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BANK EMAIL MARKETING: CREATING CUSTOMER RELATIONS WITH PERMISSION

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Abstract *Indian economy is changing and all the sectors are witnessing these changes in one way or the other. Indian banking sector is no exception. With more branches, planned consolidation, this service sector is changing many folds. In order to remain competitive, banks are eyeing on email marketing. There is evidence that permitted emails lead to higher satisfied customers. The purpose of this paper is to explore the usage of email marketing for enhancing customer relationship, reason for using relationship based permission marketing and maintenance of privacy among three types of banks i.e. public, private and foreign banks. The quantitative approach involved a total of 15 respondents (banking officials) selected through random sampling from the list of banks as provided by IBA (Indian Banking Association). The results showed that all banks agreed on the usage of emails for marketing of various banking products and services. It was found that public sector banks are less customers-centric in comparison to private and foreign sector banks. Finally, foreign banks are more active in maintaining of privacy of consumer's details. The paper highlights key efforts to elucidate the importance of customer centricity in banking sector. This paper is also useful for practicing relationship marketing managers and CRM (customer relationship marketing) experts across different industries including banks.*

Keywords: *CRM, Customer-centric, Customer Relations, E-mail Marketing, Permission-based Emails, Banks, Types of Banks*

INTRODUCTION

Banking industry is one of the oldest industries which operates since centuries. Banking as an industry is therefore matured as far as business environment of services is concerned. Banking industry, at a global level, has been subjected to a numeral changes in topical times (Rajan, 1998). Over the number of years, banks are increasing not in their capital assets but also in their reach to various geographical areas. The banking industry is very dynamic and is changing very rapidly. With opening up of new branches and consolidation of bankrupt bank with financially sound bank, this sector of banking services is turning leap and bound. On the top of it, frequent changes in monetary polices and regulations imposed by Reserve Bank of India, is making this service business more competitive and complex highlighted by unexpected and naïve behaviour by banks, irrespective of their origin. According to Foo, Duglas and Jack (2008) banking sector is becoming highly competitive and moreover the intensity of differentiation among various banking products and services offered by various banks is quite low. This will lead to the foundation of having strong customer relationship with existing customers.

With more banking products and services available on the platter, this is the "hurray" time for the banking consumers as customers show no loyal behaviour among banking industry. In India, there is huge number of public sector, private sector and foreign sector banks existing together and giving immense and intense competition to each other. This competition is prevalent in attracting new banking customers as well as in retaining an old banking customer. Needless to mention, marketing plays an important role in maintaining the position in market. Banks are using various marketing techniques to "up sell" as well as to "cross sell" their banking products and services and can take benefit of their relations with the existing customers. Banks are adopting advanced method in order to reach consumers and are therefore influenced by various technological changes which have greatest impact (Bednar *et al*., 1995). Permission-based email marketing is one of such kind of techniques, banks prefer to target "interested" customers. By using permission-based emails, banks are able to send "relevant" and "anticipated" messages to intended recipients.

The Indian Banking Sector

Business of banking services is one of the oldest service businesses in India. It was in the year 1786, when first Indian bank i.e., The General Bank of India was set up. During the years, various other banks like Bank of Bengal (1809), Bank of Bombay (1840) and Bank of Madras (1843) came into motion. Due to large number of banks operating in India,

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it had become essential to rationalize the functioning and activities of commercial banks. Therefore, the Government of India came up with Banking Regulation Act 1949 that paved way for Reserve Bank of India, which acts like a regulator for banking sector in Indian context. Banking sector in India is facing turbulent environment and is prone to many challenges. Therefore bankers are supposed to move very cautiously.

E-mail Marketing as a Customer Relation Tool

Researchers and practitioners of email marketing had agreed that marketing of various products and services using emails is one of the most efficient online marketing tools for various reasons including sound customer relationships. According to the study conducted by emarketer (2001), four-fifth of email marketing messages are responded within two days as compared to other marketing methods in which the response takes six to eight weeks. Since sending emails requires low cost expenditure and reach is fast and traceable, email marketing is becoming a key marketing tool for marketers (Tezinde, Smith, and Murphy, 2002; MacPherson, 2001). Banks are also engaging themselves in using email marketing , because generally banks caters to masses and email provides this kind of facility. “Customer Touch” and “Customer Relations” nowadays is becoming a new mantra for banks and therefore banks uses e-mails for different segments of their banking products and services. Zineldin (2000) also suggested that banks, in order to be successful, must focus on different segments as different.

Inspite of various advantages of email marketing, there are various issues of concern. Since email sending is low cost affair, banks send too many emails. This may annoy customers and sometimes may lead to dissonance and therefore hampers the whole concept of customer centricity. Therefore it is now expected to take “permission” of consumers, before sending any message using e-mails.

Permission Based E-mail Marketing

Permission-based email marketing is emerging to be a useful tool of contemporary marketing specially for enhancing relationships with customers. It is viewed as a cost-effective method of communicating market offerings to both existing and new customers who had expressed their permission. Permission based email marketing is used by banks for driving sales and building dominant brand loyalty among customers. According to Swanson (2000); Rizzi (2001) and Rosenthal (2001) permission based emails provide enhanced means of communication and therefore reach target audiences more promptly. Brodeur (2000) suggested that permission-based email campaigns strengthen a company’s online community of users by providing various benefits to them. As per the Epsilon Study (2009) consumers globally are using various online communication tools and are responding to permission-based email in multiple ways based on their country of origin. Yang and Fang (2004) highlighted that Internet-based marketing tools helps banks to create and customize various offers to customers. Osarenkhoe and Bennani (2007) viewed that by using “one-to-one” marketing, banks can create a platform of knowledge which can be advantageous to banks and customers.

Bank E-marketing for Creating Customer Relations

In present scenario, the most sought after tool for promotion of banking services is email marketing. Banks are using this medium as by using this medium they promotes the services by giving various offers and also interacts with the potential customer. According to Wang *et al.* (2003), consumers perceive any financial institution credible or not, depend on the privacy and security features of email marketing. As per Jupiter research (2009), consumers of banking services are no longer loyal to any bank and are shifting their preferences. Consumers expect their bank should maintain their privacy and send only those emails which are being “permitted” and hence there has to be no “spam” to be sent out by marketers in general and by banks in particular. As a result, perception of lack of security has been recognized as an important factor which affects the use of email by banks (Kassim and Abdulla, 2006).

OBJECTIVES OF THE STUDY AND HYPOTHESES

In the radiance of literature review and the issues raised, the objectives of the present study are to compare usage of emails in marketing of banking products and services as a tool of customer relationship management, reasons for using permission-based email marketing and maintenance of privacy of the details of the customer keeping customer centricity in focus across different types of banks i.e. public sector, private sector and foreign sector banks. Keeping above stated objectives in mind, the following hypotheses are proposed:

H_0: There is no difference of opinion of banking officials about usage of emails in marketing of banking products/ services across different types of banks.

H_1: There is no difference in opinion of banking officials about getting targeted customers by using permission-based email marketing among different types of banks.

Table 1: Profile of the Respondent (Bank Officials)

Public Sector Banks			
S. No	**Name of Bank**	**Year of Operation**	**Profile of Respondent**
1	Dena Bank	1938	Marketing Manager
2	Bank of Baroda	1908	General Manager
3	Punjab National Bank	1894	Assistant General Manager
4	State Bank of India	1806	Senior Manager
5	Vijaya Bank	1931	Senior Manager
Private Sector Banks			
S. No	**Name of Bank**	**Year of Operation**	**Profile of Respondent**
1	AXIS Bank	1994	Head, Retail
2	ING Vysya Bank	1930	Assistant Vice President
3	HDFC Bank	1994	Regional Head
4	The South Indian Bank	1929	General Manager
5	Yes Bank Limited	2004	Marketing Manager
Foreign Banks			
S. No	**Name of Bank**	**Year of Operation**	**Profile of Respondent**
1	American Express Bank	1921	Marketing Manager
2	BNP PARIBAS	1860	Marketing Manager
3	Deutsche Bank	1980	Retail Banking Manager
4	The Development Bank of Singapore	1994	Customer Service Manager
5	The Royal Bank of Scotland	2002	Head, North Cluster

*Source: Authors own.

H_2: There is no difference in opinion of banking officials about conveying of message properly by using permission-based email marketing among different types of banks.

H_3: There is no difference in opinion of banking officials about permission-based email marketing is customer centric among different types of banks.

H_4: There is no difference in opinion of banking officials about maintenance of privacy of consumer details among different types of banks.

METHOD

Sample

The respondents were selected using random sampling. A sample of 15 banks was selected: 5 public sector banks, 5 private sector banks and 5 foreign banks. For collecting data from the banks, the respondents consisted of Assistant General Manager, Marketing Manager, Senior Manager, Cluster Head, Retail Banking Head and Regional Head. The profile of the respondent banks has been shown in Table 1.

Measures

Questionnaire was formulated and divided into two parts, in which first part gathered general information related to banks, their nature, years of operation and so on. Second part was entirely dedicated to enquire and gather information related to Permission Marketing. This part was specially designed to enquire the reasons to use or not to use permission-based email marketing. The respondents were asked to rate different items using a 5-point Likert type scale where 5 (five) indicated 'Strongly Agree' while 1(one) represented 'Strongly Disagree'. The reliability of the questionnaire for bank officials was tested using Cronbach Alpha IBM-SPSS version 19 software. It was found to be above 0.60, which is acceptable (DeVellis, 1991; Nunnally and Bernstein, 1994; Spector, 1992).

RESULTS

Kruskal Wallis H test, using IBM-SPSS version 19 software was performed to test the different hypotheses. The results of the study are presented in three sub-sections. The first section shows results for usage of emails in marketing of various banking products/services across different types of banks. The second section describes the reasons for using permission-based email marketing and the third section elucidates the results for maintenance of privacy of consumer details.

First Section

H_0: There is no difference of opinion of banking officials about usage of emails in marketing of banking products/services across different types of banks.

Table 2 and 3 reveal that there is no difference of opinion of banking officials about usage of emails in marketing of banking products/services across different types of banks. The value of p was found to be 0.247>.05 (5% level of significance), therefore null hypothesis is accepted

Table 2: Mean Ranks of Banks

	Nature of the bank	N	Mean Rank
emails are mostly used in marketing	public	5	6.80
	private	5	10.40
	foreign	5	6.80
	Total	15	

*Source: Authors' own.

Table 3: Test Statistics

	emails are mostly used in marketing
Chi-Square	2.800
df	2
Asymp. Sig.	.247

*Source: Authors' own

Second Section

H_0: There is no difference in opinion of banking officials about getting targeted customers by using permission-based email marketing among different types of banks.

H_0: There is no difference in opinion of banking officials about conveying of message properly by using permission-based email marketing among different types of banks

H_0: There is no difference in opinion of banking officials about permission-based email marketing is customer centric among different types of banks

Table 4 shows the opinion of banking officials for varied reasons of using permission-based email marketing. Getting targeted customers by using permission-based email marketing is a common reason among bank officials of different types of banks, also this medium is able to convey message properly. Thus, the first two hypotheses are accepted. The last hypothesis is rejected as there is difference of opinion of bank officials on the parameter of customer centricity which clearly demonstrates the importance of customer centricity which further leads to a firm customer relationship management.

Table 4: Test Statistics

Parameter under study	Asymp. Sig.	Opinion
Getting Targeted Customers	.274	No Difference
Conveying Message Properly	.189	No Difference
Customer Centricity	.048	Significant Difference

*Source: Authors' own.

Third Section

H_0: There is no difference in opinion of banking officials about maintenance of privacy of consumer details among different types of banks.

Table 5: Mean Ranks of Banks

	Nature of the bank	N	Mean Rank
Banks maintains privacy details	public	5	8.50
	private	5	4.60
	foreign	5	10.90
	Total	15	

*Source: Authors' own.

Table 6: Test Statistics

	Banks maintains privacy details
Chi-Square	6.088
df	2
Asymp. Sig.	.048

*Source: Authors' own.

Table 5 and 6 reveal that there is difference of opinion of banking officials about maintenance of privacy of consumer details across different types of banks. The value of p was found to be 0.048<.05 (5% level of significance), therefore null hypothesis is rejected.

DISCUSSION AND CONCLUSION

Banks prefer using email marketing because it is economical, provides more space for message, and also as per their convenience and at the same time enhances relationship with customers. This is also observed by Foss (2002), that banks use these CRM techniques to enhance customer relationships over a period of time. This was further confirmed with the fact that there exists no significant difference in the opinion of officials of three types of banks regarding usage of emails for marketing of banking products and services. Banks uses email method of marketing because it gives better return on investment as variable cost per customer for sending email is low. It will be worth to mention the study conducted by Synergistic Research Corporation (2009) in which it was observed that emails having financial information as message content were able to derive results for financial institutions like banks. It would be appropriate to discuss the emerging concept of below the line marketing, which is now emerging as an important marketing concept and is getting accepted across organisations for the reason that is economical and focused as compared to above the line marketing techniques like advertisements, however can have negative impact on customer relations if used excessively, depending on behaviour of consumers.

There was difference of opinion among officials from different banks viz. public, private and foreign on whether permission-based email marketing is customer centric. Officials of public banks were of the view that permission-based email is less consumer-centric as in comparison to the officials of private and foreign banks who were of the opposite view. Customer-centricity prevails in the organisations when both marketers and consumers actively participate in designing and implementation of relationship marketing programmes. This is happening in private and foreign banks because their system is more transparent and customer oriented as compared to public banks. Private and foreign banks are more open to feedback system and also believe in strong customer relationships as a marketing principle.

It was statistically established that there exists variation in the opinions of fifteen banks regarding maintaining of privacy of consumers detail. Almost half of the respondents had been neutral i.e. had been silent on this issue. Foreign banks shows the opposite opinion where officials of foreign banks did agree on maintaining of privacy in there respective banks. Foreign banks generally hail from countries like America, Europe, Singapore and so on, where privacy laws are very stringent. Foreign banks, in order to maintain global standards, follow similar privacy laws in the country they operate. It is important to mention that concern for privacy is increasing day by day; therefore it becomes necessary as well as important phenomenon to be followed by banks as a differentiation factor. Maintaining of privacy must not only be seen from the legal point of view only, it incorporates an ethical dimension also. If a customer receives promotional messages which were permitted by them but not relevant, it leads to unethical practice in the domain of permission marketing as suggested by Nath and Gupta (2009).

The present study laid emphasis on use of emails by banks for correspondence with customers and also motivates them to use emails in case of feedbacks, query or any suggestions as a handy tool for building positive relations. It will also be taken from the point of view of going green as a need of the day. Also, banks should undertake a special drive from time to time to educate their customers regarding importance and relevance of email marketing in general and relationship-based permission marketing in particular.

The future research can include cooperative banks, regional rural banks, and non-banking financial institutions for the purpose of study and can suggest some more options for better implementation of relationship based permission marketing in Indian banking sector.

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APPENDIX: QUESTIONNAIRE

Part – A – Profile of the Bank

Please tick the appropriate box

Name of the Bank : ____

Nature of Bank : ☐ Public ☐ Private ☐ Foreign

Years of existence: ☐ upto 5 years ☐ more than 5, less than 10 years ☐ more than 10 years

Part-B Information about marketing practices

Please tick the appropriate box

1. In order to market your product / services, you have:
   a. in house marketing department ☐
   b. outsourced marketing activity ☐
   c. if both specify the % ______ in sourced _______ out sourced.
2. Generally what are the different methods by which bank markets its product and services **(Rank top most three)**

   a.E mail marketing ☐ c) Telemarketing ☐ e) Outdoor Marketing ☐

   b.SMS Marketing ☐ d) Advertisements in Newspapers, Magazines ☐ f) any other specify____

3) According to your Bank policy, emails are mostly used in marketing of products and services.
   ☐ Strongly Agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree

4) While mailing all such communications through emails, what is the main purpose behind that ____________________
   ____
   ____

5) Does your bank provides related content in the message
   ☐ Strongly Agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree

6) Does the messages sent by email are advantageous and is of use for consumer.
   ☐ Strongly Agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree

7) Banks/ can use permission-based email marketing because

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
i) It will give bank targeted customers					
ii) It is cost effective					
iii) It provides more choice to consumer					
iv) It can convey the message properly					
v) It is customer centric					
vi) It is response oriented					

8) Bank maintains the privacy of the details of the customer and do not pass to the third party (like email addresses)
   ☐ Strongly Agree ☐ Agree ☐ Neutral ☐ Disagree ☐ Strongly disagree