

# Sales and marketing for financial institutions flashcard



FIN235 sales and marketing for financial institutions Master of Applied Finance INTRODUCTION TOPIC 1 TOPIC 2 TOPIC 3 TOPIC 4 TOPIC 5 TOPIC 6 TOPIC 7 TOPIC 8 TOPIC 9 INTRODUCTION DISCLAIMER These materials are issued by Kaplan Higher Education on the understanding that: 1. Kaplan Higher Education and individual contributors are not responsible for the results of any action taken on the basis of information in these materials, nor for any errors or omissions; and 2.

Kaplan Higher Education and individual contributors expressly disclaim all and any liability to any person in respect of anything and of the consequences of anything done or omitted to be done by such a person in reliance, whether whole or partial, upon the whole or any part of the contents of these materials; and 3. Kaplan Higher Education and individual contributors do not purport to provide legal or other expert advice in these materials and if legal or other expert advice is required, the services of a competent professional person should be sought.

The views expressed by presenters delivering course material by lecture or workshop may not necessarily be those of Kaplan. COPYRIGHT © Kaplan Higher Education, 2012. All rights strictly reserved. No part of these materials covered by copyright may be reproduced or copied in any form or by any means (graphic, electronic or mechanical, including photocopying, recording, taping or information retrieval systems) without the written permission of Kaplan Higher Education. Kaplan Higher Education makes every effort to contact copyright owners and request permission for all copyright material reproduced.

However, despite our best efforts, there may be instances where we have been unable to trace or contact copyright holders. If notified, Kaplan Higher Education will ensure full acknowledgement of the use of copyright material.

ACKNOWLEDGEMENTS All ASX material is © ASX Limited. All rights reserved.

All ASX material is reproduced by the publisher with the permission of ASX Limited. No part of this material may be photocopied, reproduced, stored in a retrieval system, or transmitted in any form or by any means, whether electronic, mechanical or otherwise, without the prior written permission of ASX Limited.

Kaplan Higher Education acknowledges the support of Morningstar, EBSCO Australia and ProQuest in the development of its course material. Welcome Congratulations on choosing to complete your postgraduate studies with Kaplan. As an accredited higher education institution we specialise in postgraduate courses in applied finance and financial planning and are passionate about helping you reach your goals through quality education. Our courses are developed, presented and assessed by working professionals who are experts in their fields.

This gives you an edge over your peers because you can apply the real-life concepts and techniques you learn directly to your day to day work. You can also form important relationships with this influential community as well as with your fellow students, which will help build your professional networks. Kaplan Higher Education is part of Kaplan, Inc. , a leading global education provider, which serves more than one million students in 30 countries each year. By studying with us you are now part of this global connection, which means that your qualification will be recognised throughout the world.  
<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

Kaplan is also at the forefront of online and mobile learning, having pioneered major advancements in these areas. In the United States alone, Kaplan University has over 50, 000 students studying online. Kaplan Higher Education continues to leverage this expertise to develop new and sophisticated learning resources and tailored, adaptive education programs. Above all, we are dedicated to ensuring you have the best possible experience as a student. Your Student Adviser is available to you throughout your studies, whether you need advice on fitting study into your schedule or guidance on which subjects will help you meet your career goals.

I sincerely wish you all the best with your studies. Mark Coggins Chief Executive Officer Kaplan Asia Pacific Contents Introduction Topic 1 Topic 2 Topic 3 Topic 4 Topic 5 Topic 6 Topic 7 Topic 8 Topic 9 Introduction to marketing Introduction to sales The financial services customer Marketing and sales strategy Acquiring customers Making the most of channels Managing customer relationships Legal compliance and ethics in marketing and sales The bottom line — measuring the effectiveness of marketing and sales

Introduction Subject aims In a competitive, demand-driven financial services environment, an understanding of sales and marketing is crucial to success. This subject provides an understanding of the key elements of sales and marketing, with a focus on market evaluation, strategy, customer acquisition, delivery channels, customer relationship management and legal compliance. Subject learning outcomes

After successfully completing this subject students should be able to:

- describe the marketing and sales functions in a financial institution design a marketing plan and sales plan for a financial institution assess different buyer behaviour models and how these relate to the various market segmentation approaches assess the different promotional and communication activities used by financial institutions to acquire customers and manage customer relationships evaluate product or service distribution channels for the purposes of marketing and sales promotion and communication explain legal compliance and ethics issues in financial services marketing and sales measure the effectiveness of sales and marketing activities in financial services.

Contributors The subject notes and associated assessment items have been developed by Kaplan in consultation with industry practitioners and academics. These individuals are listed below.

Name Angela Diamond Max Franchitto Craig Keary Mark Veyret Sharon Waterhouse Shumita Gujral Employer Diamond Communication Services MGF Consulting Group Westpac Institutional Bank PricewaterhouseCoopers St George Bank Kaplan Higher Education Position Director Management Adviser & Business Analyst Head of Sales and Distribution, Executive Director Executive Director, Business Development and Marketing Head of Retail and Business Banking Hunter Region Editor

Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 2 Prerequisites The prerequisites for this elective subject are the following or their equivalents: Financial Markets and Economic Principles (FIN111) Law, Regulation and Ethics (FIN112) Techniques in Financial Analysis (FIN113) Risk Management for Finance Sector Enterprises

<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>



Students can access the Subject Room with their personal ID and password via the Kaplan Professional website. The Subject Room provides access to a range of resources and services including: announcements and FAQs about the subject information about joining a study group for the subject information about the subject (e. g. outcomes, topics, contributors, assessment) the eBook, which contains the subject notes and links to required readings, learning activities and further resources lecture recordings on individual topics the Discussion Forum the Kaplan Library assignments and other resources and information related to assessment a Study Guide to provide strategies for studying and preparing for assessments information on who to contact with queries.

**Resource requirements** Details of general resource requirements are available on the Kaplan Professional website. As a minimum, students will need access to a computer with at least Microsoft® Word, Excel and PowerPoint (or their equivalent) installed. Access to the internet and a current active email account is also required. **Policies and forms** All students should be familiar with the relevant policies and how they apply to their study. Policies and forms can be accessed on the Kaplan Professional website. **Student support** For administration queries or to discuss confidential issues that may impact on study, students should contact their nominated Student Adviser.

Contact details can be found in the Subject Room under ' Contact Kaplan'.

Students may also use the Discussion Forum to ask questions related to course content and administration. Sales and Marketing for Financial

Detailed information about due dates, assessment content, assignment submission, and exam locations and times is posted in the Subject Room. Weightings and due dates for each assessment item are outlined in the table below. Assessment item 1. Assignment (Topics 1-5) 2. Exam (Topics 1-9)

Weighting	50%	50%	Week due	Week 6	Week 12	Submission of assignments
-----------	-----	-----	----------	--------	---------	---------------------------

Assignments must be received by the due date specified in the Subject Room.

Details of how to submit assignments can be found in the Subject Room under 'Your assignment'. Kaplan will only accept late submission of assignments under exceptional circumstances. Refer to the Assessment Policy and Special Consideration Form for more information. Pass requirements To pass this subject, students must achieve a combined result from all assessment items of at least 50%. Students who receive less than 50% in any assessment item may continue in the subject and still pass the subject, provided they meet the overall 50% criteria. Students should read the Assessment Policy for further details. Sample assessments Practice questions and/or sample assessments may be included in the Subject Room.

These provide students with an opportunity to review the structure, style and types of questions they can expect in an exam or assignment. While these sample assessments reflect the general style and level of assessments, they do not include material which is presented in the actual assessments for this subject. Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 5 Subject notes and learning features The subject notes provide a structured learning pathway that integrates theory and real-world practice. They contain content specific to the subject area and are <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>



supported by a range of learning features to ensure there is a breadth and depth to the content as well as an opportunity for students to actively engage with the subject materials.

There is a range of learning features specific to this subject. These are listed below. Required readings Required readings are an integral part of the subject. They may be journal articles, chapters from textbooks, or other material to assist learning. As they are essential in order to achieve the subject learning outcomes, they are assessable. Due to varying copyright requirements, these items may be accessed via: prescribed textbooks direct links in your eBook databases in the Kaplan Library, or Closed Reserve from the Kaplan Library. There is no prescribed textbook for this subject. Any required readings for this subject may be accessed through the eBook in the Subject Room. Further resources

Further resources provide students with an opportunity to gain a deeper understanding of the subject, to assist in the preparation of an assessment item, or to explore an area of personal interest. They may be textbooks, journal or newspaper articles, websites or other relevant material. These items can generally be accessed via links in the eBook in the Subject Room. Although these resources are not assessable content, Kaplan encourages students to access them. Application and review activities The 'Apply your knowledge' and 'Review your progress' learning features provide students with the opportunity to actively engage with the subject materials. These activities can be completed independently.

Answers to the activities are provided in the eBook (or the ‘ Resources and activities’ homepage in some cases) in the Subject Room so that students can assess their level of knowledge. Discussion Forum activities Discussion Forum activities can be accessed directly through the eBook or the ‘ Discussion Forum’ homepage in the Subject Room. They offer students the opportunity to participate in structured or unstructured discussions with other students, facilitated by an industry practitioner who is an expert in the field. Students can build their knowledge and understanding as well as contribute to the learning of others. Sales and Marketing for Financial Institutions | FIN235. SM1. 6 Kaplan Higher Education TOPIC 1 1 Introduction to marketing Overview 1. 2 Topic learning outcomes

..... 1. 2 Required readings.....

1. 2 Further resources

..... 1. 2 1

1. 1 2 2. 1 2. 2 3 3. 1 3. 2 4 4. 1 4. 2 4. 3 4. 4 5 5. 1 5. 2 5. 3 5. 4 5. 5 6 6. 1

6. 2 6. 3 6. 4 6. 5 6. 6 6. 7 6. 8 6. 9 6. 10 What is marketing? Relationship

between corporate and marketing strategies 1. 3 1. Focus of marketing

..... 1. 3 Corporate

strategies ..... 1. 5

Functional strategies

..... 1. 5 Competitive

strategy theories 1. 6 Porter’s competitive strategy theory

..... 1. 6 Positioning theory and

marketing warfare theory ..... 1. 8 Key trends

affecting financial services marketing 1. Deregulation of markets

<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

..... 1. 8 Growth in  
personal wealth ..... 1. 8  
Globalisation.....  
.... 1. 8  
Technology.....  
.... 1. 9 Marketing mix 1. 9 Product  
..... 1. 10  
Place  
..... 1. 1  
Promotion  
..... 1. 12  
Price.....  
. 1. 13 People, process and physical evidence  
..... 1. 14 Brands 1. 15 Purpose of brands  
..... 1. 16 Benefits of  
brands ..... 1. 17  
Brand equity  
..... 1. 7 Brand  
management ..... 1.  
18 Brand types  
..... 1. 18  
Brand architecture  
..... 1. 18 Brand  
alignment ..... 1.  
19 Characteristics of effective brands  
..... 1. 19 Brand extension strategies

..... 1. 0 Branding in financial services ..... 1. 20 1. 21 1. 22

References Suggested answers 1. 2 Overview This topic provides an introduction to the concept of marketing, including a basic definition and a discussion of marketing's place in corporate strategy. It also examines market dynamics, including the impact of key social, economic and political trends, and the use of competitive strategy models. It ends with an explanation of two key marketing concepts — the marketing mix and the brand. The topic addresses the following subject learning outcome: describe the marketing and sales functions in a financial institution. Topic learning outcomes

On completing this topic, students should be able to: understand each individual's role as a 'marketer' within an organisation define marketing and explain its place in corporate strategy describe how trends in the external environment affect an organisation's marketing strategy and activities identify the components of the marketing mix and demonstrate how to effectively develop and implement these components in the context of a financial institution explain the importance of 'brand' and how to develop an effective brand strategy for a financial institution. Required readings All required readings are assessable content for this subject. Readings are accessible via the eBook, a prescribed textbook, a Kaplan Library database or a website: 1. Ennew, C & Waite, N 2007, 'Chapter 3: Introduction to financial services marketing', Financial services marketing, Butterworth-Heinemann, Oxford, pp. 51-68. Further resources AASB 138 'Intangible

Assets', Australian Accounting Standards Board, viewed 10 November 2011, .

Ennew, C & Waite, N 2007, ' Chapter 9: Customer acquisition strategies and the marketing mix', Financial services marketing: An international guide to principles and practice, Butterworth-Heinemann, Oxford, pp. 171–185.

Harvard Business 2008, The five competitive forces that shape business strategy, Harvard Business Publishing, 30 June, viewed 10 November 2011, .

Kuzmeski, M 2008, ' Your brand defines you', National Underwriter/Life & Health Financial Services, 3 March, vol. 112, no. 8, pp. 18–20, viewed 10 November 2011, EBSCO Business Source Corporate database. Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 3 1 What is marketing?

Marketing involves a series of coordinated activities such as: product/service development and management pricing, communication and promotion strategies (including advertising and direct marketing) market research branding positioning distribution (or channel development). However, marketing is not simply the management of these activities. Rather, it is a management philosophy that focuses on ways of achieving and sustaining customer satisfaction (or value) — a philosophy that must be embedded at every level within an organisation. As such, it is the responsibility of all employees in an organisation and not solely those who work within the marketing and sales functions.

This view is reflected in Ennew, Watkins and Wright (1995, p. vii): The concept of ' marketing' is one that is widely used and misused. At one level,

<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

it is a generic term used to describe a range of functions which organisations perform including advertising, branding, packaging, pricing, product management and distribution... At a deeper level, the term is often used to describe a business philosophy which guides the organisation's activities. This marketing orientation views organisational success as being driven by the provision of long-term consumer satisfaction and emphasises the importance of ensuring an organisation-wide commitment to meeting market needs.

Developing marketing functions may prove relatively straightforward; developing a marketing orientation with its focus on and commitment to the market can prove considerably more complex.

### 1. 1 Focus of marketing

The focus of both marketing and sales is the customer. The word 'customer' derives from the term 'custom' or 'habit', which suggests the aim of marketing is to encourage people to develop the habit of transacting with an organisation on a regular basis. At a broad level there are two main customer groups — primary customers and secondary customers. An organisational focus on customer satisfaction must consider the needs of both these groups.

#### Primary customers

An organisation's primary or direct customer is that person or group of people who directly purchase the organisation's products or services.

In financial services, the profile of the primary customer will vary according to the nature of the financial services marketed and the type of financial institution marketing those services. For example, a retail bank customer is likely to be a suburban adult who may purchase a transaction account, a credit card and a home loan. An institutional bank customer, on the other

<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

hand, may be the senior executive team (and board) of a major, publicly-listed corporation with global operations. Primary customers may include both present, ongoing purchasers of an organisation's products or services. Alternatively, they may be prospective customers who have yet to purchase from the organisation. Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 4

Organisations must therefore develop and implement retention strategies to hold on to existing customers and acquisition strategies to attract and convert prospective customers. A more detailed discussion of the primary customer in the context of the financial services industry can be found in Topic 3. Secondary customers An organisation's secondary customers can be described as those stakeholders who have some interest in the organisation and its products or services, but who may not be a direct purchaser of those products or services. Examples include shareholders, government (e. g. regulators), media, the community, analysts and suppliers.

Such individuals or groups may not directly affect the organisation's revenues or profitability in the short term; however, they can dramatically affect the organisation's overall reputation, which in turn can either damage or enhance, in the long-term, the results of primary customer acquisition and retention activities. The responsibility for communicating with such stakeholders is usually given to public relations (PR) professionals, who will sometimes report to the head of the organisation's marketing division. Just as often, however, PR will be seen as a discrete function that reports directly to the chief executive officer and handles all corporate communications.

A more detailed discussion of PR can be found in Topic 7. An important secondary customer group is an organisation's own staff. It is difficult for an organisation to encourage its primary customers to look favourably on it and its products and services if its own employees are not supportive. So, in the formulation and implementation of any marketing activity, the needs and attitudes of frontline employees, support staff, management executives and the board must be considered. ' Required reading 1' below provides a brief introduction to the discipline of marketing, with a focus on the distinctive characteristics of financial services. Required reading 1

Ennew, C & Waite, N 2007, ' Chapter 3: Introduction to financial services marketing', Financial services marketing, Butterworth-Heinemann, Oxford, pp. 51-68. Apply your knowledge 1: Marketing in your organisation Consider the ways in which marketing responsibilities and activities are carried out in your organisation: 1. Does your organisation have a dedicated marketing division? If so, what do the people within the marketing division do? What activities or outcomes are they accountable for? 2. If your organisation doesn't have a dedicated marketing division, how are the marketing responsibilities and activities carried out? 3. Can you clearly identify your organisation's primary and secondary customers? What are their needs? 4.

What responsibilities do managers and other employees within your organisation have for customer satisfaction? 5. Do all the employees in your organisation understand the importance of customer satisfaction? What does your organisation do to promote such an understanding? Sales and

Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher

Education 1. 5 2 Relationship between corporate and marketing strategies  
<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>



Marketing is undertaken in the context of an organisation's overall corporate strategy. The marketing aim of acquiring and retaining customers enables the organisation to achieve its corporate objectives of growing revenue and increasing profitability.

## 2. 1 Corporate strategies

In most organisations the critical functions (in no particular order) are marketing, finance, production/service delivery, human resources and, increasingly, information and technology management. These functions are equally vital in effective organisations and it is the role of senior management to coordinate them. This is achieved through a corporate strategy or plan that focuses on the whole organisation: Corporate strategy is concerned with the economic value and financing requirements of the corporation, shareholder value and dividend requirements... Its role is to develop a vision for the future of the entire business. (Brown 1997, pp. 10-11) Corporate strategies or plans attempt to address key long-term considerations of an organisation.

They generally include: a vision — an aspirational statement of where the organisation wants and needs to be a purpose or mission — a sense of why the organisation exists and what purpose it serves (other than making money, which is a 'given') corporate goals and objectives — a select few statements of the highest priority outcomes the organisation is committed to achieving strategies — a series of specific coordinated approaches and practices that will be used to achieve the objectives.

## 2. 2 Functional strategies

The corporate strategy is the 'big picture' document. Flowing from it is a series of functional strategies or plans which give functional and practical expression to the goals and objectives set out in the corporate

<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

strategy. These functional strategies typically include the finance strategy (or budgets), the human resources strategy, the operational strategy and the marketing strategy. Therefore, marketing, while a central activity within an organisation's overall pursuit of its goal or mission, is just one subordinate expression of how the organisation's corporate or strategic objectives will be achieved.

To be both effective and efficient, all the various functional strategies must work together. Sales and Marketing for Financial Institutions | FIN235. SM1. 6

© Kaplan Higher Education 1. 6 Example: Interrelationship of functional strategies An organisation has a corporate strategy with an objective to have the largest share of the Australian superannuation funds management market by the end of 2013. The broad aims of the various functional strategies may be as follows: Marketing strategy: Consider entering new market segments, developing new products or services, pricing to gain market share, promoting to attract key customer segments and distributing to satisfy them.

Operational strategy: Show how all these services can be provided and distributed and how the customers who use them can be serviced effectively. HR strategy: Ensure that the right number and mix of people with the right skills are available. Finance strategy: Ensure that funds are available so that the resources needed to implement these strategies are accessible at the right time. A more detailed discussion of marketing strategy can be found in Topic 4. Apply your knowledge 2: Marketing strategies in your organisation's corporate strategy 1. In your organisation's corporate strategy, which objectives have a distinct marketing focus (i. e. <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

explicitly or implicitly require activities that focus on target customers or audiences)? 2.

If your organisation has a marketing strategy (as distinct from the corporate strategy), what are its objectives? 3 Competitive strategy theories An organisation's overall success is largely determined by its ability to compete in a specific market against other organisations that offer similar products or services. A number of theories have been developed that explain how an organisation can achieve and sustain a competitive advantage in such an environment and how marketing can function as a key component of this strategic endeavour. Two such theories are Porter's competitive strategy theory and the marketing warfare and positioning theories promoted by Al Ries and Jack Trout. 3. 1 Porter's competitive strategy theory

Michael Porter, whose academic work in the 1980s was considered a significant breakthrough in strategic thinking, suggested that there are only three bases for gaining market advantage. Porter (1985) said that competitive advantage came from: cost leadership — when ' a firm sets out to be the lowest cost producer in its industry. Low-cost producers typically sell a standard, or no frills product and place considerable emphasis on reaping scale or absolute cost advantages from all sources' (pp. 12-13) differentiation — when ' a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs' (p. 4) focus — when ' the focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others' (p. 15). Sales and <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 7 Porter's point is that organisations need to operate according to some form of competitive strategy. Ideally, the strategy will offer customers something they value (e. g. lower prices, additional perceived value or specialisation and expertise). This is what the organisation then takes into the market and communicates to target customers (and audiences). Porter, in an earlier work (1980, p. 4), also identified structural forces that determine the intensity of competition in an industry.

He described five particular structural forces and suggested that it was the interaction between these forces and the relative ' power' of each one that determines where competitive advantage lies. The five forces are identified in Figure 1. Figure 1 Interaction of five structural forces

Threat of new entrants  
POTENTIAL ENTRANTS  
SUPPLIERS Bargaining power of suppliers  
INDUSTRY COMPETITORS Rivalry among existing firms  
BUYERS Bargaining power of buyers  
SUBSTITUTES Threat of substitute products or services

In the further resource below, watch Michael Porter explaining the relevance of the five forces framework, in shaping an industry's profitability potential. Further resources Harvard Business 2008, The five competitive forces that shape business strategy, Harvard Business Publishing, 30 June, viewed 10 November 2011, .

The following five key issues emerge from Porter's work: Competitive advantage is about creating value for customers which is both greater than the cost of supplying it and superior to that of rivals. An organisation must have some form of competitive advantage. If it does not, it risks being seen by customers as a ' me too' — that is, no different from any other firm in the <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

market and therefore not providing any particular reason for customers to prefer them. The nature of that competitive advantage should be of value to the customers in some way. As far as possible the competitive advantage should be unique to the organisation and hard to copy.

Organisations operate in competitive environments where customers have choices, where competitors are able to enter and leave markets, where substitutes exist for most products and services (e. g. bonds are a substitute for shares as an investment, as is property) and where market power can be influenced by the relative strength of suppliers and buyers, not just the organisation and its competitors. Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 8 3. 2 Positioning theory and marketing warfare theory Two complementary models of competitive strategy are ‘ positioning theory’ and ‘ marketing warfare theory’, both of which were popularised in the 1980s by the team of Al Ries and Jack Trout.

According to positioning theory, an organisation’s corporate strategy should be developed in response to customers’ perception of its products or services in relation to those of competitors. The organisation’s primary goal is to develop and implement a clear market ‘ position’ in the minds of consumers. Marketing warfare theory endeavours to draw parallels between corporate competition and military strategy, with market share viewed as disputed territory. Corporate success, therefore, involves defeating competitors to gain dominance in market share within a specific industry or market category. 4 Key trends affecting financial services marketing

A number of broad social, economic and political trends are changing the nature of marketing and the way the financial services industry, in particular, markets to its customers. These include the deregulation of markets, the growth in personal wealth, globalisation and technology.

#### 4. 1 Deregulation of markets

The deregulation of markets, particularly global capital markets, has removed barriers to competition from outside national borders and, increasingly, from non-traditional competitors (e. g. retailers offering financial services, insurance companies entering banking, banks entering stockbroking and insurance markets). This deregulation has removed the barriers to organisations pursuing growth wherever opportunities occur within national markets and around the world.

#### 4. 2 Growth in personal wealth

The trend towards a growth in personal wealth in developed economies — and the fact that social and economic government policies are emphasising a reduced role for government — is especially relevant to the financial services market. This has manifested itself in policies such as the privatisation of government assets, the requirement for individuals to save for retirement, and user-pays policies in health and education. In many formerly ‘ big government’ economies like Australia and the United Kingdom, the rise in personal shareholdings and superannuation holdings over the past two decades has fuelled significant growth in the financial services sectors at both the retail and institutional levels.

#### 4. 3 Globalisation

In response to the deregulation and ‘ freeing up’ of global markets, there is now both an increased capacity and an increasing tendency for organisations to compete in markets around the world. They do so not only to seek the diversification of risk (by moving into other economies or markets within

<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

national economies), but to secure opportunities to gain global economies of scale. This affects the financial services community, in particular, because when major multinational corporations in a range of industries ‘go global’ or look for global opportunities, they increasingly seek services from suppliers such as financial services organisations that also have global operations.

Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan

Higher Education 1. 9 4. 4 Technology

Technology (particularly communications technology and the use of the internet) has created real-time access to information and opportunities to reach target market segments without the costs associated with establishing a physical presence and infrastructure in particular markets. Reflect on this:

Impact of key trends on marketing Consider the impact of social, economic and political trends on the way your organisation does business. How has

each of the following trends affected your business unit or organisation:

deregulation globalisation growth in personal wealth technological change?

1. What impact do you think these major trends will have on the way financial services organisations need to market in the future? 2. What impact do think these major trends will have in relation to specific market categories such as retail banking, funds management, institutional banking or

insurance. 5 Marketing mix

A fundamental aspect of any marketing strategy is the development and implementation of the ‘marketing mix’. The marketing mix refers to a strategic list or ‘set of controllable market variables’ (Kotler et al. 2004, p.

109) known as the ‘four Ps’: product place promotion price. Together, these

four variables are seen to embody the overall experience of the customer in <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

relation to an organisation's product or service offer. An effective marketing program blends all the marketing mix elements into a coordinated program designed to achieve the company's marketing objectives by delivering value to customers, (Kotler et al. 2004, p. 111). Blending the variables that make up the marketing mix enable an organisation to position itself in the marketplace.

Marketers therefore need to ensure that their organisation's marketing mix is carefully planned and integrated. For example, the most innovative product, with strong promotion and good distribution, will not sell if the pricing does not meet market expectations. Occasionally, the marketing mix is extended to encompass 'seven Ps', with the addition of people, process and physical evidence. Ideally each target customer segment should be the subject of a customised marketing mix. Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 10 5. 1 Product

The term 'product' in the context of the marketing mix refers to anything to do with the goods or services an organisation sells.

It includes, for example, features, physical attributes, specifications, packaging, quality, quantity, variations, warranties, and terms and conditions. Product also refers to the customer's experience of goods or services — that is, how the goods or services relate to the customer's specific needs or wants. In the financial services industry, product is almost always a service. Characteristics of services Services are essentially processes or experiences, as opposed to physical goods, and as such are intangible. Customers, therefore, cannot own a service in the way they own physical products, as stated in 'Required reading 1': Ennew and Waite <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>



(2007, p. 3): We can all talk about services in a possessive sense (my bank account, my holiday, or my theatre ticket), but we do not actually possess the services concerned; the bank account represents our right to have various financial transactions undertaken on our behalf by the account provider, while the holiday ticket gives us the right to experience some mixture of transportation, accommodation and leisure activities. Thus, despite these apparent signs of ownership, financial services themselves are not possessions in any conventional sense... It is the fact that services are predominantly experiences that leads to their most commonly identified characteristic — services are intangible. That is to say, they lack physical form and cannot be seen or touched or displayed in advance of purchase. Intangibility is one of four key characteristics commonly used to distinguish services from physical products such as fast-moving consumer goods (FMCG), durable goods and major appliances. The other characteristics are inseparability, variability and perishability: Intangibility: When a service is purchased, the customer does not end up in possession of something physical or 'tangible' that conveys a sense of ownership. This means that marketing services is often more complex than products. With a physical product the customer can touch, feel, try on, taste, etc. to gain a sense of its performance and benefits. With a service the customer can only evaluate it by experience, which involves a purchase.

Inseparability: Services depend on the presence or involvement of the customer. For example, a financial adviser's service does not exist without a client. However, this is not true of physical products — for example, a car exists whether or not a customer buys it. Variability: Services depend far

more on the individuals and processes that create and deliver them, and on the outcomes of the service, than is the case with products. For example, if a customer buys a 55 gram Mars Bar® today it is likely to be very similar to the 55 gram Mars Bar® they bought a month ago. However, while some services offer guaranteed outcomes (performance) under certain conditions (e. g. leave your money with us for 90 days and we will pay you interest at a rate of 4. 75% p. a. '), many others (such as investment advice) can be highly variable and depend significantly on the skill, knowledge and prescience of the individuals or processes that provide them. So the returns a customer would get if they invested today might be very different from those they would get if they invested a month ago. Thus services are said to be highly variable. Perishability: A service expires when it is offered. For example, it is not possible for a customer to insure their house today against a fire yesterday, nor is there a market for seats on a plane after it has taken off.

In each case the service has perished. In financial services, the interest rate that may be on offer today is only relevant if the customer invests today. If they invest tomorrow it is possible, perhaps even likely, that the rate and terms will be different. Today's offer will have perished. Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 11

Managing customer perceptions To overcome the issues raised above in relation to intangibility, perishability, variability and inseparability, marketers of services have to rely much more on managing customer impressions or perceptions and on creating difference through intangible cues or signals.

For example, the benefit of being the world's largest stockbroker relates directly to the investor's perception of the value of size. The benefits of being Australia's oldest bank depends on a customer's understanding of the benefits of longevity. Inevitably, the customer will only understand these benefits relative to their previous experiences of similar services and their perception of the value of the service itself.

### 5. 2 Place

The term 'place', as a component of the marketing mix, generally refers to the physical or virtual space within which the organisation interacts with the customer, or the distribution 'channels' through which products or services are sold. A consideration of place also includes a focus on customer segmentation.

For example, an organisation needs to identify the appropriate geographical region, industry or customer age-group for targeting the sales and distribution of its products or services. For a detailed discussion of segmentation see Topic 3. In addition, place refers to the logistics of physically distributing products or services to the market. This includes a range of activities that may be influenced by various intermediaries.

#### Distribution in the financial services industry

Distribution channels in the financial services industry range from retail bank branch outlets to non-financial-services retailers, direct sales forces, telephone sales forces, brokers, direct marketing and the internet.

Unlike industries that produce a physical product, distribution in the financial services industry focuses on issues relating to service delivery: Distribution in financial services marketing is concerned with how the service is delivered to the consumer, making sure that it is available in a location and at a time that is convenient for the customer... As far as financial services are

<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

concerned, distribution fulfils the following roles: 1. The provision of appropriate advice and guidance regarding the suitability of specific products 2. The provision of choice and a range of product solutions to customer needs 3. The means for purchasing a product 4.

The means for establishing a client relationship 5. Product sales functions 6. The provision of information concerning relevant aspects of financial services 7. Access to the administration systems and processes required for the ongoing usage (consumption) of the product or service 8. The means for managing a customer relationship over time 9. The cross-selling of additional products to existing customers. (Ennew & Waite 2007, p. 252) Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 12 In the past decade or two, the internet has revolutionised the use of distribution channels for marketing and sales.

The capability of delivering goods and services via innovative, new and more convenient channels has overcome the competitive advantage previously enjoyed by organisations with many fixed assets. This is particularly apparent in the financial services industry: See Topic 6 for a more detailed discussion of channel marketing and sales. 5. 3 Promotion Promotion in a marketing context involves disseminating persuasive information about an organisation's products, services or brand. Effective promotion is increasingly difficult due to the saturation of media and communication channels, the fragmentation of audiences for different media into smaller groups, and the propensity of audiences to 'tune out' when presented with promotional messages. For any form of promotion to have maximum impact, it must be properly planned and executed.

<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

It must also be integrated — that is, the same message received (or reinforced) using multiple methods is far more effective than a single message constantly pushed using the same method. Executed properly, promotion and communication are major ingredients in the long-term success of any product, service, brand or organisation. Promotional activities in marketing include advertising, direct marketing, sales promotion, direct selling and public relations. Advertising Advertising can be defined as the use of paid media to inform, persuade and remind an audience about products/services or about the organisation itself. It can include broadcast media advertising (e. g. television, radio and the internet), print advertising (e. g. newspapers, magazines and brochures), outdoor advertising (e. g. billboards, posters, transit advertising and signage), merchandising and point-of-sales display activities. See Topic 5 for a more detailed discussion of advertising. Direct marketing Direct marketing, unlike ‘ mass-marketing’ activities such as advertising, involves sending promotional messages ‘ direct’ to the consumer with the aim of generating purchase decisions that can be attributed to a specific ‘ call-to-action’. In direct marketing practice, the consumer response is often carefully tracked and measured. Direct marketing activities can include direct mail, EDM (electronic direct mail), direct-response advertising, catalogue marketing and telemarketing.

See Topic 5 for a more detailed discussion of direct marketing. Sales promotion Sales promotion comprises short-term and medium-term incentives to encourage customers to purchase. Strategies and tools may include merchandising, point-of-sale (POS) promotions, loyalty or rewards programs, competitions, games, samples, redeemable coupons, cash-back

offers, promotional discounts and multiple-purchase offers. See Topic 5 for a more detailed discussion of sales promotion. Sales and Marketing for

Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 13

**Direct selling** Direct selling (or personal selling) is both a form of marketing and an independent activity in its own right.

It may take place in the customer's office or home, or in a location provided by the salesperson's organisation, such as a retail outlet or branch, or via an intermediary (e. g. broker or agent). It generally involves either field sales staff (representatives), counter sales staff, telephone service staff or the staff of intermediaries. See Topic 2 for a more detailed discussion of direct selling. **Public relations** Public relations (PR), like direct selling, can be viewed as both a subset of marketing and a discrete, independent discipline. PR involves communicating information in the (potentially) most credible ways, creating or maintaining a positive image of the organisation or brand, and gaining favourable media coverage or publicity for the organisation or the brand.

As distinct from other forms of marketing, the focus of PR is not always the primary customer — depending on the message, its audience might include the media, government, community, shareholders or employees. See Topic 7 for a more detailed discussion of public relations. **5. 4 Price** Price is one of the most significant variables in the marketing mix. It directly affects the positioning and the profitability of products and services. The impact of price on profit is generally well recognised, as is the implicit relationship between price and volume. This leads many managers to overuse price, either to stimulate short-term demand or simply to maximise short-term profit. <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

What is often poorly understood is the impact of price on broader positioning objectives — on the perceived product or brand quality and on brand image. Used properly, price has an important role to play in building customers' understanding and affinity with the product or brand. This can be achieved by addressing the following questions: Is the price (in terms of money, time and effort) clear? For example, do customers understand what they do and do not get? Is the price fair? Do customers perceive that they get value for the money, time and effort that they exchange? Is the price competitive? Do customers perceive that any additional price paid represents better value than they can get from a competing alternative?

Superior value to customers is achieved by either delivering the same tangible and intangible benefits as competing products or brands for a lower cost or delivering superior tangible and intangible benefits for the same or (an acceptably) higher cost. Price is, therefore, an important part of the customer's perception of value, because it makes explicit what the customer is required to exchange. It does not necessarily always explain all the costs. For example, it makes explicit the monetary or economic cost, but may leave unexplained the time and effort required. Nonetheless, price is a vital strategic element in positioning and communicating value. Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 14

Reflect on this: Impact of price on services 1. How important is price to you when you buy a service (as opposed to a product)? 2. How much extra are you prepared to pay for a service (e. g. dentist, stockbroker, handyperson) based on the questions listed above? 3. If a service met some criteria, but <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

not others, how would this affect the price you would accept? 5. 5 People, process and physical evidence In addition to the original four Ps, another three Ps (people, process and physical evidence) were developed specifically for services marketing to offset the intangible nature of services (although they can also be applied to the marketing of products). Physical evidence

Many organisations that deliver services, including financial services organisations, focus on the physical evidence, or tangible cues, that customers may use to assess their services such as: location and building exterior interior design and decor stationery, uniforms and promotional material. People People are an important variable in services marketing. For example, frontline or customer facing staff in retail financial services organisations manage the service counter. These staff must therefore embody the brand values of the organisation, as they can affect the customer's satisfaction with the overall service experience and influence the impression customers have of the organisation as a whole and its brand.

### Process

Process describes the operational system or method organisations use to deliver their services. By focusing on developing effective processes and procedures, financial services organisations can: separate standardised and customised services (e. g. banks' standardise transactions) increase or decrease service capacity in peak and non-peak times increase the amount of customer participation (e. g. through the use of ATMs and online banking).

Further resources Ennew, C & Waite, N 2007, ' Chapter 9: Customer acquisition strategies and the marketing mix', Financial services marketing:



An international guide to principles and practice, Butterworth-Heinemann, Oxford, pp. 171–185.

Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 15 Figure 2 The extended marketing mix Price • • • • • List price Discounts Allowances Settlement terms Credit terms People People interacting with people is how many service situations might be described. Relationships are important in marketing. Product and service • • • • • • • • • • Variety Quality Design Features Brand name Packaging Sizes Add-ons Warranties Returns Process Promotion • • • • Advertising Personal selling Direct marketing Synchronous marketing Target customers In the case of ‘ high contact’ services, in particular, customers are involved in the process.

Technology is also important in relation to conversion operations and service delivery. Intended positioning Placement for customer service • Demand chain management • Logistics management • Channel management Source: Kotler et al. 2004, p. 111. Physical evidence Services are mostly intangible. Thus the meaning of other tools and techniques used in marketing is important. 6 Brands Along with the application of the marketing mix (see section 5), an essential task of a marketer is to ‘ create, maintain, protect and enhance brands’ (Kotler et al. 2004, p. 407). A brand can be: a name (e. g. Macquarie Bank, Salomon Smith Barney) a term (e. g. Hoover, Xerox) a sign, symbol or design (e. g.

Qantas’s tail logo, the Commonwealth Bank’s yellow and black southern cross shape, Nike’s ‘ swish’ device or the St George dragon) an experience (e. g. driving a Jaguar) a promise (BMW — ‘ sheer driving pleasure’) a

<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

combination of these. A brand can also be seen in a more holistic sense, as an organisation's greatest asset: [The brand] is everything connected to the essence of a company. The directors, all the people, the products, the company itself, its logo, its physical visual presence, its voice, its reputation, its associations and endorsements, its customer perception, and the sum total of the company's communication. (Murray, 2001) Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 16 6.

## 1 Purpose of brands

A brand can: identify an organisation's products and services differentiate an organisation's products and services from those of competitors be a source of organisation-wide differentiation and cultural direction. Ultimately, the purpose of a brand is to create customer loyalty to the organisation and its products or services (i. e. brand loyalty). Brands can convey five distinct levels of meaning: Attributes: A brand can summarise what the organisation (or product) 'stands for', or the characteristics customers think of when they see or hear the brand. For example, if people were asked to identify the attributes of Goldman Sachs JBWere, they might say 'tailored, corporate finance advice'.

If they were asked about Aussie Home Loans, people might say 'good-value Aussie home loan'. Benefits: A brand can become synonymous with certain significant benefits. Around the world if asked about Volvo, most people would probably say 'safe'. If people talk about a Daihatsu, they might mention 'economical' and a Porsche is seen as 'prestigious' and 'fast'.

Emotional reward: Brands can offer emotional rewards to users. For example, if a woman wears Chanel perfume, it may make her 'feel' pampered or even  
<https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

glamorous. This could be as much a result of brand association as the scent.

Values: A brand can be seen to represent a certain set of values.

If asked about Range Rover, people might talk about 'prestige' or 'status'.

Holden, on the other hand, might be considered 'traditional' or a 'family

car'. Personality: Brands can develop personality. Macquarie Bank is seen as

'innovative' and 'successful'. St George is seen as 'customer-friendly'. To

position a brand effectively, marketers need to use marketing strategies that

create the perception that the organisation, product or service the brand

represents has attributes, benefits, values and personality that the target

customers see as attractive, or at minimum as positive, and consistent with

those they seek. Apply your knowledge 3: Brand purpose

Identify a well-known financial services brand and conduct some market

research with a small sample of people. Ask them to describe what they see

as: the functional benefits ('What benefits for you come to mind when you

think of this brand?') the emotional rewards ('What are some words to

describe how this brand makes you feel?') the brand values ('What qualities

do you attach to this brand?') the brand personality ('What are the

combination of characteristics that you would say makes this brand

unique?'). Sales and Marketing for Financial Institutions | FIN235. SM1. 6 ©

Kaplan Higher Education 1. 17 6. 2 Benefits of brands An effective brand

offers a number of benefits to both customers and sellers.

For example, from a customer perspective, brands: can provide shorthand

information about product quality and performance can increase purchasing

efficiency (by providing opportunities for faster decision-making and easier

identification of appropriate products and services) enable buyers to identify and call attention to new products or services can lead to greater variety and choice enhance or add to the customer's sense of self/value provide the capacity to be in multiple markets. From a seller perspective, brands: increase the efficiency of ordering, distribution and management of products and services provide the basis for loyalty and relationship development, and customer acquisition assist segmentation and targeting by providing the capacity for one organization to offer multiple products and services to different customers provide differentiation between products/services provide legal protection.

### 6. 3 Brand equity

The term 'brand equity' refers, essentially, to the positive outcomes achieved by a product/service that has a strong brand compared with the outcomes (or lack of outcomes) that would accrue if the same product/service did not have a strong brand. The value of a brand lies in its ability to generate an ongoing stream of revenue and profit for an organisation: Successful brands are valuable assets because they create a stream of future earnings. Hence, branding is a strategic means of building profit. The link between top-selling brands, market share and profits is established. The stronger the brand, the higher the return on investment. Today brands are arguably the largest assets many firms have... (Brown 1997, p. 128) Successful branding generates profits by developing awareness of, and loyalty and preference for, the brand in the minds of target customers. Further resources

The value of brands is reflected in the fact that the accounting profession in a number of countries has implemented standards and processes for the <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

valuation of brands on the balance sheet. This is a trend that is also gathering momentum in Australia. See, for example: AASB 138 'Intangible Assets', Australian Accounting Standards Board, viewed 10 November 2011, . Sales and Marketing for Financial Institutions | FIN235. SM1. 6 © Kaplan Higher Education 1. 18 6. 4 Brand management Brands are important assets that require continued investment. Poor management (or sometimes just the effect of time and competitor action) can cause brands to 'tire' or even to 'die'.

It is therefore essential that a brand's position be strategically evaluated and even 'refreshed' from time to time, or else the equity developed in the brand can be lost. This brand evaluation process can be achieved by providing detailed responses to the following questions: In which markets does the organisation currently operate? What brand does the organisation use in each market? What competing brands operate in the market? Where is each of these brands, including the organisation's, positioned? What opportunities or gaps exist? What is/are the organisation's strategic marketing objectives? What roles do the current brands play in achieving these objectives? What roles are the current brands inappropriately positioned to play? 6. 5 Brand types

There are at least six main types or levels of brands: parent brand — the dominant brand used for and by an organisation, which is also often linked to sub-brands, product brands, etc. (e. g. NAB/NAB Capital) sub-brand — a brand developed for a specific segment or market. This can either be linked to the parent (e. g. CommSec) or have essentially a separate identity (e. g. Colonial First State, Advance Funds Management) range brands — a brand <https://assignbuster.com/sales-and-marketing-for-financial-institutions-flashcard/>

name used to cover a range of products or services (e. g. Virgin, GE) product brands — individual brand names assigned to individual products/product lines (e. g. Westpac Altitude Rewards Program) co-brands — two brands brought together to create a more meaningful position in the market so that each can leverage off the other's equity (e. g. hen Goldman Sachs and JBWere were merged) stand-alone brands — brands used to achieve a distinctive positioning, or because the parent brand cannot credibly extend into a new market, the stand-alone brand operates independently of its parent/s (e. g. Lexus stands alone from Toyota).

## 6. 6 Brand architecture

Brand architecture describes the structure of brands within an organisation. It defines the different levels of branding and how a corporate brand and sub-brands relate to each other and support each other. In this context, there are three generic brand relationship structures: The branded house (or monolithic brand) uses a single name for an organisation's entire range of activities, no matter how disparate these activities might