

## Measuring strategy of services marketing using 7p's

N. Pradeesh Kumar<sup>1</sup> and P. N. Prasad<sup>2</sup>

<sup>1</sup>Faculty of Management Studies, Noorul Islam University, NICHE, Tamil Nadu, India-629180

<sup>2</sup>Principal, M.S.N. Institute of Management and Technology, Chavara, Kollam Kerala, India - 691585

\*Corresponding Author: E-Mail:pradeesh\_n@hotmail.com

### ABSTRACT

The study was to analyse the current and futuristic services marketing strategies used or applied in the banking industry by new generation banks in India. It looks into the various aspects of how new generation bankers are making themselves adaptable to face the environment; to understand the future trends that may revolutionize the market and result in not just strive by creating future customers but help to retain them and thrive; to formulate a new model with relation to strategies and marketing; to analyse the competitive advantage, various sustainable strategies adopted and implemented by bankers; to analyse the impact of strategies used by bankers and its outcome when implemented / executed; and to analyse consumer behaviour patterns as trends change and its impact in the industry (Booms, B. H., & Bitner, M. J., 1981).

**KEYWORDS:** Strategy, Services Marketing, 7P's

### 1. INTRODUCTION

Services are intangible activities offered by one person to another, based on time and services are performed to bring out the desired results to recipients, objects, or other assets in exchange for money, time and effort. In service customers expect value and do not take ownership of any of the physical elements involved. Meanwhile, services' marketing is a sub-field of marketing that can be classified into two main areas of goods marketing and services marketing (Donnelly and Geroge, 2002). Services' marketing typically refers to both business to consumer and business to business services, it also includes the marketing of various services such as: professional services, telecommunications services, financial services, hospitality services, car rental services, air travel services, and health care services.

**Banking in India and services marketing:** The evolution of Marketing of banks in India has been classified into mainly three stages and they are: a. Period of Traditional Banking (Until 1969) – Era of Class Banking; b. Period of Development Banking (Between 1969-1990) – Era of Mass Banking; and c. Period of Marketing of Financial Services (Since 1990) – The Customer Specific/ Customer Centric Era. A study states that the four distinguishing characteristics of services are: intangibility, inseparability, heterogeneity and perishability. Christopher Lovelock, et.al., in their work state that the generic dimensions which customers use to evaluate service quality are: 1.Credibility, 2.Security, 3.access, 4.Communication, 5. Understanding the customer, 6. Tangibles, 7. Reliability, 8. Responsiveness, 9. Competence, and 10.Courtesy. Banking marketing consists of identifying the most profitable markets now and in future, assessing the present and future needs of customers, setting business development goals, making plans-all in the context of changing environment. The 7 P's are the main factors that influence services marketing as stated by Booms and Bitner (Christopher Lovelock. 2004)

#### Need of the study:

**Research Gap:** The outcome of various review and results of studies on banking business carried out were compared and it was observed that there are various research work piloted in the areas of banking performance, comparative study between public and private sector banks, pricing strategies, communication strategies, product strategies etc (Cronbach, L. J., 1951). The target group of this study is to identify strategies for services marketing for New Generation banks. To enable comparability with other studies, the main concepts of strategy development and its influence among bankers to initiating an effective service marketing tactic.

It was identified that there are no studies carried out comparing the current strategy of Bankers and delivering a new strategy for Banks on customer preferences focusing on the Seven P's of Services marketing (European Commission., 2014). Hence, the process of formulating a strategic decision based on the 7 Ps are considered as a research gap and taken as a study topic to cover the above gaps and to bring out a detailed study in the above mentioned topic.

**Statement of the Problem:** The various studies reviewed here; focus on one point that there have been noteworthy studies carried out on marketing of financial services around the world. But, still there is adequate scope for further research to be conducted on the financial service offered by banks with relevance to their marketing strategies. Similarly, the need to apprehend the customer perception and plan a marketing strategy, with growing number of New Private banks and increasing competition and advent of modern technology. In this milieu, a systematic study comparing the three top New Private banks in Kerala, India, namely: Axis Bank, HDFC Bank and ICICI Bank.

**Objective of the Study:** The study would look into the various aspects of how New Generation bankers are ready to face the challenge.

1. To study the customer preferences regarding marketing mix among the three new generation private banks
2. To analyze the association between demographic factors and marketing mix.

3. To formulate a SWOT analysis on the selected new generation banks.
4. To ascertain the views of banking experts on new generation banks
5. To develop an improved marketing strategy, for improving the performance of new generation banks.

**Focus of Study:** To identify the strategies adopted by New Generation Sector Banks to study customer preferences for survival. The Hypotheses being analyzed are as follows:

H01: there is some significant association between age and marketing mix

H02: there is some significant association between gender and marketing mix

H03: there is some significant association between education and marketing mix

H04: there is some significant association between occupation and marketing mix

H05: there is some significant association between income and marketing mix

**Scope of the Study:** The Scope is to study the scenario of services marketing mix in banking as the financial sector reforms were introduced in India at the early 1990s, the action of the reform introduced elements of marketing that are a dominant factor which gradually replaced the administratively coordinated and planned actions of bankers. The reform resulted in greater competition in the banking system with the entry of private sector banks. The number of non-bank intermediation has also increased and these actions have led to increased competition among the various financial service providers and also have increased the focus on marketing and the strategies of marketing to create an effective and efficient system that is also sustainable.

## 2. RESEARCH METHODOLOGY

**Sampling:** The objective of a quantitative experimental research is to gather evidences (favorable /unfavorable) that may lead to a reasonable conclusion. It may also help one to reach results that may lead to assumptions and justifications on outcomes of a particular action.

Sampling is done effectively by under various considerations and this should be done with a representative sample under carefully controlled conditions so that the conclusion can reasonably be generalized to a larger.

**Determining the Sample Size and Type:** Determining the sample size from the sample population is a key task and here the Kerjice and Morgan, model is being followed. In this design the formula for determining the Sample size utilized is:

$$s = X^2NP (1 - P)/d^2 (N - 1) + X^2 P(1 - P)$$

$s$  = Required Sample Size

$X^2$  = The value of chi square for 1 degree of freedom at desired confidence level (3.841)

$N$  = the population Size

$P$  = the population proportion (assumed to be 50 since this would provide the maximum sample size)

$d$  = the degree of accuracy expressed as a proportion (.05)

**Table.1. Sample Determination of Selected Three New Generation Banks**

Sample Determination of Selected Three New Generation Banks	
Total Number of New Private Bank Account Holders in Kerala(Target Banks) Source – Bank Authorities	0.8 Million to 2 Million (Per Bank)
Total Number of Axis Bank Account Holders in Target Cities Source – Bank Authorities	300,000 Customers
Total Number of HDFC Bank Account Holders in Target Cities Source – Bank Authorities	600,000 Customers
Total Number of ICICI Bank Account Holders in Target Cities Source – Bank Authorities	450,000 Customers
Accepted Target Sample Size Kerjice and Morgan (1970)	384 Samples
Total Sample Taken For Each Bank	401 Samples
Total Sample Size Combined for Three Banks	1203 Samples

**Pilot Study:** In this work, the pilot study was conducted within a small sample group of 50 samples in Kanyakumari District, Tamil Nadu, to identify the irregularities in the questionnaire as per the Table 1. The questionnaire validity was analyzed using Chronbach's alpha. The samples included banker's academicians, customers and the study was carried on in-between June to Oct 2014

**Statistical Tools:** To analyze the data and compare the different outcomes of individual banks in the study, there are various tools being used conveniently used. The results derived from these tools help in making analyses and preparing interpretation for the values derived.

The tools used for testing the data are: Chi-Square Test, Factor analysis, ANOVA, and SWOT

**Scoring and Measurement of Variables:** The diverse items in the schedule indicate different scale factors to be evaluated for the variable. The various objects relating to both the dependent and intervening variables are provided on with a Likert pattern 5-point scale.

The main five response categories together with the specific numerical values assigned for computation are namely: Strongly Agree (2) Agree (1) Neutral (0) Disagree (-1) Strongly Disagree (-2).

### 3. ANALYSIS AND RESULTS

**A. Reliability of Questionnaire Using Data Reliability Test - Cronbach Analysis:** Cronbach's (Alpha) was used to establish internal consistency. Cronbach's (Alpha) is a coefficient of reliability. It is commonly used as a measure of the internal consistency or reliability. Where K is the number of components (K-items or test lets),  $\sigma$  the variance of the observed total test scores, and the variance of component i for the current sample of persons.

Since, the computed alpha value were found in between 0.77 to 0.92, the scales were said to be consistent considering that .70 is the cutoff value for being acceptable.

**Table.2.Cronbach's Case Processing Summary**

Cronbach's Case Processing Summary			
		N	%
Cases	Valid	1203	100.0
	Excluded <sup>a</sup>	0	0
	Total	1203	100.0

a. List wise deletion based on all variables in the procedure.

**B. Overall Ranking of Variables:** The overall ranking of the 7Ps based on chi-square values for the three banks combined are as follows the Table 3.

**Table.3.Overall Summary - Ranking of 7 P's**

Groups	Count	Sum	Average	Rank
Product	1203	4205.688	3.496	III
Price	1203	3756.969	3.123	VII
Place	1203	4198.470	3.490	IV
Promotion	1203	4372.905	3.635	I
Process	1203	4256.214	3.538	II
Physical Evidence	1203	4030.050	3.350	V
People	1203	3847.194	3.198	VI

**C. Individual Ranking of Variables:** The individual ranking of the 7Ps based on chi-square values for the three banks are as follows in Table 4.

**Table.4.Ranking of 7P's for Individual Banks**

Groups	Count	Average (AXIS)	Rank	Average (HDFC)	Rank	Average (ICICI)	Rank
Product	1203	3.416	IV	3.437	IV	3.558	IV
Price	1203	2.827	VII	3.283	VI	3.273	VI
Place	1203	3.284	V	3.585	I	3.603	II
Promotion	1203	3.644	I	3.554	II	3.713	I
Process	1203	3.590	II	3.437	III	3.588	III
Physical Evidence	1203	3.585	III	3.201	VII	3.266	VII
People	1203	2.943	VI	3.306	V	3.343	V

The ranking of the Seven Ps for the three banks individually is totally different and independent form one another. The ranking of the 7P's for Axis banks is as follows: Promotion ranked first, while Process holds the second followed by Physical Evidence in the third position, Product in the Fourth, Place holding the fifth, People ranked sixth and Price seventh (Francis Cherunilam, 2011).

The ranking of the 7P's for HDFC bank is as follows: Place ranked first, Promotion ranked second, Process ranked third, Product in the Fourth, People the fifth, Price ranked sixth and Physical Evidence seventh.

The ranking of the 7P's for ICICI bank is as follows: Promotion ranked first, Place ranked second, Process ranked third, Product in the Fourth, People ranked fifth, Price ranked sixth and Physical Evidence seventh.

**SWOT Analysis:** Francis Cherunilam, in his work identifies SWOT analysis as one of the prime and primary steps in strategic management. It is also described that, in strategic management, the term strategic is used to mean "pertaining to the relation between the firm and its environment. This indicates the role of SWOT in strategic Management (Krejice Robert, 1970). The strengths and weakness of the firm and opportunities and threats in the environment will indicate the portfolio strategy and other strategies it should pursue". (Jeffrey, 2010) states that SWOT analysis is an examination of an organization's internal strengths and weaknesses, its opportunities for growth and improvement, and the threats the external environment presents to its survival. The SWOT analysis for this study based on questionnaire and Expert feedback is as follows:

Table.5.SWOT Analysis Based on Bankers Perspective

<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>⌘ Service Quality -</li> <li>⌘ Well trained Employees</li> <li>⌘ Presence at Prime locations</li> <li>⌘ Variety of services and products</li> <li>⌘ Customer Base</li> <li>⌘ Ambience</li> <li>⌘ Economical Operation Expenses</li> <li>⌘ Development of existing standards</li> <li>⌘ Usage of advanced technologies and Emerging technology</li> <li>⌘ Strong regulatory impact and Support from Central Bank – RBI</li> <li>⌘ Customer loyalty programmes</li> </ul>	<p><b>Opportunity</b></p> <ul style="list-style-type: none"> <li>⌘ The available unexplored or untapped population - Inclusion</li> <li>⌘ Modern ideologies for lifestyle betterment</li> <li>⌘ Population Growth</li> <li>⌘ Expansion to International Markets</li> <li>⌘ Service customization</li> <li>⌘ Increasing Risk Managing Expertise</li> <li>⌘ Emerging Entrepreneurs</li> </ul>
<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>⌘ Service Quality(Cost)</li> <li>⌘ Low-Cost for Technology Adaptation</li> <li>⌘ Managing Employees (retaining Talent – retrenchment)</li> <li>⌘ High Risk in SME Loans</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>⌘ Emerging &amp; Existing Competitors</li> <li>⌘ Changing Trends</li> <li>⌘ Changing Customer Expectations</li> <li>⌘ Huge Investments in Technology</li> </ul>

The European Commission, in their SWOT analysis report state that, SWOT analysis can help you gain insights into the past and think of possible solutions to existing or potential problems — either for an existing business or new venture (Santhana Gopalan, 2008). They also state that SWOT analysis can be used for: a. business planning, b. strategic planning, c. outsourcing a service, activity or resource, d. an investment opportunity, e. a method of sales distribution, f. competitor evaluation, g. marketing, h. an investment opportunity, i. product development, j. research reports, and so on.

**The proposed new model:** The new model comparing the existing strategy and new strategy and deriving the result of possible focus areas. The model is designed by considering mainly Six Stages. They are as follows:

Stage 1: The banks corporate mission is considered and based on their existing actions and initiatives their current marketing mix is determined.

Stage 2: The Existing Marketing mix strategy is determined and they are ranked based on their level of importance or need.

Stage 3: In this level all the current market is studied by carrying out a survey among customers and bankers and opinion for experts are obtained and also the SWOT analysis on data given by employees or banks on their product and perceptions are executed.

Stage 4: The revised strategy is designed using customer preferences and results obtained and the Marketing mixes are ranked based on new inputs.

Stage 5: The new obtained ranks are considered and effective decisions are taken based on their outcome.

Stage 6: The Outcomes are evaluated and reviewed. Based on necessities new actions may be initiated.



Fig.1.Model for Revised Strategy, Decision Making And Strategy Determination

**Strategies to be adopted:** There are several strategies that these bankers may adopt for their future endeavors, and they are:

- Financial Inclusion
- Empowering Employees
- Expansion
- IT Business outsourcing
- People Oriented Business Management Philosophy

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<b>Several Strategies, Factoring Influencing Them and Action</b>			
<b>Sl. No.</b>	<b>Strategy</b>	<b>7p's Influenced</b>	<b>Action</b>
01	Financial Inclusion	Place Product Promotion	Expansion New Customers New Products/Services Promotion
02	Empowering Employees	People Process	Employee Retention Training Goodwill Initiatives /Appraisal
03	Expansion	Place Physical Evidence Promotion Process	New Branches Infrastructure Attractive Schemes Branchless Banking/Remote
04	It Business Outsourcing	Process People Price Promotion	Cost Effective Back Office Job Process Marketing 24/7 Customer Service\ Global Access
05	People Oriented Business Management Philosophy	People Process Product Promotion	Attractive Offers Customized Products Public Relation Grievances Redressal Personal Selling

**Major findings:** The hypotheses states that the demographical factors of all these banks do seem to be the similar when ranked and the factors such as Gender, Age , Educational Qualification, Occupation and Income group seem to match the three new generation banks.

H01: There is a significant association between age and marketing mix is evident as the age group of respondents in the three respective banks are as follows: customers of Age group 18 to 25 – 45.5% (AXIS), 46.1% (HDFC) and 51.4%(ICICI); followed by the age group of 25-35 – 37.7% (AXIS), 36.9% (HDFC) and 34.7 (ICICI).

H02: There is a significant association between gender and marketing mix as the gender of the customers of the three banks are as follows: the percentage of Male customers are as follows 54.6%(Axis bank), 52.4% (HDFC Bank) and 58.6 (ICICI Bank). The percentage of Female customers are 46.4% (Axis bank), 47.6% (HDFC bank), and 41.1 (ICICI bank)

H03: There is a significant association between education and marketing mix is evident as the educational qualification of the customers of the three banks are as follows: 50.1% (Axis bank), 49.9% (HDFC Bank) and 56.6% (ICICI Bank) are graduates. 20.4% (Axis bank), 20% (HDFC bank), and 18.5% (ICICI bank) are post graduates

H04: There is a significant association between occupation and marketing mix as it is evident with the following information: 42.6% (Axis bank), 43.6% (HDFC Bank) and 32.9% (ICICI Bank) are Entrepreneurs/Self-employed. 42.4% (Axis bank), 41.6% (HDFC bank), and 53.6% (ICICI bank) are Private Sector Employees.

H05: There is a significant association between income and marketing mix: 52.6% (Axis bank), 53.4% (HDFC Bank) and 53.9%(ICICI Bank) customers belong to the 5,000 to 15,000 pm earning capacity group. 27.4% (Axis bank), 28.4% (HDFC bank), and 31.4% (ICICI bank) are customers belonging to the 15,000 – 30,000 pm earning capacity group.

Overall Study of all three banks combined on customer's view on marketing and perception of marketing mix

- It has been Identified that, Promotion is ranked 1st and is given the major priority. It has been identified that, Price is ranked 7th and is given least priority. It has been identified that, Process was the second important as it was ranked 2<sup>nd</sup>. It has been identified that, Product was the third important variable as it was ranked 3<sup>rd</sup>. It has been identified that, Place also has some importance as it was ranked 4th

- It has been identified that, Physical evidence was the 5th most important variable as it was ranked 5th.

- Ranking of all three banks individually on their customer's view on marketing and perception of marketing mix
- Customers of Axis bank, rank Promotion as 1<sup>st</sup>, meanwhile HDFC bank customers rank Place as 1<sup>st</sup> and ICICI bank customers rank promotion as 1<sup>st</sup>.
- Customers of Axis bank, rank Process as 2<sup>nd</sup>, while HDFC bank customers rank Promotion 2<sup>nd</sup> and ICICI bank customers rank Place as 2<sup>nd</sup>.
- Customers of Axis bank, rank Physical Evidence as 3<sup>rd</sup>, while HDFC bank customers rank Process as 3<sup>rd</sup> and ICICI bank customers rank Process 3<sup>rd</sup>.
- Customers of Axis bank, rank Product as the 4<sup>th</sup> and so do both HDFC customers and ICICI bank customers.
- Customers of Axis bank, rank Place as 5<sup>th</sup>, while the customers of HDFC bank and ICICI bank rank People as the 5<sup>th</sup>.
- Customers of Axis Bank, rank People as the 6<sup>th</sup>, while the customers of HDFC bank and ICICI bank rank Price the 6<sup>th</sup>.
- Customers of Axis Bank, rank Price the 7<sup>th</sup>, while the customers of HDFC and ICICI rank Physical evidence as the 7<sup>th</sup> important factor.

The above variance in customer preferences within the three banks shows that there are significant variances in the customer's perception on marketing mix from banks to bank.

#### 4. CONCLUSION

The Customer preferences towards financial services have changed rapidly with respect to their wants, needs, desires and expectations. The point that financial service providers have to understand is who their potential customers are and what they prefer. Similarly, the services provider should also have a clear understanding on why customers opt. for such services. From the findings it is evident that, the difference of customer perception within the three new generation banks are different, and their perceptions towards marketing mix vary. From the observation of Hypotheses, it is pretty evident that there is a relationship between the Demographical factors considered and Marketing mix as they were Relevant and uniform in all the three banks. Similarly, based on the ranking of variables it is evident that Promotion plays a major role in attracting customers and hence it should be given maximum priority. With the chi-square test result it is evident that all the data are normally distributed.

The result derived from the new model states that the variables 'Promotion', 'process', and 'product' are identified to be the most important variables when it comes to marketing services in the Banking Industry. Innovative product marketing strategies such as adopting the new source of Technology adapted in all the selected bank of the study. Promoting banking by creating better good-will by sponsoring programs, and rendering spontaneous delivery of services. Different marketing strategies for different location of the bank is an important factor for promoting the business. Success of a bank is based on the customer loyalty and their level of satisfaction. It can be concluded that the development and growth of any bank totally depends upon the service that is offered to the customers. Thus, with the right guidance and direction with commitment from the staff of the organization, ultimately every organization would see the success.

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