

Customer Communication Dimension of Marketing Mix- A Review of Gap between Mutual Fund Investors' Expectation and Experience

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Abstract: The growth of mutual fund industry in India has been impressive in the recent past. Despite of this growth, investments in mutual fund products in India are low as compared to other global economies. Several reports have identified that the mutual fund industry has failed to meet the expectation of the investors particularly in the retail segment. This paper considers mutual fund retail investors as customer of mutual funds and attempts to study the gap between the retail investors' degree of perceived experience and their degree of expectation in respect of customer 'communication dimension' of marketing mix. The study was conducted in the state of Assam covering three district headquarters- Dibrugarh, Guwahati and Jorhat. The study revealed that significant gap exists between the degree of expectation and the degree of perceived experience of the retail investors of the mutual fund while focusing from the viewpoint of customer communication dimension of marketing mix.

Keywords: Mutual funds, customers' expectation and customers' experience

INTRODUCTION

The constantly growing Indian financial market is providing immense number of investment opportunities to the investors [1]. This expansion has boosted the attributes of the financial system like stability, transparency, efficiency, and inclusion. The emerging intermediation mechanism and wide-range of financial products are the indicators of financial development. Among the various avenues, mutual fund has emerged as a popular avenue for investment. The growth of Indian mutual fund industry is impressive in terms of its volume of business and product development [2]. Despite of this growth, investment in mutual funds is low as compared to other global economies. Assets under management as a percentage of GDP is less than 5 per cent in India as compared to 70 per cent in the US, 61 per cent in France and 37 per cent in Brazil[3]. The low level of investment in mutual fund houses [4]. Mutual fund industry falls short of investors' expectations in meeting their needs[5]. There is a mismatch between the expectation and experience of the mutual fund investors which has led to poor participation of the retail investors in the Indian mutual fund market [6-7]. Thus, the present study aims to measure the level of gap between the degree of customer expectation and the level of customer experience in respect of communication dimension of marketing mix from mutual fund investment.

MARKETING MIX

The term 'marketing mix' was coined by Neil Borden in 1953 [8]. Marketing mix is defined as "the

set of controllable tactical marketing tools – product, price, place, and promotion – that the firm blends to produce the response it wants in the target market"[9]. Marketing mix was originated from a single P (price) of microeconomic theory which becomes more popular when MaCarthy introduced the 4P concept in 1964[10]. The 4P represents – Product, price, place and promotion. This is one of the most commonly used classifications of marketing mix[11]. Over the decades several models of marketing has emerged. The framework of 4P's of marketing mix have been modified to 5P's[12], 6P's [13], 7P's[14] and 15Ps [15] of marketing mix. The marketing mix elements are blended by the marketing managers to get desired response from a target market.

The traditional approach of seeing the marketing mix from the producer point of view has now changed to the customer's perspective [16]. There is a need of customer oriented marketing mix to satisfy the customers[17]. The 4P's marketing mix era is now no longer in existence since it represents seller's mind set rather than buyers [18]. Lauterborn (1990) suggested that the marketers should think in terms of 4Cs concept rather than 4Ps i.e. – customer solution (instead of product), customer cost (instead of price), customer convenience (instead of place) and customer communication (instead of promotion). Thus, the 4C concept is reformation of traditional marketing mix (4P) which is more relevant in the current scenario.

PROMOTION AND CUSTOMER COMMUNICATION

In this study, customer communication dimension of marketing mix has been considered for measuring the degree of expectation from mutual fund investment and the degree of perceived experience from mutual fund investment by the retail investors of the mutual fund. Customer communication is used as it is considered as a superior concept than promotion. Promotion refers to the process of simulating awareness through informing, persuading and influencing the customer to purchase the product and/or services. Sales promotion, personal selling, publicity and advertisement etc. are the common tools used for promotion. Promotion focuses the seller's point of view. Customer communication is a two way communication - Listening and learning instead promotion is of one way communication - telling and selling[19]. Traditionally, the purpose of promotion was merely sending the message to the consumers and making them buy whereas, customer communication focuses on building stronger relationship with the customer.

MUTUAL FUND AS AN INVESTMENT AVENUE

The concept of Mutual funds was introduced in India in the year 1963 with the establishment of Unit Trust of India. A Mutual fund is an entity that pools money from several investors and invest the pooled money in different kinds of securities or assets according to pre-specified objectives. The pooled money collected by the mutual fund houses from the investors is invested in a diversified pool of securities at a relatively low cost [20]. Mutual Fund investment is has turned out to be one of the most successful financial investment avenues for the investors[21]. The fund houses (i.e. AMCs) from time to time come up with various mutual fund schemes having different types of securities, returns and objectives hence providing with variety of options to the investors to meet their financial goals.

CUSTOMERS' EXPECTATION AND CUSTOMER EXPERIENCE

Customer expectations are the beliefs about service delivery that serve as standards or reference points against which performance is judged [36]. Expectations are formed by many uncontrollable factors which include previous experience with other companies, and their advertising, customers, psychological condition at the time of service delivery, customer background and values and the images of the purchased product[22]. On the other hand, customer experience is the response of the customers when they come into direct and indirect contact with a company. These responses are internal and subjective[37]. Direct contact happens with the initiation of the customer and indirect contact takes place apart from the customer's initiation which is usually unplanned such as sudden meet with salesman, word of mouth etc. It is the sum

total of interactions with the product, people and the process of the organization [23]. Customer expectation and customer experience is important because it has an impact on their satisfaction [24]. Making customers happy and satisfied from its state of unsatisfied is key challenge for the marketer. So, the gap between the offerings and the expectations need to be evaluated by marketer from time to time.

STATEMENT OF THE PROBLEM

Retail investors' expectation plays an important role in mutual fund investment decisions for which the needs and expectations of investors should be analysed in-depth by the different fund houses[25]. Investors' uses information about past performance, management fee, safety etc for decision making[26]. Among along with other factors, information sources has a significant impact on investment preferences. In this regard, customer communication plays a major role in updating and providing need based information to the investors [27]. To understand whether customers' needs and expectations in respect of communication are fulfilled or not, fund houses need to understand the investors' information needs and expectations. Thus, there is a need to evaluate the gap between the offerings and experience to identify unsatisfied offerings which gives inputs to develop a sound marketing strategy. The present study makes an attempt to analyse the gap, if any, between mutual fund degree of customers' expectation and degree of customers' experience from customer communication dimension of marketing mix

OBJECTIVE OF THE STUDY

The objectives considered for the study is to find the gap between the degree of expectation and the degree of perceived experience from mutual fund investment from the viewpoint of customer communication dimension of marketing mix.

HYPOTHESIS

Customers' form expectations from many sources such as previous experience, word of mouth and advertising [28]. Customers' needs and expectations cannot be avoided for long as it has significant impact on the survival of the firm[29]. Failure to meet expectations will also lead to negative perception among investors[30]. Customers' always have an experience whenever they come across a product or services and to carry out a successful marketing strategy, it is imperative to understand the customers' journey from their level of expectation to the level of experience [7]. Thus, determination of gap between the customers' experience and their desire act as a basis for measuring satisfaction. Therefore, based on the objective, the statistical hypothesis consider for the study is – "There is no significant difference between the level of 'the customers' communication expected' and the level of 'the customers' communication experienced' with respect of mutual fund as perceived by the retail investors'.

RESEARCH METHODOLOGY

The study is empirical in nature. The data was collected from primary sources by using structured questionnaire. Items of the questionnaire were developed from a combination of review of literature[31-41] and pilot survey conducted in Guwahati. A total of thirteen items [see Exhibit -1] have been taken into consideration and the respondents were asked to give their opinion in a five point scale. Snow ball sampling technique was followed for identification of the respondents[42]. Minimum sample size determined for each area was 384at 95% confidence interval[43].The sample unit for the study was the retail investors’ of mutual funds of three district headquarters

of Assam i.e. Dibrugarh, Guwahati and Jorhat. Actual data was collected from 1226 respondents out of which only a total of 1100 (see Table 3) were found suitable for analysis. The data analysis was done through SPSS. For descriptive statistical analysis, mean has been calculated along with bootstrap analysis [to know the upper and lower limit that exist in the population] both item-wise and area wise. Bootstrap method has been followed as it gives better approximation of properties of the population [44].Cronbach’s alpha co efficient is used to assess the reliability of the scale, One Sample Kolmogorov Smrinov test has been applied to test the normality of data and Wilcoxon Matched pair test has been used to test the hypothesis of the study.

Exibhit1: Description of the variables Considered

SI No	ITEMS
1	I came to know about mutual fund products as when it launches a new products
2	Promotional activities of the mutual fund products attract me to buy the product
3	Service of the agents are prompt in respect of communication of information
4	I understand all the content of the application form
5	I can clearly understand the content of the communication provided to me
6	There is no Coaching/counseling/ available locally.
7	I do not have sufficient education required for mutual fund investment
8	I am confident that I have sufficient information required for mutual fund investment
9	Services of postal/Courier services are unreliable and this influences my decision making
10	I get sms alerts, e-mails, quarterly investment reports on time
11	There is little availability of the information/ articles/papers in vernacular medium regarding mutual fund investment.
12	Information/ articles/papers regarding mutual fund investment in papers of vernacular medium are irregular
13	Information regarding mutual fund investment in papers of vernacular medium carries little information.

Source: Questionnaire

RESULTS AND DISCUSSION

Both descriptive and inferential statistics have been calculated for overall data as well as for the data

pertaining to each district headquarter. The results of analysis are discussed in the following sections:

Table 1: Reliability Statistics

Area		Dibrugarh	Guwahati	Jorhat	Overall
Cronbach's Alpha	Level of Customer Communication Expected	0.892	0.796	0.818	0.829
	Level of Customer Communication Experienced	0.748	0.893	0.802	0.805

Source: Compiled from survey data

The overall and area wise Cronbach’s alpha in respect of the 13 items of customers’ expectation and customers’ experience scale is above 0.70 [see Table 1]. Therefore, it can be said that the scale used for this study is reliable and internally consistent.

Descriptive statistics, in respect of the sample considered, [see Table 2] showed an overall levels of mean in respect of expectation from mutual fund investment from customer communication dimension of marketing mixis 43.223 and the overall level of mean of

perceived experience from mutual fund investment from customer communication dimension of marketing mix 38.95 with a mean gap of 4.273.Bootstrap analysis, at 95% confidence limit, showed[see Table 2], that, in the population, an overall level of mean in respect of expectation from mutual fund investment from customer communication dimension of marketing mix shall range between42.727 [lower limit] and 43.747[upper limit].Similarly, bootstrap analysis, at 95% confidence limit, showed, that, in the population, an overall levels of mean in respect of perceived

experience from mutual fund investment from customer communication dimension of marketing mix

shall range between 38.457 and [lower limit] 39.534 [upper limit].

Table 2: Area- wise Descriptive Statistics

AREA	Level of Customer Communication	Statistic [mean]	Bootstrap			
			Bias	Std. Error	95% Confidence Interval	
					Lower	Upper
Dibrugarh	Expected	41.969	0.014	0.386	41.229	42.771
	Experienced	37.633	0.002	0.561	36.577	38.728
Guwahati	Expected	41.842	-0.018	0.619	40.609	43.063
	Experienced	39.044	0.011	0.613	37.825	40.308
Jorhat	Expected	46.048	0.029	0.657	44.732	47.364
	Experienced	36.915	0.019	0.657	35.606	38.219
Overall	Expected	43.223	0.010	0.266	42.727	43.747
	Experienced	38.950	0.007	0.284	38.457	39.534

Source: Compiled from survey data

District wise analysis revealed that the overall mean score in respect of level of expectation from mutual fund investment is much higher than the level of perceived experience from mutual fund investment from customer communication dimension of marketing mix. A similar pattern of gap is observed between the two for all the district headquarters. Average level of expectation from mutual fund investment from customer communication dimension of marketing mix is maximum in Jorhat (46.048) and minimum in Guwahati (41.842). On the other hand, average level of perceived experience from mutual fund investment from customer communication dimension of marketing mix are maximum in Guwahati(39.044) and minimum in Jorhat (36.915). Maximum gap between average level of expectation from mutual fund investment from customer communication dimension of marketing mix and average level of perceived experience from mutual fund investment from customer communication dimension of marketing mix is observed between the two in Jorhat followed by Dibrugarh and Guwahati.

Bootstrap analysis showed that, in the population, the average lower limit and upper limit of level of expectation from mutual fund investment from customer communication dimension of marketing mix are 44.734 – 47.364 in Jorhat, 41.229 – 42.771 in Dibrugarh and 40.609 – 43.063 in Guwahati. Similarly, Bootstrap analysis showed that, in the population, the average lower limit and upper limit of level of perceived experience from mutual fund investment from customer communication dimension of marketing mix are 37.825 – 40.308 in Guwahati, 36.577 – 38.728 in Dibrugarh and 35.606 - 38.219 in Jorhat

Thus, comparison of bootstrap results are also indicative of the fact that, in the population also, there are significant differences in level of expectation and level of experience from mutual fund investment from customer communication dimension of marketing mix

Table 3: One-Sample Kolmogorov-Smirnov Test

Area	Sample Size	Level of Customer Communication expected		Level of Customer Communication experienced	
		Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)	Kolmogorov-Smirnov Z	Asymp. Sig. (2-tailed)
Dibrugarh	390	2.066	0	1.658	0.008
Guwahati	412	2.241	0	2.122	0
Jorhat	398	2.701	0	1.955	0.001
Overall	1100	2.393	0	2.685	0

Source: Compiled from survey data

The result of One Sample Kolmogorov Smirnov test [see Table 3] revealed that the test distribution does not support the normality of the sample distribution as the overall as well as areas-wise Asymp. Sig. (2-tailed) value is for both total of level of customer communication expected and level of

customer communication experienced is less than 0.05 (at 5% level of significance). As a result, non-parametric test has been used to test the hypothesis. Wilcoxon Signed Ranks test was applied to the data generated by the scaling technique used to test whether significant difference exists between level of customer

communication expected and level of customer communication experienced.

Table 4: Wilcoxon Signed Ranks Test (Test Statistics^a)

Area	Level of Customer Communication experienced – Level of Customer Communication expected	
Dibrugarh	Z	-7.891 ^b
	Asymp. Sig. (2-tailed)	.000
Guwahati	Z	-4.344 ^b
	Asymp. Sig. (2-tailed)	.000
Jorhat	Z	-12.471 ^b
	Asymp. Sig. (2-tailed)	.000
Overall	Z	-15.820 ^b
	Asymp. Sig. (2-tailed)	.000

Source: Compiled from survey data

b. Based on positive ranks.

Wilcoxon Signed Ranks Test [see Table 4] showed that the null hypothesis i.e. there is no significant difference between the level of 'the customers' communication expected' and the level of 'the customers' communication experienced' with respect of mutual fund as perceived by the retail investors' is rejected because both area-wise as well as overall Asymp. Sig. (2-tailed) value for all the cases is less than 0.05. Therefore, it is evident that the gap between the level of 'the customers' communication expected' and the level of 'the customers' communication experienced' by retail investors of mutual funds is significant.

CONCLUSION

It is clear from the above study that there exists a high degree of expectation from mutual fund investment from customer communication dimension of marketing mix. The degree of perceived experience from mutual fund investment from customer communication dimension of marketing mix is on the lower side when compared with the degree of investors' communication expectation. Investors experienced lack of sufficient education required for investment and finds it difficult in understanding all the contents of the application form. The significant gap between the degree of expectation and degree of experience is indicative of the fact that there is a lot of scope for improvement in the area of customer communication. Identification of investors' communication needs and delivering them accordingly will surely be a right direction to minimize the gap. Investors' awareness and education should be seriously taken care of as a priority issue. Marketers, agents and brokers have to make mutual fund investment clearly understandable and hassle free. This study leaves scope for further research in the areas of measuring level of customers' expectation and level of customers' experience gap in the other dimensions of marketing mix.

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