
MARKETING EFFECTIVENESS AND BUSINESS PERFORMANCE IN THE FINANCIAL SERVICES INDUSTRY

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ABSTRACT:

In this competitive environment & globalised trading practices, the marketing of financial services has assumed greater significance. The house finance is a category of financial services industry with high priority as housing is a necessity for human beings. This research study examines the marketing effectiveness and the relationship between customer satisfaction, customer loyalty and performance measures. It is reported after study that marketing effectiveness is influenced by customer's philosophy, operational efficiency, strategic orientation, adequate marketing information and integrated marketing communication. Also, it was found that customer satisfaction directly contributes to customer loyalty which thereby improves performance.

Key words: *Housing finance, marketing effectiveness, customer satisfaction, customer loyalty, performance measures.*

1. INTRODUCTION

Today's financial services market requires new strategies for Survival and continued operation. They have to adopt new marketing strategies and tactics .This will enable them to capture the minimum opportunities with the lowest risks to meet the tough competition from global players of domestic and foreign origin The financial services marketing has more human element in it and hence personal skills, attitudes and motivation play a greater role in it The personal touch and quality are more important in this sector. The financial service is specific to customers. So the customers have to be treated as kings. The customer satisfaction is paramount particularly in this sector.

2. LITERATURE REVIEW

Mahapatra & Mohanty (2011) stated that the Indian Public sector banks occupy the pivotal position in the country's banking topography but its market share has declined to some extent in recent years due to the emergence of private and foreign banks.

Uppal R K (2010), the key task of the bank is not only to create and win more and more customers but also to retain them through effective customer service. Customers are attracted through promises and are retained through satisfaction of expectations, needs and wants.

Jain.A (2007) described that marketer has to know that each and every country has various marketing environment. Comparatively, it has to be very that the international marketer is bound to hold on the reorganization that every marketing environment differs from place to place as well as nation to nation than that of the same country state. It is also evident that the global business transactions have to be sound planned and objectives oriented in nature.

Kwaku Appaih-Adu, Alan Fyall and Satyendra Singh (2001) examined the link between effective marketing practices and business performance in the financial services industry. The dimensions used for the study were customer philosophy, operational efficiency, strategic orientation, integrated marketing organization and adequate marketing information. The performance was evaluated on the basis of three measures namely customer retention, sales growth and profit margin for five years with that of competitors.

Loo Y. M. Sin and Alan C. 8. Tsa (2000) in the paper titled "how does marketing effectiveness mediate the effect of organizational culture on business performance? The case of

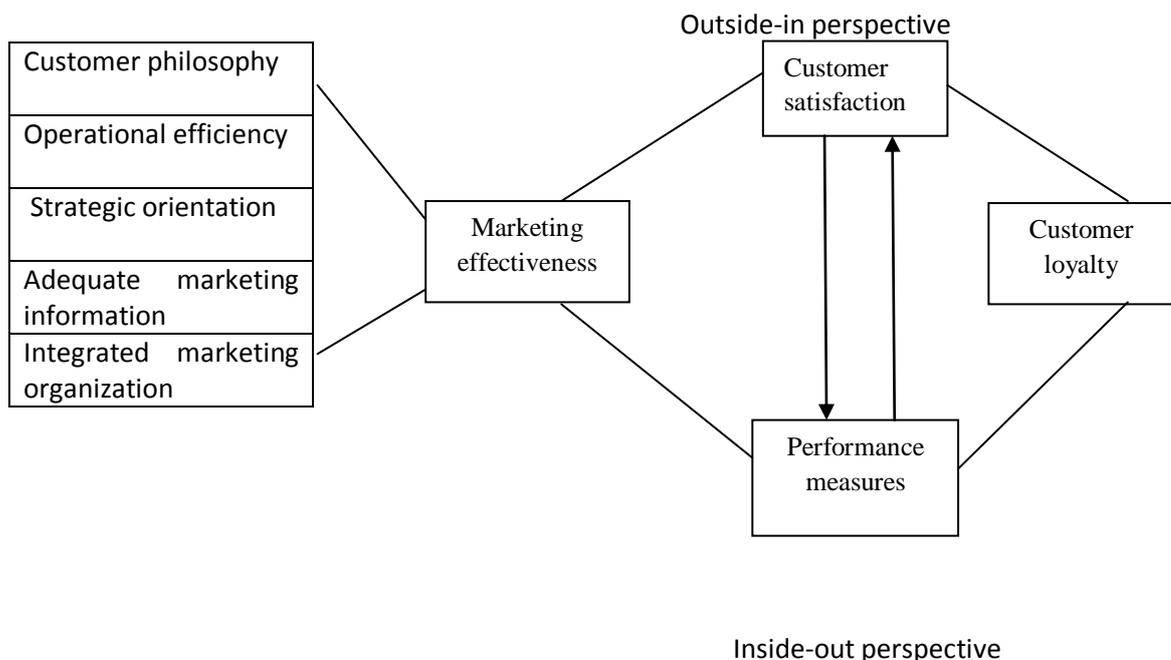
service firms addressed two important aspects. They tested the firms that showed an identifiable set of organizational cultural values, whether demonstrated a superior strategic marketing effectiveness. They have also tested the effect of strategic marketing effectiveness on business performance.

3. OBJECTIVES OF THE STUDY

The overall objective of the study is to evaluate the effectiveness of marketing of housing finance institutions. The specific objectives are:

1. To measure the extent of marketing effectiveness of the select housing finance institutions.
2. To measure the business performance of the select housing finance institutions from two broad perspectives, namely the inside-out perspective that is performance measures and outside-in perspective that is customer satisfaction.
3. To evaluate the relationship between marketing effectiveness and business performance of the select housing finance institutions.
4. To study the inter relationship between customer satisfaction, customer loyalty and performance measures.
5. To suggest suitable marketing strategies important for increasing the level of customer satisfaction and hence market share.

4. THEORITICAL FRAMEWORK



5. RESEARCH METHODOLOGY

- **Research design:** The present study followed a **descriptive design**, where it makes an attempt to evaluate the nature and characteristics of marketing effectiveness of housing finance institutions and its effect on performance through customer satisfaction.
- **Sampling design:**
 - Population: Population will be all the marketing personnel and those customers who of housing finance industry
 - Sample size: The Sample size for the study was 500 customers and 50 marketing personnel.
 - Sampling technique: Simple random sampling, a probability sampling technique was used to select marketing personnel and customers as respondents from the housing finance industry.

- **Research Instrument and data collection methods:** Data was collected by both primary and secondary sources. Primary data was collected through structured undisguised questionnaire which was filled by the respondents selected randomly.
- **Analysis tools:** Data collected was analyzed by using various statistical techniques such as chi Square test, factor analysis, cluster analysis, multiple regression analysis.

6. ANALYSIS AND INTERPRETATION:

I. FACTOR ANALYSIS RESULTS

1. Factor analysis of marketing effectiveness

Factors	Eigen values	% total variance	Cumulative Eigen value	Cumulative % total variance
Factor 1	11.107	35.828	11.107	35.828
Factor 2	3.605	11.629	14.115	47.456
Factor 3	2.781	8.982	17.493	56.429
Factor 4	2.298	7.413	19.791	63.841
Factor 5	2.058	6.638	21.849	70.480

The entire 31 marketing effectiveness variables are loaded in five factors. 8 strategic orientation variables are loaded in the first factor. 9 operational efficiency variables get loaded in the second factor. 3 integrated marketing organization variables are loaded in the third factor. The fourth describes the factor 8 customer philosophy variables. The fifth factor corresponds to 3 adequate marketing information variables.

2. Factor analysis of performance measures

Factors	Eigen values	% total variance	Cumulative Eigen value	Cumulative % total variance
Factor 1	7.285	42.855	7.285	42.855
Factor 2	2.093	12.313	9.379	55.167

The entire 17 Performance measures variables like market share, sales growth, return on investment and customer retention are loaded in two factors.

II. MULTIPLE REGRESSION ANALYSIS RESULTS

Table below exhibits the results of multiple regression analysis between marketing effectiveness and business performance

Independent Variables	Dependent variables			
	Performance measure 1	Performance measure 2	Customer satisfaction 1	Customer satisfaction 1
Strategic orientation	0.433**	0.176*	0.450**	0.293*
Operational efficiency	NS	0.791**	0.387**	NS
Integrated marketing organization	NS	NS	NS	NS
Customer philosophy	0.668**	NS	NS	0.451**
Adequate marketing information	NS	NS	NS	0.252***
F	17.450**	18.017**	4.137**	4.503**
Adjusted R2	0.626	0.635	0.243	0.263

*- Significant @ 5% level **- Significant @ 1% level ***-Significant @10%
NS- Not Significant

Any housing finance institution that satisfies their customers through various marketing strategies will have increased loyal customers which will in turn increase the financial profits of the institution.

7. CONCLUSION

In this research, the relationship between marketing effectiveness and business performance has been evaluated. The relationship between customer satisfaction, customer loyalty and performance of the housing finance institutions has also been studied. The statistical tools were used to fulfill the objectives of the study. The four constructs used in the study were marketing effectiveness, performance measures, customer satisfaction and customer loyalty. The link between these constructs has been examined in the housing finance industry. Three of the five marketing effectiveness variables are strongly contributing to the business performance. The same way the customer satisfaction is strongly contributing to customer loyalty that in turn strongly contributes to the performance. The results showed that the housing finance institutions should adopt well-planned marketing activities to improve the financial performance as well as the customer satisfaction. The study also evidenced that the loyal customers will increase the financial performance of the housing finance institution.

As further research the present study can be extended by adding the objective measures for evaluating the performance from the financial statements of the company. This will reveal the actual impact of marketing effectiveness on business performance. The study also motivates for future research by examining the satisfaction level of customers during different period of time to see the difference in their satisfaction level and its impact on business profitability. The present study evidences the strong relationship between marketing effectiveness and business performance in the financial services industry.

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