



# Dr.AMBEDKAR INSTITUTE OF TECHNOLOGY

BENGALURU-560 056.  
Research and Development Cell

Dr. AIT/R&D/2019-20/31

Date:20-05-2020

To

Dr. S.Baskaran  
Associate Professor  
Department of Master of Business Administration  
Dr. Ambedkar Institute of Technology  
Bengaluru-560 056

## Administrative Approval

**Subject:** Financial Assistance under Dr.AIT R & D Grant Scheme for the research project entitled "Cross Marketing Strategies of Financial Products of the Public Sector Banks in Bangalore City" submitted by Dr. M. Mahadeva and Dr. S.Baskaran - Reg.

Ref No: Dr. AIT/R&D/2019-20/

Dated: 20/05/2020

Sir/Madam,

With reference to the above subject, the project proposal entitled "Cross Marketing Strategies of Financial Products of the Public Sector Banks in Bangalore City" submitted by **Dr. M. Mahadeva and Dr. S.Baskaran, Principal Investigator**, Department of Master of Business Administration of Dr. Ambedkar Institute of Technology (Dr. AIT), Bengaluru-560 056 is sanctioned with a grant of Rs 3,50,000/- (Rupees Three Lakh Fifty thousand only) for a period of 18 months.

The details of the grant for which the total allocation of Rs. 3, 50,000/- are as follows

Expenditure details	12 Months (Rs)	6 Months (Rs)	Total in Rupees
Consumables and conference registration	30000.00	20000.00	50000.00
Travelling Expenses data collection	20000.00	80000.00	100000.00
Investigators hired for data collection	72000.00	72000.00	144000.00
Books	56000.00	0.00	56000.00
Total	178000.00	172000.00	350000.00

The sanction of the grant is subject to the following conditions:

- 1) The grant will be released in the name of the Co- Investigator of the concerned department.
- 2) The research activities will be evaluated by the evaluation committee constituted by the Chairman/Vice Chairman/Dean (R&D) of the Research and Development Monitoring Committee twice in a year (January/July) after commencement of the project apart from periodic review.



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- 3) The grant shall be utilized for the purpose for which it has been sanctioned. Mixing of heads of expenditure mentioned in the table is not allowed.
- 4) Funds for subsequent years shall be released on satisfactory progress and submission of half yearly progress report by the Principal Investigator. Audited statement of accounts and utilization certificate duly certified by the financial authority of the Institute for each financial year is required to submit through Head of the Department of the Institution to the undersigned. **Excess expenditure, beyond sanctioned grants will not be considered.**
- 5) The date of the receipt of the first instalment of the grant would be reckoned as the date of commencement of the project.
- 6) Any correspondence by the investigators to the Dean (R&D)/Principal of Dr. AIT shall be routed through HOD of the grantee department.
- 7) The grantee department shall abide by the rules and regulations of Dr. AIT research grant scheme.

You are requested to send the letter of acceptance of the grant immediately.

Thanking you,

With Regards

Signature

Dr.C.Nanjunda Swamy

Principal

2018/2020

Principal

Dr. Ambedkar Institute of Technology  
Bangalore - 560 056

**Copy with compliments to:**

1. Hon'ble Secretary, PVPWT, for kind information
2. Head, Account Section, for information
3. Registrar/AAO, for information
4. Dean (R&D) for file.
5. PA-Principal for file

# **Research Proposal on Cross Marketing Strategies of Financial Products of the Public Sector Banks in Bangalore City**

M. Mahadeva & S. Baskaran

## **Introduction**

Cross marketing strategies has been one of the business models of the financial institutions through which a product of one agency is marketed by other agency for various gains and benefits. This strategy is being adopted by the financial institutions to earn non-fund income from the owner institutions of the products, in addition to marketing of their own financial products. Many a time, cross marketing is adopted to develop good will and social capital between the financial institutions, which are beyond the economic considerations. Of late, cross marketing exists in almost all financial institutions, which is perceived to be beneficial not only for banks but also for its customers. Cross marketing is beneficial for banks in many ways- (a) Access or acquire new customers with the existing customer and the cost of approaching being much less. It reduces per customer cost and increases per customer earning; (b) It has a benefits of economies of scale, which increases the profits besides being a single window operations; and (c) It helps in building brand value for the loyal customers. In that case the likelihood of shifting the business dealings to another institution is reduced substantially. Similarly, customers are also benefits from cross marketing in many ways: (a) The major benefit is that customers get all their financial needs fulfilled at one place like insurance and mutual fund needs from the same bank besides banking needs; (b) Customers gets opportunity to opt out to any other bank, that proves to be more trustworthy; (c) Cross selling helps in building a good relationship between the customers and employees, as both bank and bank customers are well acquainted with each other. Thanks to the growing competitions and the business environment, which have prompted for customer centric. Today, because of the associated advantages in the cross marketing, this strategy has also entered the retail business, including online retail, if not at large scale. Exploring the nature of the cross marketing in the service industry like banking sector is the thrust of this research, in a fast growing metropolitan city of Karnataka viz, Bengaluru, which has housed twelve major public sector banks with over seven hundred networking branches.

## **Statement of the Study**

In the present competitive business environment, banks have resort to new business methods that are not necessarily fund based or without investing the public funds in marketing the various financial products of other financial institutions. This method is being practiced not only to earn non-fund income but also to facilitate the customers with additional financial services like marketing of insurance services, capital market products etc. The influence of cross marketing is such that it has annoyed the customers sometimes, especially when customer is in hurry and just wants to make a quick transactions and when the bank employee try to sell more than he or she has asked. This raises an important question as to why banks should consider cross marketing at all. Let us consider the most common products a bank has to offer: savings accounts, checking accounts, business accounts, savings bonds, mortgages and credit cards of its own at a given price. If another bank gives a better rate for these products, the customer won't hesitate to transfer his

transaction accounts. When conducting business, many customers may be put off by a hard sale, an employee that pushes them hard to purchase a product they may not need or want. However, if a person has all financial accounts with the same bank, they may feel more loyal to that company; there's a sense of ownership involved in maintaining all financial products at the same place. Thus, it would take a great deal of enticement to lure this customer away from their primary bank for banking services. Engendering loyalty accomplishes two primary goals of any business: repeat customers and reduced costs associated with gaining new customers. It costs far less to cross-sell items to existing customers than it to new customers.

### **Review of the Literature and Research Gap**

A comparative case study of the cross marketing practices in public and private sector banks revealed that the cross marketing practices in public sector and private sector banks are quite different. These differences emerge mainly due to different philosophy, background and distinct target customer segments. It is found that these banks have become interdependent on each other. Public sector banks can introduce specialized training and incentives whereas, the private sector banks need to introduce appropriate control mechanisms and avoid indiscriminate cross marketing. The study also brings out the elements of successful cross marketing practices in India (Richa Vyas 2006).

Anurag Kumar (2012) explored the necessity of cross-selling to accelerate the profit and cross-selling is operated in many large organizations. The cross-selling is applicable in banks and it can improve the profit of the bank. The paper ponder over the meaning, existence, types, scope, benefits, and limitations of cross selling. It describes that the "Cross-selling simply means the seller can increase the size of the customers' order by offering other related items, which may be used along with the product already purchased by customers." The paper describes the scope in various sectors such as Banking sector, insurance sector, Automobile sector, Electronic sector, Footwear and garment sector. The paper mentions the benefit in terms of cost reduction and various benefits to banks, customers and insurance company.

Butera (2000) Customer feels contented with the services provided as customer avails services with investing into the bank and this makes easier to cross sell an additional product or services which generates added revenue at an acquisition cost to be lower.

Gertner et al (2000), identified the emerging difficulties caused by implementing a cross-selling program for a US bank. The developing aspects were studied, which resulted on Cross-selling efforts.

Girish P B in the Article mentions that the cross marketing is adopted to be right strategy for a healthy bottom line (2010) and found that every bank decides it's logical relationship with customer by understanding the requirement of customer, the cross selling can be approached. This business warrants employees trained and motivation to sell by rewarding the employees.

Jatin Pandey and Sanjana Mutt (2012) identified that the cross selling practices adopted in public sector and private sector banks are different where prior focuses on technological up gradation and sales is encouraged by aggressive cross selling which may lead to failure in retaining customers and the customers are furious and were later demands for technological improvement.

Kerry Mundt, Byron Sharp & John Dawes (2003), extends formal knowledge concerning loyalty to identify patterns in multi-product loyalty in financial services. The study found that (1) the average number of financial services products per customer is around "2" per customer; (2) financial institutions typically are the main for two thirds of their customer base; and (3) financial institutions typically have around 30-35% of the 'share of wallet' of their customers. These patterns are very similar to the well-established patterns within single repertoire product categories (e.g, grocery products). The main interpret is that these findings cautioned the 'cross selling' is a difficult route for growth in financial services.

Krishna Reddy & Sudhir Reddy (2015), Marketing of Banking Services: A Comparative Study on Some Selected Private Sector Commercial Banks in Khammam City. This paper focused on the financial product marketing strategies adopted by different Private Sector Commercial Banks in Khammam city with a view to identify what they are now doing in this regard and what are the future prospects of marketing of financial products. The study finds that there is a need to develop more effective marketing strategies suitable for long-term growth of these banks. The study also finds that they have very vague idea about Customer Relationship Management, although they claim that they practice it.

W Michael Scott (2014) in the Article "Strategies for Cross-Selling Success" focuses on the potential of every bank to cross sell, to boost up the revenue of the bank. The sales opportunities can be increased with training to staff may increase the number of product per customer for which staff can be rewarded.

Wittmann, Georg (2011) Studied the influencing factors potential for SME customers for cross-selling and foresee the benefit of the possibility that SME to be offered with more appropriate financial services, which may lead to a win-win-situation between the banks and their customers and variables such as demographic, past purchase, and psychographic information were used and found the probability of purchase is estimated for each customer.

Yasar F. Jarrar & Andy Neely (2001) in partnership with a major UK bank, provides an overview of the validity of the 'sales through service' concept and identified the requirements for a successful cross-selling system. It is found that external input to the current initiative already underway at the bank is indeed necessary. The research also summarised what is believed to be a considerable gap between what CRM (?) literature publishes and the actual implementation in 'real-life' organizations. However, it concludes for developing the cross-selling initiative at the bank.

It can be witnessed that there are many studies conducted over the various aspects of cross marketing practices of the financial products of banks. However there are many deficiencies and limitations in these studies. They includes (a) exclusive studies on the

policies and practices of the cross marketing of the public products of the public sector banks; (b) the benefits of cross marketing in terms of the non-fund income, social capital and other benefits that accrues to the financial institutions; (c) nature and character of the financial products that are mostly marketed through cross marketing; (d) Such studies are altogether missing at the regional level, particularly at the most vibrant and business oriented urban setup like Bangalore city, which can be characterized as populous, higher presence of the financial institutions, higher demand for cross marketing, higher bank-population ratio and so on. Perhaps these issues are the focus of this research, in addition to the other issues. The other focus being throwing and capturing the whole gamut of the cross marketing strategies of the public sector bank in Bangalore city. It is all the more necessary for the study given the competitive business environment with many financial service providers both in the public, private and third sector. An understanding of the cross marketing business from the view point of the public sector banks would pave ways for the others to expand this business at the cost effective framework with the policy implications.

### **Specific Objectives**

This study has as number of objectives as detailed bellow:

1. To comprehensively study the traditional banking products with respect to public sector banks in Bengaluru City;
2. To review the circumstances that prompted to introduce non-traditional financial products/services of the banks;
3. To capture and highlight the characteristic features of the financial products being cross marketed across the banks;
4. To discuss about the marketing strategies of the cross marketable products across the banks;
5. To assess the benefits of the cross marketing of the financial products, in terms of the direct and indirect benefits to the financial institutions;
6. To ponder over the constraints of the cross marketing of the financial products from customers and the institutions perspectives; and
7. To offer the policy implications of the cross marketing business of the public sector banks.

### **Hypotheses**

1. Given the erosion of the fund based revenue income, big size banks particularly the public sector banks have resort to and evolved the various strategies to increase the non-fund based strategies to earn revenue income;
2. Public sector banks have been facing stringent competitive business environment, especially from the entry of the private sector and foreign banks, which has contributed for the erosion of revenue income;
3. Increasing cost of operations especially on the establishment, expansion, adoption of new technology and many other factors have compelled to earn non-fund based income;
4. Cross marketing of non-traditional financial products of the other institutions has been a new avenue for additional income and to facilitate the bank customers.



## Methodology and Data Base

The study is exploratory and descriptive in nature. The researchable issues and the objectives would be analysed from the view point of the financial institutions that have introduced financial services and produced designed for the cross marketing and the institutions that have been marketing the products. Additionally, the perception of a good number of customers who have been involved in the cross marketing business would be captured and analysed. The study will be conducted among all the twelve public sector banks in Bengaluru city, at their corporate or regional level depending on their presence. The information pertaining to the design of the cross marketable products, marketing strategies, business network and operational challenges would be collected from the corporate offices. Similarly, information on the pros and cons of the marketing and of the traders would be collected from the customers using the stratified sampling method for the data collection. The primary data will be collected from all the stakeholders of the banks with structured questionnaire, which will be analysed and the research results would be presented.

## Financial Requirements and Outcome of the Study

The study involves collection of secondary as well as primary data, through visits and the structured questionnaire. This would be done by the investigators hired for the purpose for at least six months. This involves travelling expenses of the investigators besides professional fees, purchases of books and supporting materials, consumables, conference registration etc. The report would be prepared based on the analysis and inputs over the presentation. To meet these major expenses, the tentative financial requirements would be in the order of Rs. 3.50 Lakh (Rupees Three Lakh Fifty Thousand Only). The study would be completed in 18 months' time.

The details of Financial Requirements are;

Expenditure Details	12 Months (Rs.)	6 Months (Rs.)	<b>Total Amount (Rs.)</b>
Consumables and Conference Registration	30,000	20,000	50,000
Travelling Expenses for data collection	20,000	80,000	1,00,000
Investigators hired for data collection	72,000	72,000	1,44,000
Books	56,000	0	56,000
<b>Total</b>	<b>1,78,000</b>	<b>1,72,000</b>	<b>3,50,000</b>

Based on the findings of the research, further research can be suggested or undertaken with funding from outside, besides documenting the report in the department. One or two research articles would be published acknowledging the financial support of the institution to create awareness among customers and financial institutions. The report can also be submitted to the Ministry of Finance, Govt. of India to enhance the banking business for the benefit of socio-economic development. Lastly, the researcher can use the research information for any other academic purposes.

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