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Marketing of Financial Service: Evidence from Nigeria Financial Market

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Abstract
Nigeria financial market is emerging, the growth in institutions and products require a marketing strategy that will meet the needs of growing population. This study examined marketing of financial services. It discussed financial service products, segmentation of financial products, brands in financial market, financial service marketing environment, marketing of financial service through the internet, distribution channels of financial products, strength, weakness, opportunities and threat of Nigeria financial market, the needs for marketing of financial services, features of financial products and pricing of financial products. The study concludes that marketing of financial services is a determinant of financial inclusion, therefore policies and strategies should be advanced by management and regulators in the financial market.

Keywords: Marketing of Financial Products, Nigeria Financial Market, Brands in Financial Market, Financial Products, and Financial Institutions.

1. Introduction

Financial institutions are economic decision units established for providing financial services to its target markets with the main objective of making adequate returns or profits on the funds invested and being socially responsible to the society. The functions of financial system are to channelize the funds from the surplus units to the deficit units (Allan, 2006). An efficient financial system not only encourages savings and investments but efficiently allocates resources in different investment avenues and thus accelerates the rate of economic development. It is a particularly important industry that frequently has a far reaching impact on society and the economy. The product of the financial industry is not tangible rather it is an intangible service. Financial industry as a whole, produces a wide range of services but all these services are related directly or indirectly to assets and liabilities, that is, claims on people, organization, institutions, companies and government. financial system performs certain essential functions for the economy, including maintenance of payment system (through which purchasing power is transferred from one participant to another which is from buyer to seller), collection and allocation of the savings of society, and creation of a variety of stores of wealth to suit the preferences of savers. Marketing of financial service is a concept that was introduced in the financial service industry in the recent past. The act means the act of creating awareness for services; products created by the financial institutions and make it available at affordable price to potential buyers. The emergence of the concert was influenced by increase activities in the financial market, competition, globalization, financial innovation and financial service diversification. Financial products act as an investment avenue and produce the required financial security to investors based on the risk-return profile of financial products (Adegbola, N.D).

Financial institutions can be broadly classifies into two: Bank or bank financial institutions in the banking sector, and non bank financial institutions. Central Bank, Commercial, Merchant or Micro finance Banks and Development banks are institutions in banking sector, while, Hire-purchase companies, insurance companies, pension funds,

investment and unit trust and finance Houses are non-bank financial institutions (Allan, 2006). Financial services are the economic services providers by the financial industry, which encompasses a broad range of organizations that manage money, including credit unions, banks credit card companies, insurance companies, accountancy companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises. As of 2015, the financial services industry represented 55% of the market capitalization in the Nigeria stock exchange.

In the past, marketing was seen as the concern of manufacturing industry with little or no relevance for a service industry such as financial institutions. For instance, a banker was regarded as professional, offering services to those who sought them rather than as a business person trying to sell products to new and existing customers. Most financial service institutions realize that markets do not contain an infinite number of new customers' financial services institutions can ensure that customers are only targeted with products and promotions that are appropriate to their circumstances and needs. For overall cooperate objectives of prosperity, growth and continued life of business, financial institutions need to consciously structure their services in a way that caters for the financial needs of not only their present customers but also the prospective ones. It is in the long-term interest of financial institutions to increase the customer confidence. Thus, the need for this makes marketing increasingly important and necessary in today's financial competitive environment and to pay great attention to relevant marketing techniques. This paper intends to examine marketing of financial service in the Nigeria financial market.

2. Review of Related Literature

Concept of Financial Service Marketing

Marketing financial services could be defined as an act of creating awareness for service products and make same available at affordable prices to potential buyers. Marketing of financial services relate to the ability of firms to help their customers identify or create a competitive advantage which provides a foundation for customer impact value and firm's performance, measurable in forms of customer satisfaction and profitability (Kumar et al, 2002). The key concept of financial services is economic based services which relates to a wide range of businesses that manage money including credit unions, banks, credit cards, insurance consumer finance, stock brokers, investment funds, and government bonds (Alfred and Addams, 2000), all of these services have their various markets which include buyers, sellers, government and other firms. They are all referred to as financial customers to variety of financial services, which may include rising of capital, transfer of risk, price discovery, transfer of liquidity export and import transaction and other global transaction among others (Wilson and Williams, 2002). The services provide the basis for defining different markets where competition thrives in the financial sector. Various markets have their peculiar marketing content developed to meet the needs and expectations of their defined market segments for strategic purposes (Ekerete, 2005).

Brands in Nigeria Financial Market

A brand is a distinguishing symbol, mark, logo, name, word, sentence or a combination of these items that companies use to distinguish their product from others in the market. Legal protection given to a brand name is called a trademark (Nwokah, Opara and Keme, 2005). A brand is seen as one of its company's most valuable assets. It represents the face of the company, the recognizable logo, slogan, or mark that the public associates with the company. The names below are some brands in Nigeria financial market.

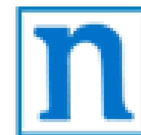
FIRST BANK

First Bank Mortgage
First Bank Pension Custodian
First Bank Bureau De Change
First Bank Capital Finance Company
First Bank Insurance
First Bank Merchant Banking

Union Bank Capital Market Union Bank Asset Management
Union Bank Pension Custodian
Union Bank Registrar
Union Bank Properties

Zenith Insurance
Zenith Pension Custodian
Zenith Securities
Zenith Trust Companies

FCMB Capital
FCMB Investment Banking
CSL Stock Brokers Limited
Legacy Pension Fund
Micro Finance Bank



NIGER INSURANCE PLC.
Since (1962) RC: 6484
...nothing assures like a Niger Cover

Financial Service Products

In marketing, a product is anything that can be offered to a market that might satisfy a want or need. Today, the importance of financial services is gaining momentum all over the world. In these days of complex finance, people expect a financial service company to play a very dynamic role not only as a provider of finance but also as a departmental store of finance (Adegbola, N.D).With the injection of the economic liberation policy into our economy and the deregulation of the financial market in Nigeria, consumers expect the financial service companies to innovate new products and service so as to meet their varied requirements. As a result of innovations and Nigeria financial market development, new instruments and new products are emerging in the capital market. The capital market and the money market are getting widened and deepened. Many financial intermediaries such as banks have expanded their activities in the financial services sector by offering a variety of new products (Allan, 2006).

Financial Products of Banks

Deposit Accounts
Business Services
MasterCard Debit Cards
Health Savings Accounts
Loans
Apply
Safe Deposit Boxes
Quality Help Line
Savings accounts
ATM cards
Credit cards
Traveler's cheques
Mortgages
Home equity loans
Personal loans
Certificates of deposit/Term deposits

Other Bank Products Are:

Merchant Banking: The reemergence of merchant banking in Nigeria is welcome development in 2015 after the universal banking in 2001**.** A merchant banker is a financial intermediary who helps to transfer capital from those who posses it to those who need it. Merchant banking includes a wide range of activities such as management of customers' securities, portfolio management, project counseling and appraisal, underwriting of shares and debentures, loan syndication, acting as banker for the refund orders, handling interest and dividend.

Loan Syndication: This is more or less similar to 'consortium financing. But, this work is taken up by the merchant banker as a lead-manager. It refers to a loan arranged by a bank called lead manager for a borrower who is usually a large corporate customer or a Government Department (Allan, 2005). The other banks who are willing to lend can participate in the loan by contributing an amount suitable to their own lending policies. Since a single bank cannot provide such a huge sum as loan, a number of banks join together and form a syndicate.

Custodial Services: It is another line of activity which has gained importance, of late. Under this, a financial intermediary like banks mainly provides services to clients, particularly to foreign investors, for a prescribed fee. Custodial services provide agency services like safe keeping of shares and debentures, collection of interest and dividend and reporting of matters on corporate developments and corporate securities to foreign investors.

Corporate Advisory Service: Financial intermediaries particularly banks have set up corporate advisory service branches to render services exclusively to their corporate customers. For instance, some banks have extended computer terminals to their corporate customers to that they can transact some of their important banking transactions by sitting in their own office (Allan, 2005).

Financial Products of Capital Market

Leasing: A lease is an agreement under which a company or a firm acquires a right to make use of a capital asset like machinery, on payment of a prescribed fee called rental charges. The lessee cannot acquire any ownership to the asset, but he can use it and have full control over it. Commercial banks have also been permitted to carry on this business by forming subsidiary companies due to the deregulation of the financial market in the last quarter of 1986.

Mutual Funds: A mutual fund refers to a find raised by a financial service company by pooling the savings of the public. It is invested in a diversified portfolio with a view to spreading and minimizing risk. The fund provides Investment Avenue for small investors who cannot participate in the equities of big companies. It ensures low risk, steady returns, high liquidity and better capital appreciation in the long run.

Factoring: Factoring refers to the process of managing the sales ledger of a client by a financial service company; in other words, it is an arrangement under which a financial intermediary assumes the credit risk in the collection of book debts for its clients

Venture Capital: A venture capital is another method of financing in the form of equity participation. A venture capitalist finances a project based on the potentialities of a new innovative project.

Securitization: Securitization is a technique whereby a financial company converts its ill-liquid, non-negotiable and high value financial assets into securities of small value which are made tradable and transferable (Allan, 2005). A financial institution might have a lot of its assets blocked up in assets like real estate, machinery etc. which are long term in nature and which are non-negotiable.

Derivative Security: A derivative security is a security whose value depends upon the values of other basic variables backing the security. In most cases, these variables are nothing but the prices of traded securities. A derivative security is basically used as a risk management tool and it is resort to cover the risk due to price fluctuations by the investments manager.

Financial Products of Foreign Exchange Market

Financial products have also emerged in the foreign exchange markets of developed countries while some of these products has become the norms of the developed financial market, they are still emerging in the financial markets of the developing economies like Nigeria.

Forward Contracts: A forward transaction is one where the delivery of a foreign currency takes place at a specified future date for a specified price. There is an obligation to honor this contract at any cost; failing which, there will be some penalty. Forward contracts are permitted only for genuine business transactions. It can be extended to other transactions like interest payments.

Options: As the very name implies, it is a contract wherein the buyer of the option has a right to buy or sell a fixed amount of currency against another currency at a fixed rate on a future date according to his option. There is no obligation to buy or sell, but it is completely left to his option. Options may be of two types namely call options and put options.

Futures: It is a contract wherein there is an agreement to buy or sell a stated quantity of foreign currency at a future date at a price agreed to between the parties on the stated exchange.

Swaps: A swap refers to a transaction wherein a financial intermediary buys and sells a specified foreign currency simultaneously for different maturity dates-say, for instance, purchase of spot and sale of forward or vice versa with different maturities (Allan, 2005). Thus swaps would result in simultaneous buying and selling of the same foreign currency of the same value for different maturities to eliminate exposure risk.

Lines of Credit (LOC): It is an innovative funding mechanism for the import of goods and services on deferred payment terms. LOC is an arrangement of financing institution/bank of one country with another institution/bank/agent to support the export of goods and services as as to enable the importers to import no deferred payment terms.

Financial Products of Insurance Firms

Life Insurance: Life insurance may be defined as a contract in which the insurer, in consideration of a certain premium, either in a lump sum or by other periodical payments, agrees to pay the assured, or to the person for whose benefit the policy is taken, the assured sum of money, on the happening of a specified event contingent on the human life.

Fire Insurance: Fire insurance is a contract to indemnify the insured for distribution of or damage to property caused by fire (Allan, 2005). The insurer undertakes to pay the amount of the insured loss subject to the maximum amount stated in the policy.

Marine Insurance: A contract of marine insurance is an agreement whereby the insurer undertakes to indemnify the assured in a manner and to the extent thereby agreed, against marine losses, that is, the losses incidental to marine adventure.

Social Insurance: Social insurance has been developed to provide economic security to weaker sections of the society who are unable to pay the premium for adequate insurance.

Personal Insurance: Personal insurance refers the loss of life by accident, or sickness to individual which is covered by the policy. The insurer undertakes to pay the sum insured on the happening of certain event or on maturity of the period of insurance.

Property Insurance: Contract of property insurance is a contract of indemnity. Proof by the assured of loss is an essential element of property insurance. The policies of insurance against burglary, home-breaking or theft etc

Liability Insurance: Liability insurance is the major field of general insurance whereby the insurer promises to pay the damage of property or to compensate the losses to a third party.

Fidelity Guarantee Insurance: In this type of insurance, the insurer undertakes to indemnify the assured (employer) in consideration of certain premium, for losses arising out of fraud, or embezzlement on the part of the employees.

Features of Financial Services

Products of financial services industry are intangible and therefore cannot decay, deteriorate, depreciate in value or in form.

Financial services cannot be inventoried just as physical goods can.

Prices of financial services are more often than not controlled or fixed by political authorities e.g. credit ceilings pegging of interest rates, exchange rates, CBN tariff for banks changes.

Financial services marketing are highly personal or face to face.

In the financial services sector, customer satisfaction is paramount.

Attracting deposit, marketing of financial services especially in the banks is unique because of the involvement of marketing, not only in the provisions of funds to customers, but also in the procurement or mobilization of deposits on which most of the services will be based (Adegbola, N.D).

More than any other financial services, banking requires and customers expect a high degree of confidentiality and honesty on the part of the bank.

Segmentation of Financial Market and Services

Market segmentation is defined as the identification and aggregation of individual consumers coming from a heterogeneous population into groups or segments where the members of the group or segment are relatively alike, yet different from other groups. Market segmentation is also defined as the subdivision of a market into homogeneous subsets of customer, where any - subset may conceivably be selected as a market target to be reached with a distinct marketing mix.

The benefit of financial service segmentation are: It operationalises the concept that a company cannot be all things to all people by excluding certain segments; financial institutions focuses its efforts and resources on a narrower target and gains deep knowledge of the needs of that target. It drives costs down by enabling a closer match of corporate resources with a segment's requirements. It enhances customer satisfaction by addressing customer requirements more accurately. It enhances customer retention, since target segments see that they are being valued by a financial institution. It increases the odds of target segments perceiving the financial institution as a brand. It enables the financial institution to foresee changes in the buying behaviour of the target market and to respond timely with new offerings and enables the financial institution to detect target segments, which are small in size but have large potential.

Financial Market and Products Segmentation Based on Geographic

This method is useful where there are geographic locational difference in consumption patterns and preferences based on regions/zones, states, local government areas, areas of a town or city on climatic factors.

Rural and urban banking

International and domestic financial market

International foreign exchange market

Domiciary account

Money gram

Foreign and domestic financial investment

Euro dollar market

Euro currency market

Eurobond market

Financial Market and Products Segmentation Based on demographics

Here, consumers are grouped according to variables such as age, sex, marital status, income, education, occupation, race, religion (Adegbola, N.D). These variables greatly affect the purchase decisions of consumers, for example, young consumers.

Joint account, Budget facilities

Financial advice and planning

Tangible and intangible financial assets

Student account

Students' loans and overdraft

Micro financing

Islamic banking

Civil service account/ loans

Retirement savings

Pension plan
Residential loans
Bonds
Long-term debt
Venture capitalists
Car loans
Life insurance

Financial Market and Products Segmentation Based on Psychographic

This was developed to overcome the inadequacies of demographics in the identification of attitudes and life styles.' Variables under this heading are: a. Lifestyle: Lifestyle is a pattern of living adopted by an individual. It has proven to be a more useful segmentation base on personality. If there is evidence that consumers buy a product to express or carry out their lifestyle.

Cheque account
Liquid financial assets
Time saving account
Complex financial instruments e.g derivatives, options, futures.
Intangible financial assets
Low income earnings account
Micro finance institutions
Credit unions
Thrift association
Servicing loans
Short term savings and loans
Medium term savings and loans
Multiple bank accounts
Property insurance
Security investment
Children savings account

Financial Market and Products Segmentation Based on Behaviouralism

In this approach, consumers are grouped by their purchase. For example, the detergent market might be segmented by those consumers who buy detergent solutions, detergent powders or detergent soaps. The demographic and lifestyle characteristics of each segment would then be determined by marketers. Appropriate marketing strategies will be employed to satisfy the needs of each market· segment (Adegbola, N.D). Furthermore, in behavioural segmentation, markets can be segmented by identifying users of a product usage and usage situations heavy users, light users and non users. Product choice is party dependent upon the occasion for which the product will be used.

Car loans
Business account
Low interest loans
Consumption loans
Time and fixed deposit
ATM, POS
Children Education Account

The 4ps of Financial Service Marketing

According to Handscombe (1989) the concept of the marketing mix, was popularly promoted by Kotler and consists of the elements PRODUCT, PLACE, PROMOTION and PRICE or the 4Ps. The marketing mix provides a useful starting point and framework for identifying, evaluating and deciding on profit-effective marketing options, and according to Godfrey (1990) is the main instrument through which marketing strategies are implemented.

Product

Kotler and Armstrong (1996) define a product as anything that can be offered for attention, acquisition, use or consumption and that might satisfy a want or need. Products are therefore the means by which organizations seek to satisfy consumers' needs. The element of the product mix which the marketer can control in the financial market is the quality of service, nature of financial products and types of financial products.

Place

The place element (Distribution) of the marketing mix ensures that products are available in the correct quantities, in convenient locations and at the times that the customers want to purchase them. In the financial market, this include the direct, indirect and technology driven distribution channel

Price

Price, according to Diamond and Pintel (1972) is defined as an offer to sell for a certain amount of currency. Of all the elements of the marketing mix, only price brings in revenue to a company. In the financial market price include service charges, interest on loan and interest on deposits.

Promotion

Brink and Kelly (1963) define promotion as coordination of all seller-initiated efforts to set up channels of information and persuasion to facilitate the sales of goods or services or the acceptance of an idea.

Financial Service Marketing Environment

The marketing environment consists of the forces that directly or indirectly influence an organization's acquisition of inputs and generation of outputs. Environmental forces are dynamic changes which create uncertainties, threats and opportunities in business. Financial institutions should continue to modify their marketing strategies in response to the dynamism of the environment.

Micro Environment

The microenvironment of financial institutions encompasses factors that are within the immediate control of the institutions. They are:

Strategy: The strategy of any financial institution is the management plan for achieving chosen objectives. It refers to the approaches and actions the financial institutions plans to take to get to the envisioned state. Financial institutions must design and implement a well-articulate strategy that will competitively position it in the market place.

Structure: In a nutshell financial institutions structure is the horizontal and vertical arrangement of roles and functions in the organization. The chart that shows such arrangement is called an organizational chart or organogram (Adegbola, N.D). Apart from the organizational structure, the financing structure is also very important

Systems: Systems in financial institutions refer to the processes, procedures and technology by which the details of the business activities are carried out on a daily basis. One of the characteristic of financial market is the wide application of technology in the process of marketing and service delivery.

Skills: Skills can be used to describe the level of competence of financial institutions / the areas of its competitive advantage and how fit it is to implement its strategic objectives. This variable has something to do with quality of management and staff.

Staffing: This refers to all that relates to financial institutions human resources management as well as the quality and quantitative adequacy of its personnel.

The macro environment

The macro environment consists of five forces that can shape opportunities and pose threats to the financial institution, these are:

Demographic environment

Demographic factors are individual characteristics such as age, gender, race, ethnic origin, income, family life cycle and occupation. All of these factors have the ability to impact upon consumers' buying requirements and behaviors; therefore a clear understanding of these demographic characteristics is important for marketing of financial service (Garg, N.D). Therefore, when marketing financial products or service, the group that will have the greatest influence on the buying decision needs to be targeted, this may not necessarily be the same group who actually buy the product or service.

Economic environment

The state of an economy will have an influence on the decisions made by consumers and also financial institutions and their marketing activities. The overall state of the economy in any country will fluctuate. This is affected by the forces of supply and demand within the economy, the buying power of consumers and financial institutions along with their willingness to consume and the levels of competition within the economy. It is difficult to open account or save in a depressed economy.

Political/legal/regulatory environment

Political, legal and regulatory forces are closely interrelated aspects of the marketing environment. Politicians and their views determine the laws and regulatory bodies which are set up. When political officials view particular industries or companies favorably, they are less likely to create or enforce laws that are unfavorable towards these industries. This is why the government publics are important in the macro environment. Legislation and regulation can have a major impact such as with the liberalization of the financial market or it may have a minor impact such as with advertising standards legislation. The government can also stimulate consumer demand for financial services by introducing a variety of schemes and products such as salary account and pension plan. The government's economic policy will also have a significant influence on the regulation of competition, permissible business

practices and future economic conditions (Garg, N.D). Relevant sections of the laws regulate operation of the financial market in Nigeria.

Socio/cultural environment

The society and culture in which people grow up and are educated shape their views, attitudes and values. These attitudes and values may relate to factors such as debt and savings, attitudes towards loans credit and thrift material culture attitudes towards acquisition of goods and services.

Technological environment

Technology is the application of knowledge and tools to solve problems and to perform tasks more effectively (Garg, N.D). The effects of technology are wide ranging and can be seen all around us; for example, consider the way that you communicate now compared to the way you did ten years ago and you will realize how great the changes have been in the volume and methods of communication. Some of the more recent developments in financial services technology which have occurred in the last two decades are:

Electronic Fund Transfer Systems
Automated Teller Machines
Direct deposit of payroll
Payment by phone systems
Preauthorized fund transfers (direct debit/standing orders)
CHAPS – Clearing House Automated Payment System
Electronic Fund Transfer Systems at the Point of Sale
debit cards (such as Switch)
Electronic cash (electronic purse), Smart cards
Telephone banking
The Internet
Video links in branches to product specialists/financial advisers
Electronic cash management (for commercial clients)
Holograms and chips (on cheque guarantee cards)
These types of new technology pose threats to existing products but also offer new opportunities.

Marketing of Financial Service and the Internet

The changing nature of financial transactions and financial markets, triggered significant new risks and new risk combinations, created by interactions between globalization and intensive use of technology. As the traditional risks, such as credit risks, have not disappeared, the overall risk level of financial system has increased. At the same time, the ability to manage risks was significantly enhanced. Customers can also access the balances and transactions on the accounts and perform other financial services e.g. transfer of funds from one account to the other; carry out transactions with other banks customers etc. While technology constitutes a key vector of geo-finance, not all the technologies played an equally important role in its development. Among those which did, two appear as core levers.

Transaction processing: financial automation process has been largely triggered by the need to lower transaction costs and increase transaction throughput. As transaction volume increased, system requirements became more stringent, either in terms of performance or reliability. The key nodes of financial systems: settlement systems, payment networks and market trading systems, all rely on state-of-the-art transaction processing technologies.

Financial instrument technology: This technology, which combines software development and pure economic theory, is based on the option theory developed in the early 1970s by US academics Fisher, Black and Merton. The theory, which allows the quantification of the value of future and uncertain cash flows, has played a critical role in the development and explosive growth of organized and informal markets for financial derivatives. More fundamentally, the financial instrument technology contributed to the dematerialization of financial transactions and financial markets. The main purpose of financial markets is no longer to support trading of physical goods but to exchange of information and to manage risks (Adegbola, N.D). IT posture of financial institutions are heavy users of Information Technology. Banking sector absorbs between 20 to 25% of IT expenditures world-wide, with major financial institutions spending several billion dollars a year each. By and large, financial institutions are conservative users, putting heavy emphasis on proven reliability and robustness of information technology applications. Major applications decisions and development processes are often ponderous and time-consuming.

Need for Financial Service Marketing

The nature of the products-intangibility-makes it imperative that marketing techniques be used to inform or tell customers exactly what they are buying and what range of the services are available or anticipated customers must be shown the benefits of the service/products.

Competition in the industry has become so intense, aggressive and sustained or persistent that unless an actor employees the marketing techniques at his disposal, the actor will sooner than later suffer shrinkage in marketing share.

Nigerian consumers and customers are fast becoming more educated, more enlightened and more sophisticated and therefore more selective and discriminatory in their choice of financial services. This has necessitated a more professional and systemic approach to the marketing of financial services.

The rate at which new products emerge in the financial services industry is alarming (Adegbola, N.D). This is in keeping with the increasing sophistication of the world economy and the financial needs of customers. Marketing is therefore required not only to create awareness of the new products but also to enable innovative organizations reap maximum benefits from the marketing research or efforts before the product dies off or is overtaken by new development and to promote the financial institutions image and sell more and more services to customers

Strengths and Weaknesses Opportunities and Threats of Nigeria Financial Institutions

Strengths and weaknesses will be concerned with the internal operations of the organizations, while opportunities and threats tend to be external to the organization. By its very nature the SWOT analysis allows a balanced view of the organization and its market to be taken. For example, when looking at the strengths and weaknesses, an analysis can be made of the position of the organization and its products, examining areas such as customers, competitors, trends in the environment and the resources of the organization (Garg, N.D). Once the opportunities and threats have been examined, recommendations can be formulated regarding the marketing plan.

Strengths

Strong balance sheet on which to base expansion and a sound profit record.

Domestic branch network in the 4 geopolitical zones, 36 states of the country and federal capital territory.

Subsidiary and associate companies providing a range of ancillary financial services to the retail and corporate sectors

Comprehensive product range equivalent to those of peer banks in both price and range.

Personal account base with 80% of customers in the financial market socio-economic group with 70% of customers aged 45 or over.

Strong customer loyalties

Staff well qualified in traditional financial market skills.

Large market size

Collaboration with regulatory authorities for product innovation and quality

Expansion of services beyond national boarder

Weaknesses

An outdated image created by poor branch premises where little refurbishment has taken place over the last twenty years.

Technological systems which is ten years old and requires to be replaced

Static market shares with a 25% turnover of financial services

Weak market image with little recall of financial institutions or its products

Product range which is now at a “mature” stage within the product life cycles

Lack of broad-based management skills and of specialized expertise in marketing.

Limited appreciation of the need for customer service skills

Poor corporate images

Limited branch network

Poor innovative capacity and product designs to meet customers’ needs

Opportunities

Government policies that encourage competition

A domestic market, both personal and business, which is capable of expansion as competitive influences come to be felt.

An increasing demand for financial service products and financial advice from that portion of the population aged over 45.

Increasing numbers of work force with high knowledge in information and communication technology

Major growths in the private housing sector

Expansion to the rural communities

Threats

Competing financial institutions are now offering telephone facilities to current account holders.

Market risk

Foreign financial institutions are seeking actively to increase their market share of the financial market

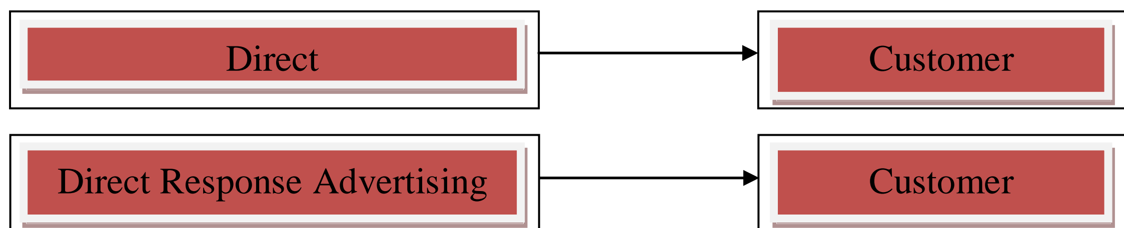
Few financial institutions are engaged in product redesign and enhance product quality
Computer facilities and ATM networks are becoming the critical decision forming factors for many personal and business customers.
Personal customers are tending to hold accounts with more than one institution, therefore loyalty cannot be guaranteed.
Functions of the regulatory authorities

The Distribution of Financial Services

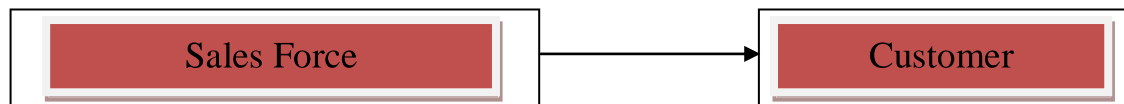
Distribution in financial services marketing is concerned with how the service is delivered to the consumer, making sure that it is available in a place, at a time and in a format that is appropriate and convenient for the customer. The nature and types of financial services provided to customers and the ways in which they are provided vary considerably across countries as a consequence of different institutional and regulatory structures. Ennew and Waite (2006) have explained, distribution channels in financial services should provide consumers with appropriate advice and guidance regarding the suitability of specific products, choice and a range of product solutions to meet different customer needs, means for purchasing a product, the means for customers to establish a relationship with the service provider, service and product showcase and vehicle for communication of relevant aspects of financial services.

Traditional Direct Channels of Distribution

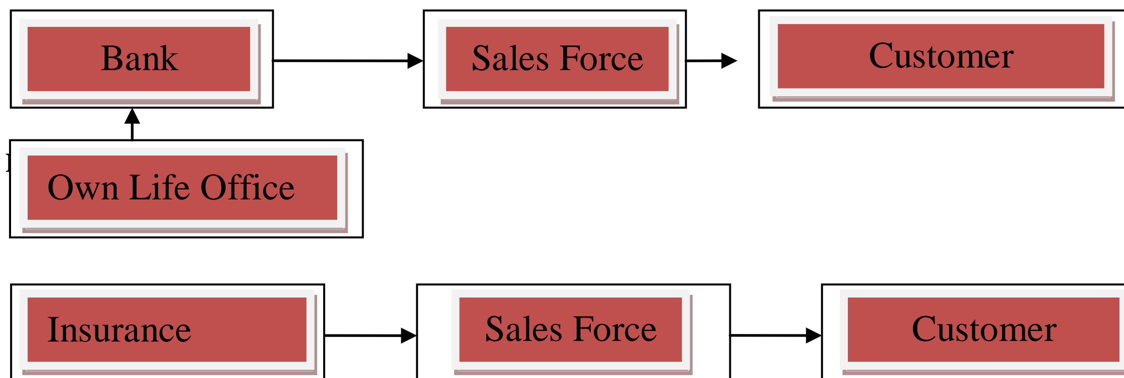
Direct Marketing



Branch



Bank/Insurance



Source: Chakrabarty & Ennew (2007).

Figure 1 above illustrates direct channels of distribution in the financial services sector include: direct mail, direct response advertising, branch networks, and direct sales forces. But, whilst increasingly both direct and indirect channels of distribution are being used in many areas of financial services, some sectors still display greater use of one as compared to the other. For instance, retail banking relies almost exclusively on direct distribution, whereas in the insurance and investment sectors there continues to be extensive use of third parties such as commercial insurance brokers and other financial advisers.
While direct mail is carefully targeted to the particular interested segment, direct response advertising is more general. Both these distribution channels are normally complemented by follow ups by a salesperson or call centre

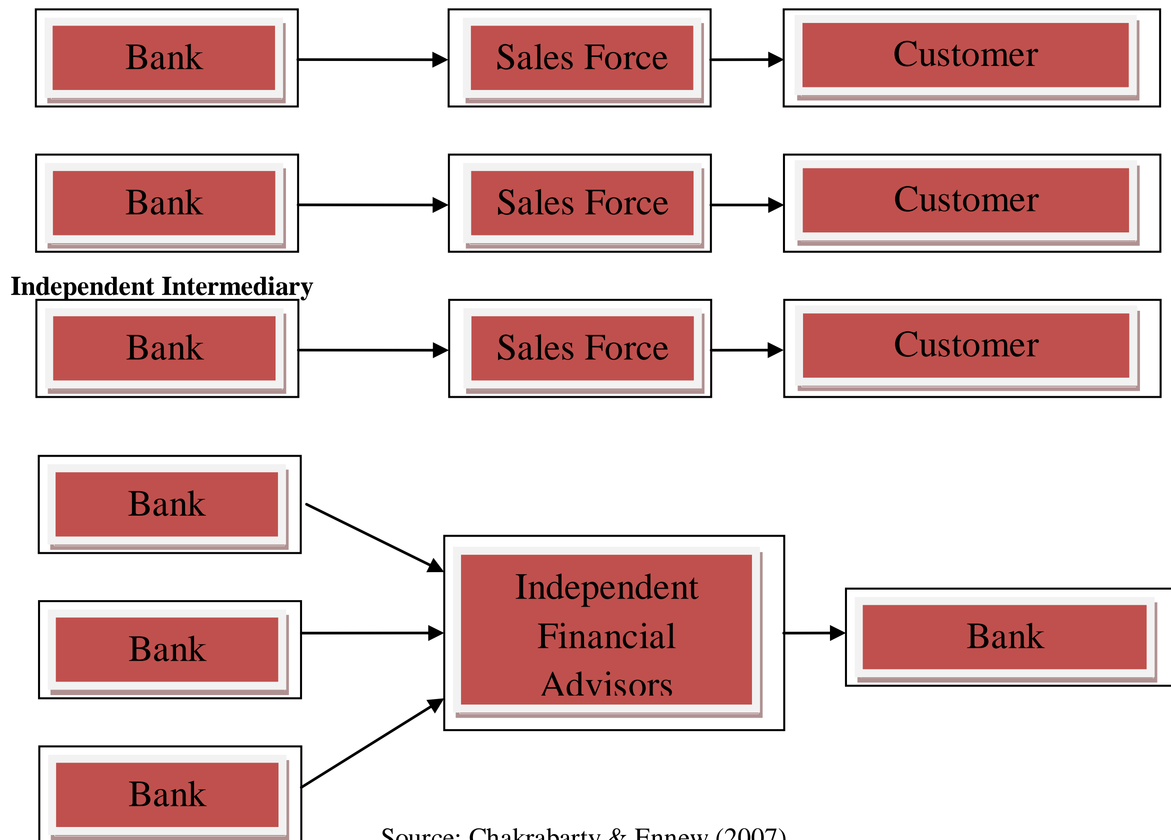
contact staff, or alternatively customers are asked to return by post or fax, enquiry or acceptance forms (Chakrabarity and Ennew, 2007). Direct mail is increasingly more accurately targeted towards particular segments due to the sophistication of data mining and customer information integration software. However, the most interesting developments in distribution are in the branch network and the branch itself.

Branch network

The development of various technology-enabled modes of financial service distribution has reduced the importance of the traditional branch network as a direct channel of distribution in many developed and developing country markets. Whilst in the past various studies highlighted the importance of branch location as primary in consumer choice of retail banks, recent research suggests that this may no longer be such an important predictor of buyer behavior. A move away from branch-based distribution can be explained by the increasingly easy access to technology-based channels of distribution through fixed-line or mobile telephones and Internet linked computers. While this trend is most strongly in evidence in the more mature banking markets of the developed world, it is not without problems.

Indirect Channels of Distribution

Indirect channels of distribution imply the use of intermediaries, whether institutional (tied) or independent. For instance, in insurance, pensions and investment products, the use of brokers and independent agents widens market coverage without the addition of fixed costs, but administratively more training and control mechanisms are required. Independent financial advisers are the strongest distribution route for pensions and other insurance based savings products.



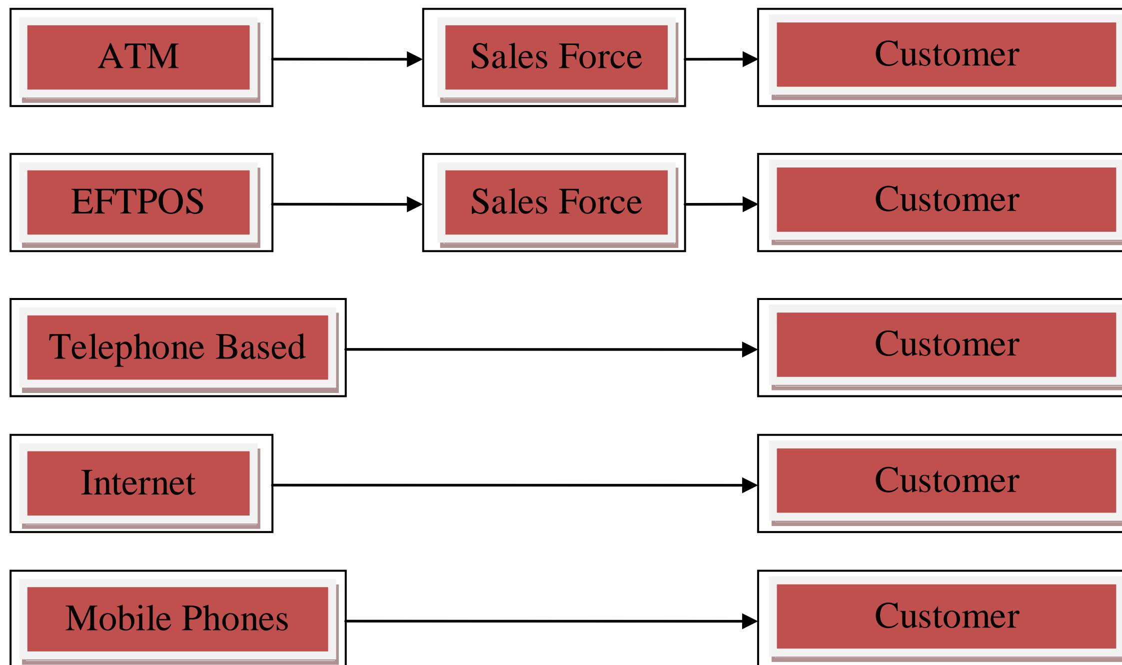
Source: Chakrabarty & Ennew (2007).

Figure 2 illustrate indirect channels of financial service distribution. Independent intermediaries sell products from a number of companies, while the tied intermediaries are restricted to selling products from one particular company. Typically intermediaries are categorized as brokers, independent financial advisors, solicitors, accountants and estate agents who sell another company's financial products The list of intermediaries can also include other institutions such as financial institutions , post offices as well as supermarkets. An independent intermediary requires far more training than a tied intermediary because of the greater diversity of products handled and the stricter requirements in terms of the provision of advice. Some of the typical challenges associated with independent intermediaries or

independent financial advisers (IFA's) include challenges related to the commission based remuneration for IFA and lack of strategy in attracting new customers. In the current context of financial services, banks and building societies are also tied intermediaries for other financial products for instance insurance products.

Technology Driven Distribution Channels

Technology driven distribution channels are fast becoming the main delivery channel for many simple financial services.



Source: Chakrabarty & Ennew (2007).

Figure 3 illustrates some of the major uses of technology in the distribution of financial services. However, it is important to bring to attention that the use of technology in financial services implies self service which requires increased work or involvement on the part of the customer. The increased involvement of the customer has generated much research on consumer adoption of these distribution channels. Technology driven distribution channels reduce or even eliminate face to face interaction for both simple and complex transactions, advice and overall service delivery. The use of these technologies entail a certain measure of risk and uncertainty, anxiety and stress towards its effectiveness, while there could be some costs for customers to switch to these channels. It also reduces the social element in the service encounter. On the other hand, it offers ease of use, convenience, and greater control for those who are comfortable with the technology, notwithstanding the added benefit of immense cost savings to financial service providers. The most noted technology driven channels, the ATM's, EFTPOS, Telephone based channels and the internet trends will be elaborated upon in the subsequent sections.

ATM

The automatic teller machine (ATM) introduced nearly 30 years ago, was a revolutionary piece of technology allowing customers to access banking services anytime, but at designated locations. In terms of benefits, it reduced the requirements for a brick and mortar presence, reduced queues, reduced staff requirements and enabled convenient access to a wide array of simple financial services. While the earlier ATM's offered less services and were within a banking institution's premises, later ATM's were stand alone located in heavily populated areas or those with a heavy passing traffic of people such as supermarkets, airports and train stations and offering multiple services apart from simple cash dispensing, and checking of accounts akin to multi function kiosks. Example of some of the services offered by ATM's now is as follows:

Bill payments top up or purchase for telcos, Electronic share application, Electronic payment of shares, online account registration, Money transfer, Third-party payments, and Direct debits and standing order management.

EFTPOS

Technologies such as the electronic fund transfer at point of sale (EFTPOS) responded to consumer demand for an easier and reliable method of paying for purchases, and for the retailers a less costly method for collecting money

than cheques. The EFTPOS system is also commonly known as the debit card enables the direct transfer of funds from a customer's account into the retailer's account. The method first evolved in the early to mid-1980s and has become a leading payment system for goods and services. Retailers such as supermarket have played a key role in helping the debit card to become a major payment mechanism. In the developed financial market, retailers also offer the added cash back facility as a customer service which encourages the use of the debit card offering convenience for a customer to access their monies at the counter of a retail outlet instead of going to an ATM or bank for this particular reason. The benefit of offering customers 'cash back' schemes not only reduce their banking costs, the costs of securely holding high levels of cash on retail premises or having them transported securely to banks, but also in reducing their customers direct interactions with their banks, whilst increasing their interaction with the supermarket as a financial services provider.

Telephone based

The telephone based channel only requires the customer to have access to a telephone in order to access a wide array of simple financial services. It is a very cost effective method of prospecting new clients and simultaneously providing different services to customers. Apart from banking, it is not uncommon for the telephone to be a distribution channel for insurance as well

The Internet as a distribution channel

The Internet's impact on the financial services industry seems to be three pronged. Firstly it facilitates transparency of prices and product characteristics, secondly it enables a more precise pricing structure to distinct groups of customers, and lastly in terms of distribution it may eliminate some costs along with the roles of some groups of financial services intermediaries' disintermediation. It is increasingly apparent that some financial services are more likely to be distributed using the Internet as compared to others. In this respect, many of the traditional retail banking services such as checking of accounts, and transferring monies, bill payment, ordering of cheque books and making enquiries can be conducted easily over the Internet; however, other financial services such as mortgage and the insurance sector are still heavily regulated and customer preferences still dictate the requirement of other distribution channels

The Internet is generally believed to reduce costs in the transaction of services, whilst adding customer convenience, but in contrast, the additional convenience may convert into an increased level of transactions that may or may not materialize into significant cost savings. Therefore, in times of increasing competition the question of whether costs improve, notwithstanding the internet, is more likely to have a negative influence in terms of revenue. However, the Internet without a doubt enables customers to conduct transactions, make purchases or amass information at a click.

Mobile Financial Services

A much newer development in the field of financial service distribution is the use of mobile phones for the transmission of information on services and conducting transactions. Mobile phones are an important and relatively inexpensive mode of communication for many consumers. The potential use of a mobile device for a wide array of financial services is yet to be fully realized at this point of time. However, the use of text message banking for making transactions and account maintenance, for information, and for advertising new products and services is common. For instance, banks are now able to send out text messages on offers, new products and services, as well information directly related to customer accounts and transaction activity.

Pricing of Financial Services

Pricing a financial service is both an art and a science. The art of pricing is in choosing a combination of fees and charges acceptable to customers, that are fair and transparent, and in determining if the product has any unique attributes that deserve premium pricing. The art of pricing is in careful and considered communication to and feedback from customers and staff to ensure that pricing messages are appropriately and correctly delivered. The science of pricing is in ensuring that the product is profitable and is competitive in the market, that aside from very few specific and chosen loss leaders, that each product returns a profit. Pricing in financial services includes the interest rate, loan fees, and prepayment penalties, prompt payment incentives and for savings products ledger and withdrawal fees as well as interest paid to the account holder (Cracknel and Messan, 2006).

Pricing Credit Products

Many factors must be considered when pricing loans aside from cost, competition and value the institution needs to consider the pricing method, whether flat or declining balance, pricing for larger loans and whether there can be differential pricing to price for risk to reward good customers.

Flat verses declining balance: There can be strong institutional and client preferences for calculating interest rates using either the flat rate or declining balance method. A flat rate is often considered transparent and easy for customers to understand, because it charges the same amount of interest every period (Cracknel and Messan, 2006). The declining balance method is often considered fairer because it only charges interest on the amount of the loan outstanding.

Pricing for risk: Financial institutions take into account perception of risk of the loan. Therefore, loans secured on property, or salaries are priced lower than loans secured against collateral substitutes and cash flow assessments. Often institutions providing individual loans to the microfinance sector include an appraisal and monitoring fee in addition to the interest rate on the loan. This covers the more extensive appraisal performed to reduce credit risk. The appraisal fee is usually collected prior to loan appraisal and the monitoring fee at the time of disbursing the loan. In theory this appraisal fee should be related to the cost of performing an appraisal, in practice, however, it is usually a flat charge or percentage charge regardless of the actual expenses incurred.

Pricing for reward: Often financial institutions reward regular customers who have repaid loans successfully, either through reduced interest rates, or through the cancellation of future appraisal or monitoring fees.

Joint products: Many microfinance institutions operate group based loan products, which insist on compulsory savings deposits. Compulsory savings significantly increase the cost of the loan to the client, and are universally unpopular, often because microfinance institutions use this money to cover loan default without informing customers (Cracknel and Messan, 2006). This institutional behaviour is frequently quoted in market research as a reason for the reluctance of clients to hold voluntary savings deposits with the microfinance programme.

Graduation to individual lending: Many institutions graduate selected successful clients to new individual loan products. This is done in an attempt to meet the demands of excellent customers whose needs for credit have grown. In most cases these loans move to being secured on assets and collateral, and are priced at a much lower rate than group based loans. This change is usually motivated by a desire to retain successful clients and as a visible incentive to existing group-based customers.

Pricing Electronic Banking Products Pricing complex products, such as Electronic Banking services is particularly challenging. This is due to a range of overlapping factors, which include the difficulty in setting realistic assumptions during the pilot test period; the absence of existing benchmark prices and the need to move to a volume rather than value based pricing model.

Pricing Savings Products

Savings products involve consumers depositing their money with a financial organization such as a bank or a saving and loan institution. The financial organization ensures the safekeeping of the customer's funds and possibly facilitates additional transactions related to the deposited funds. By depositing funds into a savings account, the customer has in effect passed on the responsibility of keeping the money in a safe place onto the bank that now has to keep the funds in a secure location and possess the necessary infrastructure to facilitate the safekeeping and associated financial transactions.

Pricing Brokerage and Investment Services

The pricing of services provided by brokers and investment houses for the sale of financial products and securities can be customized at the individual customer level or set as a fixed price applicable to all customers. Often, prices are assessed based on the unique needs of individual clients, the total amount of assets being managed, and even at times negotiated on an individual basis. Brokers whose job is to facilitate the trading of securities for customers have a multitude of approaches available to them for earning income. One approach is to charge trading fees for the purchase and sale of securities on behalf of a client. Trading fees might be flat regardless of the Naira amount of securities traded, or they may be based on a percentage of amounts traded. The brokerage business is divided into two general categories called full-commission brokers (FCBs) and discount brokers. FCBs generally charge higher prices for their services, but also provide financial advice and portfolio planning services to their clients.

Effective Interest Rates

The total impact of fees, charges and compulsory deposits on the total cost of lending for a consumer can only truly be seen through the calculation of effective interest rates. Effective interest rate calculations take into account all cash flows around a loan (Cracknel and Messan, 2006).These include, the initial disbursement of a loan, the repayment instalments, any compulsory deposit, application fees, monitoring fees and commissions

Penalty Fees

The pricing and application of penalty fees needs careful consideration. The reason for penalty fees is primarily to discourage certain types of customer behaviour that costs the financial institution. The most common penalty applies to late payment of loans, or insufficient funds in a deposit account payment. Other penalties are applied to cover the costs of additional monitoring visits, letters and legal fees or in the case of deposit accounts overdrawn balances.

Graduated interest rates: Graduated interest rates are a common way for institutions to offer higher interest rates for larger deposits. Graduated interest rates have a number of advantages for the financial institution. Firstly they minimize total interest expense for the institution, secondly, they allow a single savings account to appeal to customers with different motivations, thirdly, and graduated interest rates enable the institution to perform some attractive promotion and marketing based around the higher interest rates (Cracknel and Messan, 2006).

Bundled Fees: Few clients understand fees that encompass a range of services. A typical example of this type of charges is where financial institutions such as banks include loan insurance premiums in the interest it charged to customers.

Regulation of Pricing

There are many regulatory approaches to pricing financial services. In Nigeria the regulatory authorities such as CBN make provisions that are designed to prevent the application of very high interest rates. Interest rate ceiling is applied to loans to some sector of the economy such as loans to SMEs. Financial institutions such as banks are mandate to disclosure of fees and charges, which are reinforced by industry codes of conduct. Central Bank of Nigeria publishes comparative fees and charges of commercial banks on a quarterly and annually basis.

3. Conclusion and Policy Implication

Marketing of financial service is an important determinant of the profitability, success and growth of the financial service industry. It affects both the short run and the long run performance of thee financial service industry. It has the capacity of reducing banking density and increase banking habit when properly integrated with the structural objective of the industry. Its importance cannot be over emphasized in emerging and competitive industry like Nigeria. It is facilitated and has been transformed with technological advancement such as electronic marketing, electronic banking, electronic dividend and electronic payment system Marketing theory and practice are justified in the belief that customers use a product or service because they have a need, or because it provides a perceived benefit (Kotler and Keller, 2006). There is a wide consensus among analysts that the three key dimensions of financial inclusion are that financial services should be accessible to the poor, affordable by the poor and appropriate to the needs of the poor. Access to a range of affordable, safe and reliable financial services (such as savings, credit, insurance and transfer services), provide the necessary lubricant for economic growth. Increased access to financial services will contribute to reducing poverty in Nigeria.

Financial system stability aimed at creating the safest and fastest growing financial system amongst emerging markets, FSS 2020 has the potential to bring overall guidance and policy stability to the financial sector. Stakeholders agree that policy inconsistencies, poor levels of co-ordination and communication between actors, as well as the lack of an overarching framework contribute to constraining the potential of the financial system, weaken its credibility and therefore reduce the trust of the public and international actors in it. The policy implication of the study that financial regualtors, management of financial institutions and policy makers in nigeria financial market should formulateand devise strategies integrating financial service marketing as operational objective and to the global standard.

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