



Customers' Perception On Promotional Strategies Of The Banks For The Bancassurance Products

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Abstract

Bancassurance is the sale of insurance products through a Bank. Marketing is a process through which a business enterprise, institution or organization interacts with the customers and stakeholders with the objective to earn profit. Bank Marketing is viewed as a tool in achieving the organizational objectives of a bank. With this background, this paper intends to probe into Integrated Promotional Strategies practiced by the banks based on the perceptions of bank customers.

Key words : Bancassurance, Bank Marketing, Integrated Promotional Strategies.

Introduction

Bancassurance is a package of financial services that can fulfill the needs of the customers of both bank and insurance industry. It is the sale of insurance products through a bank. In bancassurance, the insurance company makes use of the vast network of bank branches, customer base and the infrastructure, including the staff to identify the insurance needs of the customers of the banks; thereby insurance company tries to meet the same through various tailor made products. For insurance companies, reaching rural India through the traditional method is not viable because of the low value of transaction per customer and a dispersed population.

Marketing is a process through which a business enterprise, institution or organization interacts with the customers and stakeholders with the objective to earn profit, to satisfy customers and manage relationship with customers and stakeholders. It is the performance of business activities that direct the flow of goods and services from producers to consumers. Marketing, as a philosophy, is expected to guide the people, functions and all departments of a bank. Now-a-days marketing philosophy is very essential to banks. It envisages the overall thought processes of decision making in the banks, implementation of plans and calls for a whole-hearted commitment towards customers' orientation in the bank.

Marketing of services to customers has been in use in many banks for a long time. Its impact as a strategy for business growth has become significant only in recent times. Marketing is viewed as a tool in achieving the organizational objectives of a bank.

With this background, this paper intends to probe into Integrated Promotional Strategies practiced by the banks based on the perceptions of customers of the banks. This is helpful in making bancassurance products accessible to more people for their financial and social development. This study is also helpful to augment the sales of bancassurance products in the banks which in turn helps for further growth and development of banks.

Review of Literature

Few important literatures reviewed for this study are as below :

Bhattacharyay, Biswa (1989), suggested in his article "marketing approach to promoting banking services" that there is a need for professionalization and market-oriented banking in the country. Market oriented banking will require a new culture, a disciplined, professional and committed manpower, trained for specialised services, specialised branches, strong marketing organization in different banks, aggressive selling, meeting new

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customer's expectations and cost effective and efficient services.

Bose, Jayashree (2007), in her article "Cross selling in India: An Innovative marketing approach for banks" stated that, cross -selling of products became imperative than a choice for Indian banks. Cross selling, a business strategy of selling additional products, either an organization's own products, those of a subsidiary or even product offerings of a different organization as in the case of bancassurance, to existing customers is a critical mission strategy, which is handled by dedicated teams in banks, with inputs from all departments.

Gupta, Dilip Das (2007), recommended to appoint high profile public relation advisors in the Board of Directors and stressed the need of "advertisement effectiveness study" with the help of professionals, so that the public relation objectives and the means of achieving the objectives, come up for regular top management review. He explained various advertisements by banks and stated that most advertisement activities are restricted to the print media with the second position being occupied by hoardings. Only few banks are regularly advertising in the electronic media or the cyberspace.

Mehrotra, shyamji (2007) concluded his article "Bank - Marketing : making of a successful sales person" with the suggestion that employees must be trained properly and study and understand the mandatory requirements of the risk involved in cross-selling products like bancassurance, which should be properly informed to present and prospective customers.

Mehrotra, Shyamji (2007) in the article "selling third party products : emerging opportunities for public sector banks" opined that sales personnels must understand a customer's investment needs so that they can offer the best product available and not the one they have. This requires a lot of orientation, attitudinal change and training for the employees.

Above articles highlight various promotional strategies to increase the sales of bancassurance products, which motivated the researcher to take up this study "The customers' perception on Integrated Promotional Strategies to promote the sales of bancassurance products".

Statement of the Problem

Banks are facing increasing competition from other banks, financial institutions, financial intermediaries and there by struggling hard to increase their income. Many banks

are unable to tap the demand of bancassurance because of their failure to understand the demographic profile, products, economic situation and marketing strategies to increase the sales of bancassurance products to enhance their profit and retain their customers. So, this study is helpful to augment the sales of bancassurance products in the banks which in turn helps for further growth and development of banks.

Scope of the Study

This study is limited to bancassurance products in Coastal Karnataka. Coastal Karnataka consists of three districts namely South Kanara, Udupi and North Kanara in Karnataka state. The study is concentrated only two banks. These are Canara Bank and Corporation Bank which are leading in Coastal Karnataka as far as bancassurance is concerned. Raesearch conclusions and inferences drawn were based on the findings of this intensive study. Other banks were kept outside the purview of this study.

Objectives of the Study

- ✎ To analyse the opinions of customers to findout whether the Promotional Strategies used by the banks are sufficient to increase the sales of bancassurance products.
- ✎ To study the different promotional strategies to be used by the banks to augement the sales of bancassurance products based on the opinions of customers.
- ✎ To study the brief profile of the account holders of Canara Banks and Corporation Banks who are the respondents for this study.

Methodology of the Study

The data required for the study have been collected from both primary and secondary sources. The primary data have been collected from the respondents through a well designed questionnaires. The questionnaires have been designed keeping in view the objectives of the study. Here, customers who are the account holders in Canara Banks and Corporation Banks are the respondents for this study. The secondary data relevant to the study were collected from various sources like text books, magazines and research articles pushshed in standard journals.

Sampling Design

Since the number of customers of the banks in coastal Karnataka is very high, the collection of data from the



entire population is difficult. So researcher has decided to use the sampling technique. Researcher has decided to use the Proportionate Stratified Random Sampling technique. The researcher has decided to use the sample size of 251 respondents based upon time and other constraints.

Geographical Area of the Study

The survey was conducted in Coastal Karnataka region of Karnataka State. Coastal Karnataka consists of three districts, namely south kanara, Udupi and North Kanara in Karnataka state. The study is concentrated on bancassurance products of Canara Bank and Corporation Banks which are the leading banks in coastal Karnataka as far as bancassurance is concerned.

Tools for Collection of Data and Pre-test

To increase the effectiveness of the questionnaire, prior to the actual survey, a pre-test was conducted among 50 respondents. The minor modifications were made in the questionnaire on the basis of pre-test. Then the refined questionnaire was used as the data collection instrument in the actual survey.

Data Processing

After the completion of survey, the filled in questionnaires have been edited properly to make it ready for further processing of data. Then, various tables are prepared for the purpose of analysis of data. The questionnaires were processed using SPSS version 17.

Selection of Branches and respondents

Table 1. Selection of branches of the banks using proportionate random sampling technique.

| Districts | Total No. of available Branches | No. of branches selected for study |
|--------------|---------------------------------|------------------------------------|
| South Kanara | 69 | 26 |
| Udupi | 40 | 15 |
| North Kanara | 25 | 09 |
| Total | 134 | 50 |

Source :Primary data

Out of 134 branches, 50 branches were selected from each district based on proportionate random sampling technique and 251 respondents were selected based on certain customers parameters like

1. Customers who have opened a bank account at last 10 years ago
2. Customers who visit the branch once in six months
3. Customers who hail from a nuchar family
4. Customers who reside in rural areas.

Table 2. Name of the Banks of respondents

| Banks | No. of respondents | Percentage |
|------------------|--------------------|------------|
| Corporation Bank | 165 | 65.74 |
| Canara Bank | 86 | 34.26 |
| Total | 251 | 100.00 |

Source : Field data

Socio Economic profile of respondents

Following tables highlights socio economic profile of respondents of this study.

Table 3. Gender of respondents

| Particular | No. of respondents | Percentage |
|------------|--------------------|------------|
| Male | 142 | 56.57 |
| Female | 109 | 43.43 |
| Total | 251 | 100.00 |

Source:Field data

Table 4. Marital status of respondents

| Particular | No. of respondents | Percentage |
|------------|--------------------|------------|
| Married | 136 | 54.18 |
| Unmarried | 115 | 45.82 |
| Total | 251 | 100.00 |

Source: Field data

Table 5. Age of respondents

| Age | No. of respondents | Percentage |
|------------------|--------------------|------------|
| 20 years & below | 68 | 27.09 |
| 21 - 30 | 70 | 27.89 |
| 31 - 50 | 88 | 35.06 |
| Above 50 | 25 | 9.96 |
| Total | 251 | 100.00 |

Source:Field data



Table 6. Educational level of respondents

| Education | No. of respondents | Percentage |
|--|--------------------|------------|
| Under graduation | 63 | 25.10 |
| Graduation | 114 | 45.42 |
| Post-graduation | 56 | 22.31 |
| Add on courses in addition to graduation | 18 | 7.17 |
| Total | 251 | 100.00 |

Source: Field data

Table 7. Annual Income of respondents

| Annual Income | No. of respondents | Percentage |
|----------------------|--------------------|------------|
| Below Rs.50,000 | 107 | 42.63 |
| Rs.50,001-1,00,000 | 27 | 10.76 |
| Rs.1,00,001-2,00,000 | 57 | 22.71 |
| More than 2,00,000 | 60 | 23.90 |
| Total | 251 | 100.00 |

Source: Field Data

Components of Promotional Strategy

Following important components of promotional strategy are considered to study the opinion of customers:

a. Public Relations - Public relations complement advertising by creating product and service credibility. Effective marketing communication is possible with establishing and maintaining mutual understanding between the bank and its customers. Bright image is created and maintained by public relations.

b. Effective Advertisements - Through effective advertising, an organization can attain its short term objectives such as increase in the sales of product, as well as long term objectives such as bringing behavioural changes in the attitude of the present and prospective customers.

c. Personal Selling - In pursuance of a prudent policy, an organization can drive maximum benefit by giving importance to personal selling of its products. It can help boost sales, if wisely used, and bring in a human touch when carrying out a transaction.

d. Direct marketing - Under general marketing, marketer depends upon advertising, sales promotion and personal

selling to promote their products and use some channel of distribution to bring about mass distribution. But, under direct marketing all the three means of promotion are compressed to induce direct sale without the help of any middleman traders.

e. Sales Promotion - It refers to promotional activities other than personal salesmanship, advertising and publicity which stimulates consumer purchasing and dealer effectiveness like displays, exhibitions and showrooms, demonstrations, free samples, coupons, contests and various other non-recurrent selling efforts not in the ordinary routine. It is a bridge or a connecting link covering the gap between advertising and personal salesmanship.

Customers' Opinion on Promotional Strategies Practiced by the Bankers

Promotional strategies describe the business and its products to the target group by understanding the profile of customers for the growth and development of bancassurance products. Following table indicates opinion of customers regarding the Integrated Promotional Strategies practiced by banks.

Table 8. The Integrated Promotional Strategies practiced by the banks.

| Banks | Yes | Percentage | No | Percentage | Total | Percentage |
|------------------|-----|------------|-----|------------|-------|------------|
| Corporation Bank | 23 | 9.2 | 142 | 56.5 | 165 | 65.7 |
| Canara Bank | 32 | 12.7 | 54 | 21.6 | 86 | 34.3 |
| Total | 55 | 21.9 | 196 | 78.1 | 251 | 100.0 |

Source :Primary data

It is evident from the table 8 that only 21.9 percent of the respondents opined that banks are sufficiently using Integrated Promotional Strategies where as 78.1 percent of respondents opined that the Integrated Promotional Strategies used by banks are not sufficient and banks should put more efforts on this strategy.

Opinion of bank customers on different types of Integrated Promotional Strategies.

From the study it is clear that bankers should put more effort on Integrated Promotional Strategies to increase the sales of bancassurance products, particularly, on public relations, advertising, personal selling, direct marketing and sales promotion. These Integrated Promotional Strategies can change the behaviour of customers and motivate them to buy bancassurance products.



Table 9. Opinion of customers on different types of Integrated Promotional Strategies required in Banks.

| Banks | Public Relation | Percentage | Effective Advertisements | Percentage | Personal Selling | Percentage | Direct Marketing | Percentage | Sales Promotion | Percentage | Total | Percentage |
|------------------|-----------------|------------|--------------------------|------------|------------------|------------|------------------|------------|-----------------|------------|-------|------------|
| Corporation Bank | 35 | 13.9 | 27 | 10.8 | 28 | 11.2 | 15 | 5.9 | 60 | 23.9 | 165 | 65.7 |
| Canara Bank | 20 | 7.9 | 18 | 7.3 | 20 | 7.9 | 16 | 6.4 | 12 | 4.8 | 86 | 34.3 |
| Total | 55 | 21.8 | 45 | 18.1 | 48 | 19.1 | 31 | 12.3 | 72 | 28.7 | 251 | 100 |

Source: field data $\chi^2 = 15.974$, p value <0.01

Table no. 9 present that the majority of customers (28.7 percent) opined that strategy of sales promotion is the most suitable strategy in Integrated Promotional Strategies for the banks to increase the sale of bancassurance products. The preferences given by the customers to other strategies in Integrated Promotional Strategies are Public Relation (21.8 percent), Personal Selling (19.1 percent), Effective Advertisements (18.1 percent) and Direct Marketing (12.3 percent), respectively.

Suggestions

- ✎ Solid and well planned Integrated Promotional Strategies are the need for the hour for the growth and development of bancassurance business. An effective promotional marketing strategy and understanding of marketing conditions are important for the growth and development of bancassurance business.
- ✎ As majority of customers (78.1 percent) opined that (table No.8) banks should put more efforts on Integrated Promotional Strategies, So, it is suggested that banks, especially Canara bank and Corporation Bank, should focus on this to increase the sales of their bancassurance products.
- ✎ It is evident from table no.9 that majority (28.7 percent) of the customers opted for sales promotional strategy as one of the effective strategies to increase the sales of bancassurance products. So banks should give first priority for this strategy while considering Integrated Promotional Strategies to increase the sale of bancassurance products.
- ✎ It is also necessary that banks should consider, on priority basis, other strategies like Public Relation, Personal Selling, Effective Advertisements and Direct Marketing as other components of Integrated Promotional Strategies to boost sales of bancassurance products.

✎ It must also be noted that the 'chi square' test indicates that there exists a significant strong association between the promotional strategies adopted by the banks and the type of the banks at one percent level of significance. So this leads to the conclusion that 'Sales Promotion' is the first priority for Corporation Bank and Public Relation as well as Personal Selling are the first priority for Canara Bank.

Limitations of the Study

As in this study results are based on the study made by considering only Canara Bank and Corporation Banks of coastal Karnataka region, inferences and conclusions are drawn should not be generalised for other banks and other parts of the state or country or other nations of the world due to cross regional, cross cultural and other risk and uncertainty differences. However, this study will definitely contribute to the yield of Canara and Corporation banks of coastal Karnataka region.

Direction for Future Research

This study is the base for further study on following issues:

1. Considering the same topic, study can be extended to state or country to study on Canara and Corporation Banks.
2. Study can also be extended to other banks and a Comparative study can be taken up among nationalized banks or between private sector and public sector Banks.
3. Researcher can also consider the evaluation of effectiveness of individual strategy in Integrated Promotional Strategy to augment the sales of bancassurance products taking individual bank separately.



Conclusion

Coastal Karnataka and its culture, people, regulations and competitions favours bancassurance business in this region. To overcome various types of risks, both man made and natural made, bancassurance is a panacea and one-stop-shop for Coastal Karnataka people. The bancassurance model was not well-positioned in banks of this region and the people were not aware of the opportunities of bancassurance products and its nature. This study will help the banks especially Canara Banks and Corporation Banks, to introduce the suitable strategies to boost their sales of bancassurance products, which in turn, help for the growth and development of the banks.

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