

AN EMPIRICAL INVESTIGATION INTO FINANCIAL SERVICES MARKETING

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ABSTRACT

Marketing is considered to be of great significance to get success in any business. In the case of service marketing, almost all the challenges arise from the fundamental characteristics of services for example intangibility, heterogeneity, inseparability and perishability. All these characteristics make services exclusively different from goods and similarly analyze the data in different views of public and private sector financial firms. Hence the present article tests the validity of basic assertion of service marketing theory through four specific characteristics; **intangibility, heterogeneity, inseparability, and perishability** that make services distinctively differ from goods and also investigate the results of different opinions in this sector. In the present empirical research the data has been collected through structured questionnaire administered on the list of marketing managers of firm which provide financial services.

INTRODUCTION

Modern age has emerged as the period of marketing, promotion and advertising. The changing life style as well as the innovative technology is responsible for attracting a large number of consumer's spending money in order to get services. As a matter of fact, the majority of consumers' expenses are getting services. As a result of changing needs of consumers, changing world, changing lifestyle as well as technological change and innovations, the market has been growing continuously to be oriented to customer services. Consequently, it's very essential to know about marketing services.

Service firms are lagging behind the manufacturing organizations in applying recent marketing principles according to the behavior and taste of the customers. Numerous service organizations consider that marketing is not disreputable or costly. The service sector appears contributing substantially into the development process of the economy. The developments in the service sector and rising competition in this field have also been forcing service-generating firms to utilize modern marketing principles in present scenario.

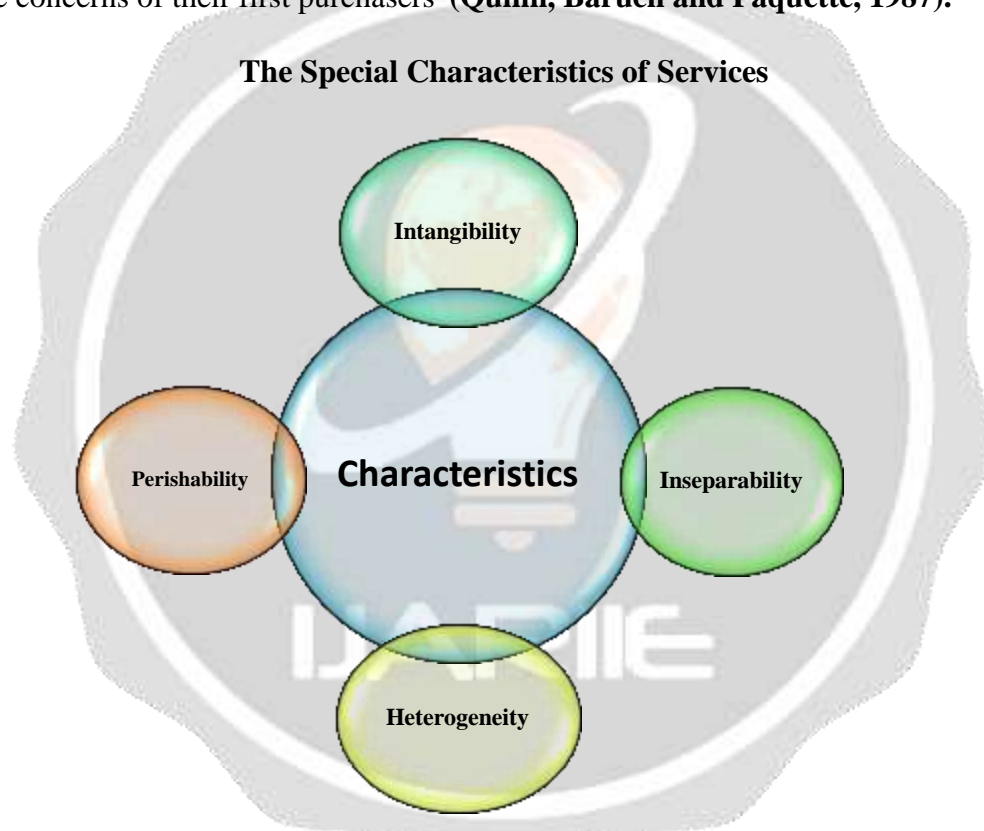
CONCEPT OF SERVICES MARKETING

- ❖ Selling services profitably to focus on consumers and prospects
- ❖ Providing maximum satisfaction to consumers of services; and

- ❖ Making the service firm available in the market.

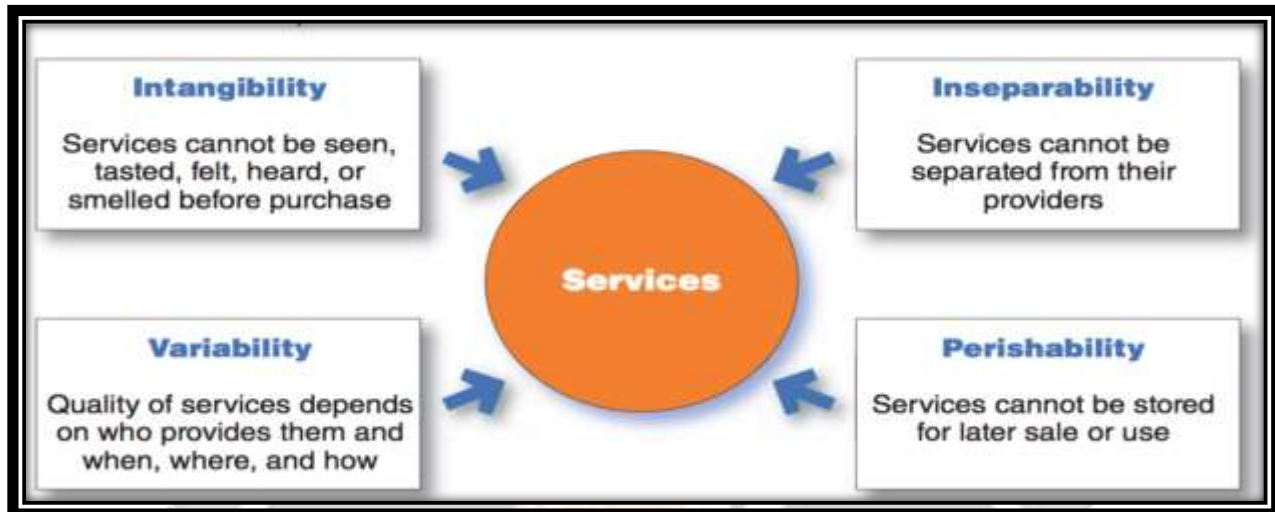
Marketing is a significant part of service management that plays a very important role in delivering services to the customers. The managerial decisions are not considered to be effective in the absence of an opportunity bound implementation of marketing principles. Thus all such new and distinct characteristics of service lead to specific problems for marketers of financial services and also necessitate the usage of special strategies to deal with them. **(Zeithaml, Prasuraman, and Berry, 1985; Lovelock, Gummesson, 2004).**

“Services include all financial and economic activities whose output is not a physical product or construction, are generally consumed during their production, and provide added value in forms (such as convenience, amusement, appropriateness, comfort or health) that are primarily intangible concerns of their first purchasers”**(Quinn, Baruch and Paquette, 1987).**



Each of these characteristics has been staples of service study for longer than last twenty years. All of these characteristics poses certain challenges and need specific strategies. Each of these challenges include understanding customer's needs, his tendency and also expectations for service, making the service comprehensible, dealing with a myriad of people, delivery issues, and keeping promises to customers **(Zeithaml and Bitner, 1996)**. The distinctive characteristics of services pose difficulties in customer's evaluation, result in greater variability in working inputs / outputs and emphasize the importance of time factor. As argued by **Schneider (2000)**, the fundamental pattern in service marketing since 1980's has been that services are different from goods, a claim sustained by a comprehensive literature review **(Fisk, Brown and Bitner, 1993)**, which determined that —four features intangibility, inseparability, heterogeneity, and perishability- provide the underpinnings for the issue that service marketing is a field distinct

from goods marketing. **Shostack's (1977)** do the task provided impetus to the argument that services marketing is unique. **Gronroos, (1978); Gummesson, (1979) Berry (1980) and Lovelock (1981)** assert that a different management approach is essential for services marketing efforts.



The Intangibility of Services

➤ It refers to the total lack or perception of a service's characteristics well before and (often) after it is performed
<ul style="list-style-type: none"> • The term was first used in 1963 (Regan) • It is the most radical characteristic of services, from where the others emanate
➤ Marketing implications:
<ul style="list-style-type: none"> ▪ Great marketing skills of converting intangible offerings into tangible ones, i.e., providing them "hard" peripheral attributes ▪ Technical superiority as well as long term vision in new service development, an effort to protect a service from its non-patentability
Special pricing know-how
<ul style="list-style-type: none"> • What is the cost of a service? • Creative communications skills, i.e., what message to communicate?
Criticism to the distinctive power of intangibility
➤ The lack of insight of consumers to physically evaluate services in the case of some goods
➤ Repeated use of a service nullifies intangibility
➤ Many goods have innate intangible features

The Inseparability of Services

It signifies simultaneous production as well as consumption of services
➤ The production process of services has been called “servuction” process (Eiglier and Langeard, 1977)
➤ The customer is present when the service is produced
➤ The customer plays a role in the servuction and the delivery process
➤ Customers interact or communicate with one another during the servuction process and may be affected or influenced (positively or negatively) by this interaction
Marketing implications
➤ Mass production of services can be extremely difficult, if at all possible
➤ No significant economies can easily be earned from centralization of operations, because the service needs to be produced at the convenience or comfort of customers (temporal and physical)
➤ Service quality highly depends on what happens during its offering , i.e., in the course of the service encounter
➤ Since customers play a vital role in the servuction and delivery process, the service provider needs great skills to train all of them the best way to play their role.
➤ The service provider must prove excellence each time the service is produced
➤ The service provider needs skills in order to tackle disruptions in the servuction process, caused by problematic customers

The Heterogeneity of Services

It refers to the potential for high variability in the performance and of course the good-quality of services, caused by the interaction between the service employee and the customer.
➤ The performance of the employees delivering same service varies:
➤ Between different hour zones of the day
➤ From employee to employee
➤ From service company to service company
➤ Only some customers play their role at the service encounter in a homogenous and predictable way
➤ Heterogeneity is especially the case with rigorous labour and high-contact services
➤ Heterogeneity is less visible in technology-based services
Marketing implications
➤ Need to develop service blueprints (Shostack, 1977), i.e., a production line approach to the servuction process

➤ Ability to find a balance between standardization and personalization during service delivery
➤ Ability of real time detection due to which the encounter causes service failure
➤ Need for a mechanism of timely service recovery
➤ Skillful selection and motivation of appropriate front-line employees
➤ Criticism to the adequacy of heterogeneity as a line of demarcation between goods and services
➤ Neither all services are heterogeneous, nor all goods are homogeneous

The Perishability of Services:-

It refers to the fact that services cannot be saved, stored, resold or returned
➤ Difficulties in synchronizing supply and demand for services
Marketing implications:
➤ Need for developing an accurate and possible demand forecasting mechanism
➤ Need for a creative plan for the utilization of capacity
➤ Need for the implementation of strategies and actions to satisfy and convince malcontent customers in non-returnable services
Criticism to the adequacy of perishability as a line of demarcation between goods and services
➤ “Under conditions of fierce competition as well as financial stringency, the effect on profit of unsold stocks is as severe for manufacturers of fast moving consumer goods as it is regarding the service industry” (Middleton, 1983)

LITERATURE REVIEW

Service marketing is built on carefully understanding the deeper needs of customers, and after that providing service that will help to make them more successful. The most consistently cited assumption in service marketing studies is the fact that the major problems confronted by service marketers arise from the basic characteristics for example intangibility, inseparability, heterogeneity as well as perishability (e.g. Gronroos, 1978, 1990, 2000; Lovelock, 1981, 1983; Parasuraman et al., 1983, 1985; Zeithaml & Bitner, 1996; Rust and Chung, 2005; Kasper et al. 2006) and of course the review is presented here under the same dimensions.

As illustrated by Scheneider (2000), the fundamental and elemental archetype in services marketing since the 1980's has been that services are totally different from goods, assert supported by an in - depth literature review (Fisk, Brown and Bitner, 1993), who figured out that —[four] features - intangibility, inseparability, heterogeneity, as well as perishability - provided the underpinnings regarding the case that services marketing is field different from goods marketing.

All the important characteristics of service leads to specific troubles for marketers of services and moreover need the use of special tactics for dealing with them (Zeithaml, Prasuraman, and Berry, 1985; Lovelock, Gummesson, 2004). Bonier & Schneider (1985) defined that

traditional managerial functions really needs to be distorted because of the unique characteristics of services. The perceptive of how intangibility, heterogeneity, inseparability and perishability influenced many services led a number of service researchers on several continents to identify that understanding of marketing in manufacturing was inadequate to comprehend service marketing (e.g. Grönroos, 1984; Gummesson, 1993; Rust, Moorman, and Dickson 2002; Zeithaml, Parasuraman, and Berry, 1990). Unique concepts are necessary if service marketing is flourishing (G Lynx Shostack, 1977). Verma (2003) in his research study suggests that service firms cannot survive if they rely on conservative reactive approach and marketing will need to shift from satisfying their customers to customer delight.

As stated by Langeard et al. (1981), heterogeneity in service output is a particular problem for workforce intensive services. Numerous employees may be connected with an individual customer, raising a problem of consistency of behavior.

Zeithaml & Bitner (1996) customers have a tougher time evaluating and selecting services than goods partly for the reason that services are intangible and non-standardized and partly because consumption is so closely intertwined with production. All of these characteristics lead to differences in consumer evaluation process for goods as well as services in all the stages of buying process.

OBJECTIVE OF THE STUDY

- To investigate the most important challenges stemming from the basic characteristics of services in present global marketing.
- To identify the most critical problems/challenges faced by marketers while marketing the services.

SERVICES MARKETING PROBLEMS

Seven marketing problems related to the unique characteristics have been identified from the service marketing literature. Only one of the seven problem areas: “the demand for services fluctuates” received an average score above midpoint on the scale. Others were lower than midpoint, indicating that they have not been perceived to be troublesome. A discrepancy exists between what research recommends in such case and what respondents of the current study claim. To a certain extent possibly firms are dealing with such issues successfully by using appropriate strategies suggested in the literature. There are higher overall scores for business practices as well as strategy items than the problem items on questionnaire. Which means that lots of the problems cited in the literature could be less critical as compared to the other areas which were not investigated (e.g., difficulty in developing new services, difficulty in evaluating profitability etc).

The major problems which arise for financial service marketers are as follow:

1. Services are difficult to demonstrate
2. Services cannot be returned
3. Services cannot be stored
4. It is difficult to set prices for services
5. It is difficult to standardize the services
6. Customer presence affects the efficiency of service operation

7. Service employee's mood affects his performance

RESEARCH METHODOLOGY

Total 10 financial service firms were chosen for the study. The questionnaires were distributed among selected public and private sector banks in Udaipur district of Rajasthan. Sixty five questionnaires were distributed to the employees of financial service firms. To review the sample organizations precisely, proper care has been taken in selecting the sample ensuring that it covers all the demographic features of the sample.

With a view to achieve objectives and test the hypothesis laid, primary data has actually been collected via a structured questionnaire administered on the employees of financial services sector. The questionnaire has been formed on the basis of review of literature and of course the discussion and conversation with the experts in the area of marketing services.

Table 4: Reliability Statistics

Cronbach's Alpha	N of Items
.762	65

Source: Author's Compilation

All collected data have been tested on Cronbach Alpha which is found 0.762. It means that the reliability of data is 76.2% which is above than 60%, therefore we can apply statistical test for further analysis.

Various hypotheses have been formulated based on the dependent and independent variables, which are given below.

HYPOTHESIS:-

H₀₁:- There is no significance difference between male and female respondents towards the characteristics (**Intangibility, Heterogeneity, Perishability and Inseparability**) of service marketing.

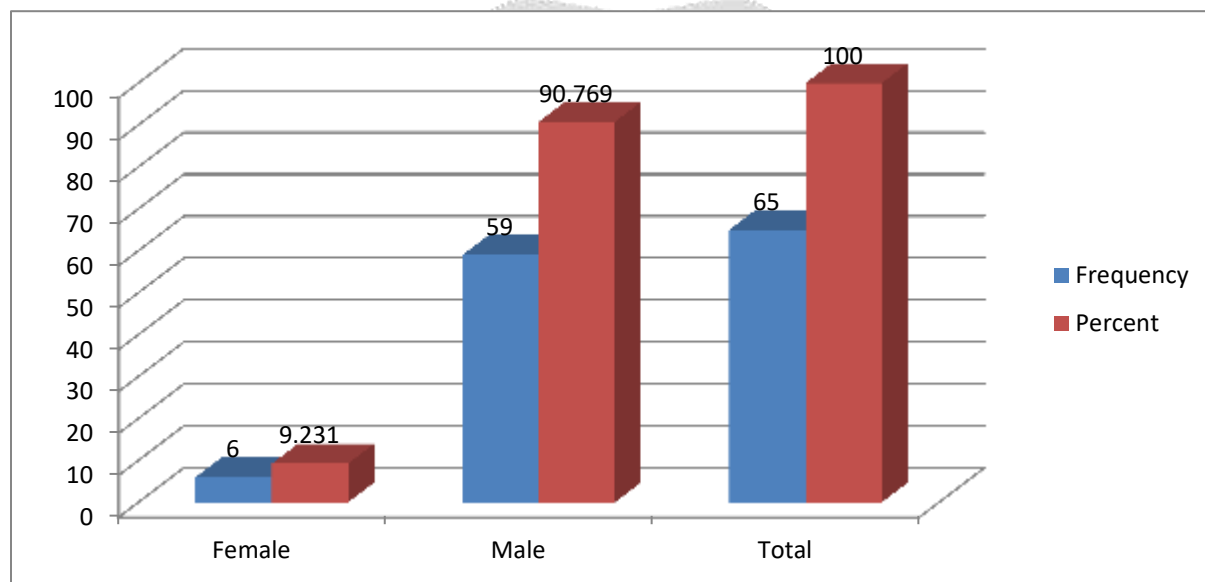
H₁₁:- There is a significance difference between male and female respondents towards the characteristics (**Intangibility, Heterogeneity, Perishability and Inseparability**) of service marketing.

H₀₂:- There is no significance difference between years of experience of respondents towards the characteristics (**Intangibility, Heterogeneity, Perishability and Inseparability**) of service marketing.

H₂₂:- There is a significance difference between years of experience of respondents towards the characteristics (**Intangibility, Heterogeneity, Perishability and Inseparability**) of service marketing.

Table: 2 Frequency table of gender class

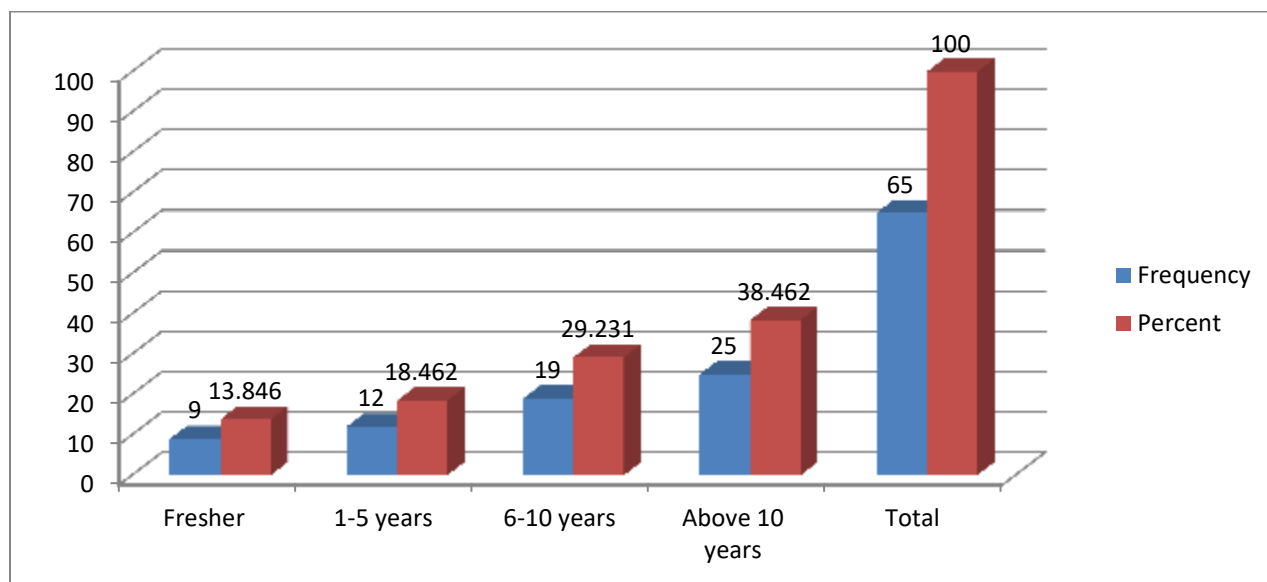
Gender					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	6	9.231	9.231	9.231
	Male	59	90.769	90.769	100
	Total	65	100	100	

Graph: 1 Frequency graph of gender class

According to the table and graph shown above, total respondents are 65, out of which 59 (90.76%) are males and only 6 (9.231%) are females. It clearly shows that male respondents are more inclined in finance service marketing in comparison of female respondents. The male respondents have shown their interests and concern towards the problems regarding service marketing.

Table: - 3 Frequency table of experience

Experience					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fresher	9	13.846	13.846	13.846
	1-5 years	12	18.462	18.462	32.308
	6-10 years	19	29.231	29.2308	61.539
	Above 10 years	25	38.462	38.4615	100
	Total	65	100	100	

Graph: - 2 Frequency Table of experience

As per the above table and graph overall respondents are 65, out of which most of the respondents i.e. 25 (38.46%) are working in a marketing field more than 10 years, 19 (29.23%) respondents have 6-10 year experience in the field of financial service marketing. On the other hand 12 (18.46%) respondents have experience of about 1-5 years and only 9 (13.84%) respondents are fresher. Therefore it can be concluded that experience matters a lot in the field of service marketing.

Table 4: Relative Intensity of Overall Problems Faced by Services Marketers across Sectors

Problems	N	Mean	S.D.	Sig.
Intangibility	65	3.12	0.63	0.004
Heterogeneity	65	3.24	0.66	0.33
Perishability	65	3.98	0.89	0.022
Inseparability	65	3.77	0.78	0.04

The table above indicates that all the dimensions of services marketing problems are showing a significant difference across sector at 0.05 level of significance except one dimension i.e. Heterogeneity (sig. 0.33) where respondents have seen homogenously affected. In case of intangibility there is a non significant difference between male and female with intangibility (sig. 0.004) whereas intangibility is found as more problematic issue faced by public sector managers as against the private sector managers. A highly significant difference is evident between perishability (0.022) and inseparability (0.04). A significant difference is reported between the

mangers of public and private sectors both. Such problems pose a bigger challenge for private sector managers than that of public sector as there is a very high competition in private sector.

Table 4: Test of Homogeneity of Variance for Gender and Usage of E-Banking

Test of Homogeneity of Variances			
Usage Pattern of E-Banking services			
Levene Statistic	df1	df2	Sig.
.639	1	63	.425

Source: Primary Data

Table 5: One Way ANOVA for Gender and characteristics of Services marketing

ANOVA					
Gender and characteristics of Services marketing					
	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	3.678	1	3.678	3.816	.052
Within Groups	287.22	63	0.964		
Total	290.89	64			

Source: Primary Data

Levene's Test for Equality of Variance is performed to test the condition that the variances of both samples are equal or not. A high value results normally in a significant difference, but in **Table 4** result sig. =.425, which interprets no equal variance.

In the **Table 5** as it shows, there is a good difference between the two Mean Squares (3.678 and 0.964), resulting in a non significant difference ($F = 3.816$; $Sig. = 0.052$). The Sig. value is higher than the Sig. level of 0.05. This means that **H₀₁ must be accepted** which states that there is no relationship between the Gender and characteristics of Services marketing that means both male and female show equal concern about the characteristics of service marketing.

Table 6: One Way ANOVA for experience and characteristics of Services marketing

ANOVA					
Experience and characteristics of service					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.398	1	.848	.425	.028

Within Groups	292.074	63	1.991		
Total	293.472	64			

The **Table 6** as it indicates, there is a good difference between the two Mean Squares (.848 and 1.991), resulting in a non significant difference ($F = .425$; $Sig. = 0.028$). The $Sig.$ value is lower than the $Sig.$ level of 0.05. It means that **H_{02} must be rejected** which states that there is a relationship between the experience and characteristics of Services marketing. It means that the people who have more experience are comfortable with these characteristics as they can handle such problems and less experienced respondents are not so accustomed to manage these characteristics.

CONCLUSION

Managers in financial sector are spotted to be facing enormous challenges and tough situations whereas marketing offers and of course the impact of four different characteristics of services on the marketing of financial services is found to be fairly high. The intensity of issues confronted by managers is fairly high as depicted by high mean scores. It is evident that managers in banking industries are subjected to immense challenges in selling the services as financial services are highly intangible and complex in nature. The managers of the financial service sector find that they are confronting the challenge of heterogeneity of services because this property reports the highest mean score among the four properties. It is found that managers find it very difficult to ensure that all the customers receive a standardized service experience as it is affected by numerous factors such as the behavior, mood as well as attitude of the frontline employees, the timing of a working day, and also participation level of the customer which are most often very difficult to control.

The rate of growth of service sector in economies in the entire world and service marketing in particular aspect is not the same as goods marketing. The rapid growth of service marketing literature in just the past few years is not surprising. Services have five unique characteristics that are not founds in goods marketing, i.e. intangibility, inseparability, variability, perishability and ownership. The intangibility of services seems to be one of the most important characteristics in defining services. All these unique characteristics create frequent challenges for financial service marketers to attract new customers and moreover hold current customers. Services have become an important part of the world economy for growth. During the last decade the role of service marketing has been becoming a prevailing feature in the service industry.

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