

INFLUENCE OF WORD OF MOUTH IN BANKING SERVICES

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Abstract

A good Word-Of-Mouth (WOM) is the most effective and cheapest form of advertisement. People who are ready to avail services of any service provider mainly on the basis of WOM may first receive from their friends or relatives. The study focuses on banking sector and 84 account holders are personally interviewed. Results revealed that most of the people are influenced by WOM of others and respondents agree that a positive WOM can attract and retain customers while negative WOM may detain them.

Keywords: Word of mouth; Banking; Customers; After sales services.

1. Introduction

Word-of-mouth is considered as the most effective form of advertising as consumers communicate their knowledge and experiences about a product or a service with one another. When a reliable person speaks about the goodness he has experienced with a banker or a financial service provider, it will definitely influence others in choosing the services or products from that banker and if the latest is also satisfied with the service quality, he/she will also be in the chain of customers who speaks better about the banker and this will create new customers. Thus in the broadest sense, consumer's Word-of-mouth (WOM) communication refers to the process of transferring information from one individual to another either in person or through

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some communication medium such as internet chat rooms, e-mails, on-line reviews, blogs etc. Traditionally WOM is defined as “*Interpersonal, face to face communications among consumers about a product, a service, a brand, or an organization and none of the communication parties represent a marketing source*” [1]. WOM is considered to be a powerful form of advertising and it has both short term and long term impact on consumer's perceptions, judgment and selection of a product or service. WOM may be positive or negative. The basis of all positive WOM is the satisfaction enjoyed by the consumers and the negative WOM is the result of inferior quality products and services.

1. 1. Statement of the problem

Bank offers various modes of services like ATM, core banking, internet banking, tele-banking etc. [2]. The success of a bank depends not only the efficiency of its operations but also whether these services is seen by the customers as satisfying their real needs. In India the level of satisfaction and intimacy of the customers is largely influenced by the service quality orientation of front line employees and the dynamism of branch managers. Genuine efforts taken by the bank staff in times of needs will definitely reciprocated by the customers in the form of loyalty and by bringing new customers through referrals and good word of mouth. Banks need to identify why a customer closes his account or relationship. Most often the numbers of accounts closed are discussed, but the reasons behind each account closure are ignored except for high networth accounts. While a customer could have personal reasons for closing an account or switching loyalties, it is prudent to realize that a customer closing his account for any reason is a loss to the bank. At present there is hardly any ‘After Sales Services’ in banking. Banks can easily find comparable models and benchmarks of after sales services in the auto service sector and in other service sectors like hotels and airlines. These industries have discovered that excellent after sales service is the basis of customer retention, repeat sales, WOM endorsements, customer loyalties, and future sales. After sales services in banking means putting extra efforts to understand customer satisfaction levels and customer’s objections, if any, and taking steps to improve customer satisfaction. For eg, bank can approach customers over phone for a post sales survey of satisfaction, or invite feedback immediately after sales, rather than letting them complain or delivering negative WOM [3]. The present study is undertaken to know the influence of word-of- mouth in banking services.

1.2. Objectives of the study

The study is based on the following objectives;

1. To ascertain how far the customers are ready to express positive Word-Of-Mouth opinion about the services of the branch and what factors motivate them to express positive/negative word-of mouth opinion about the bank branch.
2. To study whether there is any association between customer trust and bonding on their Word-Of-Mouth opinion.
3. To identify the relationship between the perceptions of customers regarding the service quality and their Word-Of-Mouth opinion about Bank branch.

2. Research Method

The study is purely based on primary data collected from customers through a pre-structured questionnaire. For this 84 account holders of SBT, Ennakkad branch was selected as the sample. Five point scaling technique(5-strongly agree, 4- agree, 3 – no opinion, 2- disagree, 1- strongly disagree) was used for collecting information regarding the word-of-mouth, level of customer trust, bonding and service quality. Statistical tools like averages, standard deviation, skewness, ANOVA, Chi square, and t- test were applied for analyzing the collected data.

3. Results and Analysis

3.1 Demographic Profile of Respondents

Here an attempt is made to analyse age, educational qualification, and income of the respondents. All these factors have an effect on the customers' responses

Table 1 Demographic Profile of Respondents

Particulars	Frequency	%
Age of respondents		
Upto 20	2	3
20 to 45	33	39
45 to 60	38	45
Above 60	11	13
Total	84	100

Educational Qualification		
School education only	33	39
Degree	20	24
Post Graduation	21	21
Technical	10	12
Total	84	100
Source of income		
Employed	22	26
Agriculture	10	12
Business/Profession	4	5
Others	48	57
Total	84	100
Monthly income		
Upto Rs.5000	40	48
Rs. 5000 to Rs. 10000	13	15
Above Rs. 10000	31	37
Total	84	100

Source : Primary Survey

The above table shows that 39 % of the respondents have only school education 57 % of the respondents find their income from various other sources. 48 % of the respondents have monthly income upto Rs. 5000 and 37 % of the respondents have monthly income above Rs. 10000.

3. 2. Length of Relationship with the Bank

Table 2. Length of Relationship with the Bank

Length of relationship	Frequency	%
Upto 2 years	10	12
2 to 5 years	20	24
5 to 10 years	22	26
Above 10 years	32	38

Total	84	100
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Source : Primary Survey

The above table given shows the length of relationship of customers with SBT branch selected for the study. 38 % of the respondents have more than 10 years relationship with the Bank branch. 26 % have 5 to 10 years of relationship with that particular branch. Hence, it is clear that majority of the respondents have long term relationship with the bank branch. It is presumed that there is a positive relationship with the bank and the respondents. The Bank is trying to retain their existing customers through their services.

3.3 Frequency in Visiting the Bank

Table 3. Frequency in Visiting the Bank

Frequency of visit	Frequency	%
Daily	2	3
Once in a week	5	6
Once in a month	40	48
Once in a while	37	43
Total	84	100

Source : Primary Survey

It is evidenced from the above table that 48 % of the respondents are visiting the bank branch once in a month. 43 % visit the bank branch, once in a while. It is very clear that large majority of the customers are not frequently visiting the bank.

3.4 'Word Of Mouth is influenced by perceptions and prior experiences' - Age wise Averages

In order to test whether Word Of Mouth is influenced by perceptions and prior experiences of the respondents from bank, an age wise analysis is done. The respondents were asked to rate their degree of agreement about the statement on a five point scale.

Table 4. ‘Word Of Mouth is influenced by perceptions and prior experiences’ - Age wise Averages.

Age	20 to 45	46 to 60	Above 60	Over all
Mean	3.27	3.41	3	3.32
N	34	39	11	84
Std. Dev.	1.09	1.14	1.09	1.12

Source : Primary Survey

It is depicted in the above table that the overall average score of the degree of agreement of customers is 3.32 with a standard deviation of 1.12. Since the overall average is above 3, representing ‘no opinion’, it is very clear that majority customers’ word of mouth opinion is influenced by their prior experiences and perceptions about the bank. Customers belonging to 46 – 60 age groups are agreeing more strongly than any other age groups. As the average is not below 3, it is clear that all groups of customers are agreeing either fully or to a certain extent to this statement.

3.5 Word Of Mouth is influenced by perceptions and prior experiences - Frequency of visiting the bank wise Averages

In order to test whether Word Of Mouth is influenced by perceptions and prior experiences of the respondents from bank, frequency of visiting the bank wise analysis is done. The respondents were asked to rate their degree of agreement about the statement on a five point scale.

Table 5. Word Of Mouth is influenced by perceptions and prior experiences - Frequency of visiting the bank wise Averages

Frequency of Visit	Mean Score	Std. Dev	N
Daily	2.50	0.71	2
Once in a Week	2.75	0.96	4

Once in a Month	3.35	1.16	46
Once in a while	3.41	1.10	32
Overall	3.32	1.12	84

Source : Primary Survey

The overall average score in the above table is 3.32 and the highest average score is 3.41 in case of customers who visit their bank branch once in a while. The average scores very clearly show that there is some sort of association between the frequency of visit and the degree of agreement towards the statement. The average scores increases according to the decrease in the frequency of visit. That is, the word-of-mouth opinion about the bank in case of customers who do not visit the bank branch regularly is highly influenced by their perceptions about the bank and their prior experiences from the bank.

3.6 Word Of Mouth is influenced by the trust and indebtedness to the bank - Age wise Averages

In order to test whether Word Of Mouth is influenced by trust and indebtedness of the respondents to the bank, an age wise analysis is done. The respondents were asked to rate their degree of agreement about the statement on a five point scale.

Table 6. Word Of Mouth is influenced by the trust and indebtedness to the bank - Age wise Averages

Statistics	Age of the Respondents			Over all
	20 to 45	46 to 60	Above 60	
Mean	3.51	3.82	3.9	3.7
N	34	39	11	84
Std.Dev.	1.12	0.85	0.94	0.98

Source : Primary Survey

The overall average score in the Table 6 is 3.7 and the minimum average score is 3.51 in case of young customers and the maximum is 3.9 in case of customers above the age of 60 years. This shows that old customers have somewhat different opinion as compared to the young customers.

Hence, to test the significance of difference on the basis of age, the following hypothesis was formulated:

H₀: Irrespective of the age level, customers believe that word-of-mouth is influenced by the trust and indebtedness to the bank.

H_a: The degree of agreement about the influence of trust and indebtedness on the word of mouth of customers differ on the basis of their age.

3.6(i) .ANOVA: Significance Based on Age of the Respondents

Here an attempt was made to identify whether people with different age groups have different opinion about the impact of trust and indebtedness towards the bank on their word of mouth opinion about the bank.

Table 6(i). ANOVA: Significance Based on Age of the Respondents

Source of Variation	Sum of Squares	df	Mean Squares	F Ratio	Sig.
Between Groups	2.664	3	0.888	0.924	0.433
Within Groups	76.895	80	0.961		
Total	79.560	83			

ANOVA was applied to test the hypothesis and it is found that the significance value is 0.433. Since the significance value is more than 0.05, the null hypothesis is accepted. In other words, people belonging to different age groups do have similar opinion about the impact of trust and indebtedness on the word of mouth opinion about the bank.

3.7 Whether 'Word Of Mouth is influenced by the Trust and Indebtedness to the bank' - Monthly Income wise Averages

In order to test whether Word Of Mouth is influenced by trust and indebtedness of the respondents to the bank, a monthly income wise analysis is done. The respondents were asked to rate their degree of agreement about the statement, on a five point scale.

Table 7. Whether ‘Word Of Mouth is influenced by the Trust and Indebtedness to the bank’ - Monthly Income wise Averages

Statistics	Monthly income (in Rs)			Over all
	Upto5000	5000 to10000	Above10000	
Mean	3.63	4.13	3.58	3.7
N	32	16	36	84
Standard Deviation	1.04	0.72	0.99	0.98

Source: Primary Survey

The average score is the least in case of customers with the highest income (3.58) and the average is the maximum in case of the middle income group. The average in case of the lowest income group is closer to that of highest income group. Hence, it may be claimed that the middle income group consider trust and indebtedness as an important factor and it can influence their opinion about the banks. Since the averages differ in case of different customer groups, the following hypothesis was formulated:

Ho: The degree of agreement about the impact of trust and indebtedness of customers on their word-of-mouth opinion about banks is similar among customers with different levels of income.

Ha: Customers with different levels of income differ in their degree of agreement about the impact of trust and indebtedness on the word of mouth opinion about the banks.

3.7 (i) ANOVA: Significance Based on Income of the Respondents

Here an attempt was made to identify whether people belonging to different income groups have different opinion about the impact of trust and indebtedness towards the bank on their word of mouth opinion about the bank.

Table 7(i). ANOVA: Significance Based on Income of the Respondents

Source of Variation	Sum of Squares	df	Mean Squares	F Ratio	Sig.
Between Groups	3.560	2	1.780	1.897	0.157
Within Groups	76.000	81	0.938		

Total	79.560	83		
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ANOVA was applied to test the hypothesis and it is found that the significance value is 0.157. Since the significance value is more than 0.05, the null hypothesis is accepted. In other words, people belonging to different income classes do have similar opinion about the impact of trust and indebtedness on the word of mouth opinion about the bank.

3.8 Whether ‘Bad experiences from the bank are discussed more’ - Educational qualification wise Averages

In order to test whether bad experiences from the bank are discussed more by customers, an educational qualification wise analysis is done. The respondents were asked to rate their degree of agreement about the statement on a five point scale.

Table 8. Whether ‘Bad experiences from the bank are discussed more’ - Educational qualification wise Averages

Statistics	Educational Qualification				Over all
	Schooling	Degree	P G	Technical	
Mean	3.63	3.43	3.67	3.58	3.58
N	30	21	21	12	84
Std. Dev.	1.22	1.08	1.06	1.24	1.13

Source : Primary Survey

The overall average score is 3.58, and the average scores in case of others are also very close to it, indicating that in all groups there are customers who speaks more about their bad experiences from banks. Since the standard deviation is above one in all cases, it also gives additional information that in all groups there are customers who definitely speak more often about their bad experience.

3.9 Whether ‘Bad experiences from the bank are discussed more’ - Monthly income wise Averages

In order to test whether bad experiences from the bank are discussed more by customers, a monthly income wise analysis is done. The respondents were asked to rate their degree of agreement about the statement on a five point scale.

Table 9. Whether ‘Bad experiences from the bank are discussed more’ - Monthly income wise Averages

	Monthly income (in Rs.)			Over all
	Up to 5000	5000 to 10000	Above 10000	
Mean	3.5	3.94	3.5	3.58
N	32	16	36	84
Std. Dev.	1.11	0.99	1.21	1.13

Source : Primary Survey

The average degree of agreement about the statement is 3.58 with a standard deviation of 1.13 shows that customers belonging to different income classes are agreeing to certain to the statement. As far as the degree of agreement about the statement is concerned, the highest income class and the least income classes do not differ. Their average score is 3.5 with standard deviations 1.21 and 1.11 respectively. But the in case of middle income class, the average score is 3.94, which is very close to 4, representing agreement to the statement. Hence it is very clear that middle income group customers are more inclined to discuss bad experiences more frequently.

In order to test whether there is any income-wise difference in the opinion of customers, the following hypothesis is tested.

H₀: Customers belonging to different income classes do not differ in their opinion about the influence of word of mouth by others in choosing services offered by banks.

H_a: Customers belonging to different income classes differ significantly in their opinion about the influence of word of mouth by others in choosing services offered by banks.

Table: 3.10(i) ANOVA: Significance Based on Income of the Respondents

Source of Variation	Sum of Squares	df	Mean Squares	F Ratio	Sig.
Between Groups	1.591	2	0.795	1.040	0.358
Within Groups	61.969	81	0.765		
Total	63.560	83			

Source: Primary Survey

ANOVA was applied to test whether the opinion of people belonging to different income classes differ on the impact of word-of-mouth by others on their opinion about the bank. The table above shows the F Ratio and the significance value is (0.358). Since the significance value is greater than 0.05, the null hypothesis is accepted and hence there is no significant difference between different income groups in their degree of agreement towards the statement. Hence it is very clear that the positive word of mouth by others will definitely influence the word of mouth of those who listen to them.

3.10. Summary of Findings

Positive and negative word-of-mouth opinion by the customers can create new customers, may compel an existing customer to retain with the same service provider or may decide to shift to a new service provider. The discussions about the experiences of the customers have far reaching consequences and hence the study attempted to evaluate some important aspects of word-of-mouth opinion by customers. Following are the major findings of the study.

- Majority of the respondents have long term relationship with the bank branch. Hence it is presumed that there is a positive relationship with the bank and the respondents.
- Regarding the age wise analysis Majority customers' word of mouth opinion is influenced by their prior experiences and perceptions about the bank.
- The word-of-mouth opinion about the bank in case of customers who do not visit the bank branch regularly is highly influenced by their perceptions about the bank and their prior experiences from the bank.
- People belonging to different age groups do have similar opinion about the impact of trust and indebtedness on the word of mouth opinion about the bank.

- Middle income group consider trust and indebtedness as a very important factor and it can influence their opinion about the banks.
- People belonging to different income classes do have similar opinion about the impact of trust and indebtedness on the word of mouth opinion about the bank.
- Positive word of mouth by others will definitely influence those who listen to them.

3.11 Suggestions

Financial services are mostly relationship based whereas other businesses are mostly transaction based ie, they do not go beyond a single transaction. So they should conduct customer meets in a free, frank and open minded atmosphere, attended by top executives of customer care, preferably presided by Board of members of company. The feedback obtained should be analysed and evaluated and put up for improvement [4]. Other suggestions;

- Personalised communication, caring mentality of the staff and always performing technology are the key to create positive word of mouth. Hence, the bank manager should take all possible measures to improve the performance of the bank branch in all these areas.
- Bank should offer innovative services so as to get good word-of-mouth.
- Separate customer relationship section is to be maintained in every bank branch to handle wisely the grievances of customers.
- Various programmes should be conducted to make customers aware of services provided by bank branch.
- Bank staff should develop the skill of listening to the customers and should acquire the skill to give advice to them in financial matters, so that a deep sense of bonding will result in and it will definitely create positive word of mouth.

4. Conclusion

The study brings out that Word Of Mouth have a great influence in services provided by bank. Positive word of mouth can definitely influence the purchase decision of customers belonging to all age groups and all income classes. More over the opinion about a bank is being influenced by the positive as well as negative comments by people who have availed the services of banks. The study reveals that customers belonging to different classes irrespective of their level of income, education and length of relationship with the bank are more interested in discussing bad

experiences from the banks. Hence the bank staff should be very careful in dealing with the customers. To conclude, Word Of Mouth is a hidden intuitional force which may retain or detain customers.

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