**"Exploring the Impact of Eliminate-Reduce-Raise-Create Framework on Consumer Behavioural Acceptance of New Financial Products"**

*Jimnee Deka*

*Research Scholar, Amity University, Noida*

*Dekajimnee13@gmail.com*

*Dr. Meghna Sharma*

*Professor, Amity International Business School*

*Amity University, Noida*

*Msharma9@amity.edu*

**Abstract:**

The purpose of this study is to examine the effectiveness of the ERRC grid in leading to the acceptance of new financial products among Indian financial product/ service consumers. ERRC (Eliminate-Reduce-Raise-Create) variables are the four key elements of the Blue-Ocean strategy, which helps companies to create new market spaces and increase their competitive advantage. To achieve the objective, the study would use a sample of consumers to gather data on their perceptions of the ERCC grid for any new financial products and the factors that influence their acceptance behavior using questionnaires from samples of Indian investors. The data collected were analyzed to identify associations using statistical methods such as Structural Equation Modelling using Amos-Sem. All 4 constructs: Eliminate, Reduce, Raise, and Create are significantly associated with the construct of Acceptance of new financial products with statistical evidence.

Keywords:

Blue Ocean Strategy, Financial Acceptance, ERRC, Financial Innovation

## Introduction

**Blue Ocean Strategy (BOS) is the strategy that is related to the creation of a marketplace where there is almost negligible or no competition. Firms adopting the blue ocean strategy try to craft out some unique product or service to which there are no close substitutes** (Kim & Mauborgne, 2014)**. The strategy emphasizes discovering a new business arena where very few business houses operate and also there are low competition in terms of pricing. The strategy is not restricted to some static products or sectors. It can be advantageous across several businesses and sectors influding the financial service sector.** The financial sector of any economy plays an important role in the stimulation for economic growth in any nation. After liberalization, the number of players in the markets have increased by good numbers. Thus, the overall competitive climate of the financial industry demands for new strategies in the marketing policies of the business. It calls for three major tasks for marketing strategists: “designing service strategy”, “tangibilization of services” and “developing service system”. (S Anand, 2004). Shaktikanta Das, the current RBI governor, emphasised about the technological revolution in the Indian financial sector. He points out that, fintech is an inevitable [part of India to achieve the goal of affordable financial inclusion for all. (Das, 2019)

In recent years, the concept of the blue-ocean strategy has gained popularity as a way for companies to create new market spaces and increase their competitive advantage. One of the key tools used in the blue-ocean strategy is the Eliminate-Reduce-Raise-Create (ERRC) grid, which helps companies identify and eliminate factors that are not important to customers, reduce factors that are less important, raise factors that are important and create new factors that customers value.

“Value innovation” strategy is an inevitable tool in the creation of the blue ocean strategy. It takes place when innovations are being brought into line with the value creation (utility), price, and cost factors. Here, competition no more serves as a yardstick and rather efforts are made to uplift the overall value that customers get. Efforts are made to move out of the trade-off between value and cost. Customers’ value is the difference between the utility of the product or service and the price that has to paid. On the other hand, the value for the company is calculated as difference between the price and the cost of production. To reduce cost, factors that are not much relevant in terms of value creation can be reduced or omitted out. The other competitors of the market compete on these factors. At the same time, generating or raising elements that were not provided by the industry can contribute in boosting values for customers. (Kim & Mauborgne, 2005) (Burke, Stel, & Thurik, 2009).

## Objective

The purpose of this study is to examine the effectiveness of the ERRC grid in leading to the acceptance of new financial products among the Indian financial product/ service consumers. ERRC (Eliminate-Reduce-Raise-Create) variables are the four key elements of Blue-Ocean strategy, which helps companies to create new market spaces and increase their competitive advantage. The four elements are:

Perceived elimination: This variable measures the extent to which consumers perceive that the new financial product eliminates factors that they do not value or need.

Perceived reduction: This variable measures the extent to which consumers perceive that the new financial product reduces factors that they value less or have negative influence.

Perceived raising: This variable measures the extent to which consumers perceive that the new financial product raises factors that they value more.

Perceived creation: This variable measures the extent to which consumers perceive that the new financial product creates new factors that they value.

The acceptance of new financial products refers to the willingness of consumers to adopt, use or buy a new financial product.

To achieve the objective, the study would use a sample of consumers to gather data on their perceptions of ERCC grid for any new financial products and the factors that influence their acceptance behaviour using questionnaires from samples of Indian investors.

## Hypothesis

It is theorized that the higher the perceived elimination, perceived reduction, perceived raising, and perceived creation, the higher the acceptance of new financial products will be.

1. Null hypothesis H01: Perceived elimination factor does not impact the acceptance of new financial product.

Alternate hypothesis HA1: Perceived elimination factor impacts the acceptance of new financial product.

1. Null hypothesis H02: Perceived reduction factor does not impact the acceptance of new financial product.

Alternate hypothesis HA2: Perceived reduction factor impacts the acceptance of new financial product

1. Null hypothesis H03: Perceived raise factor does not impact the acceptance of new financial product.

Alternate hypothesis HA1: Perceived raise factor impacts the acceptance of new financial product

1. Null hypothesis H04: Perceived creation factor does not impact the acceptance of new financial product.

Alternate hypothesis HA1: Perceived creation factor impacts the acceptance of new financial product

## Methods

The factors: Perceived elimination, perceived reduction, perceived raising, and perceived creation were taken as independent aspects and ‘acceptance of new financial products’ was considered as dependent factor. The Likert based scales were devised and data was collected from across a valid sample size of 336 respondents. The data collected was analysed to identify associations using statistical methods such as Structural Equation Modelling using Amos-Sem. It helps to formulate the model and analyse the relationship.

The extractive factor analysis methodology was used, which included the “KMO Test” (for data suitability), EFA (for extracting loading variables and data reduction), Reliability Assessment with “Cronbach Alpha”, and Correlation Assessment. According to the existing literature, Cronbach alpha is the most prominent tool for achieving internal reliability assessment. The study's Cronbach alpha measure was 0.866, which is considered satisfactory. The KMO measure for scale-based elements was found to be within the acceptable range of 0.7 to 0.99. This is equivalent to saying that the data gathered is factorable. The Bartlett test of data sphericity yielded a p-value of 0.000(0.05), indicating the presence of significant statistical variance across the data collected in relation to scale representing scale items. In other words, a significant "p-value" indicates that the data has significant utility and is suitable for factor analysis consideration. All reported AVEs values are greater than 0.5 and greater than MSV and ASV. As a result, discriminant validity is confirmed. CFA values of 2 / df = 2.5, CFI =.961, GFI =.923, AGFI =.970, NFI =.985 and RMSEA =.04 indicated good model fit indices. As a result, the CFA model can be tested further for structural relationships. The AMOS software was used to evaluate structural relationships between the factors in question.

**Figure: SEM Outcomes**

****

| **Path based relationships** |  |  | Estimate |
| --- | --- | --- | --- |
| ACCEPTANCE 🡨 ELIMINATE |  |  | .314\*\* |
| ACCEPTANCE 🡨 REDUCE |  |  | .224\*\* |
| ACCEPTANCE 🡨 RAISE |  |  | .160\*\*\* |
| ACCEPTANCE 🡨 CREATE |  |  | .154\*\* |
| *\*\*\* signifies 1% level of significance; \*\* signifies 5% level of significance* |

## Conclusion

All the 4 constructs: Eliminate, Reduce, Raise and Create are significantly associated to the construct of Acceptance to new financial product with statistical evidence. Adoption of the blue ocean is a major key for achieving success in cut-throat competitive markets. This concept of the blue ocean is applicable even for the financial sectors of India. Understanding the changing taste and preferences of potential customers can help businesses in crafting out a unique strategy to target to new customer base. Though this includes risk, both in terms of investment required and risk of losing out existing customer base, it also has the potential to create a fresh and new set of customers for the business house, with negligible competition.

The research is in line to the works of (Shared, 2019) which identified that the Blue Ocean strategy factors have a significant effect on competitive advantage of n Al - Rajhi Bank – KSA. Similarly, (Oh, Park, Kim, & Shin, 2022) stated that ERRC elements provide distinctive fintech services that facilitate the utilization of financial services by the financially disadvantaged, outside of the traditional financial companies' business operation framework. Similarly, (Yang, 2019) concluded that using the value curve and ERRC grid, led to creating of a new value curve for personal- financial software.

# References

(NSE), N. S. (2019). *Report of Redressal of Complaints lodged by clients against Trading Members (TMs) during 2019-20.* National Stock Exchange.

Burke, A., Stel, A. v., & Thurik, R. (2009). *Blue Ocean versus Competitive Strategy: Theory and Evidence.* ERIM Report Series Research in Management, (ERS-2009-030-ORG).

Commissioner, O. o. (2011). *2011 Census Data.* Ministry of Home Affairs, Government of India.

Das, S. (2019). Opportunities and Challenges of Fintech. *Keynote Address delivered at the NITI Aayog’s FinTech Conclave* (pp. 91-94). New Delhi: RBI Bulletin April 2019.

IBEF, I. B. (2019). *Financial Services in India.* Ministry of Communication & Industry, GOI.

Jaka Lindic Mojca Bavdazˇ a, ∗. H. (2012). Higher growth through the Blue Ocean Strategy: Implications for economic policy. *Research policy, 41(5)*, 928-938.

Johnson, M. W., Christensen, C. M., & Kagermann, H. (2008). Reinventing your business model. *Harvard business review, 86(12)*, 57-68.

Kim, W. C., & Mauborgne, R. (2005). Value innovation: a leap into the blue ocean. *The Journal of Business Strategy, 26(4),*, 22-29.

Kim, W. C., & Mauborgne, R. (2014). *Blue ocean strategy, expanded edition : how to create uncontested market space and make the competition irrelevant.* Harvard business review Press.

Koo, L., Koo, H., & Luk, L. (2008). A pragmatic and holistic approach to strategic formulation through adopting balanced scorecard, SWOT analysis and blue ocean strategy -- a case study of a consumer product manufacturer in China. *Int. J. Managerial and Financial Accounting, Vol. 1, No. 2*, 127- 146.

Lindic, J., Bavdaz, M., & Kovaci, H. (2012). Higher growth through the Blue Ocean Strategy: Implications for economic policy. *Research Policy, 41(5)*, 928- 938.

NSE, (. S. (2020). *Report of Redressal of Complaints lodged by clients against Trading Members (TMs) during 2020-21.* NSE.

Pathak, T. (2020). *Market Monitor service.* Counterpoint Research.

Porter, M. E. (1996). What is Strategy. *Harvard Business review, 74(6)*, 61-78.

Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard business review, 86(1)*, 25-40.

R. Venkataraman, T. V. (2018 ). THE FUTURE OF INDIAN INVESTMENT ADVISORY FIRMS– A COST EFFICIENCY APPROACH. *International Journal on Recent Trends in Business and Tourism*, 24-28.

RBI, R. B. (2017). *Review of Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017.* Reserve Bank Of India (RBI).

S Anand, V. M. (2004). Marketing of financial services: strategic issues. *SCMS Journal of Indian Management, 2(3)*, 41- 48.

Siddaiah, T. (2011). *Financial Services.* New Delhi: Pearson Education.

Singh, B. P. (2017, January). Leveraging FinTech Opportunities in India. *Financial Foresights*, pp. 47- 50.

Vijai, C. (2009). Fintech in India–Opportunities and Challenges. *AARJ Journal on Banking & Insurance Research (SJBIR) Vol 8*.