

REPORTING OF FINANCIAL SERVICES

CHAPTER VII

SUMMARY, IMPORTANT FINDINGS

AND THEIR IMPLICATIONS

CHAPTER VII

SUMMARY, IMPORTANT FINDINGS AND THEIR IMPLICATIONS

7.1 SUMMARY OF THE STUDY:

The marketing practices of the financial services organizations is by and large an unmapped area, and the present study is an investigation on the same.

In the first chapter the role of marketing in the economic development of a country and its special relevance in financial service organizations are discussed. Besides this, the developments of marketing theory, the marketing environment, the development of the marketing concept, marketing mix and characteristics of service products are also highlighted. The nature and scope of the study, as also the limitations of the study are also brought out.

The second chapter is devoted to a review of some studies on the financial service organizations. The findings of selected studies are enumerated. The findings of all these studies indicate the presence of marketing problems. The extent of the marketing problem in the financial service organizations is brought out. Besides this, allied problems of financial service organizations

are pointed out. Further, a case for a study on the marketing practices of financial service organizations is made out.

This is followed by a discussion on the population (Gujarat) from which the sample for the study was drawn.

The plan and procedure of the study are enumerated in the chapter on methodology. At first, the statement of the problem, the research objectives and focus of research are spelt out. The specific objectives of the study are:

- (i) to ascertain the level of performance of the financial services organizations on the different marketing practices.
- (ii) To ascertain the existence of relationship and extent of relationship between the performance variable – growth rate and predictor variables- the different marketing practices, both for the entire sample and for sub-samples and
- (iii) To differentiate the various sub-groups in respect of their marketing practices.

For the purpose of the study a questionnaire on the various marketing practices was developed and a system of scoring the responses was formulated. Two other aspects are dealt with in this chapter. First, the classification of respondent organizations was done into mutually exclusive groups for the purpose of study and analysis. The dichotomous groups are, risk taker & safe player groups; professionally & traditionally managed

groups; fund based services group & Fee Based/Advisory Services groups; private organizations & Nationalized organizations groups. Second, the different marketing variables on which the financial service organizations are examined to competitive and demand practices, product/service practices, new product/service practices, pricing practices, and promotion practices.

Chapter V is the first of the two chapters on analysis and interpretation of data. For comparing the different groups on their performance on the various marketing practices, simple statistical techniques such as, arithmetic mean, standard deviation and co-efficient of variation were applied.

The differentiation of the groups was undertaken by discriminating them on the various marketing practices, which involved grouped t tests, where first the F-test for quality of variances was determined.

Chapter VI attempts stepwise regression analysis. The entire sample was at first subject to regression analysis and the significant variables were drawn out. Next, regression was applied to each of the groups to ascertain the contribution of the significant marketing variables in explaining the variation in growth rate.

7.2 FINDINGS AND THEIR IMPLICATIONS:

Major conclusions reached in this study are presented in a tabular form and these are subsequently discussed in this chapter.

Table VII-1
Major Findings.

Particulars	Significant results / findings
Marketing practices considered as a whole	The RTG group conducive to marketing concept adoption.
Maximum adoption of marketing concept	Product/service Practices.
Minimum / least adoption of marketing concept	New product/service Practices.
Low/adoption of marketing concept	Pricing Practices
Significant in explaining growth rate	Competitive & demand practices. Promotion Practices.
Growth rate	PROF.MG. conducive to sales.
Groups	CDP & PMP good in POG SPG and TRAD.MG. poor performers. Practically no difference between (A) FBSG – ABSG groups and (B) POG – NOG groups.

Considering all the marketing practices together, from the survey it was found that the risk taker group is more conducive to marketing concept adoption in its various marketing decisions. This group secured the highest

group average. These findings bring out the relevance of a financial service organizations being risk takers and also the priority that needs to be given to customers overall other functional areas.

The maximum adoption of the marketing concept was found in respect of product/service practices. Also, greater homogeneity was found in decisions regarding product/service. The average scores of the groups indicate that most of them are average or good in the marketing variable relating to product/service decisions.

The least adoption of the marketing concept is found with respect to new product/service practices. It was also found that there was greater heterogeneity among the financial services organizations in the practices relating to new product/services. This implies that the financial service organizations do not adopt appropriate practices when they think of introducing new product/service in the market. This points out to the need for systematic approach by financial service organizations. Market information centers may be set up by financial service organizations.

It has been found that marketing concept adoption in pricing practices has been relatively low. It may be said that the financial service organizations are shrewd and know their profits, but it has happened many times that out of the many services they rendered only a few may be doing very badly but overall profits are good they never get to know it. The financial service organizations need to be trained and aware of the gains that can be accrued

from proper book keeping and also from adopting other measures of pricing than full cost pricing.

Marketing practices relating to competitive and demands decisions and promotion decision have come out as the only two significant variables that contribute towards explaining the variation in growth rate. This implies that every financial service organization should take care to adhere to the marketing concept when they take decisions regarding competition and demand and promotion practices. By doing this they may improve the growth rate/commission/ revenue of their organization.

The only classification where growth rates turned out to be a significant differentiating factor is professionally - traditionally managed groups. From this, it may be said that professionally managed group is conducive to higher growth rate. Also is this classification, one other marketing variable is significantly differentiated and there is competitive and demands practices.

The risk taker group and safe player group differ significantly in all their marketing decisions. This means that there is a lot of differences in the way the financial service organizations of both these groups as functioned.

The poor performers are safe player and traditionally managed group. The style of working of these organizations is not in conformity with the marketing concept.

In the private organizations group, it is found that decisions relating to competition, demand and promotion are taken in greater adherence to the marketing concept as the regression results prove that the two variables contribute a lot in explaining the variation in growth rate.

Finally, in the two classifications namely, FBSG-ABSG and POG-NOG there is almost no difference in respect of marketing practices.

7.3 SUGGESTIONS FOR IMPROVING MARKETING OF FINANCIAL SERVICES

a) Carrying out Customer Analysis

Financial service organizations should profile their current customer base to identify which segments of the market they come from and identify any common characteristics and buying behavior patterns, which might help future segmentation or marketing tactics. It is also necessary to assess their customers on following aspects:

- Who are they?
- Who is involved in the purchase decision?
- What motivates their behaviour?
- Which customers are worth most?

b) Assessing Consumer Satisfaction

Faced with global competition financial service organizations will have to redefine approaches and attitudes towards distribution and promotion of financial services. Growths should be sought by reinforcing brand equity and developing competitive advantage through distribution equity. Reaching out effectively, efficiently and economically to an ever increasing population spread through the length and breadth of a vast geography is becoming the service marketing mantra of today. In service sector, blue prints for growth are therefore becoming synonymous with strategies for customer satisfaction. Measurement of customer satisfaction involves developing a survey design tailor-made to individual context that would encompass amongst others and following steps:

1. Determining who is the customer: Multi – individual involvement, the processes of the sale mind set of the company's operating managers have to taken into account.
2. Determining what constitutes customer satisfaction: Identify parameters through pilot studies at senior levels – the complex interaction between them – and adopt indexed data collection approach to reduce subjectivity.
3. Designing the scale on which customer satisfaction would be measured: Simple coding of customer category (Government, corporate, private) and assigning relative importance to them by considering variables such as company's market presence business compulsions, growth directions and market complexions.

4. Measuring current levels of customer satisfaction: Qualitative personal interview data from various clients' department.
5. Trend analysis and pointers for management of customer satisfaction: Data statistically analyzed, benchmarking and developing top – down models (based on the correct systems) and Bottom – up models (based on improving individuals customer satisfaction).

Each financial services organization should have to find its own path, which depends upon the kinds of financial service the organization offer and their relative strength, weakness and also on different macro and micro environmental (economic – physical) factors.

c) Offer Product Packages

No Customer comes to a financial service organization merely for a fixed deposit or for a loan. He comes essentially to get his problems solved and his need satisfied. Customer needs are varied, complex and multi dimensional. For the satisfaction of these multi dimensional needs, financial service organizations should offer product packages rather than stand-alone products. Financial organizations have very few product packages to offer. Some such packages are being offered to corporate customers, but not many to household segment customers. Even in the case of product packages for the corporate segment, marketing of package under a single brand name and in an integrated manner is not much in evidence.

d) Construct Perceptual Maps

To device effective marketing strategy the financial services organizations must use the perceptual mapping techniques:

- i) to measure similarity or dissimilarity between pairs of services
- ii) to measure performances between services of two competitive organizations
- iii) to have ratings of different services on various attributes

e) Be Innovative

In coming years, it would become impossible to survive and prosper unless organizational skills are effectively channelised towards innovating new ideas, new services and new strategies for winning over and retaining the customer.

A typical situation in Indian financial service organizations is that one organization floats a new product idea or a new marketing strategy and in no time ten other organizations rush to follow suit. This type of “me-too” strategy would be a recipe for mediocre marketing. Successful organizations of the future should scrupulously avoid practicing this “ me-too” strategy. Innovation should be their main weapon.

Before concluding this chapter it seems worthwhile to briefly identify some related aspects – areas on which research needs to be undertake.

7.4 DIRECTION FOR FURTHER RESEARCH

Based on the findings of survey, a few suggestions for further research are indicated. It may be worthwhile to undertake a study on any of the following:

- (i) Marketing concept adoption in the sphere of new product/service practices has been rather poor. Therefore an intensive study on new product/service practices beginning with product/service idea generation up to say for a period of two years after its introduction in the market may be taken up.
- (ii) By and large it was found that financial service organizations went in for full cost pricing. It may be worthwhile to find out if any other system of pricing is prevalent among financial service organizations, if not, why? Is it because of their lack of awareness of the subject or else what would be the reason for the same?
- (iii) Investigation of the specific marketing practice of the financial service organizations regarding collection of information – data on competitors and demand analysis may be revealing.
- (iv) As day by day, new financial services e.g. depository services, derivatives etc., are being invented and avenues are opening for establishing “Financial Super Market” and the India has already

agreed to sign on General Agreement on Trade in Financial Services. (GATs) (list of financial services are annexed as appendix-III.) It is necessary to device marketing strategies keeping in the mind the global environment. The study in this line will be very useful to financial service organizations for marketing effectively their financial service.
