

Marketing of financial services: Issues and Challenges

Dr.Sanjay Kumar Taurani

Associate Professor, TKR Institute of Management & Science,
Meerpet, R.R District-500097, Email:sanjay.taurani@gmail.com

Abstract

In Financial Services today there is greater focus on making customers affordable to buy the products which are marketed to them. Companies need to put the customer first and be confident that they have in place the right processes to ensure both their brands as well as customers are protected. Affordability comes down to much more than verifying an individual's income. Extra layers of financial and lifestyle insight can help brands go much further and build up pictures of customers on which to base decisions. By measuring how sophisticated products are and identifying which customers they're appropriate for, it is possible to minimize risk while demonstrating compliance. The emergence of online comparison sites over the past few years has given customers a wider choice while buying financial products online. This paper deals with the issues and challenges associated with the marketing of financial services. The study takes into consideration the secondary data based on recent trends and regulations in financial services sector in India.

Keywords: Financial services, lifestyle, customers, brand experience, regulations.

1.INTRODUCTION

Indian financial services industry has been through the toughest of the times and yet stands strong and robust among the world economies. Having a deep impact of the far-reaching changes in the Indian economy since liberalization, the new face of this industry is

evolving in a strong, transparent and resilient system. Over the last few years, financial markets have witnessed a significant broadening and deepening of service baskets with the introduction of several new instruments and products in banking, insurance and capital markets space. The sector was opened up to new private players including foreign companies who embraced international best practices and modern technology to offer a more sophisticated range of financial services to corporate, retail and institutional customers. Financial sector regulators too have been visionaries to ensure that new regulations and guidelines are in tandem with global norms. These developments have given a robust boost to the development and modernisation of the financial services sector in India.

Marketing of financial products is the aggregate function absorbed at providing facility to satisfy customer's monetary needs and wants, more than the rivalry keeping in view the organizational objectives. Financial service is a personalized service oriented industry and hence should provide services which satisfy the customers' needs. The marketing tactic includes forestalling, classifying, responding and satisfying the customers' needs and wants effectually, professionally, and beneficially.

Cite this article as: Dr.Sanjay Kumar Taurani, "Marketing of financial services: Issues and Challenges ", International Journal of Research in Management Studies (IJRMS), Volume 3, Issue 4, 2018, Page 13-20.

It can be said that the presence of the bank has miniature value without the presence of the customer. The main role of the bank is not only to attain and win more and more customers but also to preserve them through operative customer facility. Marketing as associated to banking is to explain a suitable promise to a customer through a variety of products and services and also to confirm operative distribution through satisfaction. The actual contentment delivered to a customer relay on how the customer is cooperated with. It goes on to prominence that every employee from the highest executive to the most junior employee of the bank should be concerned with marketing.

Nowadays customer is becoming more sophisticated about their choice and quality of service being served to them. Throughout the life, customers try their best to fulfill their demands. The place where things are swapped or say common needs are fulfilled is called the market. The efforts to make people aware of your offerings inspiring them to deal with you and let them believe that in doing so, they are fulfilling their needs at its best is called marketing. After the banking sector improvements, marketing has established as a more combined function within financial service. Financial institutions as banks have done rapid changes in the operational environment. The marketing of bank products has become a very difficult subject as it involves the knowledge of economics, sociology, psychology and also essential marketing idea. In marketing, it is the customer who has the personal choice and the intonation of effective marketing of banking products lies in the regular and professional tactic towards fulfilling customer's needs.

2.DISCUSSION

Services are very different from products. So the marketing concepts need to be revisited while marketing a service. Services can range from financial services provided by the banks, technology services provided by the IT Company, food and ambiance as a service provided by restaurants or even a blog where an author provides a service (information presentation, interesting reading etc) to his audience. Services marketing are dominated by the 7 Ps of marketing namely Product, Price, Place, Promotion, People, Process and Physical evidence. The 7 P frameworks is one of the most popular framework for deciding a marketing strategy, right from strategy formulation to actual implementation.

Product:

Product is your core offering. This is “the thing” that will fulfill the needs of your customer. If your product is faulty, everything else fails. The attributes of the product, vis-a-vis the attributes offered by competing products and substitutes, are important in estimating the competitive scenario for the marketing strategy formulation.

Price:

Price has a lot of impact on the service buyer's satisfaction level. Often, paying a higher price makes a customer more satisfied. Price is often considered a proxy for quality and vice-versa. What is important to note that services being all the more intangible, the price becomes an important factor for the actual service consumption to happen, after service awareness and service acknowledgement.

Place:

Place often offers a different side of value (utility) to the customer. Who would want to

travel 10 miles to have a regular dinner, even if that is priced very competitively and has a super quality? Services are often chosen for their place utility. Closer to the customer means higher probability of purchase. Place utility is important to evaluate, for strategizing on the other 6 Ps.

Promotion:

Promotion plays a role in the perception the possible target audience may have about your service. There has to be a fit between the promotion and the positioning. Promotion leads to service (brand) recognition and further establishes a proxy to evaluate quality of services based by potential customers. Many different promotional tools are often used like internet advertisement, special events, endorsements which happen out of the store or in-store merchandising like branded boxes from Custom Boxes Now, plastic dump bins and digital signage.

People:

People are crucial in service delivery. The best food may not seem equally palatable if the waitress is in a sour mood. A smile always helps. Intensive training for your human resources on how to handle customers and how to deal with contingencies is crucial for your success.

Process:

Processes are important to deliver a quality service. Services being intangible, processes become all the more crucial to ensure standards are met with. Process mapping ensures that your service is perceived as being dependable by your target segment.

Physical Evidence:

Physical evidence affects the customer's satisfaction. Often, services being intangible, customers depend on other cues to judge the offering. This is where physical evidence plays a part. Would you like eating at a joint where the table is greasy or the waitresses and cooks look untidy and wear a stained apron? Surely you would evaluate the quality of your experience through proxies such as these.

Services marketing are that elusive concept which stays incomplete without a thorough understanding of 7 Ps. These form the critical success factors for any service as evaluated by a possible customer.

Marketing financial services has always been difficult, but today, digitization has changed the game entirely. The challenges that financial services face when trying to connect with clients are unique and require creative approaches. This, in large part, is due to the nature of those services; for instance, they differ from tangible goods, like vehicles, and it's often tough for customers to gauge the value of financial services.

3. ISSUES:

The issues listed below are common to most financial-service managers, and overcoming them is the surest way to distinguish your brand from the rest:

Vague Product/Service Attributes:

A core challenge is a general lack of consumer awareness of the various dimensions that constitute a financial service. Research has shown that consumers' education on financial services is generally very poor. Studies also show that consumers can only process about seven pieces of information at any one point in

time, so their ability to fully process the information presented to them in financial services advertising is comparatively limited. The difficulty in understanding financial services is further compounded by the fact that financial services are generally uninteresting and unexciting, making the task of appreciating the differences among financial services more challenging for the average person.

Well-conceived and executed advertising is one of the few ways to overcome this challenge because it may facilitate consumer education, and can help consumers understand the unique benefits of a financial service.

Quality is Intangible

The quality of financial services is rarely quantifiable. For example, the claims payout behavior of an insurance company is generally unknown to the majority of the company's customers. This is because the sharing of risks across a large number of customers means that most policyholders may seldom experience losses firsthand.

Similarly, the long-term future returns of a mutual fund would be unknown for many years after the purchase of shares of the fund. It is the task of the financial services advertiser to create an understanding and appreciation for the underlying qualities of an advertised financial offer.

Compelling statements about the efficiency of the claims processing procedures of the company or overall customer satisfaction may help to accomplish this. In the case of a mutual fund, revealing the qualifications of the fund manager or the past performance of the fund may help convey the sense of quality that consumers may expect. Obviously, without

advertising, these aspects of quality would remain largely unknown.

While companies may attempt to make information about the quality of financial services available, few seem to understand how to make a case that is truly compelling.

Unexciting Products

Consumer involvement with the benefits of an insurance policy, the rates of return on an investment product, or the checking account services provided at a commercial bank rarely cause a great deal of excitement and enthusiasm. As a result, financial services are usually not associated with high levels of consumer involvement, excitement, symbolism, or emotions.

In addition, the high level of complexity makes evoking positive emotional responses more challenging than it would be for consumer goods such as electronics. The quantitative and contractual nature of financial services requires considerable cognitive effort and mathematical processing before consumers can fully appreciate the merits of an advertised offer.

Furthermore, there the considerable amount of internal consumer resistance to discussing personal financial matters makes for an audience that is at best generally uninvolved, and, at worst, resistant and defensive. The standard answer – stock photos of faces and families – simply doesn't go the distance in humanizing the process.

Limited Ability to Visually Communicate

Financial products may not always be communicated to consumers in ways similar to how consumer goods are advertised.

An automobile manufacturer may feature its product using images and photographs, increasing the sensory input of the consumer and creating a sensation similar to consumption of the product. This increases the cognitive and emotional impact that advertising generates in the consumer. When you attempt to advertise an insurance policy or investment product, the challenge is how to present abstract, intangible products visually.

The challenges in visual communication of financial services require experienced, attentive, and creative development of ad content in order to excite the viewer about the useful aspects of the financial service.

Regulations

The practice of financial services advertising is further complicated by the massive number of regulations that restrict the contents of financial services advertisements, and the number of regulatory agencies that closely monitor and influence ad content. Elaborate and complex sets of criteria need to be met in order to attain regulatory compliance. This restricts the advertiser's creative process, and makes the task of financial services advertising a highly unique specialization. Marketers who are used to working in a highly regulated environment may not be as well versed in consumer marketing principles.

4. CHALLENGES:

Every financial service company needs the right marketing strategy to generate high-quality leads. Financial services encompass a broad range of businesses that manage money, including credit unions, credit-card companies, accountancy companies, consumer finance companies, stock brokerages, individual managers, banks, private lending companies,

and some government-sponsored enterprises. Financial marketers act as a link between financial services providers and business organizations that are in need of specific financial services. Financial service providers adopt digital marketing strategies or obtain the services of a marketing firm in order to obtain high-quality leads. Some of these ingenious ways are mentioned below.

Gaining Trust

This is perhaps the most widespread problem for financial-service marketers right now. Money is a very personal topic, and consumers must trust their financial institutions in order to expand into more services.

Unfortunately, trust in the financial sector is at an all-time low. Consumers are skeptical of large brands that suffered during the economic crisis. Open Forum reports the recession negatively affected most people, and they are only recently becoming more comfortable with their financial positions, meaning they are very cautious about taking risks.

Leveraging Social Media

The best way to gain trust is to break down the barriers between the business and the client, and that means engaging with consumers on a more level playing field. Social media marketing allows companies to produce a likeable, approachable image on social networks that remains consistent from week to week. When clients see their financial institution is sharing interesting, useful or even humorous content on social media, they are more willing to interact with that company and consider its services.

Whether you choose to target customers on Facebook, LinkedIn, Twitter, or Instagram, it's

important to craft a consistent branding message through text and visuals. When it comes to organic social media, posting on a clearly defined schedule is key. Aim for a mix of content that includes promotional content along with links to educational resources or news relevant to the financial services industry. Once you grow a solid base on social media it may be time to invest in ads on Face book or Instagram. You'll be able to deliver these ads to customers that fit certain demographics like age, geographic location, interests, and more. Facebook also allows you to easily measure the effectiveness of your campaigns and to test different visuals and messaging.

Consumers Are Unaware of the Benefits of Financial Services

In keeping with the previous example, people who shop for cars are able to immediately judge quality based on objective factors, such as gas mileage, appearance and price. They can read quantifiable figures about each vehicle to make comparisons.

For the consumer, this means product attributes are vague, which can increase skepticism. This is not an easy problem to overcome—especially because the average person views financial services as uninteresting.

Pay Per Call Marketing Services

By implementing PPC marketing services, financial companies can tap into business owners or individual consumers seeking the help of specific financial services. Financial service marketing can help financial companies generate inbound leads. This kind of marketing is free of risks. It generates inbound calls from proprietors by making inquiries about the financial needs of a business. If you need some inspiration, check out this article by Neil Patel

titled “7 Practical Email Messages to Send to Your Targeted PPC Leads”

Business List Targets

Business lists are beneficial whenever financial services providers look for new leads. E-mails are sent only to those companies that are in actual need of a specific financial service. The targeted business leads, for this kind of marketing strategy, are of high quality and accurate.

Continuous Testing and Refinement

After a certain time period, even the most well-crafted e-mails stop getting responses. For proper financial service marketing to be fulfilled, one should keep on testing unique and innovative mail selections to tap into more clients in the finance market. With better e-mails, there are more chances of acquiring optimal leads.

Good Industry Experience

If financial service providers opt for lead generation services, then they should ensure that the latter possess plenty of experience in direct mailing. Only then will a business be certain that the service provider will generate good quality leads.

There should be a set criterion on the basis of which the credibility of procured leads is judged. A team that is experienced and that has substantial knowledge of the sales cycle can better understand the requirements of business organizations and thus can come up with a lead proposal that suits the budget and the expected return on investment of financial firms.

Tested Mails

Experience in financial service marketing can help financial service providers gather higher-

quality leads. Lead generation service providers gain specialization and knowledge that helps them in mastering the technique of generating inbound leads for their clients. They have amazing data mail specialists that guide financial companies through the process of lead generation.

No Cold Calling

Finance companies need to ensure that calls made to the prospective leads by the hired marketing team are not cold calls. Instead, their contact information should be taken in advance in order to target that lead's specific needs before approaching them. Financial service marketing callers are required to present themselves in such a manner that it seems like a follow-up call instead of a cold call.

Adding Digital Marketing to Traditional Outreach Methods

Different forms of traditional marketing and advertisements, such as telemarketing, broadcasting, print ads, and word of mouth are used and tested by financial service marketing firms. This is why these methods work well for financial service providers and thus help them to attain the correct leads.

Additionally, there are many modern innovative strategies, which are effective for generating leads. As more consumers turn to the internet to research businesses, now's the time to invest in digital marketing or to increase your spend. Here are the key areas you should be focusing on:

SEO

Customers won't be able to find your site unless it's optimized for search engine results. From the way you use keywords to back link strategies, SEO encompasses both technical

and creative elements to help improve a site's ranking, drive traffic, and increase awareness. Also keep in mind that your web design and elements like forms need to be mobile friendly..

Blogging

A blog can help connect you to future customers as well as provide fresh content to your site, which will influence your SEO. Moreover, blogging aids in generating high-quality leads to financial companies. On average, long-form blog posts with over 1,000 words generate 9x more leads than short-form posts. Besides providing updates about your company or spotlighting services, you can highlight evergreen topics that are relevant to the industry. Strive to be seen as an industry expert by writing posts that answer frequently asked questions or by crafting guides to complicated issues.

Diversifying the Process of Generating Leads

Financial service providers can no longer just rely on call centers and people in the field. They should diversify their business. But, expanding a business at a quick pace can be as equally dangerous as not expanding it at all.

There are a number of ways to generate leads for financial service businesses such as telemarketing, SEO, and paid ads. Once these ways of marketing are sustained by the business, the financial services provider is not going to suffer even if one of the ways don't work out.

These are some financial service marketing techniques that financial firms should choose to use in order to generate good quality leads for their business. Although some of these options seem simple enough, many times it is better to

seek the help of a financial service marketing firm in order to fulfill these and many other tasks available, leading a financial service provider to generate high-quality leads while concentrating on the important parts of their business.

5. CONCLUSION:

Companies that have managed to differentiate themselves in this highly crowded market have done so by establishing strong, consistent and responsive brand identities. This is something financial services companies struggle with.

There are various strategic frameworks that can be used to execute measurably successful advertising in financial services. These include elements like understanding the consumer's decision making process, strategizing the communications process by which you connect, and grasping consumers' motivations and needs, and execution style.

The applicability of a given framework depends on market characteristics, the overall strategy of the company, and the specific service being marketed, so there is no general consensus on which framework is the most valid in guiding a successful financial services advertising strategy.

My recommended approach is a marketing audit from the outside-in, beginning with research to identify your unique marketing challenges. This involves benchmarking the competition for best and worst practices, identifying your own internal strengths and weaknesses, and developing a set of recommendations and guidelines for brand and product positioning to propel rigorous execution of strategies and tactics that strongly

differentiate your services and generate consumer resonance.

REFERENCES:

1. <https://stevensonfinancialmarketing.wordpress.com/2012/02/20/top-five-challenges-of-financial-services-marketing/>
2. <http://www.business-fundas.com/2010/the-7-ps-of-services-marketing/>
3. https://www.themarketingeye.com/blog/finance-and-fintech/post/7_major_marketing_challenges_faced_by_the_alternative_finance_sector.html
4. Financial Promotions - Article 1 | DPB licence and FSA authorisation | ICAEW. Available at: <http://www.icaew.com/en/technical/financial-services/dpb-licence-and-fsa-authorisation/is-it-investment-business/financial-promotions-article-1,2015>
5. Financial promotions - Financial Conduct Authority. 2015. Financial promotions - Financial Conduct Authority. Available at: <http://www.fca.org.uk/firms/being-regulated/financial-promotions>
6. The Challenges of Marketing Financial Services – Article. 2015 Available at: <http://www.bnet.fordham.edu/estelami/fsmbooksample.pdf>.
7. Practical Law. 2015.[Online] Available at:<http://uk.practicallaw.com/7-3766656?service=ld>. [Accessed 10 March 2015].
8. Financial Services and Content Marketing: 3 Examples of Success. Available at: <http://contentmarketinginstitute.com/2013/03/creative-content-marketing-financial-services/>.
9. Five Challenges of Financial Services Marketing. Available at: <https://stevensonfinancialmarketing.wordpress.com/2012/02/20/top-five-challenges-of-financial-services-marketing/>.