



# An Indian customer surrounding 7P's of service marketing

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## ABSTRACT

The primary aim of the study is to examine the effects of services marketing mix elements on Indian customer for making the appropriate marketing mix strategy in banking services context. The study is based on a sample of 351 customers of bank users in India who filled an online questionnaire. The paper uses confirmatory factor analysis and structural equation modeling (SEM) to analyse and confirm the conceptual model proposed in the research. The paper finds that physical evidence, process, place, and people have a positive and significant effect on customer. The study suggested an appropriate services marketing mix strategy for Indian customer perspective in the context of banking services. The paper would help the bankers to create marketing strategies and action plans to retain their existing customers and to attract new customers. The paper is first of its kind to discuss the effects of '7Ps' of services marketing mix collectively on Indian customer. The results of the analysis indicated that managing the marketing mix dimensions of product, price and promotion is of less importance except place than managing interactive marketing dimensions such as people, physical evidence, and process.

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## 1. Introduction

The competitive climate in the Indian financial market has changed dramatically over the last few years. The expectations of the customers are changing. Indian banking sector has also undergone financial reforms since the 1990s (Agarwal et al., 2009; Lenka et al., 2010). Earlier, banks enjoyed a protected market. After economic liberalisation, banks were exposed to free market competition, advanced technological sophistication and changing customer dynamics (Melewar and Bains, 2002). Owing to the globalisation of markets, banking in India is experiencing internal turmoil. Few Indian banks initiated experimenting with new innovative services by offering online and mobile banking which provides 24 h service (Kannabiran and Narayan, 2005). Private sector banks and foreign banks have also introduced some new innovative services. Banking firms have become flatter and customer-centric now.

In recent years, there has been an increasing interest in the service marketing mix which aims to achieve the maximum outcomes in terms of customer satisfaction and retention that allow firms, including banks, to be competitive over time. During the past decade, marketers and researchers have identified the importance of 7Ps of services marketing and customer orientation for sustainable competitive advantage (Gronroos, 2004). Crisis in banking industry have

shown the need for sustainable and effective service marketing mix strategies. Krasnikov et al. (2009) suggested that a successful marketing mix approach can help banks to achieve better customer service and support, greater efficiency and cost reduction. The major difference between services marketing mix and regular marketing is that instead of the traditional 4Ps i.e. product, price, place, and promotion, there are three additional Ps consisting of people, physical evidence, and process. It means that service marketing mix involves the 7Ps of marketing i.e. product, price, place, promotion, people, physical evidence, and process. To a certain extent managing services are more complicated than managing products. Products can be standardised, to standardise a service is far more difficult as there are more input factors involve, namely, physical evidence, process, and people (Gronroos, 1997). There is evidence to suggest that managing the marketing mix (i.e. product, price, place, and promotion) is of less importance than managing interactive marketing dimensions, namely, people, processes and physical evidence (Gummesson, 1987, 1999). While the literature defines 7Ps of services marketing as being wide in scope and it encompasses all of the dimensions, some dimensions are of more importance than others. In such a situation, marketing is no longer a function of its own but rather it becomes part of the various functions of the firm (Gronroos, 2000).

On the other hand, bank deals with providing services to satisfy customers' financial needs and wants. Banks have to find out the financial needs of the customers and offer the services which can satisfy those needs. Banks may also require satisfying the customers' financial and other related needs and wants. The individuals and corporate bodies have certain needs in relation to money commodity (Bang and Philipp, 2013). To satisfy these financial needs, customers

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want specific services. Wallis (1997) stated that “customers will seek out those financial products and services which offer the best value for money”. Different banks offer different benefits by offering various schemes which can take care of the wants of the customers. Service marketing mix helps in achieving the organisational objectives of the bank (Gronroos, 1982). It is the ‘aggregate of functions’ which signify the totality of the marketing activity. This aggregate of functions is the sum total of all individual activities consisting of an integrated effort to discover, create, arouse and satisfy customer needs (Alexander and Colgate, 2000). This means that each individual function in the banking is a marketing function which contributes to the total satisfaction to customers and the bank should ultimately develop integrated customer orientation approach. Because firm cannot stay in business so long if it does not attract and hold enough customers, no matter how efficiently it operates (Zeynep and Toker, 2012).

The literature review revealed that the concept of marketing mix and additional three P’s of services marketing have been defined by a large number of marketing researchers in different contexts and along different industries. The importance of research on these P’s strategy is undoubted. However, empirical research on the 7P’s of services marketing mix in banking industry is unfortunately characterised by non-significant, contradictory and confusing (Berry, 1995). Banking is such as industry that the degree of flexibility of the service marketing mix is low, and the initiative of banks that present those services is less than other industries (Lovelock, 1996). In addition, banking sector has been suffering in creating superior individual service performance and direct relations with their customers (Shin and Elliott, 2001). A fundamental issue facing Indian banking is the question of how to coordinate the different generic services marketing mix dimensions around the Indian customer. The literature on services marketing strategy provides a magnitude of arguments for both the standardisation and the adaptation of the different combination of 7Ps in various financial services (Gronroos, 1997, 2004). Many researchers have also focused on a single analysis of the influence of one marketing mix dimension on a firm’s performance (Lymperopoulos et al., 2013; Lees et al., 2007). However, a marketing mix does not result in a single marketing ‘P’ strategy. It may be the interplay of all 7P’s elements at the same time. So there is a need to examine the appropriate services marketing mix strategy for Indian customer perspective in banking services. Therefore, the present study is expected to contribute to the literature on services marketing mix as related to Indian customer in banking services. The primary aim of the current study is to examine the effects of services marketing mix elements on Indian customer for making the appropriate marketing mix strategy in the context of banking services.

The rest of the paper proceeds as follows: Section 2 presents the literature review and hypotheses of the study. In Section 3, the implemented methodology is described. The data analysis and findings of the paper are given in Section 4 and in Section 5, discussion and conclusion of the study are presented. The Section 6 presents the managerial implications of the research. Finally, Section 7 includes some limitations and proposals for future research.

## 2. Literature review and hypotheses development

### 2.1. Customer

It was McCarthy (1960) who clarified that the customer is not a part of the marketing mix; rather, he should be the target of all marketing efforts (Kotler, 2000). In order to develop effective marketing strategies, the marketers need first to understand why customers use services and how they choose among competing

service suppliers (Lovelock, 1983). What are their expectations at each step in service delivery? Finally, of course, they should determine whether the experience of using the service and receiving its benefits has met customers’ expectations and left them satisfied and ready to repurchase in the future (Coye, 2004). Indian customers also typically hold similar desired expectations across banking services (Shanker, 2002). A customer’s desired service expectation from banks may be quick, convenient, value added, low cost, with advanced technology, easy and smooth, safe and reliable through a modern branch setting (Zeithaml et al., 2008; Gronroos and Vioma, 2013). Safe and reliable banking is the primary concern of all customers (Dabholkar and Bagozzi, 2002; Joseph et al., 1999; Yang et al., 2004). Marketers do not usually need to know the specifics of how physical goods are manufactured—that responsibility belongs to the people who run the factory (Johnson and Mathews, 1997). However, the situation is different in services because their customers are often involved in service production and may have preferences for certain methods of service delivery, so that marketers must understand the nature of the processes through which services are created and delivered (Zeithaml, 1981). Because designing a simple and seamless service delivery process support firms to reduced the necessary time of delivering the service products (Danaher and Mattsson, 1998; Gronroos, 1990). It has an important role in shaping customers overall perception of service quality evaluation (Anderson and Sullivan, 1993; Cronin and Taylor, 1992). This strategic response of a firm can achieve the competitive advantage from its competitors and surpass the competition. It significantly affects the creation and delivering of superior value, customer satisfaction, competitive advantage, growth opportunity, and profitability of the firm (Shamah, 2013; Lytle and Timmerman, 2006; Gronroos and Vioma, 2013; Haas et al., 2012).

Due to a dynamic business environment, Indian banks have also started to adopt customer-driven marketing strategies to address the rapid and changing needs of their customers (Agarwal et al., 2009). Thus, banks have come to realise the importance of differentiating themselves from their competitors on the basis of superior customer service and relying on effective service marketing mix strategies instead of the traditional banking (Levitt, 1974; Gronroos, 1982). But the first and most important step in applying any marketing strategy is to have a whole hearted commitment to customer orientation (Gummesson, 2008). This means that the central focus of all the marketing activities of a bank is customer (Carson et al., 2004). As a result, the notion of 7Ps of services marketing mix has emerged as a key factor in modern banking and their customer analysis (Zeithaml and Bitner, 1996). Understanding and gaining access to India’s markets will also require careful analysis of customer perception regarding services marketing mix.

### 2.2. Services marketing mix

The concept of the marketing mix was coined by Neil Borden in 1953 and then formalised in his article ‘The concept of the Marketing mix’ (Borden, 1964). McCarthy (1960) then summed up 12 elements of Borden’s marketing mix into ‘4Ps’- product, price, place, and promotion. Alternative models of marketing mix were also proposed around the same time. However, McCarthy’s four Ps model has dominated marketing thoughts, particularly in the goods marketing context (Gronroos, 1994). For service industries, it was observed that the traditional marketing mix was inadequate because the original marketing mix was developed for manufacturing industries (Gitlow, 1978; Shamah, 2013). The marketing practitioners in the service sector found that the marketing mix does not address their needs (Helm and Gritsch, 2014). They observed that the services have certain basic characteristics which in turn, have marketing implications (Rathmell, 1974). For example

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