

# MARKETING RESEARCH ON QUALITY OF FINANCIAL ADVISORY SERVICES USED BY SMEs FROM BRAȘOV COUNTY

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## ABSTRACT:

*THIS PAPER PRESENTS THE RESULTS OF A QUANTITATIVE MARKETING RESEARCH ON THE PERCEPTIONS AND THE BEHAVIORS OF THE SMES FROM BRAȘOV COUNTY ON THE QUALITY OF THE FINANCIAL ADVISORY SERVICES USED. THE RESEARCH SHOWS THE MAIN BARRIERS TO CHANGE THE PROVIDER OF THE FINANCIAL ADVISORY SERVICES, THE SATISFACTION OF THE MANAGERS IN SMEs WITH THE QUALITY OF THE FINANCIAL ADVISORY USED, SELECTION CRITERIA FOR FINANCIAL ADVISORY PROVIDERS BY IMPORTANCE GIVEN BY RESPONDENTS. THE STUDY RESULTS WILL BE USED TO BUILD A MARKETING MIX SUITABLE TO AN SME'S MARKET PROFILE.*

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**KEY WORDS:** FINANCIAL ADVISORY, MARKETING, QUALITY, SERVICE, SME

## INTRODUCTION

Small and medium enterprises have a crucial role in increasing the dynamism and the competitiveness of the European economy. In order to help them materialize their potential for growth, the European Union promotes entrepreneurship and working to create a more favorable business environment for the small business.

The market success of SMEs depends, to a decisive extent, on the adoption and the assimilation of knowledge organization activities provided by management, marketing and finance sciences. The financial resources of the small and medium enterprises do not allow hiring a numerous staff, so they often turn to external consultants: companies or freelancers .

According to the Romanian language explanatory dictionary consultancy is offering qualified advice on issues of leadership and management and the consultant is a practitioner who instructs or draw conclusions on matters concerning his specialty.<sup>2</sup>

Financial advisory services include a wide range of services , heterogeneous in terms of their content and skills required for a consultant. A detailed classification includes but not limited to the following categories:

- a) Financial and accounting consulting services

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<sup>2</sup> *Dex on -line*, February 10, 2014, (8:05 pm), dexonline.ro/definitie/consultanta

- b ) Audit services
- c ) Tax advisory services
- d ) Assessment services
- e ) Insolvency consultancy
- f ) Banking consultancy
- g ) Consultancy in the field of leasing operations and other non-banking financial services ( factoring )
- h ) Insurance consultancy

For the purposes of this paper , financial consultancy is the activity of providing financial advice or financial assistance for a fee by a professional authorized by a competent institution, according to the law . In Romania, as well as in EU or U.S. service sector is more restricted and regulated by government authorities.<sup>3</sup> The legislation specifies the financial advisory business methodology, the terms of development work and activity reports and the consultants' responsible for the services they render.

### **QUALITY ISSUES IN FINANCIAL CONSULTING FIRMS**

Companies can achieve long-term performance by generating added value for customers and its retention strategies . The characteristics of these strategies are: the focus on the plus value generated for customers but while acknowledging that no innovation itself can provide long-term benefits; long-term investments in relationships with suppliers, distributors, employees and customers; a process of continuous learning, innovation and improvement of the products and the services, using information technology to achieve superior performance in service delivery.<sup>4</sup>

Quality is the best insurance policy in maintaining the customer loyalty and gaining new ones, the most effective defense against competition and the only way for growth and income stabilization.<sup>5</sup>

The quality of financial advisory relates to the adoption of professional standards , the adoption of ethical rules , the need for representation of non-contractual users of financial advisory services , such as investors, creditors , etc.

Legal regulations specify quality parameters of information provided by financial advisory reports . They are:

Intelligibility defines the quality of financial information to be easily understood by users.

Relevance expresses the ability to influence the economic decisions of users by helping them evaluate past, present or future , to confirm or correct their past evaluations .

Credibility . Information is reliable when it does not contain significant errors , it is not biased and users can trust that it properly express what it proposed to express or what users expect it, reasonably , to represent.

Comparability . Users should be able to compare the financial statements of an entity over time to identify trends in its financial position and performance.<sup>6</sup>

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<sup>3</sup> Mihaela Funaru , *Comerțul internațional cu servicii*,( București : C.H. Beck, 2013), 83

<sup>4</sup> George Hooley, Brian Nicoulaud and Nicholas Piercy, *Marketing Strategy and Competitive Positioning*, ( New York: Prentice Hall, 2008), 5

<sup>5</sup> Philip Kotler, *Managementul marketingului*, (București, Teora, 2008), 123

<sup>6</sup> Ministry of Public Finance of Romania, OMPF 3055/2009 for the approval of The Accounting regulations compliant with European Directives, Chapter II, Section 2.2 Qualitative characteristics of annual financial statements ( București: Monitorul Oficial, 2009)

Sales and marketing activities are related to the trade. The consumer expects a perceptible value for his money . If upon completion of the transaction the customer does not get the expected value, the transaction is considered unsatisfactory.<sup>7</sup>

The mechanism by which the customer determines the value of a service is not entirely rational. The consumers tend to perceive the value of a service based on the expectations they have of that service and depending on experience.<sup>8</sup>

Quality of the financial advisory can be ensured through regulation because there is a gap between the customer’s knowledge receiving financial advisory services and the expertise of these services’ providers. Industry regulations certifies that the service provider has the necessary qualifications and will provide services in accordance with professional standards.<sup>9</sup>

### GENERAL ASPECTS OF DEVELOPING RESEARCH

The previous research has shown that not enough information is known about the perceptions, attitudes and behaviors of the managers in small and medium firms about the quality of the financial advice used. Therefore, a quantitative marketing research has started on the quality of the specialized financial advisory services used by SMEs in Braşov County. The research instrument is a questionnaire applied to a 385 small and medium enterprises in Braşov County.

The basic aspects of the research and the researcher’s questions has resulted in the development of the objectives presented in the following table:

Table 1 - Quantitative marketing research objectives

<p>1.The consumer behaviour of SME managers in Braşov County regarding the replacement of financial advisory providers</p>	<p>1. What are the main elements that determine the decision of switching financial advice?  2. What are the factors that influence organizational loyalty of a SME consumer to a supplier of financial advice?</p>	<p>1. Knowing the key elements that determine the decision of switching financial advisory provider.  2. Knowing the barriers to changing providers.  3. Knowledge of the factors influencing organizational loyalty of a SME consumer to a financial advice supplier.</p>
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<sup>7</sup> Michael Zagula and Daniel Kennedy, *No B. S. Trust Based Marketing*, ( New York:Entrepreneur Press, SUA, 2012), 10

<sup>8</sup> Michael Pride and William Ferrell, *Marketing*, (Ohio: South-Western Cengage Learning, 2012), 16

<sup>9</sup> Jean Potdevin and Marin Toma, *Elemente de doctrină și deontologie a profesiei contabile*, ( Bucureşti: CECCAR, 2008), 33-34

<p>2. The satisfaction of the SME managers on the quality of the financial advice used</p>	<p>1. What is the level of the satisfaction of the SME managers, beneficiaries of the financial advice?                  2. What are the criteria for the assessment of financial advisory services?                  3. Which is the correlation between the degree of satisfaction with the quality of financial advice and fees paid for the use of these services?</p>	<p>1. Identifying the degree of satisfaction of SME managers on financial advisory services.                  2. Identification of criteria for assessing financial advisory services.                  3. Finding a possible correlation between the degree of satisfaction with the quality of financial advice and fees paid for the use of these services.</p>
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Quantitative marketing research was conducted among small and medium enterprises that have registered headquarters in Braşov , through their representatives with responsibilities in the field of financial activities : Associate CEOs , business executives , chief accountants , marketing managers , accountants . SMEs were grouped into areas: industry, construction, trade, services, agriculture, fisheries and forestry.

**DESCRIPTIVE ANALYSIS OF QUANTITATIVE RESEARCH RESULTS**

Objective 1 : The analysis of behavior of SME managers in Braşov County highlight the existence of obstacles to replacing financial advisory service providers . The main barriers to switching financial advisory provider are:

- The desire not to create problems by disrupting continuity of the consultancy service - mentioned by 50% of respondents;
- High tariffs on all providers of the financial advisory services indicated by 38.3% of subjects;
- Lack of information on current market alternatives mentioned by 19.3% of SMEs;
- Convenience mentioned by 16.8% of SMEs.

The analysis of the responses to the questions contained in the questionnaire of the quantitative research highlighted the following issues:

- a change in tariffs between 5% -30% would not cause any reaction among the 73% of SMEs;
- a change in tariffs between 31% -50% will cause for 78.8% of SMEs a switching of financial advisory provider;
- in case of a change in tariffs over 50%, 51.1 % of companies surveyed will do the proper staffing .

Objective 2: Analysis of the satisfaction of SMEs managers on the quality of financial advice used bz them showed that 99.3 % of managers interviewed in the last 12 months did not give up any financial advisory service . Also, 96.7 % of SMEs do not intend giving up outsourced financial advice in the next 6 months.

Average quality of the financial advisory services is 9.14 indicating a high degree of satisfaction of SMEs managers in relation to financial advisory outsourced.

The approximate average monthly expenditure for financial advisory services performed by SMEs in Braşov County is 972.84 RON.

The importance of price in selecting a provider of financial advice is appreciated by 64.6 % of respondents as large and by 20.4 % of them very large. So most subjects consider the price a major factor in selecting providers of financial advice . It is noted that for 42.3% of the companies surveyed, prices of financial advisory services they use are considered high and for 6.2% of them very large.

Ordering selection criteria for financial advice providers according to the importance they attach, points subjects considered in the selection decision. These factors, in order of importance mentioned by SME managers are:

1. Approximation registered financial advisory firm - ( with a score of 5.72 out of 7 possible);
2. The client portfolio of the financial advisory firm - 4.63 points;
3. The reputation of the consulting firm - 4.31 points ;
4. References from other clients of the consulting firm - 4.01 points ;
5. Payment conditions (facilities ) - 3.62 points ;
6. Variety supply of the financial advisory services - 3.54 points ;
7. Price - 2.13 points.

The main sources of information for the selection of a financial advisory provider , in descending order of importance given to the subjects, are:

- Recommendations of the acquaintances - chosen by 61.3% of respondents;
- Professional advice in finance - mentioned by 55.5 % of the companies ;
- Recommendations of managers of firms - mentioned by 42.3 % of the companies;
- Internet - was indicated by 32.5% of SMEs;
- Ads in newspapers and magazines - information used by 11.3% of respondents;
- Advertising TV - used as a source of information for 7.3 % of the companies;
- Radio advertising - used as a source of information for 5.5 % of the companies.

The data above shows that the various categories of recommendations constitute the overwhelming majority of sources of information on the selection of a financial advisory provider, followed at a great distance from the information obtained by using the Internet . This conclusion implies from financial advice suppliers to rethink promotion strategies.

## **CONCLUSIONS AND RECOMMENDATIONS**

Analysis of the research results identified essential elements of perception and behavior of SMEs about financial consultancy services.

The quality scores for consulting services mentioned are still fairly close and positioned around 9 points out of 10 possible. This may mean that small and medium firms sanctioned a low perception of quality financial advice to waiving those services. This fact stimulates providers to provide quality consultancy services.

Average quality of the financial advisory services is 9.14 which indicates a high degree of satisfaction of SMEs in relation to financial advisory services used.

The behavior of SMEs managers in Braşov County about substitution of the financial advisory suppliers highlights that the main barriers to switching financial advisory services are: the desire not to create problems by disrupting continuity of the consultancy service,

great rates at all providers of financial advisory services, the lack of information about the current market alternatives and convenience.

As a general conclusion , the market success of the financial advisory firms addressing the SME sector is based on the high quality of services provided. Also it is necessary that financial consultants who wish to address the SMEs to adjust their offer to the financial constraints specific to this type of clientele .

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