

**MARKETING OF FINANCIAL SERVICES**

**CHAPTER – IV**

**METHODOLOGY**

## **CHAPTER - IV**

### **METHODOLOGY**

#### **4.1 INTRODUCTION**

This chapter describes how the research proposal came to be formulated and how the research was carried out.

A review of some studies on Marketing of Services and a case for a study on the marketing practices of financial services organizations has already been given in chapter II, hence the same is not being repeated.

##### **(a) Statement of Problem :**

As the study is concerned with marketing aspects only, the problem that is taken up for investigation is to find out how systematic and scientific are marketing practices of the financial service organizations.

##### **(b) Research Objectives :**

The objectives of the study are:

- i) to ascertain, the level of performance of the financial services organizations on the different marketing practices;

ii) to ascertain, the existence of relationship and the extent of relationship between the performance variable, (growth rate), and predictor variables, (the marketing practices), both for the entire sample and for sub-samples. The marketing practices include are:

- Competitive and demand practices (CDP),
- Product/ Service practices (PDP),
- New product/ Service practices (NPP),
- Pricing Practices (PRP),
- Promotion practices (PMP);

iii) to differentiate the various sub-groups in respect of their marketing practices. The sub-groups that are mutually exclusive are,

- “Risk taker” group – “Safe Player” group,
- “Professionally Managed” group–“Traditionally managed” group,
- “Fund Based Services” group– “Fee Based/Advisory Services” group,
- “Private Organizations” group – “Nationalized Organizations” group.
- “Consumer Finance” group – “Industrial Finance” group

### **(C) Focus of research**

The focus of research in the present study is concerned with relationship among the characteristics of the objects, (here the objects are the financial service organizations and characteristics are the different variables under study).

The research design, for acquiring the information needed is inclusive of exploratory, descriptive and casual studies. An 'experience survey' was undertaken by the investigator in an attempt to obtain information on the strengths and weaknesses of financial service organizations with special reference to the marketing aspects.

Further, three financial service organizations situated in Baroda were chosen at random for the purpose of pilot study. The managers / senior officers were interviewed (informally) regarding the various issues, problems and functioning of their organizations. In this way, the investigator gained insight into the actual working of the financial service organizations. The extent of co-operation that could be expected from financial services organizations and also as to which are the 'sensitive' areas for the financial service organizations.

## **4.2 SAMPLING**

### **(a) Sample Frame**

The list of organizations providing services in Gujarat was prepared but for the purpose of study, only financial service organizations are of relevance. Hence, a study population was derived from this list, which brought out 522 organizations providing financial services.

Thus the sampling frame consisted of 522 financial service organizations included in the study population. These units were then classified on the basis of the two broad categories of services they render namely viz. Fund/ Asset based services and Fees based / Advisory services.

### **(b) Sample Size :**

It was decided that 10% of the study population would be drawn as the sample size. This works out to 52 financial service organizations, which was considered to be an expedient size from all practical aspects.

### **(c) Sampling Technique**

Having decided on the sample size, the next aspect to be considered is the method of drawing the sample. As indicated earlier the 522 financial service organizations of the study population do provide different financial service groups. Therefore, it was decided to go in for 'Stratified Random Sampling'.

#### **(d) Sample Selection**

The sampling units included in the study population were grouped into different strata and then each of organizations of each strata was numbered serially, and, 'Table of Random Numbers' was referred to select the sample.

The extent of the sample was confined to the State of Gujarat

The time when the sample was drawn is January 1997.

The elements in the sample were to comprise either the fund based financial service organizations of fee based / advisory service organizations.

### **4.3 INSTRUMENTATION – QUESTIONNAIRE**

To carry out the survey, a questionnaire had to be developed. This was necessitated since the means of obtaining information from respondents was through 'Structured – Direct Interviews'.

While framing the questionnaire the research objectives were assimilated and the information required to be collected were listed.

As the respondents formed a heterogeneous group, and as only one questionnaire was developed, care was taken to see that it would cater to all elements in the sample, and also, comprehensible by the least able respondent.

The questionnaire was divided into 6 sections. Sections one included questions of a very general nature, which would help in the classification of respondent organizations. Section two to section six contained questions on the various marketing practices of the financial services organizations. These are described a little later in the chapter.

Having decided on the various questions to be asked, the next issue was regarding the 'response format' to the questions. In the questionnaire, two types of formats were used, namely, dichotomous questions and multiple-choice questions.

Before the questionnaire is pressed into the field, it needs to be pre-tested and revised if necessary. This is required in order to search out areas for improvement.

Pre-testing of the questionnaire was done in two stages. In the first stage the 'Delphi Method' was used. Three experts in the field were chosen and they were individually requested to estimate the questionnaire regarding its contents, comprehension and ambiguity. The remarks /comments / suggestions of the three judges were then pooled in and the questionnaire accordingly revised.

The second stage in the pre-testing of the questionnaire was done in the field itself. Three financial service organizations were chosen at random and the questionnaire was administered to them. The feed back received in the pre-

testing of the questionnaire was taken care of and, the final draft of the questionnaire was ready for field operations.

#### **4.4 SCORING TECHNIQUE**

While developing a questionnaire an important aspect to be borne in mind is, the measurement of the response / data collected. The responses that are codified should be capable of lending themselves to the type of analysis with which the data are to be treated. Keeping this in mind the following scoring technique was developed.

The questionnaire contains 6 sections. (A copy of the questionnaire enclosed as an annexure may be referred). Section '1' contains questions of a general nature and thus no scores were allotted to the same.

Section 2, 3, 4, 5 and 6 deal with the different marketing practices of the financial services organizations, and scores have been allotted to every question in each of these sections.

Three types of scoring were adopted in assigning scores to the various questions. They were, namely –

- Equal scoring,
- Unequal scoring, and
- Frequency.

The score allotted to questions, whose response format is dichotomous in nature, was 'ONE SCORE' only. That is, the respondent had to answer either 'YES' or 'NO'. Those respondents who answer in the affirmative were to be allotted one score each and in calculating the extent of the particular marketing practice only the 'FREQUENCY' had to be taken.

Yet another type of question used in the questionnaire is one in which the question has many sub-divisions and for each of these, the response format is dichotomous in nature. Hence, an affirmative response would score ONE and each sub-division is allotted a score of ONE only. Thus all sub-divisions of a single question have an 'EQUAL' scoring.

The system of 'UNEQUAL' scoring has been adopted where a question has many sub-divisions an incorrect answer would get a nil score, a partially correct answer a lesser score than a fully correct answer.

In questions that have many sub-divisions but in response where 'only one tick' has been specified, the query carries a score of ONE only (i.e. a system of equal scoring).

For a detailed account on the scores allotted to each question, the annexure on 'scoring technique' may be referred.

A questionnaire of the kind administered in the present study does not measure attitudes or preferences but only facts. The questionnaire in the present study seeks to ascertain the marketing practices adopted by the financial services organizations in their various marketing decisions. Thus

there arose no requirement to conduct a reliability and validity test for questionnaire. Nevertheless to overcome any incongruencies, the 'Judgmental Method' of testing was once again applied. Three judges (experts in the field) were chosen and they were asked to evaluate the scores allotted to the different queries in the questionnaire. The options of the three judges was then pooled in the necessary changes made in the allotment of scores.

#### **4.5 DATA COLLECTION**

The questionnaire after having passed through all the stages enumerated above was pressed into the field. The investigator personally interviewed the respondents and collected the data.

At the time of administering the questionnaire additional information, as detailed below was collected from each respondent –

- (i) Total income/revenue for three consecutive years  
(1994-'95, 1995-'96, 1996-'97);
- (ii) Growth rate for 3 consecutive years,  
(1994-'95, 1995-'96, 1996-'97);
- (iii) Number of employees for 3 consecutive years,  
(1994-'95, 1995-'96, 1996-'97);

## **4.6 DATA ANALYSIS**

In marketing the choice of the appropriate statistical technique, the objectives of the study were given due consideration.

To fulfill objective (i) of para 4.1 b above, simple techniques such as arithmetic mean, standard deviation, co-efficient of variation and percentages were used.

In trying to fulfill objective (ii) of para 4.1 b outlined above the following aspect had to be considered i.e. the nature of assumed prior judgements on how the data matrix is to be partitioned in terms of the number of sub-sets, and also, the number of variables in each of these partitioned sub-sets the criterion versus predictor variables. Taking all these aspects into account the statistical technique chosen for the fulfillment of the objective is the 'step-wise multiple regression technique'. This would help in bringing out which of the predictor variable are of importance and their order of importance / contribution to the criterion variable.

The third objective outlined in para 4.1 b above involves the differentiation of the sub-groups in terms of marketing practices. One way of accomplishing the same is through the use of discriminate analysis, which helps in determining whether differences in average score profiles for two or more groups are statistically significant. This can be done by undertaking group classifications. Thus it is possible to discriminate between two groups

(as in the present study) on the basis of a few variables (in the present study it would be marketing practices).

#### **4.7 CLASSIFICATION OF RESPONDENTS ORGANIZATIONS**

For the purpose of analysis the respondent organizations were divided into groups on the basis of six different criteria, each of them is examined below.

##### **(i) “Risk Taker” group (RTG) – “Safe Player” group (SPG)**

A close look at the functioning of the Financial Service Organizations discloses the operational patterns of the financial service providers. There are some financial service organizations that want to play safe and minimize their loss (if any).

Such financial service organizations undertake servicing activity only when they have firm clients to serve. This is to say that they are operational only when the organizations have firm clients to serve. Such financial service organizations are termed as ‘Safe Player Group’ in the study.

In contrast to the group described above there is another set of financial service organizations that are term as the ‘Risk Taker Group’. The organizations in this group are in operation right through the year. They set for themselves a particular level of performance, which they feel they can achieve without much difficulty. They continue servicing and at the same

time are looking for different target groups/customers to whom they can serve.

The percentage of financial service organizations coming in each of these categories is given in the Table IV-1.

**Table IV-1**  
**Composition of "Risk Taker" Group and**  
**"Safe Player" Group in the sample.**

<b>Description</b>	<b>No. of Organizations</b>	<b>% to total</b>
1. "Risk Taker" group	34	65.38
2. "Safe Player" group	18	34.62
<b>Total...</b>	<b>52</b>	<b>100.00</b>

**(ii) "Professionally Managed" group (PROF.MG.)- "Traditionally Managed" Group (TRAD.MG.)**

This dichotomous classification is based on the 'management approach of organizations'. The criterion used here is the approach involved in the management of the organizations.

In the professionally managed organization, it is found that activities are performed professionally and competent persons are assigned activities. Under this type of organization, there is always greater chance for the

organization functioning and performing better as resources and talents are pooled in.

In contrast to the group described above, in the “Traditionally Managed” group, right type of personnel are not engaged to carry out various activities of financial service organizations.

The composition of the “Professionally Managed” group and “Traditionally Managed” group is given in the Table IV-2. The reason behind this classification is to ascertain which type of organization is performing better by way of growth rate.

**Table IV-2**  
**Composition of Professionally Managed Group and**  
**Traditionally Managed Group in the sample.**

Description	No. of Units	% to total
1. Professionally Managed Group	35	67.31
2. Traditionally Managed Group	17	32.69
<b>Total...</b>	<b>52</b>	<b>100.00</b>

**(iii) “Fund Based Services” Group (FBSG) – “Fee Based/Advisory Services” Group (ABSG)**

This dichotomous classification is based on the basis of financial services rendered by financial service organizations. Financial services fall broadly

into two groups: Fund/Asset Based and Fee /Advisory. Fund based services include higher purchase finance less finance, insurance services, venture capital financing, factoring, housing loan, term loan, cash credit, etc. while fee based / advisory services include merchant banking, capital issue management, stock broking, credit rating, letter of credit, bank guarantee, merger and acquisition etc.

As to how organizations came under each of these categories is given in Table IV-3.

**Table IV-3**  
**Composition of "Fund Based Services" Group (FBSG) – "Fee Based/Advisory Services" Group (ABSG) in the sample.**

<b>Description</b>	<b>No. of Org.</b>	<b>% to total</b>
1. Fund based services groups	23	44.23
2. Fee Based/Advisory Services groups	29	55.77
<b>Total</b>	<b>52</b>	<b>100.00</b>

**(iv) Private Organizations Group (POG) – Nationalized Organizations Group (NOG)**

Under this dichotomous classification financial service organizations are classified as private organizations i.e. private banks, private mutual funds,

and nationalized organizations i.e. public sector banks, all India Financial institution, State level Finance institutions etc.

The size of each of these groups is given in Table No. IV-4.

**Table IV-4**  
**Composition of Private Organizations Group and**  
**Nationalized Organizations Group in the sample.**

<b>Description</b>	<b>No. of organizations</b>	<b>% to total</b>
1. Private Organizations	11	21.15
2. Nationalized Organizations	41	78.85
<b>Total...</b>	<b>52</b>	<b>100.00</b>

**(v) Consumer Finance Group – Industrial Finance Group**

This is the last of the dichotomous group used in this study. Here the bifurcation is based on the basis of nature of finance and market segments for financial service organizations. Consumer finance organizations are those who purely deal in providing finance to end-users i.e. consumers. Such finance includes housing loan, vehicle loan, and other consumer durable loan. Industrial finance group is those who provide finance to business houses. Such finance includes term loan, cash credit, bills discounting etc.

The composition of the consumer finance organizations and industrial finance organizations in the sample is given to Table IV-5.

**Table IV-5**  
**Composition of Consumer Finance Organizations and**  
**Industrial Finance Organizations in the sample.**

<b>Description</b>	<b>No. of Organizations</b>	<b>% to total</b>
1. Consumer Finance Organizations	08	15.38
2. Industrial Finance Organizations	44	84.62
<b>Total...</b>	<b>52</b>	<b>100.00</b>

Before concluding this chapter it is of relevance to look into the different marketing variables used to the present study.

#### **4.8 VARIABLES IN THE PRESENT STUDY**

The different aspects covered each of the variables are described below:

##### **a) Variable 1**

The first variable stands for growth rate, i.e. the overall growth rate in terms of deposits/funds mobilized and revenue/income generated in a year.

**b) Variable 2**

The second variable stands for marketing concept adoption in competitive and Demand practices. This is covered in section II of the questionnaire and concerns the following aspects:

- Knowledge of target market
- Information on competitors and their strategies;
- Estimation of total demand and market share etc.

**c) Variable 3**

This variable denotes marketing concept adoption in the sphere of product/service practices. It has been dealt with in section III of the questionnaire and includes aspects such as,

- Customer's preferences / requirements in the particular product/service;
- Estimation of growth rate (i.e. growth rate forecast)
- Practice of sales analysis;
- Knowledge of product/service life cycle and the ensuing product/service innovation;
- Constraints on the product/service etc.

**d) Variable 4**

The fourth variable is also a marketing variable and denotes marketing concept adoption in new product (service) decisions. This is covered in section IV of the questionnaire and is inclusive of-

- Introduction of new products (services);
- Genesis of new products (services);

- Costing of new products (services);
- Production (servicing) capacity for new products (service) etc.

**e) Variable 5**

Variable 5 denotes marketing concept adoption in pricing practices and section V of the questionnaire includes aspects such as –

- Objectives in pricing;
- Number of parameters considered in pricing
- Limitation in price fixation;
- Break-even analysis and its applications.

**f) Variable 6**

This is the last of the marketing variables and stands for marketing concept adoption in promotion decisions. Section VI of the questionnaire covers this variable and the different aspects considered in this section are –

- The necessity to communicate with target market;
- Purpose of advertising
- Methods of sales promotion used;
- Publicity;
- Responses sought through communication etc.

The data thus collected was processed on the computer,