Role of Service Marketing In Banking Sector with Special Reference to State Bank of India

K. V. S. Gayathri

gayathrikvsgayathri@yahoo.co.in

Rayalaseema University

Service is defined as "any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product.” "Services are activities, benefits or satisfaction which are offered for sale, are provided in connection with sale of goods.” Service marketing is defined as “the integrated system of business activities designed to plan, rice, promote and distribute appropriate services for the benefit of existing and potential consumers to achieve organizational objectives.” The perception of services marketing focuses on selling the services in the best interest of the customers. It is a systematic and coordinated effort of a service organisation to expand its market by delivering the best possible services. The objects of services marketing are the achievement of organisational goals like making profits, establishing leadership, long term survival and growth and the satisfaction of consumers by rendering excellent services. A service business is one where the perceived value of the offering to the buyer is determined more by the service rendered than the product offered. In this way the nature and scope of services pose different challenges for managers in service businesses. Such businesses include those that provide an almost entirely intangible offering, such as legal services, health care and cleaning services and businesses that offer both services and products such as restaurants and retail outlets. Proper marketing of services contributes substantially to the process of development. If innovative marketing principles are followed in services marketing, the socio-economic transformation will take place at a much faster rate. In future, the service sector would operate in a conducive environment offering great potential. If the opportunities are properly utilised by the service sector, it will lead to an all round development of the economy. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans. A sound banking system is essential for the future growth of any economy.
India, among the banking institutions in the organized sector, the commercial banks are the oldest institutions having a wide network of branches, commanding utmost public confidence and having the lion’s share in the total banking. The definition of bank marketing is as follows: “Bank marketing is the aggregate of functions, directed at providing services to satisfy customers’ financial (and other related) needs and wants, if more effectively and efficiently than the competitors keeping in view the organizational objectives of the banks.”

In service sector banking sector plays a crucial role. The banking sector plays a key role in the development of the economy. Banks are now giving importance to the marketing activities to create awareness regarding their services to the public. Customer plays a key role in banking sector as we know customer is god. Customer satisfaction is important so that banks are introducing new instruments and ways to attract the customers. Banks are building many strategies in order to retain the customers. Banks are now putting emphasis on customer relationship management. That too they are concentrating on long-term relationships to retain the customers. This paper presents about service and its characteristics, service marketing and service marketing mix- 7 P’s (product, price, place, promotion, people, process and physical evidence). The paper also presents about the challenges of banking industry, the role of service marketing mix (7P’s) in the banking sector and also the service marketing mix of State Bank of India.

Keywords: Service, Service Marketing, Service Marketing- Mix, Banking Sector

1. Service

The American Marketing Association defines services as - “Activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods.”

According to Kotler and Bloom, Service is defined as "any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be tied to a physical product.”

According to Gronross, “Service is an activity or series of activities of more or less intangible nature that normally, not necessarily, take place in interactions between the customer and service employees and/or physical resources or goods and/or system of the service provider, which are provided as solution to customer problems.

"Services are activities, benefits or satisfaction which are offered for sale, are provided in connection with sale of goods.”
"Services can also be defined as action of organization that maintains and improves the well being and functioning of people."

**Service- Characteristics**

The distinct characteristics of a service are as follows:

- Intangibility
- Inseparability
- Variability
- Perishability

**Intangibility** Service cannot be seen tasted, felt, heard or smelt unlike physical products. Services are intangibles as it is not possible to view and touch them. One thing need to consider while selling or promoting a service that is the satisfaction and benefit of a consumer. Due to intangibility, the managing of services becomes much more complicated.

**Inseparability** role in the second characteristic of service is the inseparability i.e., the indivisible nature of production and consumption of services. Services are generally produced and consumed simultaneously. This feature of service also limits the scale of operation of a service firm. Due to this nature, the service provider plays a very important delivery of services.

**Variability** Services are highly variable because the quality of services depends on who provides them, when and to whom. Performance may vary from one individual or service to another within the same organization or in the service one individual provides from day to day and from customer to customer. Thus services are more difficult to standardize than tangible goods.

**Perish ability** Services cannot be stored for future use. So the services are highly perishable. Their perish ability can be a problem when demand fluctuates.

2. Service Marketing

Service marketing is defined as “the integrated system of business activities designed to plan,
rice, promote and distribute appropriate services for the benefit of existing and potential consumers to achieve organizational objectives.”

The perception of services marketing focuses on selling the services in the best interest of the customers. It is a systematic and coordinated effort of a service organization to expand its market by delivering the best possible services. The objects of services marketing are the achievement of organizational goals like making profits, establishing leadership, long term survival and growth and the satisfaction of consumers by rendering excellent services.

A service business is one where the perceived value of the offering to the buyer is determined more by the service rendered than the product offered. In this way the nature and scope of services pose different challenges for managers in service businesses. Such businesses include those that provide an almost entirely intangible offering, such as legal services, health care and cleaning services and businesses that offer both services and products such as restaurants and retail outlets.

The services marketing cover the following aspects:

- Selling of services
- Delivering of services and
- Positioning the service

**Significance of services marketing**

Proper marketing of services contributes substantially to the process of development. If innovative marketing principles are followed in services marketing, the socio-economic transformation will take place at a much faster rate. In future, the service sector would operate in a conducive environment offering great potential. If the opportunities are properly utilized by the service sector, it will lead to an all round development of the economy. The significance of the service economy may be discussed under the following headings.

- Generation of employment opportunities
- Optimum utilization of resources
- Capital formation
- Increased standard of living
- Use of environment-friendly technology.

3. Service Marketing Mix
The service marketing mix consists of 7 P’s. Service marketing mix assumes the service as a product itself. The product marketing mix consists of the 4 P’s which are:

- **Product**
- **Price**
- **Promotion and**
- **Place.**

4 P’s extended to 7 P’s in service marketing which include:

- **People**
- **Process and**
- **Physical evidence**

All of these factors are necessary for optimum service delivery. These are discussed as follows:

**Product** - According to Lovelock and Wirtz (2006), the core product is a vital constituent of the services offering and basically addresses two questions; first, “what do the buyers get when they purchase the product” and “what business are we in”? In service marketing mix the product is intangible in nature. Service products cannot be measured. Tourism and education industries are the best examples. At the same time service products are not of same kind and they are perishable and cannot be owned. Thus, the service product needs to be designed with care. Service blue printing is done to define the service product. For example – Before establishing a restaurant business a blue print will be prepared. This service blue print specifies exactly how the product is going to be.
**Place** - Place determines where the service product is going to be located. To start up a petrol bunk highway or in the city is the best place. The wrong location to start a petrol bunk is where there is low traffic. Similarly a software company can be established where lot of companies are nearer to rather than being placed in a town or rural area.

**Promotion** - The crucial factor in the service marketing mix is promotion. Promotion is the tool to create awareness to the public regarding the products. Brand helps a lot in service sector why because services can be duplicated easily. Due to high competition banks and telecom companies promoting themselves rigorously. In service sector high and promotions is necessary to survive. For that reason banks, IT companies, and dotcoms place themselves above the rest by advertising or promotions. Selection of channel plays a crucial role in promotion.

**Pricing** - Pricing is more difficult in case of services than in the products. Service pricing involves labor, cost of the material and overhead costs. Final pricing can get by adding a profit mark up.

**People** - In service marketing another element which plays a major role is people. In case of service oriented who provides service is people. Now a day’s companies also concentrating on the training activities to impart necessary skills to the employees. Human resources department need to design number of development programmers in such a way the skills can be imparted to the employees and in such a way they need to provide service to customers. The factors such as skills, attitudes and knowledge of the human resources play a vital role in determining the competitiveness of the financial sector. The banks can deliver value to customers only when they maintain quality of human resources. Capital and technology are replaceable but not the human resources which need to be valued as a highly valuable resource in achieving the competitive edge. So the HR in banking sector needs to develop certain strategies in order to maintain quality. HRM strategies include managing change, creating commitment, achieving flexibility and improving teamwork. Customer satisfaction is important and it plays a crucial role in case of service sector. Customers play a key role in many businesses like education, hotels, banks etc.
Process - Process is the way in which the services are created and delivered to the customer in service marketing. In service companies delivering the product with good quality and within less time is very important. Technology is supporting a lot to the companies now a day. In order to improve the efficiency in service the companies prefer the latest technologies. Service blue print helps the companies in reaching their customers better service.

Physical Evidence - Another element in the service marketing mix is physical evidence. As the nature of services are intangible the people require evidence to prove that the services providing. That means the customer believes when they experience that service. So the people prefer where they have experienced better service. Physical evidence acts as a differentiator in service marketing. Physical evidence is of two types- essential evidence and peripheral evidence. Both the evidences are considered by the people. Physical evidence helps the public to evaluate the quality and to identify the standards of the companies.

Bank
A bank is a financial institution that provides banking and other financial services to their customers. A bank is generally understood as an institution which provides fundamental banking services such as accepting deposits and providing loans.

According to Crothers, a bank is defined as “one that collects money from those who have to spare or who are saving it out of their income and lends the money so collected to those who require it.”

According to Section 5(1) (b), banking means accepting for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise and withdrawal by cheques, draft, order or otherwise.”

Before the establishment of banks, the financial activities were handled by money lenders and individuals. At that time the interest rates were very high. Again there were no security of public savings and no uniformity regarding loans. So as to overcome such problems the organized banking sector was established, which was fully regulated by the government. The organized sector works with in the financial system to provide loans, accept deposits and provide other services to their customers.

A sound banking system is essential for the future growth of any economy. In India, among the banking institutions in the organized sector, the commercial banks are the oldest
institutions having a wide network of branches, commanding utmost public confidence and having the lion’s share in the total banking operations.

The banking sector has been growing rapidly in India not only in the terms of its size but also in terms of the services being provided. Banks are also reaching the remote areas in the country that provides financial assistance to the farmers in the form of loans. The number of banks has also increased in the private sector. The job of HR in banking sector is to develop strategies that help banks in gaining competitive advantage and encourage innovation in its products and services.

**Challenges Faced By Banking Industry**

The following are the challenges faced by the banking industry

- To convert the abundant population pool into useful human resource.
- To Train and develop the human resource
- To develop new and innovative ideas.
- To motivate and satisfy the employee
- To retain the employees and develop them
- To build competitive advantage.
- To reduce cost and maximize productivity
- To right-size the employees
- To create a balanced organization

### 4. Service Marketing Role in Banking Sector

The definition of bank marketing is as follows: “Bank marketing is the aggregate of functions, directed at providing services to satisfy customers’ financial (and other related) needs and wants, if more effectively and efficiently than the competitors keeping in view the organizational objectives of the banks.”

Bank marketing deals with providing of services to satisfy customer’s needs and wants. Service marketing plays a vital role in bank marketing. For satisfying the needs of the customer’s special techniques and services need to be designed. Traditional marketing mix is not responsible all of the service marketing mix elements are required.

In service sector banking sector plays a crucial role. The banking sector plays a key role in the development of the economy. Banks are now giving importance to the marketing
activities to create awareness regarding their services to the public. Customer plays a key role in banking sector as we know customer is god. Customer satisfaction is important so that banks are introducing new instruments and ways to attract the customers. Banks are building many strategies in order to retain the customers. Banks are now putting emphasis on customer relationship management. That too they are concentrating on long-term relationships to retain the customers.

The importance of marketing is increasing day to day in banking sector due to the following:

- Environmental changes
- High competition
- Increased profit motive
- Urbanization
- New Technology etc.

5. Service Marketing Mix in Banking

The 7P’s of marketing in banking sector is as follows:

**Product**: According to Lovelock and Wirtz (2006), the core product is a vital constituent of the services offering and basically addresses two questions; first, “what do the buyers get when they purchase the product” and “what business are we in”?

In service marketing mix the product is intangible in nature. Banks are introducing new instruments and ways to attract the customers. Banks are offering number of services in such a way they can reach to any kind of people. The banks are designing the programmes and policies according to the changes in the dynamic environment. Banks are now giving importance to the marketing activities to create awareness regarding their services to the public. Customer plays a key role in banking sector as we know customer is god. Customer satisfaction is important so that banks are introducing new instruments and ways to attract the customers. Banks are building many strategies in order to retain the customers. Banks are now putting emphasis on customer relationship management. That too they are concentrating on long-term relationships to retain the customers.

**Promotion**: The crucial factor in the service marketing mix is promotion. Promotion is the tool to create awareness to the public regarding the products. Different tools of promotion
mix includes advertising, publicity, sales promotion, word – of – mouth promotion, personal selling and telemarketing. Advertising is the major source to attract the customer’s attention. There are different channels or modes for advertising. Selection of the medium plays a key role in reaching the customers. In banking promotion is the main tool which differentiates from competitors.

Banks are now giving importance to the marketing activities to create awareness regarding their services to the public. Customer plays a key role in banking sector as we know customer is god. Customer satisfaction is important so that banks are introducing new instruments and ways to attract the customers. Banks are building many strategies in order to retain the customers. Banks are now putting emphasis on customer relationship management. That too they are concentrating on long-term relationships to retain the customers.

Telemarketing is another tool in communicating about their services to the public. It plays a major role in marketing of banking services. Word of mouth is another powerful tool in marketing. Not only in promoting of the banking services but also in any sector it plays a vital role in promoting of the services. It also helps to get feedback from the public about the quality of the services they are providing. Feedback helps to improve the service quality. The only way to attract the customers and to retain the customers is by providing qualitative services.

**Price:** Zenithal (1988) has defined price as “what is given up or sacrificed to obtain a product”. Jacoby & Olson (1977) defined objective price as the actual price of a product/service. Perceived price was defined according to Zenithal (1988) as “the price that is encoded by the consumer.” Pricing is very important factor. Pricing decision plays a significant role. Improper pricing policy leads to elimination also. The interest rates are regulated by Reserve Bank of India. People deposit their money in the banks based on the pricing policy followed by the banks. Quality of service is as well as important. The satisfaction differs from person to person so keeping that in mind the banks need to frame pricing strategies.

**Place:** Place determines where the service product is going to be located. In banking sector place means offering of the services in the right time and in a proper way. Convenience plays a vital role. In banking people demands 24hrs service. Simultaneously the banks are providing services with the help of technology – ATM, internet banking, mobile banking etc.
**People:** In service marketing another element which plays a major role is people. In case of service oriented who provides service is people. Now a day’s companies also concentrating on the training activities to impart necessary skills to the employees. Human resources department need to design number of development programmers in such a way the skills can be imparted to the employees and in such a way they need to provide service to customers. The factors such as skills, attitudes and knowledge of the human resources play a vital role in determining the competitiveness of the financial sector. The banks can deliver value to customers only when they maintain quality of human resources. Capital and technology are replaceable but not the human resources which need to be valued as a highly valuable resource in achieving the competitive edge. So the HR in banking sector need to develop certain strategies in order to maintain quality. HRM strategies include managing change, creating commitment, achieving flexibility and improving teamwork. Banks are providing the service with the help of sophisticated technologies. High competition and technology have improved the quality of service offered to the customers and also improved the income for bankers.

**Process:** Process explains the way in which the services can be delivered. Banks in all activities and operations follow the guidelines of RBI. There are certain rules and regulations, principles in banking. In banking there are standardized procedures in each and every transaction. There are number of branches to provide services to the people with number of alternative instruments with different periods. Customers prefer those banks that provide services with in less time and conveniently. So the procedures are simplified in banks in such a way a layman can understand the processes and can benefit the services. Technology supports a lot in providing the services in simple and convenient way.

**Physical Evidence:** Another element in the service marketing mix is physical evidence. As the nature of services are intangible the people require evidence to prove that the services providing. That means the customer believes when they experience that service. So the people prefer where they have experienced better service. Physical evidence acts as a differentiator in service marketing. Physical evidence is of two types- essential evidence and peripheral evidence. Both the evidences are considered by the people. Physical evidence helps the public to evaluate the quality and to identify the standards of the companies. Physical evidence is the environment in which service is to be delivered. The physical
evidences include furniture, equipment, staff members, passbooks, cheque books, signage, reports, punch lines, other tangibles, dress code etc. In Banking marketing consists of identifying the t profitable markets, assessment of the present and future needs of customers, setting business development goals, making plans-all in the context of changing environment.

6. Service Marketing Mix of State Bank of India

State Bank of India is a public corporation owned by the government of India. This multinational company deals exclusively in the financial and banking sector. State Bank of India was founded in the year 1806 and at present, its headquarters is in the city of Mumbai. In terms of assets, it is the largest and in terms of ancestry the oldest banking empire in India. In the Indian subcontinent, State Bank of India is spread over 17,000 branches and 190 offices in foreign. Arundhati Bhattacharya is the present Chairman of State Bank of India.

The service marketing mix of State Bank of India is as follows:

**Product** The different products of State Bank of India are
- Cards – Travelling cards, Debit cards and Credit cards
- Consumer banking - Recurring accounts, Saving account and fixed deposit account
- Investment banking – Foreign Exchange services, Tax Saving Bonds, Investments related to Pure Gold and Mutual Funds.
- Loans – personal loans, Medical loans, loans for buying equipment’s and loans against securities.
- Internet banking
- General insurance
- Mortgage loans
- Wealth management
- Asset management
- Private equity
- Savings security
- Finance and insurance
- Corporate banking
**Place:** State Bank of India is providing services by setting up 14 regional hubs and 57 offices in zones are located throughout India. 66% of its branches are in rural areas and in urban areas are 34%. State Bank of India has also branches at international level – 190 overseas offices in nearly 34 countries. In India SBI has opened nearly 43,515 ATMs. Internet banking has also introduced.

**Price:** State Bank of India uses competitive pricing strategy. The pricing strategies and policies followed by SBI are regulated by Reserve Bank of India.

**Promotion:** The promotional tools used by are Visual and print media through hoardings, radio, theatres, movies, TV advertisements and newspapers. In State Bank of India the people visit various campuses and participate in road shows. Better work environment is provided by SBI. The bank also provides incentives to its staff. The tagline of SBI is -“The Banker to Every Indian”.

**Recent Trends in Marketing Strategies of Banks**
Traditionally, banks were seen as the holders of the money, which gradually changed their role as the creators of money. Today, the scope of banks has widened phenomenally, now the banks are seen as the purveyor of finance for the entire nation. A sound banking system is the life blood of any developing economy and it reflects the growth of the economy. “Financial inclusion is a major agenda for the Reserve Bank of India (RBI). Without financial inclusion, banks cannot reach the un-banked. It is also a major step towards increasing savings and achieving balanced growth. Recently two conferences were held in Mumbai highlighting these issues; The Sixth Banking Tech Summit of Confederation of Indian Industry (CII) and another one organized by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). Of the 6.9 billion people on the planet, just 30 per cent (2.1 billion) have bank accounts while 75 per cent— 5.2 billion people—have mobile phones. “In India, only 200 million people have access to a bank account while 811 million have a mobile phone. For a population of 1.2 billion people, this translates into 68 per cent having a mobile phone and only 17 per cent having a bank account. The numbers speak for themselves: when it comes to reaching the ‘un-banked’ and extending financial inclusion for the larger population, mobile phone is the key,” said Wim Raymaekers, Head of Banking Market, SWIFT.” Observing the above statistical data, it can be concluded that there is still an ample scope for the growth of
banking sector. Hence, it requires sound and innovative marketing strategies to capture the untapped market. Following trends have been observed in the marketing strategies of banks recently:

- Advertising remains the undisputed promotional tool for banks so far among the other promotional tools. Advertising, which includes direct mail, accounted for the largest share of marketing expenditures at 52 percent, compared to 58 percent in 2007. Public relations accounted for 27 percent of marketing budgets compared to 21 percent in 2007.

- Consumer expectations are growing. With the increase in the education of the consumers, they are now demanding more and more value added services and are ready to pay premium for it.

- Mobile banking is the need for today. It has become the blessing for the consumers who don’t have the time to visit the bank personally. The biggest advantage that mobile banking offers to banks is that it drastically cuts down the costs of providing service to the customers. Also service providers are increasingly using the complexity of their supported mobile banking services to attract new customers and retain old ones.

- Social media is also a tool for marketing the banking services. Forty percent of banks used social media for marketing purposes in 2009. Twenty-nine percent used social networking (i.e., Face book, Twitter, etc.). Face book, used by 76% of banks, is the most popular among various social media outlets, followed by Twitter at 37%. The main reasons for using social media were for communication and competitiveness. Due to increased use of technological bases has increased the operational efficiency of the Indian banks. By 2009, virtually all banks had embraced the Internet and most had websites. Marketer said e-newsletters were the most effective form of Internet marketing, followed by search engine marketing and then sponsorships.

- Marketing expenditure has witnessed the tremendous growth in last few years as the percentage of total banking expenditure. Despite the overall state of the economy and the banking industry, marketing expenditures were up in 2009. Nearly 60 percent of banks said they planned to increase their marketing expenditures in 2009, the same amount as in 2007. Most of the banks view marketing as a strategic driver for their business.
Focus on Incremental New Customer Growth: Instead of generating as many accounts as possible, banks will be focusing on the potential value of relationships including the likelihood of engagement and retention.

Gathering Email Addresses: With other communication channel cost increasing and the improved results achieved when email is combined with more traditional channels, the importance of collecting (and using) email addresses has never been more important.

7. Conclusion

It is concluded that service marketing plays a major role in banking sector. The banking sector plays a key role in the development of the economy. Banks are now giving importance to the marketing activities to create awareness regarding their services to the public. Customer plays a key role in banking sector as we know customer is god. Customer satisfaction is important so that banks are introducing new instruments and ways to attract the customers. Banks are building many strategies in order to retain the customers. Banks are now putting emphasis on customer relationship management. That too they are concentrating on long-term relationships to retain the customers. Service marketing mix plays a major role in banking sector. State Bank of India is offering many products and it has opened many branches throughout India and at international level. State Bank of India follows the guidelines of Reserve Bank of India in framing its pricing policy and rules. In State Bank of India the people visit various campuses and participate in road shows. Better work environment is provided by SBI. The bank also provides incentives to its staff. The tagline of SBI is -“The Banker to Every Indian”.

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