B.B.A (B & I): 303 MARKETING OF FINANCIAL PRODUCTS AND SERVICES

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Unit I

MARKETING OF FINANCIAL SERVICES - THEORETICAL FRAMEWORK

INTRODUCTION

The forces of deregulation, advancing technology and general trend towards globalization have vastly increased the competitive pressures within the financial services market that has in turn affected both the structure and operation of financial service providing firms like banks.

Banks are providers of financial services, financial iritermediaries and key participants in a nation's payment system. As such banks play a major role in the economy and in the financial well being of a nation. In India since 1992, deregulation, technology, and aggressive competition fostered more changes in the banking industry than it has experienced in its entire history. Precisely because of competition, providing financial services in an able manner requires an excellent marketing orientation.

1. Banks now operate in a situation of keen competition in their financial service activities, whether it canvassing of deposits, extending credit line or in selling ancillary services. With the liberalization of the banking sector and entry of more players, banks need to bacons market oriented with new and innovative schemes, at competitive prices available at the place the customer needs them and delivered with efficiency and quality of' service.

Marketing

India Banks were traditionally in the 'business of banking', namely borrowing from one market and lending to another. However, since the commencement of banking sector reforms in the early *1990s,* their orientation has become the 'business of financial services', with a much wider focus in relation to consumer market needs and consequent marketing strategies.

Marketing as a narrow management function, appears to be in decline.

Marketing as a management philosophy and orientation, espoused and practiced throughout the corporation, is however seen increasingly as critical to the success of any organization

This is reflected in a heightened emphasis on being "close to the customer", stressing customer satisfaction and customer relationship building, understanding customer value and the enhanced product offering, and the brand equity represented in a loyal customer base. Increasingly these are the domains and responsibilities of employees throughout the organization, whether it is customer service, sales, manufacturing, R&D or top management, and not just of "the marketing staff'.(Jerry Bank Marketing has been defined as 'that part of

management activity which seems to direct the flow of banking services profitably to selected customers.(Reekie, 1972)'
Marketing of Bank's services implies the delivery (maintaining existing demand) and creation (creating of new demand) of want satisfying (i.e, right) services at right price, at right time, at right place, and to a right customer. (Saxena KK, 1988)'

Types of Financial Markets and Their Roles

A financial market is a broad term describing any marketplace where buyers and sellers participate in the trade of assets such as equities, bonds, currencies and derivatives. Financial markets are typically defined by having transparent pricing, basic regulations on trading, costs and fees, and market forces determining the prices of securities that trade.

Financial markets can be found in nearly every nation in the world. Some are very small, with only a few participants, while others - like the New York Stock Exchange (NYSE) and the forex markets - trade trillions of dollars daily.

Investors have access to a large number of financial markets and exchanges representing a vast array of financial products. Some of these markets have always been open to private investors; others remained the exclusive domain of major international banks and financial professionals until the very end of the twentieth century.

Capital Markets

A capital market is one in which individuals and institutions trade financial securities. Organizations and institutions in the public and private sectors also often sell securities on the capital markets in order to raise funds. Thus, this type of market is composed of both the primary and secondary markets.

Any government or corporation requires capital (funds) to finance its operations and to engage in its own long-term investments. To do this, a company raises money through the sale of securities - stocks and bonds in the company's name. These are bought and sold in the capital markets.

Stock Markets

Stock markets allow investors to buy and sell shares in publicly traded companies. They are one of the most vital areas of a market economy as they provide companies with access to capital and investors with a slice of ownership in the company and the potential of gains based on the company's future performance.

This market can be split into two main sections: the primary market and the secondary market. The primary market is where new issues are first offered, with any subsequent trading going on in the secondary market.

Bond Markets

A **bond** is a debt investment in which an investor loans money to an entity (corporate or governmental), which borrows the funds for a defined period of time at a fixed interest rate. Bonds are used by companies, municipalities, states and U.S. and foreign governments to finance a variety of projects and activities. Bonds can be bought and sold by investors on credit markets around the world. This market is alternatively referred to as the debt, credit or fixed-income market. It is much larger in nominal terms that the world's stock markets. The main categories of bonds are corporate bonds, municipal bonds, and U.S. Treasury bonds, notes and bills, which are collectively referred to as simply "Treasuries." (For more, see the *Bond Basics Tutorial*.)

Money Market

The money market is a segment of the financial market in which financial instruments with high liquidity and very short maturities are traded. The money market is used by participants as a means for borrowing and lending in the short term, from several days to just under a year. Money market securities consist of negotiable **certificates of deposit** (CDs), banker's acceptances, U.S. Treasury bills, commercial paper, municipal notes, Eurodollars, federal funds and repurchase agreements (repos). Money market investments are also called cash investments because of their short maturities.

The money market is used by a wide array of participants, from a company raising money by selling commercial paper into the market to an investor purchasing CDs as a safe place to park money in the short term. The money market is typically seen as a safe place to put money due the highly liquid nature of the securities and short maturities. Because they are extremely conservative, money market securities offer significantly lower returns than most other securities. However, there are risks in the money market that any investor needs to be aware of, including the risk of default on securities such as commercial paper.

Cash or Spot Market

Investing in the cash or "**spot**" market is highly sophisticated, with opportunities for both big losses and big gains. In the cash market, goods are sold for cash and are delivered immediately. By the same token, contracts bought and sold on the spot market are immediately effective. Prices are settled in cash "on the spot" at current market prices. This is notably different from other markets, in which trades are determined at forward prices.

The cash market is complex and delicate, and generally not suitable for inexperienced traders. The cash markets tend to be dominated by so-called institutional market players such as hedge funds, limited partnerships and corporate investors. The very nature of the products traded requires access to far-reaching, detailed information and a high level of macroeconomic analysis and trading skills.

Derivatives Markets

Derivative is named so for a reason: its value is derived from its underlying asset or assets. A derivative is a contract, but in this case the contract price is determined by the market price of the core asset. If that sounds complicated, it's because it is. The derivatives market adds yet another layer of complexity and is therefore not ideal for inexperienced traders looking to speculate.

However, it can be used quite effectively as part of a risk management program.
Examples of common derivatives are forwards, futures, options, swaps and contracts-for-difference (CFDs).

Forex and the Interbank Market

Interbank market is the financial system and trading of currencies among banks and financial institutions, excluding retail investors and smaller trading parties. While some interbank trading is performed by banks on behalf of large customers, most interbank trading takes place from the banks' own accounts.

The forex market is where currencies are traded. The forex market is the largest, most liquid market in the world with an average traded value that exceeds $1.9 trillion per day and includes all of the currencies in the world. The forex is the largest market in the world in terms of the total cash value traded, and any person, firm or country may participate in this market.

The OTC Market

The over-the-counter (OTC) market is a type of secondary market also referred to as a dealer market. The term "over-the-counter" refers to stocks that are not trading on a stock exchange such as the Nasdaq, NYSE or American Stock Exchange (AMEX). This generally means that the stock trades either on the over-the-counter bulletin board (OTCBB) or the pink sheets. Neither of these networks is an exchange; in fact, they describe themselves as providers of pricing information for securities. OTCBB and pink sheet companies have far fewer regulations to comply with than those that trade shares on a stock exchange. Most securities that trade this way are penny stocks or are from very small companies.

Third and Fourth Markets

you might also hear the terms "third" and "fourth markets." These don't concern individual investors because they involve significant volumes of shares to be transacted per trade. These markets deal with transactions between broker-dealers and large institutions through over-the-counter electronic networks. Third market comprises OTC transactions between broker-dealers and large institutions. Fourth market is made up of transactions that take place between large institutions. The main reason these third and fourth market transactions occur is to avoid placing these orders through the main exchange, which could greatly affect the price of the security. Because access to the third and fourth markets is limited, their activities have little effect on the average investor.

Financial institutions and financial markets help firms raise money. They can do this by taking out a loan from a bank and repaying it with interest, issuing bonds to borrow money from investors that will be repaid at a fixed interest rate, or offering investors partial ownership in the company and a claim on its residual cash flows in the form of stock.

4 + 3Ps (7Ps) of marketing

Marketing field can be so challenging and often innovating. The innovative field of marketing requires regular strategic and effective decision making in ensuring that consumers get full satisfaction for their consumptions which are the sole objective of marketing while making sufficient profit for the organization. To achieve this set objective of consumers' satisfactions, you as a marketing manager must make decisions regarding to their marketing mix.

Marketing mix is the set of tools that the firm uses to pursue its marketing objectives in the target market (kotler 1997). Marketing mix- also refers to as marketers' controllable tools are the variables which marketers can control in order to achieve a desired market reactions towards their product offerings at a particular point in time.

Albeit, many tools do exist for marketing managers to utilize, but few of the most popular tools are referred to as the 'Ps' of marketing.

formerly, we can identify these four(4) marketing controllable 'Ps' as utilized by most marketing managers to achieving a set marketing objectives; these Ps are referred to as controllable because they are the variable tools which marketers can control to achieve a desirable market reactions.

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These Ps are;

- Product variable
- Promotion variable
- Price variable
- Place/distribution variable

(1) Product variable (p): this refers to the tangible product and services that the marketer have in his offerings. It refers to it packaging, shape size,

Portability, engineering features, and the supportive services rendered after sales to increase consumer satisfaction. In order To achieve some desired objective on the product, marketers can choose to develop more attractive and effective product to meet identified sets of needs and want of the target market. Marketers can also choose to modify an existing product to a more refined suitable brand e.g. by modifying it shapes, packages etc. To meet with consumers need and wants.

(2)Promotion variable: the promotion variable involves all strategies which the marketer employs to communicate it product offerings to the target market. The objective is to;

- Create product awareness
- Educate the market And

- Also to create a good organizational image.

Marketers make promotional decisions like;

- The promotional massage to pass across
- The best media to use in passing these massages
- The most effective form of promotion in every market situations and
- The cost effects on the kind of promotional method to employ.

(3) Price variable: price refers to the value which consumers' places on a particular marketer's product offering, and it is often express in monetary terms. Price is a critical tool of marketing because it effects goes a long way to determine the demands of the product offering in the market, and it can also hinder or catapult an organization's returns on investments. An effective price is that price that reflects the actual value of a particular marketer's product. So to achieve a set desire, marketer must make critical decisions regarding to the organization's pricing policies. The consumers' sensitivities to prices in the target market go a long way to affect a marketers pricing decision making. Also; you as a Marketer must make decisions to the amount of discount to be allowed in order to encourage demand. In terms of a new product, marketers make decision on the pricing method to employ in order to encourage purchase, most especially at the introduction stage.

(4)Place/distribution variable: The distribution variable is another controllable which marketers can employ to determine, where, when and how he want it product offerings to circulate within the target market, the necessary mechanism to employ for an effective transfer of goods and services to the target market in order to achieve the objective of marketing which is consumers' satisfaction. One of the strategic duties of a Marketing manager is to ensure that product are available to the market at the right time, in the appropriate quantity, and at the right place while also ensuring minimal transportations and storage cost in order to reduce huge cost acquirement on a product.

The marketing manager also makes decisions regarding to;

- Kind and numbers of retail outlets to carry its product.
- Geographical location to cover with it product.
- numbers of storage houses to be employed
- selection of meddle men to distribute its product
- Mode of transportation to encourage in order to having an effective distribution of it product etc.

However, these days marketers have recognized and encourage the following added 3Ps to it marketing strategies, haven realized their effectiveness to an organization's marketing strategies.

The following 3ps are;

- People
- Process and
- Physical evidence

(5)People: people refer to the marketing personals that carry out these marketing activities. These people who provide the services to the target market now forms other marketing tools since there level of creativity, skills, and product and market awareness goes a long way to influence purchase.

Marketing manager now invest adequate amount of time in training their marketing personnel in order to equip them with the necessary skills required to have positive influence in the target market.

(6) Process: the process here refers to the ways in which marketer employ to providing relevant and supportive services to their customer in order to give them more satisfaction for their patronage. Marketing manager must make key decisions such as the kind of after sales service, home delivery etc. to employ because these process when effectively employed will go a long way to create brand loyalty and also a long lasting relationship with the customer.

(7)Physical evidence: this is the physical environment of the business, it has formed other marketing tools because consumers are likely to be influence by what they see and most organizations today are accesses by their physical structures. In order to Influence costumers' confidence to the organization, marketing manager must ensure a more conducive atmosphere to attract more customers while realizing marketing objectives.

All of these controllable variables are very much important to the marketer because it's one of the most important keys use to open and close and adjust doors of opportunities in the target market.

While any adjustment on these controllable mixes can have effect on the marketing objective, marketing managers must then decide on the volumes and amount of adjustment to make on these 7Ps in any given market situations.

UNIT-2

Banking services

The primary operations of banks include:

- Keeping money safe while also allowing withdrawals when needed
- Issuance of checkbooks so that bills can be paid and other kinds of payments can be delivered by post
- Provide personal loans, commercial loans, and mortgage loans (typically loans to purchase a home, property or business)
- Issuance of credit cards and processing of credit card transactions and billing
- Issuance of debit cards for use as a substitute for checks
- Allow financial transactions at branches or by using Automatic Teller Machines (ATMs)
- Provide wire transfers of funds and Electronic fund transfers between banks
- Facilitation of standing orders and direct debits, so payments for bills can be made automatically
- Provide overdraft agreements for the temporary advancement of the Bank's own money to meet monthly spending commitments of a customer in their current account.
- Provide internet banking system to facilitate the customers to view and operate their respective accounts through internet.
- Provide Charge card advances of the Bank's own money for customers wishing to settle credit advances monthly.
- Provide a check guaranteed by the Bank itself and prepaid by the customer, such as a cashier's check or certified check.
- Notary service for financial and other documents
- Accepting the deposits from customer and provide the credit facilities to them.

Other types of bank services

- Private banking - Private banks provide banking services exclusively to high net worth individuals. Many financial services firms require a person or family to have a certain minimum net worth to qualify for private banking services.[5] Private banks often provide more personal services, such as wealth management and tax planning, than normal retail banks
- Capital market bank - bank that underwrite debt and equity, assist company deals (advisory services, underwriting and advisory fees), and restructure debt into structured finance products.
- Bank cards - include both credit cards and debit cards. Bank of America is the largest issuer of bank cards.
- Credit card machine services and networks - Companies which provide credit card machine and payment networks call themselves "merchant card providers".

Bank Marketing Strategies and Mixes

The overall marketing programme of a bank may involve a large number of marketing strategies mixes. The marketing strategy includes (a) a very clear definition of target customers, (b) the development of a marketing mix to satisfy the customers at a profit to the bank. (c) planning for each of the 'source' markets and each of the 'use' markets, and (d) organization and administration.(Jain, Alok Kumar, 1997,) " The Bank Marketing Management System essentially should start with situation appraisal to evaluate the opportunities and threats for evolving a marketing strategy for the organization.

Situation Appraisal

The situation appraisal must identify strengths and weaknesses and do so in terms of the results established by the situation appraisal. Some major areas to be examined are:

l) Management,

2) Organization,

3) Product lines,

4) Geographic presence,

5) Pricing Strategy,

6) Human resources and System support. Each area must be examined for efficiency, integration with the organization, and external image created. Data should first be developed on such major categories of assets and liabilities as loans, deposits, total assets and equity. Overall performance, specific effectiveness by geographical sector, and impact on each service or product offered by the by the ban must be calculated and considered.

Situation appraisal can lead to the forecasting of the marketing environment.

Forecasting the Marketing Environment

Bank management must make many assumptions about the future and project the organization into that expected environment. It is .at this point that forecasting becomes important. The bank's economist, if the bank has one, will play an important role here. Assumptions must be made about many economic and financial factors that will impact the bank in the coming months.

Answers must be forthcoming to such questions as the future trends of interest rates, bond yields, and the demand for credit. Will the economy be expanding or contracting? What industries will show most progress? What will happen to wage rates taxes and the social and political environments? After an evaluation of the external forces, bank management must turn to the internal qualities of the bank.

Answers are required to such questions as do we have sufficient personnel in certain departments to handle adequately the expected level of activity'? Should we plan for additional branches or should we ernphasise ATMs? Is this the year to add a leasing department or introduce a credit card programme? Overall, the trends in savings of the economy are of utmost importance in forecasting the environment.

Every year Bank managers prepare their performance budgets for deposits, advances, profits etc. l'hese budgets are nothing but marketing plans envisaging the stepping up cf deposits by a certain percentage. Similarly the marketing plan for credit includes the different categories and sectors of advances to be stepped up in the ensuing year.(Joshi, Navin Chandra, 1991)

One imperative in rnarket planning is to make sure that profits are properly safeguarded. Emphasis must be placed on market planning as a system. It is the methodology that is important, not a specific marketing plan. Plans can change; methodology, if it is correct, evolves slowly.(Chorafas, Dimtris N.,1982)

The entire planning process in banks should also consider the various elements of the Marketing Mix.

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 LPG policy and IT Act of 2000 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

Automating and improving pricing in banking

I saw this piece on "Best Practices in Customer Management: Some New Methods Breaking Out" by Kathleen Khirallah over at Tower Group. Kathleen is always a thoughtful writer and this piece was no exception. One of the take-aways struck me particularly:

"If there is one factor that has hampered banks' ability to be customer-centric and proactively manage their relationships with customers, it is their reliance on a "one-size-fits-all" approach to the mass market."

Now Kathleen talks about this in the context of pricing for this paper, but I think this is a valid criticism of most banks about almost every aspect of how their interact with customers. But let's stick to pricing. Kathleen discusses why banks find it so hard to compete with pricing or even to use pricing as part of an overall strategy.

She says:

"Banks' disinclination to compete on price is generally tied directly to the paucity of analytics and rigor in their pricing computations".

Essentially pricing can only get more sophisticated as more analytics enter the decision process. Simple segmentation analytics will help but any serious attempt to manage pricing in a more sophisticated way will involve multiple models (risk, propensity to buy, propensity to use credit, retention risk) and do some tradeoff between them. In addition pricing decisions will still need rules as there are layers of regulation and policies that must be applied around the models. The key element to get started is that Banks need more finely grained segmentation for their pricing. Most of them already do a great job of segmentation for risk, credit line management and so on but they lack this approach in pricing. They don't have a comprehensive pricing strategy that reflects the sensitivities and desires of customers. As Kathleen says:

"If there is one factor that has hampered banks in their ability to be customer-centric and proactively manage their relationships with customers, it is their reliance on a one-size-fits-all approach to the mass market".

So how would you tackle this from an Enterprise Decision Management approach:

- Focus on the pricing decision made for **a** product and **a** customer as a specific operational decision
  As distinct from saying the decision is a strategic one as to how to price a product line.
- Build analytic models for various aspects of the customer
  - Propensity to buy
  - Price sensitivity
  - Lifetime value
  - Credit Risk
  - Retention Risk
  - ...
- Build some kind of decision model to show how these aspects interact and are constrained
- Offline, optimize the decisions based on this model to come up with the best rules for pricing for each customer segment
  Do some what-if analysis and flex your constraints to see what the impact is of these changes. Come up with the best set of rules for pricing based on this modeling.
- Deploy these pricing rules into all the systems that need them, ideally using centralized decision management

Fair Isaac approaches this with a product we call Decision Optimizer and an associated methodology called Strategy Science. To be fair this has not been widely used in pricing yet but it has worked well in credit line management and fraud referral strategy design. Another company taking a similar approach is Earnix who provide a service to offer the best or optimal price when a customer (new or existing) asks for a product price based on this customer's predicted price sensitivity and propensity to buy and then generate a rate card (rules for rating essentially) that can be deployed.

Finally one last comment from Kathleen:

"A few forward-thinking banks have recognized the importance of customer satisfaction and now report and measure satisfaction with the same rigor that is typically associated with risk management"

I think this reveals a key point - that even customer management decisions have an element of risk. There is a risk implicit in using resources on this customer that could be used on that one. There is a risk in a price for a product in that it might retain unwanted customers or deter potentially profitable ones. Banks have long taken a fine-grained and analytically-rich approach to risk management. There's a great deal of discussion and debate around what will ultimately happen to banking as a result of the massive changes in connectivity, utility, mobility and customer experience taking place right now. One thing is for sure, the world is changing.

We see PayPal owning online payments, with others like Stripe hot on their tails.

Square is attempting to disrupt the POS and circumvent the existing payments rails by going cardless.

Simple and Move n bank are vying for the new definition of the 'bank account'.

Telcos like Rogers applying for banking licenses, and ISYS pitching head-to-head with banks for mobile wallet dominance in North America.

We also see Facebook and Twitter becoming increasingly dominant channels for customer dialog.

Intermediate or Dis-intermediate?

So will banks get disinter mediated in all this? Well, yes and no. In economics, disintermediation is generally defined as the removal of intermediaries in a supply chain: "cutting out the middleman". So there are not too many middlemen in the typical retail banking distribution chain. To some extent in financial services this is already happening with the decline in stock brokers, insurance agents, etc in favor of direct. However, conversely, a bunch of newer aggregators and intermediaries are popping up as the interface to the bank or payments providers.

New intermediary plays in the last couple of years include Square, iTunes, Simple, Mint, and others. Probably the most interesting new intermediary to emerge in the last year or so is Google Wallet (or Google, or THE Google wallet – not like THE face book though…). If you doubt the veracity of my statement, here's proof – after just over 18 months of operation, Square supports 1/8th of all US merchants. They didn't exist 2 years ago.

So we're likely to see more variations on a theme in banking and payments, where new players are coming into the ecosystem and offering value beyond the traditional methods of distribution. In its purest form, this will be simply a challenge to the branch-led distribution model. How so? Ultimately, with mobile banking and payments, the branch and resultant paperwork processes becomes a convenience "penalty" for transactional and basic on boarding. This friction is a target for disruptors.

Disruption and Disenfranchising

The disruption that is occurring in the customer experience is all about removing friction in outmoded or outdated processes for customers. Whenever you tell a customer he needs to fill out manual paperwork, or visit a physical location today, you're going to increasingly get kickback from a segment of the market. While many will argue passionately for the role of a face-to-face interaction and the "richness" of the branch experience, the reality is that there are two reasons why most customers will balk at that.

Firstly, they don't have the time or they perceive it is faster to go an alternative route – convenience was always a key driver for disruptors like Amazon and iTunes. Secondly, we're being trained that you can open pretty much any non-bank relationship completely digitally today – so KYC (Know-Your-Customer) issues aside, the push is for rapid digital on boarding of customers. In usability terms we call the later a design pattern and it ends up driving consumer's expectations because it is a entranced behavioral expectation.

Digital natives won't be able to figure out why you can sign up for Facebook, iTunes, PayPal and other relationships completely electronically, but your bank still requires a signature. It defies logic for the modern consumer, and no amount of arguing regulation will overcome that basic expectation.

The end result of this is that banks being the slow, calculated and risk adverse organizations that they are, will likely allow disruptors the opportunity to come into the space between the bank and the consumer as a 'friction' eliminator.

Secondly, geo-location and conceptuality of banking products and services, will mean a marketing and engagement layer that is built on either event or location triggers to recognize the need for a financial services product and the capability to stimulate an engagement or journey in real-time.

The mobile, wallet and tablet are all key components in this shift, as is social media and the cloud to some extent.

The outcome

In the end banks will, for basic products, no longer exclusively own the end consumer. They'll simply be the underpinning bank manufacturer that supplies the product to a new distribution channel or channel partner.

So will banks be disinterred mediated? Not really, but they will be disenfranchised, losing direct relationships with customers as banks adapt to becoming pervasive providers of bank products and services, when and where you need them. A split between the distribution and manufacturing of retail FI products will be the core outcome.

Banks cannot possibly own the Telco, mobile operating systems, marketing companies, retailers, locations and other elements that will drive the delivery of banking products and services in the near future. This is where the customer will live – this is where they'll engage. I won't come to your branch, download your "App" or even visit your website to directly engage the bank if someone else can deliver me that product as I need it.

Along with segmentation, judicious combination of 'Ps' is essential to satisfy customers. But when it comes to service marketing the context is different. In service marketing the human factor has an overriding role to play. Again, due to intangible nature of service products, tangibilising them becomes important. Furthermore, due to the presence of the human factor producing quality product is crucial.

Such a combination is termed as marketing mix. Framing a market mix for service industry like bank is a laborious task. The level of customer satisfaction is not static among bank customers. The level of satisfaction will vary with the changing level of standard. It also changes to different customer segments according to their respective attitudes and aspirations. The multi-faceted development in the socioeconomic fabrics has made it urgent that Indian banks reframe their marketing mix. Due to increasing competition from other financial institutions, has made it necessary that Indian commercial banks review the line of banking service, channels of management pricing strategies and promotional stages. Investors started to invest their savings in other avenues of investment, earning 50 to 100 per cent of returns.

Furthermore co-operative banks and other non-banking financial institutions also offer attractive dividend in return. Thus it is high time to think about reframing marketing mix of banking service.

The First 'P' – Product Strategy

First among the PS of bank marketing is product mix. Product stands for both goods and service combination offered to the public to satisfy their needs. In the highly regulated banking industry all offered the same type of products. Actually the bank takes little time and no additional investment to develop a financial product or service. But the drawback is that no brand can be marketed with unique selling proposition for long because it can be copied immediately. Thus it is better to focus on some selected ideas relating to products, which have immediate operational utility as well as feasibility on banks.

In the evolution of bank products, the products can be categorized into three groups. They are Core products, Formal products, and augmented product. Core products are those products, which define the business. For a bank, some of the core products are Savings Bank Account, Current Account, Term deposit, Recurring deposit, Cash credit, Term loan, overdraft and the like. This has two basic characteristics. Firstly, they define the business of a commercial bank that is whatever banking service was extended these core products are there. Second is that, core products do not have strong marketing content, that is, the product must be specifically designed in view of the needs of customers in well defined homogeneous market segment.

Since core products, are used as basic tools of commercial banking and serve the full range of customer segments or at least a large number of them, their marketing content cannot be rated as very high. But these core products are indispensable to any b~s ines s*~F. urthermore, these products provide a basis for the development of more sophisticated and marketing oriented products.

Formal Product

In the line product evolution, the next type of product is Formal product. Formal product is usually a combination of two or more core products and they have s,trong marketing content as they cater to some specific customer needs. During the last few years an ocean of formal products has hit the market due to rising customer expectation and anxiety to attract the attention of customers.

Sulabha, over drafi: of Canara bank, Vijayasree units of Vijaya bank, Smart Money of Hong Kong Bank, two-in-one of Standard

Chartered banks, unfixed deposit of Citibank are some of the examples of Formal products. One of the basic features of services is intangibility. Tangibilising the intangible service product was a major challenge to the marketer. In other words, to help the customer in order to form a metal image of the intangible product is the main function to achieve competitiveness in service marketingz5. On the other hand, if banks are applying core products alone, this will create stress upon customers to finalise how to apply core products as according to the requirement of the customer. That means it will restrict the application of bank services which results in limited banking business. Contrary to this, formal product will give right product with specific names as according to the requirements of customers to boost the banking business.

Augmented Product

This is a hither modification of formal product. This is the age of value addition. Everybody is sold to the idea of value added product and services. Now it is common in the market that some ancillary benefits are attached. The main advantage of an augmented product stems from its strong marketing content. Because augmented product is made out of formal product which itself has a strong marketing content.

It is further reinforced through value addition. A very good example for augmented product is Smart Money Account with Hong Kong Bank.

When one opens a Smart Money Account, an account holder will also get free Any Time Money Card. Or when one opens a fixed deposit account, then the deposit holder will get the facility of safe custody free of cost.

The Second 'P' – Price Strategy

Price in the case of service, different terms are used for different services like fees for legal service, fare for transport service, commission agency services, premium for insurance service, interest for the use of money. Two characteristics, which have great impact on determining the prices of services are perish ability and intangibility. In banking industry, price is the amount of money that will determine the exchange rate of bank product or services between the bank and customers. Price determination of the banking products or services is subject to regulation either by the Government or by the Reserve Bank of India. It is a unique feature of the bank price that the products are mostly designed by the banker while the price is determined by the RBI and Government of India Due to this, there is uniformity in the price of bank product throughout India. Hence the chance of competition on the basis of price is almost nil. As a part of the economic liberalization programme of the Government, pricing in Indian banking is steadily being deregulated.

Successive credit policy pronouncement of RBI during the last few years has already brought about substantial deregulation and flexibility for banks in evolving their pricing strategy. Soon after the announcement of the RBI's credit policy in October 1994, ICICI bank announced a unique price structure for its deposits rate. The Bank offered 10 per cent for tie posit of **'6'** months to 2 years and 8 per cent for **3** years maturity28. Even the area of ancillary service charges the raised pricing structure announced by Indian Bank Association aroused a lot of debate. Even though complete deregulation of the price regime is still to materialize, price is fast becoming a strategic tool for bankers for their marketing.

Third 'P' – Place/ Distribution of Banking Products

The most important element in distribution strategy relate to this issue of location of the banks to render their service. Distribution means delivery of the products or service at the right time and at the right place. The place where the banking products or service are delivered is an important element in bank marketing. The place strategy of Indian banks has been on the basis of too many parameters. Prior sanction from RBI and responsibility of banks towards development of banking habit in remote unbanked areas has been some of the important given parameters. So from the marketing stand point, place strategy is not fully positive to Indian baulks. Some of the major trends in this are

+ The branch licensing policy of RBI is already a thing of the past. This was one of the first policy responses of the government to the
Narasimharn Committee Report on Financial system 1991.

+ Branch expansion on the basis of social banking consideration has achieved its objectives substantially. Compared to any nation in the world, India has the largest bank branch network. Practically it covers every nook and corner of the country.

Thirdly, banks in India have been experimenting with a few strategies relating to place. That is, extending their reach through means other than branch expansion as well. The first such strategy is the concept of extension centre, satellite office etc. Secondly, the concept of special counters for certain customer segments for example, for pensioners, non-resident Indian, etc. Thirdly mobile office is also a part of current banking practice. Through this, the banker came to the doorstep of the customers. Fourthly, technology has also been deployed by banks for implementing their place strategy. Home banking and ATM are in Indian banking. Fifthly, a recent innovation is that of strategic alliance. This trend has been set up in motion mainly by the newly set-up private banks in order to overcome the drawback arising out of the limited branch network. Some of these banks entered into strategic alliance with already established banks having wide branch network. One such alliance is between Global Trust Bank and Vijaya bank.

The Fourth 'P' – Promotion of banking Products

The promotion is to inform and remind individuals and persuade them to accept, recommend or use of a product service or ideaz9.

Promotion is a demand stimulating aid through communication. Any marketing promotion campaign has two objectives. 'They are to inform the prospective customer and then to persuade him. Due to the inherent intangible nature of senices, the customer of banking service relies more on subjective impression rather than concrete evidence. When a bank comes out with a new product, it makes its target customer segment aware of it only through marketing promotion. It may be in various forms like press advertisement, sales campaign, word of mouth, personal interaction directly mailing. Making the customer may be enough if the product is unique or in great demand. But this may not be so always. So the second fundamental objective of a promotion campaign is to persuade the customer to buy the product in preference to other similar products available in the market.

Now this persuasion too could be in different ways like by working on an emotional plan by an objective of presentation of benefit of the product by identifying the product with some strong need of customers. Along with the above fundamental objective, it also has some subsidiary objectives like image building of an organization, the growth of a newly started industry.

The promotive effort for banking services consists of both personal and impersonal devices. Personal device is purely subjective in nature and it differs from person to person. Impersonal promotion can be through advertising, publicity and sales promotion. Personal selling is the responsibility of the bank staff. Impersonal selling should be done by the respective banks and their association like Joint Publicity Committee for public sector banks and Indian Bank Association. **A** study conducted by Dr. Raja opal reveals that apart from savings bank account and fixed deposit account, the awareness of other deposit schemes are relatively less amongst rural savers. Among lending schemes, gold loans, agricultural loans and Government sponsored lending schemes are very popular in the rural areas3'. The bank must try to understand the real needs and aspirations of the society and provide such product or services which will satisfy their assets. Marketing strategy should be designed to suit not only the present market but also the potential future market.

The Fifth 'P' – Process of banking Products

The process is crucial to the bank marketing strategy. It gives value to the buyer and an element of uniqueness to the product. It is very significant because **ut** provides competitive advantage to the bank.

The importance of process in bank marketing strategy is based on 'value chain concept' given by Michael Porter. The concept basically stresses close attention to all the organisational activities which go into marketing the final product to the customer. In the banking context, a typical value chain would encompass all activities right from the product conceptive stage down to its marketing at branch level. All these ultimately lead to the customer's satisfaction with the product he has purchased. The value chain concept emphasises that all these organisational activities have to be closely monitored and reviewed as an ongoing basis and all those activities which do not add value to the product used to be reviewed and modified. It is also useful in focusing attention on those organizational activities or processes which give uniqueness to the product. And the element of uniqueness in the product is a basic condition for acquiring competitive advantage.

The Sixth 'P' - People

The Indian banking industry is not an exception to the modem forces of changes and competition. Many new ideas and strategies have been introduced since the introduction of the new economic policy.

Like any other service industry, banking is a labour intensive industry.

The human factor plays a pivotal role in the running of the business Men unlike machine have varying attitudes, moods, heterogeneous cultures, feelings and above all, d~yferenta spirations. With the presence of strong human content in banking: business no idea would even get implemented unless it is taken up wholeheartedly. People are crucial to the success of any business. It is far more so in a service oriented industry like banking. The point being, stressed here is not simply the need of human approach towards people in banks. It is also not only about making available necessary knowledge and skill for servicing the customer better, but the central point stressed here is that there is a need to market banking products to own grassroot level people before marketing these products effectively to customers. Each employee in a bank irrespective of his position in the bank hierarchy is both a recipient and provider of service. Unless each employee extends support to his colleagues and also receives support from them, workflow will get obstructed and the victim will be the customer. In other words to satisfy a customer, people who participate this must be right and apt ones.

The Seventh 'P' - Physical evidence

Physical evidence is the strategic tool for the bank marketer. Banking products are intangible. Tangibilising the intangible commodity is a major challenge to the bank marketer. One among the important methods is the upkeep of branch premises and interior decor.

This is relevant not only from the point of view of physical evidence but also for tangibilisation strategy. Another strategy is imaginative designing of bank stationery used by customers. Product packaging could be another tangibrlisation strategy and marketers called it as a separate 'P' of marketing strategy. Packaging in banking products could take many ways for instance an attractively designed product brochure or a catchy brand name which a customer can easily understand or a pictorial design which can represent a particular product.

In the case of these seven elements, they are not of much use in isolation. But an appropriate blend is the right way for marketing effort.

It is a fact that no two classes of customers are alike3'. Their expectations and intentions are entirely different when a customer is approaching the bank. A middle-income man on the verge of retirement needs regular sources of income to supplement his income. So his expectation is monthly income deposit scheme. The investor cannot be wooed with anything less than the best market rate for his funds, for him a reinvestment scheme earning interest has to be designed and delivered.

This is equally true for loaning and subsidiary services as well.

Since it would not be flexible to expand business to cover all segments under a branch, some segments should be singled out for special coverage. These segments and their potential value will constantly undergo changes and the banker must be on guard to ensure that no viable worthwhile business slips through his hands due to his indifference.

The product range or the range of service available from the banking industry in India was limited3' till the end of the 1970's.

Because of post liberalization policies there is stiff competition in banking sector. The banks now offer a wide range of services like merchant banking, factoring, credit card, hire purchases and leasing, depositories and similar other products, with a view to meeting the stiff competition.

Merchant banking may be defined as a systematic application of all the expertise developed by the banker or other entrepreneurs on floatation of new companies, preparation of planning and execution of new projects, giving expert guidance and managing the new floatation or the new promotion of industries and enterprise^^^. In other words Merchant Banking provide services which generally include acceptance of bills of exchange, corporate finance, portfolio management and other banking services. It is not necessary that the merchant banker should do all such activities to be called a merchant banker. One merchant banker may specialise in one activity only and take up other activities also which may be complementary or supportive to specialized activity.

In the UK, the evolution of merchant banks is linked to the provision of short-term finance for the corporate sector. However in

India, Merchant Banks are engaged principally in arranging the longterm capital needs of corporate sector. Even though Merchant Banking in India was initiated with the management of public issue and loans syndication has slowly and gradually been changing its focus towards project counseling, portfolio management instrument innovation, financial engineering, mergers and amalgamation and investment Counseling. There can be long lists of services provided by merchant banking organization in India, however the major ones are those prescribed in the definition given under the Securities and Exchange of India (Merchant Bankers) Rules 1992.

Modern day bankers have identified another area of activity itself viz, realizing book debt:; on behalf of its clients. Such services are commonly known as factoring services. Factoring is a mechanism of managing, financing, and collection of receivables by a specialist organization on behalf of business enterprises. In a **firm** trade, credit constitutes a significant position of current assets and working capital.

A proper management is essential because it involves a lot of time, cost and risk. Big and mega organizations can assign credit management and collection to specialist organizations called factoring organization.

Banks in India were permitted to enter Factoring Service in July 1990.

Banks for the convenience of their account holders introduced the teller system at some of their branches. Under this system, the time taken in payment is considerably reduced. Usually when a cheque is presented for payment it passes through a number of persons, for example the ledger keeper, accountant, cashier etc. which is really a time consuming procedure. Under the teller system a cashier is designated as teller who makes payment of cheques to specified amount immediately on presentation of a cheque by the payee.

Another service provided by modem bank is safe deposit vaults.

Most of the banks provide the facility of safe deposit vaults to the public at their branches. For this purpose, they arrange strong room equipped with safe deposit lockers. A reasonable rent called lease money is charged for the facility. Forfaiting is another product developed by commercial banks. It is purchasing the medium term export receivables from an exporter without resources to him. It is different from international factoring in as much as it deals with receivables relating to deferred payment exports while factoring deals with short-term receivables.

Leasing is the next one. Leasing can be defined as a transaction in which the owner of the asset that is the bank gives the same to the consumer for his uses for a specified period of time in consideration of payment of lease rentals. Thus in a lease transaction, the banker retains the ownerships in the assets and the borrower acquires its possession and use. Banks normally undertake financial lease, operating lease, leverage lease, sale and lease back3'.

Next come Hire purchase. Hire purchase is an agreement between the bank and the borrower under which goods are let on hire.

Hire purchase involves delivery of possession of goods to the hirer. On of the last installment, the property passes to the borrower.

Securitization is the process by which the selected pool of credit assets (loans) of the bank is sold to a trust that is turn issues securities against banking of such assets and sells the same to prospective investors. Even after sale, the bank undertakes to service the debts and passes on the recovery to the trust for distribution among investors.
Portfolio management, Bank manages the investment portfolio of a client which involves investment of a client's fund in stock and securities and to buy and sell securities with an objective to achieve higher return for the client.
Custodial service is another product. It is a product offered to the shareholders whereby the banks undertake to collect dividend on behalf of their clients, arrange for transfer of shares and attend annual general meeting on their behalf.
Since liberalization and globalization, the foreign exchange market in India is witnessing a sea change. RBI permitted commercial banks to offer the following products to its customers to enable them to hedge the risks invo1vc.d in investments and reduce overall risks significantly.

Reaching the ATM Customer with Intelligent Personalization

About a month ago, I visited my neighborhood branch office on a Saturday to open a few new accounts and was surprised to see the vast difference in customer traffic outside the branch compared to inside the office. More specifically, it was clear that the traffic outside the office was almost entirely for the ATM, since during my 30 minute visit only 3 people were served through the drive-up window while no less than 25 customers used the ATM. The manager even mentioned that she had offered the drive-up lane to the long line of ATM users, only to be told that, "we only need to make a withdrawal" (I guess many people don't remember the purpose of withdrawal slips).

While I realize the primary advantage of using an ATM is speed and convenience, are bank marketers missing an opportunity to expand communication through this channel? Having a captive audience, if only for a couple minutes, provides the opportunity to both target communications as well as collect insight.

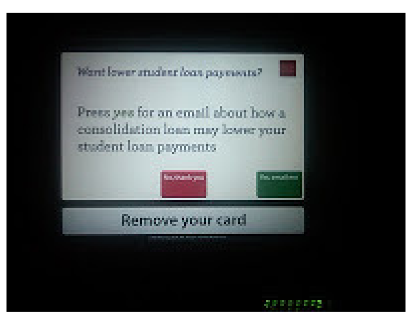
According to a white paper entitled, "The Use of ATM Screens to Augment Marketing Initiatives" presented by sponsored by Elan Financial Services, 40 percent of the adult population use ATMs 10 or more times in a month. For many cardholders, like myself, the ATM is the most frequent touch point connecting a customer and his/her bank. Based on the white paper, the opportunities for communication exist during 'waiting periods' when the transaction is being processed. Specifically, these opportunities include:

- On the *welcome screen* when the transaction choice is being made
- On the *wait screen* when the consumer is provided the opportunity to make additional choices
- On the *thank you screen* when the card and receipt are being dispensed

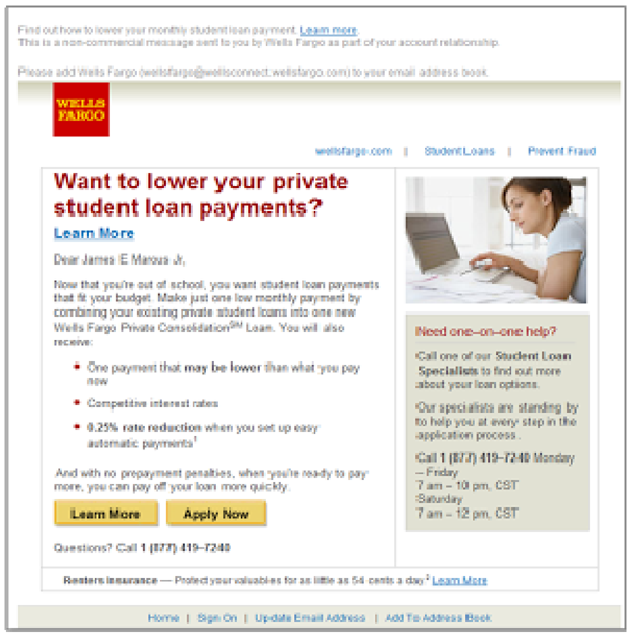
The opportunity for enhanced communication was also very well presented in a webinar on November 18th entitled, "How the Self-Service Channel Will Evolve in the Next Five Years", presented by Phoenix Interactive Design, Inc. and Larry McClanahan from Fifth Third Bank in conjunction with ATM Marketplace. During this presentation, it was illustrated how ATM messaging can now be personalized leveraging the bank's MCIF system enhanced by device awareness, geolocational determination and even expanding to two way communication with the objective being to enhance the customer experience, improve sales results and increase loyalty.

In my travels, it is clear many banks are testing the expanded software and hardware capabilities of the ATM channel enabling marketing and product owners to deliver highly targeted and visually appealing static or video communications to customers based on their demographics, current relationship (or lack thereof), other marketing messaging being delivered through other channels, geographic location, time of day and type of device being used (full function ATM, cash dispenser, in branch kiosk, etc.). Instead of printing ridiculously long sales messages on ATM receipts or using a 'one size fits all' approach to communication, banks can leverage the screen and alternative channels to personalize messages.

For instance, on my return from the BAI Retail Delivery Conference in Las Vegas this year, I used a Wells Fargo ATM for a withdrawal and was asked if I would be interested in a consolidation loan from the bank. Instead of a long sales message that would slow down the transaction or a printed message on the receipt that would be thrown out, they provided the option of email delivery of the offer as shown below.



I am assuming this ATM strategy was in a test mode at the time since I didn't have the student loan referenced on the ATM. In addition, the email follow-up (shown below), which I expected to receive almost instantaneously, didn't arrive to my inbox for two weeks, which indicated the possibility that the follow-up process was still manual at the time.



In any event, this type of integration of channels and messages is an enhanced sales process compared to long, less targeted screen messages or receipt communication. In fact, there is no reason why the ATM can't be integrated with other customer communication that can extend into the branch based on the time of day and location of ATM, or to a mobile phone or even an iPad. Much like Wells Fargo has offered to have ATM receipts delivered to a mobile device or email, mobile devices also provide the ability for immediate locational offer delivery (possibly including tickets to an event, merchant funded offer or mobile banking funding option), while the iPad provides expanded communication real estate and functionality not available at an ATM or even through a personal computer.

With more and more banking being transacted out of the branch and the expanded capabilities offered by both hardware and software firms supporting the ATM delivery system, time will tell which banks will make the most of this opportunity to communicate to a relatively captive, active and mobile audience in a way that resonates and generates results. Keys to success will be some of the same communication and marketing rules from other channels (audience, channel, timing, and offer) combined with the ability to better measure results by channel, location and timing.

Strategies Every Credit Card Marketing Exec Should Implement

Constructing an effective credit card marketing strategy isn't as simple as throwing a precious metal into a card's name or casting Alec Baldwin for television spots. That's not to say such tactics cannot be effective, but rather that real success stems from the creation of an environment in which marketing is not a separate function, but an integrated part of all credit card operations, ranging from underwriting to product development and customer retention. In short, the best marketers engage in activities and institute polices that foster the most efficient use of marketing dollars possible.

There are, of course, many ways to do this – some innovative, some tried and true – and a lot depends on your company's corporate philosophy, structure, financials, etc. However, there are 5 tactics in particular that you would be remiss in not implementing immediately, if you haven't already done so.

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1. Focus each product on a single consumer need

By focusing each credit card offer on a distinct consumer need, you garner both the ability to present more effective value propositions to consumers and a customer base that behaves as predictably as possible, thereby making it easier to forecast card profitability as well as adjust marketing strategies based on early returns.
This is obviously difficult to achieve if the same card is trying to address disparate needs. For example, if a card provides lucrative rewards as well as low introductory interest rates, you'll wind up with some customers who spend a lot and always pay their bills in full, some who spend and only pay the minimum, and some who transfer balances with no guarantee that they will keep their cards following the expiration of intro rates.

On the other hand, if you offered three different cards – one high-interest rewards credit card, one 0% credit card for new purchases, and one balance transfer credit card – you'd garner three highly-predictable customer groups. That, of course, would allow you to target underwriting and marketing more effectively, better manage risk, and ultimately make more money.

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2. Bring together marketing and underwriting

Too often the marketing and underwriting teams at credit card companies are disparate entities that have effectively little, if anything, to do with one another. You know what this leads to? Applicants that do not fit the underwriting criteria used to develop offers and underwriting

conservatism that could easily be avoided.
A credit card's marketing message significantly affects the type of consumer that will apply for it. And if the only direction given a marketing team is that each account cannot cost the company more than $100, for example, they'll likely meet that constraint, but in doing so may attract riskier, less profitable customers. This would, in turn, necessitate an underwriting adjustment to the point that each account could no longer cost more than $70, which would push the marketing team to rely more heavily on the lowest-hanging fruit – even riskier, less profitable customers than before. The only way to break this vicious cycle is to integrate those two separate teams.

3. Offer secured cards

All credit card companies should offer secured credit cards for two very simple reasons: 1) they provide profitable access to a significant consumer segment without adding any risk and 2) soliciting secured card customers who prove their creditworthiness will become one of your most efficient marketing channels. It's a can't-lose strategy made even more essential now that the CARD Act has mitigated both the profitability and popularity of unsecured credit cards for people with bad credit.

4. Appeal to former debit card users

In the past, consumers have gravitated to debit cards instead of credit cards for three main reasons: 1) a desire not to have to pay bills; 2) the urban legend that debit cards provide fraud protection superior to that available via credit cards; and 3) the decreased risk of overspending.

However, recent overdraft and swipe fee regulations have resulted in a mini-exodus from debit cards, driven primarily by the near-extinction of debit card rewards. This means a significant opportunity exists for credit card companies to add valuable new accounts to their rewards portfolios. The key to addressing the aforementioned consumer concerns is a combination of auto-pay plans, customizable limits, and education about the relative merits and risks of both credit cards and debit cards. Marketers can thereby ensure that rewards are the deciding factor in people's minds.

5. Leave no customer empty handed

When a customer comes to a bank in search of a credit card, you're seeing the fruits of a lot of time and money spent on marketing. The most irresponsible thing you can do at this juncture is turn the consumer down for whichever card they apply and offer no profitable, attainable alternative. At the very least, a secured card will be fitting, and by exhausting every opportunity to turn potential customers into customers, you'll drastically increase the efficiency of marketing dollars.

Ultimately, it's no secret that the credit card company making the most out of every marketing dollar spent generally wins, as that company can simply outspend the competition. It's therefore key that marketing executives think not only about their advertisements and value propositions, but also about product terms, card profitability, and customer experience. In short, mechanisms like those discussed in this article could significantly increase marketing budget efficiency.

Turnkey Debit Card Marketing Campaign Yields Profit

Product and Marketing Managers at small to medium sized banks and credit unions have many of the same goals as their peers at larger institutions: provide attractive products and services that compete in the market, while increasing profitability.

Unfortunately, the smaller financial institutions are often limited in resources, with employees wearing multiple hats across various organizational functions. They know that they could drive more profitable cardholder behavior through targeted marketing campaigns, but they simply lack the time and resources to effectively execute these programs.

THE CHALLENGE

Marketers need to drive additional debit card usage, grow interchange revenue, and strengthen their "Primary Financial Institution" status. They could execute a debit card marketing campaign to their cardholders, but they face several challenges:

- **Segmentation** – The FIs cannot afford to market to their entire base, so it is imperative that they target a specific receptive segment.
- **Execution** – Campaign concept, creative design, printing and mailing – all this takes time and resources, both of which are in short supply.
- **Fulfillment** – Figuring out which cardholders qualified for a reward and delivering the appropriate reward can be time consuming.
- **Measurement** – The marketers need hard results to justify their spending.

So while they may know what to do, they also know that on their own, they just don't have the scale and resources required to execute an efficient and effective debit card campaign.

THE SOLUTION

In early 2012, Saylent offered the "Treat Yourself" turnkey debit card marketing campaign. The campaign targeted underperforming debit cards, specifically those performing 1-5 POS Signature transactions per month. Cardholders were incented to elevate usage to 15 or more POS Signature debit card transactions per month. Cardholders were rewarded with a free movie ticket if they reached the goal.

Saylent delivered a complete turnkey campaign across six financial institutions, handling every aspect of the campaign, from segmentation to execution to post-campaign measurement and reporting. Saylent's Card360 Payment Intelligence software was used for segmentation, qualification analysis and reporting.

- **Segmentation** – The Card360 software sifted through over 1.8 million transactions on 290,000 active debit cards across six institutions, and in the blink of an eye found just over 26,000 cardholders, or about 9%, that fit the target profile.
- **Execution** – Saylent provided the campaign concept and creative design. Every institution's direct mail piece was customized with their individual branding. FIs need only provide logos, card art, return address and final approval on the design. Direct mail postcards were sent out to the 26,000 targeted cardholders, again after approval by the FIs.
- **Fulfillment** – Saylent's Card360 evaluated each cardholder's transaction behavior to identify if the incentive criteria were met. After the campaign period came to a close, incentive fulfillment was managed by Saylent and in the hands of the cardholders within weeks.
- **Measurement** – At the close of the campaign period, and again after 3, 6, and 12 months, the targeted cardholders are analyzed and the results reported. The marketers were armed, not with mere estimates, but with the actual results showing a dramatic, sustainable change in behavior.

Marketing of loans

I. Introduction

In the last decade a market for selling commercial and industrial bank loans has opened. Since bank loans were previously nonmarketable, this innovation in banking is of critical importance to both academic economists and public policy makers. The existence of this new market challenges recent theories of financial intermediation which would predict that loan selling would be a 'lemons' market. Loan sales also contradict the presumption that bank loans are illiquid, which is the underlying rationale for much of bank regulation and Central Bank policy. Yet, little is known about this new market for loans, in part due to a lack of data. In this essay we use a sample of over 800 individual loan sales to investigate the nature of loan sales contracts.

Commercial and industrial loan sales grew tremendously during the 1980s. As Table 1 indicates, the outstanding amount of commercial and industrial loan sales increased from approximately $26.7 billion in the second quarter of 1983 to a peak of $290.9 billion in the third quarter of 1989. This growth has been accompanied by signs of a developing market. In the early stages of the market, the loans sold were very short maturity claims on the cash flows of loans to well-known firms. However, as the loan sales market has grown, the loans sold have increasingly represented claims on riskier firms. Now less than half the loans sold are the obligations of investment-grade firms. There is also evidence that the maturities of loan sales contracts have increased. In 1985, 80 percent of the loan sales had maturities of 90 days or less, while by mid-1987, over half had maturities exceeding one year.[1]

A commercial loan sale or secondary loan participation is a contract under which a bank sells a proportional (equity) claim to all or part of the cash flow from an individual loan to a

[1] See Gorton and Haubrich (1989) for a complete description of the development and regulation of the loan sales market.

Customer Retention in Banks

Businesses across segments are constantly balancing the cost to acquire a customer with the lifetime value he/she can deliver. This is more prevalent in scale driven industries such as banking and retail where profitability is achieved only once a certain mass of customer base is achieved owing to high levels of investment required to set up the business. The truth also lies in the fact that while attracting customers is a tricky game to play, retaining them is a totally different ball game. However, if one were to look deep enough, each paradigm can derive relevant insight from the other.

When it comes to customer acquisition in the area of retail banking and more so in developing economies - revenue forecasts, budget decisions, technological and capital investments, decisions are based hugely on the prospects of breaking into a new segment and acquiring customers aligned to market demographics.

Zeroing in on India, whose population demographics are skewed towards the mid-20's segment, we find huge potential in this particular prospect base and that there are a few definite trends to keep in mind when evaluating strategies. The top 3 trends that Indian banks need to bear in mind:

- **The proliferation of social media:** With more than 14mn people active on social media channels like Facebook, Twitter and Digg - banks are investing in establishing a presence in these channels; the need of the hour is to find innovative ways to represent one's brand and engage prospects in a unique manner across these new age channels.
- **Mobile banking as a strategic channel of investment:** When Mobile banking features as the number one niche area for strategizing aggressive business plans in the SBI chairman's note It's a sign of things to come. Banks are seeing a phenomenal increase in the number of mobile banking transactions. Investments in mobile banking need to balance the convenience offered with assurance of security; which is a major concern area when carrying out transactions through mobile.
- **Eroding loyalty:** The recession also has had a huge impact on customer loyalty albeit on a much smaller scale in India. According to a McKinsey report on the consumer and shopping insights of consumers in the Asia Pacific region, the percentage of consumers who "would recommend their financial institution to a family or colleague" was down 20 points. With multibank relationships becoming the norm, personal recommendations from existing customers have become the most trusted means of acquiring customers. The truth today, however, is that customers have a greater tendency to "shop" and the informal nature of activity on social media and proliferation of detailed information on websites like loan modeling, etc certainly helps boost this tendency. Banks are now dragged to compete on a per product basis, which is especially wasteful considering that in comparably large and invested

industries like retail and insurance, brands are still a major factor when it comes to individual product level decisions.

To summarize, customer acquisition has become complex as the average consumer is more sophisticated, knowledgeable and more importantly- connected. Good news and bad news alike spread fast, rumours abound and impressions are quick and pervasive. New age media like Wiki leaks today have the power to make or break a customer's impression of a bank in seconds.

When it comes to customer retention, the challenge is all the more interesting and it borrows heavily on these trends as loyalty is at an all time low. Hence, increased share of wallet initiatives today look scarily similar to customer acquisition strategies rather than retention. Customer initiatives need to build on loyalty and the key to this is delivering contextual and relevant customer experiences in real time. According to Ernst & Young, a new era of retail banking is emerging where the challenge remains to keep the customer experience and wider brand perceptions central to all strategic thinking. Customer experience is the key to retention with customers increasingly finding that price, brand strength and personal attention drive satisfaction. There are reasons why the need for customer centricity has taken centre stage and this requires us to take a step back to understand what this implies.

Since the last decade or so, banks competed with each other via investing into building an extensive product portfolio or a multi-channel strategy or with a relationship focus. Of course, no particular option is mutually exclusive; however, it is only one of these approaches that achieves mainstream adoption in a bank and becomes all pervading. That said, with the growing maturity of banks and importantly, sophistication of consumers, these are no longer feasible avenues of achieving "unique" competitive advantage. It's time to dig deeper. To a consumer, a bank stands for its brand promise – a succinct expression of what the bank stands for. It's time that banks took a deeper look into this brand promise and capitalize on the maturity that their customers have acquired.

A bank's brand promise is tacit; it signifies customer expectations at one level and is the subconscious image a bank creates in a customer's mind. This is marketed by the bank's echelon - the decision and delivery of what value a bank will fundamentally deliver to its customers. What the bank will stand for is decided in closed boardrooms with ample time and effort investment from the Chairman, CEO, President and other CXOs. Large amount of funds are spent on getting this message across via various marketing campaigns targeting every relevant medium- from the local billboard to Sachin Tendulkar's cufflink. When successful, it leaves an impression in the minds of existing customers of the incremental value to be delivered over the next interaction and a distinct expectation in the mind of prospects.

Unfortunately this is where the gap exists today. The promised experience is, however, delivered at the last mile, consisting of actual people that a customer interacts with. The reality today is that the highly occupied teller is at most times so far buried in the computer screen that there isn't even a smile exchanged over the counter. This is usually what follows after a glossy full length feature in the local newspaper advertisement that talks of service with a smile as the bank's brand promise.

Upon scrutiny, we understand that at one level, bank employees are unable to deliver on this higher brand value due to lack of an understanding. Consider this, how can a teller know how "customer centricity" as a theme translates to everyday actions or reactions. At a second level, supporting systems are also unprepared to capture the tacit aspects of what delivering on brand promise entails. At a third level and possibly the most important, there needs to be sufficient focus and investment on hiring, training and nurturing. This training and education should be targeted towards the customer facing executives; educating them about the need to understand the concept of 'customer experience' and focus at an interactions level. Ultimately, the present level of preparedness among average bank branch leads to customer dissonance and thereby, lack of loyalty.

To address this gap, a lot of thought needs to go into deriving an understanding of the fundamental reason or value a customer expected when they chose one bank over the other. With this fundamental understanding, banks can then build on converting existing customers from satisfaction to loyalty and eventually to advocacy - this has to translate into every transaction and every conversation. What this also requires in part is investing in customer experience management software that aid banks to deliver on this brand promise.

This strategic investment can bring about a whole new level of competitive advantage to banks across the world and will be the platform of the future to compete on. So, if you are a decision maker at a bank, have you asked yourself today and do you know why your customers chose you? What is your ultimate competitive advantage? Will customer experience be your next big bet?

Marketing Strategy of Credit Cards

Constructing an effective credit card marketing strategy isn't as simple as throwing a precious metal into a card's name or casting Alec Baldwin for television spots. That's not to say such tactics cannot be effective, but rather that real success stems from the creation of an environment in which marketing is not a separate function, but an integrated part of all credit card operations, ranging from underwriting to product development and customer retention. In short, the best marketers engage in activities and institute polices that foster the most efficient use of marketing dollars possible.

There are, of course, many ways to do this – some innovative, some tried and true – and a lot depends on your company's corporate philosophy, structure, financials, etc. However, there are 5 tactics in particular that you would be remiss in not implementing immediately, if you haven't already done so.

1. Focus each product on a single consumer need

By focusing each credit card offer on a distinct consumer need, you garner both the ability to present more effective value propositions to consumers and a customer base that behaves as predictably as possible, thereby making it easier to forecast card profitability as well as adjust marketing strategies based on early returns. This is obviously difficult to achieve if the same card is trying to address disparate needs. For example, if a card provides lucrative rewards as well as low introductory interest rates, you'll wind up with some customers who spend a lot and always pay their bills in full, some who spend and only pay the minimum, and some who transfer balances with no guarantee that they will keep their cards following the expiration of intro rates.

On the other hand, if you offered three different cards – one high-interest rewards credit card, one 0% credit card for new purchases, and one balance transfer credit card – you'd garner three highly-predictable customer groups. That, of course, would allow you to target underwriting and marketing more effectively, better manage risk, and ultimately make more money.

2. Bring together marketing and underwriting

Too often the marketing and underwriting teams at credit card companies are disparate entities that have effectively little, if anything, to do with one another. You know what this leads to? Applicants that do not fit the underwriting criteria used to develop offers and underwriting conservatism that could easily be avoided. A credit card's marketing message significantly affects the type of consumer that will apply for it. And if the only direction given a marketing team is that each account cannot cost the company more than $100, for example, they'll likely meet that constraint, but in doing so may attract riskier, less profitable customers. This would, in turn, necessitate an underwriting adjustment to the point that each account could no longer cost more than $70, which would push the marketing team to rely more heavily on the lowest-hanging fruit – even riskier, less profitable customers than before. The only way to break this vicious cycle is to integrate those two separate teams.

3. Offer secured cards

All credit card companies should offer secured credit cards for two very simple reasons: 1) they provide profitable access to a significant consumer segment without adding any risk and 2) soliciting secured card customers who prove their creditworthiness will become one of your most efficient marketing channels. It's a can't-lose strategy made even more essential now that the CARD Act has mitigated both the profitability and popularity of unsecured credit cards for people with bad credit.

4. Appeal to former debit card users

In the past, consumers have gravitated to debit cards instead of credit cards for three main reasons: 1) a desire not to have to pay bills; 2) the urban legend that debit cards provide fraud protection superior to that available via credit cards; and 3) the decreased risk of overspending.

However, recent overdraft and swipe fee regulations have resulted in a mini-exodus from debit cards, driven primarily by the near-extinction of debit card rewards. This means a significant opportunity exists for credit card companies to add valuable new accounts to their rewards portfolios. The key to addressing the aforementioned consumer concerns is a combination of auto-pay plans, customizable limits, and education about the relative merits and risks of both credit cards and debit cards. Marketers can thereby ensure that rewards are the deciding factor in people's minds.

5. Leave no customer empty handed

When a customer comes to a bank in search of a credit card, you're seeing the fruits of a lot of time and money spent on marketing. The most irresponsible thing you can do at this juncture is turn the consumer down for whichever card they apply and offer no profitable, attainable alternative. At the very least, a secured card will be fitting, and by exhausting every opportunity to turn potential customers into customers, you'll drastically increase the efficiency of marketing dollars.

Ultimately, it's no secret that the credit card company making the most out of every marketing dollar spent generally wins, as that company can simply outspend the competition. It's therefore key that marketing executives think not only about their advertisements and value propositions, but also about product terms, card profitability, and customer experience. In short, mechanisms like those discussed in this article could significantly increase marketing budget efficiency.

Debit Card Marketing

Debit cards were supposed to be toast. The industry started writing their obituary when financial reform targeted overdraft fees and interchanges or "swipe" fees, which had made debit cards extremely lucrative for banks. So why is it that banks are now pushing debit cards like never before?

Because banks are earning less from debit cards, you might think that they'd want to steer customers away from using them. In fact, just the opposite is true. Banks are trying to make up for the decrease in the amount collected per fee with increased volume. "You need economies of scale" to make today's debit-based business model work, says Brian Riley, senior research director at CEB Tower Group.

In reality, the actual increase in debit card marketing is probably a lot higher, since the direct-mail stats don't take into account the exponential rise in online marketing that's taking place. A decade ago, direct mail used to account for more than 60% of openings, but it's now fallen to less than a third of that, Riley says. Comparatively, only 4% of new applications for card-linked accounts used to come via the Internet, but now that figure has climbed to almost 40%.

Bank Loan Marketing Strategy

1. Generating Loans with Behavior Triggers

While loan business overall is down, the ability to quickly respond to a customer's behavior when they are shopping for a loan can be the difference between expanding a current relationship or potentially losing a customer. By leveraging relatively easily accessible credit bureau insight, you can deliver highly relevant communications through multiple channels to generate a steady stream of qualified and ready-to-borrow households.

As the name implies, a loan behavioral trigger lead is created when a customer or prospect is applying for a new loan or is about to refinance an existing loan. Used extensively by the mortgage industry recently due to the large number of households seeking to refinance, triggers also point to households looking for an equity line of credit, new car or even a credit card.

These loan shopper lists are available on a daily, weekly (1-7 days old) or monthly basis (1-30 days old) and are very time sensitive since the candidate is actively seeking a loan or line of credit. As can be expected, using daily triggers is the most expensive due to both the cost of the list and the cost of daily processing/production, but these lists also produce the best results.

The lists can be customized, allowing a financial institution to select candidates based on filters such as credit score, amount of revolving debt, seasoning, LTV, monthly payment amounts, number of recent inquiries on file or any other criteria desired. Phone numbers can also be appended to the lists for an additional charge. History shows that those households with multiple recent inquiries are better prospects since they are considered 'active shoppers'.

By helping to solve for the mystery of timing, many multichannel loan trigger programs can result in marketing program performance improvement of 5x, 10x or more compared to traditional loan acquisition programs. The challenge for many banks and credit unions is developing an implementation strategy that can process and deliver communications daily and can follow-up on the leads quickly and effectively.

Loan Behavioral Trigger Process

If the program is focused on identifying current customers shopping for a new loan, there is the potential to connect with these households using direct mail, email, digital communications, mobile and a phone call. This integrated cross-channel strategy is the most effective since most institutions don't know which channel(s) their customer is most responsive to. In addition, while a phone call and email are the quickest to implement, the penetration of usable/allowable phone numbers and email addresses is limited.

Some banks reach out multiple times using direct mail and email to ensure they are 'in the mix' when the customer makes a final lending institution decision, while many financial institutions are using their online banking 'offer' pages and even retargeting strategies to keep their message front and center. Due to the time sensitivity, mobile messaging may also be effective if a financial institution has the capability to connect with a customer through texting. In all cases, landing pages are an important component of the communication strategy.

Loan behavioral triggers can also target prospects within a certain geographic area using close to the same strategy. The primary difference is the difficulty in appending as many phone numbers to the files and the hesitation of most organizations to use email for prospecting. Digital communication can still be integrated, however, using advanced geo-targeting techniques combined with SEO tools. With prospecting, integrating a landing page is paramount to success.

The chart below illustrates the potential effectiveness of a behavioral trigger program built by Datamyx, a provider of tri-bureau data for financial institutions. As can be seen the impact of such a program across product lines can be significant.

30-Day Pro Forma Expectations

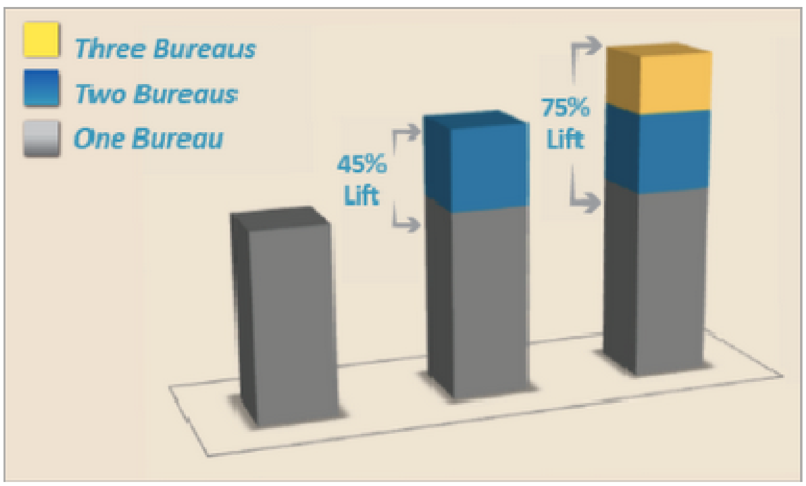
Trigger Type	Customers Monitored	Match Rate*	Matches	Contacts	Sales	Revenue per Sale	Total Revenue	CPA
Mortgage	250,000	3.2%	8,000	2,800	280	$4,375	$1,225,000	$32
Automotive	250,000	1.6%	4,000	1,400	140	$450	$63,000	$57
Installment	250,000	1.6%	4,000	1,400	140	$150	$21,000	$57
Bankcard	250,000	0.8%	2,000	700	70	$350	$24,500	$107
Insurance	250,000	1.4%	3,500	1,225	123	$1,800	$220,500	$64

* The above match rate represents average baseline metrics of client performance; assuming tri-bureau utilization and minimal criteria.

2. ***List Options***

All major credit bureaus have the ability to support behaviorally based loan trigger programs and can provide lists on a daily basis. They can also allow your institution to select your candidates based on a wide selection of credit and non-credit attributes. But all credit bureaus are not created equal. Each tend to use different collection, aggregation and reporting strategies and as a result differ on their depth of data for any particular household.

As a result, many of my clients have begun to use multiple bureaus to support their event-based trigger programs. By doing so, greater data can be leveraged for both selection and modeling purposes. In fact, a recent case study by Datamyx found a 70% lift in marketing universe (scalability) as well as a 25% improvement in both response and conversion rates by using three bureaus as opposed to just a single bureau.



Benefit of Tri-Bureau List Sourcing - Datamyx 2012

3. *Creative Messaging*

As with any effective direct marketing program, it is important to use creative that clearly states the benefit to the customer as well as how the customer should respond. Since the nature of this marketing communication is in response to a overt customer activity, the communication should be direct with regards to why the customer should include your bank in the competitive set for a new or refinanced loan. If they are a current customer, you should also leverage the power of your relationship with the customer.

All channels should support each other and should provide multiple options for response. A phone number should be provided as well as a landing page where the customer/prospect can initiate the loan application process. Most importantly, since the loan can most likely not be closed online, immediate follow-up by a live representative of the lending area is paramount to the success of the program. Without timely follow-up, the customer/prospect will move to one of the several other alternative organizations that have also reached out to the candidate.

4. ***Test and Learn Approach***

Behavioral trigger loan marketing requires a 'test and learn' approach to determine the most effective list and channel combinations. This is especially necessary given that the most effective trigger based data is derived from a combination of potentially dozens of credit criteria. The payoff for testing alternative strategies is directly correlated to the level of investment in sourcing, creating, evaluating, testing and modifying trigger criteria over time.

The biggest shift in debit card marketing is the reintroduction of rewards programs, which were eliminated in "knee-jerk" fashion a few years ago, says Riley. Today's programs are different from the ones they're replacing, though. The older programs allowed users to swipe cards and accumulate a pool of points that could be cashed in. The typical debit card reward program nowadays gives customers rewards in the form of a percentage or dollar amount off at a local business or national retailer they've shopped at before. Customers pay the full amount up front at the cash register with their debit cards, and later get a credit for the discount on their statements.

"It kind of changes the whole mindset," Riley says. "To me, a reward is aspirational."

Inspirational doesn't always lend itself to smart spending, though, since some people are tempted to overspend in order to get a "free" perk. This more restrained, coupon-esque approach to rewards is probably a better fit for today's consumers, who are always looking for a deal.

Marketing Strategy of Barter Card

Before the digital age, barter was physical. I gave you rice and in exchange you provided me with cooking oil. You fixed my car and I helped you file your tax returns. Digital innovation is providing new ways of enabling exchanges and redefining the role of money. If you are in Africa you may choose to pay with phone minutes. The innovation is in the payment model that uses existing technological infrastructure. Africa has more than 100 million mobile phones. By 2012, it will have almost 400 million phones. But people in Africa have limited access to a reliable and stable banking system in parts of the vast continent.

Enter innovation. The mobile phones are doubling up as electronic wallets. The vast majority of mobile users in Africa do not have post-paid connections. They buy "phone minutes" from shops. The mobile network of Kenya has an innovative payment mechanism called M-Pesa. M stands for Mobile and Pesa in Swahili means money. People can send to each other via text, value in the form of phone minutes. During the political instability in Kenya in 2008 phone shops were closed, phone cards became scarce and phone minutes became a quasi-currency. Family members sent phone minutes across networks at great distances which people used to buy food and other necessities. Suddenly a mobile telephony company has the opportunity of replacing a mint or a bank in creating a new type of currency or enabling a new form of barter.

There is another kind of innovation from Down Under. You have heard of Diners, Visa and Master cards. Have you heard of a Barter card?

Barter card is the world's largest barter trading exchange. Barter card enables member businesses to exchange goods and services with other member businesses without using cash or cash equivalents. It operates in 9 countries with a member database of over 75000. Members earn Barter card Trade Dollars for the goods and services they sell and this value is recorded electronically in the member's account database.

According to International Reciprocal Trade Association more than 400,000 businesses transacted $10 billion globally in 2008 and the volume of business is growing. Barter exchanges are taking a leaf out of the time-share condominium business. They are marketing barter cards as a tool of enhancing capacity utilization and volumes. Hotels, for instance, which are suffering from low occupancy, are "banking" rooms to create credits which can later be used to buy flowers, paint and chicken. The barter cards of the world are making the exchange methods more sophisticated and with the touch and feel of bank credit cards. They issue monthly statements and an interest-free line of credit –with solid security and safety. A hotel in need of Rs 50,000 worth of paints may offer meals worth Rs 50,000. It is unlikely that the paint supplier will use Rs 50,000 to buy biriyanis or tandoori chickens. But he does not have to. In the exchange transaction, the hotel owes Rs 50,000 to the network, not to the paint supplier. The paint supplier is free to buy other stuff he needs by using his "credit". The exchange becomes a sophisticated, multilateral barter clearing house.

The banking system is unlikely to be replaced by these innovations in payment systems. They will merely supplement it. Therefore, Voltaire's advice may still be valid, "If you see a Swiss banker jump out of a window, follow him. There is surely money to be made,"

Marketing Strategy to Promote Savings

Marketing savings requires a more proactive approach than marketing credit, and has proved particularly challenging with low-income clients. Cecilia Ramon points out:

While new clients will approach the bank for loans, for savings it is the reverse. The bank must seek out the clients. This requires the bank to adopt a more aggressive marketing strategy to promote savings.

However, some clients are able to adopt disciplined savings habits, and make regular deposits and withdrawals. Sonia Reyes, the Banks financial manager, described increases in deposits and withdrawals every two weeks to every month, patterns that mirror income receipts and utility payment schedules.

Mr. Raymond Lopez, a loan officer, observed improvements in quality of life for clients who adopt an active savings strategy. Clients who make regular deposits are more capable of accumulating the resources to improve their housing, invest in their childrens education and/or expand their businesses. They are also better positioned to handle unforeseen expenses due to illness, death or accident.

Core Marketing Strategy

The bank continues to promote savings through (1) loan officers, (2) financial education, and (3) annual promotional campaigns.

Loan officers remain the primary salespeople for deposit accounts, although their primary product is credit. Currently, there is no separate fleet of officers to promote savings. Cecilia Ramon feels this might be valuable in the long term, specifically to target salaried and higher income savers.

Annual Campaigns

ADOPEM‟s marketing team manages three promotional campaigns each year, each of which offers distinct incentives for clients with high deposit balances and strong credit ratings.

These campaigns include:

Mother's Day. Clients with high levels of deposits are entered into an electronic drawing for cash prizes based on their total deposits.

o Clients with deposits totaling 1,000 pesos or more have the opportunity to win 100,000 pesos

o Clients with deposit amounts between 500 and 999 have the opportunity to win 30,000 pesos

o Clients with deposits between 250 and 500 have the opportunity to win 10,000 pesos.

Back to School. The bank offers a back-to-school promotional package for clients who purchase a new financial product, make a significant deposit or have maintained a strong credit history.

Christmas. This Christmas, the bank entered all credit clients into raffles to win 5 prizes of 10,000 pesos each, and raffled television sets to remittance clients.

Targeted Campaigns

Savings Cans. The marketing department has designed decorative orange savings cans specifically for clients with inactive accounts to encourage savings. The cans show an overflowing list of the many reasons to save including education, housing, vacation, security, business, cars and retirement, and a series of maxims such as the simple phrase: „he who saves, always has."

Nike Girl Effect: Savings Accounts for Girls. In early 2010, ADOPEM launched a program to provide targeted savings accounts and financial education to young girls. The project is part of the Nike Foundations Girl Effect campaign to promote girls empowerment, and is funded through a partnership between Women's World Banking (WWB) and the Nike Foundation.

UNIT-3

Mutual Fund' Concept

A mutual fund scheme has a unique risk profile that is determined by its portfolio. It generates good returns and also keeps the risk minimal in a stipulated time frame. Investing in a mutual fund scheme gives investors the benefits of a diversified portfolio, professional management, flexibility, and easy liquidity among others.

Mutual Fund Classifications:

Mutual fund schemes can be classified on the basis of maturity or the investment objective.

Schemes According To Maturity Period:

A mutual fund scheme can be classified into open-ended scheme or close-ended scheme depending on the maturity period.

- **Open-Ended Fund/ Scheme:** An open-ended fund or scheme is one that is available for subscription and repurchase on a continuous basis and does not have a fixed maturity period. It gives investors the convenience to buy and sell units at Net Asset Value (NAV) related prices which are computed on a daily basis. Liquidity is the key feature of this scheme.
- **Close-Ended Fund/ Scheme:** A close-ended fund or scheme has a stipulated maturity period of say 5 to 7 years. The fund is open for subscription only for a specific period at the time of launch of the scheme. Investors can invest at the time of the initial public issue and thereafter they can buy or sell units of the scheme on the exchanges where the units are listed.

To provide an exit route to investors, some close-ended funds give an option of selling back the units to the mutual fund through a periodic repurchase. SEBI regulations stipulate that at least one of the two exit routes is provided to the investors i.e. either repurchase facility or through listing on stock exchanges. These schemes disclose the NAVs generally on a weekly basis.

Schemes According To Investment Objective:

A scheme can also be classified as a growth scheme, income scheme or a balance scheme based on its investment objective. These schemes may be open-ended or close-ended. They can be classified as follows.

- **An open-ended fund** or scheme is one that is available for subscription and repurchase on a continuous basis and does not have a fixed maturity period. It gives investors the convenience to buy and sell units at Net Asset Value (NAV) related prices which are computed on a daily basis. Liquidity is the key feature of this scheme.

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Schemes According To Investment Objective:

A scheme can also be classified as a growth scheme, income scheme or a balance scheme based on its investment objective. These schemes may be open-ended or close-ended. They can be classified as follows.

- **Equity-oriented Scheme (Growth Funds):** The aim of growth funds is to provide capital appreciation over medium to long term. Such schemes normally invest a major part of their corpus in equities and have comparatively high risks. They provide different options to the investors like dividend and growth options depending on their preferences. The investors must indicate the option in the application form. This mutual fund scheme also allows investors to change the options at a later date. Growth schemes are good for investors with a long-term outlook seeking appreciation over a period of time.

Equity-oriented funds can be further categorized into:

- **Specialty Equity Funds**: These funds have a narrow portfolio orientation and invest only in companies that meet the pre-determined criteria. The different kinds of funds that fall in this category are: sector funds that invest in only in a specific sector, global funds that invest in equities in one or more foreign countries thereby achieving diversification across the country's borders and others.
- **Equity Linked Saving Schemes (ELSS):** The advantage of investing in such schemes is the tax benefit that an investor gets under section 80C of the Income-tax Act, 1961 up to Rs 1 lakh. These schemes have a lock-in period of minimum 3 years.
- **Diversified Equity Funds:** A fund that seeks to invest only in equities, except for a very small portion in liquid money market securities, but is not focused on one or few sectors or shares may be termed as a diversified equity fund. While exposed to all equity price risks, these schemes seek to reduce the sector or stock specific risk through diversification.

Mid-cap or Small-cap Funds: These funds invest with relatively lower market capitalization than that of blue chip companies. This makes them more volatile at times than mid-size or smaller companies' shares that are not very liquid in the markets. Small company funds may be more risky due to their aggressive growth style.

Index Fund: Index funds replicate the portfolio of a particular index like the BSE Sensex and NSE 50 Index (Nifty) to name a few. These schemes invest in securities comprising the index and also in the same weight age. NAVs of index fund schemes rise or fall in accordance with the rise or fall in the index that they are replicating, though not exactly by the same percentage due to factors known as "tracking error" in technical terms. Necessary disclosures in this regard are made in the offer document of the mutual fund scheme.

Income Or Debt-oriented Scheme: Income funds, as the name suggests, provide regular and steady income to investors. Such schemes generally invest in fixed income securities such as bonds, corporate debentures, government securities and money market instruments. They are less risky as compared to equity schemes. These funds are not affected by fluctuations in the equity markets.

However, the chances of capital appreciation are limited in such funds. The NAVs are affected due to changes in interest rates in the country. If the interest rates plummet, the NAVs of the schemes are likely to increase in the short run and vice versa.

Balanced Fund: Balanced funds give both growth and regular income as these schemes invest in equities and fixed income securities in the proportion indicated in their offer documents. These are appropriate for investors looking for moderate growth. These funds are also affected due to fluctuations in share prices in the stock markets. However, NAVs of such funds are likely to be less volatile as compared to pure equity funds.

Money Market Or Liquid Fund: Money Market or Liquid Funds are also income funds and their aim is to provide easy liquidity, preservation of capital and moderate income. These schemes invest exclusively in safer short-term instruments such as treasury bills, certificates of deposits, commercial paper and inter-bank call money, government securities and others. Returns on these schemes fluctuate lesser than other schemes. They are appropriate for individual investors who wish to park their surplus funds only for a short-term period.

Gilt Fund: Gilt funds invest exclusively in government securities and they have no default risk. The Net Asset Value (NAV) of these mutual fund schemes tend to fluctuate with changes in interest rates and other economic factors as is the case with income schemes or debt-oriented mutual fund schemes.

Mutual Fund Marketing

Mutual fund shares are marketed according to the rules established by the Investment Company Act of 1940.

Any mutual fund advertisement containing performance data must include a legend that discloses these important facts:

- the data represents past performance and is not an indication of future results
- an investor's principal value will fluctuate and may be worth less than the original amount invested.

Mutual fund advertisements are also required to state where a potential investor may obtain a prospectus, and they must recommend that the investor read the prospectus carefully before investing any money. No application to invest in the investment company's fund may accompany any type of mutual fund advertisement. You can find more detailed information on FINRA rules concerning mutual fund marketing in the Marketing and Sales Presentation section.

Mutual Fund Pricing

Investors must always pay the full price when buying mutual fund shares. The full price represents the net asset value plus a sales charge (if applicable). This is called the public offering price (POP).

Net Asset Value (NAV) Per Share

Net asset value (NAV) is determined by dividing the net assets of the fund by the total number of outstanding shares. The NAV must be computed at least once a day. The NAV is calculated at the end of trading on the New York Stock Exchange; orders to buy and sell the fund are based on the price to be computed at that time, so if an investor buys shares of the fund at 10:30 a.m., the price paid will not be known until after the close of trading on that day.

To calculate the NAV of a mutual fund, remember the following formula:

$$\textbf{NAV} = \frac{\textbf{Assets} - \textbf{Liabilities}}{\textbf{Number of outstanding shares}}$$

Marketing Strategies for Mutual Funds

Mutual funds are baskets of stocks that are actively managed by a professional investor. You can choose from more than 10,000 funds from the United States. Large fund companies such as Charles Schwab, Fidelity and Vanguard offer these funds to individuals using a number of different marketing strategies. In fact, Fidelity has been so successful that it has surpassed $1 trillion in assets under management.

1. Business Accounts

The most common sales and marketing strategies for mutual funds is to sign-up companies as a preferred option for their retirement plans. This provides a simple way to sign-up numerous accounts with one master contract. To market to these firms, sales people target human resource professionals. Marketing occurs through traditional business-to-business marketing techniques including conferences, niche advertising and professional organizations. For business accounts, fund representatives will stress ease of use and compatibility with the company's present systems.

2. Consumer Marketing

Consumer marketing of mutual funds is similar to the way other financial products are sold. Marketers emphasize safety, reliability and performance. In addition, they may provide information on their diversity of choices, ease of use and low costs. Marketers try to access all segments of the population. They use broad marketing platforms such as television, newspapers and the internet. Marketers especially focus on financially oriented media such as CNBC television and Business week magazine.

3. Performance

- Mutual funds must be very careful about how they market their performance, as this is heavily regulated. Mutual funds must market their short, medium and long-term average returns to give the prospective investor a good idea of the actual performance. For example, most funds did very well during the housing boom. However, if the bear market that followed is included, performance looks much more average. Funds may also have had different managers with different performance records working on the same funds, making it hard to judge them.

4. Marketing Fees

- Mutual funds must be very clear about their fees and report them in all of their marketing materials. The main types of fees include the sales fee (load) and the management fee. The load is an upfront charge that a mutual fund charges as soon as the investment is made. The management fee is a percentage of assets each year, usually 1 to 2 percent.

Insurance Policies in India

Indian insurance industry is flourishing with global players. Strong regularity norms by Insurance Regulatory and Development Authority (IRDA) have actually helped the industry to flourish. Sector reforms by government gave real boost to insurance sector which has become a center of attraction. Investment guru Mr. Warren buffet visited India last week. He wants to enter into the untapped Indian insurance market. He is planning to enter with general insurance.

Insurance has become a big industry in India now; more than 20 life insurance companies are offering different products in India. In order to choose the suitable policy, it is very important to know different product offerings by all insurance companies.

Type of Insurance Policies/ Products

Insurance can be broadly classified into two categories life and general insurance.

1. **General Insurance**
   General Insurance is basically non life insurance, which is meant for short period of time, ideally twelve month or less. Now a day, some companies make contracts for more than twelve month but not more than 5 years.

Vehicle insurance, fire insurance, marine insurance etc. falls under general insurance category.

In India, ICICI Lombard, National Insurance, Oriental Insurance, Reliance, Cholamandalam MS, Tata AIG, HDFC Ergo etc provide general insurance.

2. **Life Insurance**
   Life insurance is the most discussed stuff in the industry. Most of the people know about the insurance but they do not the difference of the same. The good thing about insurance is that the awareness has been increasing over a period of time. A decade back, people used to buy insurance because somebody forms their family or friends force him/her to buy it. But now people buy insurance to mitigate the risk. People have started understanding the need of an hour.

Life insurance can be classified as whole life plan, endowment, term plan, money back plan and Unit Linked Insurance Plan (ULIP).

- **Whole-Life Plan** – insurance company collects premium from the insured till the retirement or the term of the policy and pays the claims to the nominees only after the death of the insured person. This helps the family to survive better after the death of insured.
- **Endowment** – Insurance company collect premium form the insured for the certain period of time like 15, 20, 25, 30 years. Company pays sum assured to the nominees in case of death of the insured during the policy period or pay the premium paid by the insured with fix returns (as per policy document) to the insured.
- **Money back** – the policy is useful for that investor who needs periodical payouts. The insurance company collect premium certain period of time which is called premium payment term, and pays percentage of sum assured to the insured on regular interval. If insured dies during the policy term, insurance company pays sum assured and accrued bonus to the nominees.
- **Term plan** – in case of term insurance, insures pay premium to cover the death risk. Insured does not get anything from the insurance company, if he survives till the end of policy term. The premium paid for term cover goes to the company. The good part of this plan is, insured gets maximum death cover with minimum premium. Now a days, companies have come up with insurance with return of premium, if nothing happens to insured during the term of the policy, the company pays part of the premium back to the insured.
- **ULIP** – it is a new flavor of insurance which is a mix of investment as well as insurance. Insurance companies collects premium form client and invest the same into equity and debt markets. The returns generated by this investment are passing on to the inventors at the maturity. The insured person gets the benefit of risk cover as well as the investment gains. The product also offers the flexibility of partial withdrawal after certain period of premium payments. In case of death of Insured, the nominee gets the sum assured or fund value, whichever is higher.

Insurance Providers in India

LIC is a leading Insurance company in India followed by ICICI Pru and HDFC Standard Life. The other companies like Birla Sun life, Bharti Axa, Bajaj Allianz, Tata – AIG, Kotak, Max Newyork, SBI Life, Reliance Life etc also provides insurance solutions to the clients.

Tips for Buying Insurance

- Decide the objective/Goal and time frame for risk cover. The product should match your goal and the time horizon as well.
- Decide the life risk (sum assured) which needs to be covered. You should not be over insured or under insured.
- Compare all the available option in the selected category from all the insurance company. You can compare it online. Now days, many website provide comparison of selected product.
- Do your own research about the product; try to understand the working of the selected product.
- When you are investing into Unit linked Insurance plan, do not forget to choose the fund option. One should choose the fund option based on his/her risk appetite.

Last but not the least, life is unpredictable and uncertain with unknown future, so be wise and insure yourself and secure tomorrow for you and your family.

MARKETING MIX (7 P's) FOR INSURANCE Products (Life and Non- Life):

With the Marketing for insurance companies we mean the marketing of Insurance services with the aim to create customer and generate profit through customer satisfaction. This Marketing focuses on the formulation of an ideal mix for Insurance business so that the Insurance organization survives and thrives in the right perspective.

The marketing mix is the combination of marketing activities that an organization engages in so as to best meet the needs of its targeted market. Marketing mix for the Insurance business is needed, because of the Insurance business deals in selling services.

The marketing mix includes sub-mixes of the 7 P's of marketing i.e. the product, its price, place, promotion, people, process & physical attraction.

The above mentioned 7 P's can be used for marketing of Insurance products, in the following manner:

1. PRODUCT:

A product means what we produce. If we produce goods, it means tangible product and when we produce or generate services, it means intangible service product. A product is both what a seller has to sell and a buyer has to buy. Thus, an Insurance company sells services and therefore services are their product.

When a person or an organization buys an Insurance policy from the insurance company, he not only buys a policy, but along with it the assistance and advice of the agent, the prestige of the insurance company and the facilities of claims and compensation.

It is natural that the users expect a reasonable return for their investment and the insurance companies want to maximize their profitability. Hence, while deciding the product portfolio or the product-mix, the services or the schemes should be motivational.

In short, the formulation of product-mix should be in the face of innovative product strategy. While initiating the innovative process, it is necessary to take into consideration the strategies adopted by private and foreign insurance companies.

2. PRICING:

In the insurance business the pricing decisions are concerned with:

- the premium charged against the policies,

- Interest charged for defaulting the payment of premium and credit facility, and
- Commission charged for underwriting and consultancy activities

With a view of influencing the target market or prospects the formulation of pricing strategy becomes significant. For example: In a developing country like India where the disposable income in the hands of prospects is low, the pricing decision also governs the transformation of potential policyholders into actual policyholders. The strategies may be high or low pricing keeping in view the level or standard of customers or the policyholders.
The pricing in insurance is in the form of premium rates. The three main factors used for determining the premium rates under a life insurance plan are mortality, expense and interest. The premium rates are revised if there are any significant changes in any of these factors.
- Mortality (deaths in a particular area):

When deciding upon the pricing strategy the average rate of mortality is one of the main considerations. For example: In a country like South Africa the threat to life is very important as it is played by host of diseases.

Expenses:
The cost of processing, commission to agents, reinsurance companies as well as registration are all incorporated into the cost of installments and premium sum and forms the integral part of the pricing strategy.
- Interest:

One of the major factors which determine people's willingness to invest in insurance, is the rate of interest. People would not be willing to put their funds to invest in insurance business if the interest rates provided by the banks or other financial instruments are much greater than the perceived returns from the insurance premiums.

3. PLACE:
This component of the marketing mix is related to two important facets
- Managing the insurance personnel, and
- locating a branch

The management of agents and insurance personnel is found significant with the viewpoint of maintaining the norms for offering the services. This is also to process the services to the end user in such a way that a gap between the services- promised and services -- offered is bridged over. In a majority of the service generating organizations, such a gap is found existent which has been instrumental in making worse the image problem.
The transformation of potential policyholders to the actual policyholders is a difficult task that depends upon the professional excellence of the personnel. The agents and the rural career agents acting as a link, lack professionalism. The front-line staff and the branch managers also are found not assigning due weight-age to the degeneration process. The insurance personnel if not managed properly would make all efforts insensitive. Even if the policy makers make provision for the quality upgrading the promised services hardly reach to the end users.
It is also essential that they have rural orientation and are well aware of the lifestyles of the prospects or users. They are required to be given adequate incentives to show their excellence.

While recruiting agents, the branch managers need to prefer local persons and provide them training and conduct seminars. In addition to the agents, the front-line staff also needs an intensive training programme to focus mainly on behavioral management.

Another important dimension to the Place Mix is related to the location of the insurance branches.

While locating branches, the branch manager needs to consider a number of factors, such as smooth accessibility, availability of infrastructural facilities and the management of branch offices and premises. In addition it is also significant to provide safety measures and also factors like office furnishing, civic amenities and facilities, parking facilities and interior office decoration should be given proper attention. Thus the place management of insurance branch offices needs a new vision, distinct approach and an innovative style. This is essential to make the work place conducive, attractive and proactive for the generation of efficiency among employees. The branch managers need professional excellence to make place decisions productive.

4. PROMOTION:

The insurance services depend on effective promotional measures. In a country like India, the rate of illiteracy is very high and the rural economy has dominance in the national economy. It is essential to have both personal and impersonal promotion strategies. In promoting insurance business, the agents and the rural career agents play an important role. Due attention should be given in selecting the promotional tools for agents and rural career agents and even for the branch managers and front line staff. They also have to be given proper training in order to create impulse buying.

Advertising and Publicity, organization of conferences and seminars, incentive to policyholders are impersonal communication. Arranging exhibitions, participation in fairs and festivals, rural wall paintings and publicity drive through the mobile publicity van units would be effective in creating the impulse buying and the rural prospects would be easily transformed into actual policyholders.

5. PEOPLE:

Understanding the customer better allows designing appropriate products. Being a service industry which involves a high level of people interaction, it is very important to use this resource efficiently in order to satisfy customers. Training, development and strong relationships with intermediaries are the key areas to be kept under consideration. Training the employees, use of IT for efficiency, both at the staff and agent level, is one of the important areas to look into.

6. PROCESS:

The process should be customer friendly in insurance industry. The speed and accuracy of payment is of great importance. The processing method should be easy and convenient to the customers. Installment schemes should be streamlined to cater to the ever growing demands of the customers.

IT & Data warehousing will smoothened the process flow.

IT will help in servicing large no. of customers efficiently and bring down overheads. Technology can either complement or supplement the channels of distribution cost effectively. It can also help to improve customer service levels. The use of data warehousing management and mining will help to find out the profitability and potential of various customers product segments.

7. PHYSICAL DISTRIBUTION:

Distribution is a key determinant of success for all insurance companies. Today, the nationalized insurers have a large reach and presence in India. Building a distribution network is very expensive and time consuming. If the insurers are willing to take advantage of India's large population and

Reach a profitable mass of customers, then new distribution avenues and alliances will be necessary. Initially insurance was looked upon as a complex product with a high advice and service component. Buyers prefer a face-to-face interaction (like consulting and sales innovation using multi touch table – MTT) and they place a high premium on brand names and reliability. As the awareness increases, the product becomes simpler and they become off-the-shelf commodity products.

Today, various intermediaries, not necessarily insurance companies, are selling insurance. For example, in UK, retailer like Marks & Spencer or in Germany the Deutsche Bank (using also the MTT for the Bank-consulting), sells insurance products.

The financial services industries have successfully used remote distribution channels such as telephone or internet so as to reach more customers, avoid intermediaries, bring down overheads and increase profitability. A good example is UK insurer Direct Line. It relied on telephone sales and low pricing. Today, it is one of the largest motor insurance operator.

Technology will not replace a distribution network though it will offer advantages like better customer service. Finance companies and banks can emerge as an attractive distribution channel for insurance in India. In Netherlands, financial services firms provide an entire range of products including bank accounts, motor, home and life insurance and pensions. In France, half of the life insurance sales are made through banks.

In India also, banks hope to maximize expensive existing networks by selling a range of products. It is anticipated that rather than formal ownership arrangements, a loose network of alliance between insurers and banks will emerge, popularly known as bank-assurance.

Another innovative distribution channel that could be used are the non-financial organisations. For an example, insurance for consumer items like fridge and TV can be offered at the point of sale. This increases the likelihood of insurance sales. Alliances with manufacturers or retailers of consumer goods will be possible and insurance can be one of the various incentives offered.

Pension funds as investors [Marketing)

Pension Funds are by now the largest institutional investors in international financial markets. Better regulations are needed to guarantee a growth enhancing development of the pension fund industry. They concern both accounting and disclosure requirements, default options as well as the internal structure of pension funds. These regulations are more effective when accompanied with reforms of public pensions and labor markets.

Pension funds are, together with insurance companies, the largest institutional investors in global financial markets. Their performance affects the wellbeing of millions of citizens and influences financial markets as well as macroeconomic stability. These giants can support innovation and growth, by sharing risks more effectively across individuals, but they can also end up jeopardizing retirement plans of older workers and "disrupting the smooth functioning of the financial system" (the words used recent by the President of the ECB, Jean Claude Trichet). We argue in a recent report* that better regulations are needed to guarantee a growth enhancing development of the pension fund industry. They concern both accounting and disclosure requirements, default options as well as the internal structure of pension funds. These regulations are more effective when accompanied with reforms of public pensions and labor markets.

Households typically lack the basic financial knowledge and computational ability to implement complex financial planning over the life cycle. In addition, the distribution of individual pension plans involves high marketing and management costs, as well a substantial risk of mis-selling. We thus favor mandatory participation in collective pension plans offering a limited number of default choices. Competition among pension funds should occur at the wholesale rather than at the retail level as pension funds can take advantage of an integrated market for financial services by contracting out various asset management and other services.

Accounting and funding standards should be harmonized across countries in order to provide for a level playing field. Individual countries should not be able to use their pension regulations as an implicit industrial policy tool to protect their national industry. Harmonization should be pursued by evaluating liabilities on a mark-to-market basis in order to facilitate better risk management and enhance market discipline and transparency. Minimum harmonized standards for reporting on pension rights should also be defined, following the example of the "orange envelopes" sent to all contributors to public and private pensions in Sweden.

Occupational pension schemes in which corporate sponsors guarantee pensions to their employees are being increasingly replaced by stand-alone pension funds in which participants share risks among themselves and on capital markets. We welcome this development. Workers should become less dependent on the firm they work for and companies do not want to become an insurance outfit in which pension-related risks dominate the risks associated with their core business. Furthermore, stand-alone pension funds can focus on serving the interests of the participants alone, thereby avoiding conflicts of interest. The new collective pension funds should, however, be explicit about how participants share various risks. Hybrid pension systems -- in which participants transform their risky, defined-contribution type claims into guaranteed defined-benefit type claims, as they grow older -- offer in our view the best risk sharing arrangement. By exploiting the longer horizon of younger participants to buffer shocks, pension funds can indeed alleviate the tension between facilitating macroeconomic stabilization and enforcing the market discipline associated with mark-to-market valuation. This enhances macroeconomic stability, allowing pension funds to continue to invest in risk-bearing assets, facilitating innovation and growth.

Human capital allows working households to buffer more risks over a longer working life. Hence, more accumulation, better maintenance and more intense use of human capital and entrepreneurship is called for with the possibility to retrain and re-enter in the labor market at all ages. More flexible labor markets for elderly workers allow the speed and extent of phased retirement to act as a buffer for absorbing aggregate financial market and longevity risks. At the same time, a longer working life raises the return on human capital by lengthening the horizon for investments in training and facilitates greater flexibility in employment patterns over the life course by loosening the link between age and career progression. Policies reconciling family and work in an environment in which the human capital of women has become more valuable would protect fertility and this facilitates investments in human capital of young children. Moreover, indexation of pension benefits to the total wage bill and of the retirement age to life expectancy encourages firms to attune workplace cultures to the needs of older workers and to nurture the employability and adaptability of younger workers. Better functioning labor markets supporting the utilization and accumulation of human capital are essential ingredients for the pension fund industry to be able to conduct its key function of providing retirement income insurance in a aging society while contributing to growth and macroeconomic stability.

UNIT-4

Multiple Delivery Channels

Products/services defined in Trust's TRUSTBANK CORE Banking are offered to individual/corporate customers through various delivery channels. TrustBankCBS has complete system integration with multiple delivery channels below:

- Mobile / SMS Banking
- ATM / EFT Integration
- Biometric Authentication Devices
- POS
- IVRS
- RTGS / NEFT Integration
- SWIFT
- Cheque Truncation System (CTS)
- Automated Clearing House (ACH)
- National Financial Switch (NFS), NPCI, Bancs Network Integration
- Visa, MasterCard Network Integration
- Payment Gateway Integration

Automated teller machine

An automated or automatic teller machine (ATM) (American, Australian and Indian English), also known as an automated banking machine (ABM) (Canadian English), cash machine, cash point, cash line or hole in the wall (British and Hiberno-English), is a computerized telecommunications device that enables the clients of a financial institution to perform financial transactions without the need for a cashier, human clerk or bank teller. ATMs are known by various other names including *ATM machine*, *automated banking machine*, "cash machine" (*Geld automat* - Germany) and various regional variants derived from trademarks on ATM systems held by particular banks.

Cash management System (CMS)

Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments.[1][2]

In banking in the United States, **cash management**, or **treasury management**, is a marketing term for certain services related to cash flow offered primarily to larger business customers. It may be used to describe all bank accounts (such as checking accounts) provided to businesses of a certain size, but it is more often used to describe specific services such as cash concentration, zero balance accounting, and automated clearing house facilities. Sometimes, private banking customers are given cash management services.

Financial instruments involved in cash management include money market funds, treasury bills, and certificates of deposit

POINT OF SALE [POS]

POS stands for Point Of Sales. A POS is a place through which a sale transaction is done by a retail shop owner using the customer's credit/debit card. The bank would make the payment to the show owner for the transaction done on his POS machines (provided the customer validates it with a PIN or a Signature)

PoS or Swipe Machine as it is popularly known is a technological instrument provided to a Merchant Establishment (ME) to carry out the sale of goods or services to customers in a cashless environment. All the customer has to do is swipe his/her Debit, Credit or Prepaid Card.

Give your business a professional touch by installing a PoS (Point of Sale) terminal.

Features & Benefits:

- Faster application processing and terminal installation.
- Superior connectivity.
- Settlements on T+1 basis.
- Helpdesk with assured TAT.

ELIGIBILITY:

- The merchant should have a current account with a branch of the bank with a satisfactory account operation.

- The merchant should be in retail/over the counter trade and shall not be in Visa/MasterCard negative list for malpractices.
- The turnover of the merchant through cards should be over Rs.1 Lac/month.
- The merchant shall have a fixed landline connection.

COMMISSION:

- Commission depends on the turnover of the merchant through cards and this would be quoted after site inspection. However, higher the turnovers lower the commission and vice-versa.

HOW TO APPLY:

- It's a simple process where the merchant has to fill up an enrollment form and enter into an agreement with the bank. This application has to be processed through the bank branch where the merchant has the current account.

Banc assurance

The sale of insurance and other similar products through a bank. This can help the consumer in some situations; for example, when a bank requires life insurance for those receiving a mortgage loan, the consumer could purchase the insurance directly from the bank. Some critics feel that banc assurance gives the bank too much control. Banc assurance is not legal in all countries, but it is legal in the United States.

The **bank insurance model** (**BIM**), also sometimes known as **banc assurance**, is the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products, an arrangement in which a bank and an insurance company form a partnership so that the insurance company can sell its products to the bank's client base.

BIM allows the insurance company to maintain smaller direct sales teams as their products are sold through the bank to bank customers by bank staff and employees as well.

Bank staff and tellers, rather than an insurance salesperson, become the point of sale and point of contact for the customer. Bank staff are advised and supported by the insurance company through product information, marketing campaigns and sales training.

The bank and the insurance company share the commission. Insurance policies are processed and administered by the insurance company.

This partnership arrangement can be profitable for both companies. Banks can earn additional revenue by selling the insurance products, while insurance companies are able to expand their customer base without having to expand their sales forces or pay commissions to insurance agents or brokers. Banc assurance the sale of insurance and pensions products through a bank, has proved to be an effective distribution channel in a number of countries in Europe, Latin America, and Asia

Guidance Note on Advertising, Distribution and Promotion of Financial Products and Services

One of the Financial Supervision Commission's (the Commission's) regulatory objectives is: *"to secure an appropriate degree of protection for the customers of persons carrying on a regulated activity*."

To enable it to meet this objective, the Commission has a Rule Book[1] containing specific rules applicable to its licenceholders as well as a number of statutory powers it can use to enforce these rules.

In common with many other regulators, the Commission's rules are a mixture of detailed rules for some circumstances, and also high level general rules. Licenceholders must always consider the high level general rules in relation to any situation as well as any specific detailed rules.

The rationale for high level rules is to permit conduct and culture as a whole to be considered. They also allow for regulatory judgment to be applied according to the circumstances of a particular firm or segment of the industry, and they avoid the creation of loopholes which specific rules tend to inadvertently cause.

This guidance is intended to remind licenceholders how particular rules can apply to the advertising, distribution and promotion of financial products and services, and also to illustrate the tools available to the Commission which it will use to enforce the rules.

The guidance is illustrative. It is not exhaustive, and does not limit or restrict the Commission in exercising its discretion regarding which action it may feel is the most appropriate in any particular circumstance. It is not a substitute for reference to the applicable primary and secondary legislation.

The guidance is relevant to all licenceholders involved either directly or indirectly with the supply or advertising of financial products and services, or the provision of advice or information thereon. The rule numbers relate to all licenceholders apart from professional officers, who have a specific rule relating to their advertising (rule 9.7).

General Rules

In relation to the topic of advertising, distribution and promotion of financial products or services, the following general rules are of particular importance:

- **Skill, care and diligence**

The requirement to use skill, care and diligence extends to the adequacy and accuracy of advertising and other promotional materials, and to care in relation to whom it is promoted.

- **Responsible behavior**

The requirement to obtain business in a way which is clear, fair and not misleading includes clear advertising or promotional material, free from jargon and small print and without misleading 'teaser' rates of return etc.

- **Action likely to bring Island into disrepute**

The promotion of local products and services into jurisdictions where this is not permitted, or in a manner outside of permitted parameters could bring the reputation of the Isle of Man into question.

- **Integrity & fair dealing**

This rule applies in relation to the carrying on of all regulated activities, and includes dealing fairly with clients in an open way.

- **Informed decisions**

This rule includes a requirement to avoid misleading or deceptive representations or practices and is particularly important in relation to the information provided to clients about the nature of products provided by / or advised upon by the licenceholder, and the adequacy of the promotional material.

- **Management controls**

This rule includes the requirement to ensure systems and controls are in place to ensure fair treatment of clients and effective communication with them which would include controls over the suitability of advertising and promotional materials.

- **Risk management**

This rule includes the requirement to manage the risks applicable to the licenceholder. In relation to product design or choice, the advertising of products and their distribution to target customers, these matters should be included within risk reviews and risk frameworks – where consideration should be given to the risks to the business caused by the product, its inappropriate description or sale, or inappropriate remuneration structures relating to it.

- **Functions of compliance officer**

This rule includes the requirement to have robust and documented arrangements for compliance and to monitor the operational arrangements – which should include operational arrangements for product design, distribution, advertising etc.

Specific Rules

In addition to the general rules, the following specific rules apply to this topic:

- Advertisements – general (which includes the requirements for fair and accurate information)
- Reference to compensation scheme (and other protection arrangements) in advertisements
- Knowledge of client (which includes for investment clients their attitude to risk)
- Suitability (of advice)
- Life policies and collective investment schemes
- Disclosure and information
- Understanding of risk
- Disclosure of product particulars

In addition, the Collective Investment Schemes Act 2008 contains specific provisions in relation to restrictions on promotion, and secondary legislation made under that Act contains specific requirements in relation to each type of scheme, and all relevant functionaries including managers, administrators, promoters and the governing bodies of schemes must adhere to these requirements.

Other Guidance

In addition to this guidance, the Commission has also issued other pertinent guidance documents and material to assist licenceholders and consumers as follows:

- General guidance on the Rule Book – this contains in particular a sizeable section of guidance on the Conduct of Business section of the Rule Book
- Guidance note for Deposit Takers on Deposit Advertising
- Conduct of Business - Step by step guidance to financial advisers
- Training & Competence Framework
- Deposit takers
- Financial advice
- Funds & pooled investments
- Financial Advice & Suitability

Powers of Enforcement

The Commission has a range of powers that it may consider using when it is faced with issues such as inaccurate or misleading advertising, poor client advice and similar matters.

The choice of power will depend upon the particular circumstances of each case, and the severity of the breach. The powers most applicable to this topic are set out below:

Section 19 & 43 FSA[2] 08	The taking of any 'action for breach' against a licenceholder if the Rule Book has been contravened.
Section 7 FSA 08	Imposing conditions on a licence – for example, this could be used to specify product types which are prohibited.
Section 14 FSA 08	Imposing a direction to require action in relation to regulated activity – for example, the Commission may require something to be done (or not done), or it may

[2] Financial Services Act 2008

	require something to be rectified, and can use this power to suspend or discontinue a particular regulated activity.
Section 13 FSA 08	The issuance of a public statement if the Commission considers that this is desirable for public protection or in the event of a contravention.
CISA[3] 08 - Schedules	The Commission has the ability to withdraw the recognition or authorisation of a scheme.
Section 16 FSA 08	This issuance of a civil penalty – at present this is only for administrative failings. A project is underway to broaden the regulations which will enable the Commission to fine for other matters – which would include mis-selling, deceptive advertising etc. Industry consultation will take place in due course.
Section 20 FSA 08	An application to the court for restitution for wronged parties.
Section 17 CISA 08	An application to the Attorney General regarding offences of false and misleading statements in respect of a collective investment scheme.
Sections 37-40 FSA 08	An application to the Attorney General regarding offences of fraudulent inducement to make a deposit / misleading inducements to invest etc.

IST/Switch [ATM, EFT, CMS, POS]

IST/Switch is ideal for financial institutions, networks or processors of any size looking to leverage open technologies in their payments processing environment. IST/Switch enables financial institutions to modernize their infrastructure on an open platform to reduce ongoing IT costs and protect future investments. Whether you are looking to bring payment transaction processing in-house or to replace an existing in-house solution, FIS offers a flexible, low-cost, easy-to-deploy alternative.

Providing everything you need to operate a full-service EFT processing center within your organization, IST/Switch allows you to process transactions from any source – including ATM, POS, Internet and mobile devices. IST/Switch drives a wide range of low- and high-volume

[3] Collective Investment Schemes Act 2008

ATM and POS networks, and it manages interbank and internetwork processing gateways and multi-channel payment interfaces. Managing cardholder authentication, transaction authorization and validation, IST/Switch interfaces to a wide range of existing processing components – including security modules, reporting systems and existing in-house or third party payment processing modules. IST/Switch provides batch and online network interfaces required to process credit/debit transactions through all the major card associations and networks, including Visa, MasterCard, Interact, American Express, Diners Club, JCB, STAR and NYCE. IST/Switch can accept transactions in and output to any message format.

A modular system, IST/Switch was developed on open system platforms. It supports HP UX, IBM AIX and SUN Solaris operating systems; Oracle and DB2 database engines; and Web sphere, Apache Tomcat and Oracle App Server Web containers. IST/Switch-distributed processing features provide a high-volume, high-availability and highly scalable switch processing environment for open systems. This provides the ability to run an active-active environment, thus enabling your business continuity and disaster recovery strategies.

The Power of Open Technology

With the maturation of open systems, including UNIX and AIX operating systems, the payment processing landscape has changed significantly, presenting more flexible, low-cost platform alternatives designed to drive down total cost of ownership (TCO) and improve time-to-market. By consolidating multiple channels onto a single platform and allowing the flexibility to add multiple institutions easily, IST/Switch drives higher processing revenues. Built on flexible, open technology, IST/Switch reduces maintenance and ownership costs by leveraging widely available skill sets and resources. With the inherent flexibility to scale predictably up or down, IST/Switch reduces IT management costs. IST/Switch provides extensive support for card types, networks and formats. By allowing end-to-end integration with products, legacy systems and third-party components, IST/Switch reduces the cost of interface development. With a wide range of off-the-shelf interfaces and flexible support for open systems, hardware and databases, IST/Switch's flexible open architecture speeds development and product launch. This ease of configuration allows for zero programming

Electronic Funds Transfer (EFT) for Financial Institutions

Financial institutions must stay ahead of their competitors by delivering a more personalized banking experience for their customers – one that is designed around all the ways those customers want to handle their finances. FIS leverages its broad Electronic Funds Transfer (EFT) expertise and assets to make it simple and easy for financial institutions to define and deploy their own differentiated EFT growth strategy.

Meeting Customer Expectations Requires More Than a Commodity Solution when handling their clients' electronic payments; many financial institutions are caught in a price-driven, commodity mindset. By focusing solely on the cost of foundational EFT services (such as card management and transaction processing), institutions sometimes lose sight of the complete solution required to help them differentiate themselves in a highly competitive marketplace.

Financial institutions are looking to build a sustainable competitive advantage that drives reliable, profitable growth and appeals to their customers' rising expectations. Clients want their financial institutions to know them better – giving them everything they need, when they need it. They expect to be able to make a wide variety of payments just about anywhere, anytime – whether at their local ATM, in their living room or in the park on their smart phone. With the wide array of options readily available to them, they won't hesitate to switch institutions if their needs are not met. Meeting these high expectations requires much more than just basic card management and transaction processing – that is just the foundation.

EFT and Beyond
FIS has the broad experience to make it simpler and easier for financial institutions to grow their business, by helping them define and deploy a successful EFT strategy that makes both business and consumer sense. Processing more than 9.5 billion EFT transactions annually, FIS is the clear industry leader. No other organization delivers the breadth of financial and payment services that FIS offers, coupled with the flexibility to deliver solutions in the manner that best meets our clients' business needs – whether through a service bureau environment, as a licensed product or anything in between.

A complete and integrated EFT solution from FIS provides you with everything you need to ensure your EFT program's success – from account opening and card production/activation to transaction processing with single-point settlement, and everything in between. In addition to foundational EFT transaction processing, FIS can deliver a wide range of innovative solutions spanning the banking and payments horizon, including core banking, card personalization, the NYCE® Payments Network, fraud management, loyalty, mobile, among others – all tightly integrated. Account management and transaction processing are the foundation, but it is the breadth of product and integration across the FIS footprint that truly allows financial institutions to differentiate themselves in the marketplace.

Look to FIS
No other organization offers the breadth of product and the depth of integration that FIS offers. With more than four decades of experience and thousands of customers, FIS has everything you need to provide the innovative and reliable EFT and payment processing solutions that your clients have come to expect of you. From card issuing to transaction acquiring, FIS provides Web-enabled, end-to-end products and services that you can count on.

Distribution and Multichannel Sales and Servicing

Today's banking customers want more transparency, more simplicity and easy access—and above all, they seek a seamless experience as they move from one channel to another.

Customers are interacting with multiple channels, both physical and digital. More and more, they rate banks according to the experience they have working across those channels. Banks that communicate effectively with customers across multiple channels not only enhance the customer experience, but also improve the efficiency of bank distribution networks.

Effective multichannel sales and servicing is achieved through:

- **Multichannel integration**, especially creating and optimizing a seamless experience that bridges physical and digital channels.
- **Next-generation branch networks** that include 'cookie-cutter' branches and differentiated branches that are specialized for a particular territory.
- **Innovative relationship management**, with a particular focus on customer experience and customer feedback management.

Successful banks will leverage direct channels to generate sales and high-value traffic in branches. By delivering a seamless, personalized customer experience across all channels, banks can achieve competitive differentiation.

Promotions and Sales: A Checklist for Financial Service Providers

Financial service providers must fully disclose to clients the prices, terms, and conditions of their financial services. Transparency protects clients by allowing them to make financial decisions based on full and accurate information. However, full disclosure is not enough—financial service providers must provide complete information in a *form that is understandable to clients*. This includes using plain language that does not mislead or confuse clients, using multiple methods to disclose information, and using materials and communications methods appropriate to clients' financial literacy.

Financial service providers should observe the principle of transparency at every point of interaction with the client, from promotions, to loan disbursement, to repayment, to account closing. This tool focuses on the first point of contact with the client—the initial "sales pitch." Financial service providers can use this tool to improve transparency when promoting and selling credit and savings products. The tool contains five "good practice" checklists:

I. A checklist of communication "do's" and "don'ts" that apply to all interactions with clients during the promotions and sales process

II. A checklist for transparency when selling individual loans

III. A checklist for transparency when selling group loans

IV. A checklist for transparency when promoting savings products

V. A checklist for transparency when selling products to clients with extra needs

Managers should examine the tool to determine which elements apply to their institution. Then, managers should review the tool with sales staff and discuss how to apply the checklists to staff interactions with clients. The Smart Campaign encourages financial service providers to adapt the tool to their particular products and sales techniques.

Market Information & Research in Financial Services

In today's ultra-competitive financial services market, companies need every strategic advantage they can get to keep ahead of the competition. That's why the insight found through marketing research is so crucial to decision making.

MRSI's marketing research solutions can help you differentiate your brand, improve customer satisfaction and loyalty, determine the right product assortment, and gain market share.

Not only does MRSI have extensive experience conducting marketing research for financial services clients, but we also have research experts who've worked on the client-side leading research initiatives from a merchant and financial institution perspective. So, our financial services market research experts have a keen understanding of issues impacting your industry today such as:

- Economic climate
- In-branch vs. online banking and bill pay
- Mobile banking, payments and marketing
- Conversions and upgrades
- Electronic payments interchange
- Credit cards
- Debit debate (PIN vs. Signature)
- Rewards programs
- ATM usage
- Identity theft and fraud
- Maximizing the value of the demand deposit account (DDA) relationship

And we use that understanding of the business challenges you face as the foundation from which we design more effective marketing research that's truly in your footprint.

Our financial services market research solutions include ethnography, category assessment, segmentation, line optimization, pricing research, tracking research, customer satisfaction research, and more.

We've worked with financial services clients from credit card companies and financial institutions to retailers and providers of tax services.

Category experience includes:

- Mutual funds
- Annuities
- Loans
- Checking
- Savings
- Prepaid solutions
- ATM transactions
- Credit and debit cards
- Rewards programs
- Mobile payments
- Contactless commerce solutions

We can reach both consumers and business professionals including high net worth individuals and small business decision makers.

MRSI also recognizes what a key growth opportunity the Hispanic market represents for financial services companies. With over 45 million Hispanics in the United States, many still unbanked or under banked, this group has a wide range of unmet checking and savings, consumer credit, mortgage, and investment needs.

Public Relations and Publicity

Public relations professionals present the public face of an organization or individual, usually to articulate its objectives and official views on issues of relevance, primarily to the media. Public relations contribute to the way an organization is perceived by influencing the media and maintaining relationships with stakeholders. According to Dr. Jacquie L'Etang from Queen Margaret University, public relations professionals can be viewed as "discourse workers specializing in communication and the presentation of argument and employing rhetorical strategies to achieve managerial aims."[7]

Specific public relations disciplines include:

- Financial public relations – communicating financial results and business strategy
- Consumer/lifestyle public relations – gaining publicity for a particular product or service

- Crisis communication – responding in a crisis
- Internal communications – communicating within the company itself
- Government relations – engaging government departments to influence public policy

Within each discipline, typical activities include publicity events, speaking opportunities, press releases, newsletters, blogs, social media, press kits and outbound communication to members of the press. Video and audio news releases (VNRs and ANRs) are often produced and distributed to TV outlets in hopes they will be used as regular program content.

Building and managing Public relationships with those who influence an organization or individual's audiences has a central role in doing public relations.[8][9] After a public relations practitioner has been working in the field, they accumulate a list of relationships that become an asset, especially for those in media relations.

- **Audience targeting**

A fundamental technique used in public relations is to identify the target audience, and to tailor messages to appeal to each audience. Sometimes the interests of differing audiences and stakeholders common to a public relations effort necessitate the creation of several distinct but complementary messages.

On the other hand stakeholders theory identifies people who have a stake in a given institution or issue. All audiences are stakeholders (or presumptive stakeholders), but not all stakeholders are audiences. For example, if a charity commissions a public relations agency to create an advertising campaign to raise money to find a cure for a disease, the charity and the people with the disease are stakeholders, but the audience is anyone who is likely to donate money.

- **Messaging**

Messaging is the process of creating a consistent story around a product, person, company or service. Messaging aims to avoid having readers receive contradictory or confusing information that will instill doubt in their purchasing choice or other decisions that have an impact on the company. Brands aim to have the same problem statement, industry viewpoint or brand perception shared across sources and media.

- **Social media marketing**

Digital marketing is the use of Internet tools and technologies such as search engines, Web 2.0 social bookmarking, new media relations, blogging and social media marketing. Interactive PR allows companies and organizations to disseminate information without relying solely on mainstream publications and communicate directly with the public, customers and prospects.

- **Other techniques**

Litigation public relations is the management of the communication process during the course of any legal dispute or adjudicatory processing so as to affect the outcome or its impact on the client's overall reputation (Haggerty, 2003).

Ways to Build Up Your Business Image

Build a Terrific Website. Most prospective customers research on the internet before purchasing, notes Gordon, so make sure your website looks professional and is informative and easy to use. Employ search engine marketing to direct traffic to your website, and be sure to gear all content on the site to customers. "[Some companies] will put up a website that says, 'our mission, our clients, our services, etc.,'" notes Gordon. "Instead, focus on what the customer or client will get." If you do bathroom remodels, for instance, don't just say you're a remodeling company-say, "With your beautiful new bathroom remodeled by XYZ Corp., you'll enjoy a spa-like experience."

2. Create a Persuasive Ad Campaign. "Just like your website, your ad campaign has to focus on what the customer will get. There should be a point of differentiation," says Gordon. You want your advertising to send people to your website, where you can flesh out your message. And even without a huge budget, you can still hire professionals to help you. If you want to do billboard or theater-screen advertising, for instance, Gordon says the firm offering the ad space can either help you directly or recommend talent you can hire to create a great ad for that medium.

3. Use the Press to Tell Your Story. First, define what you want your target groups to know about your company. Then forge a media relations campaign-find out what media outlets your target market reads, watches and listens to, then become familiar with those outlets. "Tailor your pitch based on what that particular media outlet needs from you," says Gordon. "You'll improve your business image when you land coverage because you'll have highly credible news and information disseminated based on your central message."

4. Target Influential's and Influencers. Some people have great influence over your target audience-be they reviewers, bloggers or people at the top of their industry whom others look to for expertise. "You need to create relationships with influencers," says Gordon. "You may even want to supply them with tools and materials they can use directly with your prospects so they can influence them positively toward using your business."

5. Get One-on-One with Customers. Direct contact with your target audience is key to boosting your brand image. You might try experiential marketing, where you provide free trials of your product or service. Or you could invite your target audiences to a special event, says Gordon, where they'll "actually have this one-on-one experience with your product at a fun event where you're controlling the environment." Finally, get involved in your local community with causes and charities that appeal to your constituents.

Globalization and its impact on financial services

Reforms of the financial sector constitute the most important component of India's programme towards economic liberalization. The recent economic liberalization measures have opened the door to foreign competitors to enter into our domestic market. Deregulation in the form of elimination of exchange controls and interest rate ceilings have made the market more competitive. Innovation has become a must for survival.

Many of the providers and users of capital have changed their roles all over the world. Financial intermediaries have come out of their traditional approach and they are ready to assume more credit risks. As a consequence, many innovations have taken place in the global financial sector. Which have its own impact on the domestic sector also. The emergence of various financial institutions and regulatory bodies has transformed the financial services sector from being a conservative industry to a very dynamic one. In this process this sector is facing a number of challenges.

Growth in financial services (comprising banking, insurance, real estate and business services), after dipping are 5.6% in 2003-04 bounced back to 8.7% in 2004-05 and 10.9% in 2005-06. The momentum has been maintained with a growth of 11.1% in 2006-07.

Impressive progress in information technology (IT) and IT-enabled services, both rail and road traffic, and fast addition to existing stock of telephone connections, particularly mobiles, played a key role in such growth.

Because of Globalization, the financial services industry is in a period of transition. Market shifts, competition, and technological developments are ushering in unprecedented changes in the global financial services industry. Organizations in this highly competitive and increasingly regulated industry will especially need to focus on making themselves more:

- Adept to face increasing transaction volumes, regulation and the integration of previously disparate global markets
  Agile at identifying and managing risk
- Operationally efficient
- Customer – centric
- Optimized in both business & technology

In this scenario, spearheading IT initiatives has become critically important.

Major spending initiative priorities tend to focus on automation to reduce costs and lessen risk, along with using BPO to gain efficiency and allow internal IT organizations to focus on strategic initiatives. Delivery of these capabilities at a high efficiency level but at low costs is one of the major success factors for any financial services business.

The Challenges

Among the key IT challenges facing the Financial Services industry today is:

- Preserving investments in old systems while leveraging new technologies to drive down transactions costs, expand and improve customer service
- Integrating enterprise wide disparate systems to gain operational efficiencies
- Substantially reducing time for deployment of new systems
- Reducing IT costs and obtaining better ROIs for new investments in the long-term

Only a carefully thought out long-term IT strategy backed by execution, implementation and support capability can meet these challenges successfully.

Today's financial services firms face mounting pressures on all fronts:

- Credit markets are creating industry turmoil
- Tightening credit guidelines that threaten revenue streams
- Growing reporting and risk management obligations like Sarbanes-Oxley, Know Your Customer and Basel II
- The difficulties of sustaining growth in overly-saturated markets
- Innovative products that address the needs of a diverse client base such as retirees and young emerging and ethnic segments
- Growing concerns over customer data security and identity management
- Increasing competition not just from traditional competitors, but from other organizations that expand their service offerings
- The complexities that arise from mergers and acquisitions and from expanding into the global marketplace

  Whether we are trying to maintain competitive advantage, looking for ways to position our self better for mergers or acquisitions or expanding into the global marketplace, the challenges are as complex as they are varied. And while we deal with these fundamental concerns, we are met with increasing demands from investors, regulators and customers.

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