

## MARKETING MIX AND PROMOTIONAL STRATEGIES OF MUTUAL FUNDS

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### Abstract:

Mutual funds provide various facilities that make saving and investing simple, accessible, and affordable, by using professional management, diversification, variety of products, liquidity, affordability, convenience, and ease of record keeping. Moreover, strict government regulation and full disclosure of information makes the investments more secure in India. In Mutual fund market the key area of interest of marketing experts are understanding the investors' expectations and meeting those expectations. The mutual fund sector is one of the fastest growing sectors in Indian Economy and has tremendous potential for sustained future growth. The present era of exponential growth has seen changes, refinements, innovations etc. in products, practices and distribution and channel development. The industry needs to identify the expectation of the investors and meet their expectation in a better way by overcoming the challenges the Mutual fund Industry is facing. Keeping in view the ever increasing competition of similar or alternative product, marketing has been concerned the most vital area of operation of mutual funds industry. Mutual Fund Marketing is different from marketing of other goods. The present study try to explore the marketing strategies adopted by mutual funds, the different 7 Ps that are involved in the marketing of mutual fund and also the Marketing strategies that are involved by the various mutual fund houses for attracting the investors. For collection of information to achieve the objectives of the paper a number of conceptual articles, views of marketing experts, newspaper articles, fund manager views and their specific marketing strategies have been explored.

**Key words:** Mutual funds, Marketing strategies, Seven Ps, Investors' behaviour, Distribution Channels.

### INTRODUCTION

The financial institutions are essential for the better management of the social and economic system of any society. The economic and social security can be enhanced by right investment to generate the money and wealth to the economy (Meena, 2011). Mutual funds have evolved over the years keeping in view the changes in the economic and financial systems, as well as the legal environment of the country. According to the requirements and changes in the investors' perceptions and expectations, new products are launched. The key area of interest of Mutual fund market marketing experts are understanding the investor's expectations and meeting those expectations. Since its inception in the early 60s with the formation of UTI Mutual fund in India as an investment avenue is growing. Past studies revealed that mutual fund in India is growing but the industry is still struggling to win the investors' confidence. The industry need to identify the expectation of the investors and meet their expectation in a better way by overcoming the challenges the Mutual fund Industry is facing.

The Mutual Funds originated in UK and thereafter they crossed the border to reach other destinations Now, booming stock markets and innovative marketing strategies of mutual fund

companies in India are influencing the retail investors to invest their surplus funds with different schemes of mutual fund companies with or without complete understanding of Mutual Funds (MF). The Mutual Fund Industry in India started in 1963 with the formation of Unit Trust of India (UTI), at the initiative of the Government of India and Reserve Bank of India. The year 1987 marked the entry of non-UTI, public sector Mutual Funds set up by public sector banks and Life Insurance Corporation of India Limited (LIC) and General Insurance Corporation of India Limited (GIC), with the entry of private sector funds in the year 1993, a new era started in the Indian Mutual Fund Industry, giving the Indian investors a wider choice of fund families (Turan and Bodla, 2001). Since its inception in 1964 there were only 25 crores assets under management, which has grown into assets of Rs. 481749 crores under assets management companies till March 2013. But presently it has increases up to 816657 crores at the end of March 2013 with 1294 total schemes under 43 Mutual fund houses operating in India (Annual report AMFI India, 2013).

The mutual fund sector is one of the fastest growing sectors in Indian Economy and has awesome potential for sustained future growth. Mutual funds make saving and investing simple, accessible, and affordable. The advantages of mutual funds include professional management, diversification, variety, liquidity, affordability, convenience, and ease of record keeping. Moreover, strict government regulation and full disclosure makes the investments more secure. The potential of mutual funds in India with all problems, complexities and variables, and suggested the means and ways of meeting the challenges for developing the mutual funds in tandem with its potential of economic growth. Mutual funds are among the most preferred investment instruments. The mutual fund is run by a fund manager who is responsible for the buying and selling of investments in accord with the investment objectives of the fund. Funds registered with the Securities and Exchange Commission, should distribute almost all of their net realized gains and net income from the sale of securities and no less than once a year. Most of the funds are organized in the form of trusts and overseen by trustees or boards of directors. These are charged with the management of the fund, as to serve in the best interest of investors (Sarish, 2012).

Mutual Fund Marketing is different from marketing of other goods. Mutual fund also works with the motive like all the providers of goods and services work. They want to delivery good quality at a reasonable cost, but the managers cannot make any promises about the future performance of the investment since a mutual fund is not a consumer product with consistency of performance. The past performance of the Mutual fund and general expectations can be told, no performance guarantee can be given in case of Mutual fund. In this way, the marketing of Mutual fund is different from marketing of other goods.

In light of this background this study tries to achieve the following objectives:-

1. To study the Elements of Mutual Fund Marketing Mix and the 7 Ps concept,
2. To study the preferred distribution channels of mutual funds industry,
3. To study methods adopted by mutual funds for the promotion and advertisement,
4. To study the challenges faced by the mutual fund industry related to Marketing strategy.

There are a number of studies, which discuss the performance of mutual funds, behaviour of investors towards mutual fund as an investment avenue and risk and return factors. Marketing

is very important issue now a days and service marketing is accepted and necessary for all the service industry participants. Mutual funds are not away from this truth. So there is a need to study the marketing strategies adopted by mutual funds. Mutual funds are not absolutely free to choose their material fro advertisement or promotion, as SEBI has issued some mandatory guidelines for the fund houses.

The mutual fund industry in about the past five years is apparently illusionary. Most of the growth in the assets under management has come not due to the increased retail participation. But due to the higher corporate investments in liquid schemes of the industry. The little growth that has been reported in the equity scheme is been possible due to the appreciation of the capital markets. Retail participation has to be deepened and widened as early as possible. The regulators and the policy makers need to take appropriate promotional steps to boost the retail participation in the mutual fund industry. A strong mutual fund industry can contribute to macro stability of the Indian financial markets as well to achieve efficient micro distributions of capital market gains (Umarani 2012).

No doubt the Mutual fund offer lot of advantages to the investors like professional management, Regulatory oversight, Convenience, low cost, Affordability, liquidity and have lot of opportunities like lot of untapped market, but they are also having many challenges to cope up with such as no guarantees of returns, fees and commission charged, taxes on profit, management risk, Regulatory framework and the people in India are still ignorant and risk averse. Because of these challenges and the bottlenecks the mutual fund in Industry is facing, the fund houses require an aggressive mutual fund marketing strategy. Over the period the Indian savings market has been expanding and there is a steady increase in flow of household savings to financial markets. Not only urban investors, but many of the small investors in rural and semi urban areas are also investing in financial markets. Moreover Investors are more concerned about growth and safety as general profile of investors is changing. The need for a sophisticated investment instrument for growth with safety factors was found necessary. An aggressive marketing of mutual funds strategy was required. Keeping in view the ever increasing competition of similar or alternative product, marketing has been concerned the most vital area of operation of mutual funds industry.

The research on the concept of mutual fund marketing strategies is pocket-sized. A very few conceptual papers are available on Internet and there is a total absence of this exploratory concept specifically in Indian case as the printed material is required. Only interview, views of marketing managers, mutual fund houses websites and brochures are the source of information to explain the marketing of mutual funds.

Servicing plays a vital role in Mutual funds. It is the quality of service that will make a difference between different mutual funds, since the expected rate of return remains more or less the same for all the players. Services can be provided by internally through service department or external agencies. Paul (2012) said that there exist a high level of gap between mutual fund investor's expectation and experience. The industry must understand the investors' expectation from the products and try to bridge the gap between the level of expectations and experiences

perceived. Therefore, mutual fund products should be designed considering the need and expectations of different segment of investors.

### **Objective 1: Marketing Mix of Mutual Fund Industry**

In case of Mutual fund, Returns are determined by Managerial efficiency and investment strategy. Mutual fund marketing strategies is successful if it creates confidence among potential investors and strengthens their desire to put their money with a particular fund.

### **Compiled from various conceptual and research papers**

**Product:** Mutual fund as a product is the investment, which the investors hold. The steps, which are involved in the formulation of the schemes or product designing, are conceptualisation, drafting, test marketing, approval and authorisation of the scheme. Since mutual fund is a service, there is a little element of physicality. Physical evidence is the Mutual fund documents and the statements that are received periodically. Mutual fund managers want to deliver good quality at a reasonable cost, but the managers cannot make any promises about the future performance of the investment since a mutual fund is not a consumer product with consistency of performance. There are number of mutual fund schemes that are floating in the market. One mutual fund house deals in many schemes. The product line of the mutual fund houses ranges from 30 to 300 schemes in India as market segmentation is done to cater to all the specific investment demands of the customers. Market segmentation increases product differentiation, limiting competition to the funds belonging to the same category, while fund proliferation increases market coverage. It relies either on the creation of many funds in order to hide the poor performers merging them into the best ones. Sponsors of the mutual funds make efforts to differentiate their products and bring in recognition of their brand names in the consumers as it leads to product identification at the market place. It is seen that Mutual funds in India have been quite successful in brand policy and brand identification.

**Place:** Place or the marketing channel describes the groups of individuals and companies, which are involved in channelizing the flow and sale of product and services from the provider to the eventual customer. In mutual fund also there are channels broadly defined as 'direct' or 'indirect'. Direct channels involve the movement and sale of products directly between the provider and the customer as in the traditional branch network, whereas in the case of indirect channels product flows via intermediaries and middlemen. Traditionally mutual fund has been via the branch network, but now different approaches are adopted.

**Promotion:** With globalisation the entry of multinational corporations propelled due to which the market changed into a buyers' market and due to the sudden competition growth, the domestic mutual fund industry was shaken. Promotional efforts should be stimulating and motivating enough to generate interest in and promote a positive attitude towards a Mutual fund house so that they will be considered favourably in comparison with the competitors. As there are so many players in the Mutual fund Industry, to choose one mutual fund over the other becomes very difficult for the investors. This has led the mutual fund to follow aggressive promotional techniques. Besides leading National Dailies, funds regularly advertise in business newspapers and magazines.

**Pricing:** Price competition involves using low prices as a competitive tool to attract customers. As the price of the mutual fund is dependent upon the price of the underlying shares. Therefore it is the distribution cost not the manufacturing cost in Mutual fund that separates one competitor with another. One of the advantages of Mutual funds that it discloses its entire fee charged.

**People:** Mutual fund marketers need to develop a high level of inter personal skills and customer oriented attitude in employees for the simple reason that employees in services are the key to service experience. All employees in the mutual fund house have an effect on the sale of the products. This is true of frontline a staff that has direct control with customers; they provide the link between the Mutual fund and the investors. To the investor they represent the Mutual fund company. Success of mutual fund is highly dependent upon the relationship of the investors with the employees as there is a little difference between the products the different fund houses are offering, it is mainly the commitment that a mutual fund house makes.

**Physical evidence:** The allocation of greater amount of space in a mutual fund house is likely to have a positive relationship between the company and the investors. Physical evidence also means the offer documents and Mutual fund statements that the investors are provided with. In order to have a better relationship with the investors, the statements should be regular, easily understandable and all the facts should be mentioned in it.

**Process:** Process means the process through which the investors' money is invested in different schemes and the returns are provided to them. The process should be less complex. The revision of schemes should not be a very frequent task as it leads to increase in cost. The mutual fund houses make efforts to standardise the process. In order to customise the process, so lot of different schemes are coming into market.

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## **Objective2: Distribution Channels**

**There are number of distribution channels that are existing and the channels are still expanding. The channels can be divided into the following heads:**

- Direct Marketing
- Personal selling
- Telemarketing
- Direct Mail

- Selling through intermediaries like brokers, agents, banks, etc.
- Joint calls

**According to Syed Sahabuddin, the essentials of a Good Distribution System are:**

- Product selection should be done carefully.
- Internal sales staff should be carefully selected.
- Right targeting of customers should be done. A proper strategy based on a demographic study will lead to a smooth, seamless customer penetration and sales volumes.
- Proper training - Training is the key on which the entire distribution revolves. It is essential that sales force should be continuously trained in this dynamic environment.
- Educating/ counselling the customer about products is required keeping in mind rising customer expectations and increasing buyer expertise.

**Objective 3: Advertisement of Mutual Funds**

Nowadays the Advertising content has changed. Now they are concept selling ads which used to be selling specific schemes that defined objectives /goals. Thus an advertising campaign must have the following elements present:

- Creating awareness of the product,
- Comparative advantage of the product,
- Future potential of the product,
- Past performance of similar products,
- and superiority of the fund in relation to others in the area of asset management and performance servicing.

However, One of the limiting factor that prevents Mutual Fund advertising is the regulatory framework .For instance, the MF are required to mention the fund objective in very clear terms in the offer document, and risk factor also to be mentioned. SEBI also prohibits any content that mislead the investors. All the Mutual fund have to first understand the meaning and implications of the SEBI Guidelines pertaining to mutual fund Marketing before designing a Marketing strategy.

**Methods adopted by AMCs for Promotion and Campaigning of Mutual Fund****1. Through Advertisement:**

Each AMC spends a lot of money in order to advertise for its Mutual Fund. The amount spend is high in case New Fund Offers. Various mediums of advertisement use are given below:

- Television
- Radio
- Print Media
- Hoardings

According to Kaushik Raja, the following are the forms of advertising adopted by Mutual Funds.

- A) Tombstone Advertisement
- B) Product Launch Advertisement
- C) Advertisements through Hoardings/Posters
- D) Advertisements through Audio-Visual Media

## **2. Online Blogs:**

Various AMC's promote their product through online blogs. They advertise their product on various online sites.

## **3. Telephonic Calls:**

Almost all the distributors promote the Mutual Fund with the help of telephone. They have the phone numbers of existing clients and potential clients. A trained person makes a call to the clients and promotes the Mutual Fund.

## **4. By Providing More Commission to Distributors:**

The distributor gets a variable commission from the AMC when they sell their Mutual Fund. The commission varies from 0.5% to 5%. Thus by providing more commission to the distributor, the AMCs influence the distributor to promote their products only.

**5. By Putting Canopies:** This method is adopted by both distributor and AMCs in order to campaign for the product. They put canopy at a place where they could interact with maximum number of probable clients.

**6. Credit Rating Agencies report:** Rating agencies give ratings to the mutual fund according to their performance. Agencies like Money control rates the Mutual fund that also acts a promotional tool for the fund and facilitates its investment.

**Marketing Strategies Adopted by Mutual Funds (For selling and distribution).** According to him the present marketing strategies of mutual funds can be divided into three main headings:

### **1. Direct Marketing:**

This constitutes 20 percent of the total sales of mutual funds. Some of the important tools used in this type of selling are:

- Personal Selling
- Telemarketing
- Direct mail
- Advertisements in newspapers and magazines
- Hoardings and Banners

### **Selling through intermediaries:**

Intermediaries contribute towards 80% of the total sales of mutual funds. These are the distributors who are in direct touch with the investors. They perform an important role in attracting new customers. Most of these intermediaries are also involved in selling shares and other investment instruments. They do a commendable job in convincing investors to invest in mutual funds. A lot depends on the after sale services offered by the intermediary to the customer. Customers prefer to work with those intermediaries who give them right information about the fund and keep them abreast with the latest changes taking place in the market especially if they have any bearing on the fund in which they have invested. Most of the funds conduct monthly/bi-monthly meetings with their distributors. The objective is to hear their complaints regarding service aspects from funds side and other queries related to the market situation. Sometimes, special training programs are also conducted for the new agents/distributors. Training involves giving details about the products of the fund, their present performance in the market, what the competitors are doing and what they can do to increase the sales of the fund.

**Joint Calls:** This is generally done when the prospect seems to be a high net worth investor. The BDA and the agent (who is located close to the HNIs residence or area of operation) together visit the prospect and brief him about the fund. The conversion rate is very high in this situation, generally, around 60%. Both the fund and the agent provide even after sale services in this particular case.

**Meetings with HNIs** is a special feature of all the funds. Whenever a top official visits a particular branch office, he devotes at least one to two hours in meeting with the HNIs of that particular area. This generally develops a faith among the HNIs towards the fund.

**Methods Adopted Asset Management Companies According to Jha Apurva (Distribution Network)**

### **1. Get in touch with Customers**

Various AMC directly contact the customers through various database. Then the AMC convince the client to invest in their mutual fund. Many of the times due to promotion the customers also contact AMC for investment. Most of the Mutual fund houses are following this route.

### **2. Online Investment**

Some mutual fund Web sites allow customers to invest online. However, the customer must have an account with the banks AMC have partnered with. For example, Prudential ICICI Mutual Fund allows customers to buy funds online if he have a banking account with any of the following banks: Centurion Bank, HDFC Bank , ICICI Bank, IDBI Bank and UTI Bank.

### **3. Through Distributors**

Each AMC sell its products through various distribution channels. The distributor in turn gets a variable commission from the AMC .The distributor have a client base of their own in which they promote the mutual fund. Some of the major distributors are India infoline Limited, Karvy, Sharekhan, Religare, Blue Chip India Limited.

### **4. Through Banks**

Some of the AMCs are sister concern of the bank example **Prudential ICICI Mutual Fund** is a sister concern of ICICI BANK. These AMCs aggressively promote their mutual fund to their client and develop a interest in them to invest in mutual fund in order to get higher returns.

### **5. Through Online Finance Portals**

Some of the AMCs sell their Mutual Fund through online trading account example ICICI Direct sell funds online through online trading account. But the client must have a trading account with them. Some of the AMCs which sell their product through online trading accounts are: **HDFC Securities, ICICI Direct, Kotak Street**

### **Objective, 4:)Marketing of Funds and its Challenges**

When we consider marketing, we have to see the issues in totality, because we cannot judge an elephant by its trunk or by its tail but we have to see it in its totality. When we say marketing of mutual funds, it means, includes and encompasses the following aspects:

- Assessing of investors needs and market research

- Responding to investors needs;
- Product designing;
- Studying the macro environment;
- Timing of the launch of the product
- Choosing the distribution network;
- Preparing offer documents and other literature
- Getting feedback about sales;
- Studying performance indicators about fund performance like N A V
- Sending certificates in time and other after files services
- Honouring the commitments made for redemptions and repurchase
- Paying dividends and other entitlements

Creating positive image about the fund and changing the nature of the market itself. The above are the aspects of marketing of mutual funds, in totality. Even if there is a single weak-link among the factors, which are mentioned above, no mutual fund can successfully market its funds.

**Conclusion:**

Mutual Fund Marketing is different from marketing of other goods. The present study try to explore the marketing strategies adopted by mutual funds, the different 7Ps that are involved in the marketing of mutual fund and also the Marketing strategies that are involved by the various mutual fund houses for attracting the investors. Mutual funds are not absolutely free to choose their material fro advertisement or promotion, as SEBI has issued some mandatory guidelines for the fund houses. Mutual fund houses are more dependent on the intermediaries and presently the fund houses are using all the available option for advertisement and promotion.

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