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MARKETING MIX IN FINANCIAL INVESTMENT SERVICES COMPANIES

Theoretical
article

Keywords

Marketing Mix
Financial Investment Services Companies
Stock Market
Added Value

JEL Classification

G24

Abstract

Given that services of Financial Investment Services Companies can be very similar (described by law), it's very important that they be distinguished by certain elements from competitors, thereby gaining market share. How can they do that? By adding value for customers. International literature offers views on creating competitive advantage considering the elements of the Marketing Mix: product, price, placement, promotion, personnel, process and physical evidence. From our experience in brokerage business, but also from our research in this field, we conclude that product and prices policies should be considered in periods of economic growth and stagnation. If in times of crisis we find no significant differences between companies (regardless of the number of products or the fees they have), in a stabilized economy, precisely this policies makes the difference between competitors.

Introduction

International literature offers views on creating competitive advantage. Michael Tracy and Fred Wiersema (Kotler & Armstrong, 2008) point out that companies can get into dominant positions, giving to customers additional value.

In Romanian literature, we find quite rare the theme of offering customers additional value in capital markets. When approached, it is framed in creating competitive advantages. In such cases the authors only remember that in services "it is much more efficient to have customers than to seek customers ..." (Cetina, 2001).

One difficult task of the Marketing Department of the Financial Investment Services Companies is creating an image, the company's brand. In BT Securities case, which is owned by Transilvania Bank, (<http://www.btsecurities.ro/in dex/35.html>) and practically under its umbrella, the company and the bank have the same brand. The colors used in advertising, logos and fonts are identical to those of the bank. Customers will easily identify the image of the bank and will overlap it over the BT Securities, the Financial Investment Services Company.

Developing a strong brand is the key to differentiate a firm from its competitors.

Marketing departments can create value for customers through appropriate products and superior performance.

During the 2000-2007 economic growth cycle, SSIF BT Securities, SSIF Broker, Target Capital, created new products, services (such as loans, using portfolios as guarantee) and distribution channels (online trading, international trading). At the same time these companies are investing in customer loyalty through the addition of free services such as:

- Online training (SSIF Vanguard <https://www.tradeville.eu/site/produse/produse.aspx>)
- Free fundamental and technical analysis (SSIF Target Capital, <http://www.targetcapital.ro/>, BT Securities, <http://www.btsecurities.ro/>)
- Real-time information about Romanian share price (BT Securities, <http://www.btsecurities.ro/>);

1. Research methodology

For carrying out this work, we used secondary sources of information (books, articles, information from different Financial Investment Services Companies websites) but also our own experience in this field.

- Live view of portfolio (SSIF Target Capital, <http://www.targetcapital.ro/>);
- Financial information that may have an impact over the stock market ([http://www.targetcapital.ro,](http://www.targetcapital.ro/) [http://www.btsecurities.ro,](http://www.btsecurities.ro/) http://www.ssifbroker.ro/php-template/afisare_stiri.php);

- Alerts of national and international indices ([http://www.ssifbroker.ro/phptemp/afisare_stiri.php,](http://www.ssifbroker.ro/phptemp/afisare_stiri.php) <http://www.btsecurities.ro> etc.);

In providing these services, technical teams of Financial Investment Services Companies ensure accuracy, reliability and, above all, the systems speed.

Trends in the economic environment influence the volume and dynamics of the stock market. Therefore, with marketing departments, Financial Investment Services Companies should inquire into these trends for timely detection of opportunities and threats offered by this environment.

To add additional value to its products or services, the staff of an investment company should:

- Possess good communication skills with customers;
- Check the movements of competition and the company's position in the market;
- Appeal to experts and consultants in the field.

Literature (Delis, 2011) argues that macroeconomic elements that determine banks' competition and hence the investment firm are: globalization, the economic and institutional environment. Kotler (2008), Gitlow (1978), Shamah (2013) propose four elements of the marketing mix: product, price, place and promotion. Due to the nature of financial services and the differences from tangible products, researchers in marketing (Berry & Parasuraman, Grönroos & Helle in an article of Kushwaha & Agrawal, 2015) consider that the most appropriate mix for such services, are the seven elements (P's): product, price, placement, promotion, personnel, process and physical evidence.

There are numerous studies worldwide, about marketing in the financial sector. Instead, in Romania, the information about marketing in Financial Investment Services Companies are almost nonexistent.

2. Product (Services)

The main component of the marketing mix is the product. For this reason, the marketing strategy must be designed around products and/or services. For a product (or service) to be successful, it must highlight the merits (Cetina, 2011) offered to the buyer/investor.

In tangible products, the perception of quality and the added value is much easier to see through the senses. In services, however, several problems arise. The value cannot be seen, smelled or felt, so it can be difficult for a customer to evaluate it. When buying a product / service, the customer needs to trust that company and the person who sells the service.

The most important products and services offered by Financial Investment Services Companies (taken from the Law 297/2004) are:

- the reception and transmission of orders for one or more financial instruments
- execution of orders in relation to one or more financial instruments, other than their own;
- trading of financial instruments on their own;
- the management of portfolios of individual investors on a discretionary basis, in compliance with the mandate given to them, when these portfolios include one or more financial instruments;
- underwriting and/or placing financial instruments based on a firm commitment;
- the custody and administration of financial instruments;

3. Price

Another element of the marketing mix is the price the investor pays for services provided by Financial Investment Services Companies.

Price is the only element of the marketing mix that generates revenue for the company (Kotler, 2008). Most of the times it is reflected in the amount of money charged per trade, but not exclusively. There are services that the investor may pay a cost for such as: some analysis (<https://www.ssifbroker.ro/analize-siconturi/analize-si-conturi/contul-bronze.html>), markets view in real-time for customers who do not trade online, SMS Alerts, and so on.

In this competition between Financial Investment Services Companies, to attract customers, regular or permanent decrease in fees can be used as a strategy. Although lowering fees can be a means of attracting customers, it is not a strategy for keeping investors because they can be constantly in alert to find the best price.

Financial Companies can use different price strategies, such as:

- the rental of safe deposit boxes;
- granting credits or loans to an investor, to allow him to carry out a trade in one or more financial instruments, where the investment firm granting the credit or loan is involved in the trade;
- advice to entities on capital structure, industrial strategy and related matters, and advice and services relating to mergers and purchase of entities;
- investment advice concerning financial instruments;
- investment research and financial analysis or other forms of general recommendation on trading with financial instruments;

Among the peculiarities of Financial Investment Services Companies services, relationship with the customer lies in a special place. Today, financial institutions in general, the investment firms in particular, coordinate their forces primarily to maintain existing customers and then to attract new investors (Cetina, 2011). To keep customers (from my own experience of 5 years as a broker), it is important to know their needs and their experience in the field. Neglecting or minimizing these issues is likely to impede the customer's relationship with Financial Investment Services Company. Therefore, brokers should inquire about previous experience of a potential investor, the knowledge they possess and the reasons for not wishing to work with his previous broker. Based on information obtained from the client, brokers can shape profiles and only then their collaboration will be fruitful.

- Fees aligned to the value of portfolio: clients with a portfolio under 10,000 lei have a certain fee; between 10,001 and 50,000 a lower fee than the first, and so on);
- Individualized fee, negotiated by the client or granted unilaterally by the investment firm, to increase customer confidence and accelerate the pace of trading. For example, a client portfolio of low value but high-turnover (Financial Investment Services Company receives a high cumulative commission) can benefit from a lower fee;
- Combined fee, which involves charging a trade depending on the size of the portfolio and a reduction if the client is trading frequently;
- A fee differentiated by the level of assistance provided by broker (assisted account, semi-assisted account, discretionary account or online account). Note that this price strategy has already been suggested to SSIF Broker.
- Promotional fee depending on customer type. For example, to attract institutional clients, a Financial Investment Services Company can make a promotion with minimum fee for this type of clients.

Koksal and Ozgul (2007) show that in times of economic crisis, there is no significant difference between companies that apply different pricing strategies. They did not find any differences between sales volumes of companies that have

4. Placement

Due to significant differences between products and services (Carson et al., 2004), traditional distribution channels cannot be used in financial services marketing (Grönroos, 1993). Discussing placement (distribution), Catană (1999) emphasizes the role of intermediaries in the marketing channel. Since the Financial Investment Services Companies are intermediaries, it is important to resume the following:

- Financial Investment Services Companies are intermediaries between demand (investors with available financial resources) and supply (companies issuing securities in search of financing), where listings on Bucharest Stock Exchange;
- Financial Investment Services Companies are intermediaries between supply and demand of shares on the Bucharest Stock Exchange (investors can buy or sell shares only through an intermediary);
- Financial Investment Services Companies can offer products / services' equity (capital protected certificates, analysis, consulting, etc.) through specific distribution channels.

5. Promotion

The financial sector has become globally competitive only in the last 20 years (Muñoz-Leiva et al. 2012) when liberalization of financial services and actions of mergers and acquisitions have increased competition in the banking sector, investment in the stock exchange, loans, insurance, etc.

Financial Investment Services Companies internal control department is directly responsible for compliance with all relevant legislation on promoting the company and its products / services. Under Regulation 32 of 2006 of the ASF, the investment firm must comply with all rules on the promotion.

Applicable promotion methods used by Financial Investment Services Companies, (whether it refers to its products and services or intermediary), can be classified into: online promotion methods (internet) and offline promotion methods (traditional).

We can list some of offline promotion methods:

- Advertising - this can be done by investing in TV commercials, newspapers, magazines, radio, etc.

increased or decreased fees (Al Azzawi & Kaczynski, 2011). Instead on a consolidated market these price strategies can make a difference between companies and any marketing strategy must be considered.

Financial Investment Services Companies distribution products and services are greatly influenced by the technological capabilities of the company, competition between companies, investors segment to be addressed and especially by factors such as legislation and international environment.

If we take into account the nature of the distribution channels used by the investment firm, they can be:

- Offline, throw branches and agencies represented by brokers or delegate brokers. In this case, the investor approaches a broker (personally, by phone, e-mail or any other means) that will intermediate the realization of investments / requests / orders;
- Online, via the internet. In this case, investors trade themselves (online) without the help of a broker. How sphere of Internet penetration is growing more rapidly, it is natural that online trades to gain ground. This trend should be considered in developing the marketing strategies of the investment company. Through these, Financial Investment Services Companies provides new tools available to investors. One such tool is the online trading platform.

- Sales promotion - in capital markets this type of promotion and offering a lower fee for a defined period of time can attract new investors;
 - Personal Selling - involves direct interaction between brokers and potential investors;
 - Public Relations - are programs developed to promote the image of Financial Institutions;
 - Sponsorship - is supporting cultural, sports, humanitarian events etc. in order to design financial institution name and likeness in connection with the event;
- There are studies showing that offline media can increase website visits (Bellizzi, 2000) Internet marketing offers efficient and sustainable methods that reach a large number of users, saving time (George et al., 2000) at low costs. In this category of marketing via the Internet we can mention: web page (content, navigability, interactivity and appearance), e-mail campaigns, online commercials, search engines marketing (Google), web page optimization, social networks (Facebook, LinkedIn) and M-marketing (marketing through smart phone);

6. Personnel

For any investment firm, human capital is its main asset, being a resource that can be exploited. Creativity, ahead of other factors can differentiate societies in the fight with the competition. In fact, the staff is one of the few tangible factors as the investor interacts with society.

Expressing the importance of human capital, Edvinsson and Malone (1998) stated: "If we imagine a firm as a living organism, for example a tree, one can say organizational plans, annual and quarterly reports, firm brochures, and other documents are the trunk, branches and leaves. An investor might examine the tree to determine if she/he can harvest ripe fruit, but to assume that he has now seen the whole tree, because he has seen what's visible, is a grave mistake. Much of the tree

7. Process

The process is part of the marketing mix that ensures the availability and quality of services in order to balance supply and demand service (Yasanallah & Vahid, 2012).

For an effective process, Financial Investment Services Companies must meet the following requirements: to respond efficiently to online trading problems (malfunctioning platforms,

8. Physical Evidence

Being the 7th element (in financial marketing mix) physical evidence, it is the only tangible element.

All forms of intermediation are based on a contract, signed by both parties (customer, and on the other side are the Financial Investment Services Companies, through its representatives, brokers).

9. Conclusions

Trying to define the marketing mix in Financial Investment Services Companies, based on commonalities financial institutions, which were sources based on a critical analysis, the following conclusions can be drawn:

- a) The marketing mix for Financial Investment Services Companies is completely determined on the basis of 7 elements;
- b) Pricing policy should be considered in periods of economic stability or growth. If in times

is invisible, below the surface, being nurtured through its roots. The taste of the fruits and the color of the leaves make a good presentation of the present health of the tree, but it is much more effective to look at what goes on in the roots if one wants to form an opinion about the health of the tree for the coming years. There may be damages below the surface, which, as time goes by, may kill the tree. This is what makes intellectual capital investigation, the roots of an organization's value, into measurement of dynamic factors. "

The Financial Investment Services Companies are obligated by law to have the following staff (www.afsromania.ro): brokers, delegate brokers, stock brokers, personnel employed in internal control which ensures compliance with current legislation, internal auditor, financial analyst, manager and accountants.

support services), prompt execution of orders to transfer cash, efficient operation of transferring shares, efficient operation of putting orders in the trading system and contracts with banks that provide financial benefits to customers of Financial Investment Services Companies (eg: lower fee to use a particular type of card issued by a certain bank).

Trades, portfolios, bank statements they are confirmed by the customer's signature. This form of exercising the physical evidence is regulated by Law 297/2004 updated in 2014.

Evidence of trades, share transfers, cash transfers, account statements regularly, archived and subject to regular inspections (internal control, internal audit and external-ASF)

of crisis no significant differences with regard to different types of fees, in exchange, in market stabilized precisely this policy of the Financial Investment Services Companies make the difference between competitors;

- c) Regarding the current trend of introducing internet in all areas of activity, it is natural for online trading platforms to gain ground. Linked to this trend and marketing strategy should provide tools to reach investors.

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