

7 Student Corner

Marketing Strategy of Financial Services Firm With Respect To Muthoot Finance

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Abstract:

This study makes an understanding of marketing strategies adopted and executed by the Muthoot Finance. The exploration of the study helped us in knowing the key strategies of Muthoot Finance like analysis of marketing strategy, gold loan strategies, branding strategy and how these strategies are impacting on the business performance of the organization.

Keywords: Marketing Strategy, Services, Branding Strategy, Media Mix, USP and Risk Management.

Introduction:

The Muthoot Group is a Kerala-based 129-year-old business which started in the year of 1887, a small beginning with Muthoot Bankers, founded by Mr. Ninan Mathai Muthoot in the town of Kozhencherry, a small town in the erstwhile Kingdom of Travancore (Kerala). It was then later taken over by his son M George Muthoot who incorporated the Finance division of the group which was until then primarily involved in wholesale of grains and timber. The company is now managed by the third and fourth generation of its family members. It has interests in Financial Services, Information Technology, Media, Healthcare, Education, Power Generation, Infrastructure, Plantations, Precious metal, Tourism, and Hospitality.

Muthoot Finance Ltd was established in the year 1939 when M. George Muthoot ventured into

financial services through a partnership firm under the name of Muthoot M. George & Brothers (MMG). MMG was a Chit Fund based out of Kozhencherry. In 1971, the firm was renamed as Muthoot Bankers, and had begun to finance loans using gold jewellery as collateral. In 2001, the company was renamed once again and came to be known as Muthoot Finance. Muthoot Finance falls under the category of Systematically Important Non-banking Financial Company (NBFC) of the RBI guidelines.

Muthoot Finance Ltd is an Indian financial corporation. It is known as the largest gold financing company in the world. Providing excellent service and facilities, Muthoot Finance has grown into one of the largest financial groups of its kind in India. The Company today is present across 1,072 cities, 364 districts and 1,240 talukas with total branch strength of 4,400-plus. Traditionally known for its loans against gold business, currently Muthoot is gradually changing its positioning to being a multi-diversified business conglomerate with a pan-India presence. According to the IMA CS Research & Analytics Industry Reports, Muthoot Finance is the largest Gold Loan NBFC and has the largest network of branches for a Gold Loan NBFC in India.

Core Values of Muthoot Finance:

Muthoot Finance does not judge themselves by the profit they make but by the trust and the confidence that people have in them.

Muthoot Finance cherishes and nurtures that the trust and ensure that every person who deals with them, deals with confidence that he/she will not be misguided but his/her interest will be carefully protected.

Marketing Strategy:

Marketing strategy is a method of focusing an organization’s energies and resources on a course of action which can lead to increased sales and dominance of a targeted market niche. A marketing strategy combines product development, promotion, distribution, pricing, relationship management and other elements; identifies the firm’s marketing goals, and explains how they will be achieved, ideally within a stated time frame. Marketing strategy mainly includes 7p’s of marketing i.e, Place, Product, Price, Promotion, People, Process, and Physical Evidence.

Analysis of Marketing Strategy of Muthoot Finance:

Muthoot Finance offers number of products and list is as follows:

1. Gold Loans
2. Gold Coins
3. Investments
4. Money Transfers
5. Insurance
6. Security
7. Foreign Exchange
8. Travel Smart
9. Vehicle & Asset Finance

Muthoot Finance is the leader in the category of the gold loan industry and it has generally been known as a single-product company (loans against gold jewellery), but few know that there is now an increased awareness amongst the masses that Muthoot Finance is a “financial supermarket”. It provides a bouquet of financial services, including insurance, foreign exchange, money transfer, demat, debentures (NCD), PAN card, travel services, Muthoot ATMs, etc. – all under one roof.

Currently, Muthoot Group as a multi-diversified business conglomerate rather than just a gold loan

company. Their Vehicle & Asset Finance division recently tied up with Maruti Suzuki for vehicle loan finance at Kerala, while Healthcare division has tied up with Bourn Hall Clinic International, a Centre for treating infertility.

Gold Loans:

Muthoot Finance has generated the new concept of GOLD loans. They provide loan against gold. Gold which is lying idle in the bank lockers are utilized and can take advantage from that. The strategy of Muthoot Finance is that in this case both the parties are getting the benefits.

- a) Customers are getting finance from their idle asset.
- b) Company is having most valuable asset as collateral, i.e gold.

USP of Muthoot Gold Power Loan:

A unique selling proposition (USP) is a factor that differentiates a product from its competitors, such as the lowest cost, the highest quality or the first-ever product of its kind. A USP could be thought of as “what you have that competitors don’t.” USP of Muthoot gold loan are as follows:

- * They provide any amount of cash loan
- * Loan available in just 5 minutes
- * Any Need, Any Amount, Anytime, Anywhere
- * Simple hassle free loan with least documentation & unmatched safety and security of gold pledged
- * Flexible payment option even on easy installment

Gold Coins:

Muthoot Finance has also started the concept of ‘24 carat pure gold coins’. The strategy here used is that they want to change the perception of customers. Indirectly, they can convey the customers not to purchase the gold from jewellery shops rather purchase gold coins and gift to their dear ones. To some extent they are effecting the market of jewelers.

The advantages

* **Purity:** The gold coins of 999 purity. Now onwards ‘customer need not buy copper at the price of gold.’

* **100% investments:** When customers buy gold jewellery, in addition to the price of gold, they pay 30% more in the form of making charges, shortage while making etc. When they buy gold coin no such expenses occurs. Moreover, they get full value when they sell it or convert it into jewellery.

* **Easy to buy, Easy to store:** Gold coins are available in different denominations of 2 gram, 4 gram, 8 gram & 20 gram. Hence investment can be made in small or large amounts. It is easy to keep and very convenient to convert into money when need arises.

* **Non-depreciating asset:** Even when value of money depreciates, value of gold coins does not come down, but only goes up. In other words, investment in gold coins does not depreciate with the value of money.

Place

Muthoot Finance is having 4400 branches in almost 21 states. Earlier Muthoot was in limited states but now they are expanding their business and they want to cover each and every corner. And moreover it is the number one gold company.

Promotion



Muthoot Finance

Muthoot Finance is using the animated Elephants for their promotion. The elephant represents strength, stability and trust. Animation is increasingly becoming clutter breaking and cost effective way for brands to communicate in the audio-visual medium. As the part of the thought

out marketing strategy, the two characters are being introduced ‘Mattu&Mittu’ through an integrated approach using several media. So, by using such type of strategy mainly company is targeting every age group but especially to youngsters.

Process

The company claims that just visit our place and have loan in only 5 minutes. They are using this feature for promotions also.

Branding Strategy of Muthoot Finance for the national market from a regional market

Since the demographics, target audience, messaging, accessibility, culture, cost of medium, etc., of national and regional markets or urban and rural markets differ from each other, marketing strategy and advertising campaigns of Muthoot Finance are planned accordingly. For instance, for a regional market, they focus more on BTL-driven activities as this enables them to personally connect with their customers. On the other hand, they use both the ATL and BTL communication channels to engage with customers in the national market.

Media Mix of Muthoot Finance

The communication tools of Muthoot Finance primarily include print media. Although, one of the oldest forms of communication, print media has the advantage of making a longer impact on the minds of the reader, with more in-depth reporting and analysis. TV is another primary medium as it has a mass appeal and hence, is the most preferred medium for any marketer while launching a national and regional brand/ product campaign. They have also been consistently using OOH strongly across the markets for brand visibility, brand salience, product promotions and driving footfalls in the branches.

Radio is another viable mass reach vehicle that they look at as it continues to yield new customers and gives an incredible ROI to them. Radio, for them, has not only been a cost-effective medium, but it has served as one of the key mediums to meet brand challenges.

They are also open to absorbing the latest technologies, which can provide instant connect with the wider audience. Muthoot launched a strategic approach to corporate social responsibility, (CSR) by introducing 'Muthoot Haathi Mera Saathi' programme through social media platforms during the season VI Delhi Daredevils matches.

What makes Muthoot Finance different?

Brand: A rich seven-decade experience in the business across regions, political environments and trade cycles, translating into an industry leading position in India.

Presence: Muthoot has the largest branch network in India among gold loan NBFCs with 4400 branches across 21 states, the national capital territory of Delhi and four Union territories.

Rural Presence: Muthoot enjoys a strong presence in under-served rural and semi-urban Indian markets (over 70% of its branches are located in these regions).

Credit base: Muthoot's credit facilities with multiple banks, superior credit rating and asset quality helped mobilize adequate low-cost funds.

Intellectual capital: Muthoot possessed a dedicated team of 25,351 members, professionally trained to service customers.

Senior management: Muthoot's senior management possesses extensive experience in the Indian gold loan industry, with the ability to increase business through dynamic operational leadership and a strategic vision.

Customer-centric approach: Muthoot conducts a comprehensive survey according to established locational guidelines before selecting relevant branch sites.

Customer service: Muthoot provides a friendly customer experience with no processing charges, as well as interest chargeable only for the actual number of days for which loan is availed.

Asset under management: The Company is the largest gold loan Indian NBFC with gold loan assets

under management of Rs. 24,417 crore, growing at a CAGR of 78% over the five years leading to 2014-15.

Economies of scale: The Company leverages distribution economies of scale through 4,400 branches by reducing the overall cost of functioning per branch. Operating expense to average retail loans declined by 5.45% between financial year 2009-10 and 2014-15.

Net worth: The Company's net worth was Rs. 2,923 crore in 2014-15, a 119% increase over the previous year.

Risk Management (De-risking the business)

Like any other business, the business of gold loans is exposed to risks. Muthoot Finance identifies and assesses these risks with the objective to orchestrate an effective counter strategy.

Risk 1: Any decline in the value of gold collateral following a fluctuation in gold prices could affect Muthoot loan integrity.

Risk mitigation:

- Around 40% buffer is kept on the value of jewellery for calculation of the loan amount.
- The Company structures the loan solely based on the weight of gold content. The weight and value of stones embedded in the jewellery are not considered when valuing the jewellery.
- The sentimental value of gold jewellery is also another factor which induces repayment and collateral redemption even when the collateral value declines below the value of the repayment amount.

Risk 2: Any failure of the counter party to abide by the terms and conditions of Muthoot business could impede profits.

Risk mitigation:

- The Company follows rigorous loan approval and collateral appraisal processes, along with a strong NPA monitoring and collection strategy.

- The gold jewellery used as collateral for loans can be readily liquidated through auctions; therefore, the possibility of recovering less than the amount due to the Company is low.

Risk 3: Any interest rate movement could hamper the Muthoot business profitability.

Risk mitigation:

- The majority of the company's borrowings and all loans and advances are at fixed rates of interest.
- The Company enjoys diverse funding sources, reducing the dependence on any single source.
- The funding is addressed through a combination of borrowings like working capital limits from banks, issue of commercial paper, non-convertible debentures and equity.
- Loans are of shorter duration; demand is inelastic to interest rate changes.

Risk 4: Any failure of systems, people or processes or any external event could affect the Muthoot business sustainability.

Risk mitigation:

- The Company has instituted a series of checks and balances including an operating manual and audit (internal and external) reviews.
- The Company has defined appraisal methods as well as 'know your customer' compliance procedures to mitigate operational risks.
- Any loss on account of failure by employees to comply with a defined appraisal mechanism is recovered from their variable incentive.
- The Company has laid down detailed guidelines on the physical movement of cash and gold.
- The Company introduced a centralised software to automate inter-branch transactions, enabling branches to be monitored centrally.
- The Company installed surveillance cameras across 2,800 branches.

- The Company has Internal Audit Department and Centralised Monitoring System to assist the management in mitigating the above risk.

Risk 5: An inability to raise necessary funds to meet operational and debt servicing requirements could affect the business expansion.

Risk mitigation:

- An Asset and Liabilities Committee (ALCO) meets periodically to review liquidity based on future cash flows.
- The Company tracks the potential impact of loan prepayment at a realistic estimate from a near to medium-term liquidity position.
- The Company developed and implemented comprehensive policies and procedures to identify, monitor and manage liquidity risks.
- The source of funds has a longer maturity than loans and advances made, resulting in a positive asset-liability matching and hence, a low liquidity risk.

Conclusion:

The Marketing Strategy is a plan for action that determines how a company can achieve its goals and objectives in the light of the existing pressures exerted by competition and other non-controllable variables on the one hand, and its limited resources on the other. With respect to Muthoot Finance, the marketing strategy adopted by the company helps to widening its presence to touch areas relatively under-served by the country's banking network (conventional and alternative) and reach customers closer to where they live or work. The Company's sales and marketing team comprised 1912 managers, marketing executives and customer relations executives. The Company prides itself on being able to provide a much-needed presence in rural and semi-urban centres. The Company has a direct presence without franchisees. Muthoot's network expansion is achieved through an analysis of demographic, competitive, regulatory, customer presence and

land availability factors. In addition to promotional activities for new branches, the Company's 1871 executives carry out loyalty programmes, make personal visits and cover high net worth clients as well. The Company's customer relations executives are responsible for product promotion and telemarketing. The Company invests extensively in promotional TV campaigns, print advertisements and road shows to enhance the Company's brand and gold loan product proposition. These are the marketing strategies that helped the Muthoot Finance to become the largest Gold Loan NBFC and the largest network of branches for a Gold Loan NBFC in India.

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