NATIONAL OPEN UNIVERSITY OF NIGERIA

SCHOOL OF MANAGEMENT SCIENCES

COURSE CODE: MKT 302

COURSE TITLE: MARKETING OF FINANCIAL SERVICES

COURSE GUIDE

(MKT 302)

MARKETING OF FINANCIAL SERVICES

COURSE GUIDE

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TABLE OF CONTENTS

COURSE GUIDE

INTRODUCTION

This course guide tells you the nature of the course materials you are going to use and how you are expected to use them for meaningful benefits. It is expected that at least two hours should be devoted to the study of every unit. For each course units there are exercises. You are encouraged to do them. They serve as points of reflections, which are necessary for proper understanding of the facts.

At the end of each unit, there are tutor-marked assignments, which you are expected to answer. They serve as revision and continuous assessment. Tutorial lectures will be provided. This is the opportunity you have for a face-to-face contact with your facilitator. Any area you did not understand will be explained during the tutorial classes.

COURSE AIMS

The course aims at exposing you (students) to the necessary information that will add to the student's knowledge on Marketing of financial services. The aim of the course shall be achieved by:

- Defining and explaining marketing in clear terms
- Examining the conceptual framework of marketing
- Discussing product marketing concept
- Explaining selling marketing concept
- Examining the societal marketing concept
- Distinguishing between a product and service
- Defining and explaining market
- Itemising the various types of markets
- Highlighting the core marketing functions
- Discussing sales force management skills, and
- Some of the entities that are being marketed

- Identifying ferbar’s fundamental Customer Rights
- Defining and explaining services
- Ascertaining the general characteristics of service
- Discussing the meaning of financial services
- Explaining the various categories of financial institutions
- Identifying the need for marketing in the financial services industry
- Discussing the features of financial services
- Assessing the conditions for effective marketing of financial services

COURSE OBJECTIVES

Upon successful completion of this course, you should be able to:

UNIT 1

- Define and explain marketing in clear terms
- Examine the conceptual framework of marketing
- Discuss product marketing concept
- Explain selling marketing concept
- Examine the societal marketing concept
- Distinguish between a product and service
- Define and explain market
- Itemise the various types of markets
- Highlight the core marketing functions
- Discuss sales force management skills, and
- Some of the entities that are being marketed
- Identify ferbar’s fundamental Customer Rights

UNIT2

- Definition and Meaning of Service
- Characteristics of services
    - Intangibility
    - Heterogeneity
    - Inseparability
    - Perishability
- Explain the meaning of financial services

- Examine the Categorization of financial institutions
- Analyse the Oligopolistic nature of financial institutions
- Need for marketing in the financial services industry
- Characteristics (Features) of financial services
- Conditions for effective marketing of financial services
    - A high level of literacy rate
    - A fair good banking habit
    - Existence of good legal or statutory stipulation
    - Availability of Varied bank
    - Enhancement of quality Service

UNIT 3

- Define and explain service market segmentation
- Identify and explain some of the market segmentation strategy adopted
- Examine product market/product differentiation marketing
- Discuss the various characteristics of effective market segmentation
- Compare and contrast the bases for market segmentation
- Elucidate the benefits of market segmentation
- Highlight the various steps in market segmentation
- Analyze the justification of market segmentation

UNIT 4

- Define and explain the meaning of marketing mix strategies
- The traditional 4Ps
    - Product Planning
    - Product planning
    - Pricing of Services
    - Service promotion
    - Place or Distribution Strategy
- Pricing Policies
    - Skimming price policy

    - Penetration Pricing policy
    - Stable pricing policy
    - Going Rate of Market Price
    - Competitive Pricing
    - Promotion

UNIT 5

- Definition and Meaning of Marketing Planning
- The Need for Marketing Planning
- Qualities of a Good Marketing Plan
    - Flexibility
    - Brevity
    - Comprehensiveness
    - Clarity
- Constraints to Marketing Plan
    - Action of Government/Regulatory Authorities
    - Economic Depression
    - Civil Strife/Social Upheavals
    - Man power Needs
    - Political Upheavals
    - Inflation
    - Cost of Operating Facilities
- Marketing Plan Content

UNIT 6

- Discuss some of the major strategies for marketing bank products and services
- Compare and contrast product strategy and pricing strategy
- Enumerate the marketing approaches to banking services
- Explain the challenges of bank marketing
- Highlight the possible effect of technology, untrained staff as the major challenges of bank marketing
- Further buttress the comprehensive strategy for the enhancement of bank marketing
- Discuss the matching of corporate strategy alternatives to fit the bank industry circumstances

UNIT 7

- Defined and explain relationship marketing
- Examine some of the established factors about a customer
- Deduce some of the reasons for relationship marketing
- Enumerate the key methods employed in building relationship marketing
- Compare technical Support and Resource Support as method of building relationship
- Highlight the most needed qualities of a good relationship marketer
- Discuss with the aid of a labeled diagram the growth in banking services
- Explain the key steps in relationship marketing via-a-vis management of bank customer relationship

UNIT 8

- Differentiate a product from service
- Discuss the new product development aims
- Identify and discuss the various stages of new product development
- Explain the concept of idea screening in a new product development stage
- Highlight the general purpose of test marketing
- Explain the concept of commercialization
- Identify the key decision areas when launching a new product
- Examine the failures of newly launched products in the markets

UNIT 9

- Define and explain insurance
- Discuss the controllable and non controllable forces in the marketing of insurance services in Nigeria
- Identify the current insurance marketing process
- Examine the services of bankers and consultancy in the marketing of insurance services
- Highlight the marketing strategies adopted in insurance services marketing
- Expose the emerging challenges adopted in insurance services in Nigeria

UNIT 10

- Examine the environment for financial services marketing
- Discuss bank macro environment in the light of its definition and meaning
- Compare and contrast the customer markets and marketing intermediaries
- Identify the prevailing forces in the marketing environment
- Explain extensively bank macro environments: strategy, structure systems, etc
- Cross examine the “four Ps” and the marketing mix

UNIT 11

- Examine the definition and meaning of the internet system in financial services
- Highlight the various types of the internet banking
- Discuss the prevailing changes/revolutions in Nigeria financial services
- Identify the major trends which affect Nigeria financial services
- Examine critically the roles of the internet system in Nigerian financial services
- Explain Nigeria financial institutions transactions ICT challenges
- Cross examine the National fragmentation vs tactical ICT vision

UNIT 12

- Give a clearer meaning of Audit
- Distinguish between an audit and marketing audit (if any)
- Identify and explain the basic features of marketing audit
- Explain periodicity as a common feature of marketing audit
- Explain the key elements of marketing audits
- Draw up a markets and environmental analysis as they relate to marketing audits
- Discuss the generality of service audits

UNIT 13

- Define and explain the term a market
- Give a clear definition of financial market
- Explain what is meant by capital market
- Discuss extensively the divisions of capital market i.e. the primary and secondary markets
- Identify the different types of capital markets
- Draw an analogy between derivatives market and mortgage markets

UNIT 14

- Holistically examine the overview of ethical issues in financial services marketing.
- Discuss some of the reasons of ethics in banking profession.
- Explain the content of the bankers code of ethics in Nigeria.
- Examine some of the unethical ways to lose a customer.
- Discuss the empirical examples of unethical practices in banking industry
- Discuss equating moral behaviour with legal behaviour ,and
- Professional duty vs company demand

UNIT 15

- Examine an overview of target services
- Define market focus
- Distinguish between service focus and unfocused
- Explain services positioning strategy
- Itemize the prevailing service positioning criteria
- Discuss services repositioning
- Highlight any two cases you know towards developing a service brand
- Explain with a large labeled diagram product/service life-cycle concept
- Elucidate service delivery in terms of its necessity

UNIT 16

- Identify the major issues in international services marketing management
- Refining the marketing programme for foreign markets
- Discuss products and promotion decisions such as maintaining a uniform product and promotion worldwide and retaining a uniform service formulation but adopt promotion
- Examine the pricing decisions in service marketing
- Discuss the accessibility decisions to intermediaries
- Highlight and discuss major market entry strategies in international service marketing management

COURSE MATERIALS

1. Course Guide
2. Study Units

3. Textbooks
4. Assignment File
5. Tutorials

STUDY UNITS

There are sixteen study units as shown below:

UNIT ONE**:** GENERAL OVERVIEW OF MARKETING

UNIT TWO: APPLICATION OF FUNDAMENTAL CONCEPTS AND PRINCIPLES IN MARKETING OF FINANCIAL SERVICES

UNIT THREE: MARKET SEGMENTATION

UNIT FOUR: FINANCIAL SERVICES MARKETING MIX STRATEGIES

UNIT FIVE: MARKETING PLANNING IN FINANCIAL SERVICE

UNIT SIX: STRATEGIES FOR MARKETING BANK PRODUCTS AND SERVICES

UNIT SEVEN: RELATIONSHIP MARKETING

UNIT EIGHT: NEW PRODUCT DEVELOPMENT IN THE FINANCIAL SERVICES

UNITE NINE: MARKETING OF INSURANCE SERVICES IN NIGERIA

UNIT TEN: ENVIRONMENTAL FOR FINANCIAL SERVICES MARKETING

UNIT ELEVEN: INTERNET SYSTEM IN FINANCIAL SERVICES

UNIT TWELVE: MARKETING AUDIT AND CONTROL IN FINANCIAL SERVICE

For each study unit, which you are expected to spend at least three hours, there are specific objectives. At the end of each unit, measure what you have learnt against the objectives. If there is any deviation go back to the contents of the unit. There are textbooks, which you may go for additional information.

The exercise in each unit has to be attempted to ensure that you are following the ideas being presented. In addition, there are tutor-marked assignments. You are entreated to attempt them, as some of them will form part of the continuous assessment.

ASSIGNMENT FILE

There will be nine (16) assignments, which will cover the following areas:

the conceptual framework of marketing, product marketing concept, selling marketing concept, the societal marketing concept, distinction between a product and service,the major issues in international services marketing management, marketing programme for foreign markets, products and promotion decisions such as maintaining a uniform product and promotion worldwide and retaining a uniform service formulation but adopt promotion, the pricing decisions in service marketing major market entry strategies in international service marketing management etc.

(1,2,3,4,5,6,7,8, 9,10,11,12,13,14,15&,16).

PRESENTATION SCHEDULE

This concerns date for tutorials, submission of assignment to be sent to you in due course.

ASSESSMENT

This will be in two forms:

1. The continuous assessment which will be based on 30%.
2. The final semester examinations after you have completed the material 70%.

TUTOR-MARKED ASSIGNMENTS

There is TMA at the end of each unit and you are to submit the nine. Each of them is 10%.

As soon as you complete your assignment, sent it immediately to the tutor. The best three (3) will be selected for continuous assessment purpose.

FINAL EXAMINATION AND GRADING

The final examination of MKT 302 will be of two-hour duration and have a value of 70% of the total course grade. The examination will consist of questions which reflect the type of self-testing, practice exercises and tutor-marked problems you have come across. All areas of the course will be assessed.

You are advised to revise the entire course after studying the last unit before you sit for the examination. You will find it useful to review your tutor-marked assignments and the comments of your tutor on them before the final examination.

COURSE REVIEW

This table brings together the units, the number of weeks you should take to complete them, and the assignments that follow them.

	TITLE OF THE WORK	**WEEKS ACTIVITY**	**ASSESSMENT**
UNIT			**END OF UNIT**

ONE	**GENERAL OVERVIEW OF MARKETING**	1	1^{ST} Assignment
TWO	**APPLICATION OF FUNDAMENTAL CONCEPTS AND PRINCIPLES IN MARKETING OF FINANCIAL SERVICES**	1	2^{ND} Assignment
THREE	**MARKET SEGMENTATION**	1	3^{rd} Assignment
FOUR	**FINANCIAL SERVICES MARKETING MIX STRATEGIES**	1	4^{th} Assignment
FIVE	**MARKETING PLANNING IN FINANCIAL SERVICE**	1	Assignment 5^{th} Assignment
SIX	**STRATEGIES FOR MARKETING BANK PRODUCTS AND SERVICES**	1	6^{th} Assignment
SEVEN	**RELATIONSHIP MARKETING**	1	7^{th} Assignment
EIGHT	**NEW PRODUCT DEVELOPMENT IN THE FINANCIAL SERVICES**	1	8^{th} Assignment
NINE	**MARKETING OF INSURANCE SERVICES IN NIGERIA**	1	9^{th} Assignment

TEN	**ENVIRONMENTAL FOR FINANCIAL SERVICES MARKETING**	1	10th ASSIGNMENT
ELEVEN	**INTERNET SYSTEM IN FINANCIAL SERVICES**	1	11th ASSIGNMENT
TWELVE	**MARKETING AUDIT AND CONTROL IN FINANCIAL SERVICE**	1	12th ASSIGNMENT
THIRTEEN	**MARKETING ACTIVITIES IN THE CAPITAL MARKET**	1	13th ASSIGNMENT
FOURTEEN	**ETHICAL ISSUES IN FINANCIAL SERVICES MARKETING**	1	14th ASSIGNMENT
FIFTEEN	**SERVICE TARGETING AND POSITIONING**	1	15th ASSIGNMENT
SIXTEEN	INTERNATIONAL MARKETING MANAGEMENT	1	16th ASSIGNMENT
		16	

How to get the most from this course

In distance learning the study units replace the university lecturer. This is one of the greatest advantages of distance learning; you can read and work through specially designed study materials at your pace, and at a time and place that suit you best.

Think of it as reading the lecture instead of listening to a lecturer. In the same way that a lecturer might set you some reading to do, the study units tell you when to read your set books or other material.

Just as a lecturer might give you an in-class exercise, your study units provides exercises for you to do at appropriate points.

Each of the study units follows a common format. The first item is an introduction to the subject matter of the unit and how a particular unit is integrated with the other units and the course as a whole. Next is a set of learning objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the units you must go back and check whether you have achieved the objectives. These objectives let you know what you should be able to do by the time you have completed the unit. You should use these objectives to guide your study. When you have finished the units you must go back and check whether you have achieved the objectives. If you make a habit of doing this you will insignificantly improve your changes of passing the course. The main body of the unit guides you through the required reading from other sources.

READING SECTION

Remember that your tutor's job is to help you. When you need help, don't hesitate to call and ask your tutor to provide it.

1. Read this course guide thoroughly.

2. Organize a study schedule. Refer to the "Course overview" for more details. Note the time you are expected to spend on each unit and how the assignments relate to the units. Whatever method you choose to use, you should decide on and write in your own dates for working on each unit.

3. Once you have created your own study schedule, do every thing you can to stick to it. The major reason that students fail is that they get behind with their course work. If you get into difficulties with your schedule, please let your tutor know before it is too late for help.

4. Turn to unit 1 and read the introduction and the objectives for the unit.

5. Assemble the study materials. Information about what you need for a unit is given the "Overview" at the beginning of each unit. You will always need both the study unit you are working on and one of your set books on your desk at the same time.

6. Work through the unit. The content of the unit itself has been arranged to provide a sequence for you to follow. As you work through the unit you will be instructed to read sections from your set books or other articles. Use the unit to guide your reading.

7. Review the objectives for each study unit to confirm that you have achieved them. If you feel unsure about any of the objectives, review the study material or consult your tutor.

8. When you are confident that you have achieved a units objectives, you can start on the next unit. Proceed unit by unit through the course and try to space your study so that you keep yourself on schedule.

9. When you have submitted an assignment to your tutor for marking, do not wait for its return before starting on the next unit. Keep to your schedule. When the assignment is returned, pay particular attention to your tutor’s comments. Consult your tutor as soon as possible if you have any questions or problems.

10. After completing the last unit, review the course and prepare yourself for the final examination. Check that you have achieved the unit objectives (listed at the beginning of each unit) and the course objective (listed in the course guide).

TUTOR AND TUTORIALS

There are 8 hours of tutorials provided in support of this course. You will be notified of the dates, times and location of these tutorials, together with the name and phone number of your tutor, as soon as you are allocated a tutorial group.

Your tutor will mark and comment on your assignment, keep a close on your progress and on any difficulties you might encounter and provide assistance to you during the course.

You must mail your tutor- marked assignments to your tutor well before the due date (at least two working days are required). They will be marked by your tutor and returned to you as soon as possible. Do not hesitate to contact your tutor by telephone, e-mail, or discussion board if you need help. The following might be circumstances in which you would find help necessary.

Contact your tutor if:

1) You do not understand any part of the study units or the assigned readings.
2) You have difficulty with the self-tests or exercises.
3) You have a question or problem with an assignment, with your tutor's comments on an assignment or with the grading of an assignment.

You should try your best to attend the tutorials. This is the only chance to have face-to-face contact with your tutor and to ask questions which are answered instantly. You can raise any problem encountered in the course of your study. To gain the maximum benefit from course tutorials, prepare a question list before attending them. You will gain a lot from participating in discussion actively.

SUMMARY

Marketing refers to the social management processes by which products, or groups' needs and wants. These processes include, but are not limited to advertising, (12 promotion, distribution, and sales).

Everyone markets something without even realizing it throughout his or her life. Marketing is not mere selling. But selling is at the heart of marketing. Like it or not, marketing has been, is and will certainly be part and parcel our life. If you are looking for a suitable job, you must know how to market yourself. If you want to win a competition, you must understand and practice the art of marketing, more soon the ability to communicate and influence your target audience efficiently and master the ways to develop a salable brand out of you or your products and services. Learning marketing formally from experts will definitely help you to understand and put to practice the proven ways of doing marketing.

Services has been defined as any act or performance that one party can offer to another that is essentially and does not result in the ownership of anything. Services are characterized by – intangibility, heterogeneity, inseparability and perishability.
Financial institutions are economic decision units established for providing financial services to its target markets with the main objective of making adequate returns or profits on the funds invested and being socially responsible to the society.

Market segmentation is a market strategy that involves dividing a broad target market into subsets of consumers, who have common needs, and then designing and implementing strategies to target their needs and desire using media channels and other touch points that best allow reaching them.
Market segments allow companies to create product differentiation strategies to target them.
An ideal market segment meets the criteria of being possible to measure, being large enough to earn profit, stable, reach potential organizations, homogeneity, responding to market stimulus, aid marketing mix discussions.

Consumer markets are often segmented through geographic segment, behavoural segment, segmentation by occasions etc.

Market segmentations are often used in customer retention. The basic approach to retention based segmentation is that a company tags each of its active customers with three values.

Banking sector reforms have changed the traditional way of doing banking business. Mainly technology is the outcome of banking reforms. Customer is now the king and customer focus or satisfaction of customer is the main aim of the banks. With the introduction of new products and services competition has grown up among the banks. Only those will survive who face the competition with the effective ways of marketing.
The marketing audit first introduced by (Abe Shuchman in 1959) but formally introduced to the marketing literature is **"Marketing Audit"** in theory and practice, which focused on defining the domain of marketing audits **(AMA, 1959).** Due to the interrelationships among the entire

marketing function. A three step process by which a marketing audit could be conducted was proposed:

- Marketing environmental review
- Marketing system review
- Detailed review of specific marketing areas. **(Tirmann, 1971).**

To effectively conduct a marketing audit, an internal audit department or an outside consultant were envisioned as auditor. All companies need to review, with a marketing audit, their marketing operations from time-to-time to ensure that they are in line with the changing environment and emerging threats and opportunities **(Kotler, 1976).**

For instance, agreement must be reached among company officers and the auditors on the time period for the audit.

Sometimes the push to act unethically comes from the client. How many people expect their accountants to pad their expenses where possible? How many clients expect their insurance agents to falsify their applications or claims? "That's the temptation-you like your client, you've gotten to know your client, you really want to help your client out that’s just another conflicting loyalty," Duska said.

Mitchell concluded the presentation with several suggestions for improvements in the industry to encourage more ethical behavior. "My experience [in the financial services industry] is that people who do business are, for the most part, highly ethical people trying to do the right thing most of the time. Most of them are trying to help their clients achieve their financial objectives," he said. "But how could this be better, because clearly, even if I'm right, there are still a lot of issues and problems in the business?"

First of all, consumers need to be better informed. "It is your responsibility to take control of your own financial security," he said, which doesn't mean you need to know everything about the product you are buying in advance, but "you should read enough to know what some of the right questions are to ask." Ask those insightful questions of an advisor whom you know, trust, and who has the proper credentials, if applicable.

Other suggestions included:

- Incentive compensation better aligned with customers' interests, rather than agents
- More industry trade associations supporting ethics initiatives
- The Center for Ethics in Financial Services growing in influence and impact

One of the things you don’t see is more regulations. It’s not on my list, “Mitchell concluded”

COURSE MATERIAL DEVELOPMENT

(MKT 302)

MARKETING OF FINANCIAL SERVICES

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UNIT 1: GENERAL OVERVIEW OF MARKETING

CONTENT

1.0 Introduction

2.0 Objectives

3.0 Main Content

3.1 Definition and Meaning of Marketing

3.2 Entities that are Generally Marketed

- 3.2.1 Distinction between Product and Services in Service Marketing

3.3 Conceptual Frame Work of Marketing

- 3.3.1 The Production Concept
- 3.3.2 The Production Concept
- 3.3.3 The Selling Concept
- 3.3.4 The Marketing Concept
- 3.3.5 The Social Marketing Concept

3.4 Market

- 3.4.1 Various Types of Markets

3.5 Core Functions of Marketing

3.6 Sales Force Management Skills

3.7 Basic Marketing Process

3.8 Farber's Fundamental Customer Rights

4.0 Conclusion

5.0 Summary

6.0 Tutor Marked Assignment

7.0 Reference/Further Reading

1.0 INTRODUCTION

Marketing is an activity. Marketing activities and strategies resulting in making products available that satisfy customers while making profits for the companies that offer those products. Marketing activities are numerous and varied because they basically include everything needed to get a product off the drawing board and into the hands of the customer. The board field of the marketing includes activities such as:

- Designing the product and services so it will be desirable to customer by using tools such as marketing research and pricing
- Promoting the product so people will know about it by using tools such as public relations advertising, and marketing communications
- Selling a price and letting potential customers know about you product or service and making it available to them.

Marketing is the creation, development and delivery of products and services that satisfy the needs and wants of the customer, at a profit (Madsen J. and Tan B. 2005).

Marketing should be an organization wide practice. It must be focused on the customer, product and services and work with the segmentation of the markets in the most productive and cost-efficient manner to derive profitability. The fundamental marketing goal is to capture and retain customer's profitability. The fundamental marketing goal is to capture and retain customers profitably.

Marketing has moved from customer acquisition (winning new customers); through customer retention (keeping existing customers for life); through customer selection (be selective in choosing customer-priority for the profitable ones). If customers are wrongly selected they might end up as bargain hunters only who exploit sales promotion and move on and on. Keep loyal and profitable customers. Selling to them is more profitable than winning the new ones. Lifetime customer with lifetime value against one-off sales syndrome.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Define marketing and market.
- Explain selling, product and societal marketing concept
- Distinguish between a product and service marketing
- Itemise the various types of markets
- Explain the core marketing functions
- Identify ferbar's fundamental Customer Rights

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF MARKETING.

Marketing is the creation, development and delivery of products and services that satisfy the needs and wants of the customer, at a profit. For a definition and clear meaning of market, let us examine the following terms:

- Market – the business of selling and buying commodities (products and services). It is not confined to space, locally and time.

The internet enables market to be in cyber space, 24 hours a day (interactive online marketing)

- Marketing – a person who promotes sales.
- Market economy – less interventions from authorities
- Marketable – commodities fit to be offered for sale. Services from the business of moving goods and services from the producer to the customer. It involves the act of promoting sales of commodities, including research, advertising and packaging. A universally accepted definition of marketing: "marketing is the management process responsible for identifying, anticipation and satisfying customer requirements profitably" – The character institute of marketing.

McCarthy (1975) defines marketing as the performance of business activities that direct the flow of goods and services from the producer to the consumer or user in order to satisfy the customer and accomplish the company's objectives.

An analysis of this definition reveals two characteristics of marketing.

- It is a business activities undertaken for profit objectives and,
- The activity takes place after the goods or services are already in existence.

Marketing is the performance of business activities that direct the flow of goods and services from producer to consumer or user (American marketing Association, 1960).

These definitions and others were often criticized for their product orientation. It means that all that marketing has to do is to find customers for the output of a production establishment. The important business activity to which attention was devised to was productions. Producers can spend their time and resources making "good" products.

But it is as well important that such goods are those wanted by their potential customer. This was the traditional view of marketing.

Also marketing involves identifying and anticipating consumers' wants and needs.

Onuigbo (2004) defines marketing as the process of determining consumer demand for a product or service, motivating its sale and distributing it into ultimate consumption at a profit.

3.2 ENTITIES THAT ARE GENERALLY MARKETED

- **Goods:** Any physically product
- **Services:** All professional services provided by professionals or organizations
- **Events:** Trade shows, contracts, sports etc
- **Organizations:** Corporate, Business Concerns, Universities, Museums etc.
- **Places:** Countries, States, Cities etc
- **Properties:** Real Estate, Stocks etc
- **Persons:** Celebrity marketing
- **Experiences:** Theme parks, theme hotels, amusement parks, water parks etc
- **Information:** Information about every possible aspect
- **Ideas:** Family planning, AIDS awareness, prevention of drugs, smoking and drinking etc

3.2.1 DISTINCTION BETWEEN PRODUCTS AND SERVICES

Distinction between products and services in a product is defined as “Anything that has the capacity to produce the satisfaction use or perhaps, the profit desired by the customer”. Product and services are the word used interchangeably in banking, Accounting, Insurance, Parlances. The financial service produces are deposit, borrowing or other products like credit card or foreign exchange transaction which tangible and measurable whereas services can be such products plus the way/manner in which they are offered that can be expressed but cannot be measured i.e. intangibles. Better service is more important than just a good product in the marketing of banking, insurance, accounting and financial market services, so the focus should be on the want and need of satisfying that product or service.

3.3 CONCEPTUAL FRAMEWORK OF MARKETING

A marketing framework is a visual representation or logical flow of your marketing plan. It contains several components that work together as a whole to bring your marketing vision to reality. By taking the time write a marketing framework, your options for marketing your business, products and services can become clearer and you can create an actionable plan for promoting your products or services. While

The pragmatic marketing framework provides a standard language for your entire product/service team and a blue print of the key activities needed to bring profitable, problem-oriented products to market. The marketing Exchange is the act of obtaining a desired object from someone by offering of value in return.

Several marketing concepts with management orientations have been articulated by marketing experts under whom organizations can conduct their marketing activity. These include the production concept, the product concept, the selling concept and the marketing and societal marketing concept.

3.3.1 THE PRODUCTION CONCEPT

Is one of the oldest concepts guiding sellers? It’s a management orientation that assumes that consumers will favour those productions which are available and affordable, and that the major task of management is the pursuance of improved production and distribution efficiency. The implicit presumes of this concept to the organizations are:

- Consumers are primarily interested in product availability and low price.
- Consumers’ are know the price of the competing brands, and the organization’s task is to keep improving production and distribution efficiency and lowering costs as the key to attracting and holding customers. Organizations should therefore focus their main energy on achieving work efficiency without introduction of impersonality and consumer insensitivity.

3.3.2 THE PRODUCT CONCEPT

Assumes offer the most customer will favour those products that offer the most quality for the price, and therefore the organization should devout its energy to improving product/service quality.

The concept indicates that consumers are primarily interested in product quality, and know the quality and feature differences amongst the competing products. Products are chosen on the basis of obtaining the most quality for their money. Organization should not operate solely on a product concept because consumers do not automatically learn about new or improved products, believing that they are really superior or show a willingness to pay a higher price. The organization with a better product will not progress unless it takes positive steps to design, package, and price the new product attractively, place it into convenient distribution channels, and bring it to the attraction of the customers concerned.

The organization should have first determined whether the new product was needed to solve this problem effectively.

3.3.3 THE SELLING CONCEPT

Assumes that customers will either not buy or not buy enough of the organizational products unless the organization kames substantial efforts to stimulate their interest in its products are:

- Consumers can be induced to buy more through various sales stimulating devices
- Consumers tend to resist buying most things that are not essential.

Management's task here is to have a strong sale-oriented department as a key to attracting and holding customers.
Organizations practicing this concept often assume that their products are **"sold" not "bought".** Potential customer are sought out and hardly-sold the benefits of the product.

Great risks abound in practicing the selling concepts especially in its hard driving form, where customer's satisfaction is considered secondary to obtaining a sale. This eventuality spoils the market of the seller, in the long run there is no repeat business by a customer.

3.3.4 THE MARKETING CONCEPT

This is a business philosophy that challenges the above three business orientations. Its central tenets crystallized in the 1950s. I holds (goals of the selling company) consists of the company being effective that competitors in creating, delivery, and communicating customer value to its selected target customers. The marketing concept rest on four pillars: target market, customer needs integrated marketing and profitability.

Distinctions between the sales concept and the marketing concept:

- The sales concept focuses on the needs of the seller. The concept focuses on the needs of the buyer.
- The sales concept is preoccupied with the seller's need to convert his/her product into cash. The marketing concept is preoccupied with the idea of satisfying the needs of the customer by means of the product as a solution to the customer's problem (needs).

The marketing concepts represent the major change in today's company orientation that provides the foundation to achieve competitive advantage. This philosophy is the foundation of consultative selling.

The marketing concept has evolved into a fifth and more refined company orientation. This concept is more theoretical and will undoubtedly influence future forms of marketing and selling approaches.

3.3.5 THE SOCIETAL MARKETING CONCEPT

While marketing concept lays emphasis on consumer satisfaction, this concept argues for an extension of the focus of marketing. A call on organizations to focus more on consumer well-being which his satisfaction may not accommodate. Organizations are exhorted by this concept to look beyond extant consumer satisfaction to his long-run well-being and the well-being of the larger society. Organizations should not strive to satisfy their at the expense of the society. In furtherance of the aspiration, organizations are to reconcile consumer satisfaction and their own objective with social and environmental considerations.

3.4 THE MARKET

Kotler (1994) defined a market as consisting of all potential customers sharing a particular need or want who might be willing and able to engage in exchange to satisfy that need or want. Achumba (1996) defined a market as consisting of people with purchasing power who are willing to spend money on their needs and wants.Certainly, there must be a group of people with buying power and who have needs and wants to be satisfying for a market to exist.

The business of selling and buying commodities (products and services). It is not confined to space, locality and time. The internet enables market to be in cyber space, 24 hours a day (interactively online marketing).

3.4.1 VARIOUS TYPES OF MARKET

- Consumer markets: Marketing goods and Services of mass conception.
- Business Markets: Marketing goods and services which are used by the business to make other products and services in turn to market them.
- Global markets: Marketing of goods and services in global market place

Non profit government markets: Marketing of goods and services to nonprofit organizations and governments with carefully decided lower prices

3.5 CORE FUNCTIONS OF MARKETING

The fundamental marketing goal is to capture and retain customers' profitability. Marketing has the following functions:

- Marketing research establishes the needs and wants and the target market
- Product development creates the specifications to satisfy the target market.
- Manufacturing makes the products in accordance with specifications
- Branding attaches an identity that differentiates the products from competitors
- Advertising communicates brand value and benefits
- Promotion stimulates consumer demand and repeatedly purchases
- Sales and distribution ensures products are mad available at retail outlets.
- Logistics delivers the products cost-efficiency on a timely basis

- Merchandising maintains products quality and freshness at the retail outlets
- Consumer service provides support for the products to reinforce customer value

3.6 SALES FORCE MANAGEMENT SKILLS

The following skills are demanded of market professionals:

- Selling and Sales management, including the collection of payments
- Advertising – Creative way with less expenditures
- Sales promotion – good communications skill
- Publicity
- Public relations
- Exhibitions and other event management
- Packaging and branding
- Corporate identity and image
- Market research
- Encourage word of mouth

Above all, a marketing professional must master the art of persuasion (influencing and negotiating) and be patient, passionate and able to persevere at all times. He or she must accept the fact that the customer is always the king. He or she must aim to inform and educate the customer and satisfy his/her needs, provide good backup service, maintain relationship and make sure that the customer pay the bills.

3.7 BASIC MARKETING PROCESS

Under the marketing concept, the firm must find a way to discover unfulfilled customer needs and bring to market products that satisfy those needs. The process of doing so can be modeled in a sequence of steps the situation is analyzed to identify opportunities, the strategy is formulated for a value proposition, tactical decision are made, the plan is implemented and the results are monitored.

The Marketing Process

↓

Situation Analysis

↓

Marketing Strategy

↓

Marketing Mix Decision

↓

Implementation and Control

There are several frameworks that can be used to add structure to the situation analysis:

- 5C Analysis – Company, customers, competitors, collaborations, climate. Company represents the internal situation; the other four cover aspects of the eternal situation.
- PEST Analysis – Macro-environmental, political, economical, social, and technological factors and SWOT analysis strengthen weaknesses, opportunities, and threats.

The marketing strategy involves, segmentation, target market selection, product positing within the target market and value proposition to the target market.

Marketing Mix Decisions means detailed tactical decisions ten are made for the controllable parameters of the marketing mix.

The action items include:

- Product development – specifying designing, and producing the first units of the product.
- Pricing decisions
- Distribution contracts
- Promotional campaign development

3.8 FARBER'S CAMPAIGN CUSTOMER RIGHTS

Farber (2005 P.155) list down the followings:

- The customer has the right to be told the truth
- The customer has the right to expect the salesperson to have expert knowledge
- The customer has the right to expect that all promises and commitments will be kept
- The customer has the right to be treated with dignity and respect
- The customer has the right to expect satisfaction from the product or service
- The customer has the right to a breakdown of cost and fees
- The customer has the right to service and support
- The customer has the right have calls returned promptly even when he or she may be calling with a problem or to complain

STUDENT ASSESSMENT EXERCISE

Itemize some of the core marketing functions you know

4.0 CONCLUSION

In this unit, you have gone through the general over view of marketing in the light of its definition, conceptual framework, the production concepts, societal marketing concepts, sales concepts and the products concepts. You have also studied the various types of markets and core functions of marketing. In this unit, you have learnt about those entities that are generally marketed, the basic marketing processes as well as Farber Customers Fundamental Rights.

5.0 SUMMARY

Marketing refers to the social management processes by which products, or groups' needs and wants. These processes include, but are not limited to advertising, (12 promotion, distribution, and sales).

Everyone markets something without even realizing it throughout his or her life. Marketing is not mere selling. But selling is at the heart of marketing. Like it or not, marketing has been, is and will certainly be part and parcel our life. If you are looking for a suitable job, you must know how to market yourself. If you want to win a competition, you must understand and practice the art of marketing, more soon the ability to communicate and influence your target audience efficiently and master the ways to develop a salable brand out of you or your products and services. Learning marketing formally from experts will definitely help you to understand and put to practice the proven ways of doing marketing.

6.0 TUTOR MARKET ASSIGNMENT (TMA)

- Critically examine the basic marketing process.

ANSWERS TO STUDENT ASSESSMENT EXERCISE

Marketing has the following core functions:

- Marketing research establishes the needs and wants and the target market
- Product development creates the specifications to satisfy the target market.
- Manufacturing makes the products in accordance with specifications
- Branding attaches an identity that differentiates the products from competitors
- Advertising communicates brand value and benefits
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- Sales and distribution ensures products are mad available at retail outlets.
- Logistics delivers the products cost-efficiency on a timely basis
- Merchandising maintains products quality and freshness at the retail outlets
- Consumer service provides support for the products to reinforce customer value

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UNIT 2: FUNDAMENTAL CONCEPTS AND PRINCIPLES OF MARKETING OF FINANCIAL SERVICES

CONTENT

1.0 INTRODUCTION

Financial services are the economic services providers by the financial industry, which encompasses a broad range of organizations that mange money, including credit unions, banks credit card companies, insurance companies, accountancy companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises.

As of 2004, the financial services industry represented 20% of the market capitalization.
The term **"financial services"** become more prevalent in the unites states partly as a result of the Gramm Leach-Bliley Act of the late 1990s, which enabled different types of companies operating in the U.S financial services industry at that time to merge.

Companies usually have two distinct approaches to this new type of businesses. One approach would be a bank which simply buys an insurance company or an investment bank, keeps the original brands of the acquired firm, and adds the acquisition to its holding company simply to diversify its earnings marketing financial services provides a thorough immersion in marketing concepts and activities related to the special requirements of the marketing of financial services.

As with most concepts of services has no one universally accepted definition which we shall be looking at as the study progresses.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Explain service and financial services
- Ascertain the general characteristics of service
- Explain the various categories of financial institutions
- Identify the need for marketing in the financial services industry
- Identify the features of financial services
- Assess the conditions for effective marketing of financial services

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF SERVICE

According to (Kotler), a service is **"any act or performance 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"** (Okeke, 2000 P.166).

The American Marketing Association (AMA) also defined services as those "activities", benefits, or satisfactions which are offered services for sale, or are provided in connection with the sales of goods industries that are engaged in the provision of services are many and divergent. For instance, in the non-business or government sector, we have such services as the hospital, postal, military and policy services.

In business sector, on the other hand, we have examples in the airlines, banks, insurance, hotel and tourism, to maintain just a few. The focus of this unit is however the general marketing principles and fundamental concepts in the service organizations

In the evolution of the services marketing literature, there has been argument about the context to which services should be considered a distinctive area of study in marketing. On the other hand, some have argued that a service contains many important elements common to goods, which makes services marketing obsoletes as a separate discipline.

Thus Levitt (1972) observed; there is no such thing as service industries. There are only industries where service components are greater or less that those of the other industries.

3.2 CHARACTERISTICS OF SERVICES

These are the characteristics of services which create special marketing opportunities and challenges and result in marketing programmes substantially deferent from those in the marketing.

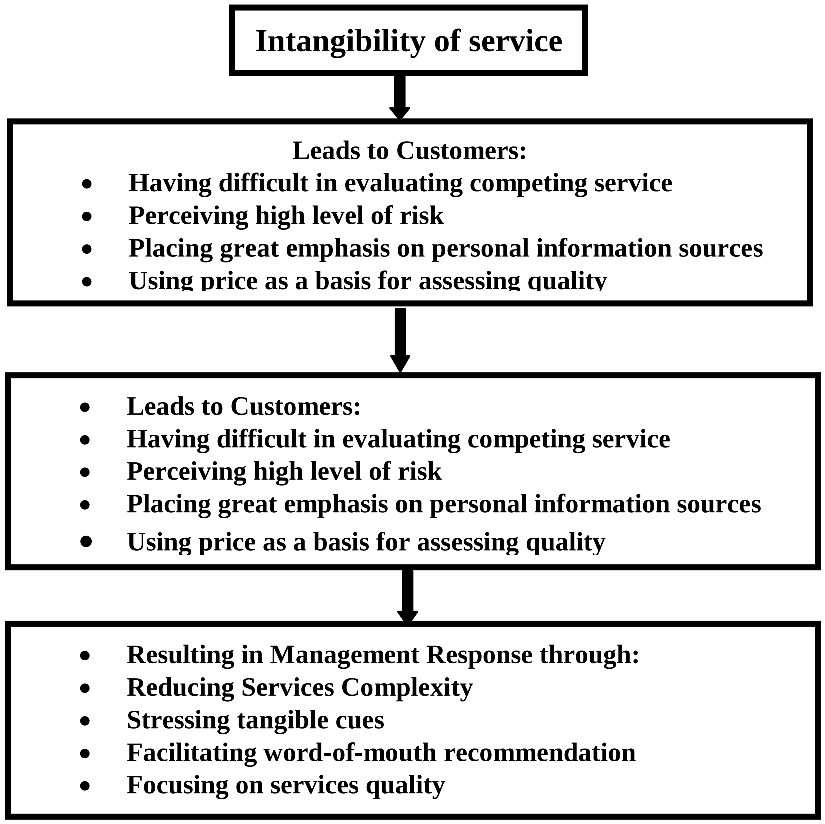
3.2.1 INTANGIBILITY

Unlike physical products, they cannot be seen felt tasted, heard or even smelt before they are bought. E.g. when a service such as entertainment or travel is purchase, the buyer has nothing to show for it.

Thus, it can be concluded that the consumer is only buying a performance offered by the seller. The intangibility of services makes promotion more difficult than for tangible products. To solve these problems, modern marketing has now suggested intensive use of sales force and advertising which should emphasis more on the level of tangibility present in the services.

The level of tangibility present in the service offered derives from three principal sources:

- Tangible goods: which are included in the service offer and consumed by the user.
- The physical environment in which the service production/consumption process takes place, and
- Tangible evidence of service performance



Some implications of service intangibility

3.2.2 HETEROGENEITY

It is difficult to standardize output among many providers or sellers of the same service. An actor or a medical doctor might be superb in one performance but mediocre in another. A customer of bank may observe that cashers are helpful and courteous in one trip, but rude in another. Car repairs by a motor mechanics do not give the same quality of service. Complicating this is the difficulty in evaluating the quality of service.

3.2.3 INSEPARABILITY

Services often cannot be separated from their providers. This means that some services are produced or created and consume or dispensed simultaneously. E.g. a barber almost creates and dispenses his service at the same time. In air transportation business, a consumer produces a flight ticket first. The service is produced as the air craft takes off, and consumption occurs because the consumer is on board, it is a constrain that a seller's services cannot be sold in many markets at the same time E.g. A doctor can only treat a few patients daily.

3.2.4 PERISHABILITY

Services cannot be stored hence, they are highly perishable. If services are not utilized when produced, they go to waste. An empty aircraft, empty seats in a theatre and idle barbers in a shop all constitute business that is lost forever. Markets for some services fluctuate considerably by seasons, by days of the week; by hours of the day etc. these features combined offer executives in service organizations challenges and opportunities for a profitably planning, pricing and promotion. They might look or search for new uses of the idle periods during off-seasons.

3.3 THE MEANING OF FINANCIAL SERVICES

These are services being rendered by financial institutions such as Banks, Insurance Companies, Finance Houses, Pension Funds, Stock Dealer and brokers etc.

Financial institutions most especially the banks are economic decision units established for providing financial service to its target markets with the main objective of making adequate retunes or profits on the funds invested and being socially responsible to the society .

3.3.1 CATEGORIZATION OF FINANCIAL INSTITUTIONS

Financial institutions can be broadly classifies into two: Bank or bank financial institutions in the banking sector, and non bank financial institutions. Central Bank, Commercial Merchant or Micro finance Banks and Development banks are institutions in banking sector, while building societies, Hire-purchase companies, insurance companies, pension funds, investment and unit trust and finance Houses are non-bank financial institutions.

For overall cooperate objectives of prosperity, growth and continued life of business, financial institutions need to consciously structure their services in a way that caters for the financial needs of not only their present customers but also the prospective ones. It is in the long-term interest of the banks to increase the customer confidence. Thus, the need for this makes marketing increasingly important and necessary in today’s financial competitive environment and to pay great attention to relevant marketing techniques.

Marketing financial services could be defined as an act of creating awareness for service products and make same available at affordable prices to potential buyers. The financial services being discussed are those offered by the banks.

3.3.2 THE OLIGOPOLISTIC NATURE OF FINANCIAL INSTITUTIONS

Financial industry is typically oligopolistic in nature a special characteristic of this market is that it is of the perfect type in which homogeneous financial products are being sold by the various financial institutions to the customers. Under this circumstance, it is the quality of the service for sale and other non-price factors that would determine whether a customer prefers one financial institution to another while aware that all financial institution’s nature of business is the same. This implies that our financial institutions should be creative and responsive to their market needs so as to tailor their financial products to the customers’ specific needs.

Marketing came into Nigeria banks after mid-80s inform of application of the marketing concepts but inform of advertising and after promotional concepts. During this period, banks and other financial institutions were experiencing increased competition among each other.

3.3 .3 NEED FOR MARKETING IN THE FINANCIAL SERVICE INDUSTRY

- The nature of the products-intangibility-makes it imperative that marketing techniques be used to inform or tell customers exactly what they are buying and what range of the services are available or anticipated customers must be shown the benefits of the service/products.

- Competition in the industry has become so intense, aggressive and sustained or persistent that unless an actor employers the marketing techniques at his disposal, the actor will sooner than later suffer shrinkage in marketing share.

- Nigerian consumers and customers are fast becoming more educated, more enlightened and more sophisticated and therefore more selective and discriminatory in their choice of bank services. This has necessitated a more professional and systemic approach to the marketing of bank.

- The fiduciary of banking services (i.e. based on trust) requires that persuasion be extensively used persuasion, we have seen, is marketing and its use in marketing services cannot be over-emphasized in the service industry.

- The rate at which new products emerge in the financial services industry is alarming. This is in keeping with the increasing sophistication of the world economy and the financial needs of bank customers. Marketing is therefore required not only to create awareness of the new products but also to enable innovative organizations reap maximum benefits from the marketing research or efforts before the product dies off or is overtaken by new development.

- To promote the bank’s image and sell more and more services to customers

3.4 FEATURES OF FINANCIAL SERVICES

- Products of financial services industry are intangible and therefore cannot decay, deteriorate, depreciate in value or in form

- Financial services cannot be inventoried just as physical goods can

- Prices of financial services are more often than not controlled or fixed by political authorities e.g. credit ceilings pegging of interest rates, exchange rates, CBN tariff for banks changes

- Financial services marketing is highly personal or face to face

- In the financial services sector, customer satisfaction is paramount

- Attracting deposit, marketing of financial services especially in the banks is unique because of the involvement of marketing, not only in the provisions of funds to customers, but also in the procurement or mobilization of deposits on which most of the services will be based.

- Confidentiality and Honestly. More than any other financial services, banking requires and customers expect a high degree of confidentiality and honesty on the part of the bank.

3.5 CONDITIONS FOR EFFECTIVE MARKETING OF FINANCIAL SERVICES.

The conditions necessary for effective marketing of financial services are:

3.5.1 A high level of Literacy rate

Banking transactions demand possession of a certain tolerable level of literacy by the customer. An illiterate customer cannot fill bank vouchers, nor can her/she understand when one fills on him/her behalf. The higher the level of literacy coupled with purchasing power, the higher the use of banking services, all other things considered.

3.5.2 A fairly good banking habit

This is implied on the first condition because banking habit is usually formed when people are capable of reading and knowing the services available from banks.

3.5.3 Existence of good legal or statutory stipulations

A good banking law and regulatory measures designed to ensure healthy competition, level playing field, opportunities for innovation, entry and exit etc. promote effective marketing of banking services.

3.5.4 Availability of varied banking services

There must be on ground enough and varied banking services designed to cater for the various needs of customers, and these must be at prices or charges affordable to the various categories of bank customers.

Prohibitive charges will scare customers or compel them to switch their patronage to banks that have moderate charges.

3.5.5 Enhancement of quality services

This is about the most effective condition of effective bank marketing. Quality service can be defined as technical or professional terms that are the manner in which the services are rendered (the physical/human dimension). Professionally, quality services in banking must meet three basic requirements, namely.

a) Competence – i.e. Knowing one’s job well
b) Reliability – i.e. The banker’s word should be his/her bond
c) Credibility – i.e. The banker should not make claims of what he/she cannot offer customers

STUDENT ASSESSMENT EXERCISE

Financial institutions are most often described as being oligopolistic in nature. Discuss.

4.0 CONCLUSION

This unit has added immensely to the buildup of your vocabulary and knowledge in marketing so far. You have learnt about services marketing and marketing of financial services in terms of their definitions and meaning. You have also studied the various characteristics/features of financial services. The unit examines critically some of the conditions for effective marketing of financial services.

5.0 SUMMARY

Services has been defined as any act or performance that one party can offer to another that is essentially and does not result in the ownership of anything. Services are characterized by – intangibility, heterogeneity, inseparability and perishability.Financial institutions are economic decision units established for providing financial services to its target markets with the main objective of making adequate returns or profits on the funds invested and being socially responsible to the society.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Clearly discuss some of the conditions required for effective marketing of financial services.

ANSWER TO STUDENT ASSESSMENT EXERCISE.

Financial industry is typically oligopolistic in nature a special characteristic of this market is that it is of the perfect type in which homogeneous financial products are being sold by the various financial institutions to the customers. Under this circumstance, it is the quality of the service for sale and other non-price factors that would determine whether a customer prefers one financial institution to another while aware that all financial institution's nature of business is the same. This implies that our financial institutions should be creative and responsive to their market needs so as to tailor their financial products to the customers' specific needs.

Marketing came into Nigeria banks after mid-80s inform of application of the marketing concepts but inform of advertising and after promotional concepts. During this period, banks and other financial institutions were experiencing increased competition among each other.

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UNIT 3: MARKET SEGMENTATION
CONTENT

1.0 INTRODUCTION

Market segmentation is defined as the subdivision of a market into homogeneous subset of customer, where any subset may conceivably be selected as a market target to be reached with a distinct marketing mix. Marketers have the task of managing markets and demand. A market in this sense will refer to the population of present and potential buyers of a product. This task is by no means easy. For practical purposes at the disposal of an organizations to satisfy the needs of customers at profit to the organization.

There are many marketing segments or concepts that marketers can adopt.
To satisfy somebody, you need to know him (not just a nodding acquaintance, markets needs to know their customers better), understand their needs/wants, reach them and interact or reason with them. Market segmentation is a concept in marketing that helps marketers to achieve this, proper market segmentation is not just a necessary condition, it is indeed one of the sufficient conditions.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Explain service market segmentation and their strategies
- Examine product market/product differentiation marketing
- Discuss the various characteristics of effective market segmentation
- Compare and contrast the bases for market segmentation
- Elucidate the benefits of market segmentation
- Analyze the justification of market segmentation and the various steps in market segmentation

3.1 DEFINITION AND MEANING OF MARKET SEGMENTATION

Market segmentation is defined as the identification and aggregation of individual consumers coming from a heterogeneous population into groups or segments where the members of the group or segment are relatively alike, yet different from other groups. Market segmentation is also defined as the subdivision of a market into homogeneous subsets of customer, where any - subset may conceivably be selected as a market target to be reached with a distinct marketing mix.

It is also defend as the partitioning of potential customers into groups of differentiated sub-markets. Since no company can operate in every market and satisfy every need, there is need for market segmentation, a very important marketing technique whereby an organization define the boundaries of its markets carefully before designing appropriate marketing programmes for each target market.

Competition arising from the deregulation of the Nigerian banking sector has made the need of market segmentation strategy a necessity in the industry. Instead of the banks trying to serve in all segments of the markets, they can for effectiveness and efficiency choose those segments in which they can serve well based on the available resources and competence.

3.2 SERVICE MARKET SEGMENTATION STRATEGY

Three strategic options are open to marketers indeed organizations, in choosing markets and products to use in serving the markets. These are mass marketing/undifferentiated marketing, product variety/product differentiation marketing and target marketing.

3.2.1 Mass Marketing/ Undifferentiated Marketing

Here the marketer is either ignorant of differences among the population of buyers or is aware of the differences but prefers to presume that the population of buyers can be served with one product. In mass marketing, or what is alternatively called undifferentiated marketing, the marketer offers one product or uses one blend of marketing mix to serve the whole market. This marketing operation is characterized by mass production, mass distribution and mass promotion of one product, obviously at a low price on account of economies of scale.

This marketing strategy was attractive and perhaps still is commendable in shortage and scarce economies where emphasis may rightly be on increasing production of products and making them affordable.

In competitive markets however, its ability to sustain profitable operations for organizations is to say the least, doubtful. Over time buyers have developed sharply different tastes, are more informed, critical and discriminatory, and· will not settle for just any product simply because it is cheap. Consumers now want their requirements and specifications roundly met in product offerings before they buy.

Undifferentiated marketing, it seems to us, has ceased to be a potent strategy in modem marketing and markets are increasingly being flooded with deep assortment of product brands. Organizations are daily challenged these days to justify their continued existence and their positions are equally threatened by innovative and aggressively combative competitors and even upstarts striving to carve out niches for themselves.

3.2.2 Product Variation/Product Differentiation Marketing

Perhaps in recognition of the inadequacy of undifferentiated marketing to serve organizations in attracting and maintaining sufficient customer patronage in developed and developing marketing systems, marketers in the recent past are increasingly turning to product differentiation marketing. Simply put, this strategy suggests that differences in the taste and buying needs and behaviour of consumers can be addressed if varieties of a product are pushed into the market. The assumption being that each brand will appeal to a group of buyers in the consuming population, and ultimately the different brands put together will meet the different wants of buyers.

In this strategy, each company offers different product offerings or marketing mixes to expectedly serve various market segments. Product differentiation can be achieved by varying the features, styles, qualities, package, sizes and colours of products. PAN (Peugeot Automobile of Nigeria) is a good example of a company that differentiates its products. Peugeot 504 lies many varieties or models GR, GL, L etc.

The attempt at product differentiation is usually supported by advertising. Advertising will emphasize the features which differentiate or distinguish one product from others in the same category. This strategy is often adopted when a company is faced with competition. So product differentiation marketing is merely a company's answer to competition and not a deliberate effort by the company to identify customer needs/wants and satisfy them. However, this attempt to meet competition by product differentiation has contributed greatly to progress in product development. It has led to actual product improvement.

3.2.3 Target Marketing

In this strategy, marketers are aware that a given customer population comprises heterogeneous units that can be grouped into somewhat homogenous groups or segments, each segment expected to respond in the same way to given marketing stimuli (ie. blend of marketing mix). The acceptance of the heterogeneity of the general market or mass market supports the proposition that different blends of marketing mixes be developed for the different segments of the market.

Target or differentiated marketing therefore aims at dividing a large heterogeneous market into homogenous groups or segments, and developing a marketing mix that will appeal directly and efficiently to buyers in each. Alternatively, a market can select two or more market segments and develop distinct marketing mix for each. other option will be to develop as many market mixes as there are market segments in each market You will notice that in target marketing, marketing planning starts with the effort to know who the customers are, what their needs/wants are, and how best they can be satisfied.

Target marketing according to Adirika (1993) requires four major steps - market segmentation, market targeting, market penetration and product positioning.

3.3 CHARACTERISTICS OF EFFECTIVE MARKET SEGMENTATION

The conditions for effective market segmentation are:

1.Measurable: There must be some ways of measuring the size and purchasing power of the segments.

2.Accessible: The firm (Bank) should be able to reach the segments. They should be able to locate the segments at designated places or reach by certain media.

3.Sustainability**:** The segments should be of a sufficient size and value to be profitable.

4.Differentiable**:** The segments are conceptually distinguishable and respond differently to different marketing - mix elements and program.

5.Predictable**:** The segment can only be of value to the marketer, if he can predict its future behaviour with some confidence.

6. Profitability**:** The market must be serviced at a profit, not at a loss.

7.Identifiable: This is the degree to which a marketer is able to identify the specific requirements of the market of interest.

3.4 BASES FOR MARKET SEGMENTATION

The bases for market segmentation are:

3.4.1 Demographic segmentation: Here, consumers are grouped according to variables such as age, sex, marital status, income, education, occupation, race, religion. These variables greatly affect the purchase decisions of consumers, for example, young consumers. For example young consumers cherish drinks, stereo equipment and personal computers, while old consumers sometimes pay more attention to investments and retirement issues.

3.4.2 Geographic Segmentation: This method is useful where there are geographic locational difference in consumption patterns and preferences based on regions/zones, states, local government areas, areas of a town or city on climatic factors.

3.4.3 Psychographic segmentation: This was developed to overcome the inadequacies of demographics in the identification of attitudes and life styles.' Variables under this heading are:

a. Lifestyle: Lifestyle is a pattern of living adopted by an individual. It has proven to be a more useful segmentation base than personality. If there is evidence that consumers buy a product to express or carry out their lifestyle, the marketer can use lifestyle as a segmentation base e.g. Guider for successful men, rock for labourers, Ajegunle for lower class, Surulere for the middle class, Ikoyi for the upper rich class.

b. Social class e.g. Okada for the lower income, Peugeot for the middle men, Lexus for the higher income.

c. Personality: They assign personality characteristics to products just like the consumer personality characteristics e.g. Exclusive restaurants for the gregarious consumers.

3.4.4 Behavioural segmentation: In this approach, consumers are grouped by their purchase. For example, the detergent market might be segmented by those consumers who buy detergent solutions, detergent powders or detergent soaps. The demographic and lifestyle characteristics of each segment would then be determined by marketers. Appropriate marketing strategies will be employed to satisfy the needs of each market· segment. Furthermore, in behavioural segmentation, markets can be segmented by identifying users of a product usage and usage situations heavy users, light users and non users. Product choice is party dependent upon the occasion for which the product will be used.

3.5 BENEFITS OF SEGMENTATION

Both the marketing firm and its customers derive benefits from market segmentation.

1. Effective segmentation should result in improved allocation of marketing resources.
2. Segmentation enables the producer to design products and market appeals to satisfy tile needs of the target groups
3. Segmentation allows for greater consumer satisfaction
4. Effective segmentation results in greater sales volume and profitability.
5. Segmentation makes for better competitive position for existing brands in the market place
6. Segmentation should result in better identification of· marketing opportunity.
7. Promotional appeals and media campaigns can be focused on the target market.
8. It assists small banks with limited resources in streamlining their operational activities

3.6 STEPS IN MARKET SEGMENTATION

The steps involved in segmenting market into an organized fashion.

3.6.1 Identify the current and potential wants· that, exist within a market: The marketer carefully examines the market to determine the specific needs being satisfied by current offerings, the needs current offerings fail to adequately satisfy, and the needs that may not be yet recognized. It might involve interviewing/observing consumers or firms to determine their behaviour, levels of satisfaction, and frustrations.

3.6.2 Identify characteristics that distinguish among the segments: In this step, the focus is on what prospects who share a particular want have in common to distinguish them from other segments in the market that have different wants. Among business firms, it could be size or location, for consumers it might be an attitude or a behaviour pattern. From the results of this step, potential marketing mixes (including product ideas) for the various segments can be designed.

3.6.3 Determine the size of the segments and how well they are being satisfied: The .final step is to estimate how much demand (or potential sales) each segment represents and the strength of the competition. These forecasts will determine which segments are worth pursuing.

3.7 JUSTIFICATION FOR MARKET SEGMENTATION

A basic justification for segmenting of markets is the fact that markets are often heterogeneous and therefore the needs/wants of major segments of the market cannot be satisfied with one marketing mix. Ensuring that the different needs/wants of the elements that make up the consuming population for any product are satisfied becomes the laison d'être of market segmentation and by extension target marketing.

Segmenting a market however is not an end in itself. It is only a means to an end. Having ascertained the marked off segments of a market, the marketer should go ahead to select the segment or segments to serve, being conscious of the needs/wants of the segment(s), the principal resources of his company and its special competencies vis-a-vis those of competitors. The question reduces to which of the segments can the marketer or his company profitably serves?

Student Assessment Exercise

Distinguish between demographic segmentation and Geographic segmentation.

4.0 CONCLUSION

In this unit so far, you have learnt what market segmentation is, service market segmentation strategies, mass marketing and differentiated marketing. You have also learnt the bases for market segmentation, the benefits of market segmentation and the steps involved in market segmentation. The unit also discusses the justification for market segmentation.

5.0 SUMMARY

Market segmentation is a market strategy that involves dividing a broad target market into subsets of consumers, who have common needs, and then designing and implementing strategies to target their needs and desire using media channels and other touch points that best allow reaching them.
Market segments allow companies to create product differentiation strategies to target them. An ideal market segment meets the criteria of being possible to measure, being large enough to earn profit, stable, reach potential organizations, homogeneity, responding to market stimulus, aid marketing mix discussions.

Consumer markets are often segmented through geographic segment, behavoural segment, and segmentation by occasions etc.Market segmentations are often used in customer retention. The basic approach to retention based segmentation is that a company tags each of its active customers with three values.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Discuss the basic characteristics of market segmentation in financial services.

Answer to student Assessment Exercise

Geographic Segmentation: This method is useful where there are geographic locational difference in consumption patterns and preferences based on regions/zones, states, local government areas, areas of a town or city on climatic factors.

Psychographic segmentation**:** This was developed to overcome the inadequacies of demographics in the identification of attitudes and life styles.' Variables under this heading are:

b. Lifestyle: Lifestyle is a pattern of living adopted by an individual. It has proven to be a more useful segmentation base than personality. If there is evidence that consumers buy a product to express or carry out their lifestyle, the marketer can use lifestyle as a segmentation base e.g. Guider for successful men, rock for laborers, Ajegunle for lower class, Surulere for the middle class, Ikoyi for the upper rich.

d. Social class e.g. Okada for the lower income, Peugeot for the middle men and Lexus for the higher income.
e. Personality: They assign personality characteristics to products just like the consumer personality characteristics e.g. Exclusive restaurants for the gregarious consumers.

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UNIT 4: FINANCIAL SERVICES MARKETING MIX STRATEGIES

CONTENT

1.0 INTRODUCTION

The marketing mix for products equally applies to services, that is, the traditional 4Ps, namely: Products, Price, Promotion and place (or distribution) and more recently the 5th P i.e. the person. Given the unique features of services as enumerated above, it becomes imperative for marketing executives to evolve the appropriate marketing mix policies and strategies that will effectively and efficiently market the service to the different target segments and equally achieve their set goals.

Product planning involves ensuring that the total services packaged are such as to meet the needs of the different consumers. In planning, the marketer will have to consider such issues as the type of services to be offered, need for expansion or diversification and what needs to be done in terms of service attributes like making provision for guarantees. Pricing strategy calls for managerial creatively and skill designed to increase profits as well as encourage customers to call again.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Define the service marketing mix strategies
- Explain the product planning of marketing mix strategies
- Explain the elements of financial services marketing mix
- Management of the financial marketing mix strategy
- Examine the financial services going rate of market price
- Discuss promotion mix strategy

3.0 MAIN CONTENT

3.1 Definition and meaning of marketing mix strategies in financial services.

The main objective of market segmentation is to enable a financial marketer develop appropriate marketing mix that will be able to satisfy the need of target market more than competitors. The success or failure of products depends on the manner in which a number of marketing elements or variables called the marketing mix are blended to serve different market targets. The elements of the marketing mix are the 4Ps (product, price, place and promotion).

Application of marketing strategy involves manipulating the marketing mix namely the product (or service) the price, the promotion and the place (or distribution). If the mix is right, people will decide to buy and there is no need for further persuasion

3.2 The traditional 4ps of marketing mix strategies in financial services marketing.

3.2.1 Product: In the modern world, the consumer oriented manufacturer starts by ascertaining what consumers want (as opposed to what Ile chooses to produce) and what they are prepared to pay for it. He would then arrange to produce a range of products to meet those specifications. This means it is the consumer who nowadays decides what the manufacturer has to produce and (decides) whether the organization will flourish or collapse through non-patronage of its products/service. Products must be constantly modified in the light of changing consumer needs and environmental development. However, as service is intangible, the features and benefits consumers stand to derive should be used in marketing service. These features and benefits determine price, promotion and distribution strategies.

3.2.2 Price: The amount of money a customer pays in exchange for a product is known as the price. It is a key element of the marketing mix as it produces revenue to the firm. Pricing will always remain the art of marketing. The pricing of a service should be realistic - not too high and not too low below the mean otherwise the producer will respectively either price himself out or bankruptcy occasioned by low profit. The determinants of price are many but two are of the utmost important, namely (a) products are determined with the following in mind.

1. Survival of the firm
2. Return on investment (ROI)
3. Market share
4. Product quality

Pricing policies are the basic philosophies on which sellers or providers of financial services base their prices. In the real

3.2.3 Service promotion: Advertising is the most widely used fom1 of promotion in the marketing of services. One reason for this is that when a new service is being introduced, there is the need for advancement to introduce it to the general public. Secondly, advertising helps to acquaint the .consumer with the value or benefits of a service and this can help widen the market for that particular service.
Service firms like the banks also try to participate actively in community affairs as a means of getting their names across to the public. United Bank for Africa's involvement in Women's Forum and the provision of easy credit facilities for peasant fanners under its Joint Liability Credit Scheme are good examples of community participation.

Finally, advertising helps to emphasize the courteous, friendly and efficient service rendered by a firm.

Other forms of promotional strategy include personal selling, publicity, and sales promotion. Personal selling becomes very important when trying to develop a close relationship between the buyer and the seller. Free publicity of television progran1ffies by some banks also helps in service promotion.

3.2.4 Place Distribution:
Production is not said to be complete until goods get to the final consumers. Products/services need to be available in adequate quantities, in convenient locations and at times when customers want to buy them. Place as a marketing mix tool refers to the activities an organization undertakes to ensure that its products/services are easily accessible to its target customers.

3.3 PRICING POLICIES

Pricing policies are the philosophies on which sellers or providers of financial services base their prices. In the real goods market, there appear to be the following main pricing policies.

3.3.1 Skimming Pricing Policy: This type of policy is used when a new product is -introduced into a market in which there are no competitors. Skimming policy means that the price is set high relative to the cost of the product, this result in a high gross profit. As competitors enter the market, the firm is forced to reduce its price.

3.3.2 Penetration Pricing Policy: A firm that uses penetration policy sets a price only slightly higher than the cost of the product. It is a price below prices of other competing brands in the market. It is usually used if the market is regarded as a price sensitive market. It is used to gain a large share of the market.

3.3.3 Stable Pricing Policy: This exists where prices, once established tent to remain constant for long periods of time, irrespective of the fluctuations in the cost of making and procuring the goods. This pricing policy is followed in many services institutions where prices are mostly regulated.

3.3.4 Going Rate of Market Price: This involves fixing prices which match others in the market place. It is a defensive measure to protect existing business.

3.3.5 Competitive Pricing Policy: An arbitrary price is set to match competitive pressure, but this price should be at a level which will cover cost and allow a margin of profit.

3.3.6 Promotion: Promotion encompasses all communication efforts aimed at generating sales or building a favourable attitude to a company's product. This would include adverting, sales promotion, public relations, publicity and personal selling.

1. Advertising: It is a non personal presentation of goods, services or ideas that is paid for by an identified sponsor. It is any paid form of non-personal communication of ideas in the prime media i.e. television, the press, posters radio, cinema.

2. Personal selling: Oral communication with prospective purchasers with the intention of making a sale.

3. Sales Promotion: Incentives or fit schemes to consumers that are designed to stimulate purchases

4. Publicity: It is a free space in the press which is achieved by packaging the message in a way that is newsworthy so that the media will pick it up.

Student Assessment Exercise
Differentiate between skimming pricing policy and penetration pricing policy.

4.0 CONCLUSION

In this unit, you have been able to define financial services marketing mix strategies, examine the traditional 4Ps marketing mix strategies. You have learnt about product planning and pricing of services in-depth, skimming pricing policy and penetration pricing policy. In modern services marketing, a 5th publication has been added to the mix and that is the person marketing the services (Okeke, 2000).

5.0 SUMMARY

The marketing mix for products equally applies to services, that is, the traditional 4Ps: products, price, promotion and place (or distribution) and more recently the 5th P i.e. the person.
For instance, the banks may decide to expand their mix by working jointly with some supermarkets where majority of its customers do business by maintaining a kind of standing order to settle customer bills rather than the customers taking the trouble to do that which is a way of encouraging good customer relationship.

High interest s rate on deposits or reduction rates on loans and advances are good examples of pricing strategies.

Advertising (service promotion) is the most widely used form of promotion in the marketing of services.

Place strategies are concerned with ensuring the prompt delivery of the services to the target market. The person must be responsible, his total carriage and disposition is very important to the buyers of the services.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

- Promotion encompasses all communication efforts aimed at generating sales or building a favourable attitude to a company's product. Discuss.

Answer to Student assessment exercise.

- Skimming Pricing Policy: This type of policy is used when a new product is -introduced into a market in which there are no competitors. Skimming policy means that the price is set high relative to the cost of the product, this result in a high gross profit. As competitors enter the market, the firm is forced to reduce its price.

- Penetration Pricing Policy**:** A firm that uses penetration policy sets a price only slightly higher than the cost of the product. It is a price below prices of other competing brands in the market. It is usually used if the market is regarded as a price sensitive market. It is used to gain a large share of the market. Stable Pricing Policy: This exists where prices, once established tent to remain constant for long periods of time, irrespective of the fluctuations in the cost of making and procuring the goods. This pricing policy is followed in many services institutions where prices are mostly regulated.

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UNIT 5: MARKETING PLANNING IN FINANCIAL SERVICE

CONTENT

1.0 INTRODUCTION

A marketing plan may be part of an overall business plan. Solid marketing strategy is the foundation of a well written marketing plan. While marketing plan contains a list of actions, a marketing plan without a sound strategic foundation is of little use.

A marketing plan is a comprehensive blue print which outlines an organization's overall marketing efforts. A marketing process can be realized by the marketing mix, which is outlined in 4Ps. The last step in the process is the marketing controlling. The marketing plan can function from two points; Strategy and tactics (Kotler P, & Keller K.L, 2004). In most organizations, **"Strategic Planning"** is an annual process, typically covering just the year ahead.

Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Define and explain marketing planning
- Examine the qualities of a good marketing plan
- Explain when a marketing plan is said to be comprehensive
- Elucidate some of the constraints to marketing planning.
- Itemize the major contents in a marketing plan

3.0 MAIN CONTENT

3.1 Marketing planning in financial service

Marketing planning is defined as the process by which marketing plans are developed for products. A marketing firm needs a plan for each of its products, specifying strategies that will be use as well as resources required.

The unplanned life is not worth living, so says Aristotle. In the same vein, the unplanned business or enterprise is not worth undertaking. In the past, competitive environment was less volatile and complex than it is now when it is characterized by the information technology revolution and globalization of world economies. Today, planning stands to provide the compass that directs organizational management along routes and destinations that facilitate the' achievement of organizational goals.

Marketing plan is defined as the process by which business analyze the environment and their capabilities, decide upon course of marketing and implement those decisions. The outcome of marketing planning is often a market plan.

The market plan is the written document or blueprint governing all of a firm's marketing activities, including the implementation and control of these activities. Formulation of a marketing plan is always the responsibility of top management aided by inputs from the organizational departments including the marketing department.

Planning must always come first before other activities. Every manager plans even if he decides not to use a formal plan. Plan should be complete flexible. Every aspect of the marketing concepts compels close attention to planning.

Through marketing planning, banks can be assisted to:

- Formulate their marketing objectives more appropriately and more realistically
- Select best strategies and formulate appropriate programmes or action plans for its objectives while promoting the image and customer satisfaction

3.2 THE NEED FOR MAKING PLANNING.

The need for marketing planning is as follows:

- Permits a firm to balance its resources and efforts with the potentials of the market. A marketing plan must be exactly on targeting market or markets for it to succeed.

- Enables marketing management to identify marketing opportunities and limitations better. A marketing plan based on adequate information from the marketing environment places a marketing manager in a better position to achieve an organization's objectives.

- Specifies how resources are to be allocated.

- Assign responsibilities, tasks and timing.

- Inform few participants in the, plan of their role and function.

- It provides a yardstick against which progress can be measured with provision for appropriate action if achievement is seriously above or below target.

- It facilitates integration of efforts. It not only integrates and coordinates the activities to the 4Ps of marketing mix but also of the other functional activities into the marketing effort aimed at achieving customer satisfaction. Marketing plan is the proper place to integrate marketing with other functions like finance, personnel, production etc.

- It provides a clear statement of 91arketing objectives to which every department of the organization that has endorsed or accepted the plan is committed.

3.3 QUALITIES OF A GOOD MARKETING PLAN

A good marketing plan should have the following qualities

3.3.1 Flexibility: It should be able to accommodate changes or modifications occasioned by unanticipated events in the macro-economy e.g. the use or application of technology.

3.3.2 Brevity: It should allow for ease of comprehension by managers most of whom are too busy to read lengthy and wordy treatises.

3.3.3 Comprehensiveness: The plan should cover all departments and activities of the business organization. Marketing plans should be brief enough to be interesting but still cover the subject adequately.

3.4 CONSTRAINTS TO MARKETING PLAN

Numerous factors conspire to impede individual and corporate planning, especially strategic or long-term planning:

3.4.1 Action of government/regulatory authorities:

Actions of government destabilizes or distort corporate plans e.g. the raising of paid-up capital base of bank and insurance companies, transfer of accounts of parastatals from banks to CBN 1989.

. .

3.4.2 Economic Depression: Under a depressed economic condition, savings are low, purchasing power is generally weakened both leading to shrinkage of the volume of banks deposits, thereby affecting issuance of loans and advances to customers.

3.4.3 Civil Strife/Social Upheaval: Areas prone to civil strife and social upheavals delay location of planned or potential branch offices and even limit expansion of existing branches.

3.4.4 Manpower Needs: Shortage of manpower, in terms of qualified and experienced personnel can constrain bank branch expansion. Banks normally look for competent staff who can deliver the goods.

3.4.5 Political Upheavals: Political upheavals such as coups, riotous elections (and even religious disturbances) affect planning.

3.4.6 Inflation: Inflation distorts planned lending levels and deposit rates of banks. It leads to upward adjustment of these rates thereby affecting the volumes of loans.

3.4.7 Cost of operating facilities: Rising technological equipment, computers, and communication equipment affects the operation of banks.

3.5 MARKETING PLAN CONTENT

The bank's marketing plan should include proper identification of what really motivates the customer. The factors or attributes that a good plan should consider and include are:

1. Bank's reputation
2. Bank's location
3. Availability of credit
4. Friendliness (to customers and the general public)
5. Service charges
6. Full services offering
7. Special services
8. Parking space
9. Convenient balls
10. Premium/gifts at Christmas, Salah
11. Conveniences of service
12. Speed of services

Student Assessment Exercise

Critically itemize some of the contents in a good marketing plan.

4.0 CONCLUSION

In this unit, you can somewhat see, that marketing planning is a game plan by which marketing objectives will be achieved and, in the framework that we have chosen to use, are generally concerned with the 8Ps.

In this unit, you have also learnt about the need for marketing planning in financial services, the qualities of marketing planning in financial services and the major constraint of marketing planning in financial planning.

5.0 SUMMARY

Behind the corporate objectives, which in themselves offer the main content for the marketing plan, will lie the **"Corporate mission",** which in turn provides the context for these corporate objectives. In a sales-oriented organization, the marketing planning function designs incentive play plans to not only motivate and reward frontline staff fairly but also to a to align marketing activities with corporate mission. The marketing plan basically aims to make the business provide the solution with the awareness with the expected customers

This corporate mission can be thought of as a definition of what the organization is, or what it does: **"our business is".** This definition should not be too narrow, or it will constrict the development of the organization; a too rigorous concentration on the view that **"we are in the business of marketing meat-scales,"** as the bank services were during the early years 2007 after the bank consolidation, might have limited its subsequent development into other areas. On the other hand, it should not be too wide or it will become meaningless; **"we want to make a profit"** is not too helpful in developing specific plan.

Perhaps the most important factor in successful marketing is the **"Corporate Vision"** surprisingly; it is largely neglected by marketing textbooks, although not by popular exponents of corporate strategy.

Here, 'garbage in, garbage out' applies with a vengeance portfolio planning 80:20 rule: to achieve the maximum impact, the marketing plan must be clear, concise and simple. It needs to be concentrated on the other 20% of product or services and on the 20 percent of customer, which will account for 80% of the volume and 80% of the profit.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Examine any five constraints to marketing plan you know.

Answer to student assessment exercise

- Bank's reputation
- Bank's location
- Availability of credit
- Friendliness (to customers and the general public)
- Service charges

- Full services offering
- Special services
- Parking space
- Convenient balls
- Premium/gifts at Christmas, Salah
- Conveniences of service
- Speed of services

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UNIT 6: STRATEGIES FOR MARKETING BANK SERVICES

CONTENT

1.0 INTRODUCTION

Human being is a social being. Throughout the life, all we do is try our best to fulfill our needs. The place where things are exchanged or say mutual needs are satisfied, is called the market and the efforts to make people aware of your offerings encouraging them to deal with you and let them believe that in doing so, they are satisfying their needs at its best is called marketing. After the banking sector reforms, marketing has developed as a more integrated function within financial service organizations like banks largely as a result of rapid changes in the operating environment. Banks Marketing is defined as an aggregate of function directed at providing service to satisfy customer's financial needs and wants, more effectively than the competition keeping in view the organizational objective of the bank. The bank marketing has become a very complex yet interesting subject as it requires the knowledge of economics, sociology, psychology, banking and also core marketing concept. In marketing, it is the customer who has upper hand. The mantra of effective marketing bank products lies in the systematic and professional approach towards satisfying customers needs (Ojha, V.K. p. 19). Thus, banks have to set up "Research and Market Intelligence" wings so as to remain innovative to ensure customer satisfaction and to keep abreast of market development.

Product and Service: A product is defined as "Anything that has the capacity to provide the satisfaction use or perhaps, the profit desired by the customer". Product and service are the words used interchangeably in banking parlance. The bank products are deposit, borrowing or other product like credit card or foreign exchange transaction which are tangible and measurable whereas service can be such products plus the way/manner in which they are offered that can be expressed but cannot be measured i.e. intangibles. Better service is more important than just a good product in the marketing of banking service, so the focus should be on the want and need of satisfying that product or service.

Different Products and Services:

Deposits - Banks accept the deposits of the public. In order to attract the savings of the people, the bank provides every sort of facility and inspiration to them and collects the scattered savings of the society. The bank opens an account of those people who deposit their savings with the bank. These deposit accounts can mainly be of three types and people can open any of these three types of accounts according to their wish. These accounts are current account, saving bank account, fixed deposit account.

Loans - The bank just don't keep with themselves the deposited amount of the people, rather they advance them in the form of loans to the businessman and entrepreneurs, just to earn profits for their partners. The loan keeps some gold, silver, fixed and variable assets in the form of security with the bank. The bank can advance loan to their customers in three ways: overdrafts, money at call, discounting bills of exchange.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Identify the major strategies for marketing bank products and services
- Compare and contrast product strategy and pricing strategy
- Enumerate the marketing approaches to banking services
- Explain the challenges of bank marketing

- Highlight the possible effect of technology, untrained staff as the major challenges of bank marketing
- Further buttress the comprehensive strategy for the enhancement of bank marketing
- Discuss the matching of corporate strategy alternatives to fit the bank industry circumstances

3.0 MAIN CONTENT

3.1 STRATEGIES FOR MARKETING BANK SERVICES

A bank's strategy encompasses the elements of the traditional marketing mix-product, price, promotion and place (i.e. distribution), and seek to attract the target audience.

The target market selection process identifies potentially profitable market segments, each of which has relatively homogenous needs that can be satisfied by suing appropriate marketing mix. Which particular marketing mix is developed to suit a targeted market segment is determined by the distinctive needs of the groups.

Although each element of the marketing mix is important in itself, it is how well each element is blended and coordinated with other elements that ultimately determines whether a marketing strategy successful (Ugoji 1995)

3.1.1 Product Strategy: The product is the means to an end for the target market. It is the benefit provider - a way of directly satisfying existing or latent needs. The success of anyone product is a function of how well it solves the target markets needs or wants relative to the competitors products.
Banks that excel, as far as product strategy is concerned, develop and offer products designed specifically to solve the problems of their target markets. Certain questions are often asked while formulating product strategy e.g. are there customers who need some services that are not currently being provided by existing banks? What are the products currently offered in the market etc.

3.1.2 Pricing Strategy: Selling a product at a price that the target market sees as commensurate with the product's perceived benefits is the key to success.
Before the policy of deregulation was introduced, banks were constrained in their use of pricing strategies by regulations governing interest rates n deposits and loans. It was after the deregulation policy was introduced that banks were given the opportunity to select a deposit pricing strategy.

Some banks choose to pay consistently high rates for deposits brought to them by their customers while others pay less believing that their target market is less responsive to interest rates and more responsive to superior services or safety of funds.
Banks should always put some question~ into considerations regarding competitors in their pricing strategies.

3.1.3 Promotion Strategy: This strategy focuses on communicating the availability of products or services to the target markets. Advertising campaigns, sales promotion activities, direct marketing and product publicity are the main elements of the promotion of a bank's products.

The development and implementation of attention getting, information and persuasive communication techniques is vital to market awareness of a bank's should always put the activities of competitors into consideration.

3.1.4 Distribution Strategy: This strategy is concerned principally with making the product available at the desired time and place. Product must always be made available when and where consumers want it.
An important element of distribution strategy for banks is site location. A bank might have superior services and products, but if it is located in an areas where potential customers must pass by several other financial institutions on the way, its ability to attract those customers will be greatly hampered.
In the light of this, many banks are responding by introducing automated teller networks to maximize the number of locations where customers can access their accounts.

3.2 MARKETING APPROACH TO BANKING SERVICES

- Identifying the customer's financial needs and wants.
- Develop appropriate banking products and services to meet customer's needs.
- Determine the prices for the products/services developed.
- Advertise and promote the product to existing and potential customer of financial services.
- Set up suitable distribution channels and bank branches.
- Forecasting and research of future market needs.

From the above discussion of bank marketing, it can be understood that the existence of the bank has little value without the existence of the customer. The key task of the bank is not only to create and win more and more customers but also to retain them through effective customer service. Customers are attracted through promises and are retained through satisfaction of expectations, needs and wants. Marketing as related to banking is to define an appropriate promise to a customer through a range of services (products) and also to ensure effective delivery through satisfaction. The actual satisfaction delivered to a customer depends upon how the customer is interacted with. It goes on to emphasize that every employee from the topmost executive to the junior most employee of the bank is market. Due to the introduction of capitalization of 2004 the scope of the market has enhanced. Customer's expectations are high from the service industry like a banking industry. Only those banks will survive who will provide efficient and customer desired services.

The smooth development and functioning of any business organization. Finance objectives like value maximization to shareholders are integral parts of any new strategy adopted by the organization. But this objective seems to have been lost amidst the flurry of marketing activities focusing on market share. Conscious efforts must be taken to avoid the missing core objective and for sales growth. Dixit, V.C. (2004) concludes that for successful marketing and to make it more effective, 'identify the customer needs by way of designing new products to suit the customers. The staff should be well equipped with adequate knowledge to fulfill the customer's needs. We should adopt long-term strategies to convert the entire organization into a customer-oriented one.

Gupta, 0. (1997) described the emergence of services sector and banks experience in service marketing. He emphasized customer satisfaction as the key to success and suggested a few measures to meet the needs and expectations of the customers. Gurumurthy, N. (2004) asserts that technology today is claimed to be a 'leveler' and not a 'differentiator'. After the 'wow' feelings die down, technology would become a must for most clients. Banking products can be easily copied and replicated by competitors unlike manufactured products. It is also not a viable model for marketers I1on price. The solution, therefore, would lie in effective application of marketing strategies. Iyanlla (1999) described that marketer has to know that each and every country is having various marketing environment. Comparatively, it has to be very clear that the international marketer is bound to hold on the reorganization that every marketing environment differs from place to place as well as nation to nation than that of the same country state.

3.3 CHALLENGES OF BANK MARKETING

3.3.1 Technology

Marketing by private sector banks and foreign banks is more effective than public sector banks because these banks are IT oriented. Private sector banks and foreign banks are attracting more customers by providing e-services. Thus, technology has become a challenge before the public sector banks.

3.3.2 Untrained Staff

Often it happens that when a prospective customer approaches the branch, the employees seem to have very little knowledge about the scheme. This reflects an ugly picture of our bank's image. Banks are not losing one prospective customer but 10 more customers who would be touch of this man. Attitude of the employees towards customers is also not very well. Thus, it is a need of time to reorient the staff.

3.3.3 Rural Marketing

This is a big challenge before the Indian banks to enhance rural marketing to increase their customers. Banks should open their branches not only in the urban and semi-urban areas but also in the rural areas.

3.3.4 Customers’ trust

Marketing can be enhanced only by increasing the number of customers accessing your services. Customers can be increased or attracted only by winning the trust of the customers.

3.3.5 Customer’s Awareness

Customer awareness is also a challenge before the banks. Bank can market their products and services by giving the proper knowledge about the product to customer or by awarding the customer about the products. Bank should literate the customers.

3.4 STRATEGIES FOR THE ENHANCEMENT OF BANK MARKETING

In the fierce competitive market, needs of customer keep changing. Hence, our marketing strategy must be dynamic and flexible to meet the changing scenario. Here are steps that form successful and effective marketing strategy for bank products.

- Emphasis on Deposits

Emphasis, though in a discrete manner, should be given to mobilize more of term deposits as they are more profitable for the bank in comparison to demand. Introduction of products comparable to

"Kisan Vikas Patra" of post office and product with the facility of tax rebate under section 88 of Income Tax Act will of much help in this regard.

- Form a Saleable Product Scheme

Bank should form a scheme that meets the needs of customers.
A bunch of such schemes can also form a product. A bank product may include deposit scheme, an account offering more flexibilities, technically sound banking, tele/mobile/net banking, an innovative scheme targeted to special group of customers like children, females, old aged persons, businessman etc. In short, a bank product may consist of anything that you offer to customers.

- Effective Branding

Man is a bundle of sentiments and emotions. This can effectively be helpful in branding our products. Considering the features of products and target group of customers, the product can be effectively branded so as to sound it catchy and appealing. Some proven examples are Apna Ghar, Dhan Laxmi, Kuber, Flexi Deposit, Smart Kid, Sapney, Vidya etc.

The branding should be done in such a way that the brand name must attract the attention of customers. It should be easy to remember. The target group and the silent feature of the product should resemble brand name. This will help a lot in making the brand successful. All employees and all our campaigns should refer the product by its brand name only so that to strike the same in the customer's mind.

- Products for Women

The national perspective plan for women states that 94 pc of women workers are engaged in the unorganized sector and 83 pc of these in agriculture and allied activities like dairy, animal husbandry, sericulture, handloom, handcrafts and forestry. Banks should do something to improve their access to credit which they require.

- Customer Awareness

There is a need to educate the customers on bank products. Efforts should be made to widen and deepen the process of information flow for the benefit and education of Indian customers. Today, the customers do not have any idea as to how much time is required for any type of banking service. The rural customers are not aware for what purpose the loans are available and how they can be availed.

Customers do not know the complete rules, regulations and procedures of the bank and bankers preserve them for themselves and do not take interest in educating the customers. It is a need to educate the customers from the grassroots of banking. It is time that each bank branch takes steps to educate the customers on all banking function, which will facilitate growth of banking on healthy lines both qualitatively and quantitatively.

- Advertisement

Advertisement is an eminent part of marketing of bank products. Advertisement should be such that appeals to people. It should not follow the orthodox pattern of narrating a product. For effective advertisement, bank should understand people’s taste and choices.

- Selling Products in Rural Areas

For enhancing the marketing of their product, bank should sell their products in rural areas. For it, there is a need to open branches in the rural areas.

- Informing Customers About Products

The bank should embark upon aggressive marketing of its products, particularly at the time of launching a new product, which will inform the perspective customers regarding product and at the same time relieve staff at branch level from explaining the product to all customers.

- Customer Convenience

In a service industry like banking where product differential is hard to maintain and quality of service depends upon the service provider, from whom it cannot be separated. So the bank employees have to render services to the satisfaction of the customer, not as per their own conveniences or whims.

- Re-orient Staff

Sincerity of efforts in implementation of the measures is lacking among the bank staff. It is a fact that its employees are not able to rise up to the expectations of its customers. They lack in their behaviour, attitude and efficiency. The phenomenon is glaring at urban centers. Therefore, it calls for an immediate attention which is missing link in the entire process of marketing, and the bank should undertake all such steps to motivate and reorient its staff.

- Sale of Products and Services through E-delivery Channels

After the Information Technology Act, many new e-delivery products have been introduced. These delivery channels are very helpful in enhancing the marketing of various products and services. Thus Indian banks should sale the products and services through e-delivery channels.

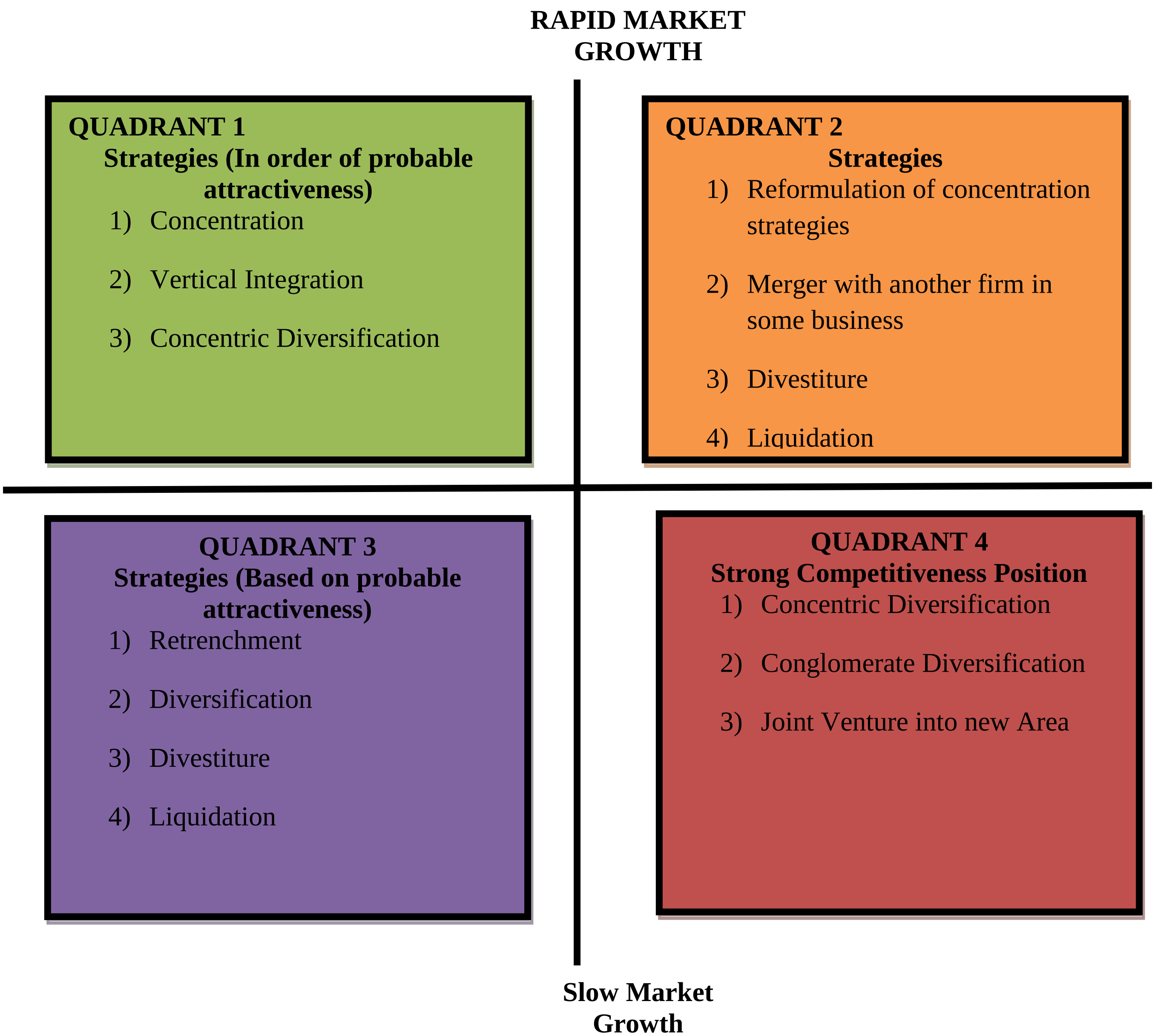
- Sale of Products and Services through Web-sites

Internet is a network of network which connects the world. Thus, banks should sale their products through web-site. This will enhance the marketing of the products not only at the national but also at the international level.

- Implication

Thus the study implies that for a successful and effective banking marketing of bank products is a necessary condition. This condition can only be fulfilling only by attracting the more and more customers. Thus, bank should make only policies which are helpful in fulfilling the needs of customers.

3.5 MATCHING CORPORATE STRATEGY ALTERNATIVES TO FIT A FIRM'S CIRCUMSTANCES (THE BANKING SECTOR)



In illustrating the effective use of corporate strategy, Roland (1976) presented the graph above to explain market share and growth potential of a product. He maintained that it makes sense for firms in quadrant to push hard to maintain or increase their market shares, to develop further their distinctive competencies, and to make whatever capital investments necessary to continue in a leadership position.

Student Assessment Exercise
Critically examine the major prevailing challenges of bank marketing in Nigeria.

4.0 CONCLUSION

It is indeed axiomatic having been taken through this interesting unit in which many have little or no knowledge about.
This unit examines holistically the strategies for marketing bank products and services, product strategy, pricing strategy, promotion strategy and the distribution strategy. This unit also addressed the marketing approaches to banking services, the challenges of bank marketing and matching a corporate strategy alternative to fit the bank circumstances.

5.0 SUMMARY

Banking sector reforms have changed the traditional way of doing banking business. Mainly technology is the outcome of banking reforms. Customer is now the king and customer focus or satisfaction of customer is the main aim of the banks. With the introduction of new products and services competition has grown up among the banks. Only those will survive who face the competition with the effective ways of marketing.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Efforts are made to widen and deepen the process of information flow for the benefit and education of Nigerian customers. Explain some of these efforts put forth.

Answer to Student Assessment Exercise.

- Technology
- Untrained Staff
- Rural Marketing
- Customers' trust
- Customer's Awareness

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UNIT 7: RELATIONSHIP MARKETING

CONTENTS

1.0 INTRODUCTION

Relationship marketing is an old idea but a new focus now at the forefront of services marketing practice and academic research.
The impetus for its development has conform the maturing of services marketing with the emphasis on quality, increased recognition of potential benefits for the firm and the customer, and technological services.

Accelerating interest and active research are extending the concept to incorporate newer, more sophisticated view points. Emerging perspectives explored here include targeting profitable customers, using the strongest possible strategies for customer bonding, marketing to employees and other stakeholders, and building trust as a marketing tool. Although relationship marketing is developing, more research is needed before it reaches maturity.

Development: Relationship marketing refers to a short-term arrangement where both the buyer and seller have an interest in providing a more satisfying exchange. This approach tries to disambiguiously transcend the simple post purchase-exchange process with a customer to make more truthful and richer contact by providing a more holistic, personalized purchase, and uses the experience to create stronger ties.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Defined relationship marketing
- Explain some of the reasons for relationship marketing
- Identify the key methods employed in building relationship marketing
- Distinguish between technical Support and Resource Support as method of building relationship
- Explain with the aid of a labeled diagram, the growth in banking services
- Explain the steps in relationship marketing via-a-vis management of bank customer relationship

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF RELATIONSHIP MARKETING

According to Aigbirenmolen (2004), the purpose of business is to create and keep customers as well as ensure cost effectiveness. Companies often fail because their products fail, and products fail because customers reject them.

Relationship marketing concerns the shifting from activities of attracting customers to activities concerned with current customers and how to retain them. At its core is the maintenance of relations between a company and as suppliers, channel distribution intermediaries, the public and its customers. The key idea is to create customer loyalty so that a stable, mutually profitable and long-term relationship is developed. The idea of relationship marketing implies at least two essential conditions. First, a relationship is a mutuality rewarding connection between the parties so that they expect to benefits from it. Second, the parties have a commitment to the relationship over time and are, therefore, willing to make adaptations to their own behaviour to maintain its continuity.

Kotler (1997) defines relationship marketing as the practice of building long-term, satisfying relations with key parties' customers, suppliers, and distributors in order to retain their long-term preference and business. Good marketers build up long-term win-win relationships by delivering high quality goods, service and fair prices to other parties over time. More banks today are shifting emphasis from "transaction marketing to relationship marketing".

3.2 SOME OF THE KEY FACTORS FOR RELATIONSHIP MARKETING.

1. The customer is not a competitor
2. You need the customer; the customer does not need you
3. The customer has feelings
4. The customer can choose you or somebody else
5. You need to manage the relationship with an existing customer because it is more difficult and costly to establish a new relationship than to manage an existing one.
6. A strong relationship translates into greater business volume via repeat purchases and new introductions.

3.3 REASONS FOR RELATIONSHIP MARKETING

1. The market place has been transformed in recent times and you have to change with time and get close to your customers.
2. The customer has a basket of competing products to choose from. He has a choice.
3. Most business activities are now market driven and only good relationship marketing can grow volume and enhance profitability.
4. Relationship marketing will enable you hold on to your existing customers whist you try to snatch some customers away from your competitors.

3.4 METHODS EMPLOYED IN BUILDING A RELATIONSHIPS MARKETING.

As there are lots of competitors in the banking industry, there is need for banks to be customer focused by providing superior service to customers who are themselves exposed to wide choices. A key method of building relationship and goodwill is the provision of customer service. Ways of building relationships are:

3.4.1 Technical Support: Research and development cooperation, before sales or after sales service, and providing training to the customer's staff. The supplier is thus enhancing the customer's know how and productivity.

3.4.2 Expertise: Suppliers can provide expertise to their customers e.g. the offer of design and engineering consultancies and dual selling where the customer's sales force is complemented by the supplier.

3.4.3 Resource Support: Suppliers can support tile resource base of customers by extending credit facilities•, giving low interest loan, agreeing to cooperative promotion.

3.4.4 Service Levels: Suppliers can improve their relationships with customers by improving the level of services offered to them. This involves providing more reliable delivery, fast or just-in-time delivery.

3.4.5 Risk Reduction: It involves free demonstrative preventative maintenance contracts, product and delivery guarantees etc.

3.5 ATTRIBUTES OF RELATIONSHIP MARKETER

- Cheerful and should have an inexhaustible sense of humour
- Intelligent and knowledgeable. He must apart from knowing his products also know the customer's business.
- Willingness to fish for and store information for future use to the benefits of the organization.

3.6 HOW A BANK CAN GROW ITS BUSINESS

- Attract new customers
- Increase revenue by differentiating its service and charging more
- Increase its share of preferred customers through exceptional service delivery
- Generate more orders from existing customers (i.e. good relationship management).

3.6.1 Product development process

The product life cycle shows the following stages in product development process

Concept Development	**Planning Scoping**	**Case Business**	**Pre-Launch Prototype**	**Testing**	**Launch**	**Post Launch**
Idea generation and initial screening	Through and precise product and project definition	Define product Business justification and plan of action	Product prototype	Final validation and justification for launch	Commercialization	Full Evaluation of product launch and next step

3.7 MAJOR STEPS IN RELATIONSHIP MARKETING

Some of the major steps relationship marketing is being discussed below:

3.7.1 Identify your Customer: This can be done by collecting and entering more customer names into the existing database and by collecting additional information about your existing customers. Furthermore, you can verify and/or update customer data and delete updated information.

3.7.2 Differentiating your Customers: This can be done by ranking customers into A, Band C categories based on their value to your bank and deploying your resources (human and material) to satisfy them appropriately with a view to growing the bottom line.

3.7.3 Interacting with your Customers: This can be done by calling and interacting with the top 3 persons at your top 5% of customers if your focus is corporate customers. It can also be done through interacting with high net worth individual customers that can add value to the bottom line of the bank.

3.7.4 Customizing your bank's behaviour: This can be done by branding and personalizing your banks products or service and by involving top management in customer relations.

3.8 MANAGEMENT OF BANK-CUSTOMER RELATIONSHIP

The following are activities banks can use to effectively manage their relationship with customers.

3.8.1Improvement on what the customer can see physically: Here the bank should keep on improving the physical structures which the customers can see, to assess the quality of their services e.g. branch locations, buildings parking space, service delivery, waiting rooms etc Attention should be paid to neatness.

3.8.2 Improvement of the service delivery system: Equipment should be introduced to perform some operations and as much as possible, separating the customer from the service delivery system.

3.8.3 Improvement of the knowledge, attitude and service delivery capacity of banks personnel through training: There should be regular training programes for bank personnel to improve their knowledge and skills for attending to individual customers and to maintain effective interactions with them.

3.8.4 Increase trust and confidentiality: There should be increased trust and confidentiality relationship between the banks and customers via promotion of professionalism among staff and appropriate adverts and publicity. Fraud and other sharp practices by banks staff should be reduced barest minimum.

3.8.5 Improvement of the bank's image: The image of the bank can be regularly improved through advertising; direct positive face-to-face communication by bank staff enhances customer perception of the image of the bank.

Student Assessment Exercise

What is relationship marketing?

4.0 CONCLUSION

This unit being as elaborated as it is has been able to address key issues in relationship marketing. You have learnt about the definition and meaning of relationship marketing, the major reasons for relationship marketing, the methods employed in building a good relationship.

You have also learnt about the relevant qualities of a relationship marketer and how banks can grow its business with the aid of the product life cycle. In the end, the unit also examines the key steps to be taken in a relationship marketing vis-à-vis management of bank relationship.

5.0 SUMMARY

Relationship marketing was first defined as a firm of marketing deployed from direct response marketing campaigns which emphasis customer relation and satisfaction, rather than a dominant focus on sales transactions.

As a practice, relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communications beyond intrusive advertizing and sales promotional messages.

With the growth of the internet and mobile platforms, relationship marketing has continued to evolve and move forward as technology opens more collaborative and social communication channels. This includes tools for managing relationships with customers that go beyond simple demographic and customer service data. Relationship marketing extends to include inbound marketing efforts, (a combination of search optimization and strategic content), public relations, media and application development.

From a social anthological perspective, we can interpret relationship marketing theories and practices as commodity exchanges that instrumentalise features of gift exchange. It seems that marketers consciously or intuitively are recognizing the power contained in **'pre-modern'** forms of exchange and have begun to use it. This particular perspective in marketing opens up fertile ground for future research, where marketing theory and practice can greatly benefit from in-depth research of the principles governing gift exchange.

6.0 TUTOR MARKED ASSESSMENT (TMA)

Capacity building and man power development is a panacea to effective bank services delivery system. Discuss.

Answer to student Assessment Exercise

Relationship marketing concerns the shifting from activities of attracting customers to activities concerned with current customers and how to retain them. At its core is the maintenance of relations between a company and as suppliers, channel distribution intermediaries, the public and its customers. The key idea is to create customer loyalty so that a stable, mutually profitable and long-term relationship is developed.

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UNIT 8: NEW PRODUCT DEVELOPMENT IN THE FINANCIAL SERVICES

CONTENT

1.0 INTRODUCTION

In financial service industry, new product launches are all too often not successful.
Rapid market changes combined with the challenges of changing internal systems to support new offerings make launching new product risky.

Because of the high number of failures, firms must screen product and services concepts to project markets share penetration and guard against cannibalizing existing offerings. Yet shorter product lifecycles are during accelerated product launch processes and giving firms less time to prepare for launch. Financial services firms must maximize the return and minimize the risk of new product/service introductions.

Increasing new product success:
The launch challenges can be approached from one of three perspectives:

- The firm may be concerned with launching a single product; the firm acknowledges the need for underlying process to enable successful product launches.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Differentiate a product from service
- Explain the new product development aims
- Identify the various stages of new product development
- Explain the concept of idea screening in a new product development stage
- Explain the concept of commercialization and the purpose of test marketing
- Identify the key decision areas when launching a new product
- Examine the failures of newly launched products in the markets

3.0 MAIN CONTENT

3.1 DEFINITION AND MEANING OF A PRODUCT

A product is anything that has value and satisfies human wants. Products are designed with a view to customer's satisfaction. The point is that in the end, it is the customers who decide whether the company or bank will flourish or collapse. The product range needs to be constantly modified in the light of changing customer needs and environmental development.

3.1.1 How is a product different from service?

A product is defined a "Anything that has the capacity to provide the satisfaction use or perhaps, the profit desired by the consumer" product and services are the word used interchangeably in financial service organizations. For example the bank products are deposit, borrowing or other products like credit card, POS (Point of Sales) or foreign exchange transactions which are tangibly and measurable whereas service can be such products the way and manner they are offered.

3.2 NEW PRODUCT DEVELOPMENT

New products are launched with the aims of attracting customers in a market and moreover to increase the level of sales in a market.

Presently, the fashion among Nigerian banks is the effort and desire to out-perform competitors in new products development in order to hold their ground in the field of operation.

Developing the right and desirable products, that can meet people's needs and introduce profits to the organization is not easy as customers need and wants keep on changing, new can make it a good product today obsolete tomorrow.

To be able to meet these challenge, it would aim at producing new products, modifying existing products and eliminating obsolete products that have cease to pay their way (Onwuchuruba 1996).

The risk of market failure is ever present for a new product: most new products fail. New product development should not be judge in terms of percentage of failure. To do so could stifle the innovative spirit. Failure has to be tolerated; it is endemic in the whole process of developing new products.

3.3 STAGES OF NEW PRODUCTS DEVELOPMENT

The stages of new product development are:

3.3.1 Idea Generation: New product development process starts with the search for ideas. New product development ideas can come from interacting with various groups and from using creativity generating techniques. The sources of new product ideas can be internal to the company e.g. scientists, engineer, marketers, salespeople and designers or external e.g. competitors, distributors or customers. It is good to keep in constant touch with customers who are innovators and market leaders.

3.3.2 Idea Screening: Ideas have to be screened to evaluate their commercial worth. Ideas should be written down and reviewed each week by an idea committee. Selection should be made of the most attractive ones. Selection criteria see that the generated ideas are consistent and are within the philosophy and image of the organization/fit i.e. between the product and company objectives and the capability of the company.

3.3.3 Concept Testing: If accepted as worthy for further investigation, it can be formed into a specific concept for testing with potential customers. Group discussion can also be used to develop and test product concepts. Group discussion can lead to product refinement. The concept may be described verbally or pictorially so that the major features are understood. Potential customers can then state whether they perceive any benefits accruing from the features. Concept testing allows a relatively inexpensive judgment to be made by customers before embarking on a costly product development programme.

3.3.4 Business Analysis: An evaluation is made of the product idea at this stage. Management reviews the future sales, costs and profit estimates to determine whether they satisfy the company's objectives. If they do, the product concept can be moved to the products development stage.

3.3.5 Product Development: Product ideas that survive the screening and idea evaluating steps must now be analyzed further. Usually, this involves some research and development (R&D) and engineering to design and develop the physical part of the product. McCarthy (1990).

3.4 Test Marketing: The product is introduced in selected bank branches by distributing the brochures to potential users of the financial product so as to evaluate customer complaints and reactions. In other words, the new product is introduced into an authentic setting to learn how large the market is and how consumers and dealers react to handling, using and repurchasing the product (Kotler 2004).

3.5 THE GENERAL PURPOSE OF TEST MARKETING

Udeagha (1993) stated that the purposes of market testing are:

a. To assess the product performance under practical market conditions
b. To assess the compatibility of the product with the other elements of the marketing mix
c. To reduce the risk of product failure in national or international market
d. To provide the marketer with additional market information.

3.6 THE CONCEPT OF COMMERCIALIZATION

A product Idea that survives this far can finally be placed on the market. If the test-marketing results shows positive sings, then the product will finally be introduced to the market with a view to commercializing it. Appropriate strategy that provides a differential advantage is put in place (Jobber 1998). The new product now starts its life cycle at the introduction stage.

It is only when all signals show reasonably good potentials does it normally make sense to launch the product fully. The potentials must be clearly indicated since mistakes made during this stage are frequently fatal and costly to rectify. Problems of poor timing, insufficient marketing efforts and initial product failings were major contributors to most of product failures and withdrawal after launch. White (1976) was of the opinion that "if you get the development process right, the national launch should be, you may feel, a mere formality" The failure rate of new product, even those for whom a rigorous development process has been conducted is sufficiently high to demonstrate the fallacy of this point of view. The introduction state of a new product is critical to the route of success or failure. It provides real indication of:

a) The development of the brand in the market;
b) The effect of marketing mix decision made;
c) A scope for using market information to forecast the sales performance of the product and whether it will be a success

3.6.1 Decision area in launching a new products/service

In launching a new product, the company must take four decisions (Kotler, 1984).

- Timing: The first decision is the right time to launch the new product, e.g. if the demand of the product is highly seasonal, the new product should not be introduced until the right season arrives.

- Geographical strategy: The company must decide whether to launch the new product in a single locality, region, several regions, national market or international market.
- Target Market Prospects**:** The Company must target its distribution and promotion to the prime prospects who are more often than not, the Early Adopters, heavy users, opinion leaders, etc.

- Introductory Market Strategy: The company must develop an action plan for introducing the new product into the market and decide on the marketing budget and its allocation among the marketing mix elements.

3.7 CRITERIA FOR ENHANCING NEW PRODUCT DEVELOPMENT

However, there are some criteria which carefully observed, increase chances of successful new product development and launching. They include the following

a. There must be an adequate demand.
b. The product must be compatible with the company's marketing experience and resources.
c. The product should fit fairly, if not completely, into the company's present production pattern.
d. The financial implications of launching the new product must be carefully thought through and appropriate arrangements made.
e. Adequate management time must be devoted to new products. :
f. There must be coherent policy for new product development and management; and
g. Suitable organization for developing and handling new products.

To enhance the much needed success, King and Summers (1970) said that new product development function should have its base at no less than Top Management Level and advocate that considerable interest should be paid to new product development by management. Grunhaug (1976) consolidates this point in a survey of management attitudes in Scandinavian firms, concluding that "time devoted to product development by senior management was important to the success of a new product project.

It is therefore evident that management attitudes, amongst others, prevailing within the organization are of great importance to new product development.

3.8 FAILURE OF NEW PRODUCTS

Having gone through some of the major requirements a new product must meet before success can be assured, one will be puzzled to discover that in all works of life, high failure rates are still recorded for various ranges of new products.

In a famous study, Booz et.al (1967) put new product failure rate at 50% after the marketing stage. The same study also revealed that 58 new product ideas must be screened to find one good one, and that five out of six man-hours are spent on products that failed. O'Meara (1961) and Schour (1961) reported independently that between 40% and 90% of all new products fail commercially.

This high incidence of product failure had plagued many firms. While many have dared prescribing techniques aimed at remedying the problems, only very few have delved into the real analysis of the reasons for product failure.

Davidson (1979) blamed cause of new product failures on "Corporate Egocentricity". He said that "lack of objectivity can be brought about by unreal and petrified targets, a lack of courage, arrogance, over absorption and the existence of vested interests on the part of employees concerned with the development project".

King (1970) attributed failure to the excessive delegation of new product objective formulation, lack of attention to production criteria and the reluctance of management to commit to new products and the marketing concept.

NICB investigation (1964) sought opinions of managers about the reasons for product failure in their own firms. A variety of possible causes which were identified include inadequate market knowledge, technical defects in the product, bad timing and poor marketing. Closely related to the above was the result of Hlavack(1974) investigation, which include inadequate market size, distribution problems, internal conflicts, impatience and resistance, and bad marketing research.

Cooper (1976) gave a complete picture in an indept study of a large sample of products which failed after commercial introduction. He presented such reasons as general, specific and latent.

1) General Reasons: These were financially oriented and include examples of expected sales that never materialized, Poor sales, Poor profit margins, excessive development costs and excessive investment.

2) Specific Causes: These include causes of low sales, causes of low profit 'margins, causes of excessive development costs and excessive investment. The products prices were higher than the customer can pay. This pricing decision hurt sales.

3) Latent Causes: These were deficient activities and deficient resources. The firms failed to undertake an end-user market study. This was because the firms' marketing research departments were hopelessly under-staffed.

3.9 FINANCIAL EVALUATION OF NEW PRODUCT POTENTIAL

The measure of any business venture is its contribution financially to entire profitability of (lie firm. This section works at the profit yield of the proposed new product in advance.

The general approach to financial analysis is to compare alternative new product projects either with each other or with some company oriented standards.

As a result of the dynamic nature of the assumption made in forecasting, Andrews (1975) suggests that there is a real need to employ techniques which are quick to use, easy to understand and apply. Information required for capital investment appraisal include, volume sales with respect to time, investment required; cost of manufacturing and marketing and selling price. However, the reliability of these data is always a big problem since management must rely on forecasts result from Product Testing or Market Testing.

This difficulty notwithstanding White (1976) suggests that the under-listed methods of capital investment appraisal can suitably be applied to new product development.

a) Pay-back period - time required repaying the initial investment costs.
b) Return on capital - Percentage annual net profit to the net assets employed in the product.
c) Discounted cash flow - This technique takes into account time value of money and weighs die value of cash flows by an amount which depends upon when they occur in relation to the initial investment.

Student Assessment Exercise.
In a tabular form, discuss the stages in product development process.

4.0 CONCLUSION

In this unit, you have learnt about the meaning of a product, the decision between a product and service; you have also learnt about the different stages in new products development, the concept testing and the general purpose of test marketing. The unit also addressed areas in new product development.

5.0 SUMMARY

Opportunities for increasing new products success exist on multiple levels. Choosing the right approach for your business can yield significant benefits:

- Reducing time to market
- Attempting business value
- Minimize risk for product launch use rapid, repeatable process to gain competitive advantage

Each product launch may be unique, but share common success factors that should be managed through a product development lifecycle with a focus on best practices.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

Philip Kotler (1984) enumerated four key decision taking areas when launching a new product. In the light of this, itemize and discuss those key decisions.

Answer to student Assessment Exercise.

The product life cycle shows the following stages in product development process

Concept Development	**Planning Scoping**	**Case Business**	**Pre-Launch Prototype**	**Testing**	**Launch**	**Post Launch**
Idea generation and initial screening	Through and precise product and project definition	Define product Business justification and plan of action	Product prototype	Final validation and justification for launch	Commercialization	Full Evaluation of product launch and next step

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UNIT 9: MARKETING OF INSURANCE SERVICES IN NIGERIA

Content

1.0 INTRODUCTION

Without getting into the technicalities, of working of insurance (e.g. promise of indemnification, financial loss, portfolios, underwriting, policy, agent, compensation etc), it is pertinent to know that insurance is a form of risk of a contingent or uncertain loss. It can be deemed to be the equitable transfer of the risk of a loss, from one entity to another, in exchange for payment.

With the massive industry's recapitalization directives (completed in 2010), to strengthen the financial capacity of insurance companies in Nigeria, under the watchful eyes of the industry's regulator, the National Insurance Commission (NAICOM), players in the insurance landscape have been pruned to 71, from 114. Insurance is ranked next to banking in terms of years of operation in Nigeria (more than 90 years, while banking have existed here for upward 118 years).

A major disadvantage in the patronage of insurance companies presently, has bearing on the obvious wariness of Nigerians towards insurance – fall out of some activities of insurers in the business

3.0 OBJECTIVES

At the end of this unit, you should be able to:

- Define and explain insurance
- Discuss the controllable and non controllable forces in the marketing of insurance services in Nigeria
- Identify the current insurance marketing process
- Examine the services of bankers and consultancy in the marketing of insurance services
- Highlight the marketing strategies adopted in insurance services marketing
- Expose the emerging challenges adopted in insurance services in Nigeria

3.1 MARKETING OF INSURANCE SERVICES IN NIGERIA

In Nigeria, insurance companies are increasingly using marketing techniques to expand their business. Market research is used to explore the potentials and probable market for a product: Surveys and reports on market conditions, tendencies and buying habits of clients etc.

The insurance market consists of buyers, intermediaries (brokers and agents) and sellers. The buyers are called clients who have different attitudes to insurance dictated by two groups of forces.

3.1.1 The controllable forces: i.e. those bordering mainly on the usual marketing mix, namely, product planning, pricing, distribution channels, advertising and sales promotion.

3.1.2 The uncontrollable forces: these include socio-economic, technological, psychological, political and legal influences outside the direct control of insurers.

The factors or events that generate the need for insurance in Nigeria are diverse and include social risks such as: theft, burglary, arson, riot, armed robbery, strikes, kidnapping etc. Others include natural disasters like hurricanes, earthquakes, floods storms, oil spoilages, pollution, explosions etc. Some of these are pure Acts of God. Nigerians are only spurred into actions only on hearing that an insurable disaster has befallen someone. This is because we are not insurance conscious.

3.2Current Marketing Process

The process involves:

3.2.1 Agents: These are insurers representatives who sell insurance coverage's to individuals, business associations. Their compensation is a commission based on the premium paid by the insured. Agents could be individuals or institutions.

3.2.2 Brokers/Consultant: Group of intermediaries who help to sell insurance service products. Brokers are technical people. They offer expert advice to clients on behalf of the insurance companies. Client interests are paramount to then when transacting insurance business with an insurer. They earn commission from the insurance company. They can deal with many insurance companies at the same time.

3.2.3 Direct Selling: Under this system, insurers sell their products through some of their employees who are on salaries. It produces low premiums as discounts are given to the insured for direct placement.

3.2.4 Support Services: These are (Marketing) fieldsmen who act as liaison between agents, brokers and the insurers. They are highly skilled and broad based educated people who support the regular agents or life salesmen when they encounter any technical problems.

3.3 MARKETING STRATEGIES

Are discussed as follows:

3.3.1 Market Leaders Strategy: This is adopted mostly by companies owned or backed by Governments or the multinational corporations e.g. NICON etc. These big and wealthy companies employ technically qualified personnel and mount heavy advertising to win more clients. In view of their size, members of the public tend to repose more confidence on them than other ones. Brighter ideas emanate from them and other companies tend to look up to them for guidance regarding rates of premium to be charged on services.

3.3.2 Market Challenge Strategy: Here, an aggressive marketing strategy is employed by especially new arrivals into the industry to win market share and be noticed. It involves a lot of hard work-research to identify new needs and fashion, new products appropriately, effort to identify the weaknesses and loopholes of the market leaders and take advantage thereof, opening up of new branches in insurance. Under-served areas and employment of agents who can carry insurance business to various households and industrial-cum commercial centre in the country

3.4 THE CHALLENGES OF INSURANCE SERVICES IN NIGERIA

While researching for this piece, an insurance expert summarized the following as some of the problems of insurance in Nigeria:

- The industries which feed the short term insurance underwriting business are affected by adverse market situation (e.g. manufacturers).

- Long term insurance contracts, which are more rewarding, are not really there. The industry is merely making do with short term insurance market (e.g. property insurance; compulsory life insurance; individual and other life insurance). These come at a time when even many marginally insured refrain from paying premium.

- Those long term business which typical insurance companies should rely upon (e.g. group life insurance, annuity insurance, investment related insurance) are farfetched. Who does not know that the rates of returns on short term insurance (often affected by commercial rate inflation index are quite profitable.

3.5 REMEDIES TO INSURANCE SERVICES MARKETING

For ways forwards, I hope these will help:

- Through insurance education, the Nigerian public has to be enlightened to understand insurance. This must be tied to conviction that the insurance companies must meet their obligations to the client, through living up to billing in claims to mitigate whatever loss.

- The recent moves by NAICOM to enforce compulsory insurance products will likely stimulate the market, benefit insurance and the economy generally. These insurance policies - group life, healthcare professional liability insurance, builders' liability insurance, occupiers' liability insurance, and motor vehicle third-party insurance - will make Nigerians 'remember' insurance and subsequently patronize insurance firms.

- Insurers which sell policies directly (not using agents) can embark on marketing campaigns that highlight offers of lower prices. This should not dilute the relevance of insurance agents, with their improved and personalized service delivery.
- Insurance companies should pull resources together for joint advertising and other fots of enlightenment, to boost insurance awareness. Through campaigns of this type, promote will save costs from joint efforts.

- Nigerians require to be encouraged (by NAICOM) to recognize and patronize the compulsory insurance schemes stated above. This can be achieved through various related progress. If merely imposed on the people, many will seek likely short-cut measures.

- Underwriters should improve on their business practices, and spend more time on educating insurance consumers, on the significance of purchasing insurance products.

Student Assessment Exercise

Summarize briefly some of the major hitches in the marketing of insurance services in Nigeria.

4.0 CONCLUSION

In this unit, you have learnt about the controllable and the uncontrollable forces in the marketing of insurance services in Nigeria. The unit has also addressed the current marketing process: Agency, Brokers/Consultancy, direct selling and support services.

The unit in the end examines, the adopted insurance services marketing strategies, the emerging changes and remedies.

5.0 SUMMARY

As regards marketing insurance products, the basic principles of marketing (just like for marketing banking and other financial services) also apply. Even the well-known 4Ps as elements of marketing - product, price, place, and promotion - are relevant here. Components of marketing promotion (advertising, public relations & publicity, personal selling, sales promotion, direct marketing, and online marketing) also come into play for insurance.

Despite these, some of the problems of the insurance industry in Nigeria are as follows:

Delayed settlement of genuine claims; low level of regulatory compliance; absence of new products; delayed remittance of premium by intermediaries; inroad of banks into the industry; moral hazards and sharp practices; government's policy inconsistency; weak regulatory measures; illegal commissions and rebates; and poor image of the industry. This last problem has made for shallowness of the market for insurance.

Considering that so much have changed between the socio-economic environment of your days in insurance business and now - The average Nigerian is considering the pressing needs of food and shelter, before giving any thought to insurance (Man never chop to keep money for insurance). Without even taking cognizance of prevalent general insufficiency of income among Nigerians to patronize insurance, what about the well-known conception that a typical Nigerian insurance company is never ready to pay in any event of sad occurrence? When compulsory, many Nigerians now prefer cheaper premium 'to fulfill all righteousness'. Some are of the view that even with the government (the biggest consumer of insurance in the land), incidents of debts remain very high. It is alleged that government officials often prefer to divert funds meant for insurance to other uses. In a nutshell, there is high apathy towards insurance in Nigeria.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

- Critically discuss market leader strategy adopted in the marketing of insurance services in Nigeria.

Answer to Student Self Assessment Exercise.

An insurance expert summarized the following as some of the problems of insurance in Nigeria:

- The industries which feed the short term insurance underwriting business are affected by adverse market situation (e.g. manufacturers).

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- Those long term business which typical insurance companies should rely upon (e.g. group life insurance, annuity insurance, investment related insurance) are farfetched. Who does not know that the rates of returns on short term insurance (often affected by commercial rate inflation index are quite profitable.

7.0 REFERENCE/FURTHER READING

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UNIT: 10 ENVIRONMENTAL FOR FINANCIAL SERVICES MARKETING

Content

1.0 INTRODUCTION

The term environment denotes those elements over which the marketing firm has control or which it can use in order to gain information that will better help it in its marketing operations. In other words, these are elements that can be manipulated, or used to glean information, in order to provide fuller satisfaction to the company's customers. The objective of marketing philosophy is to make profits through satisfying customers. This is accomplished through the manipulation of the variables over which a company has control in such a way as to optimize this objective. The variables are what Neil Borden has termed 'the marketing mix' which is a combination of all the 'ingredients' in a 'recipe' that is designed to prove most attractive to customers. In this case the ingredients are individual elements that marketing can manipulate into the most appropriate mix. E Jerome McCarthy further dubbed the variables that the company can control in order to reach its target market the 'four Ps'. Each of these is discussed in detail in later chapters, but a brief discussion now follows upon each of these elements of the marketing mix together with an explanation of how they fit into the overall notion of marketing.

The 'four Ps' and the marketing mix

1. Product
2. Price
3. Place and
4. Promotion

Products and price are obvious, but perhaps place and promotion need more explanation

Place, it is felt, might better be termed “P”.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Examine the environment for financial services marketing
- Discuss bank macro environment in the light of its definition and meaning
- Compare and contrast the customer markets and marketing intermediaries
- Identify the prevailing forces in the marketing environment
- Explain extensively bank macro environments: strategy, structure systems, etc
- Cross examine the “four Ps” and the marketing mix

3.0 MAIN CONTENT

3.1 ENVIRONMENT FOR FINANCIAL SERVICES MARKETING

Banks business environment can be divided into macro and micro environment.

3.2 Bank’s macro environment - narrow definition:
The principal macro environment factors are:

3.2.1The Customers/Markets: The markets for a bank might include the consumer market, the business marketing government market or the international market. Within these broad markets, bankers speak also of more specific - need markets - the "savings market, the "current account" market, and the 'micro-credit' market.

3.2.2 Producers/Suppliers: Bank managers must be doubly marketing oriented. They must use marketing techniques both to acquire the raw materials (depositors) and the users of the raw materials (borrowers).

3.2.3 Marketing Intermediaries: Marketing intermediaries in the banking business include credit card companies, automated teller machines (ATM's) networks, and the cleaning house system for the transfer of funds, etc.
Bank marketers do not deal with the traditional types of intermediaries that assist in promoting, selling and distributing the "product" to the, final consumer as bank products are intangible.
In any case, the use of marketing intermediaries enables banks to offer a service through a third party that it could not afford to provide by itself.

3.2.4 Competition: Banks that understand that they are in the business of meeting financial service needs define competition differently from those with a myopic view.
Because of changes and uncertainty in the banking business of today, there is need for banks to learn how to be innovative and proactive.

3.3 THE MARKETING ENVIRONMENT

The Marketing Environment: The marketing environment consists of the forces that directly or indirectly influence an organization's acquisition of inputs and generation of outputs.
Environmental forces are dynamic changes which create uncertainties, threats and opportunities in business. Marketers should continue to modify their marketing strategies in response to the dynamism of the environment. Any organization that does not recognize changes in the marketing environment cannot capitalize on emerging opportunities nor cope with challenges created by changes in the environment. If an organization cannot deal with an unfavourable environment/ it will definitely go under sooner than later. It is therefore very important to monitor the environment for the growth and survival of the organization.

3.4 BANKS' MICRO ENVIRONMENT

Banks' Micro Environment: The microenvironment of a bank according to Aigbiremolen (2004) encompasses what may be referred to as seven "5'5". These are variables within the immediate control of the bank. They are:

3.4.1 Strategy: The strategy of any bank is the management plan for achieving chosen objectives. It refers to the approaches and actions the bank plans to take to get to the envisioned state. A bank must design and implement a well-articulated:' strategy that will competitively position it in the market place.

3.4.2 Structure: In a nutshell, a bank's structure is the horizontal and vertical arrangement of roles and functions in the organization. The chart that shows such arrangement is called an organizational chart or “organogram”. Apart from the organizational structure, the financing structure is also very important.

3.4.3 Systems: Systems in a bank refer to the processes, procedures and technology by which the details of the business activities are carried out on a daily basis.

3.4.4 Skills: Skills can be used to describe the level of competence of the bank/ the areas of its competitive advantage and how fit it is to implement its strategic objectives. This variable has something to do with quality of management and staff.

3.4.5 Staffing: This refers to all that relates to the bank's human resources management as well as the quality and quantitative adequacy of its personnel.

3.4.6 Style: Style seeks to describe the approach management adopts in managing the resources, of the bank.

3.4.7 Shared Values: These describe the corporate culture of the bank excluding the management style. They are the essential and enduring tents/principles of the bank.
It is pertinent to emphasize that the overall survival and growth of the bank will depend on the ability of its management to appropriately deploy the aforementioned resources in

a. Satisfying customers
b. Achieving efficient Operations
c. Utilizing all available in-house talents
d. Integrating all human and material resources

3.5 THE "FOUR PS AND THE MARKETING MIX"

According to Handscombe (1989: 96), the concept of the marketing mix, was popularly promoted by Kotler and consists of the elements - PRODUCT, PLACE, PROMOTION and PRICE or the 4Ps.

The marketing mix provides a useful starting point and framework for identifying, evaluating and deciding on profit-effective marketing options, and according to Godfrey (1990: 157) is the main instrument through which marketing strategies are implemented.

Product

Kotler and Armstrong (1996: 276) define a product as anything that can be offered for attention, acquisition, use or consumption and that might satisfy a want or need. Products are therefore the means by which organizations seek to satisfy consumers' needs.

According to Palmer and Hartley (1998: 16) the elements of the product mix which the marketer can control include quality levels, special design features, durability, packaging, range of sizes or options, warranty, after-sales service and the brand image.

Place

The place element (Distribution) of the marketing mix ensures that products are available in the correct quantities, in convenient locations and at the times that the customers want to purchase them.

Price

Price, according to Diamond and Pintel (1972: 181) is defined as an offer to sell for a certain amount of currency. Of all the elements of the marketing mix, only price brings in revenue to a company. The others result in expenditure.

Promotion

Brink and Kelly (1963:6) define promotion as coordination of all seller-initiated efforts to set up channels of information and persuasion to facilitate the sales of goods or service or the acceptance of an idea. According to Diamond and Pintel (1972:18) the success or failure of business depends on its ability to have available for sale, a unique, property promoted product at an attractive price.

Student Assessment Exercise

What is marketing environment?

4.0 CONCLUSION

In this unit, you have learnt the meaning of marketing environment, the environment for financial services marketing and the definition of the banks macro environment. You have also in this unit learnt about the bank's micro environment composition; strategy, structure, systems, etc. The unit went as far as addressing the "four Ps" and the marketing mix.

5.0 SUMMARY

Marketing environment had been variously defined. It has been defined as consisting "of the external factors and forces that affect the company's ability to develop and maintain successful transactions and relationships with its target customers "(Kotler, 1990). Bringing clearly the elements of dynamism into consideration, Bush and Houston (1985) defined marketing environment as "a set of divers dynamic and uncontrollable forces that impinge on an organizations marketing operations and opportunities". The environment for financial services marketing company's macro and micro environment

The marketing mix provides a useful starting point and framework for indentifying, evaluating and deciding on profit – effective marketing strategies are implemented

6.0 TUTOR MARKED ASSIGNMENT

- Discuss marketing Shared Values in clear terms.

Answer to student Assessment Exercise.

The marketing environment consists of the forces that directly or indirectly influence an organization's acquisition of inputs and generation of outputs.

Environmental forces are dynamic changes which create uncertainties, threats and opportunities in business. Marketers should continue to modify their marketing strategies in response to the dynamism of the environment. Any organization that does not recognize changes in the marketing environment cannot capitalize on emerging opportunities nor cope with challenges created by changes in the environment.

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UNIT 11: INTERNET SYSTEM IN FINANCIAL SERVICES

Content

1.0 INTRODUCTION

Both financial services and information technology have undergone rapid and massive changes. The pace and reach of change are unlikely to slowdown in the foreseeable future. If anything, they may actually accelerate. In particular, European banking and financial markets are on the verge of large-scale upheaval under a combined impact of euro, Internet and Y2000challenges

Information technology plays an increasing role in financial services, whether in product/services offering, delivery channels or market structure. Its impact is not limited to business strategies but also profoundly influences public policy, in particular the nature of money and monetary systems.

In the new landscape, the roles of financial institutions, technology providers and regulatory authorities need to be redefined. New rules of cooptation will have to be determined and implemented.

Financial services Trends: In the past twenty years, financial services have undergone deep and extensive changes in all aspects of their business: product and services, sectoral structure, market segmentation, competitive environment. There are nevertheless significant differences in the rate and scope of change between various segments of financial services:

Globalization has been particularly pronounced in wholesale banking and over-the counter financial markets such as foreign exchange. Corporate lending and investment banking are dominated by few global players, active in all markets, established or emergent.

On the other hand, globalization appears to have affected relatively less the retail banking, which, particularly in Europe, remains very fragmented and localized.

The initial impetus was to reduce the transaction cost by immobilizing or eliminating the paper support. This led to dematerialization of both payments and financial transactions. In turn, this had two consequences:

- An explosive growth of transactions

- A proliferation and greater complexity of new instruments

The changing nature of financial transactions and financial markets, triggered significant new risks and new risk combinations, created by interactions between globalization and intensive use of technology. As the traditional risks, such as credit risks, have not disappeared, the overall risk level of financial system has increased. At the same time, the ability to manage risks was significantly enhanced. This created a somewhat paradoxical situation: a greater fragility, as evidenced by a succession of crashes and crises (sovereign debt crisis in the 1980s, October 97 global equities crash, US servings and loans crisis, Japanese banks crisis, etc.), and a greater resilience: so far, despite those crashes, the global financial system continues not just to function but to grow and prosper

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Examine the definition and meaning of the internet system in financial services
- Identify the various types of the internet banking
- Explain the prevailing changes/revolutions in Nigeria financial services
- Identify the major trends which affect Nigeria financial services
- Examine critically the roles of the internet system in Nigerian financial services.

3.0 MAIN CONTENT

3.1 DEFINITION OF THE INTERNET SYSTEM IN FINANCIAL SERVICE

Internet banking also forms part of electronic banking. Here, potential customers who visit the bank's website can open a bank account without being physically present at the bank. This is possible through a link that will be affixed at the website to give such people access to the banking application of the bank and the funds can be transferred by the use of credit card.

3.2 THE OVERVIEW OF THE APPLICATION OF INTERNET IN FINANCIAL SERVICES

Customers can also access the balances and transactions on the accounts and perform other banking services e.g. transfer of funds from one account to the other, carry out transactions with other banks customers etc. Security identification is given to each customer to enable him access to the records. Through a user friendly interface and an initiative navigation structure, internet banking services provide end users with convenient and easy real-time access to the banking information and services they need through branded website. Internet banking is highly flexible to ensure that you distribute strategy is a success, whether your strategy is limited in scope or aggressively target web-savvy consumers with cutting edge capabilities.

Internet banking also forms part of electronic banking. Here, potential customers who visit the bank's website can open a bank account without being physically present at the bank. This is possible through a link that will be affixed at the website to give such people access to the banking application of the bank and funds can be transferred by the use of credit card. Customers can also access the balances and transactions on the accounts and perform other banking services e.g. transfer of funds from one account to the other, carry out transactions with other banks customers etc. Security identification is given to each customer to enable him access to the records. Through a user friendly interface and an initiative navigation structure, internet banking services provide end users with convenient and easy real-time access to the banking information and services they need through branded website. Internet banking is highly flexible to ensure that you distribute strategy is a success, whether your strategy is limited in scope or aggressively target web-savvy consumers with cutting edge capabilities.

3.3 TYPES OF INTERNET BANKING

There are three basic kinds of website facilitating internet banking in the market place:

3.3.1 Information website

This is the most basic level of internet banking. The bank has marketing information about its products and services on a stand- alone server. This level of internet bank service can be provided by the bank itself or by sourcing it out since the server or website may be valuable to alteration appropriate controls must therefore be in place to prevent authorized alterations to data in the server or website (Kumar Detal 2007).

3.3.2 Communication websites

This type of internet banking allows interaction between the bank’s system and the customer. It may be limited to electronic mail, account inquiry, loan applications, or state file updates. The risk is higher with this configuration than with the earlier system and therefore appropriate controls need to be in place to prevent monitor, and alert management of any unauthorized altept to access bank's internal network and computer systems. Under this system the client makes a request to which the bank subsequently responds. Work on the same principle as the e-mail (persumal and shamugan 2004).

3.3.3 Transaction websites:

Under this system of inter banking customers are allowed to execute transactions. Relative to the information and communication types of internet banking, this system possesses the highest level of risk architecture and must have the strongest accessing accounts, paying billis, transferring funds etc. the possibilities demand very stringent security (Persumal and Shamugam, 2004).

3.4 CHANGES IN NIGERIA FINANCIAL INSTITUTION SERVICES

All aspects of financial services have undergone substantive changes.

3.4.1 Products: In all segments, financial products have become more varied and more complex. The product cycle has been considerably accelerated: products are developed, deployed and made obsolete more quickly. They have become more liquid and tradable, as financial institutions seek to reduce the size of their balance sheet by externalizing a sizeable size of their through securitization technology.

3.4.2 Delivery channels: Delivery channels have proliferated in order to enable customers remote and permanent access to financial services: ATMs, telephone banking, on-line banking, etc. Contrary to early expectations, new channels have reinforced rather than cannibalised existing channels. In Nigeria for instance, new delivery channels have not fundamentally changed the market shares allocation and major financial institutions were quick to adopt a multi-channel strategy.

3.4.3 Market structure: Existing financial institutions have been subject to strong & consolidation and concentration pressures. With few exceptions, mergers and acquisitions have been taken place on a local and regional basis. In Nigeria, there have been very few large-scale cross-border mergers of financial institutions.

Boundaries between different categories of financial services become blurred to the point of confusion. Banking, insurance and capital markets firms are invading each other's turf and competing aggressively. Market structure is becoming more fluid and more unstable. Established hierarchies can no longer be taken for granted. Deregulation has attracted many new comers: retailers, industrial companies, telecom operators, who adopted different approaches to entry, some focusing on specific products such as cards, others on customer segments, still others on specialized financing niches.

New entrants achieved significant inroads in a number of segments, particularly in the US. Yet, banks have demonstrated a remarkable resilience. In Nigeria, they successfully invaded life insurance and securities brokerage.

3.4.4 Regulatory oversight: Boundaries between various financial services activities are no longer rigid. Geographical restrictions to entry have been considerably reduced.

The increased levels of risks have led regulators to closely monitor banking activities. In particular, banks are required to report their international activities on consolidated basis. Specific steps have been taken to better track positions in derivatives instruments.
Emerging trends: eurofinance and cyberfinance

3.5 Two trends which affect financial services in Nigeria are:

3.5.1 Eurofinance: movement to a common currency, which for all practical purposed started in mid-1998, when list of countries admitted to the first round) Published. This movement was likely to significantly accelerate consolidation and concentration of the sector. This in turn may entail the surge of cross-border retail banking.

3.5.2 Cyberfinance: large-scale deployment of Internet technologies in financial services. Internet banking is developing rapidly and Internet technologies are penetrating all aspects of business operations in various sectors. Internet banking associates more closely than traditional on-line banking financial institutions and technology providers. The latter are in position to either marginalise or disintermediate financial institutions. Furthermore, numerous efforts are being carried out to design and implement Internet-based payment systems. Some of those systems, according to their proponents, have a truly revolutionary potential and can trigger the emergence of alternative monetary systems, which would be outside the reach of the existing banking structure and its regulators.

Thus, while eurofinance appears a vector of continuity with the existing financial trends.
cyberfinance contains a significant potential for discontinuity. We need to probe deeper the implications of those two trends.

3.6 ROLES OF THE INTERNET SYSTEM IN FINANCIAL SERVICES.
While technology constitutes a key vector of geo-finance, not all the technologies played an equally important role in its development. Among those which did, two appear as core levers.

3.6.1 Transaction processing: Banking automation process has been largely triggered by the need to lower transaction costs and increase transaction throughput. As transaction volume increased, system requirements became more stringent, either in terms of performance or reliability. The key nodes of financial systems: settlement systems, payment networks and market trading systems, all rely on state-of-the-art transaction processing technologies.

3.6.2 Financial instrument technology: This technology, which combines software development and pure economic theory, is based on the option theory developed in the early 1970s by US academics Fisher, Black and Merton. The theory, which allows the quantification of the value of future and i; uncertain cashflows, has played a critical role in the development and explosive growth of organized and informal markets for financial derivatives.
More fundamentally, the financial instrument technology contributed to the dematerialisation of financial transactions and financial markets. The main purpose of financial markets is no longer to support trading of physical goods but to exchange of information and to manage risks.
IT posture of financial institutions

Financial institutions are heavy users of Information Technology. Banking sector absorbs between 20 to 25% of IT expenditures world-wide, with major financial institutions spending several billion dollars a year each. By and large, banks are conservative users, putting heavy emphasis on proven reliability and robustness of IT applications. Major applications decisions and development processes are often ponderous and time-consuming. While banks accept the significance of information technology in their business, they remain ambivalent in their attitude toward it: is at a tactical tool or strategic lever? Is it a core banking business? Does technology offer sustainable competitive advantage? Is it a means of differentiation among banks or between banks as a group and non-banks?

The ambivalence entails a frequent shift between go-alone or co-operate attitudes, particularly among major players. These often feel that they have the resources to impose their own proprietary approaches and to create exclusive links with their clients.

On the other hand, financial services is a network business, whose value increases with the number of users and wider reach, which implies at least some degree of interoperability. Hence the need for co-operative systems and networks: financial institutions have been remarkably successful in developing and managing such systems and networks. SWIFT, VISA and MASTERCARD, CHIPS and CHAPS, Banksys or Carte bancaire are just a few examples of thriving value-added facilities controlled by financial institutions. They dominate their markets, are often highly profitable and have the ability to impose standards. These facilities constitute a major competitive asset in the continuing battle with non-banks for control of financial transaction systems. At the same time, their very success bred tension between the shareholders and the management of the facilities. Their relationship constitutes a good example of co-petition, a delicate and unstable mix of co-operation and competition.

Common facilities have taken a life of their own. VISA or MasterCard, for instance, have been promoting their brand and gained high consumer visibility. They have acquired a considerable degree of operational autonomy from their shareholders. How far this autonomy is likely go? Could it lead to full-fledged independence and public flotation? Could VISA and Mastercard achieve a market position in electronic banking similar to that attained by Reuters, a newspaper co-operative, in electronic financial markets? The outlook for common facilities is an important discussion topic. Internet

Internet is considerably more than a networking protocol and set of communications standards. It is a broad environment, which encompasses both technical and business architectures. It implies an ultimate blurring of boundaries between processing and communications. Its impact is not only technical but also economic. Not only, as Sun affirms, "Network is the computer" but the converse is true is well: "Computer becomes the network." There is no Internet hype: forecasts on the speed and the extent of adoption of Internet-related technologies (Java) and applications (electronic commerce), as wildly optimistic they might have seemed at the time of their publication, are lagging behind the actual market development.

Internet will have a broader, deeper and more destabilizing impact on both Information Technology domain and user businesses than the personal computer (of which Internet is a logical extension). In a nutshell, Internet means:

- Warp speed of development and, above all, diffusion of applications, products and services

- Low costs: even if Internet development and operational costs are not as low as asserted by its most enthusiastic proponents, they are considerably lower than that of traditional networks and application distribution. Similarly, Internet lowers significantly business transaction costs

The three trends strongly interact with each other and are mutually reinforcing. Their impact can be summarized around two major themes: ubiquity and mobility.

- Ubiquitous computing. In addition to personal computers, the range of intelligent information access and processing devices will continue to expand: PDA, telephone, NC and other forms of information appliances.

- Ubiquitous networking: Internet is likely to accelerate the trend to lower communication costs and, more importantly, force network operators to pass cost savings to consumers.

- Ubiquitous programming: Object technology and internet carry the promise of democratization of application development process.

3.7 NIGERIA FINANCIAL INSTITUTIONS TRANSITION ICT CHALLENGES

The combined impact of eurofinance and cyberfinance present Nigeria financial institutions with three major transition challenges in the ICT domain:

- From payment infrastructure to trust infrastructure
- From national to cross-boarder infrastructure
- From centralized to distributed computing/networking Imaginary gap

There is a widespread perception that the European Union is lagging behind the US in the deployment of sophisticated financial technology. This perception is plainly wrong. European banks do not lag behind the US banks in the deployment and the use of IT.

As a matter of fact, they have achieved significant lead in several key areas of electronic finance:

- On-line banking
- Banc assurance and other forms of cross-selling
- EFTPOS deployment
- Smart card deployment

In these areas, Nigerian banks have deployed products and services on a large-scale.

3.8 NATURAL FRAGMENTATION VS TACTICAL ICT VISION NIGERIA

One of the reasons for the perception of the gap is the apparent inability of Nigeria institutions to capitalize on their technological advance and to impose their solutions as global standards. This inability can in turn be explained by two major weaknesses:

- National fragmentation
- Tactical ICT vision

Nigerian financial institutions approach technology deployment within national borders and fail to take into account its international or global potential. This results in proliferation of incompatible standards and dead-end solutions. Thus, while there are at present close to 100 million smart cards issued by financial institutions or their associations, they are splintered into over 20 incompatible schemes, both from the technical and the business viewpoints. Attempts to achieve interoperability have been laborious and, so far, met with limited success. Similarly, extra-ordinary domestic successes of videotext banking proved impossible to export across borders. Many analysts came to consider those systems as impediments to a speedy adoption of Internet banking.

A second weakness of the Nigerian financial institutions is a frequent ambivalence of their senior management toward the technology. Many of them see ICT as primarily as a tactical tool and thus fail to leverage its potential.

This ambivalence is understandable to the extent that the relationship between ICT spending, on the one hand, and the profitability and the competitive advantage on the other hand, is far from simple. Financial institutions, which are the heaviest relative spenders, are not necessarily the most suitable ones. The relationship appears to be asymmetrical: developing profitability and a competitive advantage requires heavy IT spending (in absolute terms), but heavy IT spending does not necessarily led to a competitive advantage. Spending numbers tell only a part of the story. To make an impact, ICT spending has to be intimately integrated into the overall product/distribution strategy. Moreover, market environment seems to play an equally important role: despite considerable variation in their spending level, UK financial institutions display consistently high profitability, which exceeds by wide margin that of other European institutions.

Student marked Assignment Exercise
Critically examine the challenges faced by Nigerian financial institutions, ICT transition challenges.

4.0 CONCLUSION

In this unit, you have learnt about the general application of the internet system in financial services, various types of the internet banking, and the shakes ups/changes in Nigeria financial services. You have also learnt about the prevailing trends which affect in Nigeria, the roles of the internet system in Nigerian financial services. Nigerian financial institutions transition ICT challenges and the National fragmentation is tactical ICT vision were also addressed in the course of this unit.

5.0 SUMMARY

Computing and networking are increasingly mobile and this trend is likely to continue. It will be further stimulated by two technologies:

- Warless Communications

- Smart card

Both of these technologies experience explosive growth, which is comparable to that of internet. It should also be noted that Nigeria is fairly advanced in the deployment of those two technologies.

Impact on financial services:
Dematerialization and virtualization

The trend toward dematerialization and virtualization of financial services will be amplified.

In particular, we are likely to see a continuing shift in distribution channels from physical To virtual. The range of virtual channels will continue to expand: in addition to Internet banking, mobile (wireless) banking is being tested and likely deployed on a large-scale in Nigeria

Channels virtualization dematerializes customer relationship in corporate banking, this lead to a shift from relationship banking to transaction banking. Will the retail banking experience a similar shift?

Dematerialization will also affect the transaction and payment infrastructure. Internet model dissociates the network from the physical infrastructure. It allows interconnection between heterogeneous networks and provides common standards. Furthermore, with encryption technology, digital certificates and smart cards, it is now possible to use security in a modular and flexible fashion. A highly secure environment can be created on the public networks. To what extent these developments change the prevailing approaches to payment and transaction processing networks, based on dedicated infrastructure and proprietary protocols? What are the implications for their architecture? For their access and control policies?

Does the combination of business and technological trends imply a banalisation of financial services? Does it reduce barriers to entry to a point where any network can become a market, any computer a clearing system and anybody can issue electronic money?

In the new government, what is the meaning of: financial transaction, financial intermediary (bank, broker/dealer) and money?

In the coming years, the systems in Nigeria will face double truncation challenges.

Business transition: from national to international framework. Common currency environment will trigger major overhaul of the existing national payment and settlement systems, as well as securities market and associated depositories. Interconnection becomes imperative and is likely to lead to full scale institutional integration and merger

Technical transaction: From the existing to a new architecture, which would be based on the three core trends, particularly on internet.

It is essential to minimize disruption and to facilitate co-operation and rapid deployment.

6.0 TUTOR MARKED ASSIGNMENT (TMA).

- Discuss the major roles played by the internet system in financial services.

Answer to student Assignment Exercise.

The combined impact of euro finance and cyber finance present Nigeria financial institutions with three major transition challenges in the ICT domain:

- From payment infrastructure to trust infrastructure
- From national to cross-boarder infrastructure
- From centralized to distributed computing/networking Imaginary gap

There is a widespread perception that the European Union is lagging behind the US in the deployment of sophisticated financial technology. This perception is plainly wrong. European banks do not lag behind the US banks in the deployment and the use of IT.

As a matter of fact, they have achieved significant lead in several key areas of electronic finance:

- On-line banking
- Banc assurance and other forms of cross-selling
- EFTPOS deployment
- Smart card deployment

7.0 REFERENCE/FURTHER READING

Achumba, I.C (2000): Strategy marketing management in the 21st century, Chariotte U.S.A. Mac-Willams

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UNIT 12: MARKETING AUDIT AND CONTROL OF FINANCIAL SERVICES

CONTENT

1.0 INTRODUCTION

To serve the main purpose of this unit, authors have to define marketing as **"marketing is the management process that identifies, anticipates and satisfies customer requirements profitably** (chartered institute of marketing). "Marketing" as "meeting needs profitably" (Kotler and Keller, 2006). In other words "marketing" here refers to what the whole company does to satisfy customers and thereby create shareholder value.

The marketing audit has been defined as "a comprehensive, systemic, independent, and periodic examination of a company's or business unit's marketing environment, objectives, strategies and activities with a view of determining problem areas, opportunities and recommending a plan of action to improve the company's marketing performance" (Koler Gregor, and Rdgers, 1977). The marketing audit technique provides not only information but also knowledge and insight (Mehdi Taghian and Robin N. Shaw, 2008). It can examine the sources of intelligence, in terms of their accuracy, regency, and adequacy; review the internal intelligence dissemination process effectiveness; and assess the organizational responsiveness in terms of speed and relevance.

2.0 OBJECTIVES

- Define marketing audit
- Distinguish between an audit and marketing audit (if any)
- Identify the basic features of marketing audit
- Explain periodicity as a common feature of marketing audit
- Explain the key elements of marketing audits
- Draw up a markets and environmental analysis as they relate to marketing audits
- Explain the generality of service audits

3.0 MAIN CONTENT

3.1 DEFINITION OF AUDIT

The dictionary defines the word audit as: an examination of the quality state, efficiency, etc of something. Market auditing, therefore means an assessment or inventory of a firm, or organization with a view to discovering its strengths and weaknesses, opportunities and threats with respect to its marketing activities.

3.2 MEANING OF MARKETING AUDIT

A marketing audit is a comprehensive, systemic, independent and periodic examination of a company's or a business units marketing environment, objectives, strategies and activities with a view to determining problem areas and opportunities and recommending a plan of action to improve the company's marketing performance.

To investigate which areas of the market have the potential to be profitable, it is very necessary to divide the market into segments and then to analyze the sales potential by type of service within each segment. Marketing audit facilities such investigation and segmentation.

3.3 COMMON FEATURES OF MARKETING AUDIT

3.3.1 It must be comprehensive: i.e. must cover all the major marketing activities of the business and not just a few problem areas.

3.3.2 Systemic: it must be systemic i.e. it must be orderly examination of the micro and macro environment, objectives strategies, systems and specific marketing activities of the firm.

3.3.3 Independent: It must be independent i.e. it must be done objective, preferably by outside consultants.

3.3.4 Periodic: i.e. it must be done from time to time especially when the market is low.

A marketing audit is no than a situation, review designed to answer such questions **"where are we now?"** The audit provides the branch with an understanding of the environment within which the bank operates. It should enable the manager to position his branch in a particular basis (i.e. periodically) so that manager that are fundamental to the branch.

The audit is not a plan in itself and some of the information contained therein should appear in one final plan. Marketing audit is the basis upon which a plan of action to improve marketing performance can be built.

The internal audit focuses on those areas that are under the control of marketing management, whereas the external audit is concerned with those forces over which management has no control. The results of the marketing audit are key determinant of the future direction of the business and may give rise to a defined business mission statement.

3.4 ELEMENTS OF A MARKETING AUDIT

The elements of a marketing audit divided external and internal elements. The external element is divided into three:

(1) Customers and markets
(2) Customer characteristics and
(3) Competition

3.4.1 Customers and Markets: It should be understood that the aim of marketing planning is to help an organization understand and exploit market opportunities: the customer and market audit should therefore focus on analyzing trends, both positive and negative in the area. The tool to use here is market segmentation, but for the purpose of audit, we are segmenting the market under (a) customer characteristics and (b) customer responses.

3.4.2 Customer Characteristics: This is considered under (i) Geography, (ii) Demographics & Socio-economic income, social class, religion & education (iii) psychographics.

- Customer Responses: In this case we are after what a customer may buy and why he does so. This is considered under

- Usage: Segmented into non-users, low, medium and heavy users of a product/services.

- Benefit: This tells us the reason why a customer purchases a product e.g. realization of ambitions and dreams, protection and security (e.g. pensions, life assurance), saving for the future (economic security, legacy for posterity).

- Loyalty – segment**:** Interns of their loyalty to the firm e.g. hard core loyal, fence-sitters, switchers – those with little loyalty to any company.

3.4.3 Competition: The first step in competition analysis (i.e. audit) is to identify the competitors. It is good to group them as it allows identification by strengths and weaknesses and makes for better assessment of competition. Competition can be studied and understood through their analysis on the basis of several factors.

3.4.4 Size i.e. in terms of branches and staff strength

- Growth and profitability
- Images, positioning and communication strategy which serve to provide strategic insights
- Analysis of objectives, previous and current strategies which can provide insight into a competitor's intentions and ambitions.
- Marketing research – to gather more detailed information about the competitors.

3.5MARKET AND ENVIRONMENTAL ANALYSIS

Elements to be considered here are:

- Actual and potential market size: This include nay gap that can be penetrated through increases in user frequency (e.g. more visits to the branch) etc.

- Market Growth: Forecasting of this helps us to understand the outside forces that derive sales, highlight indicators which may put pressure on prices and show the existence of substitute products.

- Market Profitability**:** The completive intensity of any market depends on the following factors

  - Existing competitors
  - Supplier power
  - Customer power
  - Substitute products and
  - New entrants (competitors)

- Distribution System: New distribution channels should be identified and the relative importance analyzed.

3.6 MARKET TRENDS

Market trends: Changes or developments in the market place will affect the future profitability of the branch either positively or negatively. These trends should be studied and understood.

Apart from the market/environmental factors, we should equally look at the political, economic, legal and social factors that may affect business. The audit should take into cognizance changes in government fiscal policy and legislation, central bank directives, directives from regulatory bodies such as NDIC, SEC and NAICOM and implications from taxation changes.

3.7 SERVICE AUDIT CONCEPT AND EVALUATION

Service Audit: It takes the form of bench marketing the features of the service being offered against those of the competitors. This shows whether the performance is better or worse than that of the competitors.

Student Assessment Exercise

- Distinguished between Audit and marketing Audit

4.0 CONCLUSION

To God be the glory, great things he has done. Do you remember this **"Marketing Audits can examine the sources of intelligence, in terms of their accuracy, regency, and adequacy; review the internal intelligence dissemination process effectiveness; and assess the organizational responsiveness in terms of speed and relevance."**

However in this unit, you have learnt the meaning of marketing Audits, the common features of marketing Audits and the key elements of marketing Audits. You have also learnt about the markets and environmental Analysis, service Audit concept and evaluation.

5.0 SUMMARY

The marketing audit first introduced by (Abe Shuchman in 1959) but formally introduced to the marketing literature is **"Marketing Audit"** in theory and practice, which focused on defining the domain of marketing audits **(AMA, 1959).** Due to the interrelationships among the entire marketing function. A three step process by which a marketing audit could be conducted was proposed:

- Marketing environmental review
- Marketing system review
- Detailed review of specific marketing areas. **(Tirmann, 1971).**

To effectively conduct a marketing audit, an internal audit department or an outside consultant were envisioned as auditor. All companies need to review, with a marketing audit, their marketing operations from time-to-time to ensure that they are in line with the changing environment and emerging threats and opportunities **(Kotler, 1976).**

For instance, agreement must be reached among company officers and the auditors on the time period for the audit.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

- Identify and explain the key features of marketing audit you know.

7.0 REFERENCE/FURTHER READING

Gupa, O. (2007)' Meaning marketing-finance interface Journal of commerce and Trade, Vol. 2, No. (Oct.), P.32

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UNIT 13: MARKETING ACTIVITIES IN THE CAPITAL MARKET

Content

1.0 INTRODUCTION

The capital market is a place or market for trading in medium and long-term financial instruments and even permanent capital. It supplies industry with fixed and working capital and finances rhenium-term and long-term borrowings. The instruments used in this market include shares and stocks, bonds and debentures. The funds which flow into the capital market come from individual who have savings to invest, the banks and non-banks financial institutions. The capital market functions through the stock exchange market.

In other words, capital markets are the complex of institute and mechanisms through which intermediate-term funds (e.g. 1 year and 5 years) and long-term funds (6-50 years) are pooled and made available to businessmen, government and individuals, and instruments already outstanding are transferred.

The major segments of the capital market are the primary market where new securities are sold and the secondary market existing securities are bought and sold.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Define the terms market and financial market
- Explain what is meant by capital market
- Differentiate between primary and secondary capital markets.
- Draw an analogy between derivatives market and mortgage markets

3.0MAIN CONTENT

3.1 DEFINITION OF A MARKET

A market is a place where two parties are involved in transaction of goods and services in exchange of money. The two parties involved are:

- Buyer
- Seller

In a market the buyer and seller comes on a common platform, buyer purchases goods and services from the seller in exchange of money.

3.2 THE FINANCIAL MARKET

What is a financial market?

A place where individuals are involved in any kind of financial transaction refers to financial market. Financial market is a platform where buyers and sellers are involved in sale and purchase of financial products like shares, mutual funds, bonds and so on.

3.3 CAPITAL MARKET

A market where individuals invest for a longer duration i.e. more than a year is called as capital market. In a capital market various financial institutions raise money from individuals and invest it for a longer period.

3.4 Divisions of capital market

Capital market is further divided into:

3.4.1 Primary Market

Primary market is a form of capital market where various companies issue new stock, shares and bonds to investors in the form of IPO's (Initial Public Offering). Primary market is a form of market where stocks and securities are issued for the first time by organizations.

Primary market is where new issues of bounds, preferred stock, or common stock are sold by various economic units to acquire new capital (i.e. market to raise new capital). This could, be done through offer for sale or offer for subscription, right issue or private placement.

3.4.2 Secondary Market

Secondary Market: Secondary market is a form of capital market where stocks and securities which have been previously issued are bought and sold.

In secondary markets, there is trading in outstanding issues. In this case an issue already sold to the public is traded between current and potential owners. The proceeds from a sale in secondary market do not go to the company but rather to the current owner of the security. The secondary market involves trading securities initially sold in the primary market. Therefore the secondary market provides liquidity to individual who acquired securities in the primary market.

3.4 TYPES OF CAPITAL MARKET

3.5.1 Stock Markets: Stock Market is a type of Capital market which deals with the issuance and trading of shares and stocks at a certain price

3.5.2 **Bond Markets:** Bond Market is a form of capital market where buyers and sellers are involved in the trading of bonds.

3.5.3 Commodity Market: A market which facilitates the sale and purchase of raw goods is called a commodity market.

Commodity market like any other market includes a buyer and a seller. In such a market buyer purchases raw products like rice, wheat, grain, cattle and so on from the seller at a mutually agreed rate.

3.5.4 **Money Market:** As the name suggests, money market involves individuals who deal with the lending and borrowing of money for a short time frame.

3.5.5 **Derivatives Market:** The market which deals with the trading of contracts which are derived from any other asset is called as derivative market.

3.5.6 **Future Market:** Future market is a type of financial market which deals with the trading of financial instruments at a specific rate where in the delivery takes place in future.

3.5.7 **Insurance Market**: Insurance market deals with the trading of insurance products. Insurance companies pay a certain amount to the immediate family members of owner of the policy in case of his untimely death.

3.5.8 **Foreign Exchange Market:** Foreign exchange market is a globally operating market dealing in the sale and purchase of foreign currencies.

3.5.9 **Private Market:** Private market is a form of market where transaction of financial products takes place between two parties directly.

3.5.10 **Mortgage Market**: A type of market where various financial organizations are involved in providing loans to individuals on various residential and commercial properties for a specific duration is called a mortgage market. The payment is made to the individual concerned on submitting certain necessary documents and fulfilling certain basic criteria.

Student Assessment Exercise

Write short notes on the following:

- Stock market
- Bond market

4.0 CONCLUSION

In this unit, you have learnt about the definition and meaning of a market, financial market and capital market. You have also learnt about the key discussions of capital markets to include primary and secondary markets.

This unit has also addressed the various types of capital markets under consideration as they form the embodiment activities in the capital market

5.0 SUMMARY

Traditionally this has referred to the market for trading long-term debt instruments (those that mature in more than one year). That is, the market where capital is raised. More recently, capital markets is used in a more general context to refer to the market for stocks bonds, derivatives and other investments. Any market in which securities are traded Capital markets include the stock and bond markets. Companies and governments use capital markets to raise funds for their operations; for example. a company may issue an {PO while a government may issue a bond in order to conduct new or expand ongoing activities. Investors purchase securities in the capital markets in order to extract a return and earn profit on the securities. Capital markets include primary markets, such as IPOs that are placed with investors through underwriters and secondary markets. in which all subsequent trading takes place. Government agencies in different countries regulate local capital markets, though some, especially exchanges play some role in regulating themselves.

The market for long-term where securities such as common stock, preferred stock, and bunds are traded. Both the primary market for new issues and the secondary market for existing securities are part of the capital market.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

In clear terms, distinguish between the primary market and secondary market.

Answer to student Assessment Exercise.

1. Stock Markets: Stock Market is a type of Capital market which deals with the issuance and trading of shares and stocks at a certain price

2. Bond Markets: Bond Market is a form of capital market where buyers and sellers are involved in the trading of bonds.

7.0 REFERENCE/FURTHER READING

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UNIT 14: ETHICAL ISSUES IN FINANCIAL SERVICES MARKETING

Contents

1.0 Introduction

Ethical issues in the financial services industry affect everyone, because even if you don't work in the field, you're a consumer of the services. That was the message of Ronald F. Duska and James A. Mitchell in their presentation at a recent meeting of the Business and Organizational Ethics Partnership.

The public seems to have the perception that the financial services sector is more unethical than other areas of business, Mitchell began. For the past five years, he has been Executive Fellow-Leadership at the Center for Ethical Business Cultures, which is affiliated with the University of St. Thomas College of Business. He assists business leaders in developing ethical and profitable cultures.

This misperception persists for several reasons, Mitchell said. First of all, the industry itself is quite large. It encompasses banks, securities firms, insurance companies, mutual fund organizations, investment banks, pensions funds, mortgage lenders-any company doing business in the financial arena. Because of its vast size, the industry tends to garner lots of headlines, many of which tout its ethical lapses.

"This business that we're talking about is really big. It is, to be precise, $50 trillion in assets. It's growing 8 percent a year, which is more than twice as fast as the gross domestic product," Mitchell said. "It's also highly profitable. The financial services sector of the S&P 500 represents 20 percent of this index's market capitalization. These companies are making a lot of money serving you."

So, he theorized, with "trillions of dollars of assets, billions of transactions every year-every day probably when a small percentage of them is inappropriate, the absolute numbers are still pretty big."

The industry is also highly regulated, so it's likely that a higher percentage of these bad transactions are identified and reported, perhaps more so than in other less regulated industries.

But ethical lapses do occur, and Duska discussed five reasons why these misdeeds may happen. He holds the Charles Lamont Post Chair of Ethics and the Professions at The American College. The Post Chair supports research and studies of the social responsibilities and ethical challenges facing the financial services industry.

Some people suffer from stunted moral development:

I think this in the areas: the failure to be taught, the failure to look beyond one's owns perspective, and the lack of proper mentoring, Duska said.

Business schools, he said, too often reduce everything to an economic entity. "They do this by saying the fundamental purpose of a business is to make money, maximize profit, or the really jaz:x,y words 'maximize shareholder value,' or something like that. And it never gets questioned," he said. "Now if the fundamental purpose never gets questioned, the ethics never get questioned, because the fundamental purpose of something gives you the reason for its existence. It tells you whether you're doing it well or not. It's the ultimate ethical question: What's your purpose?

2.O BJECTIVES

At the end of this unit, you should be able to:

- Examine the overview of ethical issues in financial services marketing.
- Itemize the reasons of ethics in banking profession.
- Explain the content of the bankers' code of ethics in Nigeria.
- Examine some of the unethical ways to lose a customer and examples of unethical practices in banking industry.
- Equating moral behaviour with legal behaviour and Professional duty vs company demand.

3.0 MAIN CONTENT

3.1 ETHICAL ISSUES IN FINANCIAL SERVICES MARKETING

Ethics is the branch of philosophy concerned with the study of the evaluation of human conduct, particularly what is good and right for human beings. It can also be called moral philosophy as it is used interchangeable with ethics.

A major impetus for the development of business ethics discipline was an overwhelming concern in Nigeria about business practices particularly during the so-called "greed decade" of the 1980's. This concern was focused on misconduct in financial institutions such as insider trading, and unethical marketing practices such as bribery, deceptive sales practices. Interest in marketing ethics has grown currently with business ethics (smith, 2000).

3.2 REASONS FOR ETHICS IN BANKING PROFESSION

Banking is critically important for the survival and health of any national economy, as such, cannot be toyed with. The specific reasons for a concern for high ethics in the banking profession include:

1) Banking is business and businesses care about ethics
2) Banking is crucial to the economy and so it is important to what happens in the industry
3) Banking is built on confidence which can be most easily reduced to nothing by unethical practices.
4) Banking is a profession
5) Banks are unpopular and will always be so. "Bankers are not popular. They are not likely to become popular.
6) Banks are custodians primary
7) Banks are trustees
8) Banks are executors
9) Banks products are intangible and therefore cannot be inspected.
10) We need to grow banking habit.

3.3 CONTENTS OF THE BANKERS CODE OF CONDUCT IN NIGERIA

This code governs the banking profession and banks and bankers should abide by the contents stated in the code. The highlights of the code include:

1) Preserving the bank corporate reputation

2) What amount to undesirable business?
3) Respect for competition and for competitors
4) Confidentiality of clients business information
5) Non-acceptance of gifts, favours and business entertainment by staff members.
6) Improper payments to secure business
7) Conflict of interests
8) Discrimination and affirmative action
9) Sexual harassment
10) Insider abuses
11) Granting unsecured and/or unauthorized loans and advances
12) Conversion of bank assets
13) Submission of false returns to regulators
14) Forgery and lying, say, to obtain approval for appointment as director of financial institutions.
15) Lending to customers at high rates of interest
16) Sacrifice of personal comfort for principle
17) Operating with business maxims such as

a) Greed makes the world go round
b) Be ruthless to succeed
c) Between consenting audits, there is no adultery, etc.

3.4 UNETHICAL WAYS TO LOSE A CUSTOMER

There are seven main unethical ways to lose a valued customer.

1) Dishonesty
2) Unexpected price change
3) Being rigid
4) Lack of speed
5) Fail promise
6) Rudeness (i.e. arrogance and un-concern)
7) Poor Product quality.

3.5 Empirical examples of unethical practices in banking

We shall confine ourselves only to examples that are associated with the banking business such as:

- Making a wrong calculation of interest payable on the savings of a customer.
- Personnel of commercial and merchant banks collude with their counterparts in the central bank to use customers' deposits in the purchase foreign exchange at a discount which the collaborators share as commission.
- Offering by bank customers and acceptance by bank staff, of bribes for purposes of influencing the normal discharge of banking functions by bank staff.
- Bank staff colludes with would be armed robbers to alert the armed robbers of fat withdrawals to enable them known when to strike, after which the dishonest staff shares with the robbers the booty arising from the conspiracy.

Others are:
Telling/asking a legitimate customer who wants to withdraw money from his savings in the bank to come the following day because there is no money in the vault.

- Return of cheques of certain amount because of Drawers confirmation when there is no law which requires a banker to request a customer to reconfirm his cheque which is valid order for the payment of the amount specified when the customer has sufficient funds to meet the amount.

- Making arbitrary charges on all categories of loans and advances, charges above the stipulated maximum prescribed for loans and advances.

3.6 EQUATING MORAL BEHAVIOUR WITH LEGAL BEHAVIOUR
Some people equate moral behaviour with legal behaviour, disregarding the fact that even though an action may not be illegal, it still may not be moral. "You ought to remember that the reason for all laws is that the moral agreement begins to break down, and the way to get other people in line is to legislate so that we can stipulate punishments," Duska said. Yet some people contend that the only requirement is to obey the law. They tend to ignore the spirit of the law in only following the letter of the law.

For example, IRS regulations repeatedly single out actions with "no legitimate business purpose" (like swaps.) "If you are doing things with no legitimate business purpose in order to avoid taxation, what are you doing? You're violating the spirit, are you not? You're staying within the letter, but there's no purpose there except to get you around the law," he said.

3.7 PROFESSIONAL DUTY VS COMPANY DEMAND
Professional duty can conflict with company demands. For example, a faulty reward system can induce unethical behavior. "A purely self-interested agent would choose that course of action which contains the highest returns to himself or herself," he said.
For example, consider the misguided practice of selling indexed annuities to the elderly. If a company is paying a high commission for that product, say 15 percent, versus a lower commission for a more appropriate product, say 3 percent, a salesperson may disregard the needs of the client and/or assume that the company supports this product and its applicability by its willingness to pay five fold the compensation. "Sooner or later, people are going to give in to that temptation. The purely self-interested agent is just responding to the reward system that is in place," Duska said. "You need to take a look at what you are rewarding." In general, organizations get exactly what they reward. They just don't realize that their rewards structures are encouraging dysfunctional or counter-productive behavior or turn a blind eye to the outcome

Student self Assessment Excise
Itemize the various reasons for ethics in banking profession.

4.0 CONCLUSION
In this unit, you have learnt about the definition and meaning of ethics, the overview of ethical issues in financial service marketing. This unit has also addressed the various reasons for ethics in banking profession contents of the bankers’ code of conduct in Nigeria, unethical ways to lose

a customer and the empirical examples of unethical practices in the banking industry wrong calculations on the interest payable by customers, irregularities in the purchase of foreign exchange etc.

5.0 SUMMARY

Sometimes the push to act unethically comes from the client. How many people expect their accountants to pad their expenses where possible? How many clients expect their insurance agents to falsify their applications or claims? "That's the temptation-you like your client, you've gotten to know your client, you really want to help your client out that's just another conflicting loyalty," Duska said.

Mitchell concluded the presentation with several suggestions for improvements in the industry to encourage more ethical behavior. "My experience [in the financial services industry] is that people who do business are, for the most part, highly ethical people trying to do the right thing most of the time. Most of them are trying to help their clients achieve their financial objectives," he said. "But how could this be better, because clearly, even if I'm right, there are still a lot of issues and problems in the business?"

First of all, consumers need to be better informed. "It is your responsibility to take control of your own financial security," he said, which doesn't mean you need to know everything about the product you are buying in advance, but "you should read enough to know what some of the right questions are to ask." Ask those insightful questions of an advisor whom you know, trust, and who has the proper credentials, if applicable.

Other suggestions included:

- Incentive compensation better aligned with customers' interests, rather than agents
- More industry trade associations supporting ethics initiatives
- The Center for Ethics in Financial Services growing in influence and impact

One of the things you don't see is more regulations. It's not on my list, "Mitchell concluded"

6.0 TUTOR MARKED ASSIGNMENT (TMA)

- It is obvious that one can build a mansion for years, but could also be destroyed in a second. Discuss this assertion in relation to customer ethical issues.

Answer to student Assessment exercise

Banking is critically important for the survival and health of any national economy, as such, cannot be toyed with. The specific reasons for a concern for high ethics in the banking profession include:

1) Banking is business and businesses care about ethics
2) Banking is crucial to the economy and so it is important to what happens in the industry
3) Banking is built on confidence which can be most easily reduced to nothing by unethical practices.
4) Banking is a profession

5) Banks are unpopular and will always be so. "Bankers are not popular. They are not likely to become popular.
6) Banks are custodians primary
7) Banks are trustees
8) Banks are executors
9) Banks products are intangible and therefore cannot be inspected.
10) We need to grow banking habit.

7.0 REFERENCE/FURTHER READING

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UNIT 15: SERVICE TARGETING AND POSITIONING

Content

1.0 INTRODUCTION

So far, the focus of attention in this book has been on understanding consumers' needs. This unit marks a transition point because the following focus on how companies manage the extended marketing mix in order to satisfy identified consumer needs. An important link between consumer needs and service development is provided by the concepts of positioning and targeting. Which groups of buyers should a service provider target? What products should be offered to these groups? How should it differentiate its services from those of its competitors?

An important aspect of developing a market position is the development of a brand image that concisely states and reinforces the adopted market position. This chapter will examine the problems and opportunities for developing brands where the service offer is highly variable and intangible.

Finally, service organizations, like all organizations, cannot afford to stand still with their existing service portfolio. As services approach the end of their life cycle, it is important to develop new services and to eliminate those which absorb more management effort than is justified by the contribution they make. The chapter will conclude with a review of new service development processes and relate this back to the need to develop a clear position in the marketplace.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Distinguish between service focus and unfocused
- Explain services positioning strategy
- Itemize the prevailing service positioning criteria
- Explain services repositioning
- Explain any two cases you know towards developing a service brand
- Explain with a large labeled diagram product/service life-cycle concept

3.0 MAIN CONTENT

3.1 TARGET SERVICE AND POSITIONING

In service customers using the four focus strategies for competitive advantage.

Service firms vary widely in their abilities to serve different types of customers well. Hence, achieving competitive advantage usually requires a firm to be more focused which is what we will discuss next. Rather than trying to compete in an entire market, each company ideally focuses its efforts on those customers it can serve best its target segment. Nearly all successful service firms apply this concept.

3.2 ACHIEVE COMPETITIVE ADVANTAGE THROUGH FOCUS

In marketing terms, focus means providing a relatively narrow product mix for a particular target segment. The extent 'of a company's focus can be described in two dimensions: market focus and service focus. Market focus is the extent to which a firm serves a few or many markets, while service focus describes the extent to which a firm offers few or many services. These two dimensions define

The four basic focus strategies as below:

3.2.1 Fully focused: A fully focused organization provides a limited range of services (perhaps just a single core product) to a narrow and specific market segment. For example, private jet charter services may focus on high-net-worth individuals or corporations (Figure 3.6). Developing recognized expertise in a well-defined niche may provide protection against would be competitors and allows a firm to charge premium prices. An example of a fully focused firm is Shouldice Hospital, featured in Case 12. The hospital performs only a single surgery (hernia) on otherwise healthy patients (mostly men in their 40s to 60s). Because of their focus, their surgery and service quality are superb.

There are key risks associated with pursuing the fully focused strategy. The market may be too small to get the volume of business needed for financial success, and the firm is vulnerable to decreasing demand because of new alternative products or new technologies.

3.2.2 Market focused: In a market-focused strategy, a company offers a wide range of services to a narrowly defined target segment. Service Insights 3.3 features the example of Rentokil Initial, a provider of business-to-business (B2B) services. Rentokil has profited from the growing trend in outsourcing of services related to facility maintenance, which has enabled it to develop a large range of services for its clients. .

Following a market-focused strategy often looks attractive because the firm can sell multiple services to a single buyer. However, before choosing a market-focused strategy, managers need to be sure that their firms are capable of doing an excellent job of delivering each of the different services selected. They also need to understand customers' purchasing practices and preferences. In a B2B context, when trying to cross-sell additional services to the same client, many firms have been disappointed to find that decisions on purchasing the new service are made by an entirely different group within the client company.

3.2.3 Service focused: Service-focused firms offer a narrow range of services to a fairly broad market. Like eye surgery clinics and Starbucks coffee shops follow this strategy, serving a broad customer base with a largely standardized product. However, as new segments are added, firms need to develop expertise in serving each segment. In addition, this strategy is likely to require a broader sales effort and greater investment in marketing communication, particularly in B2B markets.

3.3 UNFOCUSED.

Finally, many service providers fall into the unfocused category because they try to serve broad markets and provide a wide range of services. The danger with this strategy is that unfocused firms are often "jacks of all trades and masters of none," and are unable to excel in providing any single service. In general, that's not a good idea, although public utilities and government agencies may feel the need to do so. A few department stores followed this strategy and, as a result, have been struggling against more focused competitors (e.g., hypermarkets and specialty stores).

It is recommended that firms have some sort of focus, whether on market segments or on services. How then should a firm select which of the three alternative "focused" strategies to pursue? This decision relates back to the 3 Cs, segmentation, and targeting analyses. For example, a market-focused strategy may be appropriate if (a) customers value the convenience of one-stop shopping, (b) the firm is able to deliver these multiple services better than its competitors are, and/or (c) there are significant synergies in selling multiple services to the same customer (as is often the case in B2B

3.4 SERVICE POSITIONING

Imagine that you were considering starting a chain of restaurants in Nigeria you look around at what is available to consumers already and you find a bewildering variety of service formats, ranging from low-cost, fast-food outlets, through to gourmet restaurants. You would probably find enormous variation in the size of restaurant, type of location, choice offered to customers and average price charged. What would be the distinguishing features and benefits of your proposed restaurant in relation to the existing competitors? This is the essence of positioning strategy.

Positioning strategy distinguishes a company's service offers from those of its competitors in order to give it a competitive advantage within the market. Positioning puts a firm in a sub-segment of its chosen market, so a firm which adopts a product positioning based on 'high reliability/high cost' will appeal to a sub-segment which has a desire for reliability and a willingness to pay for it. For some marketers positioning has been seen essentially as a communications issue where the nature of a service is given and the objective is to manipulate consumer perceptions of it. But we need to bear in mind that positioning is more than merely advertising and promotion, and involves considerations of pricing, distribution and the nature of the product offer itself, the core around which all positioning strategies revolve.

Organizations must examine their opportunities and take a position within a marketplace. A position can be defined by reference to a number of scales. The level of service quality provided to customers and the price that is charged are two very.

3.4.1 Positioning criteria

Although price and quality were used in example above, these are generally too simplistic in themselves as criteria for positioning. Wind (1982, pp. 79-81) suggested six generic sales along which all products can be positioned. These are examined below by reference to the possible positioning of a leisure centre.

1) Specific product features.
   A leisure centre can promote ~e fact that it has the largest swimming pool in the area, or the most advanced solarium.

2) Benefits or needs satisfied
   The leisure centre; could position itself somewhere between meeting pure physical recreation and pure social needs. In practice, positioning will make trade-offs between the two sets of needs, for example by giving up gym space to allow the construction of a bar.

3) Usage occasions. The centre could be position primarily for the occasion user, or service offer could be adapted to aim at the more serious user wishes to enter a long-term programme of sports training.

4) User categories. A choice could be made at meeting the needs of institutional users needs of individual users and one aimed at meeting the needs of institutional users such as sports clubs and schools.

5) Positioning against another product. The leisure centre could promote the fact that it has more facilities than its neighboring competition.

6) Positioning by product class. Management could position the centre as an educational facility rather than a centre of leisure, thus positioning it in a different product class.

3.5 REPOSITIONING

Over time, an organization may need to reposition its service offer. This could come about for a number of reasons.

- The original positioning strategy was inappropriate: over-estimation of an organization's competitive advantage or of the size of the sub-segment to whom the positioning was intended to appeal could force a re-evaluation of positioning strategy.

- Where the nature of customer demand has changed: for example, it is argued that UK customers' attitudes towards package holidays changed during the 1990s away from an emphasis on low price and towards greater emphasis on high quality standards. Many tour operators accordingly repositioned their offering to provide higher standards at higher prices.

- Service providers seek to build upon their growing strengths to reposition towards meeting the needs of more profitable sub-segments. In many service industries, organizations start life as simple, no-frills, low-price operations, subsequently gaining a favourable image that they use to 'trade up' to relatively high-quality/ high-price positions. This phenomenon is well established in the field of retailing in which McNair (1958) identified what has become known as the 'Wheel of Retailing'. This contends that retail businesses start life as cut-price, low-cost, narrow-margin operations which subsequently 'trade up' with improvements in display, more prestigious premises, increased advertising, delivery and the provision of many other customer services which serve to drive up expenses, prices and margins. Eventually, retailers mature as high-cost, conservative and 'top heavy' institutions with a sales policy based on quality goods and services rather than price appeal. This in turn opens the way for the next generation of low-cost innovatory retailers to find a position which maturing firms have vacated.

3.6 DEVELOPING THE BRAND

A brand identity provides a shorthand reference to the position adopted by a service offer or service provider. Brands are important in guiding buyers when choosing between otherwise seemingly similar competing services. Consider the following cases.

- Buyers of pension plans are typically not very knowledgeable about pensions, yet several tens of thousands of British people have entrusted their pension provision to the Virgin Group, largely on the strength of its brand reputation and despite the company being a newcomer to the pensions industry with no proven track record.
- When booking an overseas hotel, many travellers would chose from a shortlist of hotel brand names with which they are familiar, despite the existence of locally run hotels which would probably offer better quality lower price.

- Buyers of package holidays in the u~: often prepared to pay a premium for the Thomson brand name, in preference to less well-known competitor brands that offer lower prices for an apparently identical holiday.

Brands are frequently used by companies to provide evidence of consistent standards and are particularly important where a company has not had an opportunity to develop an ongoing relationship with its customers. The use of brands in the service sector is becoming increasingly important as a means of limiting the search activities of potential buyers. Rather than considering all possible options, a brand encourages buyers to refuse other products that do not come with the statement of values that a brand stands for.

3.7 PRODUCT/SERVICE LIFE-CYCLE CONCEPT

It was noted earlier that the position adopted by a service offer needs to be continually reviewed. Repositioning may be needed because new competitors have entered a market, forcing a company to consider whether it wants to meet the new entrants head on, or to find a position in the market which is less accessible to the new competitors. More importantly, most services go through some form of life cycle, necessitating changes in marketing strategy as the service passes from one stage in the cycle to the next. There is evidence that service life cycles are becoming shorter, especially where the service offer has a high-technology base. Within the mobile phone sector, for example, analogue phone services were soon replaced by GSM and PCN services, which by 2000 were being challenged by new WAP and third-generation (3G) phone services. The cyclical nature of many services offers calls for continued scanning of the environment for new service opportunities, which are discussed in the following section.

The product/service life cycle graphically depicts the changing fortunes of a service, or groups of services within an organization's portfolio. Services typically go through a number of stages between entering the portfolio and leaving, each calling for adjustments to marketing activities. Five stages are identified in Figure 7.6.

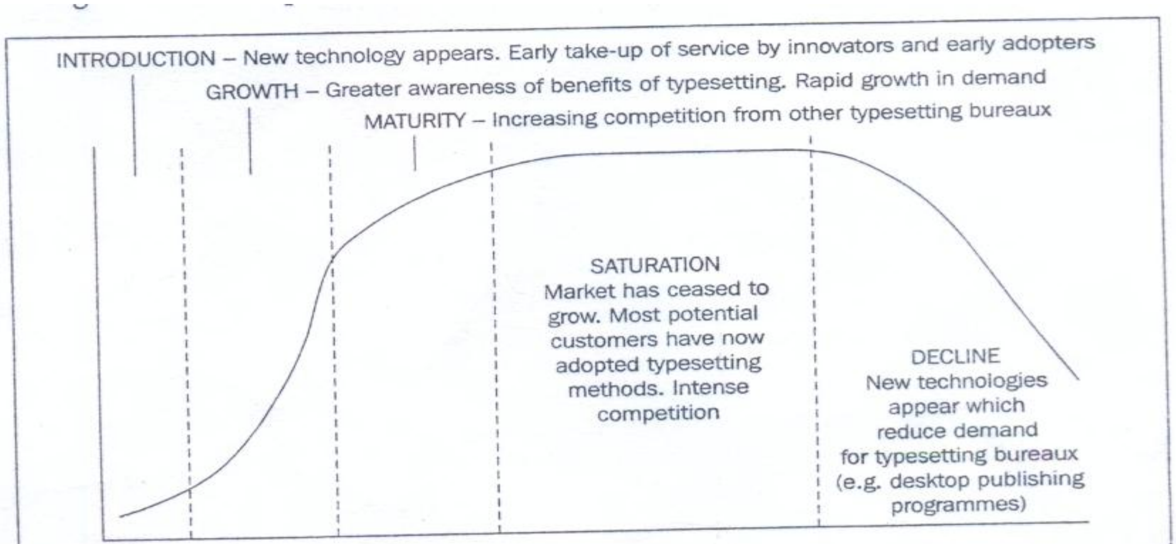
3.7.1 Phase 1: Introduction - new services are often costly to develop and launch, and may have teething problems. People may be wary of trying something new, especially a new service whose intangibility prevents prior evaluation. Sales, therefore, tend to be slow and are restricted to those who like trying out new products or who believe they can gain status or benefit by having them.

3.7.2 Phase 2: Growth - by this time, the service has been tested and any problems have been resolved. The service is now more reliable and more readily available. Buyers now start to see the benefits that can be gained by using the service. Sales start to increase greatly and this is a signal for competitors to start entering the market.

3.7.3 Phase 3: Maturity - almost everyone who wants to buy the service has now done so, which is a particular problem for services that are bought as a one-off rather than a recurrent purchase. The number of competitors in the market has risen.

3.7.4 Phase 4: Saturation - there are now too many competitors and no further growth in the market. Competitors tend to compete with each other on the basis of price.

3.7.5 Phase 5: Decline - with falling demand and new substitute products appearing, organizations drop out of the market.



A hypothetical product life cycle for a typesetting bureau

3.8 SERVICE DELETION

Good product management depends upon reliable marketing information to show when a product is failing to achieve its objectives. As well as maintaining successful services and investing in new ones, service organizations must also have the courage to eliminate services which are no longer likely to be of benefit to the organization as a whole. This implies a need for the following:

- Establishment of targets for each service
- Periodic reviews of each service's performance
- Modification of existing services where necessary
- Elimination of services where necessary
- Development of new services.

In general, there is a tendency to 'add on' rather than subtract, and thus many service offers do not die but merely fade away, consuming the resources of an organization which could be better used elsewhere. 'Old' products may not even cover overheads. In addition there are a number of 'hidden' costs of supporting dying services that need to be taken into consideration:

- A disproportionate amount of management time is spent on them
- Short and relatively uneconomic 'production' runs may be required where a service has not been deleted and there is irregular demand for it
- They often require frequent price adjustments (and stock adjustments where tangible goods are involved).
- The search for new products and services is delayed, as so much time is spent on existing products/services that the desired allocation of time to consider new ones is inadequate.

Firms should therefore have a marketing planning system that incorporates service deletion decisions. It would be naive, however, to assume that deletion is a simple

Student self Assessment Exercise

- Distinguish between market focused and service focused.

4.0 CONCLUSION

In this unit, you have learnt the general overview of target services, market focused, service focused and unfocused.

The unit also addressed the various service positioning strategy, the prevailing criteria for service positioning and service repositioning. You have learnt about the various scenarios or cases towards developing a brand, the product/service life-cycle concept and the need service deletion.

5.0 SUMMARY

A service-focused strategy can work best if the firm has a unique set f capabilities and resources to deliver a particular service exceptionally well or cost-effectively. The firm may then want to ride on its advantage to deliver the service to a broad market (i.e. many customer segments at the same time).

Finally, a fully focused strategy may work well if a particular segment has very specific needs and requires a unique service environment, service processes, and interaction with the firm's frontline employees. Here, a fully focused strategy can deliver superb quality and at low costs because of its focus and experience. The Shouldice Hospital is a good example. The entire hospital is designed around the needs of hernia patients who are otherwise well and do not have to stay in bed. Patients get their perfect hospital experience and outstanding surgery quality all at a low price. This makes shouldice Hospital the perfect hospital for people who have hernia but are otherwise healthy. However, this hospital cannot deal with any other type of patients.

The decision on focus is very important for service firms, as they have distributed operations (each Starbucks cafe is like a mini-factory), and any additional service offered increases the complexity of processes and the costs of the operation significantly. Likewise, even if a firm wants to sell the same basic service to different segments, it will often find that each additional segment may require some changes to the facility and processes to cater to their different needs and requirements.

6.0 TUTOR MARKED ASSIGNMENT (TMA)

- Critically examine the various prevailing criteria for service positioning.

Answer to student Assessment Exercise

Market focused.
In a market-focused strategy, a company offers a wide range of services to a narrowly defined target segment. Service Insights 3.3 features the example of Rentokil Initial, a provider of business-to-business (B2B) services. Rentokil has profited from the growing trend in outsourcing of services related to facility maintenance, which has enabled it to develop a large range of services for its clients.

Service focused.
Service-focused firms offer a narrow range of services to a fairly broad market. Like eye surgery clinics and Starbucks coffee shops follow this strategy, serving a broad customer base with a largely standardized product

7.0 REFERENCE/FURTHER READING

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UNIT 16: INTERNATIONAL MARKETING MANAGEMENT

Content

1.0 INTRODUCTION

Having decided to enter a new foreign market, a company must consider the most effective way of managing its marketing effort in that market. The process of defining the organization's mission, analyst' g opportunities, setting quantifiable goals, implementing and monitoring results IS just as important in foreign operations, if not more so.

Objectives must be clearly s ted for each foreign market, preferably in a quantified form. Objectives must be s with due regard to local conditions by being achievable. A global return on inv ent objective may be inappropriate in locally competitive markets where a servo firm wants a presence in order to secure international cover-age and thereby de lop wide-ranging relationships with its profitable customers. For this reason a h el chain might develop in a popular area to satisfy the needs of its regular user d retain their international loyalty, even though the hotel will not be able to a level its normal profit objective.

2.0 OBJECTIVES

At the end of this unit, you should be able to:

- Identify the major issues in international services marketing management
- Explain products and promotion decisions such as maintaining a uniform product and promotion worldwide and retaining a uniform service formulation but adopt promotion
- Examine the pricing decisions in service marketing
- Explain the accessibility decisions to intermediaries
- Explain the major market entry strategies in international service marketing management

3.0 MAIN CONTENT

3.1 INTERNATIONAL SERVICES MARKETING MANAGEMENT

Like any new venture, objectives are essential if performance is to be monitored and corrective action taken. Because foreign markets are generally much less certain a domestic markets, it is important that any variance from target is rapidly analysed and corrective action taken. There must be a clearly defined process by which failing services can be assessed for their prospects of long-term viability or withdrawn from a foreign market. It may be, for instance, that assumptions on which a market entry decision was based have proved to be false and that no amount of local reformulation of a service will allow it to break even.

A major issue in the international management of services marketing concerns the extent to which an organization's headquarters should intervene in the management of foreign subsidiaries. A commonly heard complaint from marketing managers of the latter is that they are given insufficient freedom to respond to local market con-dictions. Against this is the argument that intervention from headquarters is vital in order to secure the development of a consistent standard of service output in a planned way. Where a service is quite specialized to a national market and international brand-building relatively unimportant (e.g. municipal contract cleaning services), there is strong argument for delegation of management responsibilities on a geographical basis. On the other hand, where the service appeals to an international audience, there is a stronger case for introducing product or market management structures to which foreign managers are answerable.

3.2 REFINING THE MARKETING PROGRAMME FOR FOREIGN MARKETS

A crucial task of foreign marketing management is the design of a marketing programme which is sensitive to local needs. The following sections examine the extent to which adaptation of the marketing mix to local needs is either desirable or possible. In particular, should a company seek to develop one globally uniform service offer, or make it different in each of the foreign markets which it serves?

The process of globalizing a service offer can be quite different than is the case with tangible goods, on account of the greater variability of services. In addition to being highly variable, services can be extremely flexible - they are more likely than goods to be designed around the specific requirements of small groups of consumers using a basically common formula. Whether service firms choose to standardize their products globally or to adapt them to the needs of local markets is dependent on the nature of the services they offer. Some fast-food restaurants have, for example, adapted their menus, architectural designs and staff training methods to suit local needs, while retaining a common process formula worldwide. Services can often enjoy the best of both worlds, retaining their competitive advantage by remaining true to their basic managerial approach, while changing their product to meet local needs.

One approach to globalizing services is the process of 'industrializing' the service through the replacement of people with machines and through a systems approach to management. Levitt (1976) found an explanation of the worldwide success of McDonald's restaurants in the 'same systematic modes of analysis, design, organization and control that are commonplace in manufacturing: This process has occurred not just within the restaurant sector, but also in the construction, hotel, professional and technical service sectors. Standardization is often accompanied by a high degree of centralization, sometimes creating further management problems when local managers are instructed to sacrifice their local autonomy in order to benefit the organization globally.

3.3 PRODUCT AND PROMOTION DECISIONS

At the heart of international marketing mix strategy are product and promotion decisions. Five generic strategies can be identified, based on the extent to which the configuration of the service offer and the promotional effort differ from a global norm.

3.3.1 Maintain a uniform product and promotion worldwide

This approach effectively develops a global marketing strategy as though the world was a single entity. The benefits of this approach are numerous. Customers travelling from one market to another can immediately recognize a service provider and the values which its global brand stands for. If, on the other hand, the service formulation was different in a foreign market, a traveler visiting a foreign outlet may come away confused about the qualities of the brand. As an example, a car rental company with an established position in its home market as the operator of a very modern fleet of cars could harm its domestic image if it pursued a strategy of operating older cars in a foreign market. Standardization of the service offer can also yield benefits of economies of scale which include economies in market research and the design of buildings and uniforms, etc., although the greater adaptability of services often renders these benefits less than in the case of manufactured goods. The use of a common brand name in foreign markets for either the service provider or for specific services also benefits from economies of scale. Travelers to foreign markets will already be familiar with the brand's values as a result of promotion in the domestic market. However, care must be taken in selecting a brand name which will have no unfortunate connotations in foreign markets - the 'Big Mac' for example, translates in French as 'the big pimp'. There can also be problems where legislation prevents an international slogan being used. In Quebec, for example, companies have been fined for using standard Anglicized advertising material without changing it to French as required by the province's legislation.

In the case of transport services which operate between different markets, it may not be feasible to adapt the service offering to each of the local markets served, and either a compromise must be reached or the needs of the most important market given precedence. Airlines flying between two countries may find the pricing of in-flight services, the decor of the aircraft and catering having to satisfy very different market needs at either end of the route.

3.3.2 Retain a uniform service formulation, but adapt promotion

This strategy produces an essentially uniform global service, but adapts promotional effort to meet the sensitivities of local markets. The manner in which brand values are communicated in advertisements is a reflection of the cultural values of a society. For this reason, an airline may use a straightforward, brash hard-sell approach in its American market, a humorous approach in its British market and a seductive approach in its French market, even though the service offer is identical in each market. Similarly, certain objects and symbols used to promote a service might have the opposite effect to that which might be expected at home. Animals, which are often used in Britain to promote a range of home-based goods and services, present a caring and comfortable image, but in some markets such as Japan, animals are seen as unclean, disgusting objects:

3.3.3 Adapt the service offering only

This may be done in order to meet specific local needs or legislation, while retaining the benefits of a global image. For this reason, a car rental company may offer a range of predominantly compact cars in areas where average journeys are short (e.g. the Channel Islands), while offering jeeps and vans in areas such as the United States where motoring costs are lower and distances generally much greater.

3.3.4 Adapt both product and promotion

In practice, a combination of slight service and promotion modification is needed in order to meet both differing local needs and differences in local sensitivity to advertising

3.3.5 Develop new services

Markets may emerge overseas for which a domestic company has no product offering that can easily be adapted. In the field of financial services, the absence in some foreign countries of state provision for certain key welfare services may create a market for insurance-related products (e.g. dental health insurance cover) which is largely absent in the domestic UK market where the welfare state is relatively comprehensive. Similarly, the social and economic structure of a country can result in quite different products being required. For example, the pattern of property ownership in Malaysia has given rise to a novel two-generation property mortgage not generally found in west European markets.

3.4 PRICING DECISION IN SERVICE MARKETING

The issue of whether to globalize or localize the service offer arises again in respect of pricing decisions~ On the one hand, it might be attractive for an organization to be able to offer a standard charge for a service regardless of where in the world the service is consumed - consumers will immediately have an idea of how much a service will cost and this helps to develop a long-term relationship between client and company. However, the reality is that a variety of factors cause global service operators to charge different prices in the different markets in which they operate. There is usually no reason to assume that the pricing policies adopted in the domestic market will prove to be equally effective in a foreign market. Furthermore, for those overseas-produced services which are consumed mainly by the local population, it may be of no great importance that comparability between different markets is maintained.

There are a number of factors which affect price decisions overseas, as detailed below.

- Competitive pressure varies between markets, reflecting the stage of market development that a service has reached and the impact of regulations against anticompetitive practices.

- The cost of producing a service may be significantly different in foreign markets.
  For services which use labour-intensive production methods, variations m wage levels between countries will have a significant effect on total costs. Personnel costs may also be affected by differences in welfare provision which employers are required to pay for. Other significant cost elements which often vary between markets include the level of property prices or rental costs - the cost of acquiring space for a service outlet in Britain, for example, is usually significantly more than in southern or Eastern Europe.

- Taxes vary between different markets - for example, the rate of value added tax (or its equivalent sales tax) can be as high as 38% in Italy compared to 17/1% in the UK. There are also differences between markets in the manner in which sales taxes are expressed - in many markets, these are fully incorporated into price schedules, although on other occasions (such as in the USA) it is more usual to price a service exclusive of taxes.

- Local customs influence buyers' expectations of the way in which they are charged for a service. While customers in the domestic market might expect to pay for bundles of services, in a foreign market consumers might expect to pay a separate price for each component of the bundle, or vice versa. Also, in some countries: it is customary to expect customers to pay a tip to the front-line person providing a service whereas other cultures expect to pay an all-inclusive price without the need to subsequently add a tip. Formal price lists for a service may be expected in some markets, but in others, the prevalence of bartering may put an operator which sticks to a fixed price list at a competitive disadvantage.

- Government regulations can limit price freedom in foreign markets. In addition to controls over prices charged by public utilities, many governments require “fair” prices to be charged in a wide range of services - e.g. tourism-related services ¬and for the prices charged to be clearly publicized.

- The price charged for a service can reflect the stage of development in a market. For a category of service which is already established in a foreign market, a newcomer might only be able to gain market share by offering significance price incentives. In the early stages, discounting may have to be used to establish trial of the service until the brand is sufficiently strongly established that the company can charge a premium price. As an example of this, international airlines often charge premium prices at the domestic end of a route (where their brand IS well known), compared to the overseas end (where the brand is relatively unknown).

3.5 ACCESSIBILITY DECISIONS

Where a service organization is launching a service into a new foreign market, intermediaries can have a vital role in making the service available to consumers. The selection of intermediaries to facilitate the introduction of a service to a new foreign market is considered in more detail below. Consideration is given briefly here to the place and manner in which a service will be made available.

However, a service provider must avoid assuming that a locational strategy that has worked in one market will work just as effectively in a foreign market. A revised strategy may be required on account of differences in the geography of the foreign market, differences in consumer expectations, differences in current methods of making that type of service available and differences in legislative constraints.

- Geographical differences can be important where land use patterns differ greatly in the target foreign market. As an example, the extensive nature of many urban areas within the USA results in there being a series of suburban commercial areas rather than a clearly defined central business district. A European retail bank with a city-centre service format which had worked well in its domestic market may only be able to succeed by developing out-of-town formats of its branches for a proposed expansion in the USA.

- Consumer behaviour may differ significantly in foreign markets. What is a widely accepted outlet in one country may be regarded with suspicion in another. The idea of taking refreshments in a snack bar located within a bookshop may appear quite ordinary within the UK, but may encounter resistance in more traditional markets. Also, the extensiveness of outlet networks will be influenced by customers' expectations about ease of access, for example in relation to the availability of car-parking facilities or the distance that they are prepared to travel.

- Differences in the social, economic and technical environments of a market can be manifested in the existence of different patterns of intermediaries. As an example, the interrelatedness of wholesalers and retailers in Japan can make it much more difficult for a foreign retailer to get into that market compared to other foreign opportunities. In some markets, there may be no direct equivalent of a type of intermediary found in the domestic market - estate agents on the UK model are often not found in many markets where the work of transferring property is handled entirely by a solicitor. The technological environment can also affect accessibility decisions - the relatively limited and unreliable postal and telecommunications services of many less developed countries makes direct availability of services to consumers relatively difficult.

- What is a legal method of distributing a service in the domestic market may be against the law of a foreign country. Countries may restrict the sale of financial services, holidays and gambling services - among others - to a much narrower set of possible intermediaries than is the case in the domestic market.

3.6 PEOPLES' DECISION

It has already been noted that the people element of the marketing mix is more important for services than for goods, therefore it is important that this element is appropriately formulated for a foreign market. Where overseas service delivery involves direct producer-consumer interaction, a decision must be made on whether to employ local or expatriate staff. The latter may be preferable where a service is highly specialized and may be useful in adding to the global uniformity of the service offering. In some circumstances, the presence of front-line expatriate serving staff can add to the appeal of a service, for example a chain of traditional Irish pubs established in mainland Europe may add to their appeal by employing authentic Irish staff.

For relatively straightforward services, a large proportion of staff would be recruited locally, leaving just senior management posts filled by expatriates. Sometimes, an extensive staff development programme may be required to ensure that locally recruited staff performs in a manner which is consistent with the company's global image. This can in some circumstances be quite a difficult task - a fast-food operator may have difficulty developing values of speed and efficiency among its staff in countries where the pace of life is relatively slow.

Where staff is recruited locally, employment legislation can affect the short- and long-term flexibility of service provision. This can affect the ease with which staff can be laid off or dismissed should demand fall- for example, in Germany, the Dismissals Protection Law gives considerable protection to salaried staff who have been in their job for more than six months, allowing dismissal only for a 'socially justified' reason. There are also differences between countries in the extent to which an employer can prevent an employee with valuable trade secrets leaving their employment to work for a competitor. In Germany, a 'non-competition' clause can be expressly agreed for a maximum of two years after termination of employment, but only under a number of conditions.

3.7 MARKET ENTRY STRATEGIES

A new foreign market represents both a potential opportunity and a risk to an organization. A company's market entry strategy should aim to balance these two elements. The least risky method of developing a foreign service market is to supply that market from a domestic base, something which can be a possibility in the case of separable service offerings. A wide variety of financial and information services can be provided to foreign markets by post or telephone, avoiding the cost and risk of setting up local service outlets.

Where inseparability of service production and consumption occurs and the producer must go to the consumer, local outlets must be established. Risk can be minimized by gradually committing more resources to a market, based on experience to date. Temporary facilities could be established which have low start-up and close down costs, and where the principal physical and human assets can be transferred to another location. A good example of risk reduction through the use of temporary facilities is found in the pattern of retail development in eastern Germany following reunification. West German retailers who initially entered east Germany in large numbers were reluctant to commit themselves to building stores in specific locations in a part of the country which was still economically unstable and where patterns of land use were changing rapidly. The solution adopted by many retailers was to offer branches of their chain in temporary marquees or from mobile vehicles. These could move in response to the changing pattern of demand. While the location of retail outlets remained risky, this did not prevent retailers from establishing their networks of distribution warehouses which were considered to be more flexible in the manner in which they could respond to changing consumer spending patterns.

Market entry risk reduction strategies also have a time dimension. While there may be long-term benefits arising from being the first company to develop a new category of service m a foreign market, there are also risks. If development is hurried and launched before service quality can be guaranteed to live up to an organization's international standards, the company's long-term image can be damaged, both in the new foreign markets and its wider world market.

Former Waited until political, economic, social and technological conditions were capable of allowing it to launch a restaurant which met its global standards. In the case of Burger King, it’s desired to be first in the market led it to offer a very substandard service giving an image from which it subsequently struggled to recover.

Where the inseparability of a service offer makes it impossible for an organization to supply the service to a foreign market from its home base, an assessment of risk is recurred in deciding whether an organization should enter a foreign market on its own or association with other organization. The former maximizes the strategic and operational control which the organization has over its foreign operations, but it exposes it to the greatest risk where the foreign market is relatively poorly understood. A range of entry possibilities are considered below.

3.7.1 Direct investment in foreign subsidiary

This option gives a service organization maximum control over its foreign operations, but can expose It to a high level of risk on account of the poor understanding it may have of the foreign market. A company can either set up its own foreign subsidiary from scratch (as many UK hotel companies have done to develop hotels in foreign markets), or it can acquire control of a company which is already trading (such as acquisition of German company six of the UK Kenning vehicle rental business).

Where the nature of the service offer differs relatively little between national markets, or where it appeals to an international market (e.g. hotels), the risks from creating a new subsidiary are reduced. Where there are barriers to entry and the service is aimed at an essentially local market with different culture to the domestic market, the acquisition of an established market at an essentially local market may be the preferred course of action. Even acquisition of an established subsidiary y illustrated by the problems encountered by the British bus operator Stagecoach following its acquisition of the US bus operator Coach USA, which it sold in 2004 for less than it had paid to acquire the company six years earlier. Stagecoach had failed to appreciate the difficulties in changing established employment practices, as it had successfully done in the UK, and consequently incurred heavy operating losses

Direct development in a foreign subsidiary may be made difficult by legislation restricting ownership of certain services by foreigners – civil aviation is an example where many countries prevent foreign companies owing a controlling interest in a domestic airline.

3.7.2 Management contracting

Rather than setting up its own service organization overseas, a company with a proven track record in a service area may pursue the option of running other companies' businesses for them. For a fee, a foreign organization which seeks to develop a new service would contract a team to set up and run the facility. In some cases, the intention may be that the management team should get the project started, and gradually hand over the running of the facility to a local management. This type of arrangement is useful for an expanding overseas organization where the required management and technical skills are difficult to obtain locally. In countries where the educational infrastructure offers less opportunity for management and technical training, a company (or in many cases, foreign governments) can buy in state-of- the-art management skills.

For the company supplying management skills under such contracts, the benefits are numerous. Risks are kept to a minimum as the company generally does not need to invest its own capital in the project. The company gathers overseas market knowledge which it may be able to use to its own advantage if it plans similar ventures of its own in other countries. For staff employed by the company, the challenge of working on an overseas project can offer career opportunities outside the mainstream domestic management route.

Management contracting has found many applications in the service sector. For UK companies, the demise of the British Empire resulted in most newly independent colonies seeking to establish their own service organizations, which they were ill-equipped to manage themselves. Most countries immediately set up their own airline, making use of management expertise bought in from BOAC - the forerunner of British Airlines. More recently, economic development in Eastern Europe resulted in many opportunities for UK-based service companies, including the management of hotels, airlines and educational establishments.

Student Assessment exercise

- Why is Geographical differences important in foreign markets targeting?

4.0 CONCLUSION

In this unit, you have learnt about the major issues in international service marketing programme for foreign markets

You have also learnt about products and promotion decisions, pricing decisions in international service marketing

The unit finally discussed the accessibility of some of these decisions to intermediaries vis-à-vis the major market entry strategies

5.0 SUMMARY

While exporters of manufactured goods frequently license a foreign producer to manufacture and sell their products, a company developing a service overseas is more likely to establish a franchise relationship with its foreign producers. The inseparability of service offers makes service producers an integral part of a service, requiring greater control Over the whole process by which an overseas business Operates.

Franchising in a foreign market can take a number of forms. At one extreme, the organization seeking to develop overseas could enter into a direct franchising relationship with each individual franchisee. The problem with this approach is the difficulty in monitoring and control Ding a possibly large number of franchisees in a country far from home. To alleviate some of these problems, the franchisor would normally establish its own subsidiary in the foreign territory which would negotiate and monitor franchisees locally or, alternatively, grant a master franchise for an area to a franchisee where the latter effectively becomes the franchisor in the foreign country. In between these options are a number of permutations of strategy for example, a subsidiary could be set up as a joint venture with a local company in order to develop a franchise network.

6.0 TUTOR MARKED ASSESSMENT (TMA)

Critically discuss any two market entry strategies in international service marketing you know.

Answer to Student Self Assessment Exercise

- Geographical differences can be important where land use patterns differ greatly in the target foreign market. As an example, the extensive nature of many urban areas within the USA results in there being a series of suburban commercial areas rather than a clearly defined central business district. A European retail bank with a city-centre service format which had worked well in its domestic market may only be able to succeed by developing out-of-town formats of its branches for a proposed expansion in the USA.

7.0 REFERENCE/FURTHER READING

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