

Influence Of Mutual Fund Marketing Strategy On Investment Behaviour

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Abstract

Today's emerging capital market paradigm, mutual funds became the finest and safest investment haven for most retail investors. A mutual fund is considered as an investment haven with a safe return, highest liquidity, and used for tax benefits. The competitive world of mutual fund market, fund houses trace innovative marketing strategies to attract investors to their fund houses and fund schemes. The marketing of mutual fund products is the combined function ingest at providing the capability to understand their investment needs and wants and keeping a view on the achievement of the investment goals. Mutual fund schemes are not a personalized investment carrier, so it needs more care in building the advertisement and marketing strategy to satisfy the investor's needs. The role of mutual fund houses is not only to attain more and more investors to the mutual fund schemes but preserve the existing investors by providing ample support and services also. In the capital market, marketing, as associated with mutual funds, is a combined effort of explaining, confirming, promoting, propagating the mutual fund products and services with a promise to an investor for keeping their investment expectation and satisfaction. The investors' cooperation depends on the actual serenity delivered to the target investors. This study explores the influence of marketing paradigms of mutual fund houses in the investment behavior of investors in a multifaceted dimension.

Keywords : Mutual Fund Marketing, Marketing Strategy, Mutual Fund, Investment behaviour.

I. NTRODUCTION

“Consumption is the sole end and purpose of all production and the interests of the producer ought to be attended to, only so far as it may be necessary for promoting that of the Consumer”. (Adam Smith 1776)

"A product is everything, both favorable and unfavorable, that one receives in an exchange. It is a complexity of tangible and intangible attributes, including functional, social and psychological utilities or benefits." (Dibb, S, Simkin, L, Pride W M and Ferrel 1997)

"A product is anything which meets the needs of customers". (Doyle, 1991)

The competitive economic environment changes compel the financial service providers to compose an increased number of variety of financial products and services for the investors in the market. Today no financial investment service providers could survive with merely providing the same financial products and services in the same market without considering a reengineering in the shape of the financial products by considering the longer-term implications through the changing geopolitical aspects and threats. So, the mutual fund marketing is become more a challenging field and need to effectively tackle the changing financial and economic environment of the country. And this leads to an intensive analysis of how the behavior of investors is changed over the years and what they need in years ahead.

The success defining factor of any business lies in the sales and distribution strategy of their product and services. As a business model, the distribution and marketing strategy of mutual funds today facing this similar challenge, because the competition between mutual fund houses is increasing. In a changing business environment, organizational effectiveness is significant (Baldauf & Cravens -1999). Effectiveness of the marketing strategy will undeniably play a vital role in the process of the procurement of new clients and preserving existing clients. Build a stable relationship with investors is considered as the foundation for competitive advantage in the mutual fund industry (Slater and Olson, 2000). Effective management and strategy building for marketing and sales is a crucial element for the success of any product and services (Coughlan & Narasimhan, 1992). Traditionally the marketing efforts geared to the regular plans of mutual funds schemes. However, nowadays, direct mutual fund schemes are also considered as the central area of thrust in the marketing strategy. The attitude of investors towards direct mutual fund schemes is alarmingly increasing. The designing of the marketing strategy of capital market products is a severe issue as it entails a cross-fertilization of different disciplines like an advertisement, economics, psychology, sociology, and finance. The inflection points every effective marketing strategy of financial products and services lies in the fulfillment of customer's needs. Mutual fund marketing strategy needs an effort to make investors aware of the mutual fund products and encourage them to deal with the fund house and make them believe that investing mutual funds will fulfill their needs at its best.

II. REVIEW OF LITERATURE

Howard, Sheth (1969), explain the theory of buying behavior based on loyalty and emotional attachment. Loyalty building is a core area under consideration of any marketing strategy of financial products.

Jacob, Chestnut (1978), attempts to explain the brand loyalty and its influence in the buying behavior. Loyalty is considered as a committed relationship between consumer and a brand. Loyalty in marketing is a practical approach to not only retain existing investors but attract novice investors also.

Woerheide (1982), explains some cognitive factors that influence investment behavior. It includes expense ratio, portfolio turnover, and the structure of the portfolio. Financial and fundamental awareness has a significant impact on investment behavior.

Paul MT, Bhattacharyay BN (1986), depicted the financial service as a personalized service. Furthermore, the financial industry is a personalized service-oriented industry. So the marketing strategy in the field of financial products and services should envisage the personal care and attention.

Gronroos C (1990), Explains the relation between service management and marketing management in the field of financial products and services. Through an effective marketing strategy, a financial organization can help investors in a multifaceted way.

Oliver (1999), makes a comprehensive study on consumer satisfaction from a behavioral perspective. It examines the loyalty and its impact on marketing effectiveness. In marketing literature, it is evident that the importance of loyalty has been widely recognized.

Hardin R (2002), explains how trust and trustworthiness are essential in a marketing strategy, and how they influence the buying behavior of consumers of financial products. A trust-building capacity of a marketing strategy will attract more consumers and can build brand loyalty.

Bae KH et. al., (2002), has analyzed a strong consumer relationship with the investors are banks. The investors are becoming more conscious; naturally, they will hold more trust in the brand.

Homberg C, Stock R M (2004), Explains the link between salesperson's job satisfaction in a business to the business contest. The consumer need satisfaction mainly depends on the ability of loyalty creation of the advertisement strategy.

Popli, Rao (2009), explains the distribution channel and its impact on the investment behavior of investors of mutual funds. His study was mainly focused on the banking distributing channel and its influence on investment behavior.

Muller, Weber (2010), have opined that financial literacy and awareness about the mutual fund has an essential role in the formation of investment behavior among the investors. A high financial literacy always leads to a consumer-centric financial market in an economy.

III. NEED FOR THE STUDY

In the field of mutual fund marketing, the heat of competition is drastically increasing. Mutual fund houses shifted their advertisement and sales promotion paradigm from traditional to innovative approaches. Of course, this has an impact on the mutual fund buying behavior of investors. Cognitive, as well as emotional marketing strategies, are adopted by most of the mutual fund houses to capture more investors and maintain existing investors. Traditionally emotional marketing strategy has an essential role in advertisement campaigns. However, today, the cognitive marketing strategy has dominated the field of financial instrument marketing strategies. It will help to increase the awareness and understanding of the financial products and services to the investors. How these different strategies help to drive the investment behavior of the investors is a big question in front of the financial houses.

Problem Statement

The current financial and economic atmosphere has a rapid competition in the financial market due to new entrants, strategies, different product mix, the introduction of new investment avenues, and a variety of marketing policies. Within this spectrum of competition, every mutual fund house not only to struggle to capture the market share but to protect the existing market share in the mutual fund industry also. On these backgrounds, mutual fund houses compelled to investigate new strategies and policies for marketing their products, which should influence the investors' investment behavior in the multifaceted dimension. The problem statement is "to identify product awareness creation, financial education, satisfaction of investment goal, social and cultural condition, loyalty, trust, digitization of investment platform, and correlating all these factors together to study the influence it would have on the marketing progression of mutual fund products."

IV. OBJECTIVES OF THE STUDY

This study has been carried out with the following objectives

1. To explore the influence of the marketing strategy of fund houses in the investment behavior of investors.
2. To study about the creation of trust and loyalty through the mutual fund marketing strategy.

3. To explore the environment-related factors in the marketing strategy in mutual funds and its impact on investment behavior.
4. To explain the influence of digitized investment platforms in investment behavior.

V. RESEARCH METHODOLOGY

Data

The respondents consist of a sample of 250 mutual fund investors (the sample unit has been defined as any person who has a DEMAT account and with at least one mutual fund folio). For the collection of the data, a structured questionnaire on a five-point Likert scale has been used. The period of the collection was September-October 2019. All the respondents were from Alappuzha District, Kerala.

Methodology

The data analysis methods used for this study are t-test and correlation. The statistical package used for data analysis for both these tests is Statistical Package for the Social Sciences (SPSS) 21. Conducted a primary survey with the structured questionnaire has been conducted on 250 respondents from Alappuzha district in Kerala state.

The questionnaire used for this study consists of 46 questions. It covers 4 demographic items - Gender, age, education, income. Our first dimension is financial awareness, and for this, we have 6 questions. The second variable is investment goal achievements. For this purpose, we have 5 questions. The third factor is Loyalty, and for this, it constitutes 6 questions. For investor trust, we have 6 questions. For the social and cultural conditions, we are with 8 questions. Another factor is the investment platform, and for this, we constitute 4 questions. Another essential variable is mutual fund marketing. For this, we have 7 questions. In this questionnaire, it is used a 5-point Likert scale (strongly agree, agree, neither agree nor disagree, disagree, and strongly disagree, respectively).

VI. THE STUDY AND ANALYSIS

Reliability statistics

Sl. No	Dimension Name	Number of Items	Cronbach's Alpha
1	Financial Awareness	6	.921
2	Investment Goal Achievement	5	.906
3	Trust	6	.899
4	Loyalty	6	.877
5	Social & Cultural Conditions	8	.914
6	Investment Platform	4	.901
7	Marketing	7	.912

Table 1 : Reliability Statistics

Coefficient alpha (α) is considered as one of the most suggested tools for reliability analysis. In this analysis (Table 1) all the dimensions under study achieve high reliability with a desirable Cronbach’s Alpha value.

Correlation Analysis

Here we conducted a series of Spearman rank-correlations that was conducted to find if there were any relationships between the independent variable and dependent variables. In a two-tailed test of significance, there was a significant positive correlation between financial awareness and marketing strategy ($r_s = .79, p < .01, N=250$) (Table 2). In the case of the investment goal achievement and marketing strategy, it seems that there was a significant positive correlation between the two ($r_s = .71, p < .01, N = 250$) (Table 3). Here it seems that there was a significant correlation between trust and marketing strategy ($r_s = .67, p < .01, N = 250$) (Table 4). The correlation between the customer loyalty and marketing strategy is significant ($r_s = .75, p < .01, N = 250$) (Table 5). It depicts that there is a significant relationship between social and cultural conditions and marketing strategy ($r_s = .61, p < .01, N = 250$) (Table 6). In the case of the investment platform and marketing strategy, it seems that there was a significant correlation between these two. ($r_s = .87, p < .01, N = 250$) (Table 7).

Regression Analysis

To check how all independent variables, express the dependent variable, we apply regression analysis (Table 8). Here in regression analysis, independent variables express the dependable variable 87.9%. ($R^2=0.879$).

	Correlations		Financial Awareness	Marketing
Spearman's rho	Financial Awareness	Correlation Coefficient	1.000	.789**
		Sig. (2-tailed)		.000
		N	250	250
	Marketing	Correlation Coefficient	.789**	1.000
		Sig. (2-tailed)	.000	
		N	250	250
**Correlation is significant at the 0.01 level (2-tailed).				

Table 2 : Correlations

	Correlations		Investment Goal Achievement	Marketing
Spearman's rho	Investment Goal Achievement	Correlation Coefficient	1.000	.711**
		Sig. (2-tailed)		.000

		N	250	250
	Marketing	Correlation Coefficient	.711**	1.000
		Sig. (2-tailed)	.000	
		N	250	250
**Correlation is significant at the 0.01 level (2-tailed).				

Table 3 : Correlations

	Correlations		Trust	Marketing
Spearman's rho	Trust	Correlation Coefficient	1.000	.674**
		Sig. (2-tailed)		.000
		N	250	250
	Marketing	Correlation Coefficient	.674**	1.000
		Sig. (2-tailed)	.000	
		N	250	250
**Correlation is significant at the 0.01 level (2-tailed).				

Table 4 : Correlations

	Correlations		Loyalty	Marketing
Spearman's rho	Loyalty	Correlation Coefficient	1.000	.747**
		Sig. (2-tailed)		.000
		N	250	250
	Marketing	Correlation Coefficient	.747**	1.000
		Sig. (2-tailed)	.000	
		N	250	250
**Correlation is significant at the 0.01 level (2-tailed).				

Table 5 : Correlations

	Correlations		Social & Cultural Conditions	Marketing
Spearman's rho	Social & Cultural Conditions	Correlation Coefficient	1.000	.612**
		Sig. (2-tailed)		.000
		N	250	250
	Marketing	Correlation Coefficient	.612**	1.000
		Sig. (2-tailed)	.000	
		N	250	250
**Correlation is significant at the 0.01 level (2-tailed).				

Table 6 : Correlations

	Correlations		Investment Platform	Marketing
Spearman's rho	Investment Platform	Correlation Coefficient	1.000	.874**
		Sig. (2-tailed)		.000

		N	250	250
	Marketing	Correlation Coefficient	.874**	1.000
		Sig. (2-tailed)	.000	
		N	250	250
**Correlation is significant at the 0.01 level (2-tailed).				

Table 7 : Correlations

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945	.879	.846	.51799

Table 8 : Regression

VII. CONCLUSION

The marketing strategy of financial products is nowadays become more intricate. Most of the mutual fund house follows a cognitive approach towards the marketing strategy rather than emotional. To vitalities and stimulate the investment population in a multifaceted fashion is the main aim of any marketing strategy in the financial sector, especially in the investment tools in the field of financial assets. In this study, it is evident that the marketing strategy has a significant influence on the investment behavior of investors. An efficient and cognitively targeted marketing strategy can influence the investors. The marketing strategy can make a significant impact on financial awareness, and investment platforms about mutual funds is a great deal of success in the mutual fund marketing paradigm.

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