of trends like globalisation, deregulation, dis-intermediation, securitisation, impact of technology and product innovation. The result is a far more competitive banking environment and one, which is demanding a far more significant change in attitude so as to retain previous levels of profitability. The natural response of banks to the changing environment was to adopt a systematic approach to marketing their services.

In this rapidly changing world, new schemes or services are going to be the real breadwinners of tomorrow and true banking effort alone can bring them to banks. Every bank has to worry about tomorrow as it is going to be there. Hence it is necessary that a sensibly conceived mixture of marketing functions play its role effectively by innovating and interacting with other key banking decisions.²²

The general attitude in the past has been for the banker to wait in his parlour for the customers to call, is something akin to the role of a suppliant. Now it is accepted that bank services must be sold like any other product. The banker should not be content with the business of "walk in" customers. He must be sensitive to changing public demand and to the aspirations of the individual, whether they concern a desire to obtain new assets or enjoy new services.
In no other area has the future arrived faster in our ever shrinking "global village" than in marketing of financial services. In this area information is directly linked to competitiveness in selling the financial instruments. These development in financial services will create increased investment opportunities and the emergence of tailor made products for specially designed customer segments.

**Statement of the problem**

Competition has been the key factor in the growth of marketing all over the world, irrespective of the kind of product or market. The same is true with regard to marketing of financial services also. Because of the socio-political and economic situations prevailing in India, the banks seldom thought of the necessity of applying marketing task in their day to day operations in the past. Indian banks were highly regulated by Reserve Bank of India in a variety of ways which made marketing a difficult task and more often challenging. While Indian banks were accustomed to traditional business their counter-parts in western countries are becoming financial supermarkets providing a wide variety of services.

Economic reforms initiated by the Government of India in the early nineties have brought a sea change in the operational environment of financial sector and functioning and outlook of Indian banks. The financial service organisations have to align themselves with the trends and developments in the global scenario of introducing new products and services for satisfying the emerging needs of customers.
The nature of banking has changed from "Social banking" to "Global banking". The banks which are unable to keep pace with changed times and respond quickly to fast changes would be left behind in the race or just vanish. They have to develop and sharpen their skills to scan constantly the environmental changes and in turn adjust their strategies with minimum time to keep their existence.

Since people have a wide choice of services and they are more conscious of convenience and cost, safety and speed, respect and quality, courtesy and elegance, successful banks in India will be those that has rigorously defined strategic focus and total commitment to high quality customer service. Besides, the business relationship between a bank and its customer is not a one time transitory relationship, but a relatively permanent and enduring one, which requires to be nurtured with good quality of service. This is of paramount importance in an age of relationship banking.

The concept of customer service, which emanates from the larger concept of "marketing" has to accept the customer as the central element and the satisfaction of his needs the super ordinate goal.

Despite so many measures initiated by the Government and Reserve Bank of India, the level of satisfaction perceived by various segments of customers has been low. Demand for improvement in customer service continues to be louder. So is the level of customer complaints regarding poor service. Inordinate delay in routine transactions, indifferent employee attitudes, awful and archaic systems and procedures etc. were common complaints of customers. Tremendous growth in volume of business, expansion of branch network, and diversified activities like priority sector
lending are all reasons stated against deterioration in service quality. The R.K.Talwar Committee (1975)\textsuperscript{25} Goiporia Committee (1990)\textsuperscript{26} and recently Narasimham committee (1991)\textsuperscript{27} and many other study groups came up with recommendations for improvement in quality of customer service.

The 1972 to 1991 phase in the sphere of customer service in banks may thus be termed as 'customer service compliance' phase during which banks were by and large merely complying with the recommendations of these committees rather than taking it as a felt need.

In order to survive in a highly competitive and market driven environment Indian banks have to prepare themselves to face the market fundamentals effectively. Their success depends upon the speed and quality of service rendered to customers. For maintaining high service quality, banks have to come closer to their customers to monitor and react to the pace of change in their needs and expectations. So an objective assessment of the standard of customer service / customer satisfaction is a pre-condition for success of Indian banks.

Although the commercial banks in Kerala were able to mobilize substantial savings, the credit-deposit ratio of the state is far below the national average. Again, the non-fund based banking services have been underutilized by customers because of low awareness, which is in contrast to the high literacy ratio of the state. This calls for adoption of marketing approach towards promotion of banking services. Hence the present study is an attempt to evaluate the level of customer satisfaction towards the
services of commercial banks in Thrissur District of Kerala and to identify the areas requiring vigorous marketing efforts

Objectives of the study

1. To assess the extent and level of customer services and satisfaction in selected commercial banks in Kerala.

2. To examine the inter-bank, inter-segment and spatial comparison of quality of customer service of selected banks.

3. To check the level and magnitude of awareness of banking services among the sample respondents and

4. To identify the limiting factors restricting the customer service

Methodology of the study

Both primary and secondary data were used for the study. Primary data were collected from 360 sample respondents belonging to six banks selected for the study from Thrissur district of Kerala based on a multi-stage sampling procedure as given below.

1. Thrissur district situated very near to the geographic centre of Kerala was selected for the study deliberately because it represents a cross section of the people of Kerala. It is one of the leading banking centres of state and the headquarters of three major private sector banks viz. The South Indian Bank Ltd., The catholic Syrian Bank Ltd, and The Dhanalakshmi Bank Ltd. are situated here. Besides having a number of private financial institutions and
money lenders, Thrissur has the distinction of having the highest concentration of Chit funds in Kerala. Thrissur is regarded as the cultural capital of Kerala. Apart from being a trade centre, a happy communion of ancient tradition and modern progress is visible in the district.

Banks operating in Thrissur district were classified on the basis of ownership pattern as public sector banks, private sector banks and co-operative banks.

On the basis of average number of people served per bank office, the high and low concentration blocks were identified. Accordingly the Ollukkara Block was identified as the highest concentration area and Puzhakkal Block with the lowest concentration.

From the two blocks so identified, banks which were operating in both the blocks were categorised as five public sector banks and four private sector banks.

Among the banks so grouped, those having the highest volume of business (deposits + advances) were selected. Thus State Bank of India from public sector and South Indian Bank from private sector were considered.

On the basis of their volume of business two branches from each of these banks representing the respective blocks were selected. Accordingly, the State Bank of India main branch and their Vilangan branch were identified from Ollukkara and Puzhakkal blocks respectively. In the same way the South Indian Bank main branch and their Ayyanthole branch were selected from Ollukkara and Puzhakkal blocks.

In order to have wider coverage and deeper understanding of banking in the district, two branches of Thrissur District Co-operative Bank Ltd. were selected based on their volume of business. Thus the main branch of DCB and
their Mundur branch were included representing the two blocks. The rationale behind inclusion of co-operative banks was that they are also to a great extent involved in commercial banking in the state.

Sixty customers each from the selected branches were interviewed personally with the help of a pre-tested structured schedule during the period 1996-97. The secondary data required for the study were collected from the annual reports of the sample banks and the publications of the lead bank, Reserve Bank of India and India Bankers Association.

The primary data were analysed using percentages and averages in most cases. In order to measure the efficiency / speed of transactions, and behavioural aspects of employees, discriminant analysis were used. Similarly for an objective assessment of customer satisfaction, the Customer Satisfaction Index was also calculated. The details of the above applications were given in the respective areas in the study.

Scope of the study

In an environment where the customer has come to the central stage, regular and comprehensive appraisal of bank services in relation to the perceptions of customers are of much importance. Because of the information explosion today's customer is more knowledgeable and his expectations are very high. In order to satisfy the growing expectations of the customers banks have to render customer needed service in a customer satisfying manner. The first step to marketing is to identify the needs of the customers and his level of satisfaction towards the existing services.
In the absence of a quantifiable parameter to measure customer satisfaction, it has not been possible till recently to objectively compare the level of customer satisfaction in a bank and between different banks. The present study is an attempt in this direction and hence is more significant. The study of customer satisfaction will provide an insight into the weak areas of customer service and can make corrective steps. More over the study will be of much use to bankers in framing their future marketing strategies in the state.

Limitations of the study

The study confines to the personal banking segment. Corporate customers were not included because of their limited presence in the study area. Further the Non-Resident External account holders were not interviewed for obvious reasons. Although adequate precautions have been taken to minimise reporting bias from the part of the respondents, a certain degree of error or bias is likely to prevail.

Chapterisation scheme

The study is brought in seven chapters as follows. The first chapter contains introduction, statement of the problem, objectives, methodology, scope and limitations of the study.

The review of research studies regarding marketing of banking services and customer service forms the second chapter. The conceptual framework of bank marketing is dealt within the third chapter.
The historical development of bank marketing is covered in the fourth chapter. Assessment of customer satisfaction, inter-bank, inter-segment and spatial comparisons are the contents of the fifth chapter.

Customer awareness is examined and promotion strategies are evaluated in the sixth chapter. The last chapter contains summary of findings, suggestions and conclusion.

References

7. William F. Schoell, op.cit p 21
10. Philip Kotler, op. cit. pp 16 -17


