An Approach towards Building Services' Brands: The Indian Banking Story

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ABSTRACT

This paper is designed with a view to have a second look upon the Indian Banking Industry from service quality perspective and its comparison with foreign banks to assess where the Indian banks fall short of their service expectations. The paper examines the factors that determine 'quality service in banks' for the customers. The SERVQUAL model developed by Parasuraman has been used as the foundation for explaining the service gaps found between the two. Consequently, suggestions and probable measures to enhance upon the service delivery and customer satisfaction have also been provided.

Keywords: Branding, Quality Services, Tangibility, Competency, Convenience, Reliability, Special Attention.

Introduction:

The banking service sector in India has witnessed a drastic transformation in the past decade. The variety of services offered by banks has undergone a change fostered by the use of technology in the daily transactions. Liberalization of the economy has been instrumental in drawing large number of multinational banks to set their branches in India. The Indian customer had been accustomed to traditional banking servicescape, and did not expect much innovation in the banking sector. However, entry of multinational banks has drastically modernized the banking industry and it has led to increased availability of online service models coupled with the traditional banking services. If convenience and customization of services has been the service model of multinational banks, it was but inevitable that Indian banks would have to copy their service delivery model. Competition changed the banking landscape and in order to retain customers, it was imperative to modernize the service settings and improve service transactions. In this purview, the paper examines the factors that determine 'quality service in banks' for the customers. The perception of customers regarding multinational banks and Indian banks was compared to comprehend the gaps perceived between the expectation of the customer and the desired service levels. This comparison was done as it was assumed that multinational or foreign banks have a better perceived quality in the minds of the customers. So if the Indian banking sector wished to retain customers, they would have to upgrade their service model according to the customers' expectation about quality and the gaps that currently exist in their services.

With multitude of banking companies offering an assortment of benefits and services to lure the customers, banking has become more of convenience and building long term relationships with the customers. Effective customer relationship strategy should address the issues regarding what the customer expects. It may be not only about ambience or infrastructure but also about facilitating smooth transactions without any technological glitches. The difficulty in branding services lies in intangibility. It is much dependent upon the culture of the service organization, the attitudes of the personnel (de Chernatony and Segal-Horn, 2003) and overall trust conveyed by the service model. Thus it is not only difficult to build service brands but also to copy (Albrecht and Zemke, 1985) .To build service brands, not only the delivery model is important but focus should be upon making the processes efficient. Only with improved service performance, the service organization would be able to retain customers. Heskett (1994) posits that not only service operational efficiency is important but also building systems which enhance service personnel's performance.

This paper deals with importance of service delivery in Indian banking sector for long-term trust and loyalty with the customers. Further, it explores the difference in perception of customers regarding the

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Indian and multinational banks. We have used the SERVQUAL model for assessing the brand perceptions of the customers related to Indian and multinational banks. The SERVQUAL scale was modified for assessing banking service quality and a questionnaire developed by Kumar et al, (2009) was used for data collection. Kumar et al. (2009) had conducted a research to comprehend the service quality dimensions in Malaysian banks. We used the same instrument for administering it on customers to understand their perception regarding quality of services offered by Indian and foreign banking brands. From the analysis, we have recommended the steps that may be taken up by Indian banks to improve their customer perceptions and brand image. Since the service sector is primarily driven by relationships, we feel that building service brands would entail fostering an environment of trust and congruence with the customers' personality. The more the customers feel comfortable with the bank's environment and employees' behavior, the better would be their assessment about the banking brand.

Literature Review:

Intangibility is the key factor in services (Cowell, 1984; Wolak, et al, 1998), thus the customer perceptions regarding its quality are bound to be dependent more on the interactions rather than only on the physical evidence. A customer oriented strategy in services would have to be chalked out according to customers' needs and purchase intentions (Gilmore, 1997). Services by nature are intangibles, thus personal contact (Kandampully, 1997) with the customer becomes vital in differentiating the service. Most service companies want to provide good quality service, but do not understand the customers' expectations, because of the intangible element in the services (Kandampully, 1997). Thus service quality may be perceived as the judgment customer does about service attributes and how it relates to the needs. It implies that quality is a cognitive evaluation of the service (Cronin and Taylor, 1994) and thus service quality is an organizational asset helping service firms earn profits (Yasin et al., 2004).

In the last few years services offered by banks have undergone a sea change. The provision of online services along with the traditional banking facilities has gained wide acceptance amongst both the service provider as well as the customers (Herington and Weaven, 2007). Multinational banks with better facilities and infrastructure have entered the Indian market, thus increasing the competition on quality and service delivery options. Parasuraman et al. (1985) posit that customer's perception regarding service quality depends upon the gap that exists between what the customer expects and what he receives in the service. Thus, for most companies it is of foremost importance to understand the expectation levels of the customers, and design service delivery according to his needs. Banks that provide good quality service to their customers definitely would be able to increase their profits and revenues by being paid in terms of customer retention (Bennett and Higgins, 1988) and loyalty. Oliva et al. (1992) suggest when service satisfaction increases above a certain level, customer loyalty will increase rapidly. Thus for banks to retain customers and to develop loyalty it would be imperative to enhance the service encounter. The difference in the perception of the customer related to the quality of the services provided by different banks is dependent upon customers' perceptual construct and their earlier experiences with the banks.

The introduction of Internet models in banking have drastically changed the way business is being conducted by banks (Yang, et al. 2001) and have provided an interactive medium for the customers to access information (Rowley, 2006). The technology's role in improving the quality of banking services is being recognized and is being adopted by banks in improving the company-customer interface. The role of e-service is supposed to improve the customer-firm communications (Roland and Lemon, 2001). "Banking organizations have progressed a long way in the use of the internet, with most banks offering transaction" (Sohail and Shaikh, 2008). Use of internet banking, ATM, online transactions, current account accessibility, and credit cards all add to the plethora of services offered by banks for improved customer interactions. This not only increases the convenience and accessibility for the customers but also assists him/her in using any transaction channel he/she is comfortable with. Some researchers are of the opinion that reducing the human element in the banking transactions would have an impact on the customer satisfaction level (Cox and Dale, 2001; Jabnoun and Al-Tamimi, 2003). To be able to serve customers need better, it becomes imperative for banks to combine promptness with convenience, and mixing technology with human element. The technology based models may be used to address the growing competition and increasing demands of the customers, but it has to be coupled with appropriate

marketing strategy which builds the credibility of the bank in the eyes of the customers. In services, the very nature of tangibility requires instilling confidence and trust through the service encounter and servicescape. The multinational banks with their superior image and quality servicescape have put a pressure on Indian banking sector to renovate their product and service levels. It is not about mixing technology in the service delivery processes, it is about building an image or brand in the market. The general perception of customers' regarding Indian banks is that they have inadequate service and are not efficient.

Manufacturers and service firms try to instill confidence amongst customers towards their products/ services by giving them an identity and image. Giving an identity to the product/service makes it more relevant to the consumer, wherein the consumer searches for brands which match his self image (Sirgy, 1982). According to the self-congruency theory, Sirgy (1982) has emphasized that consumers prefer brands which match their self-concept. If the brand's personality is in tandem with the self-concept of the consumer, the brand will be preferred for purchase and consumption. Research has supported this self-congruency and brand congruency theory (Dolich, 1969; Grubb and Hupp, 1968; Malhotra, 1988; Ericksen and Sirgy, 1989; Hong and Zinkhan, 1995) and it was asserted that brands were used by consumers to enhance their self-image.

In this purview, our paper focuses on understanding the expectation of the consumers' perception regarding service quality dimensions in both Indian and foreign banks, and recommending Indian banks to upgrade their service quality model, so as to build a powerful brand equity in the minds of the Indian customers. Competition has made it imperative for the banks to not only redefine their value delivery process vis-à-vis the foreign banks, but also to build brand credibility in the customers' perception. The diffusion of new technologies with user friendly service models are supposed to improve the banking services (Akinci et al. 2004). The general tendency towards adoption of Internet based models for transactions is leading to "virtualization" leading to transforming the bank and customer relationships (Harden, 2002). Loveman (1998) suggests that implementing technology is not the end goal, but to identify the information which is really relevant for the service firm so that it may be strategically used for creating value for customers. In India, the past decade has witnessed incremental growth of financial services and banking sector. Liberalization has not only made it easy for multinational banks to make a foray into Indian banking industry, but has increased the competition in the stagnant Indian banking industry.

Research Methodology:

The research design was descriptive in nature wherein we have explored the service quality dimensions in Indian banks and in foreign banks. The questionnaire developed and used by Kumar et al. (2009) for their study on Malaysian banks was used for our study. The items used were adapted from the SERVQUAL model. The objective of the research was to assess the service quality perception of customers' related to Indian banks and foreign banks. Based upon the customer perceptions, we hoped to understand the quality gaps which existed and how they may be removed for building a strong brand image for the Indian banks.

The sample size was 75 for each category of banks, Indian and foreign. Out of 75 questionnaires filled by the respondents, we were able to use only 60 in each category. The rest of the questionnaires were incomplete, illegible, or not returned. Thus, we had only 120 complete questionnaires; 60 for foreign banks and 60 for Indian banks.

Findings and Discussion:

Method of Analysis

The methods of analysis include mean and standard deviation calculation for each attribute of the four dimensions. On the basis of these values, standard error of mean difference is calculated and finally, t-test scores are evaluated. In the light of Gap score, we are able to analyze the drawbacks and advantageous position of every dimension along each and every attribute. Hence, we are able to judge which attributes are working for the Indian banks and which of them need revamping.

Empirical findings

The sample comprises 40 % males and 60 % females.

The majority of the respondents belong to the age group 21-30.

Most of the respondents are post graduates with graduates accounting for only 37% of the sample.

Table1. A comparison of Characteristic of Indian and Foreign Banks

Dimension	Q	Attribute	Mean		Standard deviation		Gap Score (Foreign - Indian)	t-Value	Standard error of difference
			Indian Bank	Foreign Bank	Indian Bank	Foreign Bank			
Tangibility	1	Modern looking equipment	2.933	4.233	1.257	1.400	1.300	3.784	0.344
	2	Appealing physical facilities	2.967	3.833	0.964	1.367	0.866	2.836	0.305
	3	Neat appearance of bank staff	2.933	4.033	1.257	1.377	1.100	3.231	0.340
	4	Materials associated with service are visually appealing	2.700	3.833	1.263	1.315	1.133	3.404	0.333
Reliability	5	Bank staff keeps promises	2.633	3.533	1.273	1.137	0.900	2.888	0.312
	6	Bank shows sincere interest in solving customers' problems	2.667	3.467	1.241	1.106	0.800	2.636	0.303
	7	Staff performs service right the first time	2.633	3.467	1.273	1.224	0.834	2.587	0.322
	8	Provide services at the time they promise to do so	2.367	3.667	1.067	1.213	1.300	4.407	0.295
	9	Insists on error free records	3.267	3.533	1.285	1.074	0.266	0.87	0.306
Competence	10	Staff telling customers exactly when services will be performed	2.767	3.633	1.165	1.067	0.866	3.002	0.288
	11	Service is on time and prompt	2.700	3.667	1.343	1.295	0.967	2.839	0.341
	12	Staff shows willingness to help	2.800	3.533	1.157	1.479	0.733	2.138	0.343
	13	Prompt response from staff	2.567	3.467	1.104	1.383	0.900	2.786	0.323
	14	Behaviour of staff instills confidence	2.667	3.700	1.213	1.236	1.033	3.267	0.316
	15	Customers feel safe in their transactions	3.233	3.800	1.406	1.323	0.567	1.609	0.352
	16	Friendliness and courtesy of staff	2.500	3.733	1.137	1.337	1.233	3.848	0.320
	17	Staff having knowledge to answer questions	3.133	3.433	1.166	1.356	0.300	0.919	0.327
	18	Individual attention given	2.400	3.600	1.220	1.302	1.200	3.683	0.326
	19	Convenient operating hours	3.000	3.833	1.414	1.416	0.833	2.280	0.365
	20	Staff places customers' interest first	2.433	3.667	1.305	1.184	1.234	3.836	0.322
	21	Personal attention given	2.367	3.467	1.159	1.358	1.100	3.375	0.326
	22	Understands the specific needs of customers	2.800	3.600	1.031	1.354	0.800	2.575	0.311
	23	Able to conduct transaction immediately or in a short waiting period	2.600	3.800	1.276	1.270	1.200	3.651	0.329
Convenience	24	ATM conveniently located	3.300	3.500	1.535	1.432	0.200	0.522	0.383
	25	Special services/counters for elderly/disabled	2.467	3.067	1.306	1.201	0.600	1.852	0.324
	26	Clear guidance and information sign on how to use the banks' services and facilities	3.100	3.600	1.348	1.276	0.500	1.475	0.339
Overall Service Quality			2.767	3.642	-	-	0.875	-	-

Discussion

Service Quality Gap

The overall perception for Indian banks is 2.767, whereas that for foreign banks is 3.642. Thus, there is an overall service quality gap of 0.875 which shows that Indian banks fall short of expectations against foreign banks. The brand image of foreign banks is more prominent as compared to Indian banks.

Though, Indian banks have fared low in all the four dimensions against foreign banks, yet there are instances where these are not significantly different.

Tangibility

Tangibility refers to the visually appealing facilities of the bank. The t-test scores suggest that all the attributes related to tangibility dimension in service are lagging behind in case of Indian banks. Equipments, appearance of bank staff, physical facilities and associated materials, all of which grab the first attention of the customer, are not up to the mark in comparison to the foreign banks.

Reliability

It is a measure of the responsiveness and the service delivery of the bank. Here also, the Indian banks have failed to create a brand value when compared to foreign banks. Only in maintaining the error free records, they are at par with Foreign Banks, and in terms of keeping promises and problem solving, they lag behind.

Competence

Competence provides an edge over the competitors in terms of different attributes. Service providers failing in this aspect normally would not be able to carve a niche for them. In case of Indian banks, the only competence with it is the staff has the required knowledge to answer customers' queries. Otherwise, rest all attributes are being taken over by foreign banks.

Convenience

It is the measure of being able to easily locate or find the service. ATMs are supposed to be the exceptional attribute here. However, this is the sole dimension which fares well in t-test score gaps when compared to the other three dimensions.

If we were to rank the four dimensions in increasing order of attention that would be:

[Convenience < reliability < competence < tangibility]

Special attention

There are certain aspects or functions of Indian banks which require immediate attention from service improvement and brand formation point of view. They are:

1.   Equipments.

2.   Friendliness and courtesy of the staff.

3.   Individual attention paid to customers.

4.   Placing customer's interest first.

5.   Conducting transactions immediately.

Conclusion

The disparity in Indian and foreign banks' quality perceptions clearly indicate that Indian banks do not have a good brand image amongst Indian customers. Increased use of technology to facilitate efficient transactions does not appear to be enough. Customers expect efficient service and good infrastructural support for service delivery. The general perception regarding service levels is that it is not fast or does not take into consideration customer needs. The delay on part of the Indian banks in attending to the clients poses a serious challenge in service quality. The Indian banks need to improve their services by improving the systems and transaction processes. Improving the quality levels would improve the credibility of the banks and help in improving customer relationship. This would improve the banks' image and consequently its brand. We feel that as brand name is an intangible asset for the banks, if appropriate standards of services were understood and followed, the banks could build a brand for themselves. The stigma of poor quality services, inappropriate ambience, and poor quality staff can be removed by addressing these service gaps and realizing the effective brand building that requires building trust amongst clients.

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