

**INCREASING THE EFFECTIVENESS OF SERVICE MARKETING BY
ADVERTISING - A STUDY OF INDIAN COMMERCIAL BANKS**

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Abstract

Advertising is a paid form of communication whose purpose is to educate and inform customers about a product, service or an idea. Advertising is one of the major strategies of marketers to promote their goods or services in market. The idea of advertising is to drive consumer behavior in a particular way in regard to a product, service or concept. Nowadays advertising is used in Banking Industry also. Banking Industry is a service industry and is one of the most important service industries. Earlier the Banking industry has not focused on selling their services to customers. But now days due to commercialization and cut throat competition, marketing of services through various modes of advertising has become an important aspect of banking industry. Marketing Communication has become every necessary in today's competitive environment. It becomes mandatory for the banks to think seriously about how they can compete effectively with other financial institutions. This has led to the innovation of various marketing communication strategies.

After liberalization and privatization Banking Sector Reforms have changed the face of Indian banking industry. These changes have led to the increase in resource productivity, increasing level of deposits, credits and profitability and decrease in non-performing assets. However, the profitability, which is the most important criteria to measure the performance of banks in addition to productivity, sales, financial and operational efficiency, has come under pressure due to the competition and challenging environment of banking. An efficient and effective management of banking operations is required for up-to-date knowledge of all those factors on which the bank's profit depends.

Nowdays companies are investing millions of rupees on marketing communication or promotion including advertising. Now due to so much competition in the market, practitioners and researchers have turned their attention towards examining the impact of marketing communication activities like advertising impact on firm's profitability. It's important for the firm to quantify the effect and impact of advertising on finance and profitability of a firm.

There are various types of advertising like print advertising, guerilla advertising, broadcast advertising, outdoor advertising, public service advertising etc but the ones that are most common are brand, product, corporate and cooperative advertising. It goes without saying

that advertising has both an informative and persuasive role and in this regard can influence customer's perception of the service' and increase brand loyalty, subsequently, advertising can have a cumulative and long lasting effect and it involves capital investment.

As the technology has advances, so in the new era of competition and advancement in technology bringing changes in the advertising methods and ways has become inevitable and should discover and find new ways to satisfy and retain their customers. In banking sector advertisement is required to attract new customers and to inform people regarding the upcoming service and schemes to help them to feel both important and involved.

This study focuses on studying the relationships between advertisement and profitability by seeking to measure the impact of advertisement spending by commercial banking firms on banks profitability. The study assess the effectiveness of advertising in Indian Banking sector on the basis of few parameters i.e net profit, sales and operating expenditure of the bank this study also this paper also attempts to make a comparative analysis of public and private sector commercial banks. This paper attempts to accumulate literature in order to understand the overall impact of advertising on profitability, operating expenses and sales. The literature reviewed provides underlying patterns of relationship between advertising and its impact on profitability and other factors. Such understanding is relevant for academicians and researchers for further work in this field. The insights into the previous studies, considered for this paper, are discussed and suggestions for future research are provided.

Research Methodology- For conducting this study mainly secondary data will be used. Secondary data is data collected by someone other than the user. For conducting this study five Public sector commercial banks and five Private sector commercial Banks of India have been selected as sample size. The data for the time frame of 2000 to 2012 will be used for analysis purpose.

Scope of the study- There is a need now to re-discover the weaknesses and the strengths of advertising for increases in banks profitability. The study will throw more light into the effectiveness, the problems and frustrations the banks faces when placing advertisement. It will help the bank to know the importance of advertising for organizational development. In addition the study will also serve as a useful tool for those in the marketing practitioners/discipline who would like to carry out further research in this area.

Keywords: consumer behavior, advertisement, marketing, profitability.

Introduction

An effective communication flow between the company and the customers is essential for marketing. Manufacturing a product and making it available in the market is a very small part of the company's job. Another thing which is quite important is to make the customers aware that the product is available in the market. However only making the customers know about the availability of the product or service is not enough, as in a competitive market there are several firms which are striving to win over customers. Therefore, it becomes equally important that the distinctive features and the specifications of the product are also propagated. Not only this, but a proper feedback should also be taken from the customers regarding the acceptance of the company's product through effective, continuous and a two way flow of information between the firm and its customers.

A firm communicates with its customers through various ways like colorful packages, written messages, pictures and symbols, attractive showrooms and efficient salesmanship. When the customers receive and interpret these stimuli then the communication process takes place. In case of service industry like banking it is essential to follow a holistic approach to effectively interact with the customer and highlights the importance and significance of marketing communication. In service industry it is very important to create a powerful image and a sense of credibility, confidence and reassurance in the mind of customers through market communication.

Creating effective communication in banking industry is very essential as banks have to communicate with existing customers as well as potential customer about what they are doing and what they are planning to do in near future. Due to the intangibility of service product, marketing communication becomes very challenging in service industry. In unstable and competitive financial market, to retain and attract customers is becoming very important. One of the essential tools to increase the economic efficiency of financial institutions is advertising.

Literature Review

To measure the impact of marketing activities (advertising) on firm performance is becoming very important now. Practitioners are increasingly under pressure to report their contribution to the overall firm performance..*O'Sullivan and Abela (2007)* reported that the ability to measure the internal marketing performance causes a significant impact on firm performance, profitability, stock return and marketing's stature within the firm. In recent years a number of studies suggest that a firm's advertising (*Weston 2004; Joshi and Hanssens 2007.*) directly affects stock returns. This is in addition to the indirect effect of advertising through increase in sales revenues and profits. *Hanssens (2007)* carry out an extensive literature survey on the impact of advertisement on market and firm value. Few studies have addressed the effect of

advertising effects on sales. Little has been researched on capturing the impact of how the effects vary by creative medium or vehicle, and time of day for broadcast advertising (*Lodish 1994*). In particular, no study has researched the effects of advertising by these three factors simultaneously. While marketers know that consumer behavior is influenced by multiple factors, yet little research has been done on understanding the impact using the integrated marketing mix model (*Sethi, 1994*). This is attributed to the fragility of advertising's effects and the complexities involved in getting bias-free estimates.

Sankaran M (1999) studied the measures that would help domestic players in financial services sector to improve their competitive efficiency, and thereby to reduce the transaction costs. The study found that the specific set of sources of sustainable competitive advantage relevant for Financial Service Industry are: a) product and process innovations, b) brand equity, c) positive influences of 'Communication Goods', d) corporate culture, e) experience effects, f) scale effects, and g) information technology.

As said before Marketing Communication has become very essential in today's competitive environment. It becomes very important for the banks to think seriously about how they can compete effectively with other financial institutions. For this banks have to focus upon innovative marketing 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 strategies are very important as 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.

F G Crane (1990) using a case study analysis, found that corporate advertising should be an integral component of the marketing communications program of a financial services institution and recommends that managers need to pay more attention to successfully integrate corporate advertising integrated with product advertising.

Rayburn's study (1978) 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."

SubbaRao (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 Newspapers 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."

Singh J 0 (1983) examined the trends in bank advertising in the seventies 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.

Now days due to technology enhancement and changes in the advertising have become mandatory especially in case of service industry. Social media is playing an important and vital role as they have a strong user focus. Social media helps in transforming the idea of a community and the way people perceive it. Social media network is now one of the most important networks that cannot be ignored for increasing the performance of a firm. People are using various groups of societies to help them make aware.

Dehghani and Nourani (2012) identified the role of social media advertising in motivating customers in banking services. The idea was to recognize the advertising systems which banks used throughout social media to keep customers satisfied and in check of new events and new services available. The study used reports of advertising systems which mainly The Is bank (One of the largest bank in Turkey) used along with questionnaires form customers, leads to acknowledging the impact of using these methods. The range of platforms studied was varied from Facebook, tweeter, and email applications to community based internet groups.

Objectives of the Study

The following are the objectives set for the study on advertising with profitability performance:

1. To explain the concept of advertisement with relation to profitability performance of commercial banks in India.
2. To find the association index between advertisement and sales of each commercial banks under consideration.
3. To calculate the proportion of advertisement trend in relation to operating expenses of the bank.
4. To conclude the analysis with positive remarks by the study for getting a prominent role in the field of marketing.

Research Hypotheses

The research hypotheses of the study are:

H₀₁ : There is no relationship that exists between advertising expense and profitability performance of banks.

H₀₂ : The expense on advertising has not significantly increased for the Public sector Commercial banks in India.

H₀₃ : The expense on advertising has not significantly increased for the Private sector Commercial banks in India.

H₀₄ : There is no significant relationship exists between Advertisement Expense and Net Sales of the Public sector Commercial Banks in India.

H₀₅ : There is no significant relationship exists between Advertisement Expense and Net Sales of the Private sector Commercial Banks in India.

Research Methodology

The Indian financial system comprises of Commercial Banks, Co-operative Banks, Development Finance Institutions and Non-Banking Finance Companies. This study is based on Indian Commercial Banks which includes both Public Sector Banks and Private Sector Banks. Currently India has 88 Scheduled commercial banks- 27 public sector banks and 31 private sector banks.

1) Data - For conducting this study mainly secondary data has been used. Secondary data is data collected by someone other than the user. Common sources of secondary data for social science include censuses, organizational records and data collected through qualitative methodologies or qualitative research. For this study, secondary data from online websites, business times, newspaper, research paper, books etc. has been used.

2) Sample Size - For conducting this study five Public sector commercial banks and five Private sector commercial Banks of India have been selected as sample size. The data for the time frame of 2000 to 2012 has been used for analysis purpose. Following is the list of all the chosen banks:

Public Sector Banks For Study:

- 1) Allahabad Bank
- 2) Punjab National Bank
- 3) Syndicate Bank
- 4) State Bank of India
- 5) Bank of Baroda

Private Sector Banks For Study:

- 1) ICICI Bank
- 2) HDFC Bank
- 3) Canara Bank
- 4) Axis Bank
- 5) City Union Bank

3) Analytical procedure for the study- For conducting this study data for the year 2002-2012 has been collected for each selected private and public sector banks. Average for all the variables has been calculated by Arithmetic Mean for each bank.

Mainly three ratios have been used for this study; Advertisement expense/Net Profit ratio (AENP), Advertisement expense/Operating expense (AEOE) and Advertisement expense/Sales (AESR). After calculating all the ratios for the selected banks, a comparative analysis has been performed between Private and Public sector commercial banks. The average value of ratios has been calculated by taking the average of all the ten years data (from 2002-2012) for each ratio. The Average for each ratio of a bank has been calculated by applying Arithmetic Mean. After that a comparative analysis is done for both the sector banks for averages of each ratio which is shown with the help of tables and graphs. A comparison of public and private sector banks has been done through t- test (two-tailed test) for AENP, AEOE and AESR by taking independent samples with 5% level of significance.

Likewise a comparative analysis has been done for public and private sector banks by taking the correlation coefficient values for each ratio for both the sectors. A comparative analysis has been shown with the help of tables and graphs. After that t-test (t- statistics) has been applied for equality of means with 5% level of significance for AENP, AEOE and AESR.

Data Analysis and Interpretation

A comparison of selected public and private sector banks has been done through SPSS by taking the values of selected ratios by taking independent sample test through t-test.

AENP Comparison of Public Sector Banks and Private Sector Banks – Independent Samples Test

Name of Variable	T - test for Equality of Means						
	Results					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
AENP (Equal Variance Assumed)	-1.585	8	.152	-.01400	.00883	-.03437	.00637

The level of significance is 15.20% which is more than 5% level of significance and 10% respectively that means the value of AENP of both private and public sector banks does not differ significantly. Therefore we can say that AENP performance of both the sector banks is same as found by the study.

AEOE Comparison of Public Sector Banks and Private Sector Banks – Independent Samples Test

Name of Variable	T-test for Equality of Means						
	Results					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
AEOE (Equal Variance Assumed)	-2.449	8	.040	-.01200	.00490	-.02330	-.00070

The level of significance is 4% which is less than 5% level of significance and 10% respectively that means the value of AEOE of both private and public sector banks differs significantly. Therefore we can say that AEOE performance of both the sector banks is different as found by the study.

AESR Comparison of Public Sector Banks and Private Sector Banks – Independent Samples Test

Name of Variable	t-test for Equality of Means						
	Results					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper

AESR (Equal Variance Assumed)	.322	8	.756	.09400	.29194	-.57921	.76721
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The level of significance is 75.6% which is more than 5% level of significance and 10% respectively that means the value of AESR of both private and public sector banks does not differ significantly. Therefore we can say that AESR performance of both the sector banks is same as found by the study.

Correlation Coefficient of AENP of Public Sector Banks and Private Sector Banks : T – Statistics

Name of Variable	t-test for Equality of Means							
							95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper	
AENP (Equal Variance Assumed)	1.349	8	.214	.18200	.13495	-.12920	.49320	

The level of significance is 21.4% which is more than 5% level of significance and 10% respectively that means the value of AENP of both private and public sector banks does not differ significantly. Therefore we can say that AENP performance of both the sector banks is same as found by the study.

Correlation Coefficient of AEOE of Public Sector Banks and Private Sector Banks : T-Statistics

Name of Variable	t-test for Equality of Means						
						95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
AEOE (Equal Variance Assumed)	.321	8	.756	.03600	.11207	-.22244	.29444

The level of significance is 75.6% which is more than 5% level of significance and 10% respectively that means the value of AEOE of both private and public sector banks does not differ significantly. Therefore we can say that AEOE performance of both the sector banks is same as found by the study.

Correlation Coefficient of AESR of Public Sector Banks and Private Sector Banks : T - Test

	t-test for Equality of Means						
						95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
AESR Equal variances assumed	-.308	8	.766	-.08800	.28570	-.74682	.57082

The level of significance is 76.6% which is more than 5% level of significance and 10% respectively that means the value of AESR of both private and public sector banks does not differ significantly. Therefore we can say that AESR performance of both the sector banks is same as found by the study.

Conclusion

Advertisement has a positive impact on profitability performance of the banks. Increase in advertisement gives an increasing trend to net profit of the banks. Operating expenses are directly proportional to advertisement expense. A positive correlation is there in advertisement expense and net profit of the banks. Public banks must pay attention on their functioning to compete private banks. Banks should be well versed in proper selection of advertisement method and their application.

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