

MARKETING OF FINANCIAL SERVICES

CHAPTER – II
LITERATURE REVIEW AND A
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2.1 INTRODUCTION

This chapter in brief provides the major findings of relevant important studies. The findings of these studies do suggest some definite basis on which further studies in the field can be carried out. They are of considerable significance in the context of present study in as much as they provide excellent guidelines as well as important view points that are to be considered in the present investigation.

The present investigation is mainly concerned with marketing of financial services. Hence in this chapter an attempt is made to make a broad survey of the studies in the field of marketing of services.

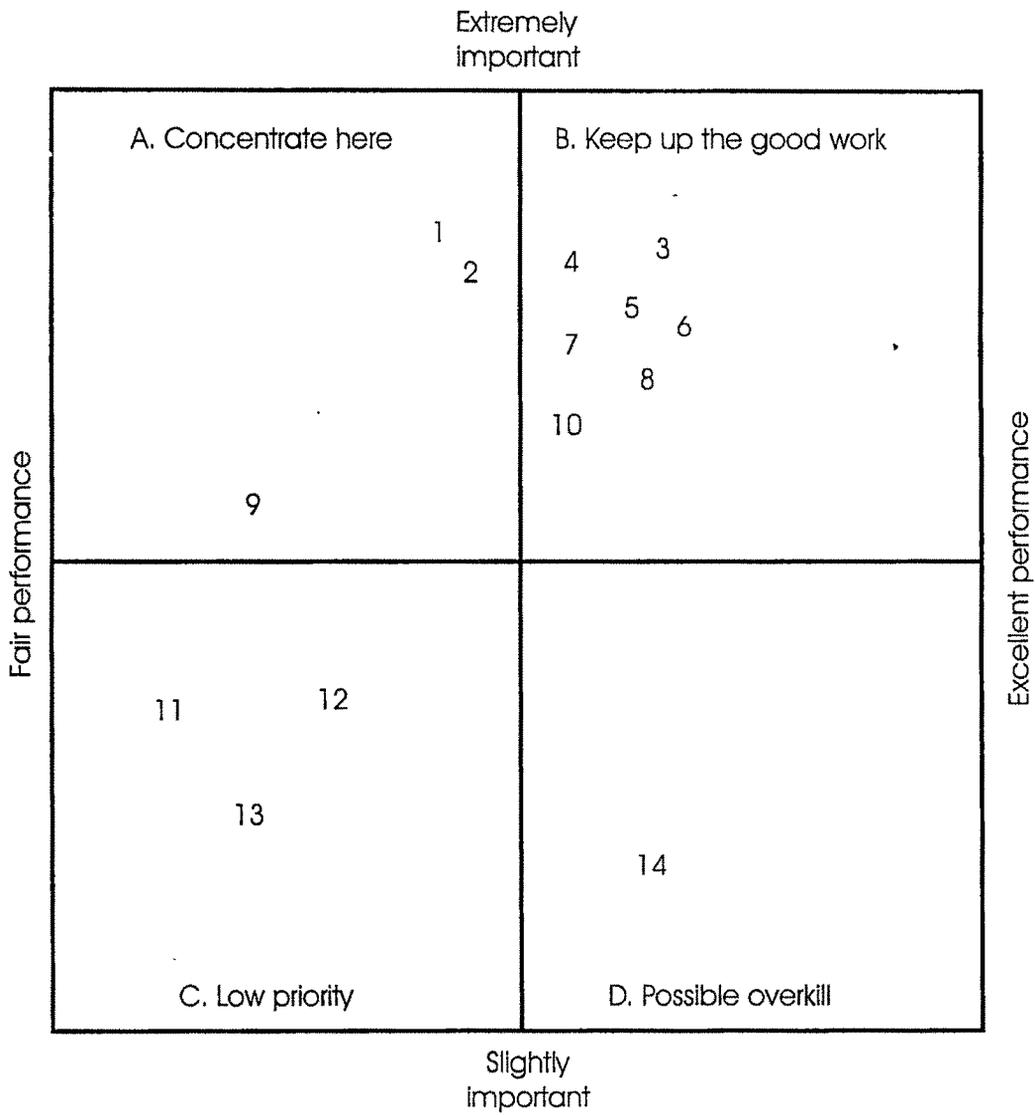
John A. Martilla and John C. James¹ carried out study on “Importance - Performance Analysis”. In his analysis he has studied the hypothesis that services can be usefully rated according to their customer importance and company performance. He studied how customers rated 14 service attributes on importance and performance importance was rated on a four-point scale of “extremely important”, “important”, “slightly important” and “not

important". Service provider's performance was rated on a four – point scale of "excellent", "good", "fair", and "poor".

The ratings of the 14 service elements were displayed in the figure and were divided in to four sections. Quadrant A showed important service elements that were not being performed as desired levels. It revealed that the service provider should concentrate on improving the performance on service elements of this quadrant. Quadrant B showed important service elements where the service provider performed well. It revealed that the service provider should maintain the high performance. Quadrant C showed minor elements, since they were not very important the service provider should not pay more attention. Quadrant D showed that the service elements of this quadrant were being performed in an excellent manner. The author made an attempt to measure service attributes according to their importance and performance and inform marketers where to focus their efforts in marketing of services.

John Goodman², made an attempt to study "Complaint Handling and Service Recovery of US customers". His studies of customer dissatisfaction show that US customers are dissatisfied with their purchases about 25% of the time. How often do they complain? The surprising finding is that only about 5% complain. The other 95% either feel that it is not worth the effort to complain, or that they don't know how or to whom to complain.





Importance Performance Analysis Matrix

Of the 5% of customers, who complain, only about 50% report a satisfactory problem resolution. Yet the need to resolve a customer problem in a satisfactory manner is critical. Whereas, on average, a satisfied customer tells three people about a good product experience, a dissatisfied customer gripes to 11 people. If each of them tells still other people, the number of people exposed to bad word-of-mouth may grow exponentially.

Often the customers who are most upset are the company's best customers. Another finding is that customers whose complaints are satisfactorily resolved often become more company – loyal than customers who were never dissatisfied. About 34% of customers who register major complaints will buy again from the company if their complaint is resolved, and this rises to 52% for minor complaints. If the complaint is resolve quickly, between 52% (major complaints) and 95% (minor complaints) will buy again from the company.

The Straits Times³ carried out a survey on “Service Almost as Important as Price to Shoppers”. In his study, shopper's reaction to poor service were found to be as follows:

- 70% Will not complaint but will shop elsewhere.
- 39% Will not complaint because it is too troublesome.
- 24% Will tell others not to shop there because of poor services.
- 17% Will write to complain about the standard of service.
- 09% Will chide the salesperson for poor service.

09% Will ask for a refund for poor service.

Therefore, companies need to develop a service recovery program. The first requirement is that companies make it easy for dissatisfied customer to complain. This can be accomplished by providing customer satisfaction forms and prominently featuring a “hot line”. The second requirement is that the company’s employees who receive complaints are well trained and empowered to resolve customers problems speedily and satisfactorily. Studies show that the faster the company response to the complaint, the higher the amends offered, and the better the attitude, the higher the customer’s satisfaction with the company. The third requirement is to go beyond satisfying particular customers and discovering and correcting the root causes of frequent problems. By studying the pattern of complaints, the company can correct system failures, which are typically the source of these problems.

Rajeev K. Seth ⁴ carried out study on “Marketing of Banking Services”, in his study he dealt with the typical marketing – related issues facing bankers at the policy making as well as operational grass – root levels. He presented a set of practical ideas and strategies for managing them.

Dibakar Panigrahy⁵ carried out study on “Marketing of Plastic Money” where he carried out study conducted a survey among the credit card holders of State Bank of India to know of their awareness, ideas, opinions, satisfaction and preference for different types services regarding the credit card.

V. K. Varma⁶ carried out a study on “Costing and Pricing Concept and Philosophy”. He divided his study into two sections, Section – I – discusses the introduction a costing exercise in Indian commercial banks and Section – II – examines the philosophies and methods used in establishing prices of bank services.

Dr. M. L. Agrawal⁷ carried out study on “Branding and Advertising of Financial Services”, in his study he highlighted that various concepts of marketing can be directly applied to financial products to gain a competitive edge in the market place. Since, more often than not, investment in financial products is a one-time decision and a customer’s need for reliable and valid information is very high, the focus of the entire marketing effort must not deviate from providing these basic information to the investor.

Following list gives the information pertaining to various related studies / research.

Table II-1**List of related studies / research**

1	"Learning to love service economy", Irving D. Canton, Harvard Business Review, May-June, 1984.
2	"How to transform your product business into a service", AMACOM, New York, 1992.
3	"Local companies should tried for top class services", The Straits Times, (Singapore), Aug. 31, 1994.
4	"Creativity of the marketing of services" The Singapore Marketer, Nov. 1993.
5	"Strategies for change in the service sector", Michael J. Dowling, California Management Review, 1994.
6	"Serving the Aftermarket in Japan & The United States", Paul A. Herbig, Industrial marketing management, Nov. 1993
7	"A Conceptual Model of Service Quality-and its Implications for Future Research", A. Parasuraman, Journal of Marketing, 1985.
8	"Service America", Karl Albrecht and Ron Zemke, Homewoood, 1985.
9	"Marketing Services", Free Press, New York, 1991.
10	"Making complaint a management tool", Ronald T. Rust, & Mark Wells, Marketing management vol. 1, No. 3, 1992.
11	"Mickey Mouse Marketing", N. W. Pope, American Banker, July 1979.
12	"Customer Service: a tool for growing increased profits", Ross M Scovotti.
13	"Production line approach to service", Theodore Levitt.
14	"Marketing Intangible Products and Products Intangible", Theodore Levitt.
15	"Services Marketing is different", business, May – June 1980.
16	"Sophisticated ATMs make their debut at Japanese Banks", The straits Times, September 1994
17	"Service positioning through structural change", Journal of Marketing January 1987.
18	"Quality Control in a service Business", Harvard Business Rivew, Aug. 1975
19	"Big Ideas in Services Marketing" Leonard Berry.
20	"How Consumer Evaluation Processes differ between Goods and Services", Valarie A. Zeithaml.
21	"Look to Consumers to Increase Productivity", C. H. Lovelock.
22	"Learning from the Best for Unexcelled Customer Service", Nissan / Infiniti.
23	"How service needs influence product strategy", M. M. Lele.
24	"Service Companies Focus or Falter", Davidow, Harvard Business Review, Aug. 1989.

2.2 A RATIONALE FOR THE STUDY ON MARKETING OF FINANCIAL SERVICES

A fresh wave of economic liberalization and globalization has been sweeping most of the world since the 1980s, and India from 1990 onwards. Consequently the financial services scenario also has been undergoing a transformation, especially with regard to competition, technological advancement and innovation. Due to the competition from within and without, and the relentless improvement in the field of technology as applied to financial services, financial service organizations have been compelled to constantly innovate new products, new delivery techniques and convincingly attract customers. In addition, they have to make concerted efforts to retain them. To do this, they require sharp marketing skills.

Marketing is a well-researched subject. A large number of authoritative treatises are already available. Even the characteristic features of marketing in Indian context have been extensively analyzed.

A recent FICCI paper avers that the service sector can contribute more than 50 per cent to the national GDP by AD 2000 provided it grows at a rate of 5.3 per cent annually. If this works out, the projected growth in this sector is going to surpass the growth in the agricultural and industrial sectors. It is also noted that dissatisfaction with services rendered (be it banking, insurance, railways, health, tourism, postal services or whatever) is high. This may even be termed a period of service crisis. How to exploit growing opportunities in the services sector and heighten satisfaction with service

delivery is an extremely typical issue for in-depth analysis. Financial services, as a crucial segment of the services sector, are today face-to-face with the issue. In a scenario like this, the discipline of financial services marketing is going to acquire critical importance in the foreseeable future, if it has not already.

Though product and services marketing are similar in many ways, there are some very crucial points of difference between them. For example, the intangible nature of service products and the strong presence of the human factor in services marketing. The need to view financial service marketing from the unique standpoint of services marketing is, therefore, obvious and strong.

Indian financial service is fundamentally different from financial services elsewhere. Features like low degree of technological sophistication, a highly unionized workforce and a cumbersome legal system mark it.

The inference is clear. Indian financial service marketing must develop its own body of concepts and principles revolving around distinctive characteristics of services marketing and tempered with the imperatives of the Indian situation. It must wriggle out of the stranglehold of product marketing influence. The long-term objective would be the development of a comprehensive theory of financial services marketing in the Indian Context, This study is an effort towards this objective. It endeavors to highlight the area of financial service marketing on the basis of peculiar features attendant

to financial service marketing in India rather than a classical product marketing situation.

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