CHAPTER - V

MARKETING OF MUTUAL FUND PRODUCTS
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5.1 INTRODUCTION

The Mutual fund organisations - UTI, Public sector and private sector mutual funds compete among themselves in wooing investors to their schemes. The Unit Trust of India with 37 year long history stands head and shoulders above its competitors. Its market share is around 65-70 per cent even today. Apart from the competition among the different mutual funds, the products of mutual funds compete with other savings/investment instruments like bank deposits, company deposits, life insurance policies, small savings schemes of post offices, company equities and debentures, non-banking finance company deposits etc. In developed financial markets, mutual funds have almost overtaken bank deposits and the total assets of insurance funds.¹

Mutual funds are set up by established promoters with proven track record and are managed by professionals having vast experience and expertise in the field. These fund managers are backed by strong research teams which keep a close eye on the market movements and opportunities.

In this Chapter, the marketing strategies adopted by mutual fund organisations namely - portfolio management service, marketing strategy, marketing mix, promotion distribution, advertisement codes, distribution net work etc. are discussed.

5.2 MUTUAL FUNDS: PORTFOLIO MANAGEMENT SERVICE

The Mutual Funds create a portfolio which is a combination of varied instruments, keeping in view the liquidity and returns, which cater to the needs of each class of investor (those who have invested for short term and those who are invested for long term). The risk bearing capacity of Mutual Funds are enhanced because of the large and diversified portfolio.²

Mutual funds, in a sense, provide portfolio management services to investors who cannot take decisions regarding the deployment of their funds. The investors can make use of the services of professional fund managers who are backed by a research team which analyses the performance and prospects of the companies and select suitable investment to achieve the objectives of the mutual fund scheme. This may be called delegated investment management.³ The mutual fund operation flow chart is shown in exhibit-5.1. The investors, particularly small investors, simply buy the units of the schemes of their choice, and the resources so mobilised are invested by mutual funds in a cross-section of securities and thereby builds up a diversified portfolio of the scheme. The delegation of the rights to buy and sell the securities enables the portfolio manager of a mutual fund to make a judicious investment decision. It is the responsibility of the portfolio manager to ensure correlation between the basic

Exhibit - 5.1

THE MUTUAL FUND OPERATION FLOW CHART

Source: AMFI: 'Selling Mutual Funds Made Easy' - 1997, p.3
objective of the scheme (from investor point of view) and the safety of the capital. The portfolio is measured and reviewed periodically in the light of the changing market conditions and investors' interest. The portfolio manager handles administrative work with regard to portfolio and provides periodical reports on NAV, Sale price, repurchase price etc. This service is preferred by particularly small investors, who have neither the knowledge nor experience of portfolio management nor are they prepared to shoulder high risks.

5.3 MARKETING STRATEGY

In order to discuss the marketing of mutual fund schemes/products, the term marketing may be defined. "as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy the individual and organizational objectives".\(^4\) The Institute of Marketing, USA, has defined "marketing as the management process responsible for identifying, anticipating and satisfying customer's requirement of profitability".\(^5\) These definitions attempt to project marketing as 'customerisation strategy'.


Mutual funds sell financial products which are in a way distinct from the physical products like consumer goods, or producer goods. They market financial products which satisfy the income or capital appreciation appetite of the investors. Mutual fund manager must therefore not only formulate broad strategies to help the company to achieve its objective but also plan the marketing strategies and tactics for specific products which are desired by investors.

Mutual funds do not sell anything tangible or intangible. They mobilise funds from the investing public through the sale of products to manage a portfolio of securities efficiently and provide financial returns to the investors. By designing the products according to the varying needs of different types of investors, they create interest in the mind of investing public and induce them to invest their savings in mutual funds.

5.4 MARKETING MIX

Mutual funds have to design an appropriate marketing mix which is one of the key concepts of modern marketing strategy. Philip Kotler defines\(^6\) "Marketing Mix is the set of marketing tools the firm uses to pursue its marketing objectives in the target market". Here the target market refers to the group of investors in financial/saving

instruments. There are literally dozens of marketing mix tools. McGarth popularised a four factor classification of these tools called four "Ps" - product, price, place (i.e., distribution) and promotion. Since mutual fund products have characteristics which are different from physical goods, the conventional marketing mix needs to be modified and broadened. The mutual fund marketing mix mainly depends upon the firm-products-customer relationship. Sadhak adds to the four Ps, branding and servicing as elements in the marketing plan of mutual funds.7

Product Design and Range

The general definition of a product given by Philip Kotler8 is: "A product is anything that can be offered to a market for attention, acquisition, or use or consumption that might satisfy a want or need".

As the mutual fund products are financial instruments with varying returns, risk and liquidity attributes, they are bought in the expectation of returns in the form of income or capital appreciation. They are thus different from either consumer goods or capital goods. Consumer goods yield a flow of satisfaction whereas capital goods yield output over the life time. Investment in financial instruments like mutual fund

products are not made in the expectation of financial returns over the life time. The profile of the mutual fund investors plays a crucial role in designing the products. The investment objectives of different investors are different and the product design must cater to the needs and perceptions of investor population.

*Market Segmentation*

The marketing strategy of mutual funds should take into account the profile of investors, class of investors, their occupational status, their age, their needs and objectives and risk-tolerance etc. Mutual fund investors may be broadly classified as (a) individual investors, (b) Hindu undivided family investors and (c) corporate investors. Individual investors and Hindu undivided family investors constitute around 99 per cent of total investors in India.

Market segmentation is also based on the occupational classification of investors. The investors can be classified on the basis of occupations into (a) service class, (b) business people, (c) housewives, (d) professionals and (e) farmers.

The investment goals of these various classes/groups of investors vary with the level of income, age, family responsibilities and risk taking abilities. The time span of investment will be different for different categories of the investors. A person with a
long time span can commit his or her funds in growth products while one having a shorter time frame in mind may have to be more concerned with steady regular income and the safety of investment.

The investment strategy will also vary depending upon the point of time in an individual’s career to make decision. In the early working years, say 25 to 40 years, the prime motivation may be to accumulate enough wealth. Investment allocation of such people will be more in the growth instruments as they are prepared to take higher risks for higher returns. In the middle age of 40 to 50 years, capital appreciation may still be a goal but safeguarding accumulated gains is more important. So the investment allocation may be more balanced or conservative. These people may be willing to sacrifice higher returns for a stable investment and lower risks.

In the pre and post retirement years, 50 to 70 years, the appetite will be for regular income. Investors in this age group are concerned primarily with the safety of principal and risk tolerance diminishes as the age advances. Risk tolerance plays an important role in investment decisions. Risk taking is a highly personalised attribute. Individuals of the same age and identical income have different levels of risk tolerance. The investors may be classified into high risk takers, medium risk takers or risk adverters. The mutual funds have to take into account the above stated factors in designing products for different market segments.
Normally, retired persons and widows look for regular returns and safety of the investment. Some may even make advance provision for retirement. Some prefer instruments which combine insurance benefits. Some may choose gift instruments to give gifts to children and grand children. Some may want to make provision for the marriage of the girl child or educational needs of the children. Investment motives and objectives thus are many and varied. Mutual funds, therefore have to come with innovative products to satisfy the goals and aspirations of the different class of investors (market segments).

The above discussion points out the need for studying investors preference to elicit instant response from them to the products. There are various schemes in the market from fairly long standing reputed mutual funds like UTI to cater to the diversified economic and psychological needs and preference of the investors. An indepth market study is therefore required to find out the hidden needs of investors which require prompt servicing. The investors' preference profile, availability of tax exemptions, benefits and the risk-bearing capacity are the inputs that should be taken into account in conceptualization of a scheme.

In addition to the investors' preferences and tax benefits, the products/schemes should be conceived taking into account the economic environment, domestic and global. Economic and political environment will affect the mood of investors too. The
conditions prevailing in the primary and secondary market will have a bearing on mobilisation of resources. The study of capital market conditions shall be kept in mind before launching a scheme. The expected returns from the portfolio, safety, liquidity of investment and returns to investors in terms of regular income, capital appreciation etc, should be analysed with reference to capital or money market instruments and industry classification adhering to portfolio management techniques.

We may illustrate the product variety of mutual funds taking UTI product line as an example. The exhibit 5.2 given below shows UTIs product variety.

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Segments</th>
<th>Product Name</th>
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<tbody>
<tr>
<td>Open-ended Schemes</td>
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<tr>
<td>Income Funds</td>
<td>Individuals, Corporate, Trust &amp;</td>
<td>Unit Scheme-64, Scheme for Charitable, Religious Trusts &amp; Registered Societies</td>
</tr>
<tr>
<td>Special Purpose Funds</td>
<td>Non-profit Making corporate</td>
<td>Institutional Investors Special Fund Unit Scheme Housing Unit Scheme</td>
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<td>Post-retirement medical Benefit</td>
<td>Senior citizens</td>
<td>Senior citizens unit plan</td>
</tr>
<tr>
<td>Cumulation with Life &amp;</td>
<td>Individuals</td>
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<tr>
<td>Insurance Cover</td>
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<tr>
<td>Plans for Children</td>
<td>Mainly Individual (Gifts to</td>
<td>Children's Gift Growth Fund, Children's College &amp; Career Fund</td>
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<td></td>
<td>Children)</td>
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<td>Individuals</td>
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<td>Feeder Fund</td>
<td>Individuals</td>
<td>Omni Plan</td>
</tr>
<tr>
<td>Special Income Fund</td>
<td>Individuals</td>
<td>Bhopal Gas Victims Monthly Income Plan</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Segments</td>
<td>Product Name</td>
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<td>-------------------------------------</td>
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<tr>
<td><strong>Close - Ended Schemes</strong></td>
<td></td>
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</tr>
<tr>
<td>Growth/Capital</td>
<td>Mainly Individuals</td>
<td>Mastershare, Masterplus, UGS-2000, Mastergrowth, Grandmaster, Mastergain, Unit</td>
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<tr>
<td>Appreciation &amp; Income</td>
<td></td>
<td>Scheme-92, Master Equity Plans, UGS 5000</td>
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<tr>
<td><strong>Income Planes</strong></td>
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<tr>
<td>Income-cum-Growth</td>
<td>Mainly Individuals</td>
<td>Monthly income Schemes Growing Monthly income Schemes, Deferred Income Unit</td>
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<tr>
<td>Funds</td>
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<td>Schemes, Growing Income Unit Schemes</td>
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<tr>
<td><strong>Income-cum-Growth Funds</strong></td>
<td>Mainly Individuals</td>
<td>Growing Corpus Growing Income Plan</td>
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<tr>
<td><strong>Venture Capital Funds</strong></td>
<td>Institutions</td>
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<td><strong>Off-Shore Funds</strong></td>
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<tr>
<td>Close - Ended</td>
<td></td>
<td>Proposed-India Strategic Fund</td>
</tr>
</tbody>
</table>

Source: UTI Report of the Social Audit Committee, 1994, p.102
Mutual funds of public sector banks, financial institutions and private sector organisations have more or less similar products. They have schemes with income, growth, income & growth, tax planning, money market, gilt, liquid fund etc. Besides UTI, HDFC has children's gift fund, Tatas has young citizen's fund, ICICI Children's Plan. Some schemes like ULIP of UTI have accident insurance benefits. Early bird incentives are given generally for equity Linked Saving Schemes. Due to the competition, mutual fund organisations have been adding some additional features to each scheme wherever possible. Pension schemes and index-linked funds are also introduced. These are already discussed at length in Chapter-4.

In India, the performance of mutual fund schemes is poor and the fund managers attribute it to poor market conditions. Mr. M.R. Raghu⁹ feels that while poor conditions are no doubt responsible for poor show to some extent, there are also some areas which lead to poor performance of the products. The following areas, according to him, require indepth thinking.

* Product conceptualization
* Investment strategy
* Outsourcing

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M.R. Raghu says that in India, the industry has squarely failed in product conceptualization and innovation. There are basically two methods of conceptualization of a mutual fund product. They are (i) Investment target based and (ii) Need based.

The fund managers mostly design investment target based products. They design their theme based on the target where the money is going to be parked. For example, the growth schemes invest mostly in the growth based investment in equity shares.

Another variety is need based. Here the theme should be based on investors' specific needs - eg. the Children Gift Growth Scheme (CGGF), Children's College Career Fund (CCUF) of UTI. Even here there is no explicit mention as to where the fund is going to derive growth from. The funds may be invested either in equity market or in debt market depending upon attractiveness. Most of the investment based products have failed miserably due to market conditions, as well as due to inept stock piling skills of fund managers. If the individual investor is afraid of investing in a mutual fund, it is because he is not certain about the stock piling ability of the fund manager. If the portfolio of a scheme is predisclosed, uncertainties will disappear. There is the need for concept selling. It means that the product should be tailored to the specific needs and desires of the investor needs like education, employment, business, house, children education, retirement needs etc.
The second illness that is troubling the industry is poor fund management track record of most of the fund managers. They have to improve their investment strategies in building up the portfolio.

Further, they should reduce costs by outscoring conversion of fixed costs into variable costs, a concept advocated by Peter Drucker and Tom Peters.

To avoid pitfalls before the finalisation of a scheme, it is desirable that the scheme should be tested in the market to get feedback to make improvements, if needed. Testing of the new schemes involves a few steps which are:

i. A meeting of a few selected agents and brokers who are listed with the mutual fund may be arranged. The features of the new product may be explained to them. The agent and brokers may be asked to communicate the reaction or feedback or the response of the prospective investors. They may be asked in this connection to canvass a questionnaire.

ii. A press release and mini press conferences may be arranged to create awareness about the proposed scheme among the investors and make them mentally prepared to respond to the personal calls made by the agents/brokers.

iii. Follow up with agents/brokers is essential to get the feed back from them. The feedback will help improving the product and designing marketing strategy.

Based on the information collected in pre-testing of the scheme, should be modified with the approval of the Board of Trustees before seeking approval of regulatory agencies.

**Branding**

An important ingredient of marketing strategies is the selection of brand name. A brand is a name and/or market intended to identify the product of one seller and differentiate the product from competing products. In mutual fund industry brand names highlight the market segments, inherent benefits and investment objectives.

In India, most of the products are linked to the name of the mutual fund. The UTI uses its own name as a prefix to all its schemes. The SBI mutual fund names them as 'Magnum'. Canbank Mutual Fund calls the units of different schemes - Canshare, Canstock, Canstar, Cancigo, Cangilt, Canbonus etc. The LIC fund series are Dhan Series like Dhanraksha, Dhanvridhi, Dhansahyog, Dhanvidya, Dhansree, Dhan 80 cc, Dhanvarsha etc. GIC schemes are called GIC Safe, GIC Rise, GIC Big Value and etc. Similarly Indbank Mutual Fund titles the schemes as Ind-Ratna,
Indsagar, Ind Jyothi, Ind Prakash etc. Tata Mutual Fund titles the schemes as Tata Income Fund, Tata I.T.Sector Fund, Tata Gilt Fund etc. The name of each scheme indicates the objective of the scheme but it is prefaced with the short listed name of the mutual fund.

**Product Preferences: Investors Profile**

Majority of individual investors seemed to fall into two categories, those who stay away from the equities altogether and those with a 'casanova' mindset who believe stocks are an easy ride to quick money\textsuperscript{11}.

**Pricing Policy**

Units are priced by each mutual fund at the time of launching the scheme. In India the face value of units of most of the mutual funds is Rs.10. The mutual funds in India have historic price structure. The SEBI (Mutual Fund) Regulations, 1996, contain guidelines about pricing of units.\textsuperscript{12} Each scheme must state the price at which units are sold and the price at which units may be repurchased by the mutual fund. Mutual funds have to publish sale and repurchase price at least once in a week. They have to ensure that the spread between sale and repurchase price does not exceed 7 per cent of the sale price.

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\textsuperscript{11} Prem Khatri 'Marketing cones to MF’s aid' The Hindu September, 8, 1999, page-25.

Repurchase and Reissue Prices

Repurchase and reissue prices are relevant for open-ended schemes. Mutual funds offer repurchase facilities to the unit holders. The investor can sell back the units, if he needs money at the repurchase prices determined by the fund. The fund can reissue such units continuously at reissue price. These prices are linked to the Net Asset Value of the scheme to cover transaction costs. Investors of open-ended schemes can buy or sell units only from and to the mutual fund at the reissue and repurchase prices.

Listing of close-ended schemes on a recognised stock exchange is mandatory. The units of such schemes can also be sold in the secondary market.

SEBI regulations stipulate that in case of open-ended schemes, the mutual funds should publish at least once in a week in a daily newspaper of all India circulation, the sale and repurchase price of units.

Promotion and Distribution

Promotional efforts are sine-quo-non for popularising mutual fund products and for gaining investors' acceptance. Product promotion takes the normal routes of advertising and publicity. Advertisement in newspapers, television, periodicals etc., is the important promotional aid for mutual fund products. Such advertisement gives a brighter profile of the scheme. Mutual fund advertisements are regulated by
SEBI which prohibits materials and contents of publicity which may mislead the investing public.

In developed markets such as the US and UK, Mutual funds are required to get their advertisement pre cleared by the regulator.

In India, SEBI lays down advertisement codes for mutual funds. The SEBI would enforce a check and go on mutual fund advertisements - what to carry and what not and may even require the mutual funds to get advertisements pre-cleared by the markets regulator before issuing.\(^\text{13}\)

Mr.Ashok Kacker, SEBI executive director said that mutual funds should advertise in such a way that the advertisements do not mislead investors "we have found mistakes in some advertisements by mutual funds and investors have also brought out such instances".

Mr.A.P.Kurian AMFI, Chairman has cautioned the Mutual fund members that misleading advertising practices would cheapen the standard of the industry. "Glorification of short term achievements would create misplaced expectations and ultimately hurt the industry".

\(^{13}\) Ashok Jalmani: "SEBI to check Mutual funds", The Hindu Business Line, June 1-2000.
* Advertisement should not be published unless approved by the designated person.

* Advertisement should be true, fair, clear and should not contain a statement, assurance, and promise or forecast which is false or misleading.

* The sale offer should contain only information substance of which is included in the funds current prospectus.

* The advertisement should not be so formed as to exploit the lack of experience and knowledge of the investors.

* It should not contain any information, the accuracy of which is dependent on assumptions.

* It should not compare one fund with another unless comparison is fair.

* The mutual funds which advertise yield must use standardized computations such as tax/value, annual yield, etc.

* If the advertisement guarantees a minimum return, then it should also indicate the resources available to back such guarantee.

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* Mutual funds shall indicate in its advertisement, the sponsor, trustees settlers, trusses, managers and financial advisors to the funds.

* Mutual funds which advertise past performance should state that these are not indicative of future results and may not necessarily provide a basis for comparison with other investments.

* All advertisements shall make clear statement to the effect that all mutual funds and securities investments are subject to market risk, and there is no guarantee that the funds objectives will be achieved.

* Advertisements shall state all investments in mutual funds and securities are subject to market risks and the NAV of the scheme may go up or down depending upon the factors and forces affecting securities market.

**Offer Document Standards**

In addition to the advertisement the investors are expected to peruse offer document before making an investment decision in a scheme. SEBI has revised the standards for disclosure to be followed by mutual funds in their offer documents which solicit subscribers to their schemes. In order to give investors a better idea of who is managing their money, SEBI has now prescribed a detailed disclosure of data on key personnel of the AMC. This includes age, qualification, experience etc.¹⁵ SEBI

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has prescribed the offer document for mutual fund schemes. The broad contents of the offer document are:

1. Cover page
2. Expenses
3. Condensed financial information
4. Constitution of the Mutual Fund
5. Description of the Scheme
6. Management of the fund
7. Units and offer
8. Dividends and distributions
9. Purchase of units being offered
10. NAV and valuation of assets
11. Redemption and repurchase
12. Risk factors
13. Investors' rights and services
14. Investors' grievance Redressal Mechanism
15. Pending Legal Proceedings

The SEBI prescribed the minimum disclosure requirements to be contained in the offer document of any mutual fund scheme. In addition to that an abridged offer
document i.e., the memorandum containing key information, which must accompany all schemes application forms in terms of sub regulation (4) of regulation 29 of the Regulations, has also been standardised. Both these documents have strengthened the disclosure standards in the offer documents of mutual fund schemes, thereby enabling the investors to take informed investment decisions.

Both these documents were prepared on the basis of broad based views and comments from the Association of Mutual Funds of India and Price Waterhouse I I P from various investors associations and retail investors contacted through press. The standard offer document and memorandum mandate the following disclosures: 16

i. Submission of the Due diligence Certificate by the AMC to the SEBI and reproduction of its contents in the offer document.

ii. Standard as well as scheme specific risk factors.

iii. In case of the assured return schemes, past history of the mutual fund in meeting assurances under such schemes as well as the resources available to the guarantors on the basis of which guarantee is being provided for the new scheme.

iv. Fundamental attributes of the scheme.

v. Details of the trustees/members of the Board of Directors of the trustee

company/AMC as well as a note on the activities of the sponsor and its financial performance for the last three fiscal years.

vi. Transactions with associates undertaken by the mutual fund for the last three years.

vii. Year wise disclosure of past performance of all schemes launched during the last three fiscal years on the basis of historical per unit statistics including annualised return for all schemes (excluding redeemed schemes).

viii. All cases of penalties awarded by any financial regulatory body, any pending material litigation proceedings, criminal cases or economic offense cases and any enquiry/adjudication proceedings under the SEBI act and the regulations made thereunder, that are in progress against the sponsor or any of its associates including AMC/Trustee company/Board of Trustees or any of the directors or key personnel (specifically the fund managers) of the AMC.

**Marketing Agencies**

The promotional strategy of mutual funds refers to a comprehensive plan to reach the prospective investor through various planned acts and involving several outside agencies, including advertising agency, brokers and agent, collecting banks etc.
The various agencies involved in marketing of Mutual fund products are: (1) agents and brokers of the scheme, (2) advertising agency (3) printers and mailing agents, (4) collecting bankers and (5) registrars to the issue.

The accredited agents and enlisted brokers play pivotal role in marketing as they are the main retailers of the schemes. They are the principal agents in canvassing schemes, educating investors, creating interest in them, overcoming objections, if any, and finally in obtaining action. The personal involvement of the agency force is necessary in marketing of the scheme successfully. It is absolutely essential that personal rapport shall be maintained with them through meetings or mini conferences for communicating to them the highlights of the schemes, benefits offered to the investors, and marketing strategy to be followed by them. In most cases the agents work on part time basis and hence training programmes have to be conducted at periodical intervals.

The major marketing intermediaries in India are agents appointed by respective mutual funds, stock brokers who are the members of stock exchange and are registered with the mutual fund institutions and corporate agents.

Public sector mutual funds like UTI and LICMF have an edge over others due to their well-established agency network. The UTI has been marketing its products
mainly through LIC agents from the very beginning. The corporate offices of UTI and
LICMF formulate overall marketing strategy and co-ordinate activities relating to the
publicity and product distribution, local level activities are supervised and coordinated
by Zonal and Branch Offices. Other mutual funds also have regional offices which
promote sales at the local level. Investors can also buy units through direct
subscription.

The agents are paid commission for services rendered by them out of the funds
collected. The rate of commission is usually between 1.5 per cent and 3.5 per cent.
However, this rate is higher in the case of insurance linked ULIP of UTI and
Dhanraksha of LIC. For the 10 year plan, the commission rate is 7.5 per cent to 3.5
per cent (for the initial 3 years), and from 5 per cent to 3.5 per cent under the 15 year
plan. There is no difference in the sale charge for equity schemes and income
schemes.

The role of collecting bankers in the issue is not only collecting money from
investors and also motivating the investors through courteous service.

Registrars' work starts, once the scheme is launched for subscription. They act
as link pin between collecting centers and mutual fund managers. They monitor all the
information relating to the number of applications received by the collecting bank
branches, the amount received thereon, collecting application forms and processing
information bank-wise, center-wise, agent/broker-wise direct subscription etc. They transmit information to the mutual funds on daily basis. They are responsible for preparing the following statements, viz., statement of applications, including those rejected, statement on adjustment of subscription money and refunds, allotment notice, return of allotments, statement of agents/brokers commission, refund notice, unit certificates, list of addresses of unit holders, register of unit holders etc.

We may look at some of the recent innovations in mutual fund marketing which aim at reaching particular target group.

* Application forms are distributed through a tie-up with newspapers.
* The services of merchant bankers are utilized by appointing them as lead managers to their schemes. The merchant bankers distribute the scheme through their brokers who have a wide network of sub-brokers.
* A mutual fund which launched its scheme in 1994 concentrated on a particular state by organising road shows in rural areas.
* A mutual fund promoted by industrial houses approached their shareholders.
* A public sector sponsored mutual fund sent applications to all the credit cardholder of the sponsoring banks.

Credit card holders have now become a target for not only mutual fund schemes but also for accident benefit insurance policies.
15 Post offices in Chennai have been identified for marketing products of the State Bank of India Mutual Funds (SBIMF).\textsuperscript{17}

Mr. Ananda Bhaskaran K. Senior Vice President of SBIMF said the post offices would sell applications for the Mutual Fund schemes and receive filled in forms for which service the postal department gets a commission. Initially we will offer some debt-oriented schemes wherein the safety of the Principal is assured. The facility would be available at select Post Offices in Mumbai, New Delhi, Bangalore and Chandigarh. Ms. Valsala, Postmaster General said that her department has plans to provide advisory services in portfolio management.

\textit{Customer Service}

After-sale service has great significance inducing customers to buy a product. The services that are considered important are: (i) Promptness in dispatching certificates, (ii) Accuracy of certificates, (iii) Promptness in payment of dividend, (iv) Accurate adherence to payment instructions, (v) Simplicity of procedures, (vi) Prompt response to queries, (vii) Speediness of Redressal of grievances etc.,

Since financial returns are being more or less, the same for all schemes, it is the quality of service that keeps an investor with an organisation. Services can be provided through service departments or external agencies. Transfer and registered

\textsuperscript{17} Staff reporter: "Post office's to market SBIMF products", The Hindu, February 10, 2001. p.6.
agents are the external agencies on whom reliance is placed in India. Unless after sale service is satisfactory, investors tend to get disappointed and turn away from mutual fund schemes.

Consultants

Consultants and sales strategists are beginning to step into the big world of money management in India, more specifically, into mutual funds. Mr. Prakash Rohera, who is currently having a brainstorming session with select distributors of Alliance Capital Mutual fund across the country, is one such consultant. The Redwood Edge, the company he has promoted, is credited with about 975 motivational programmes, featuring some 19,000 participants.

According to Mr. Rohera "A sale is a journey-from a prospect to a customer". It sums up the entire exercise of selling a creed that he has been drilling into those he has addressed, presentation skills, time management and customer service are some of the inputs which make that 'Journey' a success.

5.5 UTI-DISTRIBUTION NETWORK

UTI with its experience over more than three decades has evolved a distribution network which is functioning satisfactorily to a large extent. Before we

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evaluate the system of UTI, we describe briefly the three-tier organizational structure of UTI.

The apex body is the corporate office situated in Mumbai which decides all corporate policies of the Trust and ensures implementation of the same.

The middle tier is the local offices which are extended arms of the corporate office. They are mainly responsible for implementing decisions taken by the corporate office. They guide, supervise and monitor the functions of Branch Offices under their jurisdiction. The country is divided into four Zones-Northern, Eastern, Western and Southern Zones with four Zonal Offices.

The lowest tier comprises of the Branch Offices. Each office has specified districts under its jurisdiction. There are 48 branch offices and 2 collection centres. Their functions include:

* Sale of units under all schemes, appointment, training of agents and conducting periodic sales promotion meeting, organising training/refresher courses for the agents in the districts assigned to the Branch.

* Supply of forms, publicity material etc., to the agents and render repurchases and other pre & post sales services to the investors in respect of all schemes/plans are decentralised at all branch office level.
* Supervision and monitoring the performance of the Chief Representatives at the district level, organising training and holding state level conference of the CRs.

Agency Force

The institution uses the services of commission-based canvassing agents who are totaled to 80,000 spread over the country. Although they are not employees of UTI, they have been encouraged to educate the investors about the new investment products. They motivate the potential investors and their effort in converting savers into rural investors is followed by constant after sale services.

To have effective interaction with agents, UTI introduced the concept of Chief Representative (CRs) to guide investors, organise, train and motivate the agents in the specified district and supervise the overall activities of agents. The CRs are responsible for training, interacting and fine tuning the agents who have direct contact with the investors. There are about 291 CRs covering 358 districts.

UTI-CRs and agents include ex-service men, housewives, senior citizens, LIC agents, self-employed professionals as well as fresh graduates who are interested in becoming professional agents and market units.
UTI has launched a project PUA (Promotion Units in Rural Areas) wherein many rural agents are appointed in order to enable rural investors to participate in capital markets. UTI claims to have fulfilled a major social role of bringing self-employment to CRs and agents and capital market appreciation to the common man.20

To widen the network of mobilising savings, distribution and collection of application forms and speedier remittances of funds, the trust authorises many CRs of important districts to run collection centres.

With a view to improve services to the investors, the trust has upgraded selected collection centres to the level of Franchise Offices. These offices accept applications under all the schemes with cheques/drafts, undertake processing of the applications received and dispatch certificates and commission cheques to investors and agents respectively.

The comprehensive training programme for both CRs and agents, say, for once at the time of the recruitment and then again for 3 days at the end of the first year. The

training programme for agents should also familiarise them with the comparative
differences of the schemes of the UTI and those of LIC and other mutual funds.

The UTI has promoted UTI Bank Ltd., UTI Investors services Ltd., and UTI
Securities Exchange Ltd. All these are expected to remove bottlenecks, internal and
external, to improve services to depositors and investors and in the broader context of
contribution to healthy growth of the capital market. The UTI operations have thus
been geared to meet the objectives of the UTI Act and serve the needs of investors.

The other three mutual fund organisations public sector bank sponsored,
institution sponsored and private mutual funds have insignificant distribution network.
The public sector banks have not made any special arrangements to propagate the
schemes of their mutual fund subsidiaries. Agents of LIC and GIC are not the agents
to the LICMF and GICMF. So the institutional mutual funds are not able to distribute
their products satisfactorily. Except few, the private sector mutual funds have
confined their operation to the cities and big towns.

Promotional efforts are sine-qua-non for popularising mutual fund products
and gaining investors acceptance through various plans and programmes. After sales-
service has a great significance in inducing customers to buy a product.