

## Promotional strategies and customer satisfaction level of banks

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### ABSTRACT

The ever-increasing demand for credit and growing competition has compelled banking and financial institutions to introduce new financial instruments and credit products. However, the rapid growth of credit usage has also resulted in increased incidence of bad debts and defaults. In such a scenario, banking and financial institutions are faced with the dual challenge of being quick in meeting the market expectations by introducing new products and services and faster credit approvals; at the same time ensuring that sufficient care is taken before credit approvals in order to avoid defaults and delinquencies later. It has become very important for lending institutions to undertake due diligence in assessing their customers' creditworthiness before extending credit in order to avoid lending to less creditworthy customers. In this respect, banks and lending institutions use several techniques and technologies in assessing creditworthiness of their customers. The main objective of research is to determine the level of customer satisfaction by different sectors of bank and also to make a comparative study of the promotional strategies of the selected banks.

**Keywords:** Marketing Practices, Customer Satisfaction, Promotional Strategies

### INTRODUCTION

All over the world, there is a shift in the economy from the manufacturing to the service sector. The contribution of banking to the service economy is duly recognized. Banking industry includes a number of businesses such as corporate banking, investment banking, wealth management, capital market etc. Retail banking is another segment of the banking industry. It is a typical mass-market banking characterized by a large customer base and a large volume of

transactions. There is a high level of cooperation between banks, retailers, customers and consumers in this segment.

Retail banks offer services like account opening, credit card, debit card, ATM, internet banking, phone banking, insurance, investment, stock broking and so on. The retail banking industry is facing a very stiff competition and current scenario is that of the survival of the fittest. All the banks are trying to increase their customer base and are developing their own strategies to be in the market. Product differentiation along with the application of technology for creating an optimum transaction model is one of the strategies employed by retail banks to compete in the market. Retail banking is becoming technology driven and is developing strategies so as to optimally utilize the resources in addition to cutting costs. The role of information technology cannot be overlooked in this regard.

The present day customers are technology savvy and they are more exposed to various kinds of goods and services. With globalization, the

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consumers are more aware of what type of services they get and from where. This has led to customer-demand-driven services to be offered by various service providers. Retail banks too have to design their products in such a way that customers are satisfied and that they return to the same bank for their services. In simple terms, customer retention is becoming the greatest challenge for retail banks.

Retail Banks now use the strategy of up-selling and cross-selling to retain and also to increase their customer base. The book tries to provide a glimpse of why retail banks should adopt information technology and the strategies employed by retail banks in different countries to execute their banking operations.

### OBJECTIVES OF THE RESEARCH STUDY

The purpose of this research is to study and highlight:

1. To determine the level of customer satisfaction by different sectors of bank.
2. To make a comparative study of promotional strategies of all the sectors of banks.

### MATERIALS AND METHODS

#### Selection of Banks

The banks selected are- State Bank of India (SBI), Bank of Baroda (BoB), Bank of India (BoI), Canara Bank (CB), Punjab National Bank (PNB), ICICI Bank, HDFC Bank, UTI Bank, and Indus Ind Bank, Citi Bank, HSBC, Standard Chartered Bank,

ABN AMRO and Deutsche Bank.

#### Sample Size

It becomes imperative to study the marketing practices of different sectors of banks. We have taken a sample of 14 top executives (policy decision makers) selecting one from each bank under study (five from public sector, four from private sector, five from foreign sector banks), to determine what strategies they are framing regarding their 4 Ps (product, price, promotion and place) to give maximum satisfaction to their customer in this era of competition and regulation all over the world.

#### Locale of Study

To concentrate on the objectives of this project the scope of the present study has also been limited to bank customers from the cities of Delhi, Gurgaon (Haryana) and Chandigarh (U.T.).

#### Instruments for Data Collection

The structured questionnaires has been prepared and administered to the respondents for collecting primary data in an organized and systematic manner. The nature of questions in the questionnaire is open ended as well as close ended and relevant information has also been gathered through interviews of top executives and also through the observation method.

#### Technique of Analysis

Various statistical techniques, utilized to achieve the objectives of the study, include frequency tables, percentages, weighted averages and chi-square test which have been applied with the help of a leading Statistical Package SPSS.

**Table 1 : Received complaint regarding customer service**

Receipt of Complaint	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Yes	5	100	4	100	5	100
No	0	0	0	0	0	0
Total	5	100	4	100	5	100

## RESULTS AND DISCUSSIONS

The bank executives of all the banks selected in three sectors said that banks have received the customer's complaint/grievances on one or other aspect of the services offered. Foreign bank and

Pvt sector banks receive complaint more in reference to their high service charges while for PSB, it is related to inept handling of customers in some instances, and delay in delivery of some services at other times. But we should also keep this fact in view, that client base of PSB is very large in relation to private and foreign banks.

**Table 2: Nature of complaint received**

Nature of Complaint	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Time Norms	3	60	1	25	0	0
Cash receipt/ payment	4	80	1	25	1	20
Issue of drafts/ money transfer instrument	2	40	1	25	0	0
Credit of local/ outstation cheque.	4	80	0	0	0	0
Updating of passbook	1	20	0	0	0	0
Giving statement of accounts/ completion of passbook	1	20	0	0	0	0
Indifferent attitude of staff	3	60	1	25	0	0
High cost of service charges	0	0	2	50	1	20
Higher amount of minimum balance to be maintained in their account	2	40	0	0	0	0
Technological product's functioning	2	40	0	0	0	0
ATM functioning	2	40	1	25	1	20

### TIME NORMS

60% of PSB executives felt that most complaints pertain to time norms set while it was 25% with private sector banks and almost negligible with foreign banks. PSBs are dealing with big clientele base while foreign banks deal with selected clientele.

is the case up to 25% in Pvt Sector banks. One of the reasons for this is the large clientele base of PSBs, out of which very low percentage use ATM cards for cash withdrawal and the rest visit the bank in person. But it is not the scene with foreign banks and the new private sector banks.

### CASH RECEIPT/ PAYMENT

80% PSBs executives felt that cash receipt/ payment is a gray area of public grievances and it

### ISSUE OF DRAFTS/ MONEY TRANSFER INSTRUMENT

Only 40% of PSBs and 25% of Pvt Sector banks felt that there were complaints/ grievances pertaining to issue of drafts/ money transfer instruments, while it is negligible in the case of

foreign banks. With the increased use of core banking solution in PSBs, use of draft is decreasing due to use of multiplicity cheques.

### **CREDIT OF LOCAL AND OUTSTATION CHEQUE**

Only 20% executives in public sector banks felt that there are grievances pertaining to credit of local/outstation cheques while all executives of private and foreign banks were of opinion that there are no complaints/grievances on this aspect.

### **UPDATING OF PASSBOOK AND GIVING STATEMENT OF ACCOUNTS/COMPLETION OF PASSBOOK**

Barring 20% in public sector banks, there is no grievance/complaint on this aspect of updating/completion of passbook and giving statement of accounts. In private sector banks/foreign banks, people get statement of accounts either from ATM or through internet while virtual banking techniques usage is very low for PSBs.

### **INDIFFERENT ATTITUDE OF STAFF**

The complaints/grievances received on indifferent attitude of staff, were 60%, 25% in public sector and private sector respectively and almost negligible in foreign banks. One of the reasons for it is that even if it is essential that attitudinal change be brought in frontline employees of PSBs; it is not easy. Most of them who are in their middle ages and from pre reform era, are more or less reluctant to adapt new innovative schemes and up gradation of technology.

### **HIGH COST OF SERVICE CHARGES**

For high cost of services, grievances were 50% and 25% in case of private and foreign banks respectively, while almost nil in case of public

sector banks. As foreign banks are charging the highest service charges but they are performing on selected clientele, which is concerned with high proficiency and delivery. In case of Pvt Banks, complaints mostly pertain to undisclosed or hidden charges, which are levied later on.

### **HIGHER AMOUNT OF MINIMUM BALANCE TO BE MAINTAINED IN THEIR ACCOUNT**

In Pvt and foreign banks there were no complaints/ grievances for maintaining the amount of minimum balance in their accounts but these were to the tune of 40% in case of public sector banks for upward revision in amount. It is with the reason that person dealing with FBs and Pvt Banks does so with the perception of keeping higher balance in account while at the same time in PSBs they expect the minimum balance to be maintained should be virtually minimum. Once they (PSB) raise the minimum balance amount, it becomes a cause of complaints/grievances.

### **TECHNOLOGICAL PRODUCT'S FUNCTIONING**

There were no complaints in Pvt Sector and foreign sector banks regarding functioning of technological product but these are to the tune of 40% in case of public sector banks. Public sector banks are adapting to technological product and are still in their initial phase. Clientele of PSBs, are also not versed with it and therefore complaints/grievances arise and would come down with more and more usage of technological products.

### **ATM FUNCTIONING**

Complaints/grievances pertaining to ATM functioning are to the tune of 40%, 25% and 20% for public sector, private sector and foreign sector banks respectively.

**- Type of help extended in getting the redressal of complaint/grievances**

All the banks executives claimed that they are quick to respond and the complaints were

resolved on merits, to the customer satisfaction. As customer satisfaction is of prime importance for any banker today, so resolving of customers grievances has to be the top priority in today's world.

**Table 3 : Customer feel about bank staff**

Customer Feel About Bank Staff	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Polite	3	60	3	75	4	80
Patient	3	60	3	75	4	80
Prompt	3	60	4	100	5	100
Cooperative	3	60	4	100	5	100
Ignore customer	0	0	0	0	0	0

60% executives in public sector banks felt that bank's staff is polite and patient while it is 75% and 80% in case of private and foreign sector banks respectively. Lesser percentage of politeness in PSBs is due to the reasons that frontline staff are in the middle ages and need attitudinal changes for which they are not readily agreeable. 60% of PSBs executives were of the opinion that their frontline staff is prompt while it was 100% in case of private and foreign sector bank. The employees of new private sector bank are young and educated as in the foreign banks, and thus they are prompt to any query. But in case of PSB employees they are in their middle ages and the qualification of clerical

cadre or lower level is less in comparison to their counterparts in Pvt and foreign banks and that is why they are less prompt.

Regarding the cooperative attitude of banks' staff, it was 60%, 100% and 100% in the case of PSBs and Pvt and Foreign sector banks respectively. The staff of Pvt sector and FBs have been groomed to be cooperative and not to ignore customers while PSBs employees are from pre-reform era, when not much emphasis was on the customer delight. However things are improving in PSBs also.

All the executives from three sectors claimed that customers are not being ignored rather they are being given attention.

**Table 4 : Feel about customer satisfaction**

Banks	Customer Satisfaction					Total Weighted Score	Weighted Mean Score
	Very Satisfied	Satisfied	Somewhat Satisfied	Not at all Satisfied			
Public Sector Banks	4	3	2	1		16	3.20
Private Sector Banks	3	1	0			15	3.75
Foreign Banks	4	1	0			19	3.80

40%, 75% and 80% of public sector, private and foreign sector bank executives were very satisfied with the customer services being provided by their branches, while 40%, 25% and 20% respectively were satisfied in public, private and foreign sector bank respectively. Only 20% of public sector banks

were somewhat satisfied. Higher customer satisfaction in private and foreign banks is as their strategies/ schemes are customers oriented. While In PSB they have to do social banking too and serve a larger clientele with varied base, which results in somewhat lower customers satisfaction. However,

all the executives opined that there is always scope for betterment.

There is no significant difference in the opinion expressed by executives regarding satisfaction

level of customer services provided by private and foreign banks as reflected by their respective mean scores 3.75 and 3.80. While the public sector banks are a bit behind as their mean score 3.20 shows this trend.

**Table 5 : Responsibilities of bank customers**

Responsibilities of Bank Customers	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Integrity	5	100	4	100	5	100
Understandable, patient and cooperative	4	80	3	75	4	80
Maintain decorum	1	20	1	25	1	20

All executives opined that customers must have high integrity values and further, that customer is king and customers must be facilitated with consumer friendly products but they should be understandable. 80% of public sector 75% of private sector and 80% of foreign banks

executives' were of the opinion that customers should be understandable, patient and cooperative while 20%, 25% and 20% of public, private and foreign banks executives respectively felt that customer should maintain their decorum too.

**Table 6 : Display of customer responsibilities**

Display of Customer Responsibilities	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Yes	5	100	4	100	5	100
No	0	0	0	0	0	0

All the executives of the three sectors were of the opinion that responsibilities and expectations

from the customers should be displayed, as it will make the customers more understandable.

**Table 7 : Promotional strategies of banks**

Promotional Strategies of Banks	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Customer's meeting	4	80	3	75	4	80
Newspaper advertisement	3	60	2	50	3	60
T.V channels	2	40	2	50	1	20
Pamphlets	3	60	2	50	-	-
Websites	5	100	4	100	5	100
Personal visit by marketing personnel	5	100	4	100	5	100

### CUSTOMER'S MEETING

80% public sector banks, 75% of private sector banks and 80% of foreign banks are using customers' meet as the promotional tool to promote new services/facilities. In customers meet, there is face-to-face interaction and banker can better convince the customers about their queries and anxieties. However private and foreign banks are dealing with selected clientele.

### NEWSPAPER ADVERTISEMENT

60% of the public sector, 50% of private sector and 60% of foreign sector banks use newspaper advertisement/ magazines as promotional tools. Newspapers have wider spread and reach. Scheme briefs can be highlighted by this approach.

### T.V. CHANNELS

TV channels, as promotional tool is not being used consistently. Only 40% of PSBs, 50% of Pvt

bank and 20% of FBs are using this strategy. TV channels are effective with wider spread, reach and more over by some banks, celebrities are presented for promotion.

### PAMPHLETS AND WEBSITES

Pamphlets are the localized promotional tool and are being used only in special circumstance by 60% of PSBs and 50% of Pvt. banks. All the banks in three sectors are using their websites as the promotion strategies for promoting their new services/facilities and are the cheapest and essential source of marketing.

### PERSONAL VISIT BY MARKETING PERSONNEL

All the three-sector banks are using promotional strategy of personal visit to the target group for marketing of their services and to get first hand feedback too.

**Table 8 : Promotional strategies sufficient**

Promotional Strategies Sufficient	Public Sector Banks		Private Sector Banks		Foreign Banks	
	No. of Respondents	Percentage	No. of Respondents	Percentage	No. of Respondents	Percentage
Yes	3	60	2	50	3	60
No	2	40	2	50	2	40
Total	5	100	4	100	5	100

60 % of PSB, 50% Pvt& 60% FBs executives were of the view that the above mentioned promotional strategies are enough while the rest emphasized their further improvement with efficacy. They also suggested that based on customers' feedback these existing schemes should be modified.

customers are quality conscious, price conscious and time conscious. The challenges in this millennium for the banking industry are enormous. Technology is creating new agile players making the existing one absolute.

### CUSTOMER SERVICES

From the customer's survey for comparison of services, it has been found that the foreign banks and the private banks are rated better than others. The application of the chi-square test also justifies

### FINDINGS AND SUGGESTIONS

We are living in a world dominated by the new idea economy, ticking to the beat of time, where

that the performance of different sectors of banks regarding customer services differs significantly in various banks.

It has been claimed in survey of executives that norms set in the citizen charter are generally being followed. The customer's survey also hints that public sector banks fair better in the display of information regarding the time norms for various services, followed by foreign banks and private sector banks. But in public sector banks, where majority of customers visit the banks in person, sometimes due to huge or long rush queues, the standard norms set in charter may not be followed.

The above problem can be resolved with introduction of single window concept and use of technology. The 40% time of public sector bank employees is wasted on MIS, even in a computerized environment. Thus staff is overburdened with paper work and are able to devote lesser time to interact with customers and developmental activities. MIS work should be taken care of at the back office or the controlling office.

### COMPLAINT/GRIVENCES

It has been found that different reasons for complaints relating to disrespect behaviour of staff, cash deposit/withdrawal, the opening of account etc. differ significantly in different sectors of banks. Bank executives of all the banks selected in three sector of banks have also admitted that bank's have receive, the customer's complaint/grievances on one or other aspect of the services offered. Foreign banks and private sector banks receive more complaints regarding their higher service charges, while for public sector banks, these are related to inept handling of customers in some instances and delay of delivery of services at other times. Customer's survey has shown that the general perception that customers are not aware about services charges, minimum balance charges being charged, does not hold true.

For resolution, it has been observed that 60.9% of the customers of foreign banks got immediate

solution and 39.1% of them got redressal of their complaint with the help of senior officers. This ratio is lowest in public sector banks and 13.6% customers had to move to banking Qmbudsman. Private sector banks are in between the foreign and public sector banks on this aspect.

But one should keep the fact in view that the clientel base of public sector banks is very large and foreign banks deal with only a the selected clientel. Persons dealing with foreign banks and private banks have the perception of keeping higher balance in their a/c while at same time in PSBs, they expect the minimum balance to be maintained should virtually be minimum. Once they (PSB) raise the minimum balance, it becomes a major cause of complaints/grievances. It is suggested that banks management should take complaints as feedback from customers, as these highlight areas of weaknesses in bank's service which calls for some change or improvement. There should not be any adverse reaction or harassment to customers who make complaint. Earnest efforts should be made to redress the grievances and more important than this is to make him know of the efforts the bank has taken in this direction.

### CUSTOMER'S SATISFACTION

Survey of customers has revealed that foreign banks lead the private and the public sector banks as far as the overall satisfaction level is concerned. 63% of foreign bank customers are fully satisfied as against 41.6% of private and only 22.7% of public sector banks. However the interaction with the executives of these banks gives the impression that there is no significant difference in the satisfaction level of customer services being provided by private and foreign banks as reflected by their mean scores 3.75 and 3.80 respectively, while the public sector banks lag behind with their mean score at 3.20.

For this, executives of public sector tried to justify their situation with the fact that they have to do social banking too and serve a large clientel base. Further, qualification of their clerical cadre is much lower in comparison to their contemporaries



and that also makes them less prompt. All this naturally result in somewhat lower customer satisfaction.

A major attitudinal change in the frontline staff of public staff banks is urgently required as most of them are in their middle ages (45+) and from pre-reform era, when customer satisfaction concept was not deemed an essential factor in banking.

Although public sector banks are on their way to computerization, still they have to go a long way. Usage of technology definitely will provide quality services and thereby increase customer satisfaction level.

Employees of PSB, should be offered incentives to increase their motivation, as private and foreign banks provide lucrative incentives to their employees.

### RESPONSIBILITIES OF CUSTOMERS

Majority of executives of all three sector bank were of the opinion that customers too should be understandable.

For this it is suggested that the responsibilities and expectations from customers, should be properly displayed, to make them more disciplined and responsible while transacting any financial business with the bank.

### PROMOTIONAL STRATEGY FOR EXISTING CUSTOMERS

The cost of retaining an existing customer is just one tenth of the cost of acquiring a new customer. Hence all the executives interviewed, firmly emphasized the need to retain the existing customers. Getting feedback from customers about services, personal visits and personal relationships are commonly used as vital tools to maintain the existing customers.

However, there is need to build customer loyalty and image. Cross selling of products must be made along with providing certain concessions to old customers like concessions in service

charges, concessions in rate of interest while granting loans. Preference dealing can also be considered a useful means of retaining valuable customers.

### PROMOTIONAL STRATEGY TO ATTRACT NEW CUSTOMERS

No organization can progress if new customers are not added to its fold. Hence it is extremely important to add more and new customers. Foreign banks are adopting selected clientele base strategy depending upon their market research/survey, while private sector banks are doing fewer bank branches strategy with quality workforce. Public sector banks have adopted a nook and corner strategy with huge workforce, to attract a large clientele base. Public sector banks are now working hard and giving stiff competition to their counterparts in the private and foreign sector.

PSBs need also exploit their huge network and its accessibility to all sections of society. Public sector banks are now-a-day offering customer oriented products at a cheaper rate than its counterparts. What they need to do is to Just Catch on it and do it in an effective and efficient manner.

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