

MARKETING OF FINANCIAL SERVICES

Lecture Nine

The Roles of People, Physical Evidence and Processes in Marketing of Financial Services

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WEEK NINE

9.1 Introduction

Welcome to week nine lecture! The financial services marketing strategy requires one to add three extra Ps to the ordinary marketing mix four Ps. The extra Ps include the people, physical evidence, and processes in delivering of service. In today's lecture, we will focus on these extra Ps and how they influence marketing of financial services.

9.2 Intended Learning Outcomes

At the end of this lecturer, you will be able to:

- a) Describe the role of people in financial service delivery
- b) Examine contribution of physical evidence to financial service delivery
- c) Evaluate the role of processes in financial service delivery

Service delivery requires consideration of the human resource and the environment in which it is being delivered. The human resource is often seen as the service because of the intangible characteristic of the service. The environment provides evidence that service is available while steps followed represent various processes. We begin by the people aspect.

9.3 People and Service Delivery

The employees of a financial institution play a critical role in delivery of financial services. Key among them is the front-line staff who interact with financial services customers. Specifically, these employees act as a differentiation point between one service provider and the other. The activities and interaction of employees with customers determines the level of customer satisfaction. Satisfied employees are likely to deliver high quality to customers hence their satisfaction. The service personnel especially the first line is expected to be efficient and to delight customers. They also perform marketing activities such as cross-selling, up-selling, and promotion of company's activities. In addition, they represent the company, creating service quality, improving productivity and making sales which make them extremely significant for firms' profitability (Johan, 2015).

The human resource aspect of a financial institution should then be closely related to the marketing department. This is because people are viewed as the service itself and therefore all human resource activities must be informed by desire to satisfy customers. In this section we evaluate the core human resource activities in the context of first line staff who include cashiers, tellers, personal bankers, customer service personnel, receptionist, security personnel among others. The marketing department usually collects information from customers which should be used as the basis for job analysis, description and specification. The core human resource activities which should be linked to marketing activities include recruitment, training, and motivation for excellent service delivery in financial institutions.

Recruitment of the right personnel is the first step in ensuring high quality service delivery in a financial institution. The human resource manager must work with the marketing manager to ensure they attract the right people to work as front-line staff. They must examine the potential employees in terms of right attitude, personality, and cultural orientation to see if they fit to work in a financial institution. It is expected that the manager will settle on employees who possess qualities such as warmth, energy, charm, detail orientation, and neatness. They must also be people of high integrity, honesty and excellent communication skills. These will inspire customers as financial institution jobs require that employee can be perceived as trustworthy.

Once recruitment is done the second step is training the staff for the work. The financial services marketer must train the new staff on organizational strategy, interpersonal and technical skills, and product knowledge (Lovelock 2011). Organizational strategy training focusses on financial institution history, culture, philosophy, mission, vision, and objectives which aids in developing mutual respect, team spirit and integrity as well as service excellence. Interpersonal skills training focusses on appropriate body language, attentive listening, making eye contact, facilitate communication with customers and improves customer service. Training on technical skills is aimed at knowledge of specific field, rules and regulations, procedures, and the ability to use equipment and operate machines necessary for excellent financial service delivery. Product knowledge focuses on making new employees aware of financial institution products and their features, answering customers' questions and providing solutions to customers' needs and wants.

Managing first line employees for excellent service delivery requires that they be empowered. This involves encouraging and rewarding those who show initiative and solve customer problems. Johan (2015) attests to the fact that empowered employees respond quicker to customer needs, feel better about their jobs, are more involved in work, perform their tasks with more enthusiasm, and that they come up with ideas about how to best serve customers. This however comes with higher training costs as well as possibility of inconsistency in service delivery as employees go through training.

Motivating personnel to be high performers is the other aspect of human resources that both the marketer and human resource manager must agree on. Motivation is crucial for retaining of employees. There are many theories that explain employee motivation such as Maslow hierarchy of needs theory, goal setting theory, need expectancy theory, McGregor theory X and Y and many others. Motivation is known to be one of the factors that contribute to employee performance. Financial services provider as employees may be motivated through better salaries, increased fringe benefits, improved working conditions, offering job security, better organizational policies and enhanced relationship with supervisors. Johan (2015) further maintains that job content and recognition, job position and responsibility, career development, and goal accomplishment also go a long way towards employee motivation.

The final aspect of personnel worth mention in this context is the monitoring and control system in financial institution to ensure employees meet and exceed customer expectation. This also

ensures high quality service is being delivered to customers. Control mechanisms may include self-control or informal control from the peer group, direct personal supervision of personnel, technical control built into the service production process to monitor individuals' performance, bureaucratic control requiring employees to document their performance use of mystery shoppers as well as feedback from customers satisfaction surveys and evaluations (Palmer, 2005)

9.4 Physical Evidence

The physical evidence or the service environment is also crucial in delivering of high-quality financial services. The environment helps to overcome the problem of service intangibility and must be designed with customer in mind. Hoffman et al (2009) emphasize that there are three service environment worth consideration. These include facility external, internal, and other tangibles. The facility external environment includes the surrounding environment, parking facilities, the firm's entrance, and signage facility accessibility, safety, visibility among others. The firm's internal environment constitutes interior design, signage, and equipment as well as other ambient conditions like music, scents, temperature, and colors that complement service delivery process. These go along way in assuring the financial customer of the availability and quality of service being delivered. Other elements such as stationery used, business cards, billing statements staff uniforms and promotional material affects customer perception of quality of service and the marketer cannot ignore them.

The physical evidence serves several purposes to the financial services marketer. First, it differentiates the firm from its competitors as different firms will display different servicescape in line with their branding strategy. Second, it communicates the financial instructions image through what can be seen or heard. For instant in Kenya, we have banks appealing to Muslim client through symbols and language used. Third, the environment facilitates the service delivery to customers. The machines used, the arrangements used, and the queuing system all go a long way in informing customers of quality of service being offered. Lastly, the service environment acts as a place of socialization for customers and employees. It must be designed to meet this need.

The financial service environment constitutes ambient conditions, space and functionality, and signs, symbols, and artifacts (Bitner, 1992). The ambient conditions include size and shape, perceptions, colors, temperature, air quality, scent, music, noise, smell as well as lightning all of which must be addressed for greater customer experience in service facility. The financial services provider wants to use appropriate colors, lightings and even sounds to enhance customer experience.

Space and functionality are another dimension of service environment that affects customers perception of quality of service. The Spatial layout such as the floor plan including location of toilets, cloakroom and waiting room, size and space of furnishing, equipment, and devices necessary for service delivery, handicapped facilities, and the ways in which they are arranged

are key in meeting customer expectations. These items must make the environment more functional for the marketer.

Signs, symbols, and artifacts are critical in communicating direction and places where services are offered in a service environment. they are used to indicate the name of the service facility, communicate the service script, and to teach the rules in the service settings. They are also used to ensure order, delivery of important information about directions, service facilities, codes of conduct and imposed rules and regulations among others (Johan 2015).

9.5 Services Process

This is the other aspect of marketing mix for financial services that we are going to consider. From m the service company's perspective, a service is a process which should be designed and managed to create a desired customer's experience (Johan 2015). From Lovelock (2011) services processes should be viewed from blueprinting. A blueprint specifies how a service process should be constructed and includes detailed description of all activities visible and invisible to customers showing the linkages between them. A blueprint enables managers to identify potential fail points in the service process and modify the procedures to enhance the customers' experience and increase productivity. When developing a blueprint, first it's necessary to identify key activities involved in a service process, distinguishing those which are experienced by customers and those other actions and support processes essential for service delivery.

From blueprint theory of service design, the following activities would be undertaken (Lovelock 2011)

1. Definition of standards for each front-stage activity
2. Physical and other evidence for front-stage activities
3. Principal customer actions
4. Line of interaction
5. Front-stage actions by customer-contact personnel
6. Line of visibility
7. Backstage actions by customer contact personnel
8. Support processes involving other service personnel
9. Support processes involving information technology

Badly designed processes, often result in slow, frustrating, and poor-quality service delivery and are likely to annoy customers. Similarly, poor processes make it difficult for frontline staff to do their jobs well, result in low productivity, and increase the risk of service failures.

9.6 Service Redesign

This is a common practice in financial institutions where the service provider must reinvent his services now and then. This may be warranted by changes in technology, customer needs, added service features, and new offerings. Environmental changes and institutional rusting which occurs internally and often reflects a natural deterioration of internal processes, creeping

bureaucracy or the evolution of spurious and unofficial standards all of which necessitates a firm to redesign its processes. Examining blueprint of existing services may suggest opportunities for product improvement through reconfiguring delivery systems, adding or deleting specific elements, or repositioning the service to appeal to other segments. The financial services marketers must keep on examining their current blueprint and make necessary changes to remain relevant in the marketplace.

Lovelock (2011) further notes that services redesign efforts typically focus on achieving the following key performance measures

- a) Reduced number of service failures
- b) Reduced cycle time from customer initiation of a service process to its completion
- c) Enhanced productivity
- d) Increased customer satisfaction

Berry and Lampo (2000) note that service process redesign encompasses reconstitution, rearrangement, or substitution of service processes and may involve activities such as:

- a) Eliminating non-value-adding steps
- b) Shifting to self-service
- c) Delivering direct service
- d) Bundling services
- e) Redesigning the physical aspects of service processes

9.7 Review questions

1. Front line staff are seen as the service in financial service marketing. Discuss
2. Discuss qualities of a good financial services marketer
3. Examine ways of motivating financial service provider employees
4. Discuss ways of assessing performance of financial services employees
5. Visit a financial services institution in your home area and try to identify how ambient conditions have been used as a marketing tool
6. Discuss how a financial institution can minimize services processes for effective delivery of their services

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