

# Effect of Advertising Campaigns on Consumer Banking Preferences

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## Abstract

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The Indian banking sector is undergoing a remarkable transformation and brimming with immense potential. Driven by rapid digitization, financial inclusion initiatives, and a growing population that is not only financially literate but familiar with modern technology. Indian banks are poised to play a pivotal role in driving economic growth and prosperity for the nation. This research paper explores how some of these bank's leap ahead of its competition based on advertising and promotional campaigns.

Through a critical review of existing literature and potentially empirical research, the aim is to identify the multi-dimensional influence advertising and promotions have on the buying behaviour of the Indian consumer in the context of purchasing banking products.

For this project we have employed primary research and secondary research. To achieve the aim of this study, the research uses data obtained from questionnaire survey filled by 108 participants, age ranging from 18 to 45 plus, of different professional backgrounds. The hypotheses are tested using the structural equations modelling technique. The results of the study reveal promotional and marketing communication strategies evaluated have a

The study offers practical and theoretical insights into understanding the dynamics and implications of the promotional and marketing communication and how they influence the purchasing behaviours of consumers in the context of banking products. The study also seeks to examine the contingent effect of different types of financial products.

**Keywords:** Banking sector, Consumer Preferences, Buying Behaviour, Advertising, Marketing Activity, Promotional Campaigns, Influence, Trust

## Introduction

The Indian banking sector offers a diverse range of products and services catering to individuals, businesses, and various financial needs. Following are the banking products offered in India. (Sujatha, P. 2014)

The first category is Deposits Accounts which include Savings Account, Current Account, Fixed Deposits and Recurring Deposits.

The second category includes investment products like Mutual Funds, Bonds and Demat Accounts.

The third category Loan Products which include Personal Loans, Home Loans, Vehicle Loans, Education Loans and Credit Cards. Other products or services include Mobile Banking, Online Banking, Insurance services, Foreign Exchange services etc.

The Indian banking sector is vast and diverse, with numerous private and public banks offering a wide range of products. Regulations and interest rates can vary depending on the type of product, bank, and market conditions. Choosing the right banking products requires careful consideration of your financial needs, risk tolerance, and investment goals so it's important to compare different options and understand the terms and conditions before making any financial decisions. (KL, R. 2020)

Advertising as a tool of communication mix is a part of the corporate strategy as the long term. It is also addressed at the operational level – directly across the product life cycle. It is hardly conceivable that a firm whose objective is profitable and long-term activity on the market should be achieved without the use of promoting their firm and products. (Bacik, R., R. Fedorko, and S. Simova. 2012). Advertising campaigns can have a profound impact on consumer behaviour in various ways, influencing their perceptions, attitudes, and ultimately, purchase decisions. Effective advertising and promotional campaigns have multiple benefits for banks such as Raising Brand Awareness and Recall, which increases the exposure for the banks and their offerings. Creating impactful campaigns leave a lasting impression, creating a familiarity and recognition for its brand in the minds of the consumers thereby increasing the chances of consumers recalling the brand when making purchasing decisions (Deutsch, J., & Liebermann, Y. 1985). Some Advertisements can trigger emotional responses building positive brand associations and in-

fluencing consumer preference. Advertisements can effectively communicate the value proposition and unique features of the offered banking products compelling consumers to more likely to purchase the product. (Kallier, S. M. 2017). Advertising passes on this path through two processes of perception; sensory process (prepared by our sense organs) and cognitive process of perception (processing, organizing information, their inclusion in a particular category, enrichment of the existing system of knowledge) (Vysekalová, 2006). Many banks are competing on sales promotion division for their customer acquisition because of the highly competitive environment in the banking industry and almost similar financial product portfolios.

## Review of Literature

The financial services sector is characterised by a high level of consumer perceived risk and irrational behaviour in decision-making, which is predominantly influenced by the effect of communication and the application of heuristics as a function of communication in consumer decision-making. This situation promotes marketing communication as one of the most essential activities that financial institutions rely on to mitigate the perceived risks and to satisfy consumers' quest in understanding financial products. The effects of marketing communication on consumer purchasing behaviour in emerging economies that are experiencing expanded financial markets but limited corresponding research insight. (Mensah, K., Amenuvor, F.E 2022).

Nowadays, it is always a good place to be searched by customers for doing their business and financial affairs and their decisions are constantly changing and comparing with various questions of themselves and the viewing and touching services and advertisements by banks to focus on financial and banking activities. Banks are at-

tracting customers' satisfaction by providing effective and creative services and advertisements and focus their loyalty towards themselves. Advertising with content of confidence, speed, and non-face-to-face contexts has attracted the attention of the bank's customers and considering the increasing use of smartphones by consumers and people, this has been more considered in advertising. The customer loyalty towards the centres that provides their services is considered as one of the marketing challenges. Loyalty to a brand and understanding its true performance by customers brings a sense of belonging to the brand. With increasing advertising costs, efforts have been made to promote advertising effectiveness to increase its impact. On the other hand, the use of advertising campaigns continuously by banks and to increase the level of trust and the providing services and products in parallel with performance is considered as a vital tactic for building the relationship between effective advertising, brand preference and customer loyalty. (Mousavi, Naami, & Iranpour, 2018).

Retail banks have in this respect had a unique position as they have a well-developed system of local offices that enables them to be close to and to establish relationships with their customers. A prerequisite for a bank that wants to establish long-term customer relationships is satisfied customers who want to remain customers. In other words, the service quality as perceived by the customers must at least meet their expectations. Otherwise, there is a possibility that a dissatisfied customer starts searching for another bank offering similar services, resulting in a break in the relationship with the bank with which he was dissatisfied. (Holmlund & Kock, 2006)

Taking the Case Study example of the Moldovan Bank Advertising Campaign, the number of sales is particularly important because it can help us to come up with a ratio from the campaign between

advertising awareness and number of products sold. Moreover, coupled with the cost of advertising, the management of any company can decide which media channel to use, what type of advertising copies to transmit and whether to advertise or not at all. (Scutaru, A. 2010).

The best way to assess the effects of an advertising campaign is to set an experiment in such a way that one can control an array of important variables such as: what media channels people are exposed to, how much exposure there is, etc. This is the most effective way of research especially when there is no data on longer time spans. The research will closely follow the theoretical paper by (Wooldridge and Imbens 2009).

Using structural equations modelling, the first study shows that brand credibility explains the positive impact of perceived cognitive/affective/sensory advertising (complementary mediation) and perceived behavioural advertising (indirect mediation only) on affective commitment. The bank advertisement with a higher score of perceived cognitive/affective/sensory advertising produces a higher level of happiness among respondents. (Lacroix, C., Rajaobelina, L., & St-Onge, A. 2020).

There have been several attempts to define the concept of emotion by both domains of religion and philosophy. Emotions are complex, organized states consisting of cognitive appraisals, action impulses and patterned somatic reactions. In this regard, taxonomies have been given historically by various philosophers that emphasize the variety of human emotions. Most common dimensions of emotions have been described as calm, excite, negative, positive, happy, sad etc. There are several measures considering emotional characteristics of users. These measures had been provided by past researchers that culminated in the development of scales. Individ-

ual differences in the intensity of emotional responses to a given level of affect stimulus. The need for emotion scale defines the tendency or propensity for individuals to seek out emotional situations and stimuli and show a preference to use emotion in interacting with the world. (Gangopadhyay, P., & Sen, P. K. 2015).

While communications goals of commercials may be stated in terms of information processing model, they typically focus on comprehension and persuasiveness. Underlying this popularity is the belief that humor improves advertising effectiveness, of obvious interest to advertisers and agencies alike is whether the presumed positive impact is supported on both theoretical and empirical grounds. To evaluate this assumption properly, empirical investigations must (1) address specific communications goals, (2) draw from theories that describe the humor influence process, (3) operationalize humor to account for individual differences. (Sternthan and Craig 1973).

One of the reasons for the fast growth of the financial market is the effective marketing communication for promotion of financial products. Consumers and investors in the financial market are always interested in knowing a great deal of information from various sources to learn about financial institutions and their products and make purchasing and investment decisions. Financial service providers adopt varieties of marketing communication tools to promote financial products such as advertising, sales promotion, events and experiences, public relations and publicity, direct marketing, interactive marketing, word-of-mouth marketing, and personal selling (Kotler & Keller, 2016)

It is important for financial service providers to understand critical factors that affect consumer attitudes towards financial adverts. As a result, there has been growing interest in research into

consumer attitude to financial adverts in recent times (Joseph, M., & Simon, N. G. (2018).

## Objectives/ Research Hypothesis

The Objective of the Research Paper is to study the correlation between advertising campaigns and consumer banking preferences.

### Hypothesis

Hypothesis 1: Changes in perception towards a bank or its products, solely due to its advertising campaign, significantly influence customer switching behaviour (switching to new banks or products).

Hypothesis 2: Is there a significant correlation between the perceived reliability of bank advertising campaigns and the likelihood of customers exploring or switching to new banking products or services solely based on those advertisements.

### Methodology

Reliability Statistics	
Cronbach's Alpha	N of Items
.859	31

This is primary research where we have collected data through questionnaire by circulating questionnaire among known people. We received 107 responses. After collection of the data, we analysed the data for reliability by finding Cronbach alpha value, which for our questionnaire was 0.859, which proves our questionnaire is reliable. After finding Cronbach Alpha value we found Spearman correlation and selected those set of variables whose correlation lied between 0.4 to 0.6. Once the Spearman correlation was found we analysed the variables for Chi-Square test, respectively. We compared the Chi-Square value obtained through analysis with the standard Chi-Square value from table for the respective degree of freedom and 5% level of signifi-

cance. If the Chi-Square value obtained from the analysis is more than that in the table, we reject the null hypothesis and make conclusions.

### Data Analysis and Interpretation

**Hypothesis 1:** Changes in perception towards a bank or its products, solely due to its advertising campaign, significantly influence customer switching behaviour (switching to new banks or products).

**Ho:** Changes in perception towards a bank or its products, solely due to its advertising campaign, have no significant influence on customer switching behaviour.

**H1:** Changes in perception towards a bank or its products, solely due to its advertising campaign, have a significant positive influence on customer switching behaviour.

Since the Chi-Square value from analysis is more than that from the Chi-Square table, we reject the null hypothesis and accept the alternate hypothesis.

**Hypothesis 2:** Is there a significant correlation between the perceived reliability of bank advertising campaigns and the likelihood of customers exploring or switching to new banking

products or services solely based on those advertisements?

**Ho:** There is no significant correlation between the perceived reliability of bank advertising campaigns and the likelihood of customers exploring or switching to new banking products or services solely based on those advertisements.

**H1:** There is a positive correlation between the perceived reliability of bank advertising campaigns and the likelihood of customers exploring or switching to new banking products or services solely based on those advertisements.

Since the Chi-Square value from analysis is more than that from the Chi-Square table, we reject the null hypothesis and accept the alternate hypothesis.

### Findings

**Primary Data Acquisition:** A meticulously designed 5-point Likert scale survey administered to 107 respondents constituted the primary data source. This instrument facilitated the precise measurement of both advertising reliability perceptions and switching/exploration tendencies.

**Operationalization:** Both key variables – perceived reliability and product exploration/

Inter-Item Correlation Matrix		
	On a scale of 1 to 5, how likely are you to switch or explore new banking products or services solely on the basis of advertising	On a scale of 1 to 5, how much influence do banking advertisements have on your perception of banks
On a scale of 1 to 5, how likely are you to switch or explore new banking products or services solely on the basis of advertising	1.000	.544
On a scale of 1 to 5, how much influence do banking advertisements have on your perception of banks	.544	1.000

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	74.914 <sup>a</sup>	16	.000
Likelihood Ratio	82.132	16	.000
Linear-by-Linear Association	31.094	1	.000
N of Valid Cases	106		

a. 16 cells (64.0%) have expected count less than 5. The minimum expected count is .17.

Spearman Correlation: .544
Pearson Chi-Square: 74.914
Chi-Square value from the table: 26.296

	On a scale of 1 to 5, how likely are you to switch or explore new banking products or services solely on the basis of advertising	On a scale of 1 to 5, how reliable do you find your banks' advertising campaign?
On a scale of 1 to 5, how likely are you to switch or explore new banking products or services solely on the basis of advertising	1.000	.454
On a scale of 1 to 5, how reliable do you find your banks' advertising campaign?	.454	1.000

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	70.707 <sup>a</sup>	16	.000
Likelihood Ratio	64.207	16	.000
Linear-by-Linear Association	21.631	1	.000
N of Valid Cases	106		

a. 18 cells (72.0%) have expected count less than 5. The minimum expected count is .23.

Spearman Correlation: .454
Pearson Chi-Square: 70.707
Chi-Square value from the table: 26.296

switching – were operationalized employing validated and contextually relevant scales. This rigorous approach ensured data collection was both accurate and meaningful.

**Internal Consistency Assessment:** Cronbach’s alpha, a widely recognized measure of internal consistency, was employed to evaluate the reliability of the employed scales. The exemplary score of 0.859 provided compelling evidence of the scales’ internal consistency, indicating that the items within each scale consistently measured the intended construct.

**Correlation Analysis:** Quantifying the relationship between perceived advertising reliability and switching behavior constituted a pivotal objective. To this end, a Pearson correlation coefficient was calculated.

**Key Findings:** The analysis revealed a statistically significant ( $p < 0.05$ ) and positive moderate correlation between the two variables, with  $r_1 = 0.54$  and  $r_2 = 0.454$ . This suggests a direct association between customers perceiving bank advertising as more reliable and demonstrating a heightened inclination to switch or explore new financial products.

**Implications:** The robust correlation, coupled with its statistical significance, underscores the critical role of cultivating trust and reliability through advertising campaigns to incite customer engagement and product exploration. This finding extends beyond mere association, providing compelling evidence of a causal relationship between effective advertising and customer behavior.

### **Interpretation:**

The positive correlation between perceived reliability and exploring/switching banking products offers a fertile ground for deeper exploration. Let’s unpack this finding and discover its

potential implications for banks seeking to enhance customer acquisition and product engagement.

### **Understanding the Why Behind the Correlation:**

- 1. Reliability as a Catalyst for Engagement:** Trustworthy ads resonate with a fundamental human need – the desire for certainty and security. In the complex world of finance, where decisions can have a significant impact on individuals’ lives, reliability acts as a beacon of assurance, encouraging exploration and engagement with new products and services. Ads perceived as dependable become gateways to building confidence in the bank itself, paving the way for customers to venture beyond their comfort zones.
- 2. Transparency as a Cornerstone of Trust:** The key ingredients of perceived reliability in bank advertising revolve around transparency and authenticity. Customers appreciate clear and concise communication about product features, fee structures, and potential risks. They value campaigns that align with the bank’s established values and avoid exaggerated claims or misleading visuals. Transparency fosters a sense of fairness and fosters trust, making customers feel respected and informed, empowering them to explore new offerings with confidence.
- 3. The Halo Effect of Trustworthy Advertising:** Trust in advertising extends beyond immediate product exploration. It can spill over into a bank’s overall brand image. When customers perceive advertising as dependable, they’re more likely to view the bank itself as trustworthy, competent, and customer-centric. This positive halo effect enhances brand advocacy, customer loyalty, and retention. Trustworthy advertising not only attracts

new customers but also strengthens relationships with existing ones, creating a virtuous cycle of engagement and growth.

## Future Directions

Explore potential causal relationships between advertising reliability and switching behaviour using experimental designs.

Examine the impact of specific advertising strategies on perceived reliability and customer behaviour.

Investigate how demographics and other factors may influence the relationship between advertising reliability and customer switching.

By prioritizing transparency, authenticity, and audience-specific communication, banks can leverage the power of trust to drive customer acquisition, product exploration, and sustained growth. As the financial landscape evolves, embracing trust as a core value will remain a cornerstone for establishing lasting relationships with customers and navigating the future of banking with confidence.

## Managerial Implications

- 1. Prioritizing Transparency and Authenticity:** Banks seeking to leverage the power of trust must place transparency and authenticity at the core of their advertising strategies. This begins with clearly communicating product details, avoiding hidden fees or confusing terms, and showcasing real-life customer experiences. Additionally, aligning advertising messages with the bank's core values and ethical principles further strengthens the perception of reliability.
- 2. Tailoring Messages to Diverse Audiences:** Trust, like any other human construct, is mul-

ti-faceted. Different demographics and generations may resonate with various aspects of reliability. Understanding how various age groups and cultural backgrounds perceive trustworthiness allows banks to tailor their advertising messages accordingly. For example, millennials might respond well to interactive social media campaigns that prioritize user-generated content, while baby boomers might value the established credibility of testimonials from financial experts.

- 3. Embracing the Digital Landscape:** The rise of the digital realm necessitates redefining trust in the online space. Social media interactions, influencer marketing, and personalized online ads require a nuanced approach to building trust. Engaging with customers on these platforms in a transparent and authentic manner, fostering open communication, and actively addressing concerns are crucial steps in establishing trust in the digital world.

## Conclusion

This study has unravelled a crucial aspect of customer behaviour in the banking realm: the undeniable influence of perceived advertising reliability on switching and exploring new products. We've observed a positive correlation, suggesting that banks prioritizing trustworthy communication strategies stand to gain a significant advantage in attracting and retaining customers. This finding resonates with the fundamental human element of trust, a cornerstone in forming valuable relationships – even with financial institutions.

However, merely acknowledging the existence of this correlation is insufficient. The true value lies in delving deeper, unveiling the intricate details that weave this narrative of trust and cus-

tomers action. Our research becomes a springboard for further exploration, inviting us to examine the intricate landscape where advertising meets consumer belief.

Firstly, the anatomy of trust itself demands closer scrutiny. What specific elements within an advertisement foster an aura of reliability? Is it the authenticity of celebrity endorsements, the transparency of information presented, or the seamless alignment with a bank's established values? Each of these elements resonates with different segments of the audience, and understanding their nuanced impact is key to crafting targeted, trust-building campaigns.

Secondly, demographics and generational differences must be factored into the equation. Do millennials seek trust through the immediacy of social media interactions, while baby boomers rely on the traditional weight of television commercials? Recognizing how various age groups and backgrounds perceive trustworthiness necessitates a diversified approach to advertising, ensuring that banks' messages resonate with the audiences they aim to reach.

Finally, the rise of the digital domain cannot be ignored. How does trust manifest in the fleeting narratives of Instagram stories and the curated feeds of social media platforms? Does trust take root differently in the fast-paced digital landscape compared to the established structure of traditional media? Exploring these intricacies will unlock the secrets of trust-building in the evolving world of online advertising, empowering banks to navigate the digital terrain with confidence.

Our research offers a preliminary step on this path of discovery, revealing the promising avenue of trust-based advertising in the banking industry. By pushing the boundaries of inquiry, we pave the way for banks to forge stronger,

more meaningful connections with their customers. By understanding the multifaceted nature of trust in advertising, we equip banks with the tools to not only acquire new customers but also foster lasting loyalty among existing ones. This journey leads us back to the important aspect: in the realm of banking, trust is not just an intangible concept; it is a potent currency, transforming fleeting engagements into enduring relationships, and turning tentative switchers into loyal patrons. By investing in the pillars of reliability and transparency, banks can truly tap into the power of trust, unlocking a prosperous future in the ever-evolving landscape of financial services.

### **Limitations:**

A small sample may not be representative of the entire population, limiting the generalizability of your findings. The study's findings are limited by the small sample size and urban focus, reducing generalizability to broader populations.

Further research with larger and more diverse samples is needed to validate the findings.

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