4.1 GENERAL MEANING OF MARKETING

The term market is the root work for the word marketing. Market refers to location where exchanges between buyers and sellers occur. Marketing pertains to the interactive process that requires developing, pricing, placing and promoting goods, ideas or services in order to facilitate exchanges between customers and sellers to satisfy the needs and wants of consumers. Thus, at the very center of the marketing process is satisfying the needs and wants of customers.

Needs and wants

Needs are the basic items required for human survival. Human needs are an essential concept underlying the marketing process because needs are translated into consumer wants. Human needs are often described as a state of real or perceived deprivation. Basic Human needs take one of three forms: physical, social and individual. Physical needs are basic to survival and include food, clothing, warmth and safety. Social needs revolve around the desire for belonging and affection. Individual needs include longings for knowledge and self-expression, through items such as clothing choices. Wants are needs that are shaped by both cultured influences and individual preferences. Wants are often described as goods, ideas and services that fulfill the needs of an individual consumer. The wants of individuals change as both society and technology change. For example, when a computer is released, a consumer may want it simply because it is a new and improved technology. Therefore the purpose of marketing is to convert these generic needs into wants for specific goods, ideas or services. Demand is created when wants are supported by an individual consumer’s ability to purchase the goods, ideas or services in question.

Marketing means selling to a salesman, advertising to an advertising manager and so on. But marketing consists of three components namely people, their desire to buy and their capacity to buy. Various marketing minds have defined ‘Marketing’ in beautiful words. Some of them are:

- Malcolm McNair developed this definition, as “It is the creation and delivery of a standard of living.”
- Philip Kotler defined “Marketing is the set of human activities directed at facilitating and communicating executives.”
• British Institute of Marketing defined: “Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements possibility.”

• Peter Drunker defined, “It is in marketing that we satisfy individual and social values, needs and wants be it through producing goods, supplying services, posturing innovations or creating satisfaction.”

4.2 DIMENSIONS OF MARKETING

From the definitions given above, researcher summarizes the gamuts of marketing as follows:

• Marketing is a socio-economic activity.
• Marketing is consumer-oriented, its starts with identifying of the consumer’s wants and needs with consumer needs satisfaction.
• Marketing is profit-oriented to both the company and the consumer.
• Marketing involves the process of planning, action, control and follow-up. In short, it is an integrated management function.

It may be concluded that most of the pioneer researcher and mutual fund companies marketer’s emphasis on consumer orientation.

4.3 WHAT IS MUTUAL FUND MARKETING?

Whenever this question had been raised to mutual fund marketers during survey by the researcher on mutual fund marketing, the responses have been instant and varied. Here is the sample:

• Marketing is selling of funds and its schemes.
• Marketing creates demand for our products.
• Persuading the prospective investors to company with us is marketing.
• Marketing finds out investors needs.
• Creating mobilization is marketing.
• Mutual fund generating is marketing.
• Taking nicely and politely with the investor is marketing.
• Marketing comes with investors’ satisfaction.
• Marketing highlights positive features of our products and negative features of the products of our competitors.
• Going out of the office area to contact investors is marketing.
• Advertising is marketing.
• Investors’ relationship is marketing.

Each marketer has unique definition of mutual fund marketing based on his actual experience. But the basic question still needs to be addressed. What is mutual fund marketing? Let us attempt an answer with the help of a definition pronounced by Stanton in his famous book “Fundamentals of Marketing” defined as “a total system of business activities designed to a plan, price, promote and distribute want satisfying products, services and ideas to target markets in order to achieve organizational objectives”.  

This statement helps us to understand that marketing is a management philosophy where the entire organization’s activities are customer oriented. It recognizes and anticipates customer wants and need effectively satisfies. It believes in the total satisfaction of customer’s wants, which makes the customer to come back to the organization again and again ensuring repeat sales. This helps the organization to maximize profits in the long run.

**Objectives of Mutual Funds**

1. **Income.** Income funds focus on dividends and interest that provide income to investors. This is a relatively steady source of money, but the fund’s NAV can still go up and down.

2. **Growth.** Growth funds focus on increasing the value of the principal or amount invested through capital gains and net asset values. Growth funds are usually more risky but offer greater potential return.

3. **Stability.** Stability funds focus on protecting the amount invested from loss so the fund’s NAV does not go down. This is the least risky type of fund but may make the least amount of money.
4.4 HISTORICAL MARKETING THOUGHTS

The earliest form of exchange was known as barter. Modern marketing began in the early 1990s. In the twentieth century, the marketing process progressed through three distinct eras – production, sales, and marketing. In the 1920s, firms operated under the premise that production was a seller’s market. Product choices were nearly non-existent because firm managers believed that a superior product would sell itself. This philosophy was possible because the demand of products outlasted supply. During this firm success was measured totally in terms of production. (Business Encyclopedia)

Marketing in the 1940s and 1950s was highly descriptive and preoccupied with establishing its domain and functions. The overarching characteristics of the marketing field were its reliance on economics, which provided the philosophical assumptions of rational choice, functional utility of products, objectivity of the researcher, a single reality, and separable and independent marketing elements. The primary focus was on the activities of the firm.

The consumer was seen as a utility optimizing individual who would consciously weight the costs and benefits of a purchase. Quality, price, and durability were deemed the most important attributes. Along with these economic assumptions, researchers stressed business transactions. The role of marketing was to stimulate and service demand. For example, the 1935 American Marketing Association definition of marketing was the “performance of business activities that direct the flow of goods and services from producers to consumers.”

Marketing is then a process of providing customers with parts of a potential mosaic from which they, as artists of their own lifestyles, can pick and choose to develop the composition that for the time may seem the best.

Marketing is not only an impersonal economic activity, but in addition to its conventional considerations about exchanges, buying and selling values, income, budget, outlets, and transportation, it is in evitable interwoven with other personal, non-economic relationship in society.
4.5 ETHICS IN MARKETING

While ethical issues in marketing are not a new area of concern, but the field of marketing has long been criticized along a number of ethical lines, including issues such as product liability, personal selling tactics, false or misleading advertising, product dumping, price gouging, marketing to low-income consumers, foreign child labor, and a host of other areas of ethics have gained international attention. So American Marketing Association within for this respect defined some functional areas of marketing ethics as given below.

**Table 4.1**

Functional Areas of marketing ethics

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Functional Areas</strong></td>
<td></td>
</tr>
<tr>
<td>1. Prod</td>
<td>Product related issues</td>
</tr>
<tr>
<td>2. Price</td>
<td>Price related issues</td>
</tr>
<tr>
<td>3. Place</td>
<td>Placement related issues</td>
</tr>
<tr>
<td>4. Prom</td>
<td>Promotion related issues</td>
</tr>
<tr>
<td><strong>Sub disciplines of Marketing</strong></td>
<td></td>
</tr>
<tr>
<td>5. Sales</td>
<td>Sales related issues</td>
</tr>
<tr>
<td>6. Cons</td>
<td>Consumer related issues</td>
</tr>
<tr>
<td>7. Intl</td>
<td>International related issues</td>
</tr>
<tr>
<td>8. Edu.</td>
<td>Marketing ethics education related issues</td>
</tr>
<tr>
<td>10. Soc M</td>
<td>Social Marketing related issues</td>
</tr>
<tr>
<td>11. Inter</td>
<td>Internet related issues</td>
</tr>
</tbody>
</table>
12. Law

Law and ethics related issues.

**Specific ethics related topics**

| 14. Dec | Ethical decision making models related issues. |
| 15. Stake | Ethical responsibility towards marketers stake holders related issues. |
| 16. Valu | Ethical values related issues. |
| 17. Norm | Norm generation and definition related issues. |
| 18. Impl | Marketing ethics implementation related issues. |
| 19. Relig | Relationship between ethics and religion related issues. |
| 22. Vuln | Vulnerable consumer related issues. |


In the past two decades, there has been a shift from transaction-oriented marketing to relationship-oriented marketing (Wathne and Heide 2006). Marketers have realized that retaining partners and customers is often more economical than attracting new ones. Therefore, building and maintaining long-lasting relationships has become a focus of contemporary marketing practice and the subject of research in marketing.  

Managers who adopt a market orientation recognize that marketing is vital to the success of their organizations. This realization is reflected in a fundamental approach to doing business that gives the customer the higher priority. Called the marketing concept, it emphasizes customer orientation and coordination of marketing activities to achieve the organization’s performance objectives. (See figure 4.1).
Today the marketing concept is being applied in a number of other ways. Several of the most important developments are introduced below.

Customer Orientation

- **Relationships**: The value of a good relationship is not a new idea. However, it is only recently that organizations, with the benefit of extensive data, have made a concerted effort at customer relationship management (CRM) – establishing multidimensional connections with a customer such that the organization is seen as a partner.

By sorting and analyzing data supplied by customers, gathered from third parties, and collected from previous transactions, a marketer is able to better understand a customer’s needs and preferences.

- **Mass Customization**: The modern marketing system was built on identifying need experiences by a large number of people (a mass market), and using mass production techniques and mass marketing (relying heavily on network television advertising). To satisfy that need. By producing and selling large quantities of standardized products firms were able to keep the units costs low and offer need-
satisfying products at attractive prices. However the market has changed. Mass Marketing is being changed by the Mass Customization, that is developing, producing and delivering affordable products with enough variety and uniqueness that nearly every potential customer can have exactly what he or she wants.

**Coordinated Marketing Activities**

- **Quality**: Although most firms do not ignore quality there is a tendency to think in terms of “acceptable” levels of quality as determined by engineers and manufacturing people.

  Concerns about quality are not limited to manufacturing and service. Every business function has a quality component. Within marketing there are quality aspects of making sales, answering customer’s questions, preparing advertisements and every other activity.

- **Value creation**: The customer’s perception of all the benefits of a product weighted against all the costs of acquiring and consuming the product is its value. The benefits can be functional (The roominess of a minivan for a large family), aesthetic (the attractiveness of the minivan), or psychological (the peace of mind that the van is designed to withstand a collision).

  Two points are important to note here. First, value means much more to the buyer than the amount of money charges for a product. Second the perception of value varies among individuals.

While Marketing the Mutual Fund, the fund company main focus is over the customer (Investor), and it is only the Investor who may differ whether by its Expectations or its Perceptions, because every Individual desire to get some special advantage over its invested Amount. But it may be of some gap regarding the service Quality which may occur between customer and the company which is explained through the figure given below.
Figure 4.2
Gaps Model of Service Quality

Gap 1 – Not knowing what customers expect.
Gap 2 – Not selecting the right service designs and standards.
Gap 3 – Not delivering to service standards.
Gap 4 – Not matching performance to promises.


4.6 DIFFERENT ASPECTS OF MARKETING

Marketing whether it is done at a small, medium or large level, what so ever it is, having different ways of approaching to the customer to have the existence of their product in the Market. So its different aspects are put in the Market which are as follows:

- **Viral Marketing:** It refers to marketing techniques that uses pre-existing social networks to produce exponential increases in brand awareness, through self-
replicating process, similar to the spread of a computer virus. This marketing ideology helps to optimize cost and in turn able to reach its prospects on an individual basis and react appropriately to responses of individual customers. The unique feature of viral marketing is that message is accompanied by the name of the reference which the receiver has any sort of previous relationship. It is implemented through referrals in alumni associations, families, sports teams, alumni organizations, and other affinity groups to create a rich and private community.

**Figure-4.3**


- **Traditional Marketing Vs Relationship Marketing**: “The single most important thing to remember about an enterprise is that here are no results inside its walls. The result of a business is a satisfied customer”. In present era of cut-throat completion it is no longer enough to satisfy the customers. You must delight them! As Philip Kotler puts its, “Today you have to run faster to stay in the same place.” The most important tool available to the business firms these days to make the customer happy is “Relationship Marketing”.
The traditional marketing, known as Transactional Marketing focused on mass production, mass marketing and standardized products and services. But with relationship marketing, the focus has now shifted to highly customized and personalized products and services\(^\text{12}\).

**Figure 4.4**

**Relationship Marketing Model**

<table>
<thead>
<tr>
<th>INPUT</th>
<th>PROCESS</th>
<th>OUTPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-added products and</td>
<td>Relationship</td>
<td>High Customer satisfaction</td>
</tr>
<tr>
<td>services</td>
<td></td>
<td>Increased customer share</td>
</tr>
<tr>
<td>One-on-one relationship</td>
<td></td>
<td>Lower marketing costs.</td>
</tr>
<tr>
<td>Individual care and attention</td>
<td></td>
<td>Positive word of mouth.</td>
</tr>
<tr>
<td>Special facilities and services</td>
<td>Marketing</td>
<td>High brand equity</td>
</tr>
<tr>
<td>Structures ties</td>
<td></td>
<td>High Customer loyalty</td>
</tr>
<tr>
<td>Information sharing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


- **Internal Marketing:** In the present era, it is said that consumer is the King and all marketing efforts should be directed towards satisfying the consumer (the external party). But after being observed by various researchers that if the internal party, i.e. the Employees of an organization are motivated and satisfied only then they can satisfy the consumers effectively.

  According to Cahill (1996), “Internal Marketing is attracting, developing motivating and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating employees as
customers – indeed, wooing employees – is the strategy of shaping job-products to fit human needs”.

Gronroos (1994) definition of the concept states that:

“The internal market of employees is best motivated for service mindedness and customer-oriented performance by an active, marketing – like approach, where a variety of activities is used internally in an active, marketing like and coordinated way”.

- **Sustainable Marketing:** - Sustainable marketing in simple sense is an “environmentally enlightened” approach to marketing that has been around decades. In the 1970’s, the focus was on “ecological or environmental” marketing. During the 1990’s, the accepted term for emphasizing products that were environmentally friendly was “green marketing”. More recently, the emphasis has shifted to the importance of sustainability of marketing activities. That is, the marketing efforts of any organization should be sustainable over an extended time period. The contemporary interpretation of sustainable marketing is that it should deal positively with the ecological environment and be sensitive to the needs of future generations.

### 4.7 MARKETING: REAL SENSE OF ITS EXISTENCE

The concept of marketing has changed and evolved over time. Whilst in today’s business world, the investor is at the forefront, not all businesses in the past followed this concept. Their thinking, orientation or ideology put other factors rather then the investor first. Let us examine these below.

**Production Oriented:** The focus of the business is not the needs of the investor, but of reducing costs by mass production. By reaching economies of scale the business will maximize profits by reducing costs.

**Product Orientation:** The Company believes that they have a superior product, based on quality and features, and because of this they feel their customers will like it also.
Sales Orientation: The focus here is to make the product, and then try to sell it to the target market. However, the problem could be that investors do not like what is being sold to them.

Market Orientation: Puts the investor at the heart of the business. The organization tries to understand the needs of the investors by using appropriate research methods, appropriate processes are developed to make sure information from investors is feedback into the heart of the organization. In essence all activities in the organization are based around the investor. The customer is truly king!

In today’s competitive world putting the investors at the heart of the operation is strategically important. Whilst some organizations in certain industries may follow anything other than the market orientation concept, those that follow the market orientation concept have a greater chance of being successful. There is no idea more essential to the Marketing Orientation than putting the investor first. A Marketing Orientation recognizes that profit is the primary objective of any firm/company, and satisfying investors’ needs is the means of achieving that objective. The Marketing concept is an appealing idea, but it must be converted into specific activities to be used for managers. Over the years it has been interpreted and applied in a number of different ways. Today the marketing concept is being applied in a number of other ways. Several of the most important developments are below stated.

Relationship

The value of a good relationship is not a new idea. However, it is only recently that organizations, with the benefit of extensive data, have made a concerted effort at customer relationship management (CRM) – Establishing multidimensional connections with a customer such that the organizations are seen as a partner. By sorting and analyzing data supplied by customers, gathered from third parties, and collected from previous transactions, a marketer is able to better understand a customer’s needs and preferences. By examine successful partnerships in business and elsewhere, marketers have discovered that endorsing relationships are built on trust and mutual commitments; require a lot of time and effort to create and maintain, and are not appropriate for every
exchange situation. Applying this concept to their marketing programs, many firms are dedicating much of their marketing effort to build lasting relationships with selected customers.

**Mass Customizations:** The modern marketing system was built on identifying a need experienced by a large number of people (a mass market), and using mass production techniques and mass marketing (relying heavily on network television advertising) to satisfy that need. By producing and selling large quantities of standardized products, firms were able to keep the unit costs low and offer need satisfying products at attractive prices. However the market has changed. Mass marketing is being challenged by mass customization, that is developing, producing and delivering affordable products with enough variety and uniqueness that nearly every potential customer can have exactly what he or she wants.

**Value Creation:** Marketers know a day is taking a closer look at what customer’s value in a product, whether it’s a household product or financial products. The above two points which also focus over the mass marketing exactly which has been driven by the desire to offer products at the lowest possible prize. The focus on prize overshadowed other benefits sought by the customers. With better information about what customer, desire and constant improvements in technology that make meeting those desires possible, so marketers are engaging in value creation that extends beyond just offering the lowest possible prices.

**Performance matrices:** Marketing is the only factor that influences how customers/investors behave. Sales or profit could not be measured without it. Know a day marketing accounts for at least 50 years of all corporate costs while other factors are kept aside. To measure how effectively the marketing is working and creating greater output by using different methods, organizations are searching for creative ways to measure marketing’s effect, or the return on the marketing investment. So with this performance metrics one can measure investor’s positive attitude towards a brand, its satisfaction level and its retention capability. Rather it’s difficult to measure and isolate.
**Social Marketing Concept:** As long after the marketing concept became a widely accepted approach of doing business, it came under fire. For more than 40 years critics have persistently charged that marketing ignores social responsibility. That is, although the marketing concept may help an organization achieve its goals, it may at the same time encourage actions that conflicts with society’s best interests. A firm may totally satisfy its customers/investors.

4.8 **MUTUAL FUND DISTRIBUTORS-REGULATIONS AND BEST PRACTICES**

The present Indian mutual fund industry is well regulated, and SEBI Mutual fund regulations are followed by the industry not only in words, but also in principle. Even outside the purview of these regulations, the best business practices are followed internally by the industry, which is why the mutual fund industry has managed to gain investor’s confidence across the country in such a short span of time.

The effective framework within which the industry operates is a result of adhering to well thought out regulations keeping the investors interest in mind. Norms for mandatory disclosures, limits on the amount of expenses that can be transferred to the ultimate investors and other healthy measures have certainly kept the industry going. The regulators have also amended these measures from time to time. Keeping in mind the dynamic nature of the markets and recent guidelines like changing new launches from being called IPOs to NFOs, to prevent gullible investors from being mislead was perfectly timed. SEBI’s recent diktat on amortization of initial issue expenses was also a move in the right direction. This ensures that the investors getting into the fund after the NFO are not penalized.

Though nobody seems to be complaining about how the industry operates in the present times, but there are still areas where greater accountability and transparency levels would lead the industry towards a new growth trajectory. An important place in the mutual fund business is occupied by the fund distributors, who are chiefly responsible for the penetration levels achieved by the industry so far. The mutual fund distribution business needs to be set right, where both fund houses and distributors have been guilty of certain malpractices.
The problem area in the fund marketing business is not that much of guidelines and regulations but that of implementation of these regulations. Healthy regulations like qualifying AMFI examinations for every person associated with the distribution of funds, restriction on kick backs to clients/investors etc. are all there in place, but in reality their implementation is sadly very restricted. The recent news about SEBI looking to introduce guidelines to regulate the business of financial distribution will definitely move the industry towards higher transparency levels, which is always a welcome move.

Another area of concern is the fund management activity of the AMCs and the fund managers themselves. Thanks to sticker control both by the industry regulators and capital markets regulators, incidents of the likes of Sameer Arora may not be there in public memory anymore.

Distribution business essentially requires knowing the client well, preparing a financial plan based on the individuals risk appetite and fund requirements and then suggesting schemes to meet the investment objectives. However, majority of the distributors are sadly lacking in efforts to carry out these important functions.

Regulations to monitor fund marketing business would be a step in the right direction and as and when these are implemented will definitely augur well for the industry. The challenges will still remain the same for the market regulators and implementation of these guidelines in the right spirit will be the focus area. The onus this time should be not on the regulators but the fund houses and distributors also. The biggest responsibility has to be taken by the investors themselves, and it’s about time they gave something back to the industry which has given them so much in the last couple of years (SEE APPENDIX III).

4.9 MARKETING PRACTICES CONCEPT

4.9.1 Marketing Practices of Mutual Funds

Having discussion on issues relating to the marketing of mutual funds, the term marketing may be defined as the way in which an organization matches its human, financial and physical resources with the wants of its customers. So the above lives
immense importance to customer satisfaction and attempts to project marketing as a ‘customerization strategy’.

So what do mutual funds sell? In reality, they do not sell anything tangible or intangible. As Banks sell their products on the basis on certain returns which are assured. Insurance companies sell contracts. Not so mutual funds. They mobilize funds from the investing public to manage those funds effectively i.e. they create an expectation of good returns in the mind of investors.

In the case of mutual funds, managerial efficiency and investment skills would determine the returns. Successful mutual fund marketing therefore must create confidence among potential investors and strengthen their desire to put their money with a particular fund. It is not only publicity talking skills and public relations that strengthen confidence, but also evidence of good performance. Additionally, the organizations image, the transparency of its policies and the quality of management form an indirect part of mutual fund marketing.

The emerging trends in the market environment, particularly the financial economy, are other important aspects to be considered while formulating any marketing strategy, particularly the financial economy, as they greatly influence the changing needs of investors. The perception of investors and their level of risk tolerance and confidence play an important role in their selection of products. Therefore, marketing must be able to instill psychological and financial confidence among them.

A mutual fund pools the savings from numerous investors and invests them in diversified securities in the capital market in order to optimize the returns, safety and liquidity and offer the maximum benefits to investors. Mutual funds can be divided into open-ended, closed-ended and interval schemes, based on their structure.
The mutual funds market can be segmented into growth fund, income fund, balanced fund and money-market fund, based on the customer’s investment objective. In purchasing mutual funds, investors look for capital appreciation, liquidity and safety. Therefore, marketers are required to design the products keeping those objectives in mind.

Products that are customized and designed to suit the risk profile of the customer and his investment objective are offered in the market. The price of a fund chiefly
depends on the underlying stocks’ performances and the stock market trends. The company’s performance allows it to charge a load on the purchase and redemption prices. The various channels of distribution used by mutual fund companies include their own employees, distribution companies, agents, banks and post offices apart from the Internet. The role of people becomes quite important in the mutual fund industry for two reasons. The fund manager determines the success of a fund in the market. As there is limited knowledge of mutual funds among investors, they need to be convinced by the employees and agents to invest in mutual funds.

The mutual fund industry has evolved as a competitive industry in the financial services sector with the introduction of reforms. The entry of global and private players and the inventions of technology like the Internet have transformed the business completely. The development of the equity market has made the mutual fund an attractive investment option for consumers. The option to invest in foreign equities is expected to change the mutual fund market in India further.\(^\text{16}\)

**Distribution – Challenges under the current market conditions.** Distribution of financial products is a challenge in today’s market with the entry of new players, rising competition and saturation of the urban markets. Companies are now targeting tier-II cities and identifying innovative important role in taking distribution of financial products to cities beyond the first twenty. So how to make the financial products available to a larger market, especially under the present market conditions? Is the major considerable issue.

**Mr. A.P Kurian Chairman Association of Mutual Funds of India** said, "Financial products act as an investment avenue and provide the required financial security to the investors based on the risk return profile of the financial products. In this context, a Mutual fund is the fastest growing investment segment in the country. There has been a prominent growth of about 20-60 per cent in the mutual funds segment in the last few years. But nevertheless, though there has been a dramatic fall in the segment last October-2008, the economic condition is expected to bounce back to normalcy by 2009-10 sustaining the safety of investing in mutual funds for a long term benefit".
4.9.2 Stages Explanation through PLC

The above figure discloses its relation with the marketing practices of mutual fund. On the x-axis representing time on the other hand, y-axis representing sales. Having it’s similarity with the product development—but here it’s representing the four stages in the product (mutual fund existence). These stages are discussed below:

- **STAGE-1** It’s the stage of introduction, where the company introduces its product and to know the features of its product it take the assistance of informative advertising to increase awareness of it’s product. Same the mutual fund companies does for it’s launching of new mutual fund/ mutual fund scheme.

- **STAGE-2** It’s the stage of growth, in which the companies used to measure the power of their competitors by observing every activity of their competitors or their companies in the market, so persuasive advertising is done under this stage.
To increase brand loyalty among its investors by granting different benefits to attract their aims under this stage.

- **STAGE-3** After growth the maturity stage occurs where the product knowledge is to the investors and they are self concerned about every product in the market. Various promotional activities and changes in prices or any sort of modification in the product doesn’t harm their interest of investment.

- **STAGE-4** Every product whether consumable or financial, has one or the other time of decline when to compete their product competitors are there in the market.

Research is the only tool an organization has to keep in contact with its external operating environment. In order to be proactive and change with the environment simple questions need to be asked:

- How investors are needs changing? Can you meet these changing needs? What do your customers think about existing products or services?
- How are competitors operating within the environment? Are their strategies exceeding or influencing yours? What should you do?
- How are macro and micro environmental factors influencing your organization? Again how will you react?

4.10 MARKETING PLAN (Essential Factor-in marketing practices) 17

4.10.1 What is it?

A marketing plan aims to help organize the strategy for a company, its products or services. Planning is essential in all organizations and company plans should be documented. A marketing plan is not a unique document within an organization. Production would have a Production Plan, Human Resource would have a Human Resources plan and so on.
However, all good plans must support the overall corporate objectives of the organization, the corporate objectives maybe to be global leader in the next five years, all individual plans must support this.

A common method used to help plan a marketing plan is an acronym called AOSTC. It simply stands for

1. Analysis – Of environment.
2. Objectives – Setting you in attainable objectives.
4. Tactics – Used i.e. in and for marketing mix
5. Control. – How you will monitor that you are achieving objectives.

### 4.10.2 Structure of a typical Marketing Plan

1. **Situational Analysis – Where are we now?**

   Every good marketing plan needs to analyze the current business situation and ask a simple question, where is the business now? This involves the business firstly conducting an **internal audit**.

   An internal audit will look at:
   - Past objectives and success rates.
   - Past marketing mix strategies.
   - Past budgets.
   - Past segmentation, targeting and positioning strategies.
The internal audit aims to look at what you did in the past, was it successful, if not why not, if so, why so?

After the internal audit the next stage is for you to conduct an external audit. The external audit will involve:

- Conducting a PEST analysis, and discussing the impact of this on your strategy.
- Researching the industry you operate in. What are the trends within the industry you operate in?
- Competitor analysis. What are your competitors up to?
- A SWOT analysis to help establish your current strengths, opportunities, weaknesses and threats.

2. **Set your objectives – Where are we going?**

Set yourself SMART objectives so you know where you are heading. Remember SMART stands for:

- Specific – Clearly state what you want to achieve.
- Measurable – Is it easy to measure the objectives you set by monitoring sales, market share figures?
- Achievable – Set you in attainable objectives.
- Realistic – Can you really achieve them with the current resources you have?
- Timed – Set a realistic time scale for the objectives.

3. **What tactics or methods will you use to get there? How will you get there?**

- Define your target market. Select your segment, your targeting strategy and positioning strategy.
- How will you use the marketing mix to assist you? What will be your product, price, place or promotion strategy?

4. **How do I evaluate the strategy? Are we getting there?**

Are you achieving the objectives you set for yourself? To evaluate your plan some benchmarks may include:

- Market share data.
- Sales data.
• Consumer feedback.
• Feedback from staff.
• Feedback from retailers.

Same is the case with the mutual funds companies if the proper market plan has been adopted then only you will achieve your set target objectives- within marketing practices.

4.11 CONCEPTUAL FRAMEWORK OF MARKETING STRATEGIES

The tale of peddling services is as old as the hills. But never has a period in business history seen such an aggressive marketing of services. No business prognosticator could have forecast such a brutal fight for customer money, such struggle for existence and such revolutionary changes in the service industries to satiate the escalating expectations of consumers, This is now true of the Mutual Fund industry. The top performing mutual fund usually varies from one time period to another as investment styles and sectors come in and go out of favor. While screening tools readily provide such performance data and make the task of identifying top mutual funds relatively easy, there is more to construct a top mutual fund portfolio than screening for top mutual funds.

The fact that the Mutual Fund industry can be viewed as a ‘Service industry’ makes it imperative to analyze the seven ‘Ps’ of marketing which form the pillars of modern day marketing strategies. These seven ‘Ps’ must be carefully examined and analyzed and the “effective” marketing plan must be made only by giving adequate weightage to them. This analysis is done as under and has been supplemented by real life examples. In a Mutual Fund managerial efficiency and investment skills and know-how determine returns to the investors. Successful Mutual Funds are those wherein marketing creates confidence among potential investors and strengthens their desire to invest in the fund. Since Mutual Funds have greater characteristics of being a service rather than a product, there are 7 Ps associated with it. These are, therefore, the following elements of the Marketing Mix:
• Product
• Price
A multi-class structure offers investors the ability to select a fee and expense structure that is most appropriate for their investment goals (including the length of time that they expect to remain invested in the fund 18.

### Marketing Plan for a Mutual Fund

1. Product planning: Product line to be offered, quality, design, range of services, etc.
2. Branding: Selection of product name, brand policy (individual, family or corporate brand)
3. Pricing: Price of units, rates of incentives, rates of commission to agents/brokers
4. Distribution: Channel to be used for selling the product – directly to the customers or through intermediaries like agents, brokers, etc.
5. Promotion: Promoting sales through advertisement, road shows, etc.
6. Servicing: After-sales services – provided directly by a mutual fund to customers or through intermediaries like registrars of the issue, etc.

**SOURCE:** SADHAK, H (1993), P-253.

A marketing plan for mutual funds services needs to stress the firm-product-customer relationship. Above box give a broad outline of the elements that go into the formulation of a marketing strategy (sadhak, 1993).

**Product design and range:** The products (schemes) of mutual funds are basically investment oriented and the savings mobilized by them are invariably invested in the
instruments (shares, debentures) projected in the schemes. As there is little scope for flexibility, due care needs are to be taken while designing particular products. The expected changes in the capital/stock market need to be taken into account to determine the future investment return. The changing profile of customers (investors) must also be taken into account in order to identify the savings market. India lags behind countries like the US, the UK and Japan in terms of innovative products. Most of the products launched in India are either income or income-cum-growth schemes; few are pure growth schemes. The investor’s options are restricted due to the limited range of products. This has probably happened due to lack of experience and the risk-averse, conservative attitude of the management of mutual funds.

**Brand policy:** Brand identity is an important factor in marketing because it facilitates product identification as the market place. In India, most products are linked to the names of the mutual funds.

**Pricing policy:** Indian mutual funds follow the historic pricing structure. The SEBI (Mutual funds) regulations, 1996, contain guidelines on the pricing of units. As per these guidelines, the schemes may (also) provide for the price at which the units may be subscribed to by or sold to the independent participants in the scheme and the price at which they may be repurchased by the mutual funds. Mutual funds are also to publish the sale and repurchase prices at least once a week. In addition, they are to ensure that the differences between the sale and repurchase prices does not exceed 7% of the sale price. The face value of the units of most mutual funds in India is Rs.10. However, before deciding on the price, the incentives, brokerage charges and commissions are to be decided upon because the expenses towards these items will affect the ultimate returns to investors.

**Costs:** The costs of investing in mutual funds in India are not as high as in the US, and UK and Japan. This is because SEBI has strictly laid down the limits of various expenses. According to SEBI regulations, the AMC can charges the mutual funds with investment, management and advisory fees, which are fully disclosed in the prospectus. Accordingly, the initial expenses under one scheme cannot exceed 6% of the funds raised.
Distribution and Promotion of products: A new mutual funds product may have all the desired qualities, but this does not ensure its spontaneous acceptance by the customers. Its success would greatly depend on appropriate distribution and promotion. The identification of appropriate market segments for the product, and the selection of appropriate distribution channels and promotional aids are essential. The identification of the appropriate market segments is crucial for the promotion and distribution of products. Market segments are identified on the basis of the nature of the product, direct and indirect benefits of the product, requirements of the customers, product usage rate, and so on.

Customer Service: The marketing of services is significantly influenced by the quality of the services, as well as the interpersonal relationship between the customers and the organization providing the services. Servicing plays a significant role in the mutual fund industry, as in any other financial service industry. It makes a distinct difference if the services, such as issuing certificates/cheques and attending to customers’ problems are prompt. Since the expected rates of return are more or less the same for all schemes. It is the quality of services which becomes the deciding factor. Services can be provided through external agencies or internally through the services department. Most mutual funds in India provide after-sales services, both through external agencies and an internal services department, although they largely rely on external agencies (registrars and transfer agents) who are specialized in the job.

The following is a list of possible Unique Selling Propositions that a Mutual Fund may use to augment its sales.

- Project the Mutual Fund as the ultimate instrument for a sound investment.
- Expertise and Skill of the portfolio manager
- Excellent diversification of Investments
- A means for “small” investors to enter the Capital Market in a “big” way
- Select Investment Trusts instead of life assurance or pension contributions
- Highly liquid Investments
- Professionally managed investments with high growth in the past
- Lower transaction costs
- Convenience in the form a hassle free (also paper free) investment
- Tax Shields
- A wide pool of structured portfolios to choose from
- Returns in the form of Capital appreciation, bonuses and dividends
- Protection cover from Downside risks, Strategy risks and Concentration risks
- Complete Disclosure and transparency
- Targeted investments (Sectoral and Industry based portfolios)

Taking into consideration the above stated plans the fund houses are planning to cover all the sectors so that it may benefit in all aspects. (The fund house is overweight on sectors like FMCG, pharmaceutical, technology and telecom, while it is underweight on oil & gas, BFSI, auto, minerals & metals and banking. It is also bullish on power. Indian fund houses are adjusting their investment strategy and restructuring their portfolio with the US credit crisis spreading across the world markets. “We are taking exposure in derivatives for portfolio rebalancing while maintaining a 5 per cent cash position,” said Krishnamurthy Vijayan, whole-time director and chief executive officer, JP Morgan Asset Management. “We may not invest in any company where the business model requires immediate funding, be it from India or outside or through any means,” added Vijayan. “Under the current scenario, we have also learnt through our schemes that investors intend to get out of small caps or mid caps.”

According to Deven Sangoi, head of equity at ICICI Prudential AMC, “The global crisis is estimated around $1.3 trillion. By use of structured products like derivatives, global balance sheets have been leveraged extensively. We are seeing leveraging in all asset classes like fixed income, equity, commodities, resulting in global liquidity tightening.” The investment strategy currently is on evaluating companies on the basis of their funding requirements and level of dependency on global indicators. In an effort to improve liquidity, the AMC seeks to increase portfolio flexibility. This enables the fund house to take advantage of market triggers and developments taking 10-15 per cent cash position, the fund house is focusing on infrastructure and pharmaceutical sectors. Although the AMC is now averse to invest in sectors like auto and banking, its
CEO holds a long term view on these. The fund house is registering some great inflows in equity schemes with no redemption pressure. On the other hand, Taurus Mutual Fund is diversifying its portfolio much more and spreading the risk, maintaining a cash position between 15-28 per cent.

4.12 MARKETING CONCEPT

Now researcher summarizes the basic components of the marketing concepts as (i) Identifying customer needs, (ii) Managing delivery to customers, and (iii) Achieving customer satisfactions. This can be depicted in the below stated figure

![Marketing Concept Diagram]


4.13 SELLING CONCEPT

Marketing and Selling are interchangeable terms. According to Levitt (1960) in his article ‘Marketing Myopia’, “Selling focuses on the needs of the seller, marketing focuses on the needs to convert his product into cash with the idea of satisfying the needs of customer by means of the products and the whole cluster of things associated with creating, delivering and finally consuming it.” The following flow chart of the selling concept is presented on the lines of the marketing concept shown in Figure 4.8.
The difference between marketing and selling concept comes out sharply in the above two figures. These differences will be summarized below.

### Differences between Marketing and Selling

<table>
<thead>
<tr>
<th>MARKETING CONCEPT</th>
<th>SELLING CONCEPT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The starting point is the identification of Customers needs before products are designed.</td>
<td>Products are designed on the perceptions of the seller.</td>
</tr>
<tr>
<td>2. Customer is focal point of attention of the marketer in all three stages of flow chart.</td>
<td>Product is the focal point of attention of the seller in all the three stages of the flowchart.</td>
</tr>
<tr>
<td>3. Marketing concept is outward looking.</td>
<td>Selling concept is inward looking.</td>
</tr>
<tr>
<td>4. Marketing seeks to maximize customer’s satisfaction.</td>
<td>Selling seeks to maximize profits.</td>
</tr>
<tr>
<td>5. Marketing is a holistic concept covering all the stages of business activity.</td>
<td>Selling is basically a part of marketing.</td>
</tr>
</tbody>
</table>

Clearly then, the differences between marketing and selling concept is quite fundamental in nature. But it needs to be noted here that one concept is neither superior nor inferior to the other. It is the appropriateness of the concept to a given business environment which matter. In the development period perhaps the selling concept was more relevant for the business environment of companies. In the modern period, the marketing concept has become more relevant because of stiff competitions in industry.

Another aspect deserves to be noted here, that marketing and selling are two distinct approaches; functionally marketing is far more comprehensive term. It starts even before the actual business activity starts. Indeed marketing is instrumental in taking some of the most basic business decisions like, what to market and where. As against this, selling is an inalienable part of the overall marketing activity.

4.14 FOCUSING SERVICES: NEED OF THE HOUR

There are many perceptions of what “service” is, and it may be useful to differentiate between services which are saleable products per se and those customer services which are tangential to the product (such as empathy, a friendly attitude, and superior customer treatment). The book by Berry Bernelt, and Brown (1989), Service Quality, describes how important the service process is to the Customer’s perception of quality:

The way customer judge a service may depend as much or even more on the service process than on the service outcome. In services, the “how” of service delivery is a key part of the service. Purchasers of services judge quality on the basis of experiences they have during the service process as well as what might occur afterwards. (p.34)

Due to the importance of the relationship between the service provider and consumer, quality customer service is increasingly being viewed as a key subset of service marketing.

The service sector consists of the "soft" parts of the economy such as insurance, government, tourism, banking, retail, education, and social services. In soft-sector employment, people use time to deploy knowledge assets, collaboration assets, and process-engagement to create productivity (effectiveness), performance improvement
potential (potential) and sustainability. Service providers face obstacles selling services that goods-sellers rarely face. Services are not tangible, making it difficult for potential customers to understand what they will receive and what value it will hold for them. Indeed some, such as consulting and investment services, offer no guarantees of the value for price paid.

Since the quality of most services depend largely on the quality of the individuals providing the services, it is true that "people costs" are a high component of service costs. Whereas a manufacturer may use technology, simplification, and other techniques to lower the cost of goods sold, the service provider often faces an unrelenting pattern of increasing costs.

A Mutual Fund Industry has evolved as a competitive Industry in the financial services sector with the introduction of reforms. The entry of global and private players and the invention of technology like the Internet have transformed the business completely. Today, the service sector contributes more than 50 percent to Indian GDP. This is a far cry from the situation a few decades back, when India was basically an agricultural economy. Services, which is made up of a group of service providing industries like IT Enables Services, Healthcare, Tourism and Hotels, Communications, Media and Entertainment, Trade and Retail, Banking and Financial Services, Transportation and Logistics etc. form the mainstay of the Indian economy today.²²

Services growth rides on India’s globally competitive advantages. India, with its large pool of low cost, trained manpower and other strategic advantages, has the potential to emerge as a service hub to the world economy. Thus, investment in Services provides opportunities for high growth which are often in tune with that possible in more advanced global markets.

In the past 12 years while the sebi as a regulator has time and again experienced with minor changes in disclosure worms for listed companies, there have been hardly any updation for MFs despite the rapid growth of the Industry. So, detailed disclosures, along with enhanced regulation for funds, to bring about the much-needed transparency is long overdue. The following information Investors want needed to be taken into consideration through which if taken as a source of marketing services growth prospective increases. Points are as stated below:-
• Information Regarding Daily NAVs.
• Performance of a particular scheme.
• What rate the fund manager bought a particular stock.
• Marked-to market value of every stock or security.
• Detail information regarding sales and purchases made.
• Reason of investing in a particular stock.
• Information Regarding safety of staying.
• Amount of percentage-regarding corpus.
• Promoter holdings details.
• Aggregate stay of Institutional Investors.

So the information gap remains huge, if the above points are not properly disclosed. Thus, providing services to investors considering these points may reach towards the success and path of growth in Mutual Fund.

Many of the assumptions made in the major initial research on service marketing have been criticize and argue that services marketing is not materially different from product marketing they point out that perish ability differences between products and services are merely short term differences. It is difference of degree, not kind. Rathmell (1966) in his article ‘what is meant by services’ revealed that the concepts developed in marketing were biased towards product marketing and not necessary applicable to services realm.

So revealing the actual facts with the criteria based, which differentiate them clearly, as shown in the following statement: -

4.14.1 Understanding Service and Product

<table>
<thead>
<tr>
<th>Test of Criteria</th>
<th>Services</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangibility</td>
<td>Fully intangible may be physical evidence.</td>
<td>Fully Tangible.</td>
</tr>
<tr>
<td>Inseparability of buyer and provider</td>
<td>Both must be present.</td>
<td>Remote transaction easy.</td>
</tr>
<tr>
<td>Ease of Inventory</td>
<td>Cannot store or warehouse the service.</td>
<td>Easily Inventories.</td>
</tr>
<tr>
<td>------------------</td>
<td>----------------------------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Sensitivity to time</td>
<td>Need on demand or sale is lost.</td>
<td>Can usually wait to receive the product.</td>
</tr>
<tr>
<td>Difficulty in measuring and controlling quality</td>
<td>Measure and control people and process instead of products.</td>
<td>Measure and control product quality only.</td>
</tr>
<tr>
<td>High degree of risk/difficulty of experimentation</td>
<td>Cost of failure very high, may not be possible to make whole or replace the service.</td>
<td>Product can be replaced.</td>
</tr>
<tr>
<td>Consumption of the offering</td>
<td>Customization likely to enhance customer perception of perceived quality.</td>
<td>Customization increases costs, but unlikely to affect perceived product quality.</td>
</tr>
<tr>
<td>Personalization of buyer relationship</td>
<td>Relationship can be as important as service.</td>
<td>Product is the focus of the transaction.</td>
</tr>
</tbody>
</table>


### 4.14.2 Services rendered by Mutual Funds.

According to the Global Asset Management 2006 Report from Boston Consulting Group, India-managed assets will exceed more than $1 trillion by 2015. This means an annual growth rate of 21 per cent for the next nine years. The Indian mutual funds industry has been growing at a healthy pace of 16.68 per cent for the past eight years and the trend will move further as has been emphasized by the report. With the entrance of new fund houses and the introduction of new funds into the market, investors are now being presented with a broad array of Mutual Fund choices. The total asset under management of Mutual Fund industry rose by 9.45 per cent from Rs.309953.04 crores to 339232.46 crores in November, 2006 as published by AMFI. In 1987, its size was Rs.1,000 crores, which went up to Rs. 4,100 crores in 1991 and subsequently touched a
figure of Rs.72,000 crores in 1998. Since then this figure has been increasing tremendously and thus revealing the efficiency of growth in the mutual fund industry. It has generally been observed that as the GDP of a country starts moving up, the share of AUM as a percentage of household financials assets start to increase. At present, India has a GDP of around $3,000 on a per capita basis and the AUM as a percentage of household financial assets is under 4 per cent. This is undoubtedly very low as compared to other countries. As India’s GDP is expected to maintain its growth rate, households will surely be holding more assets through mutual fund than ever before. The tremendous growth of Indian Mutual Funds industry is an indicator of the efficient financial market we are currently having and the trust which investors have on the regulatory environment.

Mutual Funds are essentially investment vehicles where people with similar investment objective come together to pool their money and then invest accordingly. Each unit of any scheme represents the proportion of pool owned by the unit holder (investor). Appreciation or reduction in value of investments is reflected in net asset value (NAV) of the concerned scheme, which is declared by the fund from time to time. Mutual fund schemes are managed by respective Asset Management Companies (AMC). Different business groups, financial institutions, banks have sponsored these AMCs, either alone or in collaboration with reputed international firms. Several international funds like Alliance and Templeton are also operating independently in India. Many more international Mutual Fund giants are expected to come into Indian markets in the near future.

Following below stated services explained it further in detail.

4.14.3 Basic services

Multitude of investment account services are designed to simplify and enhance the management of investors accounts. In this section, Mutual funds provide a comprehensive list and an explanation of all the services that aid in helping investors to manage their investments.

- Service Information - Review general account information including account options and guidelines.
- Transactions Processing - Get the details on account transaction processes, including withdrawals, additions, updates and more.
Online account facility

This section explains the various features offered within the system. Please note that due to the nature of certain account types, some of the functionality listed below may differ, this shows how effectively fund companies work for investors.

**Portfolio Summary:** View a snapshot of all of investor’s accounts.

**Portfolio History:** Request regarding history for all accounts within their portfolio for various time periods (for example, previous business day, previous seven days or previous 30 days).

**Fund Detail:** Access a summary of an individual fund or account, including account number, fund name, balance as-of date, share value, price (or Net Asset Value) and total account value.

**Fund History:** View the history of the fund or account, including transaction description, trade date, price of the transaction, dollar amount, number of shares and running share balance.

**Average Cost:** View the average cost for a fund, i.e., or account, including last calculation date, cost basis amount, shares and cost per unit.

**View Beneficiary:** Access detailed information on investors account beneficiaries.

**View Pending and Canceled Trades:** Review trades currently pending on investor’s accounts and those that have been canceled or deleted from their account on a particular day.

**Change Address:** Change investors address of record for their entire portfolio. Even confirmation statements will be sent to the old address.

**Update Distribution Options:** View or update current distribution options for non-fiduciary accounts. Investors can elect to reinvest dividends and capital gains or select the cash option. When selecting to receive dividends and capital gains in cash.

**Reorder Checkbook:** Order new checkbooks for your accounts that allow check writing.

**Duplicate Statements:** Request a duplicate of your most recent year-to-date Investor statements. The statement will be sent to the address of record.
Toll free information facility: When investors don’t have the convenience of online access, they can still get account information by phone through automated voice response system, for quick, convenient access to account information.

By accessing the automated customer service system and entering a series of numerical codes on your touch-tone phone¹, investors can get:

- Mutual fund share prices² and money market fund yield information³
- Current share balances and account values
- Recent tax information relating to their units.

¹If you’re calling from a rotary telephone, you’ll be automatically transferred to a customer service representative during normal business hours (8 a.m. to 6:30 p.m. CST).
²Quoted share prices represent the mutual funds’ net asset values as of the stated dates.
³Quoted yields represent SEC yields for the indicated seven-day periods.

4.15 STRATEGIC TRENDS IN MUTUAL FUNDS

Marketing Services is different from marketing goods because of the unique characteristics of services namely intangibility, heterogeneity, perishability and inseparability. Further these characteristics have extended by adding as one another namely.

- Lack of ownership
- Intangibility
- Inseparability
- Perishability
- Heterogeneity

As we all knows that Marketing-Mix comprises of 4p’s these include

- Product
- Price
- Place
- Promotion
Also, knows that only concentrating towards 4p’s the investors can’t be delivered with the better services which is required after selling the product. So Today’s changing trends in service Marketing is focused on 7p’s which are further an extension of 4p’s stated as: -

- People
- Process
- Physical evidence

**People:** An essential ingredient to any service provision is the use of appropriate staff and people. Recruiting the right staff and training them appropriately in the delivery of their service is essential if the organization wants to obtain a form of competitive advantage. Mainly investors who are investing in Mutual Funds make judgments and deliver perceptions of the services based on the employed they interact with. In People accreditation, which tells the investors that staff are taken care off by the company and they are trained to certain standards.

**Process:** It refers to the system used to assist the organization in delivering the service. So what was the process that allowed you to obtain an efficient service delivery? Here matters, because everyone focuses over the time constraint.

**Physical Evidence:** Where is the service being delivered? Physical evidence allows the investors to make judgments on the organization like (friendly environment etc.)

---

**Figure-4.9**

| Product | Price | Place | Promotion | Moving | Trends | Towards | its | Promotion | People | Process | Physical Evidence. |

Moving towards the strategically changes which have taken place regarding providing services to investors.
Table 4.2

<table>
<thead>
<tr>
<th>Traditional Trends</th>
<th>Vs.</th>
<th>Present Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Early Services were simply endeavor to the Investors.</td>
<td>Presently two levels of Services had been declared by the MF Industry. (a) Value added Services. (b) Basic Services.</td>
<td></td>
</tr>
<tr>
<td>2. Under this it includes services like:</td>
<td>Under this it includes</td>
<td></td>
</tr>
<tr>
<td>• Providing true and adequate information to the investors.</td>
<td>a) Value added Services</td>
<td></td>
</tr>
<tr>
<td>• Awareness of Risk.</td>
<td>• Product Information</td>
<td></td>
</tr>
<tr>
<td>• Availability of Prospectus Memoranda and related Literature.</td>
<td>• Advisory Services regarding</td>
<td></td>
</tr>
<tr>
<td>• Fair allotment procedure</td>
<td>o Financial Planning</td>
<td></td>
</tr>
<tr>
<td>• Communication should not include:</td>
<td>o Investment Strategies</td>
<td></td>
</tr>
<tr>
<td>o Unrealistic Expectations</td>
<td>• Information regarding taxation.</td>
<td></td>
</tr>
<tr>
<td>o Ungranted return</td>
<td>• Information regarding estate planning</td>
<td></td>
</tr>
<tr>
<td>o Benefits of extraneous in nature.</td>
<td>• Information regarding portfolio rebalancing.</td>
<td></td>
</tr>
<tr>
<td>o Immaterial Information</td>
<td>• Awareness regarding developments in market conditions.</td>
<td></td>
</tr>
<tr>
<td>o Mis-Guidance regarding market-risk.</td>
<td>(b) Basic Services includes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Basic Information on schemes launched</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Assistance regarding</td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Filling application forms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Submission of application forms</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Delivering redemption proceeds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Answering queries</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Facilitate paper work.</td>
<td></td>
</tr>
</tbody>
</table>


Mutual fund companies seem to exploit “four and five-star only” investor beliefs. Advertising practices by mutual fund families are selective concerning which mutual fund star ratings they will advertise. You would be challenged to find any mutual fund
family that advertises its one- or two-star rated funds, and the advertisement of a three-star fund is relatively infrequent. The Morningstar Ratings are widely available to individual investors. Current star ratings with free screening tools are easily found on various websites. Mutual fund companies seem to feed “four- and five-star only” investor beliefs. They appear to know what individual investors believe about the stars, and they give their customers what they want. Advertising practices by mutual fund families are selective concerned with which mutual fund star ratings they will advertise. If a star rating is mentioned in ad copy, four and five-star funds seem to garner virtually all of mutual fund advertising dollars. You would be challenged to find any mutual fund family that advertises its one- or two-star rated funds, and the advertisement of a three-star fund is infrequent.

Mutual funds offer fund summary sheets known variously as “fact sheets,” “sales flyers,” “performance or commentary sheets,” etc. that are available for downloading from their websites. The star rating for a fund will be featured prominently at the top of the summary sheet, but only if it has a four- or five-star rating. These flyers tend to be used by commissioned sales agents or financial “advisors” to induce their clients to purchase funds. Apparently, a fund with a four- or five-star rating are easier to sell, even if it may have a high expense ratio, a front-end load charge, high turnover, or some other higher cost related factor which is likely to reduce investors’ net returns.

Clearly, mutual fund families are not providing the Morningstar Ratings as a standard performance comparison tool across all their funds. Instead, they treat the stars as a convenient marketing tool that exploits investor beliefs about performance prediction, when even Morningstar has generally avoided making such claims. If taken as an important factor Marketing Strategies: A marketing strategy serves as the foundation of a marketing plan. A marketing plan contains a list of specific actions required to successfully implement a specific marketing strategy. An example of marketing strategy is as follows: "Use a low cost product to attract consumers. Once our organization, via our low cost product, has established a relationship with consumers, our organization will sell additional, higher-margin products and services that enhance the consumer's interaction with the low-cost product or service."
A strategy is different than a tactic. While it is possible to write a tactical marketing plan without a sound, well-considered strategy, it is not recommended. Without a sound marketing strategy, a marketing plan has no foundation. Marketing strategies serve as the fundamental underpinning of marketing plans designed to reach marketing objectives. It is important that these objectives have measurable results.

A good marketing strategy should integrate an organization's marketing goals, policies, and action sequences (tactics) into a cohesive whole. The objective of a marketing strategy is to provide a foundation from which a tactical plan is developed. This allows the organization to carry out its mission effectively and efficiently.

**4.16 IMPACT OF FINANCIAL CRISIS ON MUTUAL FUNDS MARKETING STRATEGIES**

Fear is a powerful driver. Losing a huge chunk of your retirement in 2-3 days is painful. Fear and pain also drives unusual decisions, like people sharing intimate financial details with each other. The worry lines are pretty visible, faced with rising redemption pressures leading to strained finances, many MF’s and brokers are adopting unconventional ways to survive: staff cut $ diversification. Large scale redemptions across schemes and strained finances in the past couple of months are forcing mutual funds in India to cut employee costs as part of their attempts to survive in testing times. While the smaller funds by asset under management (AUM), which are fighting for just survival, have already resorted to such measures, industry officials say it’s a question of time before the larger ones follow suit, unless financial markets stabilize. May be premature withdrawals from fixed maturity plans. The Securities and Exchange Board of India (Sebi) is expected to issue stricter norms for the mutual fund industry. Sebi is expected to bar premature withdrawals from FMPs and ask fund houses to list such schemes on the exchanges to provide investors an exit route. The move is aimed at reducing the redemption pressures on MFs when corporate and high net worth investors need liquidity and go in for huge withdrawals. More than 100 applications for floating FMPs are pending with the regulator, which will decide on them only after the new policy is finalized. Fund houses are divided on the maturity tenure for FMPs: While some
favor three to six months, others prefer a minimum 12 months. Sebi is also expected to make it mandatory for all fund houses to provide a monthly declaration of their portfolio for all schemes on their websites.

4.17 INVESTOR ATTITUDE

4.17.1 During Financial Crisis

Investor behavior in mutual fund industry

The mutual fund industry, which is still grappling with the fallout of a shallow debt market and tumultuous equity markets, is devising new ways to stabilize its portfolio and tame the unruly investor behavior. Nine out of 32 mutual fund houses have revised their load structure and some have even increased the lock-in period to make the investor stay for a longer period. The latest initiative which come after the mutual fund industry is to witnessed redemptions worth Rs 12,81,843 crore as against investments of Rs 11,89,386 crore, showing an outflow of Rs 92,457 crore during the August-October 2008 period. A mutual fund manager recently complained about the open-end fund structure as it encourages redemptions when the market declines. Open-end equity funds saw redemptions of Rs 6,752 crore in January 2008, the month the market crashed. While inflows were double at Rs 12,566 crore, the fact remains that investors typically redeem units when a fund underperforms or when asset prices decline. But rather than solely blame the investors for their myopia, the mutual fund industry should accept its share of responsibility. In fact it is found that investors prefer close-ended funds. There could be two reasons for this bias. First, the open-end structure provides an optimal exit route for investors. And, at second, it helps fund-houses to enhance revenues. Consider the first argument. Investors do not know ex-ante if their fund manager will outperform the market. An open-end structure provides investors an exit route in the event their fund manager underperforms. The above argument would mean that the fixed-income investors are more tolerant about their fund managers underperforming the benchmark indices than their equity counterparts. But there is no reason to believe so. Investors are typically myopic. Such investor behaviour forces fund managers’ to concentrate on near-term performance.
Otherwise, funds would face redemption pressures due to the open-end structure. This pressure on near-term performance forces managers away from high alpha-generating assets. While debt mutual funds are reeling under severe redemption pressure, investors in equity schemes seem to be holding on to their investments despite sharp fall in stock prices. An analysis of the mutual fund data (from January-September 2008) about the redemption pattern in equity schemes shows that redemption in equity funds has slowed down. According to AMFI data, in January when the funds had assets under management (AUM, open-ended) worth Rs 1,37,886 crore, redemptions were Rs 6,752 crore or about 5 per cent of the AUM. In September, AUM stood at Rs 1,03,608 crore while redemptions were Rs 2,181 crore (2.1% of the AUM). In fact, in September, equity funds saw a net inflow. However, this was not the largest for the year. In March, investors had put in Rs 40,782 crore in equity schemes. The investment in the previous month was Rs 36,000 crore. “The dip in redemption indicates that investors are not desperate. Investors just don’t want to book profits and vanish,” says UTI AMC fund Manager Swati Kulkarni. Experts feel that this a complete change in investor behaviour because earlier whenever stock market crash retail investors run to the exit door in panic. “The tolerance level of investors has gone up significantly. Investors investing in equity schemes believe in long-term story of equity market. Hence, they are not interested to redeem their units held at this low NAV levels overnight, especially in view of the high NAV levels, they have seen in the last bull market in 2007,” pointed out A Balasubramaniam, chief investment officer, Birla Sun Life Mutual Fund.

4.17.2 Common investor confidence in mutual fund industry

Globally, there is increased evidence to suggest that investor confidence has assumed an important role in the economic development of a country. Integrity of the financial markets and economic well being of the country depend on corporate accountability and investor confidence. The Global concern is to make capital markets safer. Transparency, strengthening financial system and managing crises are the issues, which cannot be quickly fixed. But they add up to a stronger system. Globally, lots of countries have undergone investor confidence crisis.
Worldwide, researchers have studied causes for market turmoil. Any bunch of new entrants into the equity market contains a number of frauds. Potential investors know this, but cannot identify the frauds. Also it was found that IPOs in the long run are overpriced. So after listing, a fall in market price results in loss of investment to the investors. Researches have also indicated that Government policies have an impact on investor confidence and capital mobility. Analyst’s growth forecasts are routinely over optimistic around new equity offerings, but the most over optimistic are of those analysts, employed by the lead underwriters of the offerings. Usually less informed investors are over confident in investments. Providing more information to professional investors only could harm the welfare of less informed investors if less informed investors are not aware of the extent of their informational disadvantage. A comparison of investors a century ago with investors today revealed that today’s investors are more rapidly informed than their predecessors are but they are neither better informed nor better behaved. The toll that investors have taken due to the fall in markets and redemptions has gathered a lot of importance. Little wonder then that the regulator, Securities & Exchange Board of India (Sebi), has been working on getting more details from fund houses and planning new guidelines for them. Some of the mutual funds, under the guidelines, went too far to compromise on investor interests. This was the case of fixed maturity plans (FMPs) where some of the schemes had invested in simply one company or one sector. Non banking finance companies (NBFCs) were the preferred destination. Clearly, there is a need for greater transparency here and the regulator will soon be addressing it 26.

4.17.3 Internet: Source of Marketing Individual Investors

Some key alterations to the existing system of investor education and protection can introduce a lot of transparency and efficiency into it. The way to do this will be to introduce a major leveling agent which will do away with the opaqueness that the existing system is shrouded with. This leveling agent is the internet. It has to be understood that the internet is primarily an information transfer agent and has a very vital role in our proposed system. However, system is not restricted to a mere website and an email address. The website will act as a facilitator, very much like a lubricating system,
but needless to say, human will and effort have to be the key forces that will make it a success.

This system will have the following functions:

- To effectively inform, educate and support the investor through his business dealings. The information will have an encouraging tone rather than the unsympathetic and cold legal and financial chatter that is generally found in support documentation. This is not a rule booklet but a resource for the layman.
- To give prior warnings to an investor about any investment or any financial firm to which he might be investing his money in where such a warning is required. For example, his investment profile may not match his choice of investment or his financial firm may have a long record of ill treatment of investors.
- To give the small investor the power to fight back any threat to his hard earned money. This will be achieved by the Reputation Rating System (RRS). This particular rating system would also ensure that the opportunities for ill-treating or harassing investors diminish with the growing popularity of reputation ratings.
- To modify the arbitration and dispute resolution system so that even smaller investors with very low net worth can also seek & obtain expedited justice.

Mutual fund companies are trying to compete within this critical environment to further succeed and making its marketing strategies long worth.

- With the increasing prominence of services in the global economy, Service Marketing has become a subject that needs to be studied separately.
- A sales manager needs to ensure that the salespeople are motivated to perform the selling function in a way that will help the organization attain its goals.
- Companies focusing over the efficient distribution channels to make the products available to the end consumer.
- Financial products are focusing the way of two-way communication and fiduciary responsibility, in addition to the standard set of four characteristics of services, that is, intangibility, inseparability, heterogeneity, and perishability.
- Companies sponsoring mutual funds to create new funds and share classes that have costs reflecting the different distribution services.
- Improving Service quality along with the dimensions of tangibles, reliability, responsiveness, assurance and empathy.

- Good customer service and proper handling of customer complaints pave the way for building lasting relationships \(^{27}\).
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