CHAPTER 4

RESEARCH METHODOLOGY

4.1 INTRODUCTION

A research methodology defines what the activity of research is, how to precede, how to carry the research work systematically? Research methodology is study of how to perform scientific research. Rusk defines research as a point of view, an attitude of enquiry of a frame of mind.

In other words, marketing research is the systematic and objective oriented collection, analysis, dissemination and use of information for the purpose of improving decision making related to identification and solution of problems. The success of any research depends on the methodology followed in the study.

4.2 DEFINITION OF MARKETING RESEARCH

The American Marketing Association officially defines marketing research as:

Marketing research is the function that links the consumer and public to the marketer through information—information used to identify and define marketing opportunities and problems, generate, refine and evaluate marketing actions; monitor marketing performance and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues, designs the method for collecting information, manages and implements the data collection process, analyses and communicates the findings and their implications.

This definition highlights the role of marketing research as an aid to decision making. An important feature is the inclusion of the specification and interpretation of needed information. Too often, marketing research is considered narrowly as gathering and analyzing of data for someone to use. Firms can achieve and sustain a competitive advantage through the creative use of marketing information. Hence, marketing research is defined as information input to decisions, not simply the evaluation of decisions that have been made. Market research alone, however, does not guarantee
success; the intelligent use of market research is necessary for business achievement. A competitive edge is more the result of how information is used than of who does or does not have the information.

4.3 CHARACTERISTICS OF MARKETING RESEARCH

4.3.1 Marketing research is systematic

Systematic planning is required at all the stages of the marketing research process. The procedures followed at each stage are methodologically sound, well documented and, as far as possible planned in advance. Marketing research uses the scientific method in so far as data that is collected and analyzed to test prior notions or hypotheses in concerned.

4.3.2 Marketing research is objective

It attempts to provide accurate information that reflects a true state of affairs. It should be conducted impartially. While research is always influenced by the researcher's research philosophy, it should be free from the personal or political biases of the researcher or the management. Research, which is motivated by personal or political gain, involves a breach of professional standards. Such research is deliberately biased that it results in predetermined findings. The motto of every researcher should be: "Find it and tell it like it is."

Marketing research involves the identification, collection, analysis and dissemination of information.

Each phase of this process is important. We identify or define the marketing research problem or opportunity and then determine what information is all about.

4.4 MARKETING RESEARCH-MEANING AND IMPORTANCE

Operationally speaking, marketing research is defined as the objective and formal process of collecting information; analyzing the results, and communicating the findings and their implications in terms of marketing actions. However, some further comments about this definition are essential. Marketing research is a systematic
collection and analysis of information that is ultimately used in evolving some marketing decisions. All stages of a research study must be carried out in a logical manner. For instance, one should start with a concise statement of the issues to be investigated; indicate the information required to study those selected problems; define the methods to be adopted to collect those data; and finally state the research findings and their specific implications for marketing decisions making. Notes that this definition indicates that marketing research should be conducted for specific issues. Secondly, it must ensure objectivity in every step. Finally, study findings must help the manager in decision making. In other words, marketing research must not be mere collection of statistical information; one must justify the choice of methodology of data collection and analysis. The researcher must not be too much preoccupied with techniques, but instead convey the meaning of the results in the marketing language even when some advanced or sophisticated tool is being used. Likewise, marketing manager(s) should also provide a clear, detailed scenario of the problems faced by the company before the marketing researchers (s). They must allow adequate time and budget for conducting the study. They must not use marketing research as a firefighting device or to justify some preconceived action(s).

Marketing research is the function that links the consumer with the organization through information. It involves systematic and objective search for an analysis of information that can be used for evolving some marketing decisions.

Any research study must clearly state the issues being investigated. It must apply systematic and formal procedure in collection and analysis of information. Such research must communicate the study findings in a manner that could help in arriving at some marketing decisions.

A research study will fail to serve its purpose if the marketing researcher merely collects some statistical facts or is preoccupied with techniques or uses data of questionable validity or communicates the findings in too much vague or technical language.

Likewise, a research study will suffer if the marketing manager does not offer a full perspective of the research problem; or allows inadequate time; or uses research as a firefighting device or does not really appreciate the value of research. The problem
must be clearly defined and the reasons for undertaking the research from the point of view of marketing decision making should be clearly justified.

In order to carry out effective research programme:

1. Prepare a list of objectives to be examined

2. Avoid:
   - Vague terms of reference
   - Trivial research projects
   - Research where underlying purpose is unknown or withheld.

3. Ensure concurrence about the terms of references (especially research objectives; plan of data collection, time and budget) among all concerned.

### 4.5 ORIGIN OF THE RESEARCH PROBLEM

Although changing customer attitudes, perceptions, and intentions are important, and achieving improved sales and market share is essential to any marketing effort, many managers consider financial impact the most crucial measure of success for any marketing effort. Financial impact involves not only the increase in revenues but also the expenditure required to produce that increase. Marketing expenditures are considered investments, and the financial return is measured as ROI. The long-standing recognition of the importance of ROI in evaluating more general marketing expenditures (Kirpalani and Shapiro 1973) led to early methods for measuring advertising ROI (Dhalla 1976). The connection between marketing efforts and financial performance was subsequently reinforced by analysis of the PIMS company database, which indicated a positive relationship between market share and the firm’s aggregate return on net assets (Buzzell and Gale 1987), though that relationship was later challenged on methodological grounds (Jacobson and Aaker 1985). Gale (1994) recanted and later proposed that market share and financial performance were both driven by product quality, though the link between perceived and actual quality is itself complex.
Marketing practitioners and scholars are under increased pressure to be more accountable for and to show how marketing expenditure adds to shareholder value (Doyle 2000). The perceived lack of accountability has undermined marketing’s credibility, threatened marketing’s standing in the firm, and even threatened marketing’s existence as a distinct capability within the firm. The Marketing Leadership Council (2001, p. 27) reports that 70% of advertising budgets are in decline, compared with 51%, 47%, and 44% for human resources, information technology, and general counsel functions: “Having exhausted cost-saving opportunities in virtually every other function,” marketing is “next in the line of fire.”

There are three challenges to the measurement of marketing productivity. The first challenge is relating marketing activities to long-term effects (Dekimpe and Hanssens 1995). The second challenge is the separation of individual marketing activities from other actions (Bonoma and Clark 1988). Third, the use of purely financial methods has proved inadequate for justifying marketing investments: Non-financial metrics are also needed (Clark 1999; Marketing Science Institute 2000). Indeed, the Institute of Management Accountants (1996) reports the increasing use of non-financial measures. (Roland T. Rust, Tim Ambler, Gregory S. Carpenter, V. Kumar, & Rajendra K. Srivastava, 2004)

In case of Banks in India, The competitive environment in India provides both challenges and opportunities to global banks that are searching market entry. Well-established domestic competitors and restrictive equity ownership ceilings imposed by the government create obstacles for banks try to establish a footprint in India. Primary challenges include tough competition and government restriction on foreign equity ownership. At the same time Opportunities exist because global banks often have advantages of most sophisticated technologies, well-honed, efficient processes and appealing products and services.

There is wide divergence in the performance of individual banks. The gross NPAs of the new private sector banks increasingly by a starting 71.1 per cent. The gross NPA ratio of Global Trust Bank, IDBI Bank and ICICI Bank increased sharply. IT would create a great hurdle to the growth of the private financial service sector. Fe years back there was shocking news that 70% students of IIM-Banglore didn’t repay the
education loan and that result into huge loss to private financial banks. NPA is again one of the biggest challenges for financial service banks to solve.

India being a world’s second largest country so far as population is concerned having a huge potential for financial services, but at the same time India is also consider as a country of diversity and differences. It is very difficult to woo the Indian customer because standardized marketing strategies cannot work like in case of other country. However The Good thing for Private Financial service sector is the Indian customers are changing in terms many dimension. Even the macro environment of our country is also changing very fast in this globalize world. The success of private as well as public sector bank depends on how effectively they create a long value chain and create a loyal customer with the help of long-term customer relationship. Therefore measurements of performance of bank with the help of innovative interdisciplinary tools like Marketing Metrics become very essential.

Looking to the above scenario in our country where our country is able to survive, sustain and succeeded even during the massive downturn all over the world only because of good governance of financial sector. Non Performing Assets is one of the major problems faced by banking sector that cause into many other problems.

To sustain in the competition, banks heavily spends on marking functions and they need to evaluate return on marketing investment separately. It is very essential to measure the marketing performance in financial terms as it would be more objective & realistic. There is tremendous pressure on marketing department to prove its worthiness in organization. Till the date organizations do not practice to evaluate its marketing performance separately through quantitative tools but accountability of marketing department increased now a day. In banking sector also with the entry of new generation private banks, marketing activities have been increased, at the same time accountability also increased. Banks are not used to evaluate and disclose its marketing function separately with some quantitative metrics. But there is need to evaluate performance of marketing functions from financial return point of view. An attempt has been made to study marketing related expenses of public and private sectors banks and relate with overall income of the banks that give some insight about the efficiency of marketing activities.
4.6 RESEARCH QUESTIONS

1. How do Private and Public sector banks are performing in terms of marketing expenditure in India?
2. How do Private and Public sector banks are performing on overall basis in India?
3. How do Private and Public sector banks are performing in terms of financial performance in India?
4. What is the overall effectiveness of Indian Private and Public sector banks to survive sustain and succeeded in present environment?

4.7 OBJECTIVES OF THE STUDY

The main objectives of the study are:

1. To study and analyze diversity of adversity and marketing expenses made by selected public and private sector banks.
2. To measure and compare marketing performance of selected banks with the help of some selected marketing metrics.
3. To evaluate and compare marketing performance of selected banks in non-financial terms.
4. To examine the association between advertising and marketing expenses and overall financial performance of banks.

4.8 HYPOTHESIS OF THE STUDY

1. Private sector banks are investing more in marketing than public sector banks.
2. There is no significant difference between marketing performance of public and private sector bank in terms of some financial ratio related to marketing investment and marketing return.
3. There is no relationship between spending on marketing and financial performance of public and private sector banks.
4.9 RESEARCH DESIGN

A research design is plan of action to be carried out in connection with a research project, the formidable problem that follows the task of defining the research problem. A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Descriptive research is those studies which are concerned with describing the characteristics of a particular individual, or of a group.

Descriptive research designed has been used to study the linkages between the marketing expenses and its overall performances and financial performance of banks. Study used structured methodology consist of well-defined objective, hypothesis and data collection methods that make this study descriptive in nature.

4.10 SOURCES OF DATA

Extensive literature reviews of past studies have been carried out. Secondary data have been collected from published annual reports of public and private sector banks; website of banks, magazine, Indian as well as international scholar journals.

4.11 TYPES OF DATA

Secondary data have been used as a literature review to understand the various aspects of the study and to design the tool of data collection. Quantitative data collected from annual reports of banks have been customized as per the need of the study and analyze through ratio analysis related to marketing. Some of the basic ratios that help to evaluate performance of marketing function of banks have been calculated and analyzed.

4.12 SAMPLE SIZE AND POPULATION

Another step in planning the research project is to identify the target population (those people, events, or records that contain the desired information and can answer the measurement questions) and then determine whether a sample or a census is desired. Taking a census requires that the researcher examine' or count all elements in the target population. A sample examines a portion of the target population, and the
portion must be carefully selected to represent that population. If sampling is chosen, the researcher must determine which and how many people to interview, which and how many events to observe, or which and how many records to inspect. When researchers undertake sampling studies, they are interested in estimating one or more population values and/or testing one or more statistical hypotheses.

The sampling process must then give every person within the target population a known nonzero chance of selection if probability sampling is used. If there is no feasible alternative, a nonprobability approach may be used.

The population of the study is the total number of public and private sector banks operating in India. Out of total number of banks 25 banks (15 Public sector banks and 10 Private Sector banks) have been included in the study. Study includes all leading public and private sector banks. The major criteria behind selecting these banks were availability of data, marketing efforts of banks and overall scale of the banks.

**4.13 SAMPLING UNIT**

To study & analyze the marketing expenses made by selected bank and to measure marketing performance of selected bank in financial terms, following 25 banks (15 Public sector banks and 10 Private Sector banks) have been included for the study.
Table 4.1: LIST OF BANKS INCLUDED IN THE STUDY

<table>
<thead>
<tr>
<th>Sr. no.</th>
<th>Public Sector Banks</th>
<th>Sr. no.</th>
<th>Private Sector Banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Bank of India</td>
<td>1</td>
<td>YES Bank</td>
</tr>
<tr>
<td>2</td>
<td>Oriental Bank Corporation</td>
<td>2</td>
<td>AXIS Bank</td>
</tr>
<tr>
<td>3</td>
<td>Allahabad Bank</td>
<td>3</td>
<td>Federal Bank</td>
</tr>
<tr>
<td>4</td>
<td>Bank of India</td>
<td>4</td>
<td>HDFC Bank</td>
</tr>
<tr>
<td>5</td>
<td>Bank of Baroda</td>
<td>5</td>
<td>ICICI Bank</td>
</tr>
<tr>
<td>6</td>
<td>Corporation Bank</td>
<td>6</td>
<td>Karur Vysya Bank Limited</td>
</tr>
<tr>
<td>7</td>
<td>Punjab National Bank</td>
<td>7</td>
<td>Kotak Mahindra Bank</td>
</tr>
<tr>
<td>8</td>
<td>Indian Bank</td>
<td>8</td>
<td>IndusInd Bank</td>
</tr>
<tr>
<td>9</td>
<td>Bank of Maharashtra</td>
<td>9</td>
<td>Lakshmi Vilas Bank Limited</td>
</tr>
<tr>
<td>10</td>
<td>Central Bank of India</td>
<td>10</td>
<td>Jammu and Kashmir Bank Limited</td>
</tr>
<tr>
<td>11</td>
<td>Industrial Development Bank of India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Union Bank of India</td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>UCO Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>DENA Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Indian Overseas Bank</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.14 SAMPLING METHOD

Purposive sampling is used to select total 25 banks consists of 10 private and 15 public sector banks to analyses marketing expenditure and fair relation with other financial performance criteria.

4.15 DATA MEASUREMENT AND ANALYSIS

Quantitative analysis of financial data of banks is done through percentage, trend analysis, and ratio analysis. Banks have been also evaluated on the basis of some
qualitative parameters like various award received by banks, growth, efficiency, customer satisfaction survey etc. carried by different agencies, ranking given by different agencies.

Analysis of variance was developed by R. A. Fisher and the test developed by him is known as Fisher’s test or more commonly as F-test. In statistics, analysis of variance (ANOVA) is a collection of statistical models, and their associated procedures, in which the observed variance in a particular variable is partitioned into components attributable to different source of variation. A statistical analysis tool that separates the total variability found within a data set into two components: random and systematic factors. The random factors do not have any statistical influence on the given data set, while the systematic factors do. The ANOVA test is used to determine the impact independent variables have on the dependent variable in a regression analysis.

4.16 MEASUREMENT CRITERIA

1. Net Profit to Total Advertising & Publicity Cost
2. Sales to Total Advertising & Publicity Cost
3. Advertising & Publicity Cost to total operating expenses
4. Net profit to total operating expenses
5. Total Income to Total operating expenses
6. Advertising and publicity expenses to total Income
7. Overall Financial Performance of bank
8. Trend Analysis of Marketing Expenses

4.17 LIMITATION OF THE STUDY

Any study cannot be without limitations either because of limitations of techniques of investigations used or the recourse constraints

1. The study includes selected 25 banks therefore findings of the study related matter of marketing expenditure and financial performance in banks and its impact on its performance may not be the same in other state or country
2. The study undertaken only limited analysis because of non-availability of specific marketing related quantitative data.

3. Further study is also suffering from some general limitation like constraints of time and difficulties in data collection however, attempts have been made to collect data that are more representative and bring meaningful conclusions considering the objective of the study.

4. Only selected aspect of marketing performance is focused on the study.

4.18 SIGNIFICANCE OF THE STUDY

Direct measures of the short term variant of ROMI are often criticized as only including the direct impact of marketing activities without including the long-term brand building value of any communication inserted into the market. Short term ROMI is best employed as a tool to determine marketing effectiveness to help steer investments from less productive activities to those that are more productive. It is a simple tool to gauge the success of measurable marketing activities against various marketing objectives (e.g., incremental revenue, brand awareness or brand equity). With this knowledge, marketing investments can be redirected away from underperforming activities to better performing marketing media. Long term ROMI is often criticized as a 'silo-in-the-making' - it is intensively data driven and creates a challenge for firms that are not used to working business analytics into the marketing analytics that typically determine resource allocation decisions. Long term ROMI, however, is a sophisticated measure used by a number of forward thinking firms interested in getting to the bottom of value for money challenges often posed by competing brand managers.

Return on Marketing Investment is a tool for any business to business or small consumer marketing professional or senior executive looking to improve their ability to produce real results in revenue growth. It has numerous practical examples to speed the implementation of ROMI in your organization.

There is a need to clarify the ways marketing activities build shareholder value. For example, when we talk of marketing “investment,” we must identify the marketing assets in which we invest and understand how the assets contribute to profits in the short run and provide potential for growth and sustained profits in the long run. In this
context, the spotlight is not on underlying products, pricing, or customer relationships (see Webster 1992) but on marketing expenditures (e.g., marketing communications, promotions, and other activities) and how these expenditures influence marketplace performance. The firm should have a business model that tracks how marketing expenditures influence what customers know, believe, and feel, and ultimately how they behave. These intermediate outcomes are usually measured by non-financial measures such as attitudes and behavioral intentions.

Economic history provides an ample support for the idea that financial development makes fundamental contribution to economic growth. Financial developments play a critical role in promoting industrialization in any country. One of the major developments during twentieth century has been the phenomenal growth of banking sector. The liberalization policy has significantly affected the nature and type of service in various core sector of the Indian economy and completely changed the consumer’s perception of the banking service market.

Therefore present study will be very useful to Private as well as Public sectors banks to evaluate their marketing performance with the help financial tools. The study will also give true picture of various banks and their performance to various stake holders such as Customers, Investors and Government. Apart from that the stud will be very useful to students, researchers and faculties of marketing, finance and banking to learn more from the study.
REFERENCES


