

MARKETING PRACTICES AND ATTITUDE: PSU BANKS VS. PRIVATE BANKS

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ABSTRACT

Marketing in banks have chosen an aggressive track. Both sectors public and private have pulled up their sleeves to fight for growth, market share and profitability. How the marketing mix and marketing practices of PSU banks are similar / superior from their competing sector? Banking products are considered as financial service products. Service element in selling banking product is of utmost important. It is not only the feature, advantage and benefits of the products as marketing proposition but service to customer at the time of delivering the product is equally important. What elements of marketing mix of PSU banks needs correction? What service elements of marketing mix need attention for achieving organizational goals is prime research area of this paper based upon primary and secondary data from relevant sources and stakeholders.

KEYWORDS: PSU banks, Marketing practices, Cross-selling & Up-selling, Third party products, banking product

PURPOSE

The objective of this paper is to get an insight and understand the significance of service marketing concept in banking industry and how it can enhance the customer satisfaction and preference. How Cross-selling and up-selling are useful tactics in enhancing productivity from the captive customers? What consumer gazes into a bank? How convenience and communication to customer plays a vivacious role in improving customer experience and relationship with the bank which ultimately lead to enhanced productivity?

This study is focus on the underpinning issues of marketing practices in banking and financial sector. Marketing practices which are researched globally to test their effectiveness and accepted by private sector banks but not by PSU bank staff. Either they do not found those marketing practices effective in their working norms or it is an attitude not to try it

OVERVIEW

Banking & finance sector of Indian economy has set the right pace in last five to ten years. Now it is the biggest sector which is offering the highest employment for individuals obtained professional education. The basic nature of private and a PSU bank are similar but the workforce composition is different. In PSU banks the average age of employees is high as compared to a private bank. This demographic singularity reflects in their attitude and ease of using technology among them. If we compare the marketing mix of bank products offered by private and PSU banks. The product, price, place and promotion would definitely obtain higher score for PSU banks as compared to private banks offerings. As we consider banking as service so we need to consider three extended Ps of marketing mix of services. These three extended Ps of service are People, process and physical evidence. The imperative point in this study is to understand how people and process are creating a difference in marketing practices between a PSU and a private bank.

LITERATURE REVIEW

Banking and financial services advertising are often above-the –line. Lau et al (2004) wonder if these help bring in any additional revenues. These methods of marketing in banking industry are only to create brand awareness whereas to reach to customers for business a different approach is needed. Most of banks and financial institutions have adopted a customer focused approach rather a product driven approach. This approach is data marketing model suggested by Lau et al (2004). The objective of data based marketing approach is cross selling, customer retention and acquisition, cost/service quality and optimization. Data base marketing follows a targeted approach where resources requirement are fewer and results are easily measurable. The banking sector is thus required to move from a mass leaning vision (minimizing costs and maximizing revenues) to a consumer leaning vision (developing and retaining customer relationships).

According to Cohen (2004), the mantra of database marketing in banking and financial services is “the right product to the right customer at the right time”. In recent years, the banking industry has released many campaigns which were targeted to existing customers, offering them new products. Cohen (2004) also believes that this approach has gained significance since the analysis capabilities of data mining has improved and customer data has become increasingly available. However, practical and effective implementation of this is not very easy as the banks generally offer multitudes of products and they operate under a complex set of business constraints. Choosing what to offer, and to which customers to offer, so as to maximize the return on investment and meet business constraints is extremely complicated.

Butera (2000) explains cross selling as the practice of promoting other products and services to existing customers in addition to the ones they have. Cross-selling to be understood in simplest terms is encouraging an organization's consumers who have already bought the product A to also buy its product B. While cross-selling helps customers by providing them a one-stop solution; it also helps banks increase their sales volumes. Customers today do desire to have one-stop shop for all their solutions due to fast lifestyle and increased time pressure. Through cross selling banks are able to provide customers added benefits and greater convenience. A study by Vyas and Math (2006) has shown that customers prefer their existing banks for additional financial services. In their study, McGoldrick and Greenland (1992) also found out that traditional suppliers of financial services like banks are the most preferred sales channel for loans and mortgages as well.

With competition getting more fierce and plummeting effectiveness of conventional marketing campaigns, cross selling has emerged as an important substitute to traditional communication methods. Cross selling tends to create multiple relationships, which increases exit barriers for the consumers and reduce the cost of acquiring new customers for the bank (Vyas and Math, 2006). As the customers buy additional services from their bank, the overall switching costs for the consumers become higher. Selling additional services to existing customer base greatly reduces the bank's cost of advertising and gives them cost advantage.

Ansoff's market expansion strategies also endorses cross selling and up-selling practices. According to Ansoff, an organization can expand either market wise or product wise. One can enter new markets with existing products or also launch new products in new markets. Cross selling however, deals with the existing markets of the organization only. For cross selling, bankers, try to 'penetrate' the market by offering their existing products to their existing markets only.

Ford Harding (2004) in his article describes that the sales force only knows how to pitch a product and selling a solution designed to meet a client need takes a consultative approach. He explains further to create cross selling environment in consultative selling which is relevant in banking industry (HBR top-line growth, July-August 2004). Denish Shah & V Kumar (2012) explains in their article "The dark side of cross selling" that firms can persuade existing customers to buy additional products but it is often money losing proposition. They identified in their study that cross-selling is profitable in the aggregate but 20% cross-selling buying customers are unprofitable also. They concluded in their study that finally once you decided to cross sell, pause and ask yourself "Do we really want this customer?" Jon Senior, Tam Springer & Lori Sherer (2016) explains different ways to increase cross-selling based on balance sheet view and customer profile. According to Bruce A Clapp "banks throughout the world deal with many similar issues such as customer service and retention.

IMPLICATIONS OF STUDY

As most of PSU banks are feeling intense competition from private banks in terms of service delivery and promptness of actions. Although PSU banks are having more trust among customers but somehow missing opportunity to sell third party products. What are the factors inhibit them to sell better? What marketing practices they need to adopt? Is any change is needed in customer dealing process? This study will try to answer all such pertinent questions. PSU banks would definitely be benefit from it as well as private banks and financial institutions that are keen for sustainable revenue growth.

METHODOLOGY

It is believed that marketing in banks is basically a marketing of services. The marketing mix of services has seven Ps. The three extended Ps has a great significance in service marketing. People, process and physical evidence are the three extended Ps which need to be re-examined in PSU bank marketing that how they are defining and practicing the extended Ps of service marketing? A detailed questionnaire is developed after a comprehensive literature review of previous researchers. Two separate questionnaires were developed by using professional software provided by www.questionpro.com. First questionnaire was developed to collect the responses from the bank customers and the second type of questionnaire was developed to collect the responses from the bank employees. There were 101 responses collected from the customers from pan India locations. Similarly 100 responses collected from bank employees working in either private or PSU bank pan India. This primary data collection was done using online applications as well as in person by visiting various bank branches.

Three PSU banks and three private banks were taken as area of the study. There were 100 managers and 104 customers who have been interviewed to collect input data for the study. Hypothesis was tested and to establish significance in PSU banks marketing practices.

After data collection, all the data were tabulated and processed using SPSS 2.0. Appropriate Statistical techniques (paired t-test) were used to analyse and interpret data and reaching to a conclusion about the hypothesis made in the beginning of the research.

HYPOTHESIS

H1: Marketing staff in PSU and private banks have right set of marketing skills and attitude to sell banking products.

H2: Cross selling and upselling practices are successful in banking industry.

H3: Private and PSU Banks have desired services standards to sell third party products like insurance

H4: There is no difference in satisfaction level of customers of private and PSU banks.

ANALYSIS AND INTERPRETATION

When the collected data were analysed it has revealed the following facts.

It has been found the people prefer to have bank accounts in a PSU bank because only 12.73% respondents have their account in a private bank whereas 43.64% respondents have their account in a PSU bank. There were 43.64% respondents who have accounts in both types of banks.

Analysis of satisfaction level revealed that 60% respondents are either satisfied or very satisfied with PSU bank service level as compared to 79.26% in private banks.

Staff behaviour rating was far better in case of private banks (76.13%) as compared to PSU banks (41.05%).

Comparison of product knowledge and selling attitude is far better among private bank staff (77.17) as compared to PSU bank staff which is on lower side (34.69%)

Responses to effort level of bank staff towards selling a product was extremely better among private banks staff (85%) as compared to PSU bank staff (15%) with mean score of 1.85

The data reveals that there is significant difference in mean of the two groups. Customers are more satisfied with PSU banks as compared to private banks on overall rating. The calculated t-value is 4.02 as compared to 3.47 for private banks. It is very interesting to reveal the fact customers are happy with the ambience and service offered by private banks but they are much satisfied with the PSU banks. It means faith in core offerings is much important than the augmented offering.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Q2	102	3.47	.920	.091
Q2	84	4.02	.850	.093

(Table-1)

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q2	38.116	101	.000	3.471	3.29	3.65
Q2	43.392	83	.000	4.024	3.84	4.21

(Table-2)

Staff behaviour of PSU bank staff is not admired as compared to private bank staff. There is a significant difference in t-values which endorses the right selling attitude of private bank staff. Behaviour of PSU bank staff towards customers and visitors is not that much admirable as compared to private bank staff and it needs correction with will further improve the satisfaction score of customers with PSU banks.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Q3	90	3.97	.867	.091
Q3	97	3.09	1.091	.111

(Table-3)

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q3	43.404	89	.000	3.967	3.79	4.15
Q3	27.932	96	.000	3.093	2.87	3.31

(Table-4)

Ease of operations in PSU Banks is better as compared to private banks. Whereas most of the respondents admitted that it is okay with both type of banks. Operational efficiency is almost at par and it does not have much difference.

	N	Mean	Std. Deviation	Std. Error Mean
Q4 - Private banks	91	1.57	.762	.080
Q4 - Public sector banks	98	1.95	.709	.072
Q4 - both are ok	64	2.34	.761	.095

(Table-5)

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Q4 - Private banks	19.667	90	.000	1.571	1.41	1.73
Q4 - Public sector banks	27.217	97	.000	1.949	1.81	2.09
Q4 - both are ok	24.655	63	.000	2.344	2.15	2.53

(Table-6)

When asking the performance of both type of banks from PSU staff it was very interesting to know that they admitted that the performance of private banks are better than PSU banks. The mean difference is almost 1 (3.10 -2.11) as per table given below.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Overall	100	2.11	.827	.083
Overall	100	3.10	1.176	.118

(Table-7)

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Overall	25.499	99	.000	2.110	1.95	2.27
Overall	26.352	99	.000	3.100	2.87	3.33

(Table-8)

When quantifying the service level desired to sell third party products like insurance on three given parameters like ambience, marketing practices and service support to sell; PSU staff rated marketing practices are right enough but the ambience and service support to sell is insufficient and that why they are unable to generate sufficient business from third party products. Selling third party products through Banka insurance channel would remain a difficult task because the trust factor is missing for the third party product. Customer has trust in Bank not in third party product.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel the service level desired to sell third party products like insurance is sufficient in your bank- Ambience	99	2.01	.827	.083
Do you feel the service level desired to sell third party products like insurance is sufficient in your bank- Marketing practices	99	2.14	.685	.069
Do you feel the service level desired to sell third party products like insurance is sufficient in your bank-service support to sell	99	1.84	.854	.086

The mean score of PSU bank staff on their opinion about which do they feel is a better marketing practice in day to day dealing with customers is up-selling whereas cross selling they feel is less important as compared to up-selling practice.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
cross selling	99	1.31	.466	.047
Up-selling	99	1.54	.501	.050

(Table-9)

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
cross selling	28.030	98	.000	1.313	1.22	1.41
Up-selling	30.475	98	.000	1.535	1.44	1.64

(Table-10)

Cross selling as marketing practice is used less as compared to up-selling by PSU staff. Most of research says cross selling is a better practice to promote and sell third party products from banks. It means cross selling is not practices by PSU staff although it is practiced by private bank staff more frequently.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
cross selling $\hat{\mu}$	99	1.25	.437	.044
Up-selling $\hat{\mu}$	98	1.84	2.014	.203

(Table-11)

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
cross selling	28.540	98	.000	1.253	1.17	1.34
Up-selling	9.029	97	.000	1.837	1.43	2.24

(Table-12)

CONCLUSION

A detailed analysis and interpretation gave a lot of insights about marketing practices, selling attitude and overall satisfaction level of customers from PSU banks and private banks.

As we hypothesized that staff of PSU banks and private banks have right set of skills and attitude to sell banking product seems to be not true because cross selling and up-selling both are the proven selling practices which is not being practices by PSU staff. Although PSU staff is more comfortable with up-selling tactics in their day-to-day dealings. The selling attitude of PSU staff is below par with private bank staff. So it is evident from the research that the problem is the right skill set among the PSU bank staff; it is the right attitude to sell banking products specially third party products like Life Insurance and Mutual Funds.

Cross selling and up-selling practices are successful in selling banking products seems to be true because most of bank employees are practicing them in their day-to-day dealings and getting business success. Although cross selling is practiced less among PSU staff which can be encouraging to sell third party products.. Desired service level to sell third party products needs improvement especially in service support to sell. The service support is not par with private banks to PSU banks. Although ambience of branches and marketing practices are almost similar for both type of banks. The satisfaction level of customers is better with PSU banks due to the sense of security in spite of better service level offered by private banks which is a strength of PSU bank but not capitalize properly by PSU Banks . The research endorses that the customers are happy with both type of banks.

Competition is increasing and challenges for business development are increasing many folds; so PSU banks need to improve on their attitude towards customers and focus on cross selling practices to increase the revenue from third party products. Banking products need a push to sell it. This push can only be developed by frequent usage of marketing practices like cross selling and getting rid of laidback attitude among PSU staff can change the current scenario.

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