Service Marketing: Customer Expectations and Delight With Reference To Indian Banking Sector

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Abstract: A service is an activity or benefit that one can offer to another that is essentially intangible and does not result in the ownership of anything. Since the inception of globalization in India, banking sector has undergone various changes. Encouragement to foreign banks and private sector banks increased competition for all operators in banking sector. Under these scenario, Indian public sector banks need to reinvent the marketing strategy for their rapid growth. Only those banks will survive in the future which will adopt effective and realistic strategies to win the trust of the customer.

Services are (usually) intangible economic activities offered by one party to another. Often time-based, services performed bring about desired results to recipients, objects, or other assets for which purchasers have responsibility. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved.

There has been a long academic debate on what makes services different from goods. The historical perspective in the late-eighteen and early-nineteenth centuries focused on creation and possession of wealth. Classical economists contended that goods were objects of value over which ownership rights could be established and exchanged. Ownership implied tangible possession of an object that had been acquired through purchase, barter or gift from the producer or previous owner and was legally identifiable as the property of the current owner.

A recently proposed alternative view is that services involve a form of rental through which customers can obtain benefits. What customers value and are willing to pay for are desired experiences and solutions. The term, rent, can be used as a general term to describe payment made for use of something or access to skills and expertise, facilities or networks (usually for a defined period of time), instead of buying it.
outright (which is not even possible in many instances).

There are five broad categories within the non-ownership framework

1. Rented goods services: These services enable customers to obtain the temporary right to use a physical good that they prefer not to own (e.g. boats, costumes)
2. Defined space and place rentals: These services obtain use of a defined portion of a larger space in a building, vehicle or other area which can be an end in its own right (e.g. storage container in a warehouse) or simply a means to an end (e.g. table in a restaurant, seat in an aircraft)
3. Labor and expertise rental: People are hired to perform work that customers either choose not to do for themselves (e.g. cleaning the house) or are unable to do due to the lack of expertise, tools and skills (e.g. car repairs, surgery)
4. Access to shared physical environments: These environments can be indoors or outdoors where customers rent the right to share the use of the environment (e.g. museums, theme parks, gyms, golf courses).
5. Access to and usage of systems and networks: Customers rent the right to participate in a specified network such as telecommunications, utilities, banking or insurance, with different fees for varying levels of access

In defining service marketing we can modify the definition of American Marketing Association on Marketing by adding the following changes.

Services Marketing is an organizational function and a set of process for identifying or creating, communicating, and delivering value to customers and for managing Customer relationship in a way that benefit the organization and stake holders.

Liberalization, Privatization and Globalization has ushered a new era in banking sector resulting relentless pursuit of quality and customer satisfaction. Brutal competition escalated since the entry of private banks and foreign banks has transformed the banking sector setting new standards in service speed, quality, accuracy and customer satisfaction. Customer expectations are on rise ever with rising number of banks. Customer expectation of the services delivered is on paramount importance while measuring customer satisfaction. While almost every marketer has an intuitive sense of what the expectations are, service marketers need a far more thorough and clear understanding of expectations in order to comprehend the concept of service marketing and to measure, manage and meet it. Understanding customer expectation is an important and essential issue for banks; by understanding their expectation, banks can try to reach the expectation of its customer by improving or providing superior quality services. The present study attempts to assess customer expectations and compare customer expectation of Services banking sector.

The world economy nowadays is increasingly characterized as a service economy. This is primarily due to the increasing importance and share of the service sector in the economies of most developed and developing countries. In fact, the growth of the service sector has long been considered as indicative of a country’s economic progress.

Economic history tells us that all developing nations have invariably experienced a shift from agriculture to industry and then to the service sector as the main stay of the economy. This shift has also brought about a change in the definition of goods and services themselves. No longer are goods considered separate from services. Rather, services now increasingly represent an integral part of the product and this interconnectedness of goods and services is represented on a goods-services continuum.

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.”

**Need and Objective**

**Need for Study**
The important factors that establish the need for Service Marketing in Indian Banks are detailed below:

- Intense Competition
- Changes in Banking Sector
- Well Informed Customers
- No Brand Loyalty
- Improved Customer Retention

**Objective of the Study**
The main objectives of this study are:
1. To analyze the present position of Service Marketing in Public Sector and Private Sector banks in India.
2. To examine the operational features of banks in India.
3. To examine the quality elements in the working of banks in India.
4. To offer suggestions on implementation of Service Marketing Approach in Indian Banking Sector.

Review of Literature

The concept of Service Marketing in the Banking Sector has been the subject of many studies and research endeavors among the scholars throughout the world. Some of the relevant studies are being presented here.

- Ghani et. Al. (2011) concluded that that the contribution of services to total growth is higher than industry’s contribution. In poor countries, services and industry have contributed more to growth than in rich countries.
- Ejaz Ghani (2010), Economic Advisor, South Asia Region, World Bank expressed that the globalization of services provides alternative opportunities for developing countries to find niches, beyond manufacturing. As the services produced and traded across the world expand with globalization, the possibilities for all countries to develop based on their competitive advantage expand.
- Dwivedi. R (2007) emphasized that financial functions are important but not as important as the marketing functions. Friction between the marketing and finance functions would be detrimental to the smooth development and functioning of any business organization.
- Patnaik.U.C. et.al (2006) assessed the marketing efforts of the State Bank of India. He concluded that though the bank has taken up some measures to improve the quality of its employees and customer service at branches but its pricing are willing under competition without any regard to costs and it is yet to give due emphasis to its promotional measures.
- Ratnam and Sengupta (2005) concluded that the banks are facing many hurdles in the new era of deregulation and ever increasing competition. To fight these problems efficiently, banks should focus on customer satisfaction, which can be achieved through providing customized products and innovative ways of delivery etc.
- Shankar (2004) concluded that focus on customer is not to be viewed as just a business strategy but should become the corporate mission. The challenge for banks is in the areas of people changing their beliefs and attitudes, technology and competition.
- Shanti Sarup. K. (2004) found that for delivering quality service, it is imperative to have customer orientation as a culture in the bank. Customer orientation builds long term relationships resulting in customer satisfaction and cash flows to the banks.
- Mukherjee et al. (2003), presented the development of a theoretical framework for measuring the efficiency of banking services, taking into account physical and human resources, service quality and performance. Expenditures on quality improvement efforts and the impact of service quality on financial outcomes have long intrigued researchers.
- Aldlaigan and Buttle (2002) conducted an empirical study to develop a new scale to measure service quality perceptions of retail bank customers. They developed a new 21-item scale comprising four dimensions: service system quality, behavioral service quality, service transactional accuracy and machine service quality. They found that customers evaluate service quality at two levels: organisational and transactional. The parsimony, reliability and validity of this scale suggest that this is a measure of high utility to the banking industry.
- Gadkari (1977) examined the critical success factors and stressed that excellence in customer service and high level of customer satisfaction will remain elusive goals even with the induction of the state of the art technology and competitive pricing of products if the employees at the grass root level are not committed to these goals.
- Given this background, it is interesting to evolve the concept of Service Marketing more vigorously for the customers of Indian Banking Sector. In quest of an
answer, the present study is undertaken to fill the gap.

Research Methodology

1. Sample Design: The universe of the study is Indian Banking Industry. The Indian Banking Industry has been divided into three major bank groups i.e. Public Sector Banks, Private Sector Banks and Foreign Sector Banks.
2. Survey of Concerning literature
3. The Experience Survey of 150 Bank Customers from Public, Private and Foreign Sector Banks in the National Capital Region of Delhi.
4. Sampling Unit: Customers from different age groups, gender, locations, income levels, families and educational backgrounds.
5. Sampling Method: Convenience Sampling.
6. Nature of Data: Primary as well as secondary data were collected from respondents and from journals, internet sites and from previous research related to the service in banking sector.
7. Method of data collection: Personal interview with respondents.
8. Type of questionnaire: Structured questionnaire
9. Type of questions: Open ended, close ended, Likert scale and multiple choice questions.

Pre-testing of questionnaire: It was done among selected respondents on judgment basis and corrections were made in the questionnaire, wherever required.

Analysis and Interpretation

The defining characteristics of a service are:

Intangibility: Services are intangible and do not have a physical existence. Hence services cannot be touched, held, tasted or smelt. This is most defining feature of a service and that which primarily differentiates it from a product. Also, it poses a unique challenge to those engaged in marketing a service as they need to attach tangible attributes to an otherwise intangible offering.

1. Heterogeneity/Variability: Given the very nature of services, each service offering is unique and cannot be exactly repeated even by the same service provider. While products can be mass produced and be homogenous the same is not true of services. eg: All burgers of a particular flavor at McDonalds are almost identical. However, the same is not true of the service rendered by the same counter staff consecutively to two customers.
2. Perishability: Services cannot be stored, saved, returned or resold once they have been used. Once rendered to a customer the service is completely consumed and cannot be delivered to another customer. eg: A customer dissatisfied with the services of a barber cannot return the service of the haircut that was rendered to him. At the most he may decide not to visit that particular barber in the future.
3. Inseparability/Simultaneity of production and consumption: This refers to the fact that services are generated and consumed within the same time frame. Eg: a haircut is delivered to and consumed by a customer simultaneously unlike, say, a takeaway burger which the customer may consume even after a few hours of purchase. Moreover, it is very difficult to separate a service from the service provider. Eg: the barber is necessarily a part of the service of a haircut that he is delivering to his customer.

Types of Services

1. Core Services: A service that is the primary purpose of the transaction. Eg: a haircut or the services of lawyer or teacher.
2. Supplementary Services: Services that are rendered as a corollary to the sale of a tangible product. Eg: Home delivery options offered by restaurants above a minimum bill value.

Stated simply, Services Marketing refers to the marketing of services as against tangible products.

As already discussed, services are inherently intangible, are consumed simultaneously at the time of their production, cannot be stored, saved or resold once they have been used and service offerings are unique and cannot be exactly repeated even by the same service provider.

Marketing of services is a relatively new phenomenon in the domain of marketing, having
gained in importance as a discipline only towards the end of the 20th century.

Services marketing first came to the fore in the 1980’s when the debate started on whether marketing of services was significantly different from that of products so as to be classified as a separate discipline. Prior to this, services were considered just an aid to the production and marketing of goods and hence were not deemed as having separate relevance of their own.

The 1980’s however saw a shift in this thinking. As the service sector started to grow in importance and emerged as a significant employer and contributor to the GDP, academics and marketing practitioners began to look at the marketing of services in a new light. Empirical research was conducted which brought to light the specific distinguishing characteristics of services.

By the mid 1990’s, Services Marketing was firmly entrenched as a significant sub discipline of marketing with its own empirical research and data and growing significance in the increasingly service sector dominated economies of the new millennium. New areas of study opened up in the field and were the subject of extensive empirical research giving rise to concepts such as - the product-service spectrum, relationship marketing, franchising of services, customer retention etc.

Importance of Marketing of Services

Given the intangibility of services, marketing them becomes a particularly challenging and yet extremely important task.

- A key differentiator: Due to the increasing homogeneity in product offerings, the attendant services provided are emerging as a key differentiator in the mind of the consumers. Eg: In case of two fast food chains serving a similar product (Pizza Hut and Domino’s), more than the product it is the service quality that distinguishes the two brands from each other. Hence, marketers can leverage on the service offering to differentiate themselves from the competition and attract consumers.

- Importance of relationships: Relationships are a key factor when it comes to the marketing of services. Since the product is intangible, a large part of the customers’ buying decision will depend on the degree to which he trusts the seller. Hence, the need to listen to the needs of the customer and fulfill them through the appropriate service offering and build a long lasting relationship which would lead to repeat sales and positive word of mouth.

- Customer Retention: Given today’s highly competitive scenario where multiple providers are vying for a limited pool of customers, retaining customers is even more important than attracting new ones. Since services are usually generated and consumed at the same time, they actually involve the customer in service delivery process by taking into consideration his requirements and feedback. Thus they offer greater scope for customization according to customer requirements thus offering increased satisfaction leading to higher customer retention.

The first four elements in the services marketing mix are the same as those in the traditional marketing mix. However, given the unique nature of services, the implications of these are slightly different in case of services.

1. Product: In case of services, the ‘product’ is intangible, heterogeneous and perishable. Moreover, its production and consumption are inseparable. Hence, there is scope for customizing the offering as per customer requirements and the actual customer encounter therefore assumes particular significance. However, too much customization would compromise the standard delivery of the service and adversely affect its quality. Hence particular care has to be taken in designing the service offering.

2. Pricing: Pricing of services is tougher than pricing of goods. While the latter can be priced easily by taking into account the raw material costs, in case of services attendant costs - such as labor and overhead costs - also need to be factored in. Thus a restaurant not only has to charge for the cost of the food served but also has to calculate a price for the ambience provided. The final price for the service is then arrived at by including a mark up for an adequate profit margin.

3. Place: Since service delivery is concurrent with its production and cannot be stored or transported, the location of the service product assumes importance. Service providers have to give special thought to
where the service would be provided. Thus, a fine dine restaurant is better located in a busy, upscale market as against on the outskirts of a city. Similarly, a holiday resort is better situated in the countryside away from the rush and noise of a city.

4. **Promotion:** Since a service offering can be easily replicated promotion becomes crucial in differentiating a service offering in the mind of the consumer. Thus, service providers offering identical services such as airlines or banks and insurance companies invest heavily in advertising their services. This is crucial in attracting customers in a segment where the services providers have nearly identical offerings.

We now look at the three new elements of the services marketing mix - people, process and physical evidence - which are unique to the marketing of services.

5. **People:** People are a defining factor in a service delivery process, since a service is inseparable from the person providing it. Thus, a restaurant is known as much for its food as for the service provided by its staff. The same is true of banks and department stores. Consequently, customer service training for staff has become a top priority for many organizations today.

6. **Process:** The process of service delivery is crucial since it ensures that the same standard of service is repeatedly delivered to the customers. Therefore, most companies have a service blueprint which provides the details of the service delivery process, often going down to even defining the service script and the greeting phrases to be used by the service staff.

7. **Physical Evidence:** Since services are intangible in nature most service providers strive to incorporate certain tangible elements into their offering to enhance customer experience. Thus, there are hair salons that have well designed waiting areas often with magazines and plush sofas for patrons to read and relax while they await their turn. Similarly, restaurants invest heavily in their interior design and decorations to offer a tangible and unique experience to their guests.

Every business knows that in order to thrive it needs to differentiate itself in the mind of the consumer. Price has proved inadequate since there is a limit to how much a firm can cut back on its margins. Product differentiation is also no longer enough to attract or retain customers since technological advances have resulted in products becoming almost identical with very few tangible differences from others in the same category. Consequently, marketers have realized the importance of service differentiation as a sustainable strategy for competing for a portion of the customer’s wallet.

**Service Encounter / Moment of Truth**

A moment of truth is usually defined as an instance wherein the customer and the organization come into contact with one another in a manner that gives the customer an opportunity to either form or change an impression about the firm. Such an interaction could occur through the product of the firm, its service offering or both. Various instances could constitute a moment of truth - such as greeting the customer, handling customer queries or complaints, promoting special offers or giving discounts and the closing of the interaction.

In today’s increasingly service driven markets and with the proliferation of multiple providers for every type of product or service, moments of truth have become an important fact of customer interaction that marketers need to keep in mind. They are critical as they determine a customer’s perception of, and reaction to, a brand. Moments of truth can make or break an organization’s relationship with its customers.

This is more so in the case of service providers since they are selling intangibles by creating customer expectations. Services are often differentiated in the minds of the customer by promises of what is to come. Managing these expectations constitutes a critical component of creating favorable moments of truth which in turn are critical for business success.

**Moments of Magic and Moments of Misery**

**Moments of Magic:** Favorable moments of truth have been termed as ‘moments of magic’. These are instances where the customer has been served in a manner that exceeds his expectations. Eg: An airline passenger being upgraded to from an economy to a business class ticket or the 100th (or 1000th) customer of a new department store being given a special discount on his purchase. Such gestures can go a long way in creating a regular and loyal customer base. However, a moment of magic need not necessarily involve such grand
gestures. Even the efficient and timely service consistently provided by the coffee shop assistant can create a moment of magic for the customers.

**Moment of Misery:** These are instances where the customer interaction has a negative outcome. A delayed flight, rude and inattentive shop assistants or poor quality of food served at a restaurant all qualify as moments of misery for the customers. Though lapses in service cannot be totally avoided, how such a lapse is handled can go a long way in converting a moment of misery in to a moment of magic and creating a lasting impact on the customer.

Customer Needs and Expectations

In today’s ultra competitive business environment merely meeting customer expectations is not enough. In order to effectively differentiate themselves from the competition, service providers need to focus on exceeding customer expectations to create customer delight and create a pool of loyal customers. Therefore, when deciding on a service delivery design, it is imperative for the service provider to consider the targeted customer base and their needs and expectations. This will help in developing a service design that will help the provider to effectively manage customer expectations leading to customer delight.

Customer needs comprise the basic reason or requirement that prompts a customer to approach a service provider. For instance, a person visits a restaurant primarily for the food it serves. That is the customer’s need. However, the customer expects polite staff, attentive yet non intrusive service and a pleasant ambience. If these expectations are not properly met the guest would leave the restaurant dissatisfied even if his basic requirement of a meal being served has been met. Thus knowing and understanding guest expectations is important for any service provider.

Customer Satisfaction, Dissatisfaction and Delight

Based on the quality of the service experience a customer will either be satisfied, dissatisfied or delighted. Knowing a customer’s expectation is instrumental in developing a strategy for meeting and exceeding customer expectations.

1. **Customer Dissatisfaction:** This is a situation when the service delivery fails to match up to the customer’s expectations. The customer does not perceive any value for money. It’s a moment of misery for the customer.

2. **Customer Satisfaction:** In this case, the service provider is able to match the customer’s expectations and deliver a satisfactory experience. However, such a customer is not strongly attached to the brand and may easily shift to a competing brand for considerations of price or discounts and freebies.

3. **Customer Delight:** This is an ideal situation where the service provider is able to exceed the customer’s expectations creating a Moment of Magic for the customer. Such customers bond with the brand, are regular and loyal and will not easily shift to other brands.

Meeting and Exceeding Customer Expectations

Exceeding customer expectations is all about creating that extra value for the customer has become an important aspect of the banking sector as well with increasing competition. Many small gestures go a long way in making customers feel important and creating customer delight. After having attained the desired service level, the next great challenge faced by service providers is to maintain service standards at levels of excellence. This is as important, and as tough, as establishing service standards and attaining to them in the first place.

There are basically two approaches that any organization can have towards maintaining service standards - a proactive approach or a reactive approach.

**Proactive:** A proactive approach entails actively reaching out to customers and trying to gather their feedback on service quality and suggested areas of improvement. This can be done by way of:

- Surveys and administering questionnaires
- Gap Analysis, and
- Staff training

a. **Surveys and questionnaires:** Such an approach helps a brand to anticipate customer demands and expectations and align its service offering accordingly. Also, the findings of such surveys can help to identify common issues and demands of customers hence helping a company to customize its service offering.

b. **Gap Analysis:** Another approach that is adopted for analyzing service quality is
that of the gap analysis. The company has an ideal service standard that it would like to offer to its customers. This is contrasted with the current level of service being offered. The gap thus identified serves both as a measure and as a basis for planning a future course of action to improve the service offering.

c. **Staff Training:** Another crucial aspect of the proactive approach is staff training. Companies nowadays spend generously on training their personnel to adequately handle customer queries and/or complaints. This is particularly true if a company is changing its service offering or going in for a price hike of its existing services. For example, when a fast food chain increases the price of its existing products, the staff has to handle multiple customer queries regarding the hike. Lack of a satisfactory explanation would signify poor service standards and lead to customer dissatisfaction.

**Reactive:** A reactive approach basically consists of resorting to a predetermined service recovery mechanism once a customer complains about poor service quality. It usually starts with apologizing to the customer and then taking steps to redeem the situation. The fundamental flaw with this approach is that, here the customer has already had a bad experience of the brand’s service.

Service industry today dominates the economic scene in all the countries. Over a period of few decades we have seen the rise and unprecedented growth of service industry in almost all sectors including technology and telecommunications, health care, education, media, Utilities, financial and banking sector etc.

Today we believe that the service industry is in a mature stage. Competition in Service industry is tougher than the product industry simply because one is dealing with intangible services and customer experience as well as perceptions which can be highly subjective. What we see is that all of the service industry players in all segments have been using technology and standardized processes as enablers of their business. In the rat race, there is every chance that the service company loses its focus on the service experience as one of its deliverables and gets busy in pursuit of revenue targets and market share. This danger of forgetting that one is in the business of delivery customer delight and satisfaction in terms of experience may be lost sight of.

When all of the companies given similar scale of operations are following the same standard procedures and similar systems to manage their business, how does one become a market leader?. The answer to this question lies in ‘doing things differently’. Take a look at the airline sector for example. When the competition is so stiff, two companies have thrived amidst tough competition. South West and Virgin Atlantic have managed to become leaders by innovating themselves differently from that of competition. Southwest grabbed attention with its no frills flying and offering the cheapest airfares, while Virgin Atlantic has built not only a business but a brand successfully. If you read the Virgin Atlantic case study, you will realize that the airline has invented many ‘Firsts’ in customer service by offering a brand new in-flight experience with entertainment as well as in flight services including personalized services such as foot massage, customized meals etc in flight. They have followed this up with specialized origin and destination services offering company chauffeur driven car from the airport including special services such as ‘drive in check in’ at certain airports. According to Richard Branson - “A brand name that is known internationally for innovation, quality and a sense of fun is what we have always aspired to with Virgin.”

**Conclusion**

The banks are the trusted places of customers, and have come across many changes in their functioning. There is a high degree of competition among the banks. In this regard, the service quality plays an important role. The public sector banks should also bring changes in their functioning. The role of technology has become as crucial as never before. The banks will have to adopt a full-fledged marketing strategy. Customer satisfaction is crucial for the future of any banking organization.

Service industries growth has been characterized by focusing on customer service which hereto pushed the product companies too to reorient themselves to look at the customers first. The concept of ‘Customer Is The King’ has come about thanks to the Service industry. In the next cycle, we see service companies having embraced technology and used technology to upgrade their service offerings altogether. This is true in all of the service sectors including the traditional hospitality and travel industries as well. Technology not only helped the service industries to scale up their business operations, it helped bring about standardization in the operations and service delivery mechanisms. At this point we see service
industries beginning to align themselves to product industry culture of standardizing operations and processes and embracing the same principles of operational efficiency, quality of service and other concepts. They have also borrowed the concepts of process re-engineering and other costing methods to manage their business operations.

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