STRATEGIC MARKETING IN FINANCIAL INSTITUTIONS
(A Study of Multinational and Private Sector HFCs in India)

CHAPTER – 3

STRATEGIC MARKETING
– A LITERATURE REVIEW
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The Indian financial sector comprises of nationalized banks, commercial banks, cooperative banks, non-banking financial institutions, foreign financial institutions, private sector banks and financial institutions, financial intermediary institutions, non-bank statutory financial organizations and many other investment companies. Since last less than a decade the competition in this sector has become so fierce that to tide over the same it is gripped by the ‘innovation mania’\textsuperscript{1}. These financial institutions have started offering complex, innovative deals and products, often tailored to the specific needs of a borrower or an investor, in the hope of skimming off fat fees before the competitors wised up to the fact and started offering similar products. Thus, there is a race on to come up with increasingly complex and often esoteric products, which, it is sometime said, the financial institutions themselves do not fully understand. A host of strategic marketing practices are in operation by these financial institutions.
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3.1 Concept and Process of Strategic Marketing:

History of our planet proves that adapting to change is the only way to survive. Those who do not or cannot adapt, become extinct. This is true of plants, animals (including human beings) and even brands. In the recent years the pace of change has increased manifold and consequently the time available to adapt to changes has shrunk considerably. The problem with many of us is that we think of future as faraway. The future is here. It’s not some event that will take place five, 10 or 20 years from now. It is something that is as close as tomorrow. The pace of change in the recent years has shortened the distance between yesterday, today and tomorrow. Marketing began emerging as a serious business management discipline way back in the late 19th and early 20th century. By the mid-1900s, marketing had already established itself as a central business function and the four Ps became the tactical tools of marketers. Over the next 30-40 years, marketing as a strategic business function has evolved constantly to adapt to continuous and discontinuous market changes. Concepts such as segmentation, differentiation and competitive advantage emerged and proved extremely useful to marketers in successfully introducing and establishing brands. But things have been different in the last decade or so. Technology and product breakthroughs, discovery of newer markets (and stagnation of older ones), rising incomes, and telecom and media proliferation have necessitated newer and innovative marketing approaches, because the time to react to competition is shorter than ever before and there is little, if any, scope for blunders. Changing consumer preferences, cultural transformation, substitute products, economic recessions, technological obsolescence and many such problems notwithstanding, the marketers have been quick to adapt to the ever-changing market dynamics and consumer demand, and grown consistently.

3.1.1 Concept: Strategic marketing entails developing broad marketing objectives and strategy based on an analysis of the current market situation and opportunities. Business organizations have to look for strategies of comparative advantage as a competitive weapon particularly in the light of the fact that
strategic groups of many of the financial institutions of multinational and private sector status are being witnessed in formation at national and/or territorial bases in our country.

3.1.2 Process: There is a revolution spreading across the business landscape. The marketers have to insulate themselves from sudden shocks. Across every industry customers are becoming more demanding and less loyal. There is a sea change occurring in terms of what satisfies customers and what keeps them coming back for more. What worked yesterday cannot be presumed to work today, and what satisfies well today almost assuredly will not satisfy tomorrow. The key trends noticed in the market can be encapsulated as:

- Refusing to pay prices presumably inflated by layers of middlemen
- Turning up their noses at sellers' limitations on delivery periods, warranties and payment standards
- Opting for generic or clone products instead of brand leaders
- Negotiating harder for the absolute best deal.

But, this new world of change need not unsettle us, so long as we are willing to understand its demands and rethink our products and services and ways of coming to market. Today, the operative word in business is customer loyalty, which is defined as "an act of binding the customer - intellectually or emotionally - to a course of action." If a product or service meets the buyer's needs at the first occasion, and is offered at a fair price, that buyer has compelling reasons to come back for more, in a quest for "value" that suits him. Thus, loyalty is a combination of many crucial elements:

A. **Product or Service quality**: It deals with the tangible aspects of product performance and service delivery.

B. **Price**: It's what the customer paid for the product or service.
C. Intellectual or emotional bonding: It involves the essence of how we choose to spend or time, money and effort.

The buyer's revolution has major impact for individual businesses. The measures of yesteryear could have reduced impact in the future. These are as follows:

- Excellent quality alone is no longer a differentiator.
- Low prices alone are not a differentiator.
- Excellent service alone is no longer a differentiator.
- Customer satisfaction.

The path for tackling unpredictability of the new information age is two-fold i.e. knowing the customers, and enticing the customers to stay with the business.

A. Knowing what the customer wants: The quest for reducing unpredictability thus lies in providing customers "value" and meeting their expectations. Ideally, one would like to offer a unique experience tailored to each customer. But, a more practical and effective approach is to define groups of customers who share similar expectations. Segmenting the market on the basis of needs and expectations, and choosing the segment to tackle, will be the starting point to reduce uncertainty in business.

B. Rushing in with one-size-fits-all: Offering the variety of products / services that could ensure every customer's needs is another approach in strategic marketing process. The future is all about a competitive context that is different - a context that needs to be understood carefully before planning a foray that is different.
In the process of creating a marketing strategy many factors have to be considered. Of those many factors, some are more important than others. Because each strategy must address some unique considerations, it is not reasonable to identify 'every' important factor at a generic level. However, many are common to all marketing strategies. Some of the more critical factors are described below.

a. The overall objective of the enterprise: In general this falls into one of four categories:

- If the market is very attractive and the enterprise is one of the strongest in the industry the objective should be to invest the best resources in support of the offering.

- If the market is very attractive but the enterprise is one of the weaker ones in the industry the objective should be to concentrate on strengthening the enterprise, using the offering as a stepping stone toward this objective.

- If the market is not especially attractive, but the enterprise is one of the strongest in the industry then an effective marketing and sales effort for the offering will be good for generating near term profits.

- If the market is not especially attractive and the enterprise is one of the weaker ones in the industry the company should promote the offering only if it supports a more profitable part of the business (for instance, if this segment completes a product line range) or if it absorbs some of the overhead costs of a more profitable segment. Otherwise, the business should determine the most cost effective way to divest its offering.
b. Choosing the strategy: The next step is to choose a strategy for the offering that will be most effective in the market. This means choosing one of the following 'generic' strategies.

- **A COST LEADERSHIP STRATEGY** is based on the concept that the organization can produce and market a good quality product or service at a lower cost than its competitors. These low costs should translate to profit margins that are higher than the industry average. Some of the conditions that should exist to support a cost leadership strategy include an on-going availability of operating capital, good process engineering skills, close management of labor, products designed for ease of manufacturing and low cost distribution.

- **A DIFFERENTIATION STRATEGY** is one of creating a product or service that is perceived as being unique "throughout the industry". The emphasis can be on brand image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to your industry. This uniqueness should also translate to profit margins that are higher than the industry average. In addition, some of the conditions that should exist to support a differentiation strategy include strong marketing abilities, effective product engineering, creative personnel, the ability to perform basic research and a good reputation.

- **A FOCUS STRATEGY** may be the most sophisticated of the generic strategies, in that it is a more 'intense' form of either the cost leadership or differentiation strategy. It is designed to address a "focused" segment of the marketplace, product form or cost management process and is usually employed when it isn't appropriate to attempt an 'across the board' application of cost leadership or differentiation. It is based
on the concept of serving a particular target in such an exceptional manner, that others cannot compete. Usually this means addressing a substantially smaller market segment than others in the industry, but because of minimal competition, profit margins can be very high.

c. **Operational strategy:** One of the operational strategies is pricing the offering. A pricing strategy is mostly influenced by the requirement for net income and the objectives for long term market control. There are three basic pricing strategies as described below.

- **A SKIMMING STRATEGY:** If the offering has enough differentiation to justify a high price and the organization desires quick cash and has minimal desires for significant market penetration and control, then it sets the prices very high.

- **A MARKET PENETRATION STRATEGY:** If near term income is not so critical and rapid market penetration for eventual market control is desired, then the enterprise sets the prices very low.

- **A COMPARABLE PRICING STRATEGY:** If the organization is not the market leader in its industry then the leaders will most likely have created a 'price expectation' in the minds of the marketplace. In this case the enterprise can price its offering comparably to those of its competitors.

The other operational strategy is promotion strategy. There are two basic promotional strategies viz. **PUSH** and **PULL**.

- The **PUSH STRATEGY** maximizes the use of all available channels of distribution to "push" the offering into the marketplace. This usually
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requires generous discounts to achieve the objective of giving the channels incentive to promote the offering, thus minimizing the need for advertising.

- The **PULL STRATEGY** requires direct interface with the end user of the offering. Use of channels of distribution is minimized during the first stages of promotion and a major commitment to advertising is required. The objective is to "pull" the prospects into the various channel outlets creating a demand the channels cannot ignore.

There are many strategies for advertising an offering. Some of these include\(^\text{13}\):

- **Product Comparison advertising:** In a market where the offering is one of several providing similar capabilities, if the offering stacks up well when comparing features then a product comparison ad can be beneficial.

- **Product Benefits advertising:** When the enterprise wants to promote the offering without comparison to competitors, the product benefits ad is the correct approach. This is especially beneficial when the organization has introduced a new approach to solving a user need and comparison to the old approaches is inappropriate.

- **Product Family advertising:** If the offering is part of a group or family of offerings that can be of benefit to the customer as a set, then the product family ad can be of benefit.

- **Corporate advertising:** When the company has a variety of offerings and its audience is fairly broad, it is often beneficial to promote the enterprise identity rather than a specific offering.
Another operation strategy is distribution strategy. It is to select the distribution method(s) the organization will use to get the offering into the hands of the customer. These include:

- **On-premise Sales**: involves the sale of the offering using a field sales organization that visits the prospect's facilities to make the sale.

- **Direct Sales**: involves the sale of the offering using a direct, in-house sales organization that does all selling through the Internet, telephone or mail order contact.

- **Wholesale Sales**: involves the sale of the offering using intermediaries or "middle-men" to distribute the product or service to the retailers.

- **Self-service Retail Sales**: involves the sale of the offering using self-service retail methods of distribution.

- **Full-service Retail Sales**: involves the sale of the offering through a full service retail distribution channel.

### 3.2 Application of Strategic Marketing:

There's been an evident shift in perception and mindset in the Indian middle class over the last five to ten years, thanks to the impact of liberalization and opening up of the Indian economy, a rise in average income across households, and a palpable desire to own things 'now'. The most crucial aspect of this 'shift' in the consumer's mindset is perhaps explained by the fact that the young (or Generation Next) are more in charge of their lives and eager and impatient to assume the world. It's a generation that is independent, self-reliant and nuclear in nature. And it is this eagerness to succeed that has fuelled a drive to own what one desires the most: a home, a car and a healthy lifestyle. Other drivers have
been incentives from the government to buy homes, improved quality of buildings and property services and a bouquet of financial options. Tax concessions, property price dips and lower interest rates have also helped\textsuperscript{16}. But what’s helped more is the change in consumer’s mindset over a ‘loan’ being a stigma, the extra freedom of making an informed choice, and flexible, customized finance options coupled with mutual trust. A broader issue has also been the migration of industries to smaller towns, leading to rural progress. With villages turning into towns and towns becoming metros, the property market is progressing steadily. This revolution has directly resulted in greater demand for not just housing but also for related facilities like sanitation, transportation, medical aids, power and water, and the overall infrastructure.

The housing finance industry has definitely gone through a major change, resulting in increased competition. HDFC was the only company back in the 80’s to offer home loans and related range of products\textsuperscript{17}. Today, it’s a different story altogether. The RBI’s guidelines for commercial banks to earmark 3 per cent of their incremental deposits for housing finance marked the entry of commercial banks also into this sector\textsuperscript{18}. Entry barriers are negligible if one looks at the demand for housing finance in the country today. A recent study by CRIS INFAC showed that the market requires funding of over Rs 140,000 crore over a five-year period\textsuperscript{19}. Banks have gone all out to address this demand. This has resulted in a significant increase in the number of distribution points for housing finance products and the emergence of alternative distribution channels like DSAs (direct sales agents). Another development is the amount of freebies on offer - from free insurance to products with fixed interest rates (but fixed for a certain period only). However, a lot of these freebies come along with a fine print. While there may not be any significant barriers, what is more important is to have efficient appraisal and processing systems in place, the domain knowledge, earn confidence and trust of people and the will to understand, innovate and provide customized solutions all the time while keeping the NPA’s and costs under control. The name of the game is profitability with growth and the ability to sustain this in the long run.
3.2.1 New Dimensions of Competition in Housing Sector: There is a lot of talk about USPs in financial services, but the concept of having a USP by itself is being questioned. A lot of banks have entered the housing finance market, but without realizing that the nature of the industry is such that hard sell won’t work. For most of the middle class, buying a house is still a once in a lifetime decision, and it should be pondered upon with great care. Aggressive selling through DSAs can work to build volumes. But the companies are not equipped with the right kind of knowledge to provide value to the consumer in an issue as complex as this, especially when the situation changes from state to state and city to city. The consumer needs solutions, not loans, and that is the point that players need to understand. Product differentiation is also negligible since products can be easily replicated. Interest rates, though an important factor in the value chain, are still only one link in the chain. There are a lot of other aspects a consumer needs to consider, like the long-term implications of the entire transaction, how fixed is a fixed rate, property value and builder reputation including his track record, and, chiefly, the right to information to make a sound investment decision\textsuperscript{20}. Today, there is only one differentiator that decides the real value - the core strengths of an organization. It is the expertise of the people, the ability to handle technical and legal aspects, the systems and processes, the forward-looking vision of the technology implementers, and the organization’s service skills, which are the building block that predicates all one does. This is what any organization in the Indian housing finance sector should aspire to be.

3.3 Marketing Environment Analysis:

Making a decision about pricing, promotion and distribution is heavily influenced by some key factors in the industry and marketplace. These factors should be analyzed\textsuperscript{21} initially to create the strategy and then regularly monitored for changes. If any of them change substantially the strategy should be reevaluated.
3.3.1 The Environment: Environmental factors\textsuperscript{22} positively or negatively impact the industry and the market growth potential of the product/service. Factors to consider include:

- **Government actions** - Government actions (current or under consideration) can support or detract from the strategy. Consider subsidies, safety, efficacy and operational regulations, licensing requirements, materials access restrictions and price controls.

- **Demographic changes** - Anticipated demographic changes may support or negatively impact the growth potential of the industry and market. This includes factors such as education, age, income and geographic location.

- **Emerging technology** - Technological changes that are occurring may or may not favor the actions of the enterprise.

- **Cultural trends** - Cultural changes such as fashion trends and life style trends may or may not support the offering’s penetration of the market

3.3.2 The Prospect: It is essential to understand the market segment(s) as defined by the prospect characteristics\textsuperscript{23} one has selected as the target for the offering. Factors to consider include:

- The potential for market penetration involves whether one is selling to past customers or a new prospect, how aware the prospects are of what one is offering, competition, growth rate of the industry and demographics.
• The prospect's willingness to pay higher price because the offering provides a better solution to their problem.

• The amount of time it will take the prospect to make a purchase decision is affected by the prospect's confidence in the offering, the number and quality of competitive offerings, the number of people involved in the decision, the urgency of the need for the offering and the risk involved in making the purchase decision.

• The prospect's willingness to pay for product value is determined by their knowledge of competitive pricing, their ability to pay and their need for characteristics such as quality, durability, reliability, ease of use, uniformity and dependability.

• Likelihood of adoption by the prospect is based on the criticality of the prospect's need, their attitude about change, the significance of the benefits, barriers that exist to incorporating the offering into daily usage and the credibility of the offering.

3.3.3 The Product/Service: One should be thoroughly familiar with the factors that establish products/services as strong contenders in the marketplace. Factors to consider include:

• Whether some or all of the technology for the offering is proprietary to the enterprise.

• The benefits the prospect will derive from use of the offering.

• The extent to which the offering is differentiated from the competition.
• The extent to which common introduction problems can be avoided such as lack of adherence to industry standards, unavailability of materials, poor quality control, regulatory problems and the inability to explain the benefits of the offering to the prospect.

• The potential for product obsolescence as affected by the enterprise's commitment to product development, the product's proximity to physical limits, the ongoing potential for product improvements, the ability of the enterprise to react to technological change and the likelihood of substitute solutions to the prospect's needs.

• Impact on customer's business as measured by costs of trying out the offering, how quickly the customer can realize a return from their investment in the offering, how disruptive the introduction of the offering is to the customer's operations and the costs to switch to the offering.

• The complexity of the offering as measured by the existence of standard interfaces, difficulty of installation, number of options, requirement for support devices, training and technical support and the requirement for complementary product interface.

3.3.4 The Competition: It is essential to know who the competition is and to understand their strengths and weaknesses. It includes following factors to be considered for this purpose:

• Each of the competitor's experience, staying power, market position, strength, predictability and freedom to abandon the market must be evaluated.
3.3.5 The Enterprise: An honest appraisal of the strength of the enterprise is a critical factor in the development of the strategy. Factors to consider include:

- Enterprise capacity to be leader in low-cost production considering cost control infrastructure, cost of materials, economies of scale, management skills, availability of personnel and compatibility of manufacturing resources with offering requirements.

- The enterprise's ability to construct entry barriers to competition such as the creation of high switching costs, gaining substantial benefit from economies of scale, exclusive access to or clogging of distribution channels and the ability to clearly differentiate the offering from the competition.

- The enterprise's ability to sustain its market position is determined by the potential for competitive imitation, resistance to inflation, ability to maintain high prices, the potential for product obsolescence and the 'learning curve' faced by the prospect.

- The prominence of the enterprise.

- The competence of the management team.

- The adequacy of the enterprise's infrastructure in terms of organization, recruiting capabilities, employee benefit programs, customer support facilities and logistical capabilities.
• The freedom of the enterprise to make critical business decisions without undue influence from distributors, suppliers, unions, creditors, investors and other outside influences.

• Freedom from having to deal with legal problems.

3.3.6 Development: A review of the strength and viability of the product/service development program\textsuperscript{27} will heavily influence the direction of the strategy. Factors to consider include:

• The strength of the development manager including experience with personnel management, current and new technologies, complex projects and the equipment and tools used by the development personnel.

• Personnel who understand the relevant technologies and are able to perform the tasks necessary to meet the development objectives.

• Adequacy and appropriateness of the development tools and equipment.

• The necessary funding to achieve the development objectives.

• Design specifications that are manageable.

3.3.7 Production: One should review one’s enterprise’s production\textsuperscript{28} organization with respect to their ability to cost effectively produce products/services. The following factors are considered:
• The strength of production manager including experience with personnel management, current and new technologies, complex projects and the equipment and tools used by the manufacturing personnel.

• Economies of scale allowing the sharing of operations, sharing of production and the potential for vertical integration.

• Technology and production experience

• The necessary production personnel skill level and/or the enterprise’s ability to hire or train qualified personnel.

• The ability of the enterprise to limit suppliers bargaining power.

• The ability of the enterprise to control the quality of raw materials and production.

• Adequate access to raw materials and sub-assembly production.

3.3.8 Marketing/Sales: The marketing and sales organization is analyzed for its strengths and current activities\textsuperscript{29}. Factors to consider include:

• Experience of Marketing/Sales manager including contacts in the industry (prospects, distribution channels, media), familiarity with advertising and promotion, personal selling capabilities, general management skills and a history of profit and loss responsibilities.
The ability to generate good publicity as measured by past successes, contacts in the press, quality of promotional literature and market education capabilities.

Sales promotion techniques such as trade allowances, special pricing and contests.

The effectiveness of the distribution channels as measured by history of relations, the extent of channel utilization, financial stability, reputation, access to prospects and familiarity with the offering.

Advertising capabilities including media relationships, advertising budget, past experience, how easily the offering can be advertised and commitment to advertising.

Sales capabilities including availability of personnel, quality of personnel, location of sales outlets, ability to generate sales leads, relationship with distributors, ability to demonstrate the benefits of the offering and necessary sales support capabilities.

The appropriateness of the pricing of the offering as it relates to competition, price sensitivity of the prospect, prospect's familiarity with the offering and the current market life cycle stage.

3.3.9 Customer Services: The strength of the customer service function\(^{31}\) has a strong influence on long-term market success. Factors to consider include:

Experience of the Customer Service manager in the areas of similar offerings and customers, quality control, technical support, product documentation, sales and marketing.
• The availability of technical support to service the offering after it is purchased.

• One or more factors that causes your customer support to stand out as unique in the eyes of the customer.

• Accessibility of service outlets for the customer.

• The reputation of the enterprise for customer service.

3.4 Strategic Marketing- Financial Services in General:

Financial services have emerged at the edge of global service marketing phenomena. It has galvanized the Indian financial sector, over the last decade, with the introduction of new banks, new financial institutions, new client segments, new instruments, new windows, new opportunities and novel practices. Financial services, being the chief vehicle of development, have been caught between the pincers of competition (both internal and external) and the politics of development flowing in from regulatory bodies. In the midst of it all has paved the way a huge market of housing finance in India covering wide range of clientele segments. Marketing innovations have pierced vehemently into the designing of end number of home-loan schemes by an even number of financing institutions to cater to the shelter needs of diversified range of customers. Bombarding ways of arousing ‘dream home come true’ feelings constitute the other part of the game.

Non-Banking Financial Companies (NBFCs) are a set of financial service companies that are quite unique to India in terms of their size and the range of services provided by them. The services provided by NBFCs range from retail service such as loans, leasing and hire purchase financing, brokerage and distribution services; to bill
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discounting and syndication services to corporate customers. Till 1990s, NBFCs constituted a significant part of the Indian financial services industry and complemented the services provided by a bank. They were a heterogeneous group of intermediaries of varying size and provided a range of services. They were characterized by their ability to provide niche financial services and due to their relative organizational flexibility, they were often able to provide tailor-made services relatively faster than banks and financial institutions. This enabled them to build up a wide-ranging clientele from small borrowers to established corporates. Based on the principal activity carried out by the company, NBFCs were classified by RBI under five main categories - Equipment leasing company (EL), Hire Purchase finance company (HP), Investment company (IC), Loan company (LC) and Residuary non-banking company (RNBCs - large companies not coming under any one particular category). Hire purchase finance, mostly consisting of retail funding of cars, commercial vehicles and consumer durables was the primary activity, followed by loans and inter-corporate deposits. NBFCs achieved their zenith in early 1990s. Their accelerated expansion in 90s was driven by the opportunities created by the process of financial liberalisation. However, their rapid growth resulted in unhealthy practices and certain disconcerting developments. In response to this, RBI considerably tightened its supervisory and regulatory framework over NBFCs in 1998. One of the new measures of Hire purchase finance, mostly consisting of retail funding of cars, commercial vehicles and consumer durables was the primary activity, followed by loans and inter-corporate deposits. The main categories of such companies are - Equipment leasing company (EL), Hire Purchase finance company (HP), Investment company (IC), Loan company (LC) and Residuary non-banking company (RNBCs). The stringent controls by RBI as well as increasing competition from the rejuvenated banking sector (which was opened up for private players in early nineties) had an adverse impact on NBFCs. Most of the smaller NBFCs could not withstand the pressure and closed down. The overall NBFC sector, except RNBCs, which are large with a broad business mix, recorded losses. The following are some of the main problems faced by NBFCs.

1. High cost of funds

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2. Stiff competition with NBFCs as well as with banking sector
3. Small balance sheet size resulting in high cost of funds and low asset profile
4. Inability to raise funds due to RBI restrictions
5. Non performing assets

However, the health of the NBFCs, especially RNBCs, started to show a distinct improvement in recent years facilitated by prudential nurturing. Most of the reporting NBFCs recorded a CRAR of at least the stipulated minimum of 12 per cent, with almost three-fourth reporting a CRAR of above 30 per cent. Similarly, the non-performing assets of NBFCs, in both gross and net terms, as a percentage of credit exposure, have been declining in recent years.

Up to early 1990s, when NBFCs were at their peak, most retail customers would approach an NBFC rather than a bank for all their financial service needs. However, since its peak in the mid-1990s when public deposits held by NBFCs increased to 9.5 per cent of bank deposits, this sector saw a steep decline. Aggregate public deposits of NBFCs as a percentage of bank deposits came down to 1.5 per cent by March 2003.

3.4.1 Event-Based Marketing: This is a new strategy in marketing of financial services being adopted. A growing number of financial institutions are already producing significant returns from leveraging EBM capabilities. Many other Financial Institutions practice triggered marketing or analytic driven targeting and may even use similar vocabulary, but the difference with true practitioners is built upon relevance. The ability to communicate with each customer in the most relevant way at the most appropriate time requires a foundation of deep data that is fresh and is linked directly and automatically to sales and service channels. This is the environment that drives the highest returns. Financial institutions realize that their most valuable asset is their customers. It’s far more profitable to deepen the relationship with existing customers and avoid defection, as opposed to acquiring
new customers. The use of EBM in the financial services industry stimulates the main organic growth enablers: These are as follows:

- a. Stronger loyalty; less attrition
- b. Increased delight from service opportunities: more satisfied customers
- c. Increased revenue: needs-based cross sell and up sell
- d. More effective and efficient marketing operations: higher ROI

It’s interesting to note that despite the poor performance of direct marketing programs, financial institutions continue to invest money in them. However the fact is that in addition to being busy, consumers wrestle with significant financial concerns at different phases of their lives. Some of these broader concerns may include selecting the right financial products or making the right decisions in a world of complex products and high risk/reward trade-offs. A cases of these consumer decisions include:

- a. Are they saving enough for the future?
- b. Are they selecting the right borrowing options to cover college expenses?
- c. Are they making the right debt consolidation choices and taking advantage of low balance transfers?
- d. How do they finance home improvements/ new cars with various loans?
- e. Do they have enough insurance coverage as they build homes and have major life events?

The Event-Based Marketing is based on systematically and continuously studying detailed customer behavior to identify those moments in time when there’s an opportunity to enhance a relationship or when a customer is most ready to make a purchase decision.
Financial services firms have become increasingly attracted to targeting their markets using a variety of segmentation, modeling, and analysis techniques. Such techniques provide the context for interpreting the detected customer triggers and determining the likely value proposition associated with. Financial institutions are implementing EBM solutions to address their most customer-related challenges, such as balance diminishment and attrition problems. Several financial institutions have already deployed event-based factories and achieved significant business results. And indeed, EBM is becoming a competitive necessity within a growing number of local markets.

3.5 Strategic Marketing- Housing Finance Services:

Innovative marketing practices amongst the financial institutions in general, and multinational and private sector financial institutions with greater or full freedom of decision making in particular, are the order of the day. These financial institutions operating in functional areas like personal banking, treasury, depository services, corporate banking etc. are all set to write a new game on the front of marketing of financial services during the already consolidating liberalized regime. When it comes to home loans segment, where a customer is caught for next 10 to 20 or even 30 years by his commitment to repay the EMI of the loans from his hard earned money, there is an urgent need to study and understand the legality, stability, morality and viability of the undergoing strategic marketing practices of housing finance companies.

3.6 Issues of Concern:

Home financing had been a safe proposition till now as instances of non-performing assets were minimal. This is no longer true today. A recent study by CRISIL revealed that non-performing loans (NPLs) in the housing finance sector stand at around 3.3 per cent today. In contrast, housing finance players in a developed country like the US
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have NPLs of only 0.78 per cent. This is in spite of the fact that property prices generally remain volatile in developed countries. It is believed that issues like this need to be addressed by housing finance sector internally if it has to maintain its leadership position in the industry. Therefore, there are ongoing training programs in different housing finance companies^46, which have role-plays, case studies, real-life examples, and functional training provided by in-house managers who are trained to develop the staff. The training on recovery management is providing results, considering the fact that only 0.89% of the customers are defaulters^47. As an organization it will become increasingly important for the companies to know how to interact with customers who are in arrears and how to handle cultural and local sensitivities. It all boils down to how well one understands and treats the customer; the best strategies are established with long-term commitment and relationships.

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