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Research Paper

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EFFECTS OF MARKETING MIX ELEMENTS IN BANKING SERVICES

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ABSTRACT

The banking industry consists of public, private, foreign, regional rural and co-operative banks. Nearly 80% of the market share is dominated by public sector banks. Over the years, Indian private sector banks and foreign sector banks have exhibited improvements in their profitability, asset quality, lower credit costs and healthy capital reserves. On the other hand, public sector banks (PSBs) are facing decline in their earnings growth, reduction in profit margins, asset quality deterioration and increase in credit costs. Within different marketing texts, marketing mix concept has been accepted as a principle.

KEYWORDS: *Brand Equity, Marketing mix, Sustainability.*

INTRODUCTION

The concept of the marketing mix for the first time was introduced in 1950 by Neil Borden, and was known as 4p (Granroos, 1997). First, the so-called marketing mix, 4p, was introduced, which stands for product, price, promotion and place. But with the advancement of science, 3p was added, that is, personnel, physical assets and procedures (process), and the marketing mix changed to 7p. To achieve sustainable competitive advantage, especially in the field of service industries such as banking services, one of the issues that the planners of marketing encounter with is, designing and development of an effective marketing mix. This important issue is even more valuable when investigating the status of the fierce competition between branches of emerging banks and vanguards of the banking industry in the country. Among the problems that, like many other organizations, the bank branches in the country encounter with is that the selection of the constituent elements of the marketing mix is a non-professional, inefficient and random one, including the selection of quality of service, nature of competition, sales forecasting, customer satisfaction level, determining the suitable price and the commission for the services, all of which is due mainly to following the past practices. And hence,today, in order to maintain current market share and market presence, there is a need for reengineering and revising branches seriously. Another variable of the present study is brand equity.

OBJECTIVES OF THE STUDY

The primary goal of this study is to gain an understanding of effects of marketing mix elements in bankingservices. To accomplish this goal, the effect of marketing mix in the banking industry is examined. The main objective of this study is to empirically test the effects of marketing mix elements.

LITERATURE REVIEW

Biel (1992) has described brand image as consisting of three contributing sub-images namely that of the product/service, of the company (organization) and that of the user. The concept that brand image is a composite of distinct sub-dimensions and that these are of significant importance have been stated by Lasser et al. (2005), Pappu et al. (2007). More recently, Chang et al. (2008) and Sierra et al. (2010) have empirically validated the impact of brand image on brand equity with these three sub-dimensions of user, corporate and service brand image in the service sector. Though there are studies that have focused on the image sub-dimensions, as discussed above, we could not trace literature where these dimensions have been considered as independent constructs. We in this study have considered the three image dimensions of user, corporate and service as independent latent constructs and have tried to evaluate the effect of these on brand equity. We have also tried to evaluate the effect of the marketing mix elements on each of these dimensions. The effects of selected

marketing mix elements like advertising, WOM, physical evidence and people (employee) on the dimensions of brand image and perceived quality have been examined.

METHODOLOGY

This study employs simple random sampling, a type of probability sampling, which involves the probabilityof each and every item has a chance to participate in the study. Through this probability sample the final sample is drawn from the employees of the organizations. A survey was conducted among consumers through self-administered questionnaires, which were distributed to the adult members of the population who have had service encounters with various commercial banks in Coimbatore city.

RESULTS AND DISCUSSION

A total of 384 usable questionnaires weregathered and analyzed.

Exploratory Factor Analysis - Banking services effects of marketing mix elements on service brand equity:-

A sample of 384 respondents was taken for the study. The data collected for the study were classified, tabulated and processed for factor analysis which is the most appropriate multivariate technique to identify the group of determinants. Factor analysis identifies common dimensions of factors from the observed variables that link together the seemingly unrelated variables and provides insight into the underlying structure of the data. In this study Principal component Analysis has been used since the objective is to summarize most of the original information in a minimum number of factors for prediction purpose.

A Principal Component Analysis is a factor model in which the factors are based on the total variance. Another concept in factor analysis is the rotation of factors. Varimax rotations are one of the most popular methods used in the study of simplify the factor structure by maximizing the variance of a column of pattern matrix. Another technique called latent root criteria is used. An Eigen Value is the column sum of squares for a factor. It represents the amount of variance in data. After determination of the common factors, factor scores are estimated for each factor. The common factors themselves are expressed as linear combinations of the observed variables.

Factor Model : $Fi = Wi1X1 + Wi2X2 + \ldots\ldots\ldots\ldots.. WikXk$

Where Fi = Estimate of the ith factor, W1= Weight or Factor score coefficient

k = Number of variables.

Twenty factors are considered for measuring on a five point scale. Factor matrix and their corresponding factor loading after the Varimax rotation are presented in the table.

Table 1 - KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.779
Bartlett's Test of Sphericity	Approx. Chi-Square	2369.330
	df	190
	Sig.	.000

Table 2 - Communalities

Short	Description of variables	Initial	Extraction
mix1	Market share is achieved through basic pricing.	1.000	.593
mix2	Different products for different groups.	1.000	.716
mix3	Profit is increased by the volume of business.	1.000	.648
mix4	Set rules for minimal balance.	1.000	.595
mix5	Providing ample of retail products.	1.000	.657
mix6	Extending more number of branches where more number of customer's accounts are available.	1.000	.756
mix7	Minimal charges on services.	1.000	.469
mix8	Target on the location where banks are limited.	1.000	.533
mix9	Sign boards, Bill boards, Kiosk are attractive.	1.000	.491
mix10	More number of call centers.	1.000	.596
mix11	Lot of co branding strategies to increase business.	1.000	.459
mix12	Adaptability of trends.	1.000	.581
mix13	Connection links with Indian railways and Airlines.	1.000	.569
mix14	Adequate Auto mated teller machines.	1.000	.718
mix15	Clientele with most valued customers.	1.000	.596
mix16	Possible Tab, Mobile, i banking	1.000	.617
mix17	Centralized collection centers.	1.000	.440
mix18	Adequate foreign offices.	1.000	.548
mix19	Highly motivated employees.	1.000	.658
mix20	More customer and service centric strategies.	1.000	.342

Extraction Method: Principal Component Analysis.

In Table Bartlett's test of sphericity and KAISER MEYER OLKIN measures of sample adequacy were used to test the appropriateness of the factor model. Bartlett's test was used to test the null hypothesis that the variables of this study are not correlated. Since the approximate chi-square satisfaction is 2369.330 which are significant at 1% level, the test leads to the rejection of the null hypothesis.

The value of KMO statistics (0.779) was also large and it revealed that factor analysis might be considered as an appropriate technique for analysing the correlation matrix. The communality table showed the initial and extraction values.

Table 3 - Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.782	23.909	23.909	4.782	23.909	23.909	2.999	14.993	14.993
2	2.297	11.486	35.395	2.297	11.486	35.395	2.647	13.235	28.228
3	1.709	8.546	43.941	1.709	8.546	43.941	2.336	11.678	39.905
4	1.503	7.517	51.458	1.503	7.517	51.458	1.868	9.342	49.247
5	1.292	6.461	57.919	1.292	6.461	57.919	1.734	8.672	57.919
6	1.053	5.264	63.182						
7	.935	4.675	67.857						
8	.885	4.424	72.281						
9	.723	3.616	75.897						
10	.660	3.300	79.197						
11	.611	3.054	82.251						
12	.514	2.571	84.822						
13	.491	2.453	87.275						
14	.460	2.298	89.573						
15	.406	2.031	91.603						
16	.377	1.887	93.490						
17	.367	1.833	95.323						
18	.330	1.652	96.975						
19	.318	1.591	98.566						
20	.287	1.434	100.000						

Extraction Method: Principal Component Analysis.

From the table it was observed that the labelled "Initial Eigen Values" gives the EIGEN values. The EIGEN Value for a factor indicates the 'Total Variance' attributed to the factor. From the extraction sum of squared loadings, it was learnt that the I factor accounted for the variance of 4.782 which was 23.909%, the II factor accounted for the variance of 2.297 which was 11.486%, the III factor accounted for the variance of 1.709 which was 8.546%, the IV factor accounted for the variance of 1.503 which was 7.517% and the V factor accounted for the variance of 1.292 which was 6.461%. The five components extracted accounted for the total cumulative variance of 57.919%

Determination of factors based on Eigen Values

In this approach only factors with Eigen values greater than 1.00 are retained and the other factors are not included in this model. The five components possessing the Eigen values which were greater than 1.0 were taken as the components extracted.

Table 4 - Rotated Component Matrix[a]

Description of variables		Component					Labeled as
		1	2	3	4	5	
mix2	Different products for different groups.	.835					Segmentation
mix4	Set rules for minimal balance.	.729					
mix6	Extending more number of branches where more number of customer's accounts are available.	.843					
mix8	Target on the location where banks are limited.	.678					
mix1	Market share is achieved through basic pricing.		.760				Pricing
mix3	Profit is increased by the volume of business.		.786				
mix5	Providing ample of retail products.		.801				
mix7	Minimal charges on services.		.556				

mix9	Sign boards, Bill boards, Kiosk are attractive.		.667			Promotion
mix11	Lot of co branding strategies to increase business.		.643			
mix15	Clientele with most valued customers.		.713			
mix13	Connection links with Indian railways and Airlines.		.699			
mix10	More number of call centers.			.754		Technology
mix12	Adaptability of trends.			.556		
mix14	Adequate Auto mated teller machines.			.817		
mix16	Possible Tab, Mobile, i banking			.556		
mix17	Centralized collection centers.				.558	Personalized services
mix19	Highly motivated employees.				.792	
mix18	Adequate foreign offices.				.725	
mix20	More customer and service centric strategies.				NR	

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 6 iterations.

Demographic Background wise : Analysis:-

General Information

The survey conducted to agreeability of respondents towards the effects of marketing mix elements on service brand equity on the basis of information from the respondents.

Type of account wise analysis

The type of account opened by the respondents was classified into two groups viz., Current account and Savings account. ANOVA analysis was used to find out the effect of demographic background like type of account opened on effects of marketing mix elements on service brand equity factors.

H0 : There is no significant difference among type of account opened by the respondents and effects of marketing mix elements on service brand equity factors.

H1 : There is significant difference among type of account opened by the respondents and effects of marketing mix elements on service brand equity factors.

Table 5 - ANOVA

Source of variance		Sum of Squares	df	Mean Square	F	Sig.	Result
Segmentation	Between Groups	.548	1	.548	.896	.344	NS
	Within Groups	233.571	382	.611			
	Total	234.119	383				
pricing	Between Groups	.067	1	.067	.120	.729	NS
	Within Groups	213.116	382	.558			
	Total	213.183	383				
promotion	Between Groups	1.382	1	1.382	1.823	.178	NS
	Within Groups	289.508	382	.758			
	Total	290.890	383				
Technology	Between Groups	.103	1	.103	.159	.691	NS
	Within Groups	247.124	382	.647			
	Total	247.226	383				
Personalised services	Between Groups	.005	1	.005	.010	.922	NS
	Within Groups	204.229	382	.535			
	Total	204.234	383				

*0.05 % level of significance. NS – Not significant S – Significant

From the table, it is understood that there is no difference among type of account by the respondents and effects of marketing mix elements on service brand equity factors. Hence the null hypothesis is accepted as the significance value is greater than 0.05 for all the factors of effects of marketing mix elements on service brand equity.

Location of Bank wise analysis:-

The location of bank wise analysis was classified into three groups viz., Urban, Semi-urban and Rural. ANOVA analysis was used to find out the effect of demographic background like location of the bank on effects of marketing mix elements on service brand equity factors.

H0 : There is no significant difference among location of bank and effects of marketing mix elements on service brand equity factors.

H1 : There is significant difference among location of bank and effects of marketing mix elements on service brand equity factors.

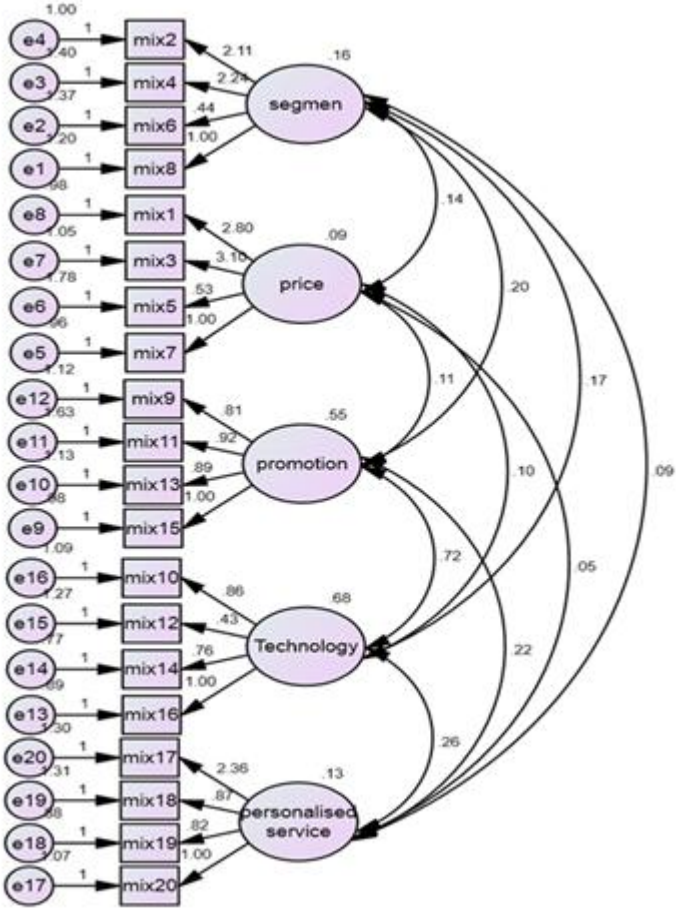
Table 6 - ANOVA							
Source of variance		Sum of Squares	df	Mean Square	F	Sig.	Result
Segmentation	Between Groups	1.985	2	.993	1.629	.197	NS
	Within Groups	232.134	381	.609			
	Total	234.119	383				
pricing	Between Groups	.373	2	.187	.334	.716	NS
	Within Groups	212.810	381	.559			
	Total	213.183	383				
promotion	Between Groups	1.039	2	.520	.683	.506	NS
	Within Groups	289.851	381	.761			
	Total	290.890	383				
Technology	Between Groups	.203	2	.101	.156	.855	NS
	Within Groups	247.024	381	.648			
	Total	247.226	383				
Personalised services	Between Groups	.638	2	.319	.597	.551	NS
	Within Groups	203.596	381	.534			
	Total	204.234	383				

*0.05 % level of significance. NS – Not significant S – Significant

From the table, it is understood that there is no difference among location of bank by the respondents and effects of marketing mix elements on service brand equity factors. Hence the null hypothesis is accepted as the significance value is greater than 0.05.

Confirmatory Factor Analysis:-

A Confirmatory Factor Analysis (CFA) using AMOS 16 was applied to test the theoretical model and hypothesis vis-a vis to assess fitness, reliability and validity of measurement models for different constructs in the study. The various resulting measurement models are as follows :



The Confirmatory factor analysis model for branding of banks was designed to test the relationship between 20 variables and five construct viz., Segmentation, Pricing, Promotion, Technology and Personalised service. The model presented has been found to be appropriate as the values are fit under the threshold criteria (Chi-square/df = 6.158, RMR = 0.163, GFI = 0.777, TLI = 0.537, CFI = 0.610 and RMSEA = 0.116).

CONCLUSION

The overall analysis reveals that the opinion of the customers can be grouped viz., segmentation, pricing, promotion, technology, and personalized services. By adopting the above said strategies thee banking services could reach better and gains the confidence of the customer.

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