

Comparative Study of Promotional Strategies adopted by Public and Private Sector Banks in India

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Abstract

Marketing strategies become more crucial when they are executed to design, distribute and promote banking services. The present study is descriptive in nature and takes out significant differences in the promotional strategies adopted by private and public sector banks in India. The study shows noteworthy results and opinions of customers, which can be very useful for designing effective promotional strategies for banks. The study reveals remarkable facts connected with customers' perception about promotional tools of both sectors' banks and also about the most effective tools to promote banking services.

Keywords: Indian Banking Sector, Promotional Strategies, Customer Satisfaction.

Introduction

In financial services, people are primarily bothered about security of their funds and default risks. After the year 1969, the deposits of banks increased more than 80 times as a result of the nationalisation of banks. Paul Cox, (2007) revealed a fact that financial service providers are not perceived highly trusted, so that they might have difficulty in selling risk-based products. The effort to promote banking business is quite distinguished affair. At present, it has become very tricky due to the changing trends of industry, increasing competition and efficiency of regulatory environment, and the financial system. The complexity in the banking services is also an issue of vital importance. This is the time when banks are offering new and innovative services, frequently in the market. The content of promotional tools should help the customer in making most valuable decision. This can be firmly said that well-designed promotional strategies are very important to promote banking services effectively. In marketing any product or service, customer satisfaction has been given the prime importance. The most frustrating aspect of bank marketing are lack of management support, lack of inter-departmental cooperation, crisis management, government intrusion and advertising & media problems (Berry & Lindgreen, 1980). Sarin & Anil (2007) recommended that manpower in service organisations must work with the focus of satisfying the customer. Banking should bring out the areas requiring improvement and which further throw light on the measures to improve the quality of services. Promotional packages are very important for financial service industry (Ananda & Murugaiah, 2003). Thus the orientation of banks should be with a much wider focus in relation to consumer and market needs, and the consequent marketing strategies. The challenges put forth by the changing environment have to be effectively tackled to identify the consumer needs and providing valuable services through product innovation (Nair Raman, 2006). In banking the

temporal and spatial dimensions are perceived as more important than traditional dimensions based on outcome and process elements (Kristina Heinonen, 2006). Tokunbo Simbowale (2005) examined the usage of marketing concepts & techniques and recommended that a well-structured marketing department in banks is essential for profitability & effectiveness. A study by Krishna, Suryanarayana & Srikant (2005) recommended that promotional strategies should be designed as per the nature of the services to be promoted. The advertisers should seek a narrative approach to communicate the service experience rather than a logical, argumentative approach. Narrative approach involves storytelling methodology using sequence of events (Sehgal Roli, 2004). Location convenience, speed of service, competence and friendliness of bank personnel are also the most important points with maximum value in banking services (Laroche, & Manning, 1986). Meidan (1976) revealed that about 90% of the respondents banked at the branch nearest to their home place and place of work. Convenience, in terms of location, was also found to be the single most important factor for selecting a branch. It has been generalized in the studies that services marketing advertisement is more challenging than the advertising of tangible products (Ray and Bose, 2006). Winning new customers costs 10 times more than simply holding onto existing ones. The case should be taken in the marketing of financial services very seriously (Farrokhtakin, Stavash, 2000). While formulating marketing strategy, a bank should focus attention on (i) consumer sovereignty, (ii) attitude, (iii) responsiveness and personal skills of bank staff, (iv) revitalizing the marketing department, (v) top management support to the marketing department, (vi) participation of marketing personnel in key bank decisions (Kumar Ashok, 1991). With the same perspective, the prime objectives of the study are:

- (i) To know about the various promotional tools of Private and Public sectors banks in India
- (ii) To make a comparative analysis of customers' perception for promotional strategies of private and public sector banks in India
- (iii) To find out the key promotional tools for banking services on the basis of customers' responses.

Research Methodology

The present study is descriptive in nature, which is based on empirical evidences in the form of primary data. The data collection has been done from 300 customers presently availing banking services. The respondents were approached with systematic random sampling where every 3rd visitor was approached when he/she was coming out of the bank after availing the service. The response rate was found to be 65%. The branches of the banks have been selected out of the representative districts of the states near to Delhi and NCR (National Capital Region) on judgment bases for making the samples true representatives. The study includes the customers of 10 leading banks out of which 5 are from public sector (SBI and Associates, PNB, CBI, OBC and Bank of Baroda) and 5 from private sector (ICICI, HDFC, AXIS, IDBI, Kotak Mahindra Bank). A structured questionnaire has been used for collection of data comprising open and close-ended questions. Likert scale has been used as a scaling technique in the questionnaire. Structured interviews have been taken of 2-2 employees of the above stated banks for getting the initial information about the promotional strategies adopted by leading private and public sector banks in India.

Data Analysis and Interpretation

The responses have been captured in a scale of 5 to 1 from strongly agreed to strongly disagree. Similarly in other questions '5' is for very effective and '1' is for not at all Effective. Table 1 show that the promotional strategies of private and public sector banks are almost similar. Both types of banks take the help of almost all type of media to promote their services. The first objective of the study deals with the analysis of the promotional strategies adopted by both. The analysis is done on the basis of review of existing literature and with personal contact and informal interview with the personnel of the private and public sector banks. The major difference in the promotional strategies adopted by banks is in the two techniques of the promotion and they are "Personal Selling" and "Direct Marketing". The difference is that public sector banks do not adopt the strategies of promotion as personal selling and direct marketing; on the other hand the same are adopted by private sector banks. The reasons for this are high reliability and less profit orientation of public sector banks. Public sector banks do not go for innovative strategies of promotion, however they go for interactive marketing through internet but that is not promoted so much like private sector banks. This has been demonstrated in Table 2 that the respondents in the present study are mixed and are seem representative, they include – farmers (19%), shopkeepers, students (31%), highly (23%) as well as low educated (25%) persons. Table 3 states that the maximum respondents (48.33%) were availing the services of Saving Accounts, which is followed by current account service holders (28.33), only few are availing the service of fixed deposits (11%) and Loans (7%). The loan takers also include the students in the form of education loans.

Most of the respondents answered that they were influenced by Friends and Relatives (42%) for choosing the services from a particular bank. This is the power of "word of mouth". This shows that the impact of opinion leadership and reference group is very much in banking services however advertising (21%) also affects the decision of selecting a particular bank (Table 4). As per the responses given in Table 5, the difference between public and private sector banks is known to the maximum number of people (85%). Table 6 gives a clear idea about the question related to the perception of customers about private and public sector banks the results are not so surprising. People think that the advertisements and promotional efforts of private sector banks are more effective than public sector banks with a weighted mean score 3.51 for 5. The respondents strongly agreed that Private Sector Banks do more advertisement than Public Sector Banks (3.81). Further, one more aspect, that is very important in the case of services and especially in financial services i.e. truthfulness, and completeness in advertising. The respondents look agree with the statement that the information provided by Public Sector Banks is more reliable than private sector banks because that is truer and complete (3.62).

This has been narrated in Table 7 that private sector banks are slightly better in catching the awareness of people than Public Sector Banks in mass media advertising. 69% respondents accepted that they have exposure of advertising on television and 61% of advertising in newspapers in case of private sector banks. However in the case of public sector banks it is 66% and 52% respectively. Table 8 gives descriptive idea about the exposure of various promotions. In outdoor advertising and online marketing, private sectors banks are again more successful to spread awareness than public sector banks, but the total awareness level has stayed low. In public sector banks 21% of the respondents were accepted that they have an exposure of outdoor advertising while the respondents for it in case of private sector banks were 28%. As online

marketing is not so much adopted by public sector banks only 7% customers have the exposure of the same, while for private sectors banks the exposure of respondents is 17%. Telecalling and personal selling did not show high exposure. Almost 26% people are exposed to telecalling. Another important aspect has been discussed in Table 9. When customers were asked about the most effective tool for promotion of banking services, very meaningful results have come. The most effective tools in respondents' opinion is advertising on television with weighted mean value 3.84 and advertising in newspapers was at second place (3.59). This is followed by personal selling (3.43) and advertising in journals and magazines (3.26). Advertising on Television has been given the first rank and Publicity (2.25) is given the last. However there is no so significant variability in the factors if we move from one. The variability as per standard deviation is 0.5274.

Conclusion

Promotion has different aspects for different industries, products and services. Its final goal is to communicate positive word of mouth among existing and potential customers about the corporate, product and service. In banking the customers must be ensured that services provided by a particular bank have been designed to give them maximum value of their money. In brief, it can be said that in India wherever the dilemma of private and public sector comes always two things are considered. Public sector is more reliable but not so good in the quality and innovativeness. Private sector is not considered so reliable, there may be hidden charges in the services and false and misleading information in the advertising but they are better in the service quality. Private sector banks must be more true and reliable first. They have to win the hearts of the customers, after that they will be able to win minds as well. In traditional tools of promotion both sectors' banks are almost same. Private Sector banks are adopting more push strategies to attract and catch the customers. This creates the difference between promotional strategies adopted by Public and Private Sector Banks.

Scope for Future Research

The study is related to the districts of Haryana, which are near to Delhi and NCR. The future researches can be conducted by taking other areas as population. The same can be tested in National Capital Region. A comparative analysis of Semi-Urban areas and NCR can be done of promotional strategies. The future researches may include public, private, foreign banks exclusively on the same topic. As information technology is now entering into villages and semi urban areas also, the scholars may concentrate on carrying out research on direct marketing and Internet marketing tools as well as Internet advertising of banking services. Further the various components of promotional mix can be studied exclusively.

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Table 1: Promotional Strategies by Public and Private Sector Banks

Source: Interview of Bank Employees

Promotional Tool	Public Sector Bank	Private Sector Bank
Advertising on Television	Yes	Yes
Advertising in Newspapers	Yes	Yes
Personal Selling/Personal Contact	No	Yes
In Journals and Magazines	Yes	Yes
Tele Calling by Sales Persons	No	Yes
Outdoor Advertising Hoardings etc	Yes	Yes
Schemes/Gifts/Prizes for Customers	No	Yes
Public Relations/Events/Programmes	Yes	Yes
Online Marketing/E-Mail	Yes But Few	Yes
Pamphlets/Propaganda	No	Yes
Letter/Mail/ with Relevant Material	No	Yes
Publishing News in Newspapers	Yes But Few	Yes

Table 2: Demographic Factors of Respondents

Variables	Respondents (No.)	Respondents (%)
Age		
Below 20	21	7
20-30	126	42
30-45	63	21
Above 45	90	30
Gender		
Males	213	71
Females	87	29
Income		0
Below 10000 PM	81	27
10000-15000	97	32.33
15000-20000	69	23
Above 20000	53	17.67
Education		
Below Metric	77	25.67
Higher Secondary	58	19.33
Graduation	95	31.67
Post Graduation	70	23.33
Occupation		
Farmers	56	18.67
Shopkeepers	95	31.33
Salaried	81	27
Professionals	26	8.66
Students and Others	42	14

Source: Primary Data

Table 3: Types of Services availed by the Customers.

Types of Services Availed	No. of Respondents	Percentage
Saving Account	145	48.33
Current Account/Overdrafts	85	28.33
Fixed Deposits	33	11
Loans	21	7
Others	16	5.34
Total	300	100

Source: Primary Data

Table 4: Influencers for the Purchase Decision of Services

Influencer	No. of Respondents	Percentage
Advertisement	65	21.67
Through Salesperson	34	11.33
By Friend/Relative	127	42.33
Others	74	24.67
Source: Primary Data	300	100

Table 5: Awareness about the Difference between Public and Private Sector Banks.

Responses	No. of Respondents	% Age
Yes	255	85
No	45	15
Total	300	100

Source: Primary Data

Table 6: Comparative Analyses of Public and Private Sector Banks on the Basis of Volumes of Advertising, Truthfulness in Advertising, and Effectiveness of Advertising.

Source: Primary Data

Statements	Weighted Mean Score (out of 5)	SD
Private Banks do More Advertisement	3.81	1.15
Private Banks Ads are More Effective	3.51	1.18
Public Sector Banks Ad's Information More True	3.62	0.97

Table 7: Comparative Look on the Exposure to Promotional Tools Public vs. Private.

	Exposure (Out of 255 Respondents Those who were known to the difference between Public and Private Sector Bank)			
	Public		Private	
Promotional Tools	Total Responses	% Age	Total Respondents	% Age
Advertising on TV	169	66.27	175	68.63
Advertising in Newspapers	132	51.76	156	61.17
Outdoor Advertising Hoardings etc	53	20.78	71	27.84
Online Marketing	18	7	43	16.86

Source: Primary Data

Table 8: Exposure towards Personal Selling and Telecalling (Private Sector Banks)

	Private Sector Banks			
Promotional Tools	Exposure	No Exposure	Total	% Age Exposed
Tele Calling	77	223	300	25.67
Personal Selling	88	212	300	29.33
Total (Out of 600)	165	435	600	27.5

Source: Primary Data

Table 9: The Most Effective Promotional Tools for Banking Services

Ranks	Name of the Promotional Tool	Weighted Mean Score (Out of 5)
1	Advertising on Television	3.84
2	Advertising in Newspapers	3.59
3	Personal Selling/Personal Contact	3.43
4	In Journals and Magazines	3.26
5	Tele Calling by Sales Persons	2.89
6	Outdoor Advertising Hoardings etc	2.85
7	Schemes/Gifts/Prizes for Customers	2.85
8	Pubic Relations/Events/Programmes	2.66
9	Online Marketing	2.59
10	Pamphlets/Propaganda	2.32
11	Letter/Mail with Relevant Material	2.29
12	Publicity	2.25
	Standard deviation	.5274