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ENCOUNTERS IN MARKETING OF FINANCIAL PRODUCTS

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Abstract: Marketing of financial products is regarded as a challenge in today's rapidly changing financial markets.The subject areapenetrates into the relationship between the financial institutions and customers, using the viewpoint of finance theory, on one hand, and the viewpoint of marketing, on the other. Rapidly changing financial markets possess many challenges along with strengthening the relationship between the financial institutions and customers with the application of both the finance and the marketing viewpoints. Finance represents the company's commitment to survival, growth, and profitability by developing financial strategies that are innovative, updated, unique, value-driven, and superior to those of competitors. Both of these finance and marketing viewpoints are crucial to build and maintain sustainable relationship between the financial institutions and customers.

Keywords: Marketing, Financial product, Target customer, Loyal relationships, Value-driven, Financial strategies, Sustainable relationship.

Introduction

Different technological advancements, increased integrations, economies of scale, greater efficiency, globalizations and other structural shifts are rapidly changing the financial markets (Sir Jon Cunliffe, 2016). Such rapidly changing financial markets possess many challenges along with strengthening the relationship between the financial institutions and customers with the application of both the finance and the marketing viewpoints.

From the viewpoint of marketing, the customers and the customer wants need to be clearly identified and understood and then satisfied by the benefits of the goods and services supplied by the organization through the marketing process (John Orjih, 1998). In order to maintain highly satisfied customers there must be an acceptable level of quality, reliability and service both before and after the sale. It's not enough to have all the factors available, the organization needs to make the customer aware about its offerings in a manner that is cost effective and understandable to the customer segment. On the other hand, finance focuses on establishing and monitoring specific and measurable financial strategic goals on a coordinated, integrated basis, thus enabling the firm to operate efficiently and effectively (Pedro M. Kono, 2010). It represents the

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company's commitment to survival, growth, and profitability by developing financial strategies that are innovative, updated, unique, value-driven, and superior to those of competitors.Both of these finance and marketing viewpoints are crucial to build and maintain sustainable relationship between the financial institutions and customers.

Marketing in the rapidly changing financial market

Previously used only in the manufacturing sector, marketing was seen with little or no weight for a service sector like bank. At that time competition was very much limited. Situation started to change during the 70's and 80's when the Competition increased between banks, other financial institutions and non-financial organizations shaped by the forces of deregulation, financial and technological innovation, social change and competition, the market for retail deposits became a market for a plethora of financial services. According to Alan Wilson (2006), this trend continued in 1990's with the emergence of:

- Assurance and insurance companies offering bank services.
- A number of building societies converting into banks
- Computer software companies developing computer-based financial services.
- Motoring organizations and exhaust replacement companies offering insurance.

Those trends persuaded the UK retail banks to adopt strategies that reflect the demand of their customers. At that time the concern was shifted towards building customer loyalty through the development and maintenance of enduring, long term customer relationships. Factors like loyalty, favorable environment, digitalize operation system, fragmented customer base, and industry consolidations are the factors that affect the marketing of financial services.

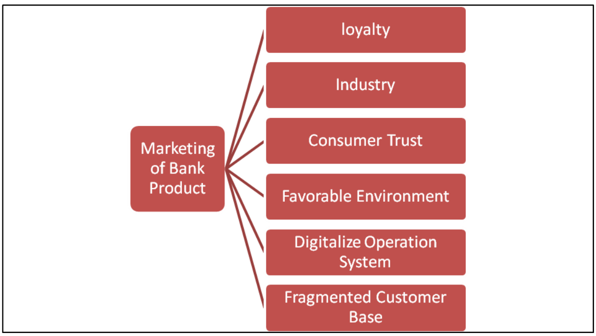

Figure 1: Conceptual framework: Marketing of financial and banking products. (Source: Mahtab N and Abdullah M, 2016).

Here, loyalty leads people to favor one brand than all others based on both attitudinal and social propensity. Now-a-days financial institutions are gradually

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accepting a relationship based method to marketing to grow client loyalty. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs (Mahtab N and Abdullah M,2016). Trust dimension is important while the transaction or service is taking place via the online medium. In this age of digitalization most successful financial institutions are the ones that transformed their business model. Providing online based client services helps to build customer loyalty. The continuous consolidation of banks is one of the most distinguished modern structures of the financial scenery in developed nations (Mahtab N and Abdullah M, 2016). There was that unprecedented level of belief that it can gain cost reduction, greater market share,scale and scope economics, and reduced earnings volatility based on consolidation.

Why Marketing of Financial Service is Different

According to Alan Wilson (2006), there are 4 main factors that differentiate the marketing of financial products than the marketing of consumer or industrial products.

- Lack of standardization:

Service standardization and quality control are difficult to achieve. It is nearly impossible to provide the exactly same standard of service from each staff let alone the whole organization. It's because of the involvement of human element in the provision of financial services.

- Fiduciary responsibility:

It is inconvenient but seldom catastrophic if the car breaks down or the food is of for the components are substandard, but a financial services practitioner's failure to discharge his/her fiduciary responsibility for safeguarding customers' funds or to provide responsible advice on financial matters can bankrupt an organization or have a negative impact on an individual's life (Alan Wilson, 2006).

- Intangibility:

There are several tangible aspects of financial service like credit card, cheque book but these are the element that helps in delivering the service but not the actual service and thus it's often not possible to feel, see, tastes the services before they are purchased. Though it is possible to gather some experience or opinions from others who have previously taken the service yet it's generally not possible to try the service in advance for the potential buyers.

- Inseparability:

Though the digital technology has taken the place of human element in most part of the organization yet many financial services involve considerable human elements in providing the service. The customer's opinion of the financial service is often based on attitudes towards the organization's staff rather than the service itself (Chartered Banker, 2006).Because of this the customer relationship management is of high importance in financial service organizations.

Some of theother challenging aspects in financial markets are followings:

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- Financial illiteracy:

Many customers are financially illiterate and indifferent to financial services (Oliver, 2012). The "Oliver Wyman Global Consumer Survey December 2011" depicts this challenge in the following figure:

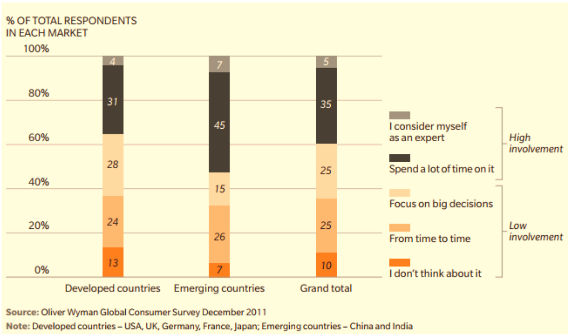

Figure2: Financial Illiteracy of Customers

- Lack of customers' trust:

The survey also found that there is lack of customers' trustin the financial institutions. Here,the author tries to find out the reasons of customers' being nervous about committing to long term financial investment. Following figure identifies the trust level toward the financial institutions among the customer segment:

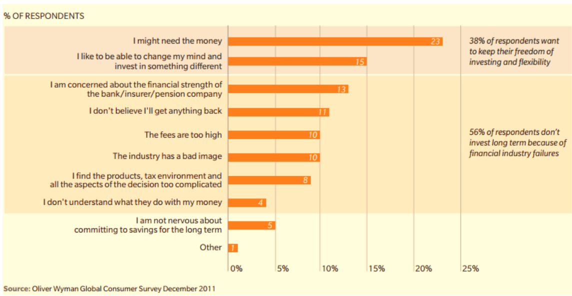

Figure 3: Lack of Customers' Trust in Financial Institutions

- Changing customer behavior:

According to a White Paper of "First Data" (2014), Financial markets are facing enormous changes in customer behavior that include increased use of technology, increased demand of personalization and flexibility(e.g. card and online account customization), mobility, 24/7 access, social media engagement, availing third party services, etc.

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Following figure shows the increase in the number of mobile payment users from 2009 to 2016 (in millions).

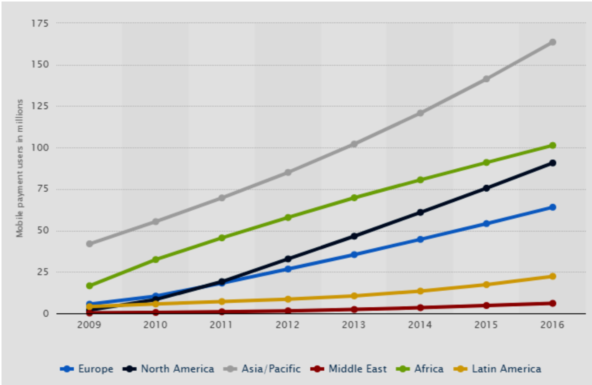

Figure 4:Number of mobile payment users from 2009 to 2016. (Source: Statists, 2017)

Finally, such rapidly changing financial market also shows more volatility that leads to uncertainty, complexity and ambiguity in financial market trends and thus makes the marketing of financial products more challenging.

Integration of the viewpoints of finance theory and marketing in financial market

To battle these challenges while retaining relationships with customers, financial intuitions need to integrate the viewpoints of finance theory and marketing and take following measures:

- Managing the service characteristics:

Proper training should be given to the human resources and regular maintenance of machineries used in service should be ensured to control standardization and inseparability issues. Furthermore, penalty should be high for any fraudulent or irresponsible activities of employees to ensure fulfillment of fiduciary responsibilities of financial institutions. Finally, the physical atmosphere should be well furnished along with financial institutions' available online materials to provide customers better experience that helps to overcome the intangibility factors.

- Harnessing the power of digital communications:

According to EY(Ernst & YoungGlobal Limited) (2015),companies that develop and implement integrated digital communication strategies will capture competitive advantages by strengthening customer relationships and the customer experience and by increasing operating efficiency while lowering service cost. The paper also mentions that technology can nowbe a critical competitive advantage in financial markets and helps to deal with changing customer behaviors.

- Balance the rational with the emotional:

Finance theories are calculative and rational whereas marketing focuses mostly on creating emotional attachment with the customers. Financial institutions should blend both while communicating with the customers.

- Coordination between finance and marketing department:

All marketing plans need to include major financial dimension and the marketing decisions should be viewed as investment decisions (Daniel, 2012). Therefore, there should be cross functional team effort in every financial institution.

- Integrated contact points for customers:

Integrated Marketing Communication (IMC) strategies play a major role in persuading customers to buy the products or services of a particular firm and also contribute to the development of a company's brand equity (Adrian, 2013). Also, IMC should be practiced in financial institutionsto provide customers similar information and attitudes in every touch points.

- Establishing brand value:

Marketing and communications agency, Dog (2015) identifies in its white paper that the tendency of marketers in the financial services industry is to lean towards product marketing, rather than focus on brand marketing. But, to strengthen relationship with customers the financial institutions need to have strong brand identity and brand value.

- Use of both qualitative and quantitative research:

The aforementioned white paper also puts great importance on the analysis of 'Big Data' by using data points and intelligence gaining to understand target audience behavior along with conducting both qualitative and quantitative researches on a regular basis.

To conclude, it can be said that the financial services industry is in the midst of transformation toward a new reality and the financial institutions need to adapt themselves per the requirements of the changing financial Market. While marketing the financial products to the target customers, these financial institutions need to keep in mind both the viewpoints of the finance theories and marketing. Thus, they can achieve not only the fulfillment of financial goals of the institutions but also strong, loyal relationships with their target customers and only achievement of both of these lead to the desired success in the financial markets.

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