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Interplay of 7Ps of Marketing Mix in Customer Acquisition: An Empirical Study of Retail Banking

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Abstract:

Customer acquisition is being rated as one of the most testing issues of the industry, especially in service sector, due to the worth anticipated from performing the task of customer acquisition process in the businesses. Customer acquisition is being treated as a significant industry technique because it aims to acquire the most important possession of all organizations, i.e. the customer. The recent transformations in the customer's psychology, the escalating expectations from the service sector and the ever increasing supremacy of financially and technologically superior foreign banks at large, make it essential that the banks innovate their existing product & service mix. This makes it imperative that banks provide best mix of products and service to ensure building of brand image and thus ensuring high rate of Customer Acquisition.

Customer Acquisition needs to be attended to, at the initial stage of the customer life cycle, but unfortunately it is being felt that the management is not predominantly expert in supervision and management of acquisition process. The study shall try to find out the role played and effectiveness of the 7Ps of Marketing Mix in projecting the brand image of the banks and attracting customers to avail a particular product or service offered. The study is carried out with an aim to assess and rate the marketing strategies employed for acquisition of customer in private sector banks. The proposed study will also analyze the role played by 7Ps with reference to the expectations of the customer and the power to affect the customer mind frame.

The results of the study carried out on a sample size of 150 customers of 3 prominent private banks; show that the top rated 4 factors (Place, Product, Process and Pricing) significantly impact the customer acquisition process, thus proving the supremacy of traditional 4Ps over the service specific 3Ps in Customer Acquisition. It is hoped that the empirical findings of the study will assist private and public sector banks, both, in development of the bank's customer acquisition process and related further researches. The study shall contribute in establishing the importance and requirement for incorporation of the acquisition process as a significant milestone in helping the organizations sustain competitive advantage within the international global business environment.

Keywords: Marketing Mix, Bank Marketing, 7Ps, Customer Acquisition

1. Introduction

Post Liberalization, the banking sector has witnessed entry of new players at regular intervals and the existing and new players are facing intense pressures for a profitable survival in the sector. With the relaxation in banking governance and licensing rules, post liberalization, even financially sound corporate houses, have started sensing the opportunity in banking sector. The competition in the financial sector has significantly increased and has become a prevailing factor in India's banking industry. The new entrants, global and Indian, of the banking sector are well equipped and have more financial muscle, skilled and qualified manpower along with advanced technology being offered to the Indian consumer.

To survive successfully in the market, increasing the market share and to attract new customers has become a main priority for the banks today. Today's customer is well educated, is well informed and has access to the knowledge through internet and other latest technology. Hence, the need for strategizing the customer acquisition process is felt strongly now as the acquisition of customers is vital in order for banks to grow their business.

Today, banking is regarded as a customer oriented services industry and even public sector banks have started accepting the fact that their business increasingly depends on the quality of the products, brand image and pre sales and post sales services provided to the consumer. The marketing mix strategy of the banks should be an optimal mix of the 7Ps or 7 elements of marketing mix. The marketing mix of a product consists of four elements or 4Ps i.e. Product, Place, Promotion and Price. However, due to the perish ability and intangible characteristics of service sector marketing, three more elements or 3P's have been integrated in the already existing and universally accepted 4Ps to form the extending market mix for service oriented sectors, hence, forming the concept of 7P's of marketing mix for any sector. These additional 3Ps are Process, Physical Evidence and People.

Customer acquisition has become a major challenge being faced by banks of late and can be described as a process of getting new customers to a particular brand, a product or service. Consumers should be able to have a feel of being acquainted with and have belief and faith in their provider's brand. Encouraging customers to get associated with a brand supports the acquisition process and assist the consumers to see a more humane side of their bank. Acquisition of customers is a continuous and ongoing process, thus to maintain a stable rate, banks need to improvise and develop customer-oriented products.

To generate and create new experiences which consumers want to connect with, and also to make sure that a provider's offer continues to pamper and keep pace with the varying demands of its customer foundation, innovation becomes the key factor. It is imperative to understand the requirements of a customer and critical to initiate the much desired product at the right place and time. This will involve viewing a customer as a single unit but with diverse products stretched across the diverse streams.

In today's scenario, with so many banks vying for acquisition, it has become difficult to source cost-effective and profitable customers. Hence, the marketing strategy to acquire the top customer on the records is compelling the Private and Public Sector banks to devise a far more innovative customer oriented acquisition strategies with an aim to improve the quality instead of focusing on quantity. It compels the banks to form and enforce an appropriate acquisition strategy, which may ensure that the best customer chooses them as their partner to bank with. This will involve identifying the best profitable customer and strategize as to how they may be acquired with a minimum costing. Brand strategy, product innovation, and service delivery are three widespread approaches usually adopted by the banks to create an overall acquisition strategy. A strong and trusted brand is a key component for acquiring customers.

Targeting of the mass market is a normal practice during the acquisition of customers. Out of the targeted segment, bank may acquire few customers, but without giving a thought that many of the customers may prove to be commercially disappointing, later on. Customer acquisition process can be costly; therefore banks should make certain that the strategies they employ should be successful. An effective strategy to acquire customers may make the task to acquire simpler but may become costly and commercially unviable to maintain, after a certain period. To put an integrated and effective strategy may take time, but it's worth it in the long run. Thus, it is imperative to have appropriate rational and logical models to target the desirable profile amongst the mass, who may prove to be cost-effective and advantageous to the banks.

2. Objective of the Study

The purpose of the research is to locate and study the interplay of various P's contributing the most in a successful customer acquisition for private retail banks. The objective of the study is to present a model marketing mix to the banks based on which the marketing strategies for acquiring customers may be formed. This will give a great insight about the variables that banks can work on while designing an optimal marketing mix strategy for customer acquisition which is the most effective in affecting the customer's mind frame in order to choose their bank.

3. Review of Literature

The new marketing gurus have been proposing and giving more importance to customer retention, hence businesses seem to have pushed customer acquisition to the back and taken their eye off the concern of acquisition. However, Customer retention remains a most significant object in competitive and mature markets. Park and Kim (2003) stressed on the importance of acquisition process, especially in the organization where potential customers are identified through information gathered from varied communications. Kamakura et al. (2005) also endorses that despite the significance of acquisition process, due importance is not accorded to the identification of potential customers for acquisition. Likewise, Ganapathy et al, also observes that well designed customer acquisition process is essential for the institutions which make attempts of converting the acquired customers into cost-effective and advantageous ones. Moreover, Berndt et al. (2005) explained acquisition process of customers as a want of finding fresh customers for their products; thus creating a need to develop strategies for attracting the customers.

Sellers (1989) Hanan (2003) and Buttle (2004) reported that acquisition process of the customers is essential, even I those businesses which justify customer retention as the nucleus strategy as it has been found that 25% or more customers need to be replaced annually. Continuous acquisition of customers is of immense importance for the companies in many situations: when a new business is being started, when stepping into a niche market or unidentified segments, on introduction of a novel product, during the marketing of low contributing products or services, when replicate purchases are not so frequent and when switching over expenses are not high.

The search of the literature resulted in very few evidences of trade practices like planning, budgeting or the use of latest and innovative technologies which might help to acquire a customer, per se. Both Blattberg et al (2001) and Sargeant & West (2001) state that though the managers might think and act tactically on customer acquisition, but neither asserts that the companies might be actually doing so. Blattberg et al (2001) has recommended a six phase approach to customer acquisition, which is dubbed ACTMAN (Acquisition Tactical Management). Sargeant & West (2001) also has proposed a normative seven stage approach for formation of a customer acquisition campaign: 1. setting of the objectives of campaign (which may include rate of target response, numbers of new recruitment of customers, cost of acquisition per new customer, average value of a new customer; 2. prospecting of segment and profile; 3. targeting – designing the message to be communicated, channel of communication and appropriate offer for the selected audience; 4. selection of cost-effective media; 5. communication of the offer; 6. fulfillment of the communication; and 7. analysis of the response received with the help of metrics such as percentage response, cost per response, cost per customer, revenue per customer, profit per customer, projected lifetime value per customer, and percentage return on investment.

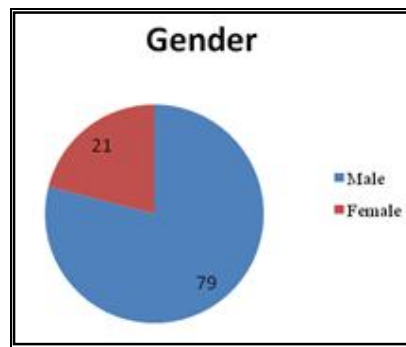
Buttle (2004) suggested that managers made responsible for customer acquisition mull over majorly 3 issues: which probable customers should be targeted, the mode of communication with them and the offer to be made to such probable customers. Blattberg et al (2001) highlighted that due to randomness in the acquisition processes of the customers, most institutions fail to

adequately target acquisition activities such as market segmentation, targeting and positioning, communication designs, value propositions and managing the business networks, etc.

Furthermore, many market researches and industry reports have examined the strategic interplay and importance of specific Ps or marketing mix elements in customer acquisition process. Ackere & Reyniers (1993) have advocated the use of introductory offers, Buttle (1998) and Stokes & Lomax (2002) have stressed on the effectiveness of word of mouth promotion, Prabhakar, Sheehan & Coppett (1997) stress on effective out-bound solicitation by call-center staff, Hoffman & Novak (2000) stressed on the role of affiliate marketing or partnership programs whereas Clepper (1996) observed service guarantees as one of the major parameter. The increasing dominance of internet and world-wide web has been acknowledged by Vishwanath & Mulvin (2001), Daniel & Wilson (2002) and Thomas (2002). The role of few specific products as strong pioneers of relationship building and as relationship enhancers has also been examined. Ratner (1997) suggested that Banks, for example, might use savings accounts with high rate of interest, introduction of mutual funds with zero entry and exit loads or low-interest and high reward credit cards to strengthen their customer acquisition process, as may be the demand of the competitive environment.

4. Demographic Profile of Respondents

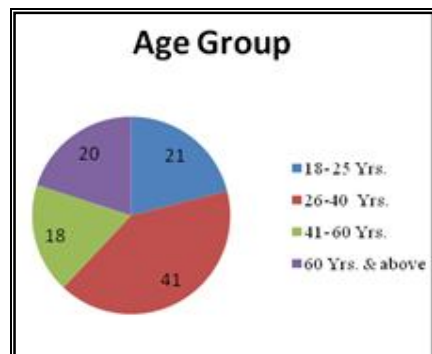
- The survey was conducted on a sample size of 150 regular bank visiting customers, in the city of Jaipur, Ajmer and Udaipur. The demographic profile of the sample respondents is represented through graphs as under.



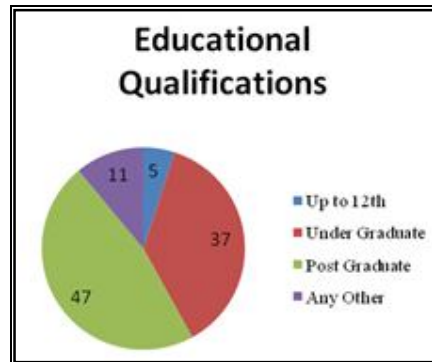
- The sample of Customers consisted more of Males i.e. 118 (79%) in comparison to 32 Females (21%), indicating that Males visit the branches more frequently.



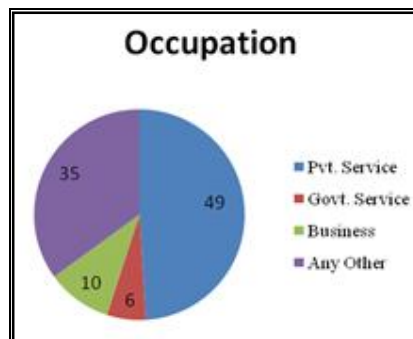
- Out of 150 respondents, a total of 100 respondents i.e. 67 % were married and 50 respondents i.e. 33% were unmarried.



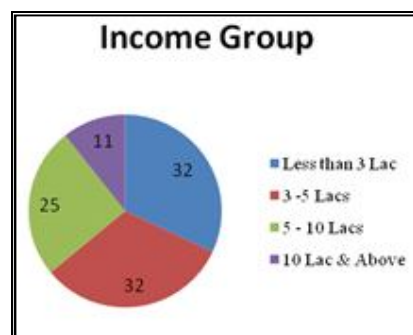
- Majority of the sample, i.e. 62 respondents belonged to 26 -40 Yrs category (41%) followed by 32 respondents of age group 18- 25 years (21%) , 60 year & above (20%) and 41- 60 year category (18%) . This indicates that all three private banks have majority of customers in the younger generation category.



- Educational Qualification of majority of the sample i.e. 71 respondents were Post Graduate (47%) and followed by 55 Under Graduate customers (37%) in comparison to 11% of Other Category (Students/ Doctorate/CA etc.) and Qualification below 12th class (5%).



- Under Occupation category, 74 respondents i.e. 49% were from Private Service category followed by 53 respondents i.e. 35% in Any Other category (mainly Students / Housewives / Retired), 10% in Business and only 6 % were Government Employees indicating that the Private Sector Banks are the first preference of the Private Sector Employees whereas the Government employees prefer private banks least.



- It was also observed that 48 respondents i.e. 32% of the sample size belonged to income group of less than 3 Lac and to 3-5 Lacs each, whereas 25% belonged to 5-10 Lac group & only 11 % fell under the 10 Lac and above income group.

5. Research Methodology

Six branches of three prominent and largest private sector banks, with high foot fall of customers, have been selected for the study. The study has been done in three cities of Rajasthan state, each having at least five branches of these banks. The study has been conducted on 150 customers in 2 branches each of the 3 banks. Non Probabilistic Sampling Technique was applied for sample identification and care has been taken to ensure that the sample further represent the uniqueness and characteristic of the age groups, occupation, and income group along with their gender. The data has been collected through Guided Questionnaire, from the customers visiting the bank branches. Though 150 samples were interviewed and questionnaires collected, but for the

purpose of study, only 138 samples were considered as balance twelve samples were incomplete and contained inappropriate data or were high response biased.

The respondents rated the 7 Ps or elements, further subdivided into 25 parameters on a 5-point Likert scale where

1	2	3	4	5
Not at all important	Unimportant	Indifferent	Important	Very Important

After the data was collected and compiled, to fulfill the objectives of study, t-test has been applied. (Table 1)

6. Data Analysis & Discussions

To ascertain the interplay of each Marketing Mix Element or “P”, in a successful customer acquisition strategy, respondents were asked to rate the ‘7 P’ subdivided in 25 parameters. The data thus collected was subjected to one sample t-test for analysis.

The one sample t-test statistics for PLACE element, points that out of the three parameters, the ‘Location of the bank is nearby/ well approachable’ parameter with a mean of 4.457 was rated as most preferred by the respondents, in comparison of Public Transport Availability and Parking Facility with a mean of 4.188 and 4.159 respectively. This indicates that the nearby location of the bank to customers’ work place/ home, the customer acquisition increases.

For the PROMOTION element, the t-tests statistics indicate ‘Reference of Friend/Family Member’ as the most preferred parameter of bank promotion with a mean of 3.188 in comparison to other laid down parameters such as ‘Advertisement in Print/Electronic Media’, ‘Tele Calling by Bank Executives’ and ‘Celebrity Endorsement’ with a mean of 3.116, 2.526 and 2.326 respectively.

The t-test statistics for PRODUCT element that customers have preferred “Availability of Safe Deposits /Lockers with a mean of 4.232, as a prime factor for continuation of account with the bank when compared with other two parameters namely ‘Mobile/ Internet Banking’ and ‘Extensive Product Range’ with a mean of 4.152 and 4.094 respectively.

Amongst the 3 parameters rated for PRICING element, the ‘Interest Rate Charged on Loans’ by banks was rated highest with a mean of 4.384 over the other two parameters namely ‘Processing charges levied on the Services Availed’ and ‘Interest Rate offered on SA / FD’ with mean of 3.877 and 3.797 respectively.

The t-test statistics for PHYSICAL EVIDENCE/ FACILITIES element showed that ‘Facility of Token Display Boards and Sitting Lounges’ was rated highest parameter with a mean of 3.638 in comparison to ‘Visually Appealing Physical Facilities’ and ‘Air Conditioned Bank Premises’ with mean of 3.449 and 3.406 respectively.

The t-test statistics for PROCESS – Banking Transaction Process element, indicated that amongst the 5 parameters, the ‘Error Free Transactions’ was rated as the best with a mean of 4.065 over the other four parameters i.e. ‘Overall Customer Friendly Banking Process’, ‘Timely Delivery of the Services’, ‘Easy Mobile & e-banking Process’ and ‘Convenient Working Hours’ with a mean of 4.015, 4.014, 4.104 and 4.007 respectively.

The t-test statistics for PEOPLE –Employees of the Bank element, indicated that ‘Employees are Never too Busy’ parameter is preferred most with a mean of 3.993 in comparison to ‘Professional and Prompt Service’, ‘Courteous and Knowledgeable Employees’, and ‘Well Groomed Employees’ with mean of 3.920, 3.674 and 3.145 respectively.

7. Conclusion

This study is an endeavor to form and propose an integrated marketing mix strategy with practical advice as to how banks can put together and prolong their competitiveness in a competitive sector such as theirs, in view of the ever growing and challenging competition and pursuit of customer acquisition that requires more product and services offers by banks in order to deliver better value to acquire more customers. Since, the product of banks is majorly intangible in nature, it becomes all the more important for the banks to conduct a thorough and professional market research to formulate and further improvise its marketing strategies.

On analysis of the results of one sample t-test applied on the compiled data, it was found that the seven marketing mix elements or 7 Ps are not equally prominent in influencing the mind frame of a customer. However, it may be noted that one or other parameter of each element or P was found to be influencing the choice of the customers. Hence, it is suggested that while forming a marketing strategy, the Banks need to focus on a balanced optimal integration of the parameters rated notably higher than others.

The results of this study indicate that amongst the seven Ps the customers preferred the Place element (Location Advantage) as the highest acquisition strategy element with a mean of means of 4.268 followed closely by Product Range of Banks and Process (Banking Transactions) with mean of means as 4.159 and 4.023 respectively. All the eleven parameters representing the top three elements were rated well above a mean of 4.000 indicating a solid preference of the sample in respect of the acquisition process.

The least preferred element was Promotion Strategies Used by the with mean of all the parameters being rated well below 3.1 thus indicating the most cost incurring element as the least effective when the rating of elements for customer acquisition was done. Though Price element –Rates offered by the bank, was rated as fourth and is an effective criterion with a mean of means as 4.019, however, as per Dutta and Dutta (2009), the rates of interest as offered by bank or the service charges levied in the banking sector are monitored and regulated by Reserve Bank of India. Hence, there cannot be much differentiation in the rates being offered by the banks and the interest rates and other processing charges are thus more or less standard amongst all the banks.

Following is the ranking of the Marketing Mix Elements or 7 Ps by the existing customers in respect of the Customer Acquisition is as under:

- Place - Location Advantage with an overall mean of 4.268
- Product Range of Bank with an overall mean of 4.159
- Process – Banking Transactions with an overall mean of 4.023

- Pricing – Rates offered by Bank with an overall mean of 4.019
- People – Employees of Bank with an overall mean of 3.683
- Physical Ambience/ Facilities with an overall mean of 3.497
- Promotion with an overall mean of 2.789

The findings of the study will assist banks to re- innovate the existing marketing mix by integrating the high rated elements in the customer acquisition process and devise a balanced acquisition strategy to ensure a cost effective Customer Acquisition process. It is hoped that it will help not only private sector but also public sector banks to develop a strategy, with optimal integration of the marketing mix elements, for a successful and cost effective acquisition process.

8. Limitations of the Study and Scope for Future Research

This study has taken only those customers who visit the bank premises frequently, in consideration for data collection, and are using minimum two products or services of that bank. The data also revealed that many respondents were customers of at least two banks i.e. availing services or products of minimum two banks and had used, at least once, one or the other IT enabled bank service. This limits applicability of the study findings to such banking population only.

Secondly, this study has been done only in urban branches' customers of private retail banks. Therefore, results cannot be deemed applicable for customers of semi-urban and rural branches of retail banking. Hence, there is a scope of further study to know the preferences of rural and semi-urban customers regarding banking services.

Thirdly, the findings are limited to three cities of Rajasthan state with a population of more than 10 Lacs, where the study has been conducted. Therefore, the results may not be universal and apply to the other cities, representing a different demographic profile.

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	N	Mean	Std. Deviation	Std. Error Mean
Place (Location) Advantage				
Location of Bank Branch	138	4.457	.7841	.0668
Public Transport	138	4.188	.9402	.0800
Adequate Free Parking	138	4.159	1.0054	.0856
Promotion Strategies of the Bank				
Reference of friend	138	3.188	1.0844	.0923
Bank's Advertisement	138	3.116	1.0257	.0873
Celebrity Endorsement	138	2.326	1.0952	.0932
Tele Calling	137	2.526	1.0987	.0939
Product Range Available With the Bank				
Extensive Product Range	138	4.094	.9033	.0769
Mobile Internet Banking	138	4.152	.9883	.0841
Safe Deposits	138	4.232	.7857	.0669
Pricing – Rates Offered by Banks				
Interest Rate on Loans	138	4.384	.8485	.0722
Interest Rate on Savings Account	138	3.797	.9293	.0791
Processing Charges	138	3.877	.8997	.0766
Physical Ambience/Facilities				
Visually Appealing	138	3.449	.9207	.0784
Air Conditioned Premises	138	3.406	.9639	.0820
Token Display System	138	3.638	.8791	.0748
Process – Banking Transactions				
Easy Mobile & E Banking Processes	138	4.014	1.0393	.0885
Error Free Transaction	138	4.065	.7169	.0610
Convenient Working Hours	138	4.007	.8150	.0694
Timely Delivery of Service	138	4.014	.7348	.0626
Overall Customer Friendly	137	4.015	.7572	.0647
People- Employees of Bank				
Well Groomed Employees	138	3.145	1.0978	.0934
Courteous	138	3.674	.8726	.0743
Professional & Prompt Service	138	3.920	.8111	.0690
Employees are never too busy	138	3.993	.6888	.0586

Table 1: One-Sample Statistics – Customer Acquisition