

Overview of Service Marketing Strategy of the “Non-Bank Financial Institutions”: Problems & Prospects.

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Abstract: Non-Bank Financial Institutions (NBFIs) are playing a significant role in meeting the diverse financial needs of various sectors of our economy. A NBF (Non Bank Financial Institution) is an organization that does not accept customer cash deposits but provides all financial services except bank accounts. NBFIs can be three types: Insurance Company, Mutual Fund Company & Financial/Investment Company. NBFIs provide 'service' to the customer. Service marketing is marketing based on relationship and value. NBFIs follow different types of marketing strategies. But because the services of NBFIs are difficult to understand, general people don't know much about them. Also illiteracy, low income level, lack of trained people, lack of R&D, Government's regulation etc are the major constraints of service marketing of NBFIs. NBFIs should increase customer relationship, customization, free counseling & briefing etc. Most of all, service marketing of NBFIs yet in growth stage and has more opportunity to contribute in the economic development of the country.

Key Words: Non- Bank Financial Institution, Customer Relationship, Value, Strategies.

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I. Introduction

A NBF (Non Banking Financial Institution) is an organization that does not accept customer cash deposits but provides all financial services except bank accounts. In Bangladesh, NBFIs are those institutions that are licensed and controlled by the Financial Institutions Act of 1993. Non-Bank Financial Institutions (NBFIs) play a significant role in meeting the diverse financial needs of various sectors of an economy and thus contribute to the economic development of the country as well as to the deepening of the country's financial system.

NBFIs are now involved attracting the retail customers that mean the middle income group people of the country. A total of 300 NBFIs are now working in the country. The operations of NBFIs in Bangladesh are regulated by the Bangladesh Bank. Their survival and existence depend upon their ability to (a) offer contracts that serve the needs of specialized customers, (b) maintain a spread between the rate they pay for funds and the rate they receive that will support their costs, and (c) meet commitment to suppliers of funds.

Service marketing is different from goods marketing. Based on the 7ps of marketing (Price, Product, Place, Promotion, People, Process, Physical Evidence), these NBFIs have to take different marketing strategies for their service. In this paper we will focus on these marketing activities of non-bank financial institutions in Bangladesh to find out the present condition and recommend some new ideas to explore the market of their service.

II. Review of Literature:

Hasan Zaman (1999), explores that as mutual fund is comparatively risk free investment than any other company in the stock market and as most of the women are risk averse investor so to attract more women strategy can be taken to (a) provide more loan ratio than male investor, (b) segment the market focusing on the women investor.

Oko & Oglo (2012), established that differences exist in the adoption of marketing principles, strategies and policies and analysis between the lease and bank services marketing organizations. Thus recommended strategies for lease service marketing are in the areas of product branding, life cycle management, referral networking and vendor leasing among others. These recommended strategies are focused at assisting the lessors render services to the lessees in a relationship frame work that is balanced in terms of loyalty; benefits and respect for privacy.

Shamer&Benish (2012), focuses on their study that insurer must recognize its "strategic posture" depends partly on the competitive environment, partly on its allocation of marketing resources.

Duan, Miao (2012), showed that China Life Insurance Company should step into rural markets with marketing strategy that emphasizes the differences among different segmentations. In other words, the company should sell tailored products to each target group in order to expand its market share in rural areas.

Objective of the study:

The main objective of the study is to get a practical idea about service marketing of the non-bank financial institutions and find out limitations as well as problems. The study also provides some recommendations to overcome the drawbacks of NBFIs explore marketing strategies which has an eventual long term effect on national economy.

III. Methodology:

A descriptive research approach has been used to conduct the study. To carry out the proposed study; data have been collected from two sources: Primary as well as secondary .Under non-comparative technique, we have followed the Likert, Semantic Differential and Staple technique. Sampling Design: We have used random sampling for customers and stratified sampling for marketing managers.

Limitations of the Study: There were some unavoidable limitations of the report. Mentionable limitations are time, cost and secondary data.

Core Marketing strategies & Analysis:

Marketing Analysis: A marketing analysis is the actual assessment of the target population, competition and needs for marketing that product or service. Here at first we will describe and evaluate the present market condition and practiced marketing strategies of NBFIs. In this paper, we will focus on (1) Segmentation Strategies (2) Positioning Strategies (3) Porter’s three generic strategies (4) Service marketing mix.

Marketing Condition & Analysis of Insurance Companies:

1. Segmentation Strategy & Analysis:

Now, we can will review& analyze some data related with segmentation factors of Bangladesh in insurance market:

Company type	Male	Female	Total
Public	85	49	134
Private but local	82	32	114
Private but foreign	129	39	164
Total	296	120	416

Table-1: Association between gender (Customer) and type of insurance company

We see that malerespondents like private insurance companies; whereas female respondents are in favor of public insurance companies.

Insurance company	Primary or Less	HSC or SSC	Graduate & Post graduate	Others	Non response	Total
Public	5	32	92	5	0	134
Private but local	1	21	87	5	0	114
Private but foreign	3	21	136	8	0	168
Total	9	74	350	18	0	416

Table-2: Association between education and the type of insurance company.

Insurance Company	Less than- 5000	5001- 10000	10001- 15000	15001- 20000	20001- 30000	30001- 40000	40001 and above
Public	31	30	32	13	24	4	0
Private but local	14	28	22	25	18	5	2
Private but foreign	22	37	38	33	31	6	1
Total	67	95	92	71	73	15	3

Table-3: Association between income level and type of insurance company

Data analysis from the table shows that income level doesn’t matter in choosing insurance company. Actually, the segmentation system is less implemented by the typical insurance companies of Bangladesh. But there are huge scopes to make segmentation of the customers of this sector. If, the companies will do more research and implement segmentation criteria in marketing, they will be profitable and more successful.

IV. Positioning Strategies:

There are mainly 3 types of positioning strategies: Functional, Symbolic & Experiential. For insurance companies of our country, there is scope of symbolic positioning. Because, most of the people don't think that having insurance is a matter of prestige or status. So, they generally follow functional positioning. The insurance business yet doesn't reach at the level to do the experiential positioning too.

V. Porter's three generic strategies:

There are three generic strategies of porter. These are: Cost leadership, Differentiation and Focus. Generally in Bangladesh, two public companies follow the cost leadership strategies. Private but local companies follow the focus strategies and private but foreign companies follow the differentiation strategies. Study tells that, people prefer private & foreign companies than the public company, because of trustworthiness, availability and good service although higher cost. Here these two types of companies, clearly made differentiation.

VI. Service marketing mix:

Product & Service:

There are several types of offerings of insurance companies that we described earlier.

Price: The pricing policy of the insurance companies depends on the various factors. Public companies use cost plus pricing. Sometimes they get loss too. Private & foreign companies follow different types of pricing strategy according to their plan.

Place: Place is the essential element for the distribution of the product & services. The demographic trends suggest that as private insurance companies (both local and multinational) have proliferated in Dhaka city, better educated and more affluent people have gravitated to these insurance companies for insurance services. Also as the private companies have the various branches, people prefer it.

Promotion: For promotion, there are many types of ways. A practical data is:

Source of information	Frequency	Percentage
Advertisement	127	30.5
Sales people	125	30.0
Family/friends/relatives	164	39.4

Table-4: Frequency of the source of information regarding insurance companies

Table-4 shows that information passed by the salespeople about the insurance company and their schemes is lowest (30%) among other sources of information that supports our previous findings of less influence of the sales people in choosing an insurance company. Now, in promotional activities internet has become an essential part and most of the company maintain their website with all offering information.

People: There are the sales people of each insurance company. We have seen the effectiveness of sales people in the table 4.

Process: Insurance is a continuous process.

Physical evidence: The design of the office should be attractive. The customers will be entertained while visit companies. Office people will be smart.

Marketing Condition & Analysis of Mutual Fund:

1. Segmentation Strategies:

Geographic: Segmentation will be based on Dhaka & Chittagong, because of the economic status & existence of DSE & CSE. Though the all buying & selling activities are done by the owner company, but the general investors feel good to connect with DSE & CSE.

Demographic: Income level, gender, education etc matters while buying mutual fund. Middle class people feel interest about mutual fund most for risk free side income. Male investors are more than female investors in buying mutual funds. But female investors prefer the mutual fund than any other share business because of its risk free nature. A study state that in Bangladesh, the percentage of male/female is:

Investors	Percentage
Male	91%
Female	9%

Table: Male/ female investor

Psychographic: Personality matters in mutual fund business. Cause a person, who doesn't want to take little risk; he/she will not buy the mutual fund. Also, the person, want to do new things, invest in the mutual fund. Though we have seen that currently some mutual fund unit is selling its face value in the market.

2. Positioning Strategies:

In the case of positioning strategies, companies follow the functional position. Because there is no scope to follow the symbolic position, because people believe in fixed profit and the financial report is available to the investor by the stock exchange. Also, a specific contract is made between the investor and the company. So, the total process is so functional and professional.

3. Generic strategies:

Companies follow mainly differentiation strategies by trustworthiness. Because there is no scope to gain cost leadership or focus, in the case of mutual fund. Sometimes some companies follow the focus strategy by selling the funds only to the big companies instead of small investors. In total, the marketing scope is less in the mutual fund business. Investors are informed by their friend, or from partner about the funds financial status, because they believe them than the marketing people of any company.

4. Service Marketing Mix:

Product & Service: There are different types of classification of mutual funds. These are: Money market funds, Bonds funds, and Stock or equity funds, Hybrid funds.

Price: In the case of mutual fund, the price is determined by the owner company and they have the board of directors to decide it. Shares are sold in –‘lots’. In each lot, there are several numbers of funds. It can be 10-100 taka of each share. The price is changed by stock exchange flow. It can be said that the pricing is actually competitor base.

Place: The mutual fund basically controlled by the stock exchange flow. But, the banks and other companies, which do the mutual fund business, have their own marketing strategy to attract investor to buy their share and invest in mutual fund. Banks have several branches in all over the country. Also, other companies do promotion by internet and their branches.

Promotion: In the case of promotion, internet is the best place. Because though banks and other institution have the physical existence, but investors take the decision to buy share from the DSE & CSE website and then evaluate the company performance. Also, company’s annual report published in newspaper and as book, is the best source of the company’s financial information for the investors.

People: In mutual fund business, company doesn’t use any broker or representative to promote. But in the case of banks and other physical institution do the marketing activities as their own way, such as counseling of investors.

Physical evidence: Physical evidence become important to the investor, because when they will see that the company has a good office or its people are good and trustworthy, then they will feel comfortable and believe in the ability of the company and will buy funds.

Process: Mutual fund companies do the whole process by their own supervision and do business in the share market and give a specific profit to the investors.

Marketing Condition & Analysis of Investment/Financial Company:

Their several core marketing strategies are described below:

1 .Segmentation:

- a. **Geographic:** Investment companies segment the market on geographical basis and their target is mainly the big cities. Most of the investment & financial companies do divisional business only. They don’t go in the rural area.
- b. **Demographic:** Income level is a big matter in the marketing of the investment company’s products & services. Generally their target customers are business people, doctor, engineers etc. That means occupation, education etc are also big matter.

2. Positioning Strategy:Investment companies follow the functional positioning because specific contract is made between the investor and the company. So, the total process is so functional and professional.

3. Generic Marketing Strategy:

We know there are Porter’s three generic strategies of marketing. These are:

(1)Differentiation (2) Focus (3) Cost Leadership

Most of the companies follow focus strategies. Because, the target customer of the invest companies are basically rich people who have the essential funds to invest and take risk. Like, banks, they don’t do mass marketing. For example; IDLC follow the focus marketing strategies and its target people are the rich people of the Dhaka, Chittagong & Sylhet.

4. Service Marketing Mix Strategies:

Product: Most of the companies give the customized product. They have their regular offer, but sometimes for valuable customers, they customize their offerings.

Price: In pricing they follow the competitive pricing. That means, they give the better and customized interest rate.

Place: Basically the investment companies prefer the city area because of rich customer density. For example- IDLC has their branch only in Dhaka, Chittagong and Sylhet.

Promotion: In the case of promotion, they don't give TV advertise generally in the media. They also don't use marketing representative for marketing of their service. But, they use billboards. Also, sometimes they give advertise in the newspaper, internet etc. Public Relation or PR is also used as a promotional tool of them.

People: Most of the case the human resource is professional and well trained. For example; in IDLC the people are given training for better customer service.

Physical Evidence: Most of the case the office site is full-furnished and good looking to attract people more. In some organizations, the customers are entertained regularly while visit their office.

Process: In giving service, they use efficient service process to satisfy the customer. Almost all companies have the digital system for their service process.

Limitations & Problems:

Insurance Companies:

1. Poor economic condition is considered the main reason for poor penetration of the insurance business.
2. Illiterate people or inefficient, who can't find a job, become insurance agents, that hamper quality of marketing.
3. Illiteracy of the customers.
4. Sometimes religious attitude stands against insurance, because religious people believe that future is uncertain.
5. Insurance awareness is poor.
6. Most of the people have little or no savings, because what they earn, they have to spend it in day to day life. So, they are not being encouraged to buy insurance policy.
7. The rate of discontinuation is quite high in insurance policy. Lack of reminder notice from insurance company is one of the main reasons for discontinuation.
8. Lack of new product in insurance business.
9. Life insurance is preferable for middle-income people. But for various reasons such as poor monetary benefit, poor service, companies sell the policies to the rich and poor people and which increases the cost.
10. Every company tries to promote its own product, but the real benefits of the insurance are not highlighted.
11. Public Sector Corporation (PSC) cannot be controlled by Controller Insurance (CI), thus public insurance companies are become inefficient and unprofitable.
12. Any dispute arises between PSC & private company; always go on favor of PSC that discourage private sector.
13. Promotion (advertising, informing etc) is poor. Thus general people are almost unknown about their service.
14. In Bangladesh, there is a serious dearth of a insurance underwriters.
15. Most of the respondents say that, they can not believe the companies. This is another problem to create new customer.
16. Companies do marketing only in big cities that stands against exploring business.

Mutual fund Companies:

1. For mutual fund marketing, companies have actually little scope. Investors know about their products (Mutual fund) from the stock exchange website.
2. Internet connection is not yet available all over the country. That's why people can't know about the present status instantly.
3. General people actually have very little knowledge about the activities of the financial institutions. If the institution can't inform more people about their product and services, they will not get enough investors.
4. SEC (Security Exchange Commission) sometimes put many rules & regulations over the companies about mutual funds which sometimes discourage the investors.
5. Illiteracy is one of the major problems in mutual fund marketing, because when people can't understand the basic business of mutual funds and the benefits, they will not be much confident, to invest in mutual funds.
6. Lack of annual report is the other problem. Companies don't want to disclose the summary of financial information monthly or annually.

Investment Company:

1. Economic condition is the big problem for the investment company. Because, only in good economic condition people will invest more.
2. Political instability is another major problem. For political reasons, many people feel fear to invest.
3. The foreign investors should be given more freedom and convenient environment to explore this business. Sometimes government's rules & regulation makes it difficult to do business in our country.
4. Entrepreneurship seems risky most of the times, thus people don't feel interest in taking loan.
5. Digital system is poor and inconvenient. But to conduct this business good digital system is very important.

Findings:

1. Non-bank financial institutions are basically less known than banking institutions to the general people and the marketing strategy is totally different from the banking sector like; mutual fund.
2. In the case of investment companies, the target customers are basically rich people. Because while giving loan, they have a minimum limit & they keep the security.
3. Direct marketing or selling is high in insurance business, but mutual fund or investment companies use billboard, public relation etc for promotion.
4. All non-bank financial institutions do their business mostly in big or rich cities like Dhaka, Chittagong & Sylhet.
5. Most of the non-bank financial institutions follow focus marketing strategy and try to avoid mass marketing.
6. The number of NBFIs are increasing day by day with the economic development of the country, but lack of trained human resource in marketing sector is still is a major problem.
7. Illiteracy is a big problem to explore the business of NBFIs in our country.
8. Government should give take more initiatives and give flexibility to the NBFIs for marketing and improve their products & services.
9. Regular research and development program is necessary to innovate new trends and marketing system to encourage people to invest their savings and thus expand the business of non-bank financial institutions.

Recommendations:

Insurance Companies:

1. Proper training should be given to the agents, development officers etc.
2. Do marketing in all over the country with skilled promotion people to inform about the benefits of insurance.
3. Adequate attention should be given to the research & development.
4. Commitment should be given the higher priority.
5. Insurance law is important to conduct the marketing smoothly.
6. Professional code of ethics should be developed.
7. Multi-tier can be developed between the company and the agent to reduce cost.
8. Beware about fake agents like; benami agents, dummy agent etc.
9. The business now yet in the growth stage. A big opportunity is here and people should be informed more about the benefit of the insurance.
10. Company should set up training programs for policy holders.

Mutual Fund Companies:

1. There could be separate television channel, which will telecast solely the financial news. From this type of channel general people will know about the mutual funds.
2. Companies can inform people by their representative about their offerings.
3. Companies can give counseling or free learning class for the investors, thus women and others will feel interest to invest.
4. Company should set up training programs for representatives.
5. DSE & CSE website should be more informative thus general people can understand it.

Investment/Financial Companies:

1. New more marketing program is needed to attract the non-residential Bangladeshi.

2. Human resource should be more trained to encourage people to invest and the organizations can give advertise in popular media like; TV, Social network etc.
3. Companies can add rural places in their market segmentations and offer loan (Micro Finance) to mass people and can minimize their loan limit for SME.
4. In giving loan, they can offer to the people the different kind loan for different purpose rather than common purposes.
5. Mobile solution can be increased, because the telecommunication sector covers almost all areas of the country.

VII. Conclusion:

Bangladesh is the fast developing country and the economic condition is changing day by day. Non-banking financial institutions have the great opportunity to grow and thus the marketing activities of this sector are increasing. Public financial companies actually less concern about marketing, because they enjoy more advantages. But the private & foreign companies do their marketing activities at a large scale. There are some problems in marketing lunch. Financial institutions only conduct business in large cities and their service marketing plans are designed for generally rich people. Illiteracy is the problem in marketing of financial problem, because people can't understand the offering and opportunities. Also, human recourse for marketing should be developed. Trained people are needed for faithful promotion and customer service. If research & development is conducted in a more large scale, new ideas for financial service will be generated and thus the economic condition of our country will be developed.

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