

MARKETING OF FINANCIAL SERVICES

CHAPTER – I
INTRODUCTION

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Today 75 million Americans are employed in the service sector and as much as 70 per cent of the US economy is service-oriented.¹

A recent FICCI paper avers that the service sector can contribute more than 50 per cent to the national GDP by AD 2000 provided it grows at a rate of 5.3 per cent annually.² If this works out, the projected growth in this sector is going to surpass the growth in the agricultural and industrial sectors.

Services occupy a place of significant importance in the Indian economy. The service trade accounts for almost 46 per cent of the total GDP in India. According to the Seventh Plan document, it is expected that its share would increase to 58 % by the end of the century.³ It employs nearly a fourth more than the people employed in the manufacturing sector in India.

Finance plays an important role in shaping the economy of a country. The present study is concerned with the marketing practices of the financial service organizations. A review of the existing literature on the subject reveals that the marketing problem of the financial service organizations has remained a fairly unmapped area. The purpose of this study is to investigate to what extent the financial service organizations adopt the marketing concept in their marketing decisions, for the marketing concept holds, that, the key to achieving organizational goals consists in determining the needs

and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.

In the present chapter, to begin with, a discussion on “Marketing and Economic Development” is undertaken. This is followed by “Developments in Marketing” and “Service Marketing”. In the latter half of the chapter, the Nature and Scope , Limitations and Organization of the thesis are given.

1.1 MARKETING & ECONOMIC DEVELOPMENT

Marketing has a key role to play in the economic development of a country through its potential contribution to the process of economic development. Economic growth implies rise in gross National product through generation of additional income in various sectors of an economy such as agriculture, mining, industry and trade. ⁴

It may be noted that literature on Economic Development⁵ prior to world war II, laid heavy emphasis on industrial expansion as the key to induced economic growth. In the early 1950’s, literature on economic development suggested that the agriculture sector should be developed first, followed by the industrial sector. But in the last two decades, the importance of balanced growth between rural and urban areas has been well understood and acted upon.

In general the process of economic development involves the transformation of agriculturally based rural economies into industrially based urban

economies and a harmony is established between the two sectors in satisfying each other's needs. Increased specialization of labour, the adoption of more scientific technologies and the geographic separation of production and consumption are necessarily accompanied by the development of a more complex marketing system. Thus, marketing is considered to be a set of techniques and procedures aimed at facilitating the flow of goods and **services** from producers to consumers in a given economy.⁶

1.1.1 ROLE OF MARKETING IN ECONOMIC DEVELOPMENT

The role of marketing in the economic development of a country is described below:

- (i) Marketing helps in stimulating potential aggregate demand.
- (ii) It accelerates the process of monetizing the economy.
- (iii) It gives rise to the concept of a national market.
- (iv) Marketing also helps in sustaining the existing levels of employment.
- (v) The enlargement of the market size results in two distinct advantages. The oft experienced shortage of capital resources can be met partly through a more rational use of inventory.

Secondly, the growth of market institution helps in the discovery of entrepreneurial talent. In the words of Peter Drucker “Marketing is also the most easily accessible ‘multipliers’ of managers and entrepreneurs in an under – developed growth area”.⁷

- (vi) An enlarged market makes economically feasible, the various economies of scale. There can be economies of scales both in production and distribution of goods and services.⁸
- (vii) The welding of small markets which can be achieved through marketing makes possible the movement of such factors of production as, labour and capital over a wider area where, they can be most efficiently used. In the hitherto independent markets which are now joined, there tends to be closer correspondence in the price of various commodities. This helps to reduce price fluctuations and possibly works towards lowering the cost of living.⁹
- (viii) More generally, growth in marketing can help disseminate new ideas favourable to economic growth, new patterns of consumption, possibly new techniques and new ideas of social relations.¹⁰

1.1.2 THE CONCEPT A NATIONAL MARKET¹¹ IN DEVELOPING ECONOMIES

Rostow noted that the marketing system can play a critical role in the balanced growth of rural and urban sectors in a Less Developed country. Many developing nations are characterized by a build up in social capital and are not yet at a point where significant structural distribution exist to hinder economic growth. Such structural distortions develop from the following conditions:

- There is some industrial capacity usually developed to substitute for the import of certain kinds of common goods;
- the market for most of these manufactured goods is thin (textile being an exception);
- although some development is taking place in every less developed country, the gap between the rural and urban life is widening at an accelerated rate;
- as a result of this imbalance men and women migrate from the rural areas to the cities; where there are insufficient industrial opportunities to provide full employment.

Rostow maintains that the way to achieve a take off into sustained growth for nations experiencing such conditions is to breakdown these structural

distortions, to produce self-re-inforcing agricultural and industrial expansions and create truly national markets within these countries.

1.1.3 ROLE OF MARKETING FUNCTIONS IN ECONOMIC DEVELOPMENT

The lack of real marketing mentality is deplorably apparent in developing countries resulting in the consequence of waste of irreplaceable resources, more hunger and even death.¹²

Lack of co-ordination between marketing and production hampers development more so where resources are limited and where every effort should be devoted in obtaining optimum use of capital, manpower, land and energy.

The proper user of marketing research techniques (such as forecasting sales) can reduce the differences between a country's productive capacity and the demand for its production.¹³ No doubt the techniques must be tailored especially to bring structural changes in the markets.

Management have come to rely on advertising as a tool to speed up the demand, making the investment in new enterprises or expansions of established houses worthwhile.¹⁴ Knech comments that in developing countries there is a general overestimation of advertising as a means of marketing communication.

Distribution is an important factor that caters to the economic development of a country. In the developing countries, the conventional channels, which are riddled with parasitic middlemen, are being shaken and are now getting shorter.¹⁵ (This has particular relevance to the Indian situation). Further, effective distribution bridges the gap between the manufacturer and the consumer.

1.1.4 COORDINATED MARKETING SYSTEMS

Conditions that have influenced the growth of coordinated marketing system in the developed countries also seem to be present in the less developed countries. Comparative conditions conducive to growth of coordinated marketing systems in developed versus less developed countries are shown in Table I-1. Although conditions similar to those described in Table I-1 exist in less developed countries, they are relatively much less sophisticated than conditions in developed countries, and their influences on achieving channel co-ordination would be tempered by the attitudes and behaviour of existing middlemen and policy makers.

Table I-1
Coordinated Marketing System, Developed versus
Less Developed Countries.

Prevailing growth conditions in Developed countries	Relevance to Less – Developed countries
The need for assured volume encouraged the growth of centrally coordinated marketing systems.	Most companies have low and unpredictable sales and have a definite need to develop an assured sales volume to avoid price fluctuations and spoilage.
Relative profitability declined as a result of growing competition therefore, new approaches such as vertical integration and co-ordination were adopted by firms to ameliorate these pressures.	Most stores seem to have relatively new levels of profitability, partly because of atomistic competition and partly because of duplication and un-coordinated activities at different levels.
The changing nature of the environment and the growing complexity of marketing processes and markets increased the need for affiliation. Expansion and re-location of markets also contributed to the growth of centrally coordinated markets.	Overall, growth in markets has been slower. However, substantial growth in market process is visible in some of the larger urban centers. There is an acute disparity between rural and urban markets.
There is opportunity to capitalize on potential economies and savings that resulted from scheduling, simplifying, and repositioning marketing activities, and economies of scale at each stage of the centrally coordinated total business system.	Chances for potential economic saving exist. However, these opportunities are hard to comprehend by the current core of marketeers and policy makers.

Source : Bert C. McCannon, "The emergence and growth of contractually integrated channel is in the American Economy", in Marketing and Economic Development edited by Peter D. Bennett, American Marketing Association, Chicago, 1966.

1.1.5 MARKETING AND ECONOMIC DEVELOPMENT – ITS RELEVANCE TO THE SERVICE ORGANIZATIONS IN INDIA

If a case in favour of service organizations is taken, then how they promote 'marketing and economic development' is discussed below.

- (i) Promotion of service organization would have two immediate catalytic benefits on the national economy ¹⁶:

- increased employment would increase buying power which is needed for the expansion of consumer markets. That is, they spread the total income generated more widely over the population.
- the growth of service organizations would provide the nation with a vast pool of providers of various services.

This would help in the progressive diffusion of fruits of modern science and technology.

- (ii) The growth and productivity of service organizations scattered throughout the nation provide the basic services that are needed for economic development.
- (iii) The perception spreading in the policy circles is that the next phase of development should be on the making of efficient national markets and from this widened base, move on to the generation of new lines of diversified exports. These diversified exports alleviate pressures on the nations credit situation and generate foreign currency reserves which can be used for economic development in other spheres of industrial growth. Historically it had been found that export of goods & **services**

had usually followed or paralleled the development of a national market. ¹⁷

- (iv) Growth in the market can reduce the community's need for working capital. The capital, which is released, can be used for increased consumption, further economic growth or a combination of the two. ¹⁸

1.2 DEVELOPMENTS IN MARKETING

Prior to the time of the Industrial Revolution, virtually all trade and exchange processes involved some personal contact between suppliers and their customers. This meant that individual producers could cater to the needs of their customers, and most of the trade was very local in nature. The increase in overseas trading and the advent of the industrial revolution heralded the start of new types of trading practices, and the introduction of some of the processes which are part of marketing today.

Initially, producers and manufacturers were concerned mainly with logistical issues – transporting and selling goods to widespread markets, often located far away from the point of production. The focus here was on production, with consumption and consumers being seen as the end result of a production and distribution chain. For as long as demand outstripped supply, which was generally the case as western countries started to go through periods of dramatic growth in economic activity and technological change, producers could all exist profitably simply by producing more efficiently

and cutting costs. Little attention was given to the role of the consumer in exchange processes.

In the early twentieth century the realization that marketing was, in itself, an important part of the business process led to the founding of the American Marketing Association and the development of the earliest aspects of marketing theory and practice. It was much later, however, that the need for a marketing orientation was recognized, with a clear focus on the needs of the consumer.

1.2.1 MARKETING THEORY DEVELOPMENTS

The greatly increased production of goods which arose out of mechanization following the industrial revolution was matched by increased levels of demand in the mass market. The problem for producers lay in getting their products to the market. Manufacturers were investing heavily in premises and machinery in pursuit of better and cheaper production. They did not want to be involved in the distribution of the products. A distribution trade grew up to serve every industry.

a) First Generation Marketing

Wholesalers opened warehouses in major cities and bought products in bulk from the manufacturers. They stored the products and organized their distribution to retailers and other smaller organizations throughout markets. This was the development of channels of distribution, still crucial to

successful marketing today, and is recognized as first generation marketing. At this stage the main concern was getting the product to market – selling all that was produced.

b) Second Generation Marketing

It was only during the second half of the twentieth century that the focus began to shift towards the notion that producers should look at what consumers actually wanted – produce what can be sold to the market, rather than try to sell what is produced. This was the start of second generation marketing. The early stages of the second generation saw the development of the idea that firms should take on a marketing orientation – marketing should become the integrated focus of their business policy. Firms should seek to satisfy their profit needs by identifying and satisfying consumer needs.

New ideas in the 1960s also pressed the need for a broader orientation with a focus on consumer needs and criticized firms which were still too product orientated. By defining their business in terms of their products, firms could constrict their own growth and development – even survival – as consumer needs and technologies were changing rapidly. The essential task for firms was to analyze their business from the consumer's perspective – to look at their market offerings in terms of the needs satisfied, rather than the products offered. Thus the Hollywood film industry, for example needed to focus on its business as 'entertainment' rather than 'making movies' if it was to enjoy

continued profitability and success in the face of increasing competition from television.

c) Third Generation Marketing

From the mid – 1960s onwards, marketing thought grew and matured. There was increasing awareness of the role that marketing played, not only in business but through its influence and impact on consumers and society as a whole. Marketing began to be seen as something, which was not only relevant to commercial organizations, actively seeking profits at the end of the day. Marketing could be equally important for organizations and services which were not necessarily traditional, profit-led businesses. Schools, health programs, charities and other types of not-for-profit organizations could benefit from a marketing orientation. Even political parties could employ marketing programs to win voters. Marketing was viewed as being applicable across a very broad spectrum of commercial and social activity.

From this realization came the emergence of third generation marketing. This hinged on the idea of a broader application of marketing within society, across all types of organizations, and for greater benefit to society. Society's needs should be considered in line with those of consumers, and profits should not be sought at an unacceptable cost to society. This has led to a call for firms to engage in ethical marketing practices and, increasingly, to adopt environment sound, 'green' policies.

In moving towards the development of a body of marketing theory, much has been drawn from other academic disciplines. This is especially true of the behavioral sciences, economics and management science. A debate exists as to how much actual marketing theory has been established to date. What is generally accepted, however, is that marketing is evolving as a discipline with a wide base of knowledge, concepts and techniques and areas of theory which may ultimately come together to provide an integrated base of marketing theory.

1.2.2 THE MARKETING ENVIRONMENT

All organizations operate within the marketing environment. This consists of the micro-environment which relates to the organization itself – its own internal environment – and the external or macro- environment which will affect all organizations to a lesser or greater degree. Environmental analysis is vital for marketing success as organizations must be able to understand (and predict where possible) those factors which may impact upon their marketing strategies.

Environmental analysis plays a key role in strategic planning, both at a corporate and functional level. Essentially, the key steps involved are as follows:

- Identifying influences (positive and negative).
- Control those, which can be controlled.
- Use those which can contribute to competitive advantage.
- Overcome, or defend against, potentially damaging influences.

The Micro-environment is the internal environment of the organization. Its influence, therefore, will be specific to a particular organization. The factors to be analyzed in the internal environment will include the following:

- a. The company itself – management structure, strong points, distinctive competencies, failings, finances
- b. Customers
- c. Suppliers
- d. Channel members
- e. Competitors
- f. Other publics which may include:

Government or political bodies

Pressure groups

Financial institutions

Shareholders

Influencer market

In effect, any person or organization which can influence the company's marketing activities – and marketing success – in any way should be included here. This list is not absolutely comprehensive as individual organizations may need to consider special influences.

The macro – environment is the wider, external environment in which all firms operate. The organization should study the macro – environment factors relevant to their business or operational activities – in other words, in

their competitive domain. The types of influence likely to have an impact on present and future activities can be broken down into several main areas.

Political / legal factors

Economic factors

Socio-cultural factors

Technological factors

These analyses, when completed in detail, will form the basis of the SWOT analysis, used in the planning process. SWOT (strengths, weaknesses, opportunities and threats) represents a way of categorizing the environmental analysis in a way which can help organizations in determining appropriate strategic action. The internal factors can be divided into those which are strengths and those which are weaknesses, while the external factors can be similarly categorized as either opportunities or threats.

Sometimes this is not quite so simple as it sounds. For example, the single European market may represent a substantial opportunity for many organizations. Equally, it can also be a threat, due to the possible increased competition from other member countries. Similarly, the innovative entrepreneurship of the head of the organization might be its outstanding strength, whilst also being a weakness if too much of the organization's success rested on that one individual as they could go elsewhere, or become unable to work for some reason.

However, organizations should undertake the analysis regularly to help them decide on future courses of action. Organizations should:

Build on their strengths

Attempt to overcome weaknesses

Exploit opportunities

Defend against threats.

1.2.3 MARKETING ORGANIZATIONS

A marketing organization has marketing as its key focus. It is organized around marketing and is customer – led or market – led. It anticipates and responds to the needs of the market in designing its current and future strategy. The idea of a marketing oriented organization can be made clearer by comparing it with other organizational philosophies which have been identified.

Firms which are production oriented focus on production as the key to success. In their view, the market will always seek products which are both cheaper and widely available. The organization's main task therefore, is continually to improve and refine production efficiency, thereby producing greater numbers of goods at lower prices. This approach does hold some credibility, especially in situations where demand is relatively high, and could increase with lower prices. This is the case in areas such as home electronics where color televisions and CD players, for example, have become far more popular as supply increased and prices fell. In the extreme,

however, it ignores the customer viewpoint and will not succeed once markets have become saturated.

Some companies are product oriented, believing that consumers will seek products, which are innovative or technologically superior in the marketplace. They constantly strive to develop new products, which stand out. This is a high-risk approach with significant chances of failure, as seen by the number of 'flops' in the market. This approach can work successfully but it needs to take into account consumer tastes and wants. Without doing this, firms can fall into the trap of becoming too narrowly constrained, by viewing their business in terms of 'products' rather than in terms of customer needs and satisfactions. Both a production and a product orientation could equally apply to service providers, where there is too much attention focused on the service and the service provisions, rather than on the customers.

A selling orientation is where the focus of the firm's attention is on the 'hard sell'; heavy promotion, advertising and sales tactics to get rid of whatever is produced. This technique is evident today, particularly in the area of unsought goods – goods which do not fulfil specific consumer needs, but which are heavily promoted, frequently with deferred payment terms and pressurized sales tactics. A good example of this approach is in the selling of timeshare holidays which usually employs all the tactics outlined above – and often leads to unhappy consumers who claim they were pressurized or misled into signing a sales agreement. This approach can be lucrative in the short – term, but is unlikely to succeed in the long – term.

An organization, which is marketing oriented, as indicated previously, aims to achieve its organizational objectives by anticipating and satisfying the needs and wants of its consumers. Long-term customer satisfaction is a key goal, and the organization is committed to attracting and retaining customers. The business is defined in terms of need satisfaction rather than specific service or product areas, and as those needs change, this should be reflected in the organization's activities. Additionally, organizations may adhere to a societal marketing orientation, where attention is given to the long – term good of society, as well as consumers. This is becoming more and more evident in today's environmentally conscious marketplace.

1.2.4 MARKETING TODAY

No doubt, the developments within marketing which have led to what we know as marketing today, but, it is external factors in the political, social and business world which have shaped the role and development of marketing. Some of the influences which have an impact on the development of marketing are as follows:

a) Political / Legal

Changes in government policy towards business enterprise.

The growth of global trade and the impact of trade barriers and currency agreements, for example:

Privatization

De-regulation of advertising for the professions.

Legislation on environmental issues.

Consumerism and the power of consumer pressure groups.

b) Economic

World economic trends.

Levels of consumer affluence, spending power.

The imposition or relaxation of price controls.

Inflation levels.

Attitudes to, and increases in, consumer borrowing.

The importance of the service economy.

The opening of the single European market.

c) Socio-cultural

Increased numbers of women in the workplace.

Cross-cultural issues in international marketing.

Increased leisure time, and the wide scale pursuit of leisure interests.

Growth in consumer travel and tourism.

d) Technological

The impact of technology on business processes; the use of scanning systems (EPOS) in retailing and use of automatic cash dispensers (ATMs) in banking, for example.

Technological developments in consumer products.

Telecommunications impacts on business and society through developments such as telesales, telemarketing, teleworking.

Awareness and use of technology in the home.

The above lists are example of the factors which have impacted on the development of marketing today. New modes of marketing have come about because of social and technological changes, such as dramatic growth of direct marketing, which can be very finely tuned to customer wants through the use of sophisticated databases. Teleshopping via dedicated satellite TV channels is another new concept. Marketing education is increasing, and the recognition of marketing as a profession is growing, underpinned by the award of Chartered status to the Institute of Marketing, for example. The role and influence of marketing in almost every sphere of society today should not be underestimated.

1.3 SERVICES MARKETING

There can be little argument, however, that the differences between the marketing of physical products and services marketing, the underlying concepts and management decisions are much the same:

- Marketing – driven organizations, whether in the manufacturing or service sectors, must have an intimate knowledge of the market in order to identify unfulfilled market needs and provide a marketing offering which will meet those needs, thereby satisfying both the customer, and the organization's objectives.

- Market research, marketing planning, and the development of a set of marketing mix tools are equally important in services marketing and the marketing of physical goods.

1.3.1 THE CONCEPT OF SERVICE

There are many definitions of marketing laid down but the basic marketing concept is concerned with:

Identifying and satisfying the needs and wants of consumers by providing a market offering to fulfil those needs and wants through exchange processes, profitably.

Some important points must be emphasized here:

- Consumer of goods or services may be individuals or organizations, or other groups; for example, voters supporting a political candidate.
- The term 'marketing offering' is used deliberately as this can mean a physical good, or a service, or a combination of the two, or it can be extended to cover other entities to which the marketing concept may be applied; for example, political figures and ideas, 'pop' music and charitable causes.
- The idea that an organization will seek to fulfill consumer needs profitably is not restricted to financially profitable goals as not all organizations aim to make profits as such; for example non-profit making concerns such as medical and educational institutions, or groups such as the Scouts organization, may adopt marketing

principles, but their end objective may be counted in ways other than cash profit.

Organizations involved in marketing are not necessarily corporations or commercial firms.

Services marketing embrace the marketing concept, and yet the nature of services marketing is complex, and service organizations may fall into various categories:

- Service organizations may be profit orientated or non-profit (sometimes called 'non-for-profit') concerns.
- They may provide personal services to individual consumers, or business services, or both.

The key issue is that organizations who want to be close to the market and close to their customers – in other words, marketing – driven – must adopt the marketing concept. A marketing – driven organization will first of all communicate with its market(s); in contrast, a non – marketing organization will provide what it believes will sell, not what the market wants.

According to Kotler¹⁹, “A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.”

W.J.Stanton²⁰ views services as fulfilling certain wants and states, that , “services are those separately identifiable, essentially intangible activities which provide want satisfaction, and are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of title (permanent ownership) to these tangible goods.

As in the case of a product, in the case of services also the starting point for understanding the marketing dynamics is the want satisfaction of the customers. It is important to correctly identify the particular want(s) which your service is fulfilling, since this will provide the clue for designating the most appropriate marketing strategy.

To be successful, organizations have to firstly, identify the basic need which is being fulfilled by your service, and secondly, find ways and means to differentiate it from that of the competitors so that they can increase their number of customers and also command their loyalty. Table I-2 gives the list of selected services.

Table I-2
List of Selected Services

Utilities	Insurance, Banking, Finance
Electricity	Banks
Water Supply	Share & Stock Brokers
Law Enforcing, Civil,	Business, Professional &
Administrative and Defense Services	Scientific Activities
Police	Advertising
Army	Marketing Research
Air Force	Consultancy
Navy	Accountancy
Judiciary	Legal
Civil Administration	Medical
Municipal Services	Educational
	Research
(Sewage, disposal of corpses maintenance of roads, parks & public buildings)	Maintenance & Repairs (of plants, machinery & equipment) Leasing Computer Programming Employment Agencies
Transport & Communication	Leisure, Recreation
Railways (passenger & freight)	Cinema, Theatre
Air Transport (passenger & Freight)	clubs, Gymnasiums
Post & Telegraph	Restaurants, Hotels
Telephone & Telecommunication	Video Game Parlours
Broadcasting (All India Radio)	Casinos
Telecasting (Doordarshan)	Self-improvement Courses
Distributive Trades	Miscellaneous
Wholesale Distribution	Beauty Parlours
Retail Distribution	Health Clubs
Dealers, Agents	Domestic Help
	Dry-cleaning
	Matrimonial Service

Source: Adapted from Donald Cowell, "The Marketing of Services", Heinemann, Londn.

1.3.2 REASONS FOR GROWTH OF THE SERVICE SECTOR

Manufacturing industries grew because they produced tangible goods which satisfied man's physiological needs of food, shelter and clothing. As the basic need was fulfilled there was demand for improved satisfaction, and this led to a proliferation of variations of the same product and number of companies involved in its manufacture. The growth of service industries can be traced to the economic development of society and the socio-cultural

changes that have accompanied it. Following Table I-3 presents the reasons for growth of service industries.

Table I-3
Reasons for Growth of Service Industries

1. Increasing affluence	Greater demand for services (activities which consumers used to perform themselves) such as interior decoration, laundry, care of household products such as carpets, care of garden etc.
2. More leisure time	Greater demand for recreation and entertainment
3. Higher percentage of women in the labour force	Greater demand for creches, baby sitting, household domestic help
4. Greater life expectancy	Greater demand for nursing homes and health care services.
5. Greater complexity of product	Greater demand for skilled specialists to provide maintenance for complex products such as air-conditioners, car, home computers.
6. Increasing complexity of life	Greater demand for specialists in income-tax, labour laws, legal affairs, marriage counselling employment services.
7. Greater concern about ecology and resource scarcity	Grater demand for purchased or leased services, car rental, travel, resort to time sharing rather than ownership basis.
8. Increasing number of new products	The computer-sparked development of such service industries as programming repair and time sharing.

Source: Schoell, K. F. and J. T. Ivy, 1981 "Marketing: Contemporary Concept and Practices", Allyn and Bacon; Boston.

Sometimes, the growth of a specific service industry is the result of a combination of several reasons. Increasing affluence coupled with desire to utilize leisure time for leisure rather than for doing odd repair jobs in the house had led to the growing tribe of plumbers and electricians. Increasing affluence combined with increasing complexity of life and increasing insecurity has led to the phenomenon of credit cards and travelers cheques which have proved to be almost perfect substitutes for money. These credit

cards provide convenience and safety. In fact, convenience is proving to be a key concept in the provision of services.

1.3.3 MARKETING MIX

In order to be able to satisfy the needs and wants of the market, in a way which suits the organization's objectives, the organization needs to design a market offering and present it to the market for consumption. The way in which this is achieved is by means of a set of marketing tools – the marketing mix.

There are many number of tools available to the market in designing, distributing, communicating and ultimately selling the offering to the selected target market(s), but these are generally classified under four main headings the four P's of the marketing mix:

- a) Product
- b) Price
- c) Promotion
- d) Place

The elements of the marketing mix are equally applicable to services marketing as to the marketing of physical, or tangible, goods, as can be seen if they are explained further:

a) Product

The 'product' element of the marketing mix refers to how offering is put together – typically this will include aspects relating to:

QUALITY

STYLING

COLOR

DESIGN

BRAND NAME

PACKAGING

SIZES

GUARANTEES AND OTHER FEATURES

Whilst it is relatively easy to see that color and size range, for example, more appropriate to the development of tangible goods, there is a good deal of overlap. Services are provided to certain quality standards, they are frequently offered with guarantees and many service organizations have developed high levels of brand – name awareness. While it may be appropriate to offer a range of sizes, many services are offered with a range of levels of service cover.

b) Price

'Price' in marketing mix terms, covers all aspects of pricing:

DISCOUNT PRICING

EXTENDED CREDIT

LIST PRICE

PAYMENT PERIOD

In services marketing, pricing may present a more complex task to the marketer due to the highly intangible nature of services as opposed to physical goods.

However, services marketers do exercise all their options in developing pricing policies to suit market needs. Airlines and hotels, for example, offer a range of service at different price levels to attract the maximum number of potential users.

Consumers are not so readily able to interpret value – for – money with services as they are for tangible goods as intangibility of services makes it hard for consumers to determine quality, for example. The price which can be charged, therefore, must take this into account, but service providers can actually win flexibility on pricing due to this. A prestige brand image can allow premium pricing policies.

c) Promotion

‘Promotion’ refers to all the ways in which the product or service – the market offering – can be promoted to the target market and the communication methods available to marketers. These fall into four main areas:

ADVERTISING

PERSONAL SELLING

SALES PROMOTION

PUBLIC RELATION

Without promotion of some kind there can be no effective marketing at all. The market must have an awareness of, and possibly some kind of understanding of what is being offered in their purchase decision making. Excellent services are of no use at all if potential consumers know nothing about them.

Each of the categories or promotional activity – the promotional ‘mix’ – shown above, has now become familiar in many areas of services marketing. Virtually all service use at least one such form of promotion, but the way the promotional mix is utilized depends on certain aspects of the service offering.

Services which are highly standardized, and offered to large market segments employ mass advertising techniques:

Banks and other financial services, travel and tour operators are examples of service organizations which use extensive media advertising both nationally and internationally in some cases.

Services which offer a greater degree of customization, particularly on personal level, may be promoted using more selective means. Word – of – mouth, or personal recommendation is considered very effective, and many service providers encourage this. Personal selling can play a critical role in high involvement purchases, and this is true for services as well as products.

Low – relations exercises may be used. Professional services have long been subject to very strict regulations on advertising.

Many services rely on a combination of the different elements of the promotional mix:

Financial services are frequently advertised on a wide scale, with personal selling also playing an important role.

Sales promotion techniques, especially those of the limited period discount type, or price reductions for frequent users are used by many service providers from health clubs and local authority leisure services to airlines and tour operators.

Purchase incentives are offered by many financial services providers; bank offer ‘free gift’ to attract students account holders, for example, and insurance companies offer incentives such as weekend break, once a policy is in place.

d) Place

‘Place’ or distribution, is often perceived as being of far less importance in services marketing than it is in the marketing of physical goods and services. At first glance, the following lots of components, which make up the ‘place’ element of the marketing mix, may appear to support this idea.

CHANNELS / COVERAGE

GEOGRAPHICAL LOCATION

STOCKHOLDING / INVENTORY

TRANSPORT

Most of these components of distribution would appear to hold far greater relevance to the marketing of tangible goods, than to services marketing. This is not true, however, and it is worth considering each of these aspects in turn:

Channels/coverage It may seem that channels are of little importance in services marketing since one of the unique characteristics of services marketing, in the traditional view, is that the service provider is also the service seller. Many service providers do have direct channels of distribution, for example:

Retail banks on the high street.

Dentists operating from their own dental clinics.

An increasing number of services, however, do have channels of distributions, for example:

Insurance may be sold directly, or through an agent.

Tour operators mainly sell through travel agents.

Freight carriers frequently arrange their business through agent.

Hotel and theater booking agencies act as wholesalers for accommodation and tickets.

Decisions about channel quality, types of channel and coverage are therefore critical.

Geographical location For many of the reasons indicated above, whether operating through channels of distribution or directly, location is of critical importance. Retail service location requires careful location decisions to attract consumers:

Banks, estate agents and dry cleaners all need to be located conveniently for their customers, while hotels and country clubs may have to look at quite different criteria in selecting desirable location.

Stock Holding / Inventory It is frequently argued that because services are perishable in that they are simultaneously provided and consumed, no stock holding is required. However, that is only one aspect of the service – in many services marketing situations there is a need for stocks or equipment to make the service possible.

Transport Although many services are not transported in the traditional sense, transport is still an important aspect of services marketing. In tourism, it may be necessary to transport the customers to the holiday destination, and the quality of legal or accounting services.

1.3.4 SPECIAL CHARACTERISTICS OF SERVICES

Services are said to have four key characteristics, which impact on marketing programs. These are:

- a) Intangibility
- b) Inseparability
- c) Heterogeneity / Variability

d) Perishability (simultaneous production / consumption)

It is helpful to consider each of these characteristics briefly:

a) **Intangibility**

Services are said to be intangible – they cannot be seen or tasted, for example. This can cause lack of confidence on the part of the consumer. As was apparent earlier, in considering pricing and services marketing, it is often difficult for the consumer to measure service value and quality. To overcome this, consumers tend to look for evidence of quality and other attributes, for example in the doctor and surroundings of the beauty salon, or from the qualifications and professional standing of the consultant.

b) **Inseparability**

Services are produced and consumed at the same time, unlike goods which may be manufactured, then stored for later distribution. This means that the service provider becomes an integral part of the service itself. The waitress in the restaurant, or the cashier in the bank, is an inseparable part of the service offering. The client also practices to some extent in the service, and can effect the outcome of the service. People can be part of the service itself, and this can be an advantage for services marketers.

c) Heterogeneity / Variability

Because a service is produced and consumed simultaneously, and because individual people make up part of the service offering, it can be argued that a service is always unique; it only exists once, and is never exactly repeated. This can give rise to concern about service quality and uniformity issues. Personnel training and careful monitoring of customer satisfaction and feedback can help to maintain high standards.

d) Perishability

Services are perishable; they cannot be stored. Therefore an empty set on a plane, for example, is a lost opportunity forever. Restaurants are now charging for reservations which are not kept, charges may be made for missed appointment at the dental clinic. Perishability does not pose too much of a problem when demand for a service is steady, but in times of unusually high or low demand service organizations can have severe difficulties.

Following Table I – 4 shows the implication of service characteristics and ways of overcoming them

Table I-4

Implication of Service Characteristics and Ways of Overcoming Them

Service characteristics	Implication	Means of overcoming characteristics
1. Intangibility	Sampling difficult. difficult to judge quality and value in advance. Not possible to patent or have copyright. Relatively difficult to promote.	Focus on benefits. Use brand names. Use personalities to personalize service. Develop reputation. Increase tangibility (e.g. its physical representation).
2. Inseparability	Requires presence of performer/producer. Direct sale. Limited scale of operations. Geographically limited market.	Learn to work in larger groups. Work faster . Train more service performers.
3. Heterogeneity	Difficult to standardize quality..	Careful selection and training of personnel. Define behaviour norms. Reduce role of human element. Mechanize and automate maximum possible operation.
4. Perishability	Cannot be stored Problem of demand fluctuation.	Better match between supply and demand by price reductions in low demand season.
5. Ownership	Customer has access to but not ownership of facility or activity.	Stress advantage of non-ownership such as easier payment scheme.

Source: Adapted from Donald Cowell, "The Marketing of Services", Heinemann, Londn.

1.3.5 THE NATURE OF THE SERVICE PRODUCT

Both physical goods and services provide benefits and satisfactions – both goods and services are ‘product’ or offerings. Following are the breakdown of service offerings:

Utilities : gas, power, water

Transportation and communication

Recreation and leisure

Insurance & banking and finance

Business, professional and scientific

For most of these categories it is easy to think of 'product' associated with them; insurance policies, heating and light, package holidays and so on. This has implications for service marketing management.

As in traditional marketing concerned with tangible products, the services marketing manager needs to look closely at marketing strategy, including such aspects as:

- A Unique Selling Proposition (USP) – sometimes which makes out the service offering from its competition.
- Positioning, and differentiation of the service offering.
- The notion of the product concept, and the augmented product, which can be applied to services.
- New service development – service organizations need to be more and more innovative in today's competitive marketplace, and in the face of heightened consumer sophistication.

All of these management issues are common to both services marketing and the marketing of tangible goods.

1.3.6 AREAS RESPONSIBLE FOR PROBLEMS AND KEY ISSUES IN SERVICES MARKETING MANAGEMENT

There are number of areas of marketing management which do have special significance for services marketing. It is worth commenting on those aspects

which are important to developing an awareness of problems and key issues in services marketing.

a) Productivity and Quality

In striving to gain and maintain competitive advantage, both productivity and quality are of key importance. However, the nature of services implies that it is difficult to avoid a trade – off situation, when improvements in service productivity can lead to sacrifices in the level of quality. This is most sensitive in services marketing where people are the service delivers.

b) Service quality is measured on two levels:

- Technical quality – the overall efficiency with which a bank handles its customer accounts in terms of promote statements, rates of interest offered and so on.
- Functional – quality the way the service is actually delivered; this includes personal courtesy, the service environment in terms of comfort and décor, the consumer's own role (are there long queues, are pens and forms provided to make the actual transactions simpler?).

The importance which is attached to functional and technical quality depends on the type of service, and the benefit sought by the consumer. High involvement purchases, which are typically expensive and infrequent, will also be evaluated with different set of criteria in the customer's mind to low involvement, inexpensive purchases.

Consumers evaluate service in two ways:

Experience

Credence

Experience is used in service situations where consumers can measure service value in terms of their own experience and expectations. This may be the case in evaluating personal services such as hairdressing or gardening. In case where the individual has little or no experience of the service offered, and has no personal knowledge in the area, they will make evaluations based on credence.

This can be virtually translated into an assessment of the service provider's credibility. Consumer behavior, and the buying decision processes, must therefore be comprehensively researched and understood by the service providers in order to manage productivity and quality levels.

Marketing Strategy

In developing marketing strategy there are essentially two tasks:

- i) The selection of target markets
- ii) The formulation of an appropriate marketing mix to serve those target markets.

However, before the marketing manager can consider target markets, the starting point must be marketing audit. As these terms suggests, this is an

audit of the organization's marketing activities, with particular focus on the analysis of opportunities available to the organization. The management task can really be seen to fall into four main areas:

- i) Marketing research
- ii) Marketing planning
- iii) Implementation
- iv) Control

The market can generally be divided into the consumer sector and organizational users. Within each of these sectors there are likely to be a number of segments which need to be researched and evaluated before decisions can be made about selecting target segments. When attractive segments have been identified, the services marketing manager must develop an appropriate marketing mix for each segment selected, with each of the elements of the mix being finely tuned to best meet the needs of individual segments.

The role of people in the services marketing situation, and in particular, the idea of inseparability and the interactive nature of service provision, have been emphasized continuously. Internal marketing is the name given to the concept which embraces commitment to employees, and this has a very important role to play in services marketing.

Internal marketing means treating the internal customers – the employees – with the same care and attention to detail as the external customers. Thus,

internal marketing programs incorporate staff development, training, communication and a total quality approach. Internal marketing relates to the importance of people in service marketing.

These aspects are especially relevant to services marketing, so this has led to the development of some additional elements which extend the services marketing mix from four P's to seven P's. These additional elements are:

- PEOPLE, where the emphasis is developing the role that people play in service deliver
- PHYSICAL EVIDENCE, which includes facilitating goods (for example, cars or tools for hire), and surroundings, décor and comfort.
- PROCESS, which is concerned with the functional aspects such as service deliver, queuing systems, timeliness and quality of delivery.

1.3.7 CLASSIFICATION OF SERVICES

Following are the methods of classification of services.

a) End-user

Services can be classified into the following categories:

- Consumer: leisure, hairdressing, personal finance, package holiday.
- Business to business: advertising agencies, printing, accountancy, consultancy.
- Industrial: plan maintenance and repair, work wear and hygiene, installation, project management.

b) Service tangibility

The degree of tangibility of a service can be used to classify services:

- Highly tangible: car rental, vending machines, telecommunications.
- Service linked to tangible goods: domestic appliance repair, car service.
- Highly intangible: psychotherapy, consultancy, legal services.

c) People – based services

Services can be broken down into labour –intensive (people –based) and equipment – based service. This can also be represented by the degree of contact.

- People – based services – high contact: education, dental care, restaurants, medical services.
- Equipment – based –low contact automatic car wash, launderette, vending machine, cinema.

d) Expertise

The expertise and skills of the service provider can be broken down into the following categories:

- Professional: medical services, legal, accountancy, tutoring.
- Non-professional: babysitting, caretaking, casual labour.

c) Profit orientation

The overall business orientation is a recognized means of classification:

- Non-for-profit: The Scouts Association, charities, public sector leisure facilities.
- Commercial: banks, airlines, tour operators, hotel and catering services.

1.4 NATURE & SCOPE OF THE STUDY

A survey was undertaken to delve into the marketing practices of the financial service organizations and for the purpose of the study, the financial service organizations situated in the State of Gujarat were chosen. The study is a combination of exploratory, descriptive and casual research design. The data was collected from primary sources with the help of a structured questionnaire as well as from secondary sources available within and outside the financial service organizations.

In this study an attempt is made to ascertain the extent of association between input and output, the variable chosen for input are marketing practices and output is growth rate. Ideally, better marketing practices should lead to higher growth rate (which is the goal of financial service organizations). As the scale of operations of various financial service organizations differs, growth parameters i.e. advance growth rate,

investments growth rate, deposits growth rate, commissions/fees growth rate have been used as output variable.

1.5 LIMITATIONS OF THE STUDY

The study was subject to certain limitations:

- (i) Data on expenditure aspects could not be collected fully. As the financial service organizations were unwilling to divulge information pertaining to expenditure aspects.
- (ii) The marketing practices of the financial service organizations concerning 'channel decisions' could not be analyzed in this study, as very few organizations (only 10 from the sample of 52 units) indicated that they use 'channel' for generating business. It was felt that the results of these 10 respondents when analyzed might not conform to the realities of the situation.
- (iii) The study examines the relationship between growth rate and marketing practices. However, there may be several other factors than marketing practices, which influence growth rate. (Other factors may be said to include role of Govt., market situation, rate of inflation etc.)

- (iv) Due to constraints of time and finance, the study could not be broad based is confirmed to financial organizations situated in State of Gujarat.

1.6 ORGANIZATION OF THE STUDY – CHAPTERIZATION

Chapter I is an introductory chapter, which brings out the importance of marketing in economic development. The developments of marketing theory, the marketing environment, the development of the marketing concept, marketing mix and characteristics service products are also highlighted. The nature and scope of the study, as also the limitations of the study are brought out.

Chapter II highlights findings of a few studies. A case for a study on the marketing practices of the financial organizations is made out.

Chapter III is wholly devoted to the theoretical frame work of financial services, viz. special characteristics, competitive environment, financial services marketing mix, types of financial services etc. It also covers the role of regulatory authority in marketing of financial services. It also covers the rationale for a study on the marketing practices of financial service organizations.

Chapter IV describes the plan and procedure of the study in detail. This includes sample selection, development of the questionnaire, research objectives (hypothesis) and the statistical techniques used in analyzing data.

Chapter V is the first of the two chapters where the data collected was analyzed. Here, the level of performance of the different groups with respect to each of the marketing variables is discussed. The different groups are also compared and differentiated in terms of their marketing practices.

Chapter VI also deals with analysis and interpretation of data. The results accrued from the application of the step – wise regression technique are discussed the criterion variable being growth rate and predictor variable, the different marketing practices.

Chapter VII presents a summary of the study and highlights its major findings. The implications of the study are also discussed alongside. Besides, there are appendices giving the questionnaire, the scoring key and some other related particulars.

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