Cross Selling in Banking Industry in India

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Abstract

The present research is a conceptual paper on Cross Selling at the banking industry in India. The aim of the study is to identify the relationship between Trust, Fulfillment, Commitment, Image Conflicts, Convenience towards Customer Retention and Cross-Buying Intention. The researcher has used previous literatures and extensive studies to understand the concept of Cross-Buying intention and to understand the drivers which influence the individual select additional products available with the bank. The main findings of the study show that among all the elements such as Trust, Fulfillment, Commitment, Convenience, Customer Retention have a significant relationship between Cross-Buying Intention. The author explored areas such as Trust, Fulfillment, Image, Commitment in Cross-Buying and their importance for retaining a customer. Customer loyalty has a direct impact on Cross-Buying intention though is not a factor of this study. The research shows that the younger clients are more interested towards Cross-Buying when compared to older clients. Interpersonal relationship and Reputation is one of factor of Cross-Buying as previous studies is shown as positive effect to Customer Retention. There search highlights that Single-Stop Convenience positively influences Cross-Buying, on the other side Image Conflicts, locational Convenience have negative influence towards Cross-Buying. The banker should focus more on Image Conflicts and locational Convenience to improve their Cross-Buying enables to Cross-Sell their products, increase income and retain the existing customers.

Key Words: Cross selling, cross-buying intention, customer retention, trust, fulfillment, commitment, image conflicts, convenience.
1. Introduction

Cross-selling is a method of offering the customer additional products or services along with prime services where the consumer who has already purchase their products. The concept of Cross Selling started in Europe where the banks sold Insurance along with their products to their customers in the early 1970–80, some Asian countries such as Taiwan (1998) Korea(2002) and China (2003) also started to sell their Insurance products along with their bank products. “Banc assurance” is a popular term which means selling of insurance products to bank customers (Fields et al., 2007 and Jung-Kee Hong and You-il Lee 2012). “Assur finance” is the term which refers to the sales of financial products by insurance companies (Benoist, 2002; Van der Berghe and Verweire, 2001) (IrinjaMa`enpa`a 2012). The report by BCG consumer survey, 2010 which was taken in India shows that the Cross-Buying ratio average number of products used per customer with their bank is 2.2 which is much lesser than the global average of 4.0.

Cross Selling

The popular strategy in banking scenario is Cross-selling which has been nearly adopted by all Indian banks. The Banks have started to use Cross Selling to retail insurance products. The Travelers and Citicorp which was merged in 1998 offered the opportunity to cross-sell banking products and insurance to existing customers Tsung-Chi Liu, Li-Wei Wu* 2007). When compared to France and Spain, UK has been more successful in cross-selling (PWC). Cross-Buying and Cross Selling, are receiving more considerable attention in both management and other research sectors at the financial services industry (Sonika Raitani 2017), (Vishal Vyas, Ankur Roy and Ansell et al. 2007). Research in India shows that 83 percent of customers are having relationship with more than single bank which has become an complicated and problematic for cross-selling in India (Young & Ernst, 2012).

Conceptual Model
Customer Trust

Customer Trust is said to have a significant relationship with cross buying and cross buying intention due to the collectivism culture of the Asians (Jung-Kee Hong and You-il Lee 2012), (Chatura Ranaweera, Jaideep Prabhu, 2003), (Li-Wei Wub, 2009 and Tsung-Chi Liu). Trust is an important antecedent for cross buying in complex situations (Soureli et al 2008). (Tsung-Chi Liu and Li-Wei Wub 2008) the customer’s loyalty programs had a significant positive impact on Trust. (Sapna Kumari and Dr. Shalini . P 2018) The findings of their study suggests that the bank should build a more Customer Trust to protect the privacy and security. (Yuan Chen, Kuo-Chang Wang, 2011) confirms the expected positive effect of Trust on Customer Retention. (Sapna Kumari and Dr. Shalini . P 2017) in their study on mobile banking identified that consumer behavior, decision, beliefs and identifying the risk and benefit has positive relationship with customer Trust.

Fulfillment

Customer Fulfillment influences Customer Retention, thereby reducing cost of operation and attracting new customers through word-of-mouth promotions (Robert k. et al., 2013). Literature Review shows that expectations do not directly affect Fulfillment, suggested in Fulfillment literature. Further the study finds that quality has positive impact on Fulfillment in spite of shortage of expectation (Eugene w. Anderson and Mary W. Sullivan, 1993). The key to Customer Retention is customer Fulfillment (Philip Kotler). The increased Fulfillment level increases the chances of repurchasing the brand again in the future (Rashmitasaran & R.J.R. Swamy, 2018). Customer Fulfillment positively affects Customer Retention and customer Commitment (Monireh Raie1, Asadollah Khadivi, Reza Khdaie 2014). Fulfillment has a significant effect on cross-buying intention on same products rather than on different products. (Tsung-Chi Liu and Li-Wei Wub 2009).

Commitment

The Commitment can be considered an important determinant of Customer Retention and it is proved (Peter C. Verhoef, Jenny van Doornand Matilda Dorotic, 2007) (Wei-Ming Ou, Chia-Mei Shih, Chin-Yuan Chen, Kuo-Chang Wang 2011). The research studied that customer Commitment has been recognized as the vital part CRM. In many cases, customer Commitment has been described as the ultimate decision of customer to maintain and create a long term relationship (Walter et al, 2002). Commitment to the customer positively has an impact on customer preservation (Monireh Raie1, 2014).

Image Conflict

The image of the bank or organization has an impact on the cross buying intention of the customers. The banks have to develop and build a positive reputation so as differentiate them from competitors. The bankers should build reputation in terms of reliability and credibility (Magdalini Soureli, Barbara R. Lewis, Kalipso M. Karantinou 2008). The consumers perceive bank image is the
strongest forecaster of the Cross-Buying decision of customers (Brian Tung and Jamie Carlson 2014). The domestic financial institutions had noted that the concept “image”, was still new to the customers in Taiwan and Korea but still it has an positive impact on Cross-Buying intention(You-il Lee & Jung-Kee Hong, 2012). The image was found to have a strong influence on Trust, the highest level of Trust improves to customer loyalty (Mohammad ZiaulHoq, Nigar Sultana and Muslim Amin, 2010). The factor perceived Image Conflicts directly impacts Cross-Buying intention(Brian Tung and Jamie Carlson 2014). The researchers proved that reputation has less impact on Australian banking customers (Laksamana, 2012), but reputation is the main element impacting Cross-Buying decision of banking customers in India (Vishal Vyas and Sonika Raitani 2014). The perceived Convenience has positive effect on while Image Conflicts has a negative association with Cross-Buying intention (Ngobo, Paul Valentin2004).

Convenience

The factor Convenience significantly influences peripheral services of Cross-Buying intention (Heiner Evanschitzkya, NeeruMalhotraa, Florian v. Wangenheimb, Katherine N. Lemon, 2017). Perceived Convenience influences Cross-Buying intentions in retail banking and it can be further studied in different geographic locations (Brian Tung and Jamie Carlson, 2014), (Ngobo, Paul Valentin 2004).

Locational Convenience

The degree of a customer’s perception of the time and effort required to reach a service provider is called locational of Convenience. The relative importance of locational of Convenience is likely to decline, further studies shows that there is negative relationship between locational of Convenience and Cross-Buying intention (Tsung-Chi Liu, Li-Wei Wu * 2007,Tsung-Chi Liua and Li-Wei Wub 2009).

Single-Stop Shopping Convenience

Single-stop shopping Convenience help the customers to obtain products more effortlessly, rapidly, and economically and encourage cross buying (Tsung-Chi Liu, Li-Wei Wu 2007, Li-Wei Wub & Tsung-Chi Liua 2009). This will also reduce the procedural delay, cost and other formalities (IrinjaMäenpäa 2012, V. Kumara, Morris George B, Joseph Pancras C, 2008).

Customer Retention

Customer Retention is defined as the future propensity of a customer to stay with their service provider where as some researchers have used the term “future behavioural intentions” (Zeithaml et al., 1996). The tangible effects of companies’ Commitment to preserving customers (Dawkins and Reichheld 1990) can lead to higher preservation rate and higher net present value of customers. The Interpersonal relationship between customers and the bank employees were found to have positive and significant effect on customer’s intention to retain the services of the bank. (Robert k. et al., 2013)
Retention is affected by image and Trust. The components of image are directly related to Customer Retention (Rene Trasorras, Art Weinstein and Russell Abratt, 2009) hence consequently, Fulfillment has a positive effect on Customer Retention rather than on Cross-Buying(Tsung- Chi Liu, Li-Wei Wu * 2007).

Cross-Buying Intention

Cross-Buying is defined as services procured from a single organisation. According to (Shih-Ping Jenga 2014) Cross-Buying, or ‘add-on’ purchase, reflects the extent of a relationship. Verhoef 2001 introduced the term Cross-Buying and it has been associated with higher levels of Customer Retention, increased revenue generation, and customer loyalty.(WerberReinartz, Jacquelyn.S Thomas and Ganael Bascoul 2008) and (Vishal Vyasa & Sonika Raitani 2014) identified brand, service expediency, interpersonal relationship, payment equity, experience and Trust as the top six factors (from the most important to least) of Cross-Buying in banks using TOPSIS (Technique for Order Preference by Similarity to Ideal Solution). The study shows the positive relationship of customer loyalty on Cross-Buying decision, particularly with reference to the Hong Kong retail banking sector (Brian Tung and Jamie Carlson 2014). The effects of attitudinal loyalty on behavioral loyalty are stronger on cross buying intention (B. Ramaseshan, Jochen Wirtz, Dominik Georgi, 2017).

Factors of Cross-Buying Intention, such as image, and Trust are rated as important. The management has to maintain the relationship with respect to these factors inorder to sustain the resultant competitive advantages (Chiang Ku Fan1, Li-Tze Lee2*, Yu-Chieh Tang3 and Yu Hsuang Lee4, 2011). The religion of faith of the customers does not have any effect on customer Fulfillment, image, and customer loyalty(Mohammad ZiaulHoq, Nigar Sultana and Muslim Amin, 2010). “Trust”, “Image”, and “Fulfillment” were found to be the determinants of customers’ Cross-Buying Intention in the banking services of Korea and Taiwan, out of which “Trust” and “Fulfillment” were significantly influenced by “Collectivism culture in Asia”(Jung-Kee Hong and You-il Lee, 2012), (Soureli et al. 2008) proved that elements such as Fulfillment, Trust and image impacting Cross-Buying Intentions. Jung-Kee Hong and most of the studies Commitment has been defined as the final intent of consumer to maintain and create a long relationship (Walter et al, 2002).

2. Discussion and Conclusion

After a thorough secondary research, it is found that the relationship quality between the bank and the consumer depends on Fulfillment, Commitment and Trust due to this the banks are able to retain their customers. While the relationship quality elements do not influence Cross-Buying intention directly but they still play an important role in influencing Customer Retention which in turn influences Cross-Buying intention(Brian Tung and Jamie Carlson 2014). Factors of Cross-Buying Intention, such as image, and Trust, are rated as important. The management has to maintain the relationship with respect to these factors inorder to sustain the resultant competitive advantages (Chiang Ku Fan1, Li-Tze Lee2*, Yu-Chieh Tang3 and Yu Hsuang Lee4, 2011). The religion of faith of the customers does not have any effect on customer Fulfillment, image, and customer loyalty(Mohammad ZiaulHoq, Nigar Sultana and Muslim Amin, 2010). “Trust”, “Image”, and “Fulfillment” were found to be the determinants of customers’ Cross-Buying Intention in the banking services of Korea and Taiwan, out of which “Trust” and “Fulfillment” were significantly influenced by “Collectivism culture in Asia”(Jung-Kee Hong and You-il Lee, 2012), (Soureli et al. 2008) proved that elements such as Fulfillment, Trust and image impacting Cross-Buying Intentions. Jung-Kee Hong and most of the studies Commitment has been defined as the final intent of consumer to maintain and create a long relationship (Walter et al, 2002).
(Ziaul, M. 2010 ) examined that image has an effect on Trust and it leads to customer loyalty. (Brian Tung and Jamie Carlson 2014), (Ngobo, Paul Valentin 2004), studies found that Image Conflicts have negatively associated with Cross-Buying intention but the Convenience shown as positive effect towards Cross-Buying Intention. The factor locational Convenience and Cross-Buying its found there is no significant relationship between them. The study has also shown that one stop Convenience had a positive effects toward Cross-Buying to buy products with same firm it saves time and effort of customers, also its found that single-stop shopping Convenience, bank reputation and bank expertise influences both Customer Retention and Cross-Buying (Tsung-Chi Liu and Li-Wei Wub 2009). The research shows that demographically younger clients show more interest towards Cross-Buying products/services compared to older clients (Chi Liu and Li-Wei Wub, 2008). (Robert k. et al., 2013) investigate the factor Interpersonal relationship among bank employees and customers were seems to have positive effect on Customer Intention. (Vishal Vyas and Sonika Raitani 2014) has confirmed that reputation is one of the main elements for Cross-Buying decision among the customers of Indian banks.

References


