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Analysis of Indian Financial Service Industry: A Study of Marketing Challenges

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Abstract:

The financial service sector plays a significant role in continues economic growth of every nation. The forces of deregulation, advancing technology and general trend towards globalization have vastly increased the competitive pressures within the financial services market that has in turn affected both the structure and operation of financial service providing firms like banks. So, this increased competition has made financial companies to work on marketing and branding of their respective organization. The branding activity in financial sector focuses on individual branding which deals with particular financial product and collective branding of whole organization. Brand identity is an important marketing factor which facilitates product identification at the market place.

This paper represents various strategic issues and new challenges associated with marketing and branding in financial sector.

Keywords - Brand Equity, Conceptual Framework for Brand Equity measurement, Customer Based Brand Equity, Extended Ps of Services Marketing

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The evolution of marketing in the financial services sector

In the past, marketing was seen as the concern of manufacturing industry with little or no relevance for a service industry such as banking. A banker was regarded as professional, offering services to those who sought them rather than as a business person trying to sell products to new and existing customers. Competition was severely limited. There was little or no advertising, prices were fixed through a cartel, hours of opening were uniform and the range of services available varied little from one bank to another.

But, nowadays marketing has widened its area and reached to financial sector also. All financial organizations are focusing on long term relationships with a view to:

1. Acquisition
2. Satisfaction
3. Retention

Relationship marketing within financial services has evolved as a means to achieve these objectives and provided a vehicle for the transition from the conventional transaction-based marketing approach to the more interactive activities facilitated by more sophisticated customer databases. Most financial services organizations realize that markets do not contain an infinite number of new customers. Retaining customers and maximizing their lifetime value through relationship marketing is based on the supposition that it is more cost effective to cross-sell to an existing customer than to acquire a new one. Remember the cost, not to mention the effort that it takes to induce satisfied customers to switch away from their current suppliers

Loyalty and relationship marketing

Customer should not be seen as the purchaser of a series of discrete transactions but rather as someone with whom the organization has an ongoing relationship. This means that the organization should be anticipating what each customer is likely to need throughout their life and when they are likely to need it.

This is dependent on: the organization being knowledgeable about the characteristics of its customers – most, if not all, financial services organizations have developed customer-based computer systems which hold data on the characteristics of each of their customers and their behaviors. A large amount of this information is collected by front-line staff or contact centre advisers during meetings or discussions with customers. By combining this information with: – geo demographic data – transaction data – family life cycle information – details of customer balances – details of other products held a financial services organization can ensure that customers are only targeted with products and promotions that are appropriate to their circumstances and needs. The organization's success at doing this is dependent on the accuracy of the data that is held and the frequency with which it is updated.

The organization maintaining customer loyalty – in order to increase loyalty, financial services organizations employ a number of marketing tools such as: – newsletters to keep customers informed.

Marketing Challenges of Financial Service Sector

The differences between marketing a financial service and more tangible products are:

1. **Fiduciary responsibility**
2. **Intangibility**
3. **Inseparability**
4. **Lack of standardization**

Fiduciary responsibility is a responsibility for safeguarding customers' funds and for the provision of responsible advice. It is related to the image of those working in this area as being impartial. In this role there is a special need to ensure that this trust and the customer's expectation of objectivity from his/her banker are not misplaced. This is not to say that the manufacturer of consumer products or a distributor of industrial products is without responsibility. The responsibility in these other cases is limited to the fitness of purpose, quality and value for money of the product or service concerned. It is inconvenient but seldom catastrophic if the car breaks down or the food is off or the components are substandard, but a financial services

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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. Therefore, the financial services practitioner is obliged to pay attention to achieving the right balance between commercial and fiduciary issues.

Intangibility Unlike goods, financial services do not have a physical form and it is often not possible to taste, feel, see, hear or smell services before they are purchased. There may be physical aspects to a financial service such as a cheque book or a cash card, but these are devices for delivering the service and not the service itself. Opinions may be sought beforehand, previous experience may play a part in decisions taken, but generally the potential purchaser is unable to see or try in advance. This may make it difficult for a customer to both comprehend the particular financial service being offered and appreciate the benefits of one service over another. Inseparability even allowing for new technology, many financial services involves a considerable human element. This may involve the provision of advice, the tailoring of a service to particular circumstances or simply interaction between the teller and the customer. Perhaps unlike products such as grocery items, the customer's opinion of the financial service is often based on attitudes towards the organization's staff rather than the service itself. This means that the nature of the relationship between customer and provider is likely to be the key to whether the customer is gaining satisfaction from use of the organization's services. The standard of service at a branch or call centre converts the "intangible" into the "tangible". In financial services the delivery of the product is almost as important as the product itself. Lack of standardization as the provision of financial services involves this human element; it is difficult to provide a service of exactly the same standard from each member of staff, never mind the entire organization. Staff training and standardized methods can foster an awareness of this amongst staff while the adoption of a "house style" and prepackaged services can give an impression of standardization. Even so, much depends on the individual employee who has direct contact with the public. These are the key differences between financial services and products. As such when responding to customer needs and developing a marketing mix, the impact of these elements has to be borne in mind.

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