

A Comparative Study of Marketing Communication Strategies of Public and Private Sector Banks

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Abstract:

Marketing Communication plays a vital role in today's competitive business environment. It becomes mandatory for the banks to think seriously about how they can compete effectively with other financial institutions. This has led them to pay due importance to marketing communication strategies. Marketing Communication strategies perform two different functions i.e. attract the deposits on one hand and attract the borrowers and users of services. In banking sector marketing communication elements are especially important, they help to create powerful images and a sense of credibility, confidence and assurance. Therefore it is essential to evaluate all the elements of communication strategy that are used in banking service sector. The present study evaluates and compares the effectiveness of marketing communication strategies in public and private sector banks. The study assesses the effectiveness of Advertising, Sales promotion, Personal selling and Publicity and Public relations on the basis of five parameters i.e. providing information, creating awareness, changing attitude, creating Brand image and Brand loyalty. The study is exploratory in nature and two banks namely ICICI & SBI in the private and public sector respectively were selected with the target areas of Anantapur and Kadapa district of Andhra Pradesh. A non-probability sampling technique was used comprising of 50 respondents from each bank spread over two districts with 25 each. The sampling technique may be referred to as a simple convenience sampling. The respondent units were customers of both the banks respectively. A well-structured questionnaire was prepared for the collection of necessary primary data on different aspects of marketing communication strategies as adopted by the two banks. A standard Likert 5-point scale was used to measure the response of the selected customers and was further subjected to tabulation and analysis. In order to draw logical and scientific conclusions and inferences of the study, necessary statistical tools are applied to arrive at the findings.

Key words: Advertising, Sales promotion, Personal selling, Publicity and Public Relation, Marketing Communication Strategies, ANOVA, Brand image, Brand loyalty.

Introduction:

Company growth depends on effective marketing; Marketing depends heavily on an effective communication flow between the company and the customers. Manufacturing a product and making it available in the market is not only a part of the Company job. It is equally important to make it known to the customers that the product is available in the market. In a competitive market, where several firms are striving to win over customers, it is not enough if the availability of a product or service only is made known to customers. It is also essential to propagate the

distinctive features specifications of the product. The process does not end here. The firm should also get feedback on how the customers accept its products through an effective, continuous, and two-way flow of information between the firm and the customers.

The firm attempts to communicate with the customer through quality assurance of the products, colorful packages, written messages, pictures and symbols, attractive showrooms and efficient salesmanship. When these various stimuli are received and interpreted by the customer, marketing communication takes place. The communication also involves feedback from the customer to the company, on how the total product offering of the company is received by the customers in the market. Generally taking into account the nature of service industry, the challenges it brings to the organizations and the need to follow holistic marketing approach to effectively interact with customers highlights the importance and significance of marketing communication activities. In service sector, marketing communication tools are especially important to help create powerful images and a sense of credibility, confidence, and reassurance.

Indian banking sector historically passed through five stages: 1). pre-independence, 2). Post-independence, 3). Pre-nationalization, 4). Nationalization and 5). Post-liberalization stages in all these stages, other than the last stage, marketing was always considered not to be a banker's cup of tea. But today it is considered to be an integral management function in the banking sector. Banking is an industry that is built on trust. Customers deposit their money with a bank only if they trust the bank and the bank gives loans to the customers only when it trusts them. Banks do business with customers' money by accepting deposits from them and by giving loans on interest for any bank to conduct business; initially it is the trust that matters, not the capital it owns.

Creating effective communication with the customers is the important aspect in service marketing and therefore banking sector. One of the up's of marketing mix promotion is also known as marketing communication. Banks have to communicate with their existing customer as well as potential customer about what they are doing and what they are planning to do in near future. Marketing communication is very important and at the same time challenging in banking sector as the nature of services is characterized by intangibility of service product which is decision to convince customers on the value of the product. Marketing communication provide information that plays important role in adding value to a service product. Customers need information about the features of services, its price, and the ways by which they can access those services, to make a well informed purchase decision. Thus, if the customers are able to get the necessary information about the service product on demand and adequately, they may feel that they are buying quality product or service. This means having good and effective communication adds value to the service of a company or organization as customers have the confidence on their purchase.

Marketing communication techniques are especially important; they help to create powerful images and a sense of credibility, confidence and assurance in the customers mind. Therefore it is essential to evaluate all the elements of

Communication mix that is used in banking service sector:-

Advertising: - Advertising plays a major role in promoting a bank's products and services on a large scale. However developing advertising campaigns for services is a difficult aspect because of the intangible attribute of service. Banks should involve front line employee in designing the advertising campaign as service personnel directly interact with customers during the process of marketing. A bank can improve its brand image and brand equity with the help of advertising. It also helps the bank in differentiating and positioning its services from those of competitors.

Sales Promotion: - Sales promotion is often used by the companies to improve the sales of a product or service either by encouraging the existing customers to use the service more frequently or by attracting new customers to use their service. Banks also aim to pull customers to use their services by attracting them with free offers, coupons, cash discounts, warranties; prizes etc.

Personal Selling:-Due to the characteristics of banking services, personal selling is the way that most banks prefer in expanding selling and usage of their services .It occurs in two ways. First occurs in a way that customer and banker perform face to face interaction with each other a branch office. In this process personnel, bank employees, chief and office manager, take part in selling. Second occurs in a way that bank's representative go to customer's places. Bank's representatives are specialist in bank's services and have update knowledge about the banks services to be offered and they shape the relationship between bank and customer.

Publicity and Public Relations (PR):-Banks use publicity campaigns to bring in awareness about their offers among the existing and potential customers .It involves using the information in a way that induces interest towards a company, event or person. Public Relations in banking helps in:-1) Establishing most effective communication system.2) Creating sympathy about relationship between bank and customer.3) Giving broadest information about activities of bank.

Direct Marketing:- Direct Marketing involves contacting the existing and potential customers directly through telemarketing, direct mail, and online marketing (e-mail and official websites) without employing any intermediaries in the process. The customers of banking service need some specific information or a customized change in the offering of the bank, so that the bank personnel can best satisfy him while the intermediaries might not be in a position to respond to customer's satisfaction.

Word of mouth promotion:-Very often communication about the banking services activity takes place by word of mouth information which is also known as word of mouth promotion. In the banking industries we find use of different components of promotion and word of mouth is one of the main source of promotion a satisfied group of customers is considered to be the most successful hidden promoters and if the bank keep on moving the process of satisfying the customers, the circle of word of mouth promotion would keep on moving. This component of promotions is found significant to the banking organizations and therefore bank professionals are required to seek the cooperation of opinion leaders for the promotion.

State Bank of India:

State Bank of India (SBI) is the largest nationalized commercial bank in Anantapur and Kadapa dist, in terms of assets, number of branches, deposits, profits and workforce. With the liberalization of the Indian banking industry in the mid-1990s, SBI faced stiff competition from the private sector and foreign banks which resulted in significant loss of its market share. To overcome the intense competition from private and foreign banks, SBI planned a major organizational restructuring exercise. The key aspects involved redesigning of branches, providing alternate channels; focus on a lean structure and Technological up gradation.

ICICI Bank:

ICICI Bank is India's second-largest bank with total assets of Rs.474,074.60 Crs on March 31st, 2012 and reported profit on March 31st, 2012 Rs. 32016.14 Crs. The Bank has a network of 2529 branches and about 6055 ATMs in India and spread over in various countries. ICICI Bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and through its specialized subsidiaries and affiliates in the areas of investment banking, life and non-life insurance, venture capital and asset management.

Review of literature:

- 1) In Rayburn's study (1978) it was suggested that the purpose of the advertising and promotional functions is to create demand for the bank's services and to build and maintain goodwill towards the organization.
- 2) In Berry, Kehoe and Lindgreen's study (1980) it has been found that most frustrating aspects of bank marketing were a) lack of management support, b) lack of interdepartmental cooperation c) crisis management d) government intrusion e) advertising and media
- 3) Subba Rao (1982) conducted a study to find out the influence of different media of advertisement and different forms of personal selling on the deposit mobilization of commercial banks both in urban and rural areas. The study suggested that the medium of English News papers need not be used widely as its impact is very little on urban customers and it is almost negligible on rural depositors. Personal selling or direct contact has been suggested as the best method, since it educates the potential rural customers into the bargain.
- 4) Singh J D (1983) in his study examined the trends in bank advertising in theseventies in India. The study revealed that the bank advertisements were created seemingly for the sake of advertising rather than for creating the market or serving the customer satisfactorily. There is lack of professionalism in bank advertising and marketing. Suggestions were made to give stress on 'positioning the bank' rather than on selling the products after identification and prediction of customer requirements.
- 5) La Londe, Cooper and Noordewier (1988) found customer service as a separate mix of elements and sees the logistics function as being subsumed within the customer service activity. The result of this study shows the relative importance of customer service contrasted with other elements of the marketing mix including advertising, promotion of sales effort. Most respondents rated customer service ahead of advertising. Promotion and sales effort in terms of importance and ranked third behind product and price.
- 6) Dr.Chidambaram (1994) studied the promotional mix available to banker's for the marketing of services such as direct marketing, public relations, social banking and

customer meets. The study concludes that a good promotional mix is one that a) that takes into account the objectives of the bank and lays emphasis on those services which are of current significance, b) reaches various customer segments very effectively, c) creates a desire to seek out the services offered, d) builds a positive image for the bank, and e) strike a balance between cost and effectiveness.

7) Kusumakara, Tebbbar (1988) studied marketing strategies of banks aimed at inculcating the habit of thrift among the people. The suggestion is that keeping the rural branches open on Sundays can augment savings. Direct marketing is also suggested to reduce waiting time and enhance customer satisfaction. Rude behavior of the employees, suspicious looks of the staff, vague knowledge of the products, undynamic promotional methods etc., may hamper the banking business in rural areas."

8)) Andersen P.H (2001) studied marketing communication using three classical rhetorical elements, and found communication process as developing an understanding of the communicator's intentions and qualities (ethos) and the communication climate (pathos). Both of which are necessary for engaging in constructive dialogues with customers (logos). On this basis, the study outlined a model for integrating practices of marketing communication with relationship building and illustrated the model using a case study from a Danish bank as an elective device.

9)) Evren Ors (2003) in his article "The Role of Advertising in Commercial Banking" examined the role of advertising in commercial banking. He found that advertising plays a pro-competitive role in banking. An increase in advertising appears to lead to an increase in profitability. According to him minority-owned banks advertise less, possibly because they have a captive clientele whereas efficient banks advertise less.

10) Rajasekhara (2008) in his article "Assessment of Effectiveness of Marketing communications mix elements in Ethiopian Service Sector" stated that creative effective communication with customers is most important aspect in services marketing. He evaluates the effectiveness of advertising and personal selling practices of Ethiopian service sector in communicating with its customers with the aim of finding solutions to improve the existing communication and customer satisfaction. He found that marketing communication mix elements viz. Advertising and personal selling are moderately effective in providing information, creating awareness and changing attitude whereas ineffective in building company image and enforcing brand loyalty.

11) Gupta, and Mittal (2008), in their article "Comparative Study of Promotional Strategies of Public and Private Sectors Banks in India" stated that a well -designed promotional strategy is very important to promote banking services effectively. They studied 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 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.

12) Mehta, Suresh (2010) in his article "Personal Selling-A Strategy for promoting Bank Marketing" examined that lack of Marketing Communication in Banks. He

suggested adopting banks marketing promotion for better business. He emphasized the need of adoption of personal selling as a strategy for marketing promotion in Banks.

13) Kola and Akinyele (2010) in their article “Evaluation of Effectiveness of Marketing Communication mix element in Nigerian Service Sector” state that Creating effective communication with customers is the most important aspect in services marketing. The effectiveness of advertising and personal selling practices of Nigerian service sector in communicating with its customers with the aim of finding solutions to improve the existing communication and customer satisfaction was accessed. Five parameters 1) Providing Information 2)Creating Awareness 3)Changing Attitude 4)Building company Image 5)Enforcing Brand Loyalty were considered in the study. The research revealed that both these elements are moderately effective in providing information, creating.

Keeping in mind the forgoing illustrations as marketing communication a pilot study was planned in the selected areas of Andrapradesh to meet the underlying objectives and verify necessary hypothesis.

The study is exploratory in nature and two banks namely ICICI & SBI in the private and public sector respectively were selected with the target areas of Anantapur and kadapa district of Andrapradesh. A non-probability sampling technique was used comprising of 50 respondents from each bank spread over two districts with 25 each. The sampling technique may be referred as a simple convenience sampling. The respondent units were customers of both the banks respectively. A well structured questionnaire was prepared for the collection of necessary primary data on different aspects of marketing communication strategies as adopted by the two banks. A standard likert 5 point scale was used to measure the response of the selected customers and was further subjected to tabulation and analysis.

In order to draw logical and scientific conclusions and inferences of the study necessary statistical tools were applied and the results are discussed.

Results and Discussions

The scores obtained on the 5 point liker scale from the respondents were tabulated and different parameters like 1) information 2) awareness 3) change in attitude 4) brand image 5) brand loyalty were measured in terms of scores for ICICI & SBI banks respectively. The four main factors associated with the study were –

1. Advertising
2. Sales promotion
3. Personal selling
4. Publicity and public relations

In order to compare the scores obtained for different parameters for each of the four factors with regard to the five parameters and bank differences, then Analysis of Variance technique “ANOVA” was used where following Model was tested. Since the sample size was large enough scores can be safely used in ANOVA technique.

$$\text{Model} = y_{ij} = \mu + \alpha_i + \beta_j + (\alpha\beta)_{ij} + e_{ij}$$

Where y_{ij} = Score corresponding to i th parameter of j th bank ($i = 1-5$) ($j = 1,2$)

μ = Overall mean

α_i = Effect of ith parameter

β_j = Effect of jth bank

$(\alpha\beta)_{ij}$ = Bank * parameter interaction

e_{ij} = Random error

The hypothesis in this case was that there is no difference between two banks in terms of different parameters for advertising, sales promotion, personal selling and publicity and public relations. There is no difference between different parameters for each of the factors. In order to compare individual mean scores, wherever necessary t- test was referred

Table 1: Analysis of Variance table for different factors

Source	df	advertising		sales promotion		Personal selling		publicity & public relation	
		M.S.S	F	M.S.S	F	M.S.S	F	M.S.S	F
Between banks	1	0.512	<1	10.368	12.895**	13.448	13.479**	1.8	1.89
Between parameter	4	1.007	1.395	1.573	1.956	2.483	2.488*	0.285	<1
bank*parameter	4	1.787	2.48*	1.593	1.981	2.453	2.46*	0.635	<1
error	490	0.7218		0.804		0.9977		0.9525	

Where * P<.05, **P<.01

Advertising: The analysis in table1 suggested that the advertising scores between Banks do not differ significantly and can be inferred in terms of advertising main scores for ICICI and SBI are of the same order. Logically it can be said that Marketing Communication does not differ from Bank to Bank. Similarly the five parameters understudy also have shown no significant differences amongst each other. On the other hand Bank*Parameter interaction is also not found to be insignificant and hence can be said to be independent to each other.

Sales promotion: According to table 1 it is interesting to know that there is a highly significant difference (F=12.895; P’<.01) between two Banks with regards to sales

promotion clearing indicating that the sales promotion strategy adopted by both the banks has a wide gap but different parameters namely information, awareness, change in attitude, brand image and brand loyalty has shown similar impact. Similar is the position for the interaction effect in the case of sales promotion strategy.

Personal selling: Personal selling is one of the important factors concerned with marketing communication strategies of the banks under study. According to the analysis carried down in table 1 it has been observed that the effect of personal selling in both the banks has shown a significant difference ($F=13.479$; $P<.01$). This indicates that ICICI bank has an edge over SBI with regard to personal selling strategy. On the other hand the parametric differences are also observed to be different from each other significantly ($F=2.488$; $P<.05$). It indicates that parameter like information, awareness, change in attitude, and brand image and brand loyalty show impact on personal selling. Further it may be observed that Bank * Parameter interaction is also significant ($F=2.46$; $P<.05$). This indicates the banks differences and parameter differences are not independent to each other. The scores obtained have shown that a change in bank effects the changes in parameters as well.

Publicity and Public Relations: Like advertisement the bank effect, the parameter effect and the Bank *Parameter interaction are all non significant as obtained in the Analysis of Variance.

	advertising		sales promotion		Personal selling		publicity & public relation		overall mcs	
banks	mean	s.d	mean	s.d	mean	s.d	mean	s.d	mean	s.d
ICICI	16.62	3.12913	20.86	4.2714	16.74	3.63548	17	3.18158	73.26	7.7953
SBI	16.3	3.41216	20.6	4.526	15.1	5.01935	16.4	4.9734	70.8	11.647

Table 2 gives the Mean and S.d for different factors under study. The mean scores for Advertising were 16.62 and 16.3 for ICICI and SBI respectively. Although ICICI scores were a little greater but not significant the overall mean scores were a little greater in SBI as compared to ICICI with only a marginal difference with 20.86 and 20.6 respectively. In the case of personal selling again the ICICI bank scores and better than SBI but the difference is not significant. As far as Publicity and Personal Selling is concerned ICICI Bank is again having an edge over SBI in terms of Mean scores. In overall marketing communication strategies mean of ICICI is having an edge over SBI.

On the basis of the forgoing discussions and the analysis carried down it is inferred that:

There is no difference between the advertising strategy adopted by public and private sector Banks. Both banks advertise their products and services. On the other hand Bank Parameter interaction is also not found to be insignificant and hence can be said to be independent to each other.

There is difference between the sales promotion strategy adopted by public and private sector Banks. Similar is the position for the interaction effect in the case of sales promotion strategy. According to the study private sector banks are more involved in sales promotion.

There is difference between the personal selling strategy adopted by ICICI and SBI. ICICI bank has an edge over SBI with regard to personal selling strategy. Further it may be observed that Bank Parameter interaction is also significant ($F=2.46$; $P<.05$). This indicates the banks differences and parameter differences are not independent to each other. The scores obtained have shown that a change in bank effects the changes the parameters as well.

There is no difference between the publicity and public relation strategy adopted by public and private sector Banks. Like advertisement the bank effect, the parameter effect and the Bank Parameter interaction are all not significant.

Conclusion:

The analysis suggested that the advertising scores between Banks do not differ significantly and can be inferred in terms of advertising main scores for ICICI and SBI are of the same order. Logically it can be said that Marketing Communication does not differ from Bank to Bank. Similarly the five parameters understudy also have shown no significant differences amongst each other. On the other hand Bank Parameter interaction is also not found to be insignificant and hence can be said to be independent to each other. Personal selling in both the banks has shown a significant difference ($F=13.479$; $P<.01$). This indicates that ICICI bank has an edge over SBI with regard to personal selling strategy. However it has been observed that the marketing communication strategies of private sector ICICI Bank has been more effective in comparison to public sector State Bank of India. The study is based on sample of only 50 respondents and the results cannot be generalized. Further researches on large samples are suggested in its entirety.

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