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Impact of Customer Service in Financial Service Sector in India

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Abstract

In today's increasingly competitive service industry, where the number of service providers has increased, the importance of providing high-quality service cannot be overstated. Due to the unique characteristics of many services, such as the simultaneous production and consumption of the "product" and the involvement of contact personnel in the creation of quality in the service product, many service organisations are now developing customer care programmes, often as a means to achieve competitive advantage. However, customer service must be viewed as part of a larger "internal marketing" strategy, in which all employees are encouraged to focus on the company's customers and work together to achieve their goals. This is especially true when it comes to delivering excellent service to customers. This article will examine service quality from a marketing



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viewpoint, with special attention paid to customer satisfaction. The inseparability of the seller's identity from the provision of most services will be emphasised. The importance of internal marketing in service-based businesses and how they may define and quantify service quality to better serve their customers will be discussed and illustrated.

Keywords: customer services; financial services; Indian market services; service sector; marketing

1. Introduction

The marketing of services may include thinking about things like service quality and customer support. Nearly two decades of discussion (Kotler & Levy, 1969; Luck, 1969) have resulted in widespread agreement that all for-profit and non-profit businesses, as well as government agencies, that sell products or provide services are engaged in marketing. There are many ways to characterise services; for example, "a service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything" (Kotler, 1980), the service industry encompasses businesses that deal with transportation, communication, insurance, banking and finance, professional services, education, healthcare, leisure and entertainment, tourism, public administration, and more.

Employment in services, rising production and consumption, and the expanding significance of services in exports are only a few indicators of the service sector's expansion and economic importance (Cowell, 1984). The causes for this expansion or demand should be examined across economic, social, and cultural aspects. Affluence, leisure time, life expectancy, the proportion of women in the labour force, complexity of life, and the proliferation of new and complicated goods are all on the rise.

1.1 Distinctions between Products and Services

There are few "pure" products or services; for instance, a car is a physical product and an airline is a service, but transport is common to both, and each has product and service elements. The distinctions between products

and services are not as clear cut as many might assume, and are perhaps best discussed by Shostack (1977, 1982). She proposes a continuum on which goods and services may be positioned according to the degree to which they rely on material components; for example, salt and detergents would be considered tangible dominating products, whereas investment management, consultancy, education, etc. would be considered intangible dominant services. Services are notoriously difficult to evaluate in advance of purchase because they are intangible: we use them but don't own them (think legal services or a trip to the hair salon), we can't always see the results of our use (think medical treatment or schooling), and we almost never get to try them out first. The marketing literature provides a thorough presentation of four general distinctions between goods and services, including perishability, heterogeneity, and inseparability, in addition to intangibility.

Vacant hotel rooms and aeroplane tickets are only two examples of the many service commodities that expire quickly and cannot be kept. since of this, and since demand swings may wreak havoc on supply and demand matching, service businesses have come up with a number of plans to address this issue (Sasser, 1976). Some services, such as professional services and hairstyling, are highly individualised, and the creation of most services is characterised by variability or lack of standardisation as a function of consumer wants and also of "who" is delivering the service. Variability is the norm, with a focus on "people-based service delivery" and with quality of service resulting from the performance of service based workers, even if some firms aim to standardise services (e.g. banks, fast food chains). As a result, the inseparability of services emerges as the fourth defining feature of services. On the one hand, products are made, sold, and ultimately eaten. However, many services are sold before they are created or used, with production and consumption often happening at the same time. In particular, the seller's presence at the time of service consumption is not out of the ordinary since the services are typically inseparable from the seller's person. In addition, the manufacturing process may include input from clients, and the final product or service may be highly tailored to the individual.

A restaurant's chef, a hotel's cleaner, or a motel's maintenance worker are all examples of back-of-the-house employees who do not interact directly with customers, but front-of-the-house employees like waiters and receptionists do. Every member of staff has a role in ensuring a positive client experience, but those who are front-and-center during sales and purchase transactions make a particularly strong first impression. Customers will remember how they are treated in the presence of the business. When it comes to products and services that rely heavily on human interaction, human performance is intrinsic to both the product and the service's quality. That's why (Berry, 1980) businesses that care about their services' quality should place a premium on hiring and developing high-quality staff members.

1.2 Quality of Service and Customer Care

The control and management of service quality differs greatly from that of manufacturing sectors due to the unique role that service organisation employees play in the creation, distribution, and reception of services, as well as in their contacts with clients. Both the technical and functional components that make up a service's quality (Grönroos, 1982) are subject to change. Technical elements are those that can be measured objectively by customers and pertain to the "what" customers get from service providers such as hotel rooms and restaurant meals. Service's functional components are more difficult to objectively assess since they affect the "how" of the service and are thus more closely related to the service organization's contact persons. Some examples of functional features are the service staff's attitude and conduct, the staff's interactions with customers, the staff's outward appearance and personality, the staff's willingness to help, and the staff's availability and friendliness. More and more companies are turning to customer surveys to gauge service excellence. To do so, it may be helpful to collect data on both the quality of the service the customer anticipates getting and the quality of the service they actually receive, evaluating both the service's delivery and its final result. Consequently, businesses will work to enhance the aspects of quality that fall short of customers' expectations. In order to maximise an organization's performance, Goodman et al. Goodman, Marra and Brigham (1986) stress the importance of identifying

and meeting customer expectations by measuring satisfactions with key service attributes, the impact of key dimensions on customers' overall satisfaction, and the customers' intentions to re-purchase.

1.3 Measuring Quality

Numerous service sectors have established precedents for quantifying service quality. Over the last many years, prominent hotel chains in the tourist industry have conducted extensive "customer satisfaction" surveys. British Rail (Gilbin, 1986) has developed customer care audits to uncover consumer anxieties and complaints and identify British Rail's strengths and weaknesses as perceived by consumers; and British Airways (Hamill & Davies, 1986) conducts regular customer surveys to cover aspects of contact between passengers and airlines, such as the perceived attitudes of airline staff to passengers. Both businesses care about what customers think of the products' technical and practical excellence. Patients' perceptions of the hospital's physical aspects, interpersonal relationships, and communications were measured in a large-scale study (Thompson, 1983) that allowed for the creation of satisfaction and dissatisfaction indices for hospital patients. This study established a benchmark for assessing the effectiveness of hospital care from patients' points of view; it is now being used by a variety of health authorities to help them determine how to most effectively allocate scarce resources to respond to patients' needs and ensure their utmost satisfaction. The quality of service and attention to customers is now receiving a lot of attention in the financial services sector. Studies have been conducted in a variety of nations to determine the importance of service as a differentiator for businesses. Tansuhaj et al. (1987) examined technical and functional components of quality in Thailand, while Richardson and Robinson (1983) studied customers' perceptions of the quality of service they received from bank tellers in South Africa. Reliability, competence, access, civility, communication, trustworthiness, security, knowing the customer, and tangibles were all highlighted as factors that contribute to high-quality service in a study conducted in the United States (Berry, Zeithaml, & Parasuraman, 1985).

One British bank's (Buswell, 1983) experience provides the best illustration of this concept in the financial sector; the bank looked at the level of service it provided to its customers, with "service" here meaning the provision to those customers of benefits and satisfactions beyond the product itself, which are under the company's control and may or may not incur costs. The bank was able to establish a standard and a system that can reveal changes in service at a particular branch over time, as well as distinguish between branches at the same point in time, by having customers use attitude statements to evaluate the quality of service they received in terms of staff knowledge, communications, expertise, willingness to lend, and branch design.

1.4 Customer Care

Much of the "people" in a service organisation are at the focus of evidence when evaluating research and examples on assessing customers' expectations of the quality of service, their judgements of the quality obtained, their satisfactions and dissatisfactions, and their future purchase intentions. The term "customer care" refers to the role that an organization's employees play in ensuring the satisfaction of its clients, who engage with the business in a variety of ways. Therefore, service providers must include "people" in their marketing mix alongside product/service, pricing, promotion, and distribution when formulating marketing plans and strategies for their markets and marketing mix activities. Employees and clients are both considered "participants" in the interaction process by Booms and Bitner (1981), but the main idea is that the "people" of the service organisation should be taken into account and planned for as part of the marketing mix. Indeed, Tarver (1987) proposes competitive advantage and enterprise differentiation through personnel marketing, and the need for a management philosophy that places personnel and customers on equal standing; corporate objectives that include customer service and personnel development; market research to analyse consumer demand and determine personnel needs; and target markets to be satisfied customers and satisfied personnel. In essence, he is discussing internal promotion

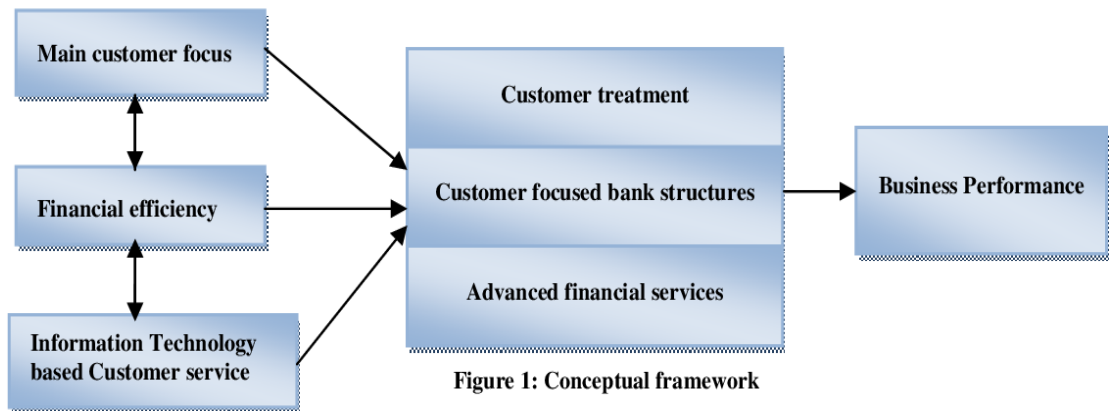


Figure 1. Conceptual Framework.

1.5 Internal Marketing

Gronroos (1981) and Berry (1981, 1980) introduce and explore the need and value of Internal Marketing in the provision of service and customer care. The concept of "internal customers" and "internal products" are central to the field of internal marketing. The goal of internal marketing in a service industry is to attract and retain a customer-focused, engaged workforce. The overarching goal is to foster an internal culture that encourages employees to be customer-centric, while the specific objective is to ensure that all employees have the right mindsets when it comes to customer awareness and interaction through means such as staff training programmes, seminars, and so on.

A company's internal marketing efforts will bear fruit if they take the following steps: hire the right people by providing a competitive compensation, benefits, and working conditions package; provide employees with adequate training to improve their skills and foster a consumer orientation; and monitor and assess employee performance. In other words, a service provider will not be successful at the staff-customer interface unless it has first mastered the management-staff interaction. When it comes to hiring new workers and shaping working circumstances, Berry (1981) emphasises the value of market research and market segmentation.

Employee demands, requirements, and perspectives on working conditions, perks, and corporate regulations may be gleaned by market research. When it comes to employee benefits, such as "cafeteria benefits" — such as health insurance, pensions, vacation days, etc. — which staff uses credits to choose between as a function of salary, length of service, and so on — market segmentation is relevant because people are just as different as employees as they are as consumers. Berry is stressing the need of recognising the diversity of the workforce when designing employee perks. In the end, an organisation can better serve its external consumers if it focuses on the requirements of its internal customers first.

1.6 A Consumer Orientation

As part of their management and employee training, many service businesses now provide courses that emphasise customer and career focus. Several are improved based on the results of customer surveys, while others are meant to spur competition among employees at various service locations. In the tourist business, British Rail, for instance, has a policy that is devoted to customer care all the way down from the chairman (Gilbin, 1986). Because they value their workers so highly, they put their needs above those of their customers. They send their employees to seminars on customer service techniques because they think it will lead to happier clients and more productive workers. Similarly, British Airways has been operating customer care campaigns (Hamill & Davies, 1986) to improve service and boost morale among employees since 1983. Seminars are held for those who interact with customers ("putting people first"), and there is a programme for all employees called "a day in the life" that examines the company's operations and aims to familiarise them with the company and its business in order to inspire them to act as brand advocates and deliver excellent service to customers. Sheraton Hotels is an enterprise that uses competition to improve customer service (Touzin, 1986). Since 1981, they've been awarding the "best" hotels in terms of quality, originality, excitement, and competitiveness with rewards via quality development initiatives that include surveys of visitors and official training for employees. Coates (1983) examines the efforts of several companies to foster employee engagement, with a particular

emphasis on the unique challenges faced by businesses providing financial services. Richardson and Robinson[15] also explore the planning and execution of an internal marketing project inside a bank, providing evidence that the initiative improved employee attitudes and customer interactions. Furthermore, the leading UK bank in terms of measuring customers' perceptions of quality[18] not only has valuable data to guide head office management with regards to branch design and refurbishment, but also has information about customer service to input to staff training courses, and this has resulted in "corrective action" in branches. The survey's overall psychological benefit has been to keep branch managers' attention squarely on the level of service they're providing to consumers.

1.7 Financial Services — Current Research

Last but not least, a British clearing bank is funding an ongoing research study in the financial services industry that builds on the current body of knowledge on how to quantify service quality, the importance of customer service, and the value of internal marketing. The theory and practise of customer service penetrates the whole business, from upper management through regions to branch managers and other bank contact workers, and its growth is a primary priority inside banks. Customers in the private and business sectors are both considered when assessing customer service's market effect. Relationships between bank branch managers and corporate customers, as well as personal account holders and all bank contact personnel (including branch managers) are being taken into consideration. Both clients and bank contact staff's perspectives on the nature of relationships and customer service activities are being explored.

2. Conclusion

The benefits to a service business that invests in its employees and its customers are manifold: happier, more productive workers; services that more closely match customers' expectations of those services; and, ultimately, the loyalty and revenue growth of those customers.

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