

Role Played by Elements of Marketing Mix in Customer Retention in Retail Banking: An Empirical Study

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Abstract: Retail Banking, a typical mass market banking, is a service oriented sector attending to the management of its' customers' wealth and financial transactions as desired by them. With the opening of the banking sector, post liberalization and new players and multiple channels registering their presence, customers have become more sensitive, judicious and disloyal to the banks. This makes it imperative that banks provide best levels of service to ensure customer satisfaction. Along with the acquisition of new customers, retaining the old customers has also become a main priority for the banks today. This study aims to ascertain the importance and role played by marketing mix elements or 7Ps in enhancing customer loyalty and to ascertain the effect of the various elements on the customer mind frame. Such analysis shall help to define and suggest a model marketing strategy or a tool with a judicious mix of the preferred top rated elements. This empirical study has been conducted through collection of primary data by Non Probabilistic Sampling Technique and a Questionnaire directed at the 150 customers of 6 branches of 3 prominent private banks in 3 big cities of Rajasthan.

Keywords: Marketing Mix, Retail Banking, 7P, Customer Retention

1. Introduction

Due to increased global competition, private retail banks are facing intense pressures for a profitable survival in the sector. The competition has increased to a great extent and has become overriding in the Indian banking sector post liberalisation. The Private sector banks have entered into the Indian market with more financial muscle, efficient and energetic manpower along with advanced technology for the Indian consumer. Technology has demonstrated its potential in bringing competitive advantage to businesses. Banks' Management has understood the importance of using different marketing strategies to make customers happy and stay ahead of the competition. The customers expect higher quality services from banks which if fulfilled, could result in improved customer satisfaction and increase the retention level. The key to the success and survival of any commercial institution is the optimally balanced marketing mix strategy.

Today, banking is regarded as a customer oriented services industry and even public sector banks have started accepting the fact that their business increasingly depends on the quality of the services provided to the consumer. The services commonly availed by the individuals include operating bank accounts, home loans, loans for personal use, ATM plastic money etc. The transactions can be by visiting the bank premise or through online e-transactions. In a survey conducted in Asian Bank Market, Gerrard & Cunningham(2004) ,found that attrition rate of bank customers is as high as 90% in the Asian countries only because of the pricing, quality of service provided and the inconvenience faced due to what so ever reason. Thus making it imperative for banks to market their product and services directed towards satisfaction of a customer's needs.

The bank marketing is a collective of judicious functions employed to provide service for satisfaction of customer's

financial requirements. These combined functions are the sum total of all individual activities consisting of an integrated attempt to find out, generate, stimulate and satisfy customer needs. This aim can be achieved through the right marketing mix consisting of the right elements.

The Marketing Mix of a tangible product is formed of four elements or 4Ps (Place, Promotion, Product & Price) whereas due to the sensitive and intangible nature of service marketing, three more elements or 3P's i.e. Process, Physical Evidence and People have been incorporated to form the extending market mix for service oriented sectors, hence, forming the concept of 7P's for the right marketing mix for any sector. The Process industrializes and standardizes the services, Physical Evidence tangibilizes the services and people (personnel) are the essential parts of the service. This applies to the banking sector also, a service specific industry.

2. Objective of the study

The objective of the study carried out in Jaipur, Ajmer and Udaipur cities of Rajasthan state is to ascertain that, out of 7Ps of marketing mix, what the role is played by each P in retention of the existing customers of a bank and which elements affect the mind frame of a customer ,thus increasing the customer loyalty. It will help service providers to improve service provisions to retain customers. The paper also highlights the role played by 7Ps of marketing mix with reference to its effect on the customer loyalty and thus resulting in customer retention.

3. Review of literature

Lin & Wu, 2011 in their study concluded on existence of a solid relationship between quality of service/or products and customer retention, whereas Istvan Szuts (2008), advises the

banks to increase the loyalty quotient of the existing customers to achieve higher business growth and higher rate of Customer Retention. Seshaiyah & Narender (2007) identified various factors affecting customer's choice and their findings suggested that the banks need to reorganize their activities and strategies whereas Jain (2007) was of the view that that marketing strategies also should be formalized as per the local environment, due to uniqueness of each state's marketing environment.

Saeed, Grover & Hwang, 2005 have pointed that it is important for an institution to identify how to provide service to their customers, for increasing the rate of Customer Retention, suggesting after sales services as an important driver, essential for survival and growth of a service provider.

Dixit, V.C. (2004) concludes in his study, that the people /employees need to be well trained and sensitive towards the wants and requirements of customer needs, resulting in satisfaction of customers and Malik (1996) concluded that low skill levels of majority of the workforce providing banking services are a hindrance to the growth of the banking sector and stressed on necessity of skilled and professional human resources for successful banking. Jones, et.al. (2000) stress on the importance of maintaining relationships with existing clients, thus ensuring elevated rate of customer retention for the firm. Gupta (1997), in his study detailed that the key to the success is customer satisfaction and suggested few measures that a service firm, including banks, should adopt to meet the needs and expectations of the customers.

4. Analysis of Demographic Profile of Respondents

The sample size consisted of 150 customers who visited the bank premises frequently. The demographic profile of the respondents can be analysed as below.

The sample of Customers consisted of 118 Males (79%) in comparison to 32 Females (21%), out of which, 41% belonged to 26 -40 Yrs category followed by 21% respondents of age group 18- 25 years (21%) and rest in 41- 60 year and 60 year & above category. Educational Qualification of majority of the sample i.e. 71 (47%) respondents were Post Graduate followed by 55 (37%) of Under Graduate customers and rest 16% falling under other category.

In Occupation category, 74 respondents (49%) were from Private Service category followed by 53 respondents (35%) in Any Other category (Housewives/Retired etc.) and 16% in Business or Government. 48 respondents (32%) of the sample size belonged to income group of less than 3 Lac and to 3-5 Lac each, whereas 25% belonged to 5-10 Lacs income group and 11% fall in the 10 Lac & above income group.

5. Research Methodology

The proposed study has been carried out in the selected 6 branches of ICICI, AXIS and HDFC banks in the 3 cities of Rajasthan with a population of over 10 Lacs. A total of 150

customers were interviewed for the study. The sample was identified through Non Probabilistic Sampling Technique and care has been taken to ensure that they further represent the characteristics of different age groups, occupation along with the gender to which they belong. The data was collected through Interview method based on Guided Structured Questionnaire from sample at the selected 6 branches. Out of the 150 samples, 12 were not considered owing to the missing data or high response bias, thus leaving an overall sample size of 138.

All questions are measured on a 5-point Likert scale where

1= Not at all important

2= Unimportant

3= Indifferent

4= Important &

5= Very Important

In order to accomplish the objectives, t-test has been applied. (Table 1)

6. Data Analysis & Discussions

To achieve the objective of determining the role of each Marketing Mix Element or "P", in enhancing customer loyalty, respondents were asked to rate the '7 P' subdivided in 25 parameters. The one sample t-test statistics for PLACE element indicates that out of the three parameters rated by the respondents, the 'Location of the bank is nearby/ well approachable' parameter with a mean of 3.949 was most preferred as a prime factor for retention of a customer, in comparison to Public Transport availability and Parking facility at a mean of 3.580 and 3.594 respectively. This indicates that if the bank is located nearby customers' work place/ home, the customer retention increases.

For the PROMOTION element, the tests indicate that the customers have rated Reference of Friend/Family Member as the most preferred parameter of promotion of bank with a mean of 2.283 in comparison to other parameters such as Advertisement in Print/Electronic Media, Celebrity Endorsement and Tele Calling by Bank Executives with a mean of 2.255, 1.862 and 2.007 respectively.

The t-test statistics for PRODUCT element indicated that bank customers have become technology savvy and have preferred Mobile/ Internet Banking with a mean of 3.884 as a major reason for continuation of their account with the bank over the other two parameters namely Extensive Product Range and Safe Deposits with a mean of 3.761 and 3.833 respectively.

Amongst the 3 parameters for PRICING element, the Interest Rate Charged on Loans by banks was the preferred parameter with a mean of 3.572 over the other two parameters namely Interest Rate offered on SA / FD and Processing charges levied on the Services Availed with mean of 3.326 and 3.326 respectively.

The t-test statistics for PHYSICAL EVIDENCE/ FACILITIES element indicated that Facility of Token Display Boards and Sitting Lounges was rated as the preferred parameter for retention with a mean of 3.920 in comparison of other two parameters i.e. Visually Appealing

Physical Facilities and Air Conditioned Bank Premises with mean of 3.746 and 3.920 respectively.

The t-test statistics for PROCESS – Banking Transaction Process element, indicated that out of the 5 parameters, the Overall customer Friendly Banking Process was rated as the best with a mean of 4.681 over the other four i.e. Easy to Use e-banking Process, Error Free Transactions, Convenient working Hours and Timely Delivery of the Services with a mean of 4.268, 4.630, 4.591 and 4.667 respectively.

The t-test statistics for PEOPLE –Employees of the Bank element, indicated that Employees are Never too Busy parameter has been the most preferred parameter with a mean of 4.650 in comparison to Well Groomed Employees, Courteous and Knowledgeable Employees and Employees are Professional with mean of 3.551, 4.457 and 4.638 respectively

7. Conclusion

The marketing of any product has its own set of advantages and drawbacks. Since the product of banks is majorly intangible in nature, it becomes all the more important for the banks to conduct a thorough and professional market research to formulate and further improvise its marketing strategies. On basis of the t-tests applied on the data collected through questionnaire, this study found that not all 7 Marketing Mix Elements or 7 Ps are equally influential in gaining customer Loyalty. Each element or P was found to be influencing the choice of the customers through one or other parameter majorly. Hence the study suggests that the Banks should focus on a marketing strategy with an optimal balance of the parameters rated significantly higher than others.

Out of the seven marketing elements or 7Ps the customers rated Promotion Strategies Used by the Bank as the least effective element for customer retention with mean of all the parameters being rated well below 2.500 whereas the Process element was rated overall the highest criteria for enhancing customer loyalty or customer Retention with all the 5 parameters being rated well above a mean of 4.250. Though Price element is an effective criterion, but according to Dutta and Dutta (2009), since the pricing in the banking sector are regulated by Reserve Bank of India, there cannot be much differentiation in the rates being offered by the banks. Therefore, it implies that price is not important in Indian banking industry and hence the Interest rates and other processing charges are thus more or less standard amongst all the banks.

The ranking of the Marketing Mix Elements or 7 Ps by the existing customers in respect of the Customer Retention are as under:

1. Process – Banking Transactions	with a mean of 4.5674
2. People – Employees of Bank	with a mean of 4.324
3. Physical Ambience/ Facilities	with a mean of 3.970
4. Product Range of Bank	with a mean of 3.826
5. Place - Location Advantage	with a mean of 3.707
6. Pricing – Rates offered by Bank	with a mean of 3.408
7. Promotion	with a mean of 2.101

The rankings as above can assist banks to formulate and innovate the existing marketing mix and devise an optimum model to ensure the Customer Loyalty and increase the Customer Retention rate. It is hoped that it will help service providers to improve service provisions to retain customers.

8. Limitations of the Study and Scope for Future Research

This study has considered such customers who are frequent visitors to the bank premises and are availing minimum of 2 services/ products being offered by that bank. Majority of the customers were also found to be availing services/ products of minimum two banks and were found to be using at least one IT-based bank service as well. Thus, to some extent, it limits applicability of the results to the banking population, not under this criterion.

Secondly, this study focuses on urban customers of private sector retail banking. Therefore, results cannot be generalized for semi-urban and rural customers of retail banking. Further study is needed to know the differences among rural, semi-urban and urban customers regarding banking services.

Thirdly, the area of study is limited to 3 big cities of Rajasthan state with a population of more than 10 Lacs. Hence, the results cannot be generalized for other cities falling out of the demographic context of these cities.

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Table 1: One-Sample Statistics – Customer Retention

	N	Mean	Std. Deviation	Std. Error Mean
Place (Location) Advantage				
Location of Bank Branch	138	3.949	.7953	.0677
Public Transport	138	3.580	.9344	.0795
Adequate Free Parking	138	3.594	1.0155	.0864
Promotion Strategies of the Bank				
Reference of friend	138	2.283	1.0532	.0897
Bank's Advertisement	137	2.255	1.1442	.0978
Celebrity Endorsement	138	1.862	.9680	.0824
Tele Calling	138	2.007	1.1040	.0940
Product Range Available With the Bank				
Extensive Product Range	138	3.761	.9632	.0820
Mobile Internet Banking	138	3.884	1.0186	.0867
Safe Deposits	138	3.833	.8593	.0732
Pricing – Rates Offered by Banks				
Interest Rate on Loans	138	3.572	1.0244	.0872
Interest Rate on Savings Account	138	3.326	.9753	.0830
Processing Charges	138	3.326	.9975	.0849
Physical Ambience/Facilities				
Visually Appealing	138	3.746	1.1274	.0960
Air Conditioned Premises	138	3.920	1.0398	.0885
Token Display System	138	4.246	.8527	.0726
Process – Banking Transactions				
Easy Mobile & E Banking Processes	138	4.268	.9323	.0794
Error Free Transaction	138	4.630	.6050	.0515
Convenient Working Hours	137	4.591	.6593	.0563
Timely Delivery of Service	138	4.667	.6544	.0557
Overall Customer Friendly	138	4.681	.6039	.0514
People- Employees of Bank				
Well Groomed Employees	138	3.551	1.1656	.0992
Courteous	138	4.457	.7460	.0635
Professional & Prompt Service	138	4.638	.7540	.0642
Employees are never too busy	137	4.650	.6816	.0582

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