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Marketing Financial Services

C.Rajapal, V. Regina Mary, S. Eswari
Research Scholar, Sree Ramu College Of Arts And Science, Pollachi.
II – M.COM (CA), Government Arts and Science College, Valparai.
II – M.COM (CA), Government Arts and Science College, Valparai.

Abstract: *Financial services is the fastest growing with a significant potential of growth in emerging countries. The book is a comprehensive guide for students of financial services. It covers latest updates, providing a wide range of global practices, case studies, and well developed pedagogical features. The author presents substantive ways to apply marketing practices to the financial services industry. The book is divided into 20 chapters.*

Do customer profiles change over time? An investigation of the success of targeting consumers of Australia's top 10 banks – 2009 and 2011 Received (in revised form): 1st November 2013 Gavin Lees has considerable marketing and management experience having held senior positions as the Marketing Manager for the Palmerston North City Council and as a Business Manager with Radio New Zealand (now The Radio Network). In addition to his industry experience, he was also an Assistant Lecturer at Massey University teaching Marketing Management and Sport Marketing.

He has also taught as a guest lecturer in Singapore, Malaysia and Kuwait. His research interests include consumer behaviour; marketing management; empirical generalisationalist research methods; and behaviourist theories. He has published articles on radio listening, radio research, financial services, market research and concept testing.

Maxwell Winchester has consulting experience as a marketing researcher in Australia, Asia, North America and Europe. In addition to his industry experience, he has many years of academic teaching experience globally, having held permanent faculty positions in Australia, Canada and the United Kingdom. His research interests include reflective learning and reflective practice; qualitative and quantitative research methods; empirical generalisationalist research methods; and behaviourist consumer behaviour theories. He has published articles on student evaluations of teaching and reflective practice, as well as negative brand beliefs, luxury and premium brands, and wine marketing.

I. Introduction

The Product and market context exert a significant influence on the nature and practice of marketing. Marketing activities that are effective for fast-moving consumer goods may be wholly inappropriate when marketing fine art. What works in Canada may be ineffective in China. Accordingly, an appreciation of context is essential in order to understand the practice of marketing. Nowhere is this more evident than in the financial services sector. Social, political, economic and institutional factors create a complex context in which financial services organizations (FSOs) and their customers interact, and, of course, these in turn may vary considerably across countries. All too often, discussions of marketing practice fail to recognize the importance of explaining and understanding these contextual influences. The purpose of this current chapter is to provide an overview of the context in which financial services market.

II. Economic Development And Government Welfare Context

Although economic and political theorists sometimes have very different opinions on the nature and value of economic development, there is a widely accepted view that controlled, managed economic development is, on the whole, a desirable means of furthering the well-being of humankind.

Moreover, economic development that combines the positive aspects of the market economy (particularly innovation and resource efficiency), with the collectivist instincts and community focus of state legislatures is, arguably, most likely to serve the common good.

The welfare of humankind, at least for the vast majority of the world's inhabitants, is significantly influenced by financial well-being. At a macro-level, nation states, organizations and individuals all require access to the financial resources necessary 4 Financial Services Marketing to safeguard their rights of self-determination.

Ever since the time of Bretton Woods, at which the International Monetary Fund was established, countries that have sought support from global financial institutions have had to cede an element of, at least, economic autonomy to such institutions. Similarly, companies that fail to safeguard their solvency and capital adequacy find themselves subjected to the constraints imposed by the financial institutions from which they seek assistance.

III. Lifetime Income Smoothing

Both the state and the financial services industry work in a complementary manner to facilitate the smoothing of income flows throughout an individual's lifetime. Typically, during childhood individuals are acquiring the knowledge and skills upon which their future employment will be based.

This is a period in life which is 6 Financial Services Marketing all about cost in the absence of any income. Although the family is the principal source of money during childhood and adolescence, the state plays a significant rolein financing the costs associated with this life-stage.

IV. The Management Of Risk

An important aspect of how financial services organizations further the cause of economic development is through the provision of the means to manage risk. In simple terms, this is the role played by insurance. General insurance (e.g. insuring risks to property and possessions), health insurance and life assurance are effective means of enabling individuals and organizations alike to take on risks associated with economic advancement. For example, a bank will be unwilling to lend money to a businessman who wants to invest in additional manufacturing capacity without some form of security.

V. Financial Exclusion

A key tenet of the United Nations is that the citizens of the world be relieved of the scourge of poverty. Indeed, the relief of poverty has been of fundamental concern to communities for centuries. In Britain, the nineteenth century saw a rapid acceleration of poverty up the agenda of all political parties.

It was also a period of rapid development of charitable and philanthropic endeavours to address the poverty so graphically commented upon by Marx and Engels and depicted in the works of Dickens.

VI. Mutual And Proprietary Supply

Financial services organizations present themselves in two forms as far as ownership is concerned: mutual and proprietary. In simple terms, proprietary companies are owned by shareholders while mutual suppliers are owned by their customers. However, this is indeed an oversimplification and, in the UK, a review of the governance of mutual insurance companies carried out by Paul Myners (2004) found the precise definition of mutuality a rather more complex issue. A substantive body of literature exists which sets out to compare the operations of, and outcomes associated with, proprietary and mutual forms of supply.

VII. Regulation Of Financial Services

The need to safeguard the interests of key stakeholders in the financial services domain has been an important force driving new approaches to regulation around the world. Governments, trading blocs and various inter-governmental and nongovernmental organizations have been pursuing economic growth and trade liberalization for at least the past two decades.

There has been a desire to encourage the efficient operation of the financial services marketplace through the removal of traditional sector boundaries and the encouragement of competition. In the UK, the mid-1980s was a watershed in the restructuring of the financial services marketplace and the approach to regulation.

VIII. Some historical perspectives

Whilst various forms of financial services provision can be traced back many centuries, the development of commercial organizations of substance and scale coincided with the expansion of international trade as the eighteenth century progressed. Indeed, economic development is inextricably linked to the development of allied financial instruments.

Banks grew in response to the need for services such as loans, safe deposit and financing of consignments of exported and imported goods.

Commercial banking in the UK originated in London, based largely upon the growth of goldsmith bankers in the mid-seventeenth century. A century later, the number of provincial banks was still in single figures. However, by 1784 the number had grown to 119 and by 1810 had expanded to some 650 (information provided courtesy of the Royal Bank of Scotland).

IX. Banking And Money Transmission

Until the latter part of the twentieth century, the provision of current account services was the sole prerogative of the high-street clearing banks. The current account represents the primary means by which salaried employees receive payroll credits from their employers and manage payments and cash withdrawals.

The extent of current account penetration in a given country typically reflects the proportion of the population paid by salary. Thus, in the UK some 95 per cent of the population have bank accounts, while in India the proportion is probably around 15 per cent and in South Africa it is estimated to be between 30 per cent and 40 per cent ((http://in.rediff.com and www.euromonitor.com, both accessed January 2005).

X. The Marketing Environment

There are several components in the overall marketing environment. At the simplest level, we can distinguish between the internal environment (conditions within the organization) and the external environment (conditions outside the organization). 70 Financial Services Marketing The external environment can then be divided into the macro-environment and the market environment.

The macro-environment is concerned with broad general trends in the economy and society that can affect all organizations, whatever their line of business. The market environment describes those factors that are specific to the particular market in which the organization operates. The external environment may create opportunities for the organization to exploit, or may pose threats to current or planned activities. An outline of the key elements of the marketing environment is presented in Figure 4.1.

XI. Relationship Marketing In Specific Contexts

Arguably, the provision of financial services in B2B contexts has always been characterized by a focus on long-term relationships. In mass B2C markets, the focus on building customer relationships and encouraging customer retention has been more recent.

Discussions thus far have highlighted the importance of the careful management of customer relationships from acquisition through to long-term retention, highlighting the importance of understanding and focusing attention on those customers who are likely to be profitable.

While these principles have general relevance, their application can vary according to context. This section focuses attention on two specific contexts, namely marketing via intermediaries and marketing internationally.

XII. Evaluating Marketing Performance

In this section we will consider issues concerning the implementation of marketing concepts and practices and how their contributions might be evaluated. By now it has been firmly established that marketing is less about the practical activities engaged in by departments bearing that name but, rather, constitutes a business philosophy or orientation.

Central to this orientation is understanding the customers problems, needs and wants, and then providing the means by which these may be satisfied. Quite simply, marketing is about getting and keeping customers, and success in this endeavor demands that the customers' interests are given paramount significance. Thus, the truly marketing-orientated organization believes from top to bottom that delivering competitively superior customer satisfaction leads to the long-term optimization of all stakeholder interests.

XIII. Conclusions

The financial services industry has a vital role to play in safeguarding the prospects for economic development across the globe. At the micro-level, financial services underpin the overall well-being of individuals. The challenge is for standards of marketing within the financial services domain to reflect the necessary degree of market and consumer orientation. An appreciation of the potential offered by financial services marketing requires it to be placed within the context of governmentsponsored welfare systems on a country-by-country basis. The state and private sectors of financial services have to work in a complementary manner if aggregate stakeholder interests are to be optimized. Finally, financial services ought to be provided for the benefit of all, not just the affluent few.

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