

# Marketing of Financial Services – A Study

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**Abstract – Financial services are one of the significant business outputs that pose special challenges to market them. Few of them include intangibility, inseparability, limited differentiation, and fiduciary responsibility. Contribution of financial services towards the escalation of varied segments of the economy is immense. Considering this backdrop, the present study at the outset aims at understanding different characteristics of financial services and examines the diverse challenges encountered in marketing them. This paper aims at understanding the different characteristics of financial services and examines the diverse challenges encountered in marketing them. It also brings about the difficulties people faced while availing home loans and suggests measures to overcome them. The methodology adopted here is based on secondary sources of information. The study concludes.**

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## INTRODUCTION

Indian banking is at crossroads today, with the deregulation and liberalization process in full swing, the consequent policy changes introduced in the Indian financial system in general and banking, in particular, are effecting unprecedented changes in its functioning. With the emerging changes did spring up new challenges of commercial viability, cost-effectiveness and effective marketing strategy etc. The role of marketing strategies in the banking industry continues to change. For many years the primary focus of bank marketing was public returns. Then the focus shifted to advertising and sales promotion vis-a-vis the customer orientation is quite evident in today's banking activities. Consumers are the key factor in the market. The dictum "as the bank exists because of its customers. Thus, marketing constitutes the key strategy for banks to retain good customers and also anticipate their future demands. Many banking organizations are today applying effective marketing strategies to achieve organizational success for long time survival.

Banks are now required to cope with stiff competition in business and also the complex regulatory norms regarding capital adequacy and provisioning. Thus, banks are forced to adopt various marketing techniques and strategies. Marketing in banks can be stated as a new phenomenon that is shaping well over the past few decades. This can be firmly said that well-designed marketing strategies are very important to promote banking services effectively. The role of banking marketing strategies is to achieve competitive characteristic in banks as an important pillar for achieving the goals and success of these banks. The higher rates of knowledge to the

marketing strategies of the human race have increased banks have elements of tangible and intangible assets that enable them to excel on banks that do not bother them and become the owner of the leadership in achieving competitive characteristics that want to clients. Thus, the orientation of banks should be with a much wider focus concerning consumer and market needs, and the consequent marketing strategies. While formulating marketing strategy, a bank should focus attention on (i) consumer sovereignty, (ii) attitude, (iii) responsiveness and personal skills of bank staff, (iv) revitalizing the marketing department, (v) top management support to the marketing department, (vi) participation of marketing personnel in key bank decisions.

## OBJECTIVES OF THE STUDY

The study aims at:

1. To examine the core characteristics of financial services.
2. To indicate diverse challenges in the marketing of financial services and suggest relevant strategies to overcome them.

## Core Characteristics of Financial Services:

The following are the core Characteristics of Financial Services:

### 1] Customer-Specific:

They are usually customer focused. The firms providing these services, study the needs of their

customers in detail before deciding their financial strategy, giving due regard to costs, liquidity and maturity considerations. Financial services firms continuously remain in touch with their customers, so that they can design products that can cater to the specific needs of their customers.

The providers of financial services constantly carry out market surveys so they can offer new products much ahead of need and impending legislation. Newer technologies are being used to introduce innovative, customer-friendly products and services which indicate that the concentration of the providers of financial services is on generating firm/customer-specific services.

## 2] Intangibility:

In a highly competitive global environment, brand image is very crucial. Unless the financial institutions providing financial products; and services have a good image, enjoying the confidence of their clients, they may not be successful. Thus, institutions have to focus on the quality and innovativeness of their services to build up their credibility.

## 3] Concomitant:

Production of financial services and the supply of these services have to be concomitant. Both these functions i.e. production of new and innovative services and supplying of these services are to perform simultaneously.

## 4] The tendency to Perish:

Unlike any other service, they do tend to perish and hence cannot be stored. They have to supply as required by the customers. Hence financial institutions have to ensure proper synchronization of demand and supply.

## 5] People-Based Services:

Marketing of financial services has to be people-intensive and hence it's subjected to the variability of performance or quality of service. The personnel in their organizations need to select based on their suitability and trained properly so that they can perform their activities efficiently and effectively.

## 6] Market Dynamics:

The market dynamics depends to a great extent, on socioeconomic changes such as disposable income, the standard of living and educational changes related to the various classes of customers.

Therefore, they have to constantly redefine and refine taking into consideration the market dynamics.

The institutions providing their services, while evolving new services could be proactive in visualizing in advance what the market wants, or being reactive to the needs and wants of their customers.

## Challenges Facing the Financial Industry

The financial services market has undergone an unprecedented structural change over the past decade. Financial firms now face several challenges in a post-crash market, including more stringent regulations, a more demanding consumer, competition exploiting disruptive business models and how best to integrate new technologies internally.

Responding to 21<sup>st</sup>-century problems in an industry still heavily reliant on 20<sup>th</sup>-century processes is a daily challenge for financial marketers.

Here are some of the problems facing marketing departments within the financial services industry and what can be done to help overcome them.

### Regaining customer trust:

After the reputational battering the industry has taken over the past decade and with only 32% of people saying that they have confidence in banks, financial marketers have the tough challenge of improving the way that their brands are perceived by customers.

"With threats from disruptive, agile new business models and declining brand loyalty among customers, the industry is beginning to place increased importance on the customer."

There are several **short-term measures** that marketing departments can undertake to assist in the acquisition and retention of customers:

1. **Invest in data analytics tools:** Using analytics to understand how customers interact with your brand digitally can help identify frictions and inform marketing strategies going forward to create a more personalized user journey.
2. **Take steps to become more transparent:** Traditional financial services must learn from challenger brands, who provide a certain level of transparency by using data they collect to improve their service offerings – customer charters may feel like a gimmick, but if the intent is genuine to enact change, consumers will be more receptive.
3. **Don't forget about existing customers:** Marketers often dedicate a large portion of

their resources to the acquisition of new customers, but this shouldn't be the sole focus. It is important to create clear values and meet promises, even providing discounts and offers to exist customers.

4. **Deliver an experience:** The dynamic between customers and banks is changing. Customers no longer want their banking relationship to be solely transactional; they want advice-driven banking that is personalized to their needs.

### Challenging the challengers

In decades gone by, customers would be loyal to financial institutions from childhood to retirement. But as the market continues to change and new technologies are introduced, customer satisfaction and loyalty are steadily declining.

New entrants to the market are preying on weaknesses that customers in traditional financial institutions face, namely user experience and fees. Not only do Square, Apple Pay, and Google have the flexibility to bring new and improved products to the market in days, they also add convenience to increasingly tech-savvy millennial consumers who are twice as likely to switch banks as other consumers.

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The main threat to traditional institutions who have been slow to innovate is if customers get comfortable using these new technologies to transfer money, they may one day feel confident to use them to store and borrow money.

Financial institutions cannot respond to the threats generated by the new market entrants by turning digital overnight. But they still have several advantages over the new upstarts, in particular, the vast amount of data and advanced infrastructures to keep customer data safe.

If traditional firms can begin to utilize their data to identify key customer behaviours and insights to provide a more personalized customer journey, they will start to regain a competitive advantage over the disruptors.

### Identifying how best to embrace digital

Digital creates several opportunities for the financial services industry in terms of customer acquisition and retention. However, the relationship between large financial institutions and digital is often fraught

with difficulties, due to the amount of planning, compliance and internal factors to consider.

This makes it difficult for financial marketers to modernize and be agile in an ever-changing marketplace. It took Barclaycard a year of building a social media strategy and to reassure teams internally before they even sent out their first tweet.

"Consumers now expect seamless real-time social and mobile experiences from brands, but the channels often provided by financial institutions are primitive and uninspiring."

Consumers now expect seamless real-time social and mobile experiences from brands, but the channels often provided by financial institutions are primitive and uninspiring; struggling to combine security and compliance with better functionality.

The basis of any digital transformation project needs to be customer-centric, going beyond conventional encounters to decide which mix of digital channels that institutions should focus resources on.

Financial institutions must ensure that their digital transformation strategies improve:

#### 1. Customer experiences

Data analytics allows institutions to understand how customers interact with their services – providing the basis for a more personalized journey and continued improvements that reflect changing behaviours.

#### 2. Distribution of services

With the changing role of brick-and-mortar branches and the growing importance of digital, the service mix should be informed by data to make the most of changing patterns in channel usage.

#### 3. Brand loyalty

By becoming more reliant on data analytics that digital affords, financial institutions can tailor advice, develop products and provide offers relevant to individuals across their product range that new market challengers will struggle to compete with.

No longer loyal to financial institutions, today's consumer now has the option to move fluidly and independently between different providers which poses a real threat to the financial services market.

### Strategies to overcome challenges

Finances are very personal. They are often discussed quietly and confidentially with trusted financial advisers. That's why many of the

challenges that financial services providers face doesn't have to do with dollars and cents. Emotional issues are involved with finances.

These are some strategies that help financial services managers meet the challenges of doing business in today's market.

1. **Attract and retain clients:** Banks and financial services firms have to stand out in the crowd by offering customers something extra. "The bottom line is there is nothing that can differentiate one bank from another, other than making a connection with customers," says Joe Sullivan, CEO of Market Insights. Sullivan's company helps financial institutions with business strategy, planning and marketing. "Make an emotional connection with the consumer and let them know you understand their financial needs. Then come at them with solution-based thinking, not product pushing."

The financial services providers that help customers take ownership of their finances and teach them to become better money managers will have larger client bases, says Sullivan.

2. **Know your customer:** In a rapidly changing world, financial services providers must be aware that their customers are changing, too. Consumers are savvier and more aware of their finances than they were five years ago, according to Sullivan. The best providers engage customers and learn how their needs are evolving.

If a bank or a business has not looked at its market or its customers to learn "what is going on with them in the last year, you don't know your customers." Sullivan said.

3. **Promote confidence in the economy:** The economic crisis that began in 2008 is still very fresh in customers' minds. Large financial institutions collapsed and the government bailed out troubled banks. The stock market lost value and in much of the country, the housing market eroded.

Now financial advisers are called on to provide factual evidence to customers that the economy is getting stronger.

4. **Use technology that customers expect:** "Technology has changed the expectations consumers and small businesses have of their bank," Sullivan said.

Clients use the information on the Internet to compare financial service firms. Many more customers are comfortable with managing their

money online and they expect user-friendly tools to do so.

E-mail messaging and chat interaction may now be primary ways financial advisers communicate with clients. Companies must react to changes in technology to keep reaching customers in the most effective ways.

5. **Watch your reputation:** The financial services world is like high school in some ways: Reputations can be difficult to control or change. At the moment, consumers are not forgiving many of the companies that were front and centre during the economic crisis.

A recent Harris poll surveyed consumer opinion on the reputations of America's 60 most visible companies. The top nine most disliked companies list includes six of the large financial services firms.

- Wells Fargo
- Citigroup
- JP Morgan Chase
- Bank of America
- Goldman Sachs
- AIG

Financial services companies that stay focused on customers and their needs will be the companies customers keep at the top of their "like" list. These companies have to stay in tune as customers' needs shift and they have to provide workable solutions.

## CONCLUSION:

With the increased competition and awareness about the banking sectors, customers are now becoming over-demanding about the services offered. New and new trends are being witnessed nowadays. Banks have also realized that social channels need to be used differently in financial services than with retail or other industry verticals. Today, marketing services are of great emphasis on both customer and bank. The quality and quantity of banking products increased and a result of this, recent developments in marketing thoughts in services such as internal marketing, network marketing, database marketing and relationship marketing became more favourable practices. There is a need for professionalism and market-oriented banking in our country. Market-oriented banking will require a new culture: a disciplined, professional, and committed manpower; employees trained for specialized services;

specialized branches; strong marketing organization in different banks; aggressive selling; meeting new customer's expectations; and cost-effective and efficient services.

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