

**Service Marketing: A practical approach**  
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**Lecture-36**  
**Case Study-II**

Hello! there. Welcome to this session on services marketing with a practical approach.

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So in the last class we have seen case study 1 and this is the second case study case study 2. This is about financial services and the marketing of insurance services. So basically we will discuss about financial services, what are the broad you know topic within financial services and what this will give you a broad idea about the marketing of various kinds of financial services. So we start with the marketing of insurance services.

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## Introduction

In India there is low level of penetration of life insurance compared to other developed nations. Low per capita income and low contribution of life premium in GDP and GDS (Gross Domestic Saving) are major reason for less penetration. Insurance industry is operated by Insurance Regulatory and Development Authority (IRDA).

In India there is a low level of penetration of life insurance compared to other developed nations. Low per capita income and low contribution of life premium in GDP and GDS gross domestic saving. These are major reason for less penetration, Insurance industry is operated by insurance regulatory and development authority. So this regulatory operative is there it regulates the activity of the insurance industry.

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## Marketing Mix in Insurance Services

- **Product:** Insurance is a contract for payment of a sum of money to the person assured on the happening of the event insured against. There are two categories of insurance life insurance and general insurance. General insurance includes fire insurance, motor insurance, health insurance crop insurance etc. Insurance, even more than banking, is a volumes game.

So what is the marketing mix in insurance services?. So as for the product is concern which is the insurance, which is a contract for payment of a sum of money to the person assured on the happening of the event insured against. There are 2 categories of insurance. Life insurance and general insurance. General insurance includes fire insurance, motor insurance, health insurance, crop insurance, etc. And insurance, even more than banking is a volumes game.

That means high volume of insurance should be there in order to make it both profitable and sustainable.

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## Marketing Mix in Insurance Services

- **Pricing:** There are three main factors used for determining the premium rates under an insurance plan are:
  - **Mortality:** The average rate of mortality is one of the main considerations when deciding upon pricing strategy.
  - **Expenses:** Processing cost, infrastructure cost, commission to the agents, registration costs are major cost which companies consider before premium determination.
  - **Interest:** If the interest rate provided by Insurance Company is more than interest provided by banks and other financial institution, then only people will prefer to invest in insurance. So, interest rate is crucial factor while determining price.

So as far as the pricing goals there are 3 main factors used for determining the premium rates under an insurance plan. So these are mortality: the average rate of mortality is one of the main considerations when deciding upon the pricing strategy. Expenses: Processing cost, infrastructure cost, commission to the agents, registration costs are the major cost which companies consider before premium determination.

Interest: If the interest rate provided by insurance company is more than interest provided by banks and other financial institution, then only people will prefer to invest in insurance. So interest rate is crucial factor while determining price of the insurance products.

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## Marketing Mix in Insurance Services

### Place

Distribution is a key determinant of success for all insurance company. Direct and indirect both distribution channels have been used to reach consumers. Now-a-days E-insurance and M-insurance are the new channels for service delivery which has replaced distribution through third party or agents.



The place, distribution is a key determinant of success for all insurance company. Direct and indirect both distribution channels have been used to reach consumers. Now-a-days E-insurance and M-insurance that means mobile insurance are the new channels for service delivery which has replaced distribution through third party logistics.

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## Marketing Mix in Insurance Services

### Promotion

Promotion becomes crucial marketing strategy in competitive insurance industry. Personal selling is most important tool used as promotion strategy. Advertisement, public relation, sales promotion, direct mail and internet are the other components of promotion mix.

As far as the promotion goals in insurance services a promotion becomes a crucial marketing strategy in competitive insurance industry. Personal selling is most important tool used as promotion strategy. Advertisement, public relation, sales promotion, direct mail and internet are the other components of promotion mix.

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## Marketing Mix in Insurance Services

### People

- Strong relationship with intermediaries
- Use of information technology
- Agents
- Training and development of employee
- Sales team
- Frontline and operational personnel



Then we have people. Strong relationship with intermediaries is very important, use of information technology is the big enabler, you have seen how all kinds of services including insurance service is being enabled by the usage of information technology. The agents are also very important people, training and development of employee is extremely important, so that they can ask the customers to purchase insurance services. Sales team is also extremely important, and the frontline and operational personnel are also extremely important for the marketing mix in the insurance services.

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## Marketing Mix in Insurance Services

### Process

- Online and offline
- Customer friendly
- Easy and convenient to consumer
- Complex documentation
- Terms and conditions

### Physical evidence

- Branch
- Logo
- Signage
- Website



The process, that means there are online and offline processes, there should be customer friendly, there should be easy and convenient to consumer, there would be complex documentation would be there in the process and terms and conditions have to be clearly told to the buyers, so that they do not feel cheated when it comes to the payment of money when

an insurance is starting. Physical evidence branch, the logo, the signage, and the website. These are the physical queues which the customers see when thinking about purchasing an insurance service. So these are the 7 piece of the marketing mix in insurance services.

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## Summary

A number of concerns are there regarding the opening up of the insurance sector. But most of them seem to be unfolded. National interest lies in increasing the penetration of insurance products, increasing the retention of premium and mobilization of resources for infrastructure development.

Competition will develop a better understanding of consumer requirement leading to more customized products for market place. Now insurance companies are collaborating with banks for selling their products. They also come with online insurance by introducing mobile application and websites.



A number of concerns are there regarding the opening up of the insurance sector. But most of them seem to be unfolded. National interest lies in increasing the penetration of insurance products, increasing the retention of premium and mobilization of resources for infrastructure development. Competition will develop a better understanding of consumer requirement leading to more customized products for market place.

Insurance companies are collaborating with banks for selling their products. They also come with online insurance by introducing mobile application and websites. They can also collaborate the post offices, so many new channels of insurance services delivery is coming up day by day.

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# FINANCIAL SERVICES

## Bank Marketing Market Research and Indian Banks

Next we go to another type of financial services which is very important which is bank marketing, market research and Indian banks.

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### Introduction

Marketing was always considered not to be a banker's cup of tea. However, after liberalization it is considered to be an integral management function. Bank marketing is the aggregate of functions, directed at providing services to satisfy customer's need and wants, more efficiently than competitors', keeping in view the organizational objectives. Marketing is equally applicable to achieve commercial as well as social objective of banks.

So the introduction marketing was always considered not to be a banker's cup of tea. However, after liberalization it is considered to be an integral management function. Bank marketing is the aggregate of functions, directed at providing services to satisfy customer's need and wants, more efficiency than competitors, keeping in view the organizational objective. Marketing is equally applicable to achieve commercial as well as social objective of banks.

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## Marketing Function

- **Market Research:** Marketing begins with information about the market in which bank operates. It is an essential tool of marketing for effective planning. It consists of research about customer needs, competitor information and market share. Most of the market research studies were conducted for internal use and no formal reports were prepared.
- **Product Development:** Appropriate products to meet consumer's financial need.
- **Pricing of the services:** Pricing policy, promotional strategy and distribution system is as per the guidelines of RBI. At the same time, looking for opportunities to satisfy the customers better.
- **Developing market orientation:** Customer-consciousness of 'Personnel' through training.



The marketing function. Marketing research: Marketing begins with information about the market in which bank operates. It is an essential tool of marketing for effective planning. It consists of research about customer needs, competitor information and market share. Most of the market research studies were conducted for internal use and no formal reports were prepared.

Product development: Appropriate products to meet consumer's financial need have to be developed by the banks. The pricing of the banking services: Pricing policy, promotional strategy and distribution system is as per the guidelines of reserve bank of India which is the central bank in India. At the same time, looking for opportunities to satisfy the customers better is also a look out for every bank. Developing market orientation: customer consciousness of personnel through training is very important for developing the marketing orientation of the banks.

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## 7P's of Bank Marketing

### Product

- Deposits
- Loans
- Consultancy
- Insurance
- Investment
- International banking
- DEMAT Account
- Online and mobile banking
- Mobile wallet
- Credit and debit card

What are the 7 piece of bank marketing? So here the product. So what is the product the deposits, loans, consultancy, investment, international banking, DEMAT account, online and mobile banking, mobile wallet, credit and debit card. We see there are so many products for banks.

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## 7P's of Bank Marketing

### Price

Interest rate  
Consulting fees  
Commission  
Service charges

### Place

Branch  
ATM  
Online banking  
Mobile banking

The price start is the interest rates are those who take loan, consulting fees, commission, and service charges. And the place: place is the outlet, the branch outlet, the ATM, the online banking, mobile banking and so many types of bank which has become extremely relevant in todays day and time.

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## 7P's of Bank Marketing

### Promotion

- Advertisement: TV, radio, movies, newspaper, hoardings, magazines
- Publicity: road show, awareness seminar, sponsorship
- Sales promotion: gift cards, discount, cash back.
- Personal selling

### People

- Frontline personnel
- Operational personnel
- Sales team
- Customer support team

The 7 piece of bank marketing. So the promotion, like advertisements: TV, radio, movies, newspaper, hoardings, and magazines. All these can be used for promotion. The publicity like road show, awareness seminar, sponsorship. Then sales promotion like gift cards, discount, cash back and personal selling over the telephones, mobile phones, visiting the customers where the customers etc. is the promotion. The people, the frontline personnel, operational personnel, sales team, and customer support team. These are important for the types of people.

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## 7P's of Bank Marketing

### Process

- Opening an account
- Banking services
- Feedback

### Physical evidence

- Branch
- ATM
- Signage
- Billboards
- Employees' dress code

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Then the process, that is opening an account, the banking services, the feedback process, these are the 7 part of the 7 piece of bank marketing. The physical evidence again the branch, ATM, signage, billboards, employees' dress code. So these are the queues which tell customers that bank is providing superior services.

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## Summary

Indian banking sector has been slow in adopting the modern marketing knowledge to their advantage. They were not clear about scope and dimension of marketing and importance of market research. But technological development and increasing competition have forced banks to adopt innovative marketing strategy. Now banks are providing better services through internet. Online banking and mobile banking is the new channel by which banks are touch with consumers.



So in summary the Indian marketing sector has been slow in adopting the modern marketing knowledge to their advantage. They were not clear about scope and dimension of marketing and importance of market research. But technological development and increasing competition have forced banks to adopt innovative marketing strategy. Now banks are providing better services through internet. Online banking and mobile banking are is the new channel by which banks are touch with customers.

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## FINANCIAL SERVICES

### Housing and Financial Intermediation

Now coming to another type of financial services which is housing and financial intermediation.

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## Introduction

Housing has been identified as a priority sector by the Indian Government. Economics of housing and housing markets have been studied only very recently. Housing, accounts for one of the largest components of the wealth holdings of household in developing countries.

So housing has been identified as a priority sector by the Indian government. Economics of housing and housing markets have been studied only very recently. Housing, accounts for one of the largest components of the wealth holdings of household in developing countries.

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### **Policy Perspective: The concept of networking**

While housing finance remains a primary activity, years of experience suggest that a housing finance institution would require to keep in mind a critical attribute, real estate information. The second major link between developers and financial institutions in the field of short term bridging finance. Link between formal financial institutions and informal local level networks would be critical.



So the policy perspective the concept of networking. While housing finance remains a primary activity, years of experience suggest that a housing finance institution would require to keep in mind a critical attribute, real estate information. The second major link between developers and financial institution in the field of short term bridging finance. Link between formal finance institutions and informal local level networks would be critical.

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## Summary

The initial basic requirement for an emerging structure would be access to a resource base. A future system would need to ensure that it was designed to be sufficiently robust and have the most lasting impact on real development of housing activity.

So as a summary the initial basic requirement for an emerging structure would be access to a resource base. A future system would need to ensure that it was designed to be sufficiently robust and have the most lasting impact on real development of housing activity.

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## FINANCIAL SERVICES

### Portfolio Management Service Marketing

Next we come to another type of financial services that is portfolio management service or PMS insurance.

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## Introduction

Portfolio services are those services offered to investors with a general responsibility to maximize returns. Portfolio Management Services (PMS) refers to the services provided to investors wherein the agency takes the responsibility of using the fund effectively for maximum results.



So introduction the portfolio services are those services offered to investors with a general responsibility to maximize returns. Portfolio management services refer to the services provided to investors wherein the agency takes the responsibility of using investors fund effectively for maximum results.

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## Types of PMS

The PMS can be classified into three types. These types, however, in accordance with RBI guideline, do not guarantee the safety as well as return on investments.

- **Non-discretionary PMS:** This service is targeted towards investors who would like to make their own decisions regarding use of their fund.
- **Delegated Investment Management:** This service is for client who would leave the management of their portfolio to the firm.
- **Optional:** Providers offer a non-discretionary PMS in the beginning and as it gains expertise, it can offer any of the above two types stated above to the clients depending on their choice.



There are many types of PMS and which can be classified into 3 types basically. So these types however accordance to RBI guideline that is reserve bank of India guideline, and do not guarantee the safety as well as return on investments. So there is high amount of risk in this portfolio services, but those who are willing to take the risk or they are willing to read, willing to avail of these kind of services.

Have to depend on various persons for their investment and how they can get maximum return offer back. So non discretionary PMS: This service is targeted towards investors who would like to make their own decisions regarding use of their fund. Then there is delegated investment management: So this service is for client who would leave the management of their portfolio to the firm.

And the optional PMS that is providers offer a non discretionary PMS in the beginning and as it gains expertise, it can offer any of the above 2 types states stats here, so the clients depending on their choices.

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## **Service Marketing Implications**

In order to create a distinction in the market, the portfolio manager has to perform three major tasks:

**1. Designing service strategy:** The service strategy of a PMS has to aim at satisfying two major expectations –credibility and professional relationship. The strategy of a PMS should focus not only on the service provided and the clients but also towards its employees.

The service marketing implications are that in order to create a distinction in market, the portfolio manager has to perform again 3 major tasks. One is designing service strategy: The service strategy of a PMS has to aim at satisfying 2 major expectations-credibility and professional relationship. The strategy of a PMS should focus not only on the service provided and the clients but also towards its employees.

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## Service Marketing Implications

**2. Tangibilisation of PMS:** In order to create enough transactional trust in the investors, the firm has to tangibilise its services through many ways such as; a well-equipped information processing technology, membership identity, ambience at the premises and tangibilisation process.

**3. Developing Service System:** In a PMS operation system comprise three parts: Research and analysis, brokers, and custody function. The success of a PMS depends on robust, reliable and user-friendly system.



Tangibilisation of PMS: In order to create enough transactional trust in the investors, the firm has to tangibilise their services through many ways such as, a well equipped information processing technology, membership identity, ambience at the premises and tangibilisation process. Developing services system: In a PMS operation system comprise 3 parts, research and analysis, broker and custody function. The success of a PMS depends on robust, reliable and use friendly system.

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## Service Marketing Mix

- **Product:** Share, bonds, mutual funds, investment consultation, tax benefit fund.
- **Price:** Brokerage, service tax, stamp duty, custody charge, discount, processing fees.
- **Place:** Internet, telemarketing, brokers, agents, sales force.
- **Promotion:** advertisement, direct marketing, personal selling, social media.
- **People:** employees, agent, customer support, research team, sales team, customer.
- **Process:** offline and online, standard, less complex
- **Physical evidence:** Documents, office location, office environment.

So the marketing mix, again the 7 piece of the PMS that is the share, bonds, mutual funds, investment consultation, tax benefit fund etc. Brokerage, service tax, stamp duty, custody charge, discount, processing fees. These are part of the price. Place: The internet,



telemarketing, brokers, agents, sales force, that is the distribution. Promotion: Advertisement, direct marketing, personal selling, social media, this is part of the promotion.

People: The employees, agent, customer support, research team, the sales team, and the customer. These are the people who create the services along with the employees and agents and others. Process: The offline and online, standard, or the less complex and the physical evidence documents, office location, office environment. So these give a queue to people that if they have a lot of wealth, then these are the wealth management services that are provided and so the servicescape has to be so designed that people would feel that is they are wealthy and they can become more wealthy in future.

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## Summary

The PMS industry today is about to take a gigantic leap. As the competition will grow, it will require higher value addition and more customized services. In order to achieve this PMS will have to develop a robust service system.

So the summary the PMS industry today is about to take a gigantic leap. As the competition will grow, it will require higher value addition and more customized services. In order to achieve this PMS will have to develop a robust service system.

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# FINANCIAL SERVICES

## Factoring Services Marketing

Next we come to another type of financial services that is factoring services marketing.

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### Introduction

Factoring is a financial service covering financing and collection of receivables in domestic as well as international trade. It comprises of four main functions:

1. Providing finance against bills receivables and trade debt.
2. Undertaking sales ledger administration responsibilities
3. Providing debt insurance facility to client
4. Offering relevant consulting services

So factoring is a financial service covering financing and collection of receivables in domestic as well as international trade. It comprises of 4 main functions. Providing finance against bills receivables and trade debt. Undertaking sales ledger administration responsibilities. Providing debt insurance facility to client. Offering relevant consulting services. So these are all the factoring services.

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## Management Issues

It is to be appreciated that just an organization itself is not sufficient to launch successful factoring services. A proper policy for better management is required, which have these issues:

- **Types of services to be offered:** Many variations of factoring are prevalent throughout the world. Full service factoring, with resource factoring, invoice discounting and agency factoring are some of them. It is a challenging job for organization to offer a particular type of service as they cannot provide all services at a time and every service has advantages and disadvantages.
- **Price to be charged:** The pricing of factoring services primarily comprises of two components (a) administrative cost and (b) discount charge. Pricing should be competitive and also provide profit margin.



So, it is to be appreciated that just an organization itself is not sufficient to launch successful factoring services. A proper policy for better management is required, which have these issues. So types of services have to be offered. Many variations of factoring are prevalent throughout the world. Full service factoring, with resource factoring, invoice discounting and agency factoring or some of them.

It is challenging job for organization to offer a particular type of service as they cannot provide all services at a time and every service has advantages and disadvantages. Price to be charged: The pricing of factoring services primarily comprises of 2 components, administrative cost and discount charge. Pricing should be competitive and also provided profit margin.

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## Marketing of factoring services

The factoring organization has to study the market in order to facilitate arriving at right decision about marketing strategies. Marketing of the factoring services essentially involves a study of the market, consumers, competitors and price.

- The market
- The consumers
- The competitors
- The price

The factoring organization has to study the market in order to facilitate arriving at right decision about marketing strategies. Marketing of the factoring services essentially involves a study of the market, consumers, competitors and price. So we have the market, the consumer, the competitors, and price. These are the factoring services marketing, part of marketing on factoring services.

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## Summary

Factoring services have a bright prospect in India. Their success will largely depend on how the factoring organization manages and markets its services. The market scope is high as there are number of small and medium size organizations, which can benefit from these services.

So, factoring services have a bright prospect in India. Their success will largely depend on how the factoring organization manages and markets its services. The market scope is high as there are number of small and medium size organizations, which can benefit from these services.

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# FINANCIAL SERVICES

## Mutual Funds Marketing

Then coming to another important type of financial services which is mutual funds marketing.

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## Introduction

There has been a significant expansion of the Indian financial sector in terms of scope and content during the last decade. Mutual funds are an important link between saving and capital market. Diversified investment reduces overall risk of investors. Generally, people do not want to invest in share market because of risk and they have sparse knowledge about share market trend. For those people mutual fund is the best option, which diversify the investors risk and require little market knowledge. One can choose lump sum investment or systematic investment plan as per their requirements.

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## Types of Mutual fund

### On the basis of redemption period

- Open ended: without fix date of redemption
- Close ended: fixed date of redemption

### On the basis of benefit

- Equity funds
- Fixed Income funds
- Money market funds
- Balance fund
- Index fund
- Specialty fund
- Fund-of fund

Types of mutual fund. On the basis of redemption period, so it is open ended without fix date of redemption, and close ended that is we having the fixed date of redemption. So on the basis of benefit there are equity funds, fixed income funds, money market funds, balance fund, index fund, speciality fund, and fund of fund.

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## Elements of Mutual Fund Marketing Mix

Marketing of services has been considered the most vital area of operation of mutual fund industry in view of keen competition. Mutual funds have an important role in educating investors.

- **Product:** quality, design, range of services.
- **Price:** price of units, rate of incentive, and commission of agents/brokers.
- **Place:** Direct to customer or through intermediaries like agents, brokers.
- **Promotion:** advertisement mix, internet, road show.
- **People:** employees, agent, customer support, rewards.
- **Process:** offline and online, standard, less complex.
- **Physical evidence:** Documents, policy, certificate.



So what are the elements of mutual fund marketing mix?. So these are again the 7 piece in the mutual fund industry. So we have the product which has to have quality, design, and range of services. Price: price of units, rate of incentive, and commission of agents or brokers are important.

Place: They direct to customer or intermediaries like agents, brokers etc. Promotion: Advertisement mix, internet, road show etc. People: Employees, agent, customer support, rewards etc. Process: Offline and online, standard, less complex. Physical evidence: Documents, policy, certificate. These are the physical evidence.

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## Summary

Saving market is growing and so is the need for financial services of mutual fund. An effective marketing research and careful product planning supported by the desired customer service can help in marketing mutual funds successfully.



So the summary saving market is growing and so is the need for financial services of mutual fund. An effective marketing research and careful product planning supported by the desired customer service can help in marketing mutual funds successfully. So that is all in this case illustrations. These are all taken from the book by Ravi Shankar, so once I go through that book then we can know better about these kinds of services. Thank you very much. Hope this helps.