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MARKETING OF FINANCIAL INSTRUMENTS – A DEEP DIVE

(Research on how the Indian customer is sold Financial Products)

Submitted By

Name: Rishii Bachhawat

St. Xavier's College (Autonomous), Kolkata

Supervised by:

Name: Prof. Saptarshi Ray

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St. Xavier's College (Autonomous)

Department of Commerce

ABSTRACT

If the next generation of investors are asked "Which banking partner, would you choose?" the answer would most likely be HDFC bank, Kotak Mahindra Bank or Axis Bank. According to a recent survey by Money Control, only 6% of the first-time depositors would choose SBI Bank, India's Largest Commercial Bank as their banking solution. However, in our survey we saw that over 70% of insurers would choose Life Insurance Corporation (LIC) as their insurer. Both are government managed entities in the top 10 most valuable companies of the country. However, the future looks vastly different for them. In this project we will analyse what LIC is doing different to make it the KINGPIN.

Financial instruments are the assets that are used for investment, trading, and risk management purposes. The marketing of financial instruments plays a critical role in the financial industry. Effective marketing strategies can help financial institutions to attract customers and retain them for the long-term. However, marketing of

financial instruments poses unique challenges, including regulatory compliance, customer education, and market volatility. This research paper aims to explore the strategies and challenges involved in marketing of financial instruments.

As of January 2023, the total assets under management (AUM) of the mutual funds industry in India stood at INR 38.8 trillion (approximately USD 520 billion), according to data from the Association of Mutual Funds in India (AMFI). The AUM of the Indian mutual fund industry has grown at a compound annual growth rate (CAGR) of 18% over the last five years, from INR 17.5 trillion (approximately USD 235 billion) in January 2018 to INR 38.8 trillion in January 2023. This research paper aims to explore the reasons behind this over-the-top growth where penetration of mutual funds as a part of the GDP (Gross Domestic Product) has shot up to 18%.

I would also seek to formulate strategies which could be beneficial for mutual funds. These strategies would be formed from my understanding of the markets guided by my survey and secondary data acquired on course of making this paper.

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CHAPTER 1: INTRODUCTION

1.0 Study of Financial Instruments

Financial services are goods and services that financial institutions offer, including banks, credit unions, insurance providers, investment companies, and other similar businesses. Among the many services offered under this heading are banking services, investment management services, insurance, loans and credit, payment processing, and financial planning. Opening a savings or checking account, getting a mortgage or auto loan, investing in stocks or mutual funds, getting life, health, or property insurance, and pension or estate planning are a few examples of financial services. By enabling the flow of money and capital and giving people and businesses the resources, they need to efficiently manage their finances, financial services play a critical role in the economy.

Figure: Financial Services (source: Money Control)

The process of promoting and selling financial items including stocks, bonds, mutual funds, and other securities is referred to as the marketing of financial instruments. The fundamental goal of financial instrument marketing is to draw potential investors and persuade them to buy the given product.

Advertising, public relations, personal selling, and direct marketing are just a few of the many tasks involved in marketing financial instruments. The marketing strategy often entails identifying the target market, comprehending their wants and preferences, and placing the financial product in a way that speaks to them.

Financial institutions are increasingly utilising digital marketing tools and strategies, such as social media, email marketing, and search engine optimisation, in addition to conventional marketing channels to reach potential investors. This enables them to successfully target investor groups and reach a larger audience.

In general, financial institutions must effectively promote financial products in order to draw in new investors and establish lasting bonds with current customers. But it is crucial to strike a balance between the requirement for efficient marketing, legal compliance, and ethical company practises

1.1 Literature Review

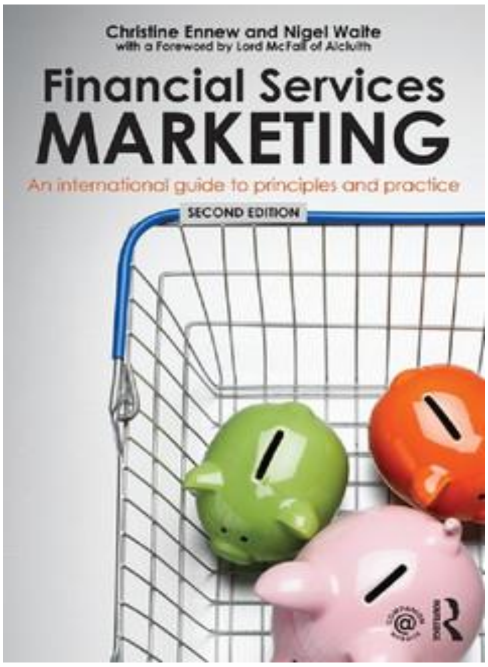


Figure: "Financial Services Marketing by Christine T. Ennew and Nigel Waite

Christine T. Ennew and Nigel Waite in their book titled "Financial Services Marketing - An International Guide to Principles and Practice" has pointed out the need to improve the quality of financial services marketing. It is intended to have equal value as a core text in a university setting, and as a training resource in the world of the practitioner.

Dr. Dhananjay Bapat in his book "Marketing of Financial Services" has provided the various traditional strategies which Financial Organizations could employ for enhancing sales and customer retention.

Deepankar Mitra in his research paper "A New Marketing Plan for HSBC's Current Account" captures the essence to reach out to high-value customers through their campaigns. Personal selling becomes a major component to drive sales in this highly competitive market.

Tyler K. and Stanley E in their research paper "Marketing financial services to businesses: a critical review and research agenda" throws light on business-to-business marketing and the three main aims: to anatomise differences within the literature in conclusion and methodology; to problematise these divisions; and to provide an approach which reconciles difference, rather than stumbling over it.

"Marketing Financial Services" by Philip Kotler - Philip Kotler is a renowned marketing expert and author of several marketing books. In this paper, he discusses the challenges and opportunities of marketing financial services, including the need for customer segmentation, effective communication, and the importance of trust.

"The Financial Services Marketing Handbook: Tactics and Techniques That Produce Results" by Evelyn Ehrlich and Duke Fanelli - Evelyn Ehrlich and Duke Fanelli are marketing experts who have worked for numerous financial services firms. In this book, they provide a comprehensive guide to marketing financial services, including branding, customer retention, and digital marketing.

"The Marketing of Financial Innovations" by V. Daniel Hunt - V. Daniel Hunt is a professor of marketing at the University of Wisconsin-Madison. In this paper, he discusses the challenges and opportunities of marketing financial innovations, such as derivatives, securitization, and online trading platforms.

"Marketing of Financial Services: A Review of the Literature" by Jagdish N. Sheth - Jagdish Sheth is a marketing professor at Emory University and a well-known author of marketing books. In this paper, he provides a review of the literature on the marketing of financial services, including customer behaviour, segmentation, and product development.

1.2 Research Gap

One potential research gap in the marketing of financial services is the impact of digital and mobile technologies on consumer behaviour and decision-making. While many financial services firms have embraced digital channels to interact with their customers, there is still much to be learned about how consumers use these channels to access financial products and services, and how firms can best leverage these technologies to attract and retain customers.

Another potential research gap is the role of fear and emotions used in marketing financial instruments. Also, there may be an opportunity to examine the marketing of financial services to underrepresented or underserved populations, such as low-income individuals, minorities, or those with limited financial literacy. Understanding the unique needs and preferences of these groups and exploring how financial services firms can better serve them through targeted marketing strategies, could be an important area of research in the field of financial services marketing.

Finally, India has 50% of its population under the age of 30 years. Their take on financial planning will determine the effectiveness of marketing strategies in the longer run. Hence organizations are targeting consumers right from their adulthood to enhance brand loyalty. This research project aims to address this research gap by examining the effectiveness of marketing strategies in different financial service sectors and their impact on consumer behaviour.

1.3 Objectives of the study

- To understand fear-based marketing and emotional component used by financial services companies
- To analyse the perception of young India and their investment decisions.
- To analyse the operational challenges faced by the insurance and mutual fund sector in India in reaching the customers.
- To formulate strategies for better marketing of financial instruments

1.4 Research Methodology

1.4.1 Timeframe of the study

Time frame for the study has been for a period of five years from 2016 to 2023.

This time frame has been chosen to encapsulate the digital marketing trends which have evolved and to avoid obsolescence. The YoY (Year Over Year) growth for financial literacy has been 32% and India is expected to have 500 million financially literate individuals by 2025.

1.4.2 Data Collection

1.4.2.1 Primary Data

A quantitative survey will be conducted to collect data on consumer behaviour in response to different financial service marketing strategies. The survey will be administered to a sample of 100 consumers across different financial service sectors. The survey will be conducted online and will include questions on consumer attitudes towards different marketing strategies and impact of these strategies on their buying behaviour.

1.4.2.2 Secondary Data

Data has been collected from the internet and newspapers including Hindustan Times, Business Standard and Economic Times.

1.4.3 Tools and Techniques

In analysing the collected data, tools and techniques such as percentage, diagrams, charts and tables are used to examine the relative operation of all the companies that in sample and to examine the diverse opinion of people on Life Insurance and Mutual Fund Companies.

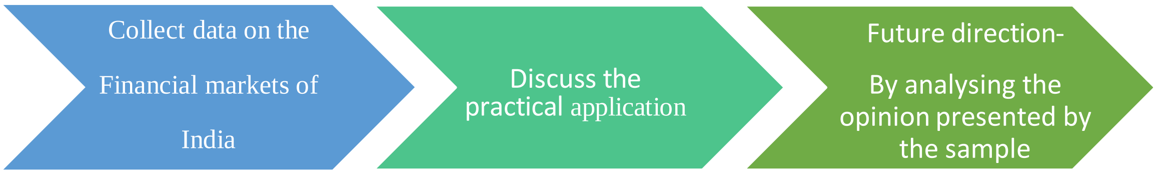


Figure: Steps after data collection

1.4.4 Limitations of the study

The present study has several limitations; some of which are as follows:

1. The time under disposal of the investigation is limited. Considering this limitation, material that have been referred to are limited.
2. Study conducted on the Companies operation in Mutual Funds sectors is limited to the data available on the financial performance of top 6 companies, other companies that are engaged in this sector are relatively smaller and it is difficult to obtain any reliable data on their financial performance.
3. The primary data has been used which might include biasness of the respondents.

CHAPTER 2: CONCEPTUAL FRAMEWORK

2.1 Life Insurance Companies

Businesses that offer their customers financial protection in the case of their death are life insurance firms. When a person purchases a life insurance policy, they give the insurance provider regular premium payments in return for the provider's guarantee to make a lump sum payment to the policyholder's beneficiaries upon the policyholder's passing. This cash might be used to cover funeral costs, settle debts, or provide financial help to the policyholder's loved ones.

Around the world, a wide variety of life insurance firms are in operation, each with their own distinct offerings, fee schedules, and underwriting procedures. The following are a few of the biggest and best-known life insurance providers:

1. MetLife is a multinational provider of financial services and life insurance with headquarters in the US.
2. Prudential - another US-based company that offers a wide range of insurance and investment products.
3. AIG - a multinational insurance corporation that operates in over 80 countries.
4. AXA - a French multinational insurance company that provides life insurance, health insurance, and other financial products.
5. Allianz - a German multinational financial services company that offers life insurance, investment products, and asset management services.

In addition to these global players, there are also many smaller, regional life insurance companies that specialize in serving specific markets or customer segments. For example, some companies may focus on providing coverage to seniors or people with pre-existing medical conditions, while others may specialize in offering policies to young families.

Overall, life insurance companies play an important role in helping individuals and families protect themselves financially in the event of unexpected death. By working with a reputable life insurance provider, policyholders can have peace of mind knowing that their loved ones will be taken care of financially when they are no longer around.

2.2 Mutual Funds

In India, the mutual fund marketing industry is a vibrant and expanding one. Due to their ease of investing, expert management, and diversification, mutual funds are a well-liked investment choice for both individuals and institutions.

Marketing initiatives for mutual funds in India are concentrated on raising awareness, fostering trust, and facilitating simple access to information and investment opportunities. In India, mutual funds use a variety of marketing techniques, including advertising, promotions, sales, education, and digital marketing.

In India, advertising is essential for promoting mutual funds. To reach its target audience, mutual fund businesses employ a variety of media, including print, television, radio, and online outlets. With marketing, they communicate mutual fund performance and highlight the advantages of investing in them.

Some successful marketing techniques employed by Indian mutual funds include promotions and sales. To advertise and offer mutual funds to potential investors, sales agents or distributors are hired. In order to boost sales, the mutual fund companies provide these agents with a variety of incentives, including greater commissions or bonuses.

To advertise their products, mutual fund companies in India also place a strong emphasis on teaching and raising public knowledge. To inform investors on the advantages and hazards of investing in mutual funds, they hold seminars, workshops, and other events. To assist investors in making wise decisions, they also offer online resources and tools like calculators, investment guides, and FAQs.

Promoting mutual funds in India has become more and more dependent on digital marketing. Mutual fund businesses employ email marketing, online commercials, and social media channels to connect with their target market. Additionally, they offer mobile apps that make it simple to access information and investing possibilities.

In conclusion, the mutual fund marketing industry in India is a fiercely competitive one. In order to advertise their goods, mutual fund companies employ a range of techniques, such as advertising, promotions, sales, education, and digital marketing. To draw and keep investors, the emphasis is on raising awareness, creating trust, and making information and investment opportunities readily available.

CHAPTER 3: ANALYSIS AND FINDINGS

Demographic diversity

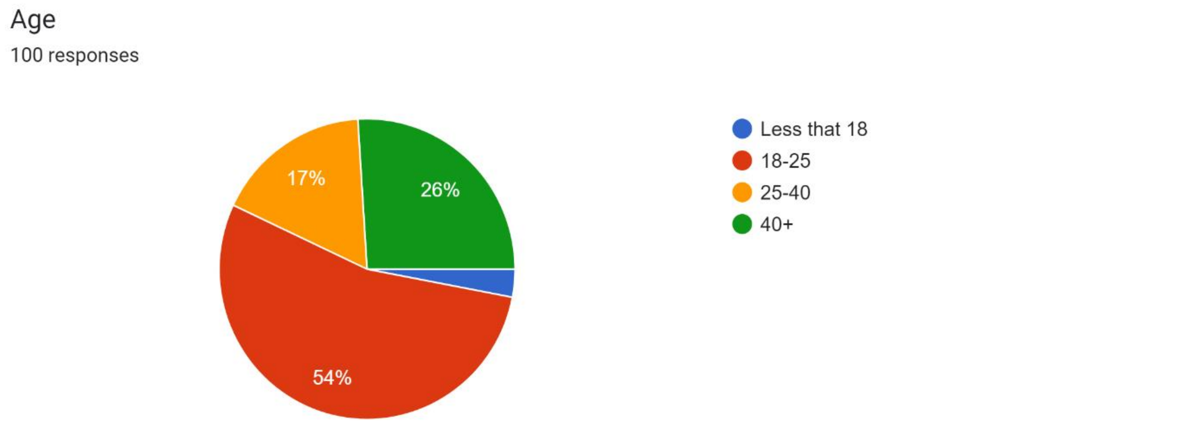


Figure : Varied demographics 1 (Online Questionairre)

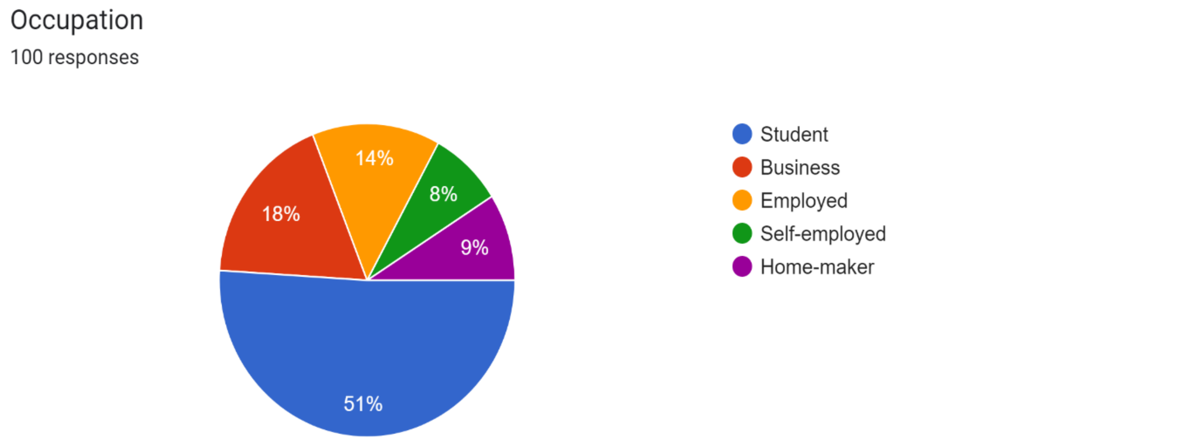


Figure : Varied demographics 2 (Online Questionairre)

INTERPRETATION

The research took a wide variety of consumers as its study base. This ensured that the survey was unbiased and included information from all walks of life and ages. It gives a more comprehensive understanding of the financial services market and its predicted evolution.

Financial Services Marketers Are Investing More in Digital Ads to Acquire Customers (Worldwide data)

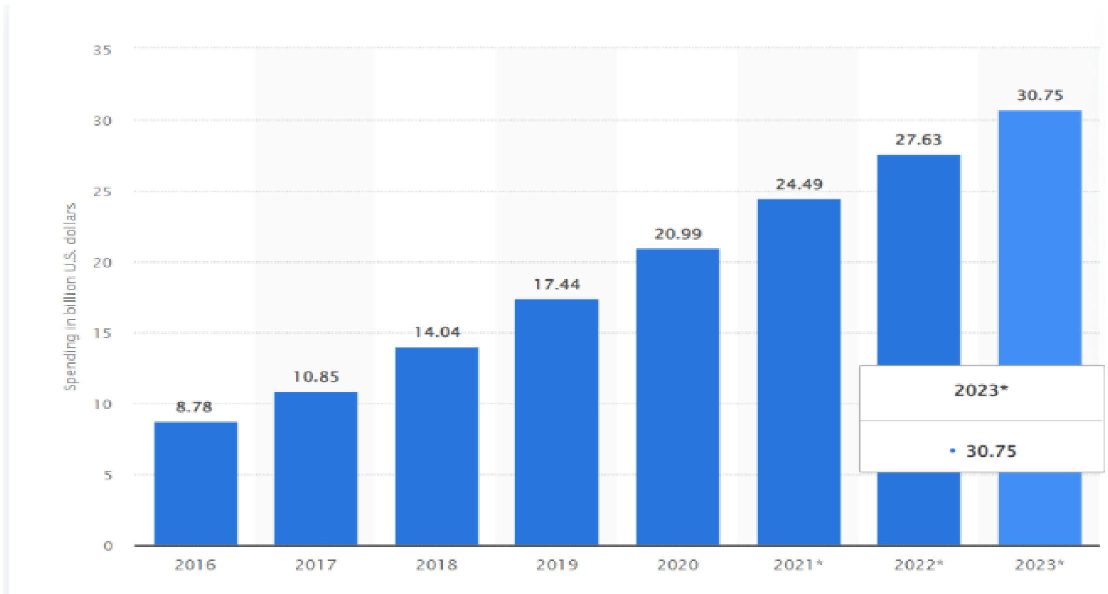
- More than 14% of online advertising budgets are spent on the financial services sector. Companies in the financial services sector are the ones who spend the most on online advertising. (Provided by eMarketer)

- Financial assistance With Google Advertising and Microsoft (Bing) Ads, keywords are among the most expensive, with some costing $50 or more per click. Due to the high lifetime value of financial services users, sponsored search is very competitive. (Referencing WordStream)

- The average conversion rate for search advertisements for financial services is 5.10%. Network advertising in financial services is 1.19%. Financial services advertising has a somewhat high cost, but the conversion rate is comparable to that of most other sectors. (Refer to WebFX)

- Financial services lead typically costs $160. Driving leads for financial services is expensive, therefore it's important to make sure you give them a positive conversion experience. (Source: Automation of Sales Leads)

- More than 50% of banks either don't measure ROI (return on investment) at all or only do so for under 25% of their marketing activities. Many financial services marketers don't have adequate attribution in place to monitor the return on their spend, while making strong investments in digital advertising. (Blue Fountain Media, source)

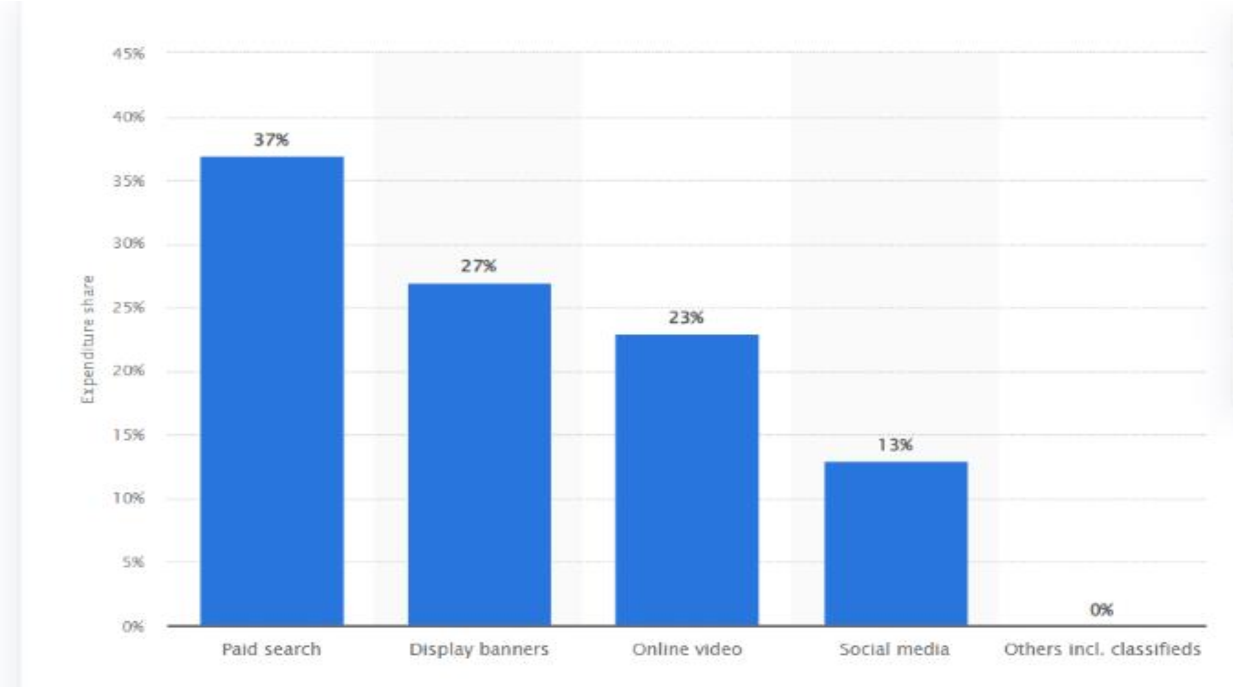


Digital Marketing Spend on Financial Services in U.S (in $bn) Source: Statista

Financial Services Marketers Are Investing More in Digital Ads to Acquire Customers (India data)

AUM managed by the mutual fund sector was Rs. 39.50 trillion (US$ 483.63 billion) as of October 2022, and there were 139.1 million total accounts. Rs. 87,275 crore ($10.68 billion) in new investments were made through systematic investment plans (SIP) in India's mutual fund schemes. By the end of December 2021, equity mutual funds had received a net inflow of Rs. 22.16 trillion (US$ 294.15 billion).

The insurance sector is a significant part of India's financial sector. The insurance sector has been rapidly growing. In FY22, life insurance company first-year premiums totalled $40.1 billion USD. Non-life insurance premiums totalled Rs. 36,680.69 crore (US$ 4.68 billion) in FY23 (through May 2022).



Marketing spend on Financial services in India   Source: Statista

Life Insurance Companies

Marketing Strategies

Life insurance companies use the concept of fear as a marketing tool to encourage people to purchase life insurance. The fear they tap into is the fear of the unknown and the fear of leaving loved ones without financial protection in the event of an unexpected death.

By highlighting the potential risks associated with not having life insurance, such as leaving behind financial burdens for loved ones, life insurance companies aim to create a sense of urgency and persuade individuals to take action to protect themselves and their families. They also use statistics and real-life examples to demonstrate the importance of having life insurance.

While fear can be an effective motivator, it's important for individuals to make informed decisions about life insurance based on their specific needs and circumstances, rather than solely based on fear tactics used by insurance companies. It's also important to understand the various types of life insurance policies available and their benefits and drawbacks before making a decision.

In recent years, the insurance sector in India has given us some highly successful television commercials. These commercials have repeatedly focused on the underlying theme of "What will happen to your family if you are not there one day…". Most insurance companies instead of highlighting the benefits of a life insurance policy talk about the miserable life which follows. They are not marketing the product, they are marketing a lifestyle, one filled with anxiousness and worries. Let us look at some of them.

1. Max Bupa Family Health Insurance. A young woman introduces the love of her life to her family over the course of five generations, using the slogan "Mere liye alright hai... par Papa?" The advertisement targets huge Indian families and offers a family floater plan that includes up to five generations in addition to the nuclear family.
2. Reliance Life: How things go wrong at the worst possible times. Sharmaji's dish of popcorn is splattered with the whistle of a traffic officer who has just purchased the winning lottery ticket from a moving violation. The advertisement shows Reliance life insurance as Sharmaji chokes on the whistle. Sharmaji may not actually choke to death, Reliance's major critical surgical rider adds another level of security.
3. Tata AIG Life - A father instills in his son the value of expressing gratitude to housekeepers. Although the parents concentrate on the more crucial tasks, such as instilling in him the appropriate morals, the Gyan Kosh insurance plan's advertisement pledges to safeguard the child's future.
4. Edelweiss Tokio Life Insurance - In this lighthearted commercial, a wife gripes to her husband that he has broken every promise he made to her before their wedding, including taking her on foreign

vacations, purchasing her diamonds, etc. The wife is now speaking with an Edelweiss Tokio agent, who will only offer guarantees that they can keep.

5. Aegon Religare Life Insurance: Irrfan Khan adds star power to this life insurance ad. He warns a random working professional about the dangers of "kam insurance lene ki bimari". The advertisement focuses on under-insurance and on how Aegon Religare can help.

Life insurance companies have been using fear-based marketing throughout the world. Life insurance companies target 3 primary fears of consumers.

➢ Fear of financial insecurity:

One example of an ad that taps into the fear of financial insecurity is a commercial from State Farm that shows a man talking to his wife about the financial support he will provide for their family after his death. The commercial shows the man explaining how his State Farm life insurance policy will provide his family with the financial resources they need to cover their expenses and maintain their lifestyle, even without his income.

➢ Fear of leaving loved ones with a burden:

Another example of an ad that taps into people's fear of leaving loved ones with a burden is a commercial from New York Life that features a father talking to his daughter about his life insurance policy. The father explains that he wants to make sure his daughter is taken care of after his death, and that his policy will provide her with the financial resources she needs to live the life he wants for her.

➢ Fear of not being prepared for unexpected events:

Finally, an example of an ad that taps into the fear of not being prepared for unexpected events is a commercial from Allstate that shows a man getting into a car accident and realizing he doesn't have life insurance. The commercial emphasizes the importance of being prepared for unexpected events and highlights how Allstate's life insurance policies can provide peace of mind in case something unexpected happens.

THE KINGPIN- Life Insurance Corporation of India (LIC)

Figure: LIFE INSURANCE CORPORATION

The largest life insurance provider in India, Life Insurance Company of India (LIC), has long held a commanding position in the country's insurance industry. LIC continues to have a sizable market share and has a strong presence in both urban and rural areas despite the fact that there are numerous other commercial and public sector life insurance firms operating in India. Its sustained dominance in the Indian insurance market is a testament to its strong brand and reputation, wide network, and customer-focused attitude. Despite the emergence of several private insurance businesses in recent years.

The following numbers illustrate LIC's market share and power:

1. Market share: LIC is currently the leading participant in the life insurance market in India, accounting for over 70% of the market. The Insurance Regulatory and Development Authority of India (IRDAI) reports that as of December 2021, LIC held a total market share of 66.42% in terms of first-year premiums.
2. The number of policies: According to estimates, LIC has over 350 million policyholders in India, which is a sizable consumer base. This substantial pool of policyholders reveals the confidence consumers have in LIC's offerings.
3. Premium Collection: Because it brings in a sizable amount of premium revenue each year, LIC is another important contributor to the Indian economy. The entire premiums collected by LIC in the fiscal year 2020–2021 were INR 3.79 trillion (approximately USD 50.8 billion). Almost 76% of the total premiums received by all Indian life insurance companies were made up of this.
4. Branch Network: With more than 3,000 branches and more than 1 million agents, LIC has a sizable branch network throughout India. This facilitates consumer access to LIC's goods and services and supports the firm's commanding market position.

The corporation continues to be a major player in the Indian insurance market, with a large market share and influence.

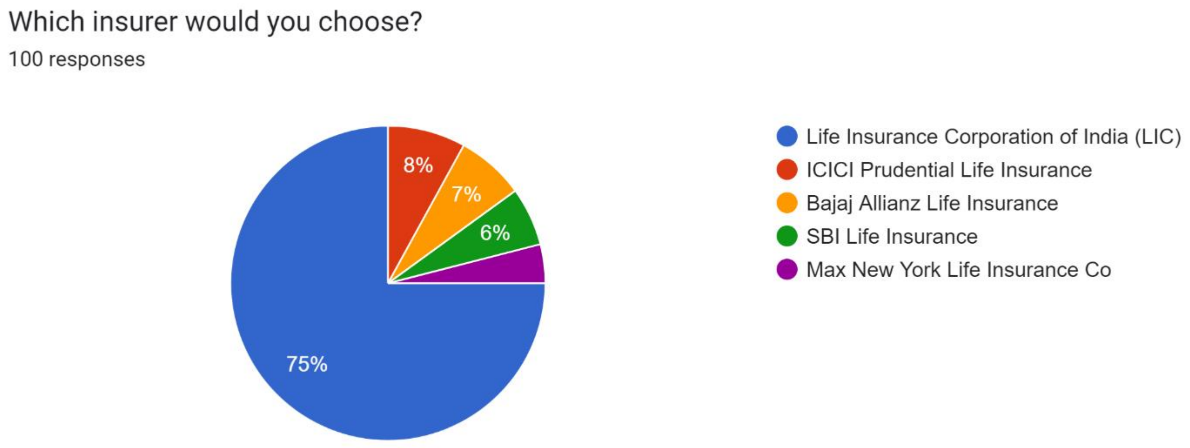


Figure: Choice of Insurer a new consumer would make (Online Survey)

INTERPRETATION

If the next generation of investors are asked "Which banking partner, would you choose?" the answer would most likely be HDFC bank, Kotak Mahindra Bank or Axis Bank. According to a recent survey by Money Control, only 6% of the first-time depositors would choose SBI Bank, India's Largest Commercial Bank as their banking solution. However, in our survey we saw that over 70% of insurers would choose Life Insurance Corporation (LIC) as their insurer. Both are government managed entities in the top 10 most valuable companies of the country. However, the future looks vastly different for them. The current market share of LIC is 67% and this has been backed by the data collected in this paper.

"TRUST THY NAME IS LIC" … LIC has a claim settlement rate of 97+% which is higher than any of its competitors. This gives customers the assurance that LIC will back them in their times of distress. Also, LIC is a government backed organization which means the chances of it failing are close to negligible. LIC has become a pioneer for companies who want to have a long run in the India market backed by customer support and trust.

"THE BIG FAT INDIAN FAMILY" … LIC, or Life Insurance Corporation of India, has a large and widespread network of agents who sell its policies to customers across the country. These agents are essentially LIC's sales force and play a crucial role in the company's operations.

As of March 2021, LIC had over 11.68 lakh (1.168 million) active agents in India. These agents are typically self-employed individuals who are authorized by LIC to sell its policies to customers. They earn a commission on the policies they sell, and their income is based on the premiums paid by their customers.

LIC agents are typically well-trained and knowledgeable about the various policies offered by the company. They are also responsible for providing guidance and assistance to customers in selecting the right policy based on their needs and financial goals.

In addition to its extensive network of agents, LIC also has a significant presence online and offers customers the option to purchase policies through its website and mobile app. However, the agent network remains an important part of the company's strategy to reach customers across India, especially in rural areas where access to online services may be limited.

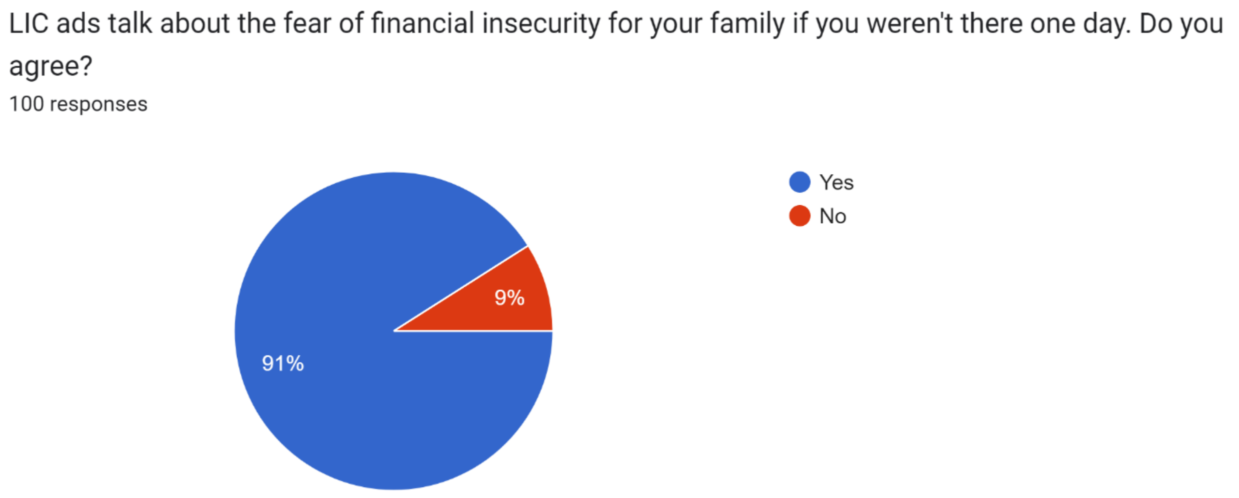


Figure: LIC Advertisments tapping on customer fear (Online Survey)

INTERPRETATION

LIC advertisements have been popular for their tagline “Zindagi ke Saath bhi, Zindagi ke baad bhi.”

What the viewers didn’t see through was the subliminal messaging in these marketing campaigns.

These ads instilled fear in the mind of the insurers, where they were taking up policies not because of security but due to concerns and fear of financial distress once they leave abode. LIC banked on the biggest fear humanity has to offer – DEATH.

One notable example of a recent LIC advertisement is the **"Zindagi ke saath bhi, zindagi ke baad bhi"** campaign. This campaign features a series of ads that showcase the importance of planning for the future and securing the financial well-being of one's family.

In one particular ad from the campaign, a middle-aged couple is shown discussing their future plans. The husband expresses concern about what will happen to his wife and children if something were to happen to him. The wife reassures him that they will be okay, but he remains worried.

The ad then shows the husband visiting an LIC office and purchasing a life insurance policy. He is shown filling out the paperwork and meeting with an LIC agent who explains the benefits of the policy to him. The ad then fast-forwards to the future, where the husband has passed away. The wife is shown receiving a check from LIC, which allows her to pay off their home loan and secure the future of their children.

The ad effectively conveys the message that life insurance is not just important for the present, but also for the future. It appeals to customers' emotions by highlighting the importance of securing the financial future of their loved ones and shows how LIC can help them achieve that goal. Overall, this campaign is an excellent example of how LIC uses emotional appeals in its advertisements to connect with customers and promote its products.

Another notable example of a recent LIC advertisement is the "Zindagi Plus" campaign, which was launched in 2019.

The Zindagi Plus advertisement features a young woman who is shown to be taking care of her family's needs, including her husband and children. She is depicted as being responsible and hardworking, but also aware of the uncertainties of life and the need for financial security.

The advertisement then goes on to showcase how LIC's Zindagi Plus policy can help provide this financial security. The policy is described as a comprehensive plan that offers not just life insurance, but also benefits such as critical illness cover, accidental death cover, and disability benefits.

The ad also highlights the convenience of purchasing the policy online, with the woman shown using her smartphone to complete the purchase process. The tagline of the ad**, "Jab zindagi mein aage badhna hai, toh LIC ke saath aage badho"** (When you want to move ahead in life, move ahead with LIC), reinforces the idea that LIC is a trusted partner that can help customers achieve their financial goals.

Overall, the Zindagi Plus advertisement effectively conveys the message that LIC offers comprehensive and convenient life insurance solutions that can provide customers with financial security and peace of mind.

While LIC typically uses emotional appeals in its marketing campaigns to encourage customers to purchase life insurance policies, fear is also sometimes used as a marketing tactic.

For example, in some of its advertisements, LIC highlights the risks associated with not having adequate life insurance coverage. These ads often depict scenarios in which a family is left financially vulnerable due to the death of the primary breadwinner or unexpected health issues. The implication is that customers who do not have adequate life insurance coverage could find themselves in a similar situation.

In one such ad, titled **"Khud Ko Kar Buland,"** a young father is shown playing with his son in a park. He then collapses due to a heart attack and is rushed to the hospital. The ad then shows the family struggling to cope with the loss of their primary breadwinner, with the wife struggling to make ends meet and provide for their son.

The ad effectively conveys the message that unexpected events can occur at any time and that customers need to be prepared by having adequate life insurance coverage. It appeals to customers' fear of the unknown and the consequences of not being prepared for the future.

While fear-based marketing can be effective in some cases, it is important for companies to strike a balance between highlighting the risks associated with not having adequate coverage and providing customers with a sense of hope and security through their products and services.

Mutual Funds

Digital marketing has become increasingly important in promoting mutual funds in India. Mutual fund companies use social media platforms, online advertisements, and email marketing to reach out to their target audience. They also provide mobile apps for easy access to information and investment options.

In conclusion, mutual fund marketing in India is a highly competitive and dynamic sector. Mutual fund companies use a variety of marketing strategies to promote their products, including advertising, promotions, sales, education, and digital marketing. The focus is on increasing awareness, building trust, and providing easy access to information and investment options to attract and retain investors.

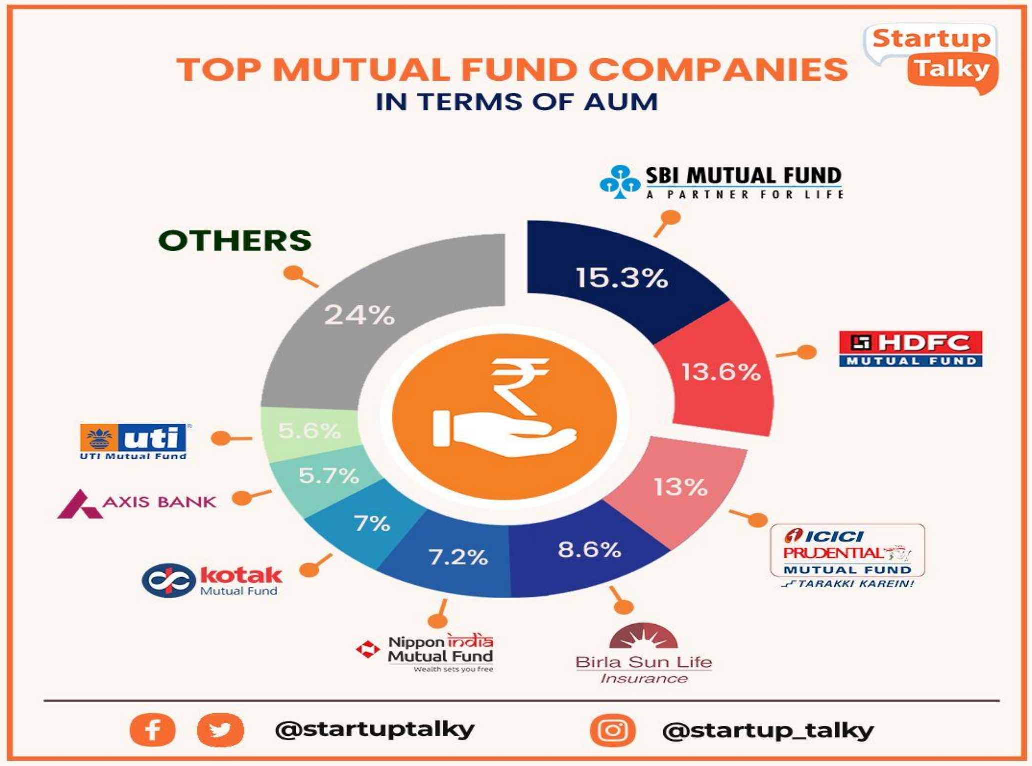


Figure: Top Mutual Fund Companies in India

Marketing Strategies

In order to get investors to purchase their products, mutual fund providers may employ fear in their marketing strategies. Here are a few applications for fear:

1. Highlighting Market Volatility: By emphasising the risks associated with stock market investing, mutual fund firms may incite dread. The possibility of losing money is always present, and the market can be unexpected, they would say. By doing this, they could provide the impression that purchasing mutual funds is a safer choice than doing so directly.

2. Stressing the importance of Diversification: Mutual fund managers may also play on investors' worries by highlighting the necessity of diversification in investment portfolios. Others may argue that investing in a single stock is overly risky and that investors should diversify their funds over a range of assets to reduce the probability of losing money.

3. Playing on Emotions: Mutual fund companies may use this to play on fear: Companies that offer mutual funds may incite anxiety by appealing to investors' feelings. They might say things like "don't miss out" or "act immediately" to make people feel pressed for time and convince them to act before it is too late.

Overall, while mutual fund companies may use fear in their marketing tactics, it is important for investors to do their own research and make informed decisions about their investments.

Challenges turned into opportunities by Mutual Funds

Mutual Funds have been the biggest addition to the basket of financial products in the last decade. However, this was not without its challenges.

- One of the primary challenges is the increasing competition from low-cost index funds and exchange-traded funds (ETFs). These passive investment vehicles have gained popularity among investors due to their low fees and ability to track the performance of a benchmark index. As a result, mutual fund managers have faced pressure to reduce fees and improve their performance to remain competitive.
- Another challenge faced by mutual funds is regulatory compliance. Mutual funds are subject to numerous regulations designed to protect investors, and failure to comply with these regulations can result in significant fines and reputational damage. Compliance with regulations can be complex and time-consuming, which can create a barrier to entry for new firms looking to enter the mutual fund industry.
- Finally, mutual funds face challenges related to their ability to attract and retain customers. In a highly competitive market, mutual funds must differentiate themselves from their peers by offering unique investment strategies, superior customer service, and competitive fees. Failure to do so can result in a loss of assets under management and a decline in profitability.

Mutual funds have become increasingly popular over the past few decades due to a variety of factors.

- One of the primary reasons for their growth is the increasing importance of retirement planning and the need for individuals to save for their future. Mutual funds offer a convenient and accessible way for individuals to invest in a diversified portfolio of securities, without requiring significant knowledge or experience in financial markets.
- Additionally, the growth of the mutual fund industry has been driven by advancements in technology and the development of online investment platforms. This has made it easier for individuals to invest in mutual funds, as well as for financial advisors and institutions to manage and distribute mutual funds to their clients

BIGGEST INVESTMENT AVENUE

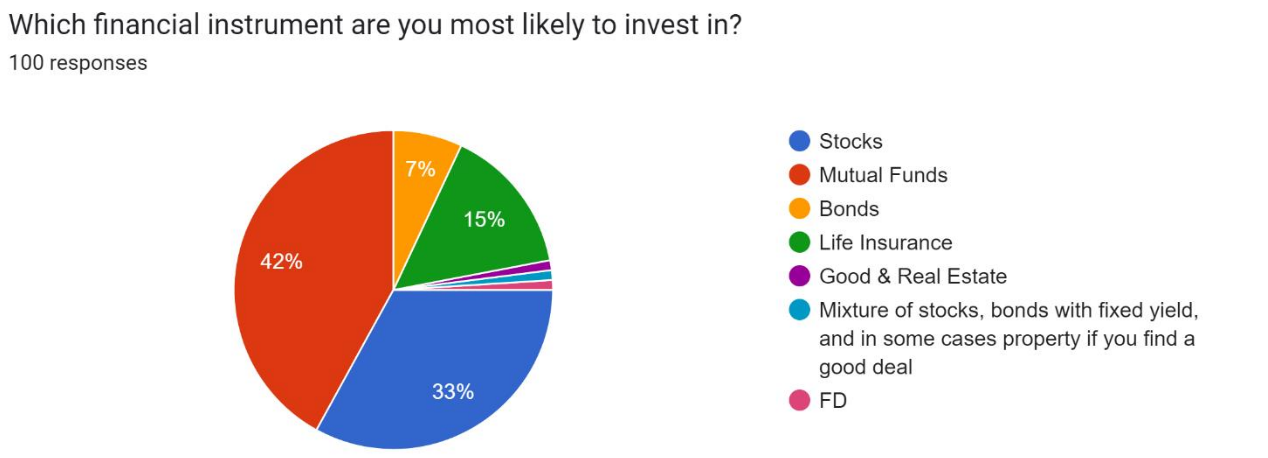


Figure: HOW MFs are becoming the biggest investment destination in India (Online Survey)

INTERPRETATION

Mutual Funds are becoming the go-to destination for investments in India. 42% of our surveyed population responded to investing in Mutual Funds as their next bet. This will help in strengthening the equity, debt and gold markets of India with increasing investments from the retail sector.

This change in customer investment is a generational shift and should not go unnoticed. In the post-independence India, people were more in search of livelihood and keeping their money safe. Returns and passive income was never their lookout while making investment decisions. However, in these formative years of the country people have seen their primary and secondary needs to be fulfilled and hence they are moving towards the tertiary requirements. This had transformed them from risk-averse to risk taking and mutual funds came into the country at the right opportune moment.

HOW YOUNG INDIA INVESTS

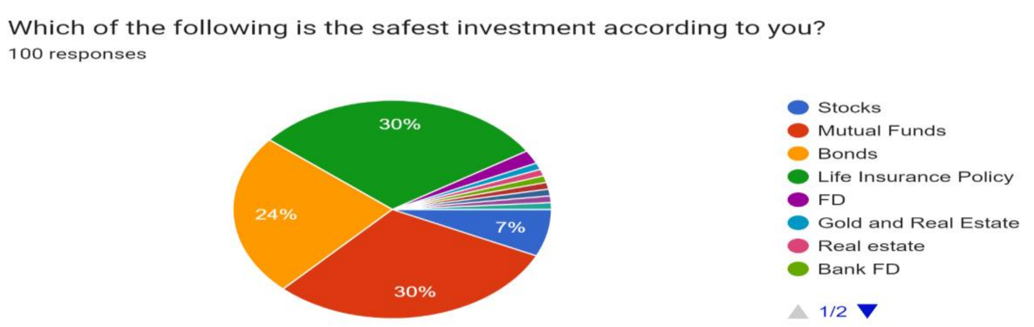


Figure: What the next generation seems safe? (Online Survey)

INTERPRETATION

Over 50% of our respondents were students and from the data we have gathered, 30% of the respondents find mutual funds to be the safest investment in tandem with Life Insurance. Both these investment avenues have vastly different risk profiles however the marketing of Mfs has been so successful in India that the customer perception has completely shifted, and the scale will be tilted towards MFs in the upcoming years.

Mutual fund companies in India have launched several campaigns over the years to promote their products and increase awareness about investing in mutual funds. One notable example is the "Sahi Hai" campaign launched by the Association of Mutual Funds in India (AMFI) in 2017.

The "Sahi Hai" campaign was aimed at encouraging Indians to invest in mutual funds and dispelling common myths and misconceptions about investing. The campaign featured a series of ads that depicted relatable situations and characters, with a focus on educating viewers about the benefits of mutual fund investments.

One of the most popular ads from the campaign featured a middle-aged man named Mr. Sharma, who is shown visiting his bank and expressing interest in investing in mutual funds. The bank employee tries to dissuade him, citing various reasons why mutual funds are not a good investment option. However, Mr. Sharma persists and asks for more information, eventually leading the employee to admit that he is not very knowledgeable about mutual funds and that Mr. Sharma should do his own research.

The ad effectively conveys the message that individuals should not rely solely on the advice of their bank employees when making investment decisions and that they should do their own research and make informed choices. It also highlights the importance of dispelling common myths and misconceptions about investing in mutual funds.

Overall, the "Sahi Hai" campaign was successful in increasing awareness about mutual funds in India and encouraging more individuals to invest in them. The use of relatable characters and situations, combined with a focus on education and dispelling myths, made the campaign highly effective and memorable.

CHAPTER 4: SUGGESTIONS AND CONCLUSION

SUGGESTIONS

Mutual fund companies can market their products better by implementing the following strategies:

1. Focusing on Education: Mutual fund companies can educate potential customers about the benefits of mutual fund investing and help them make informed decisions. This can be done through various channels such as social media, webinars, seminars, and educational materials such as blogs, videos, and infographics.

2. Simplifying the Process: Mutual fund companies can simplify the process of investing in mutual funds by making it easy for customers to open accounts, select suitable investment options, and track their investments. This can be done by developing user-friendly websites and mobile apps, providing personalized advice and support, and streamlining the onboarding process.

3. Providing Transparency: Mutual fund companies can provide greater transparency about their products and services, including fees and charges, investment strategies, and performance history. This can help build trust and confidence among potential customers and encourage them to invest in mutual funds.

56% of the surveyed population feels that mutual funds should increase transparency about their investments

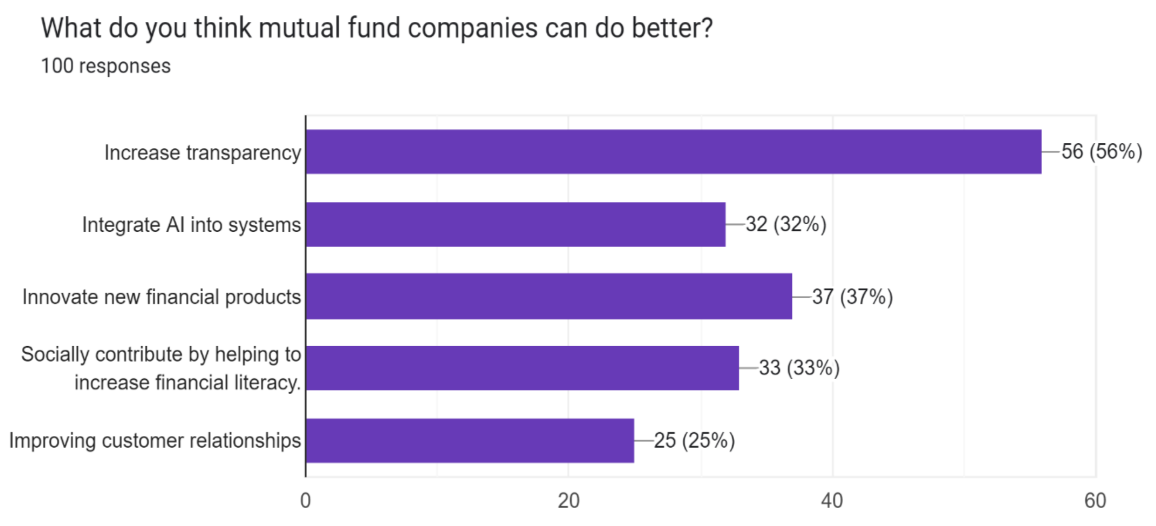


Figure: Ways to improve working of Mutual Funds

4. Leveraging Technology: Mutual fund companies can leverage technology to provide a better customer experience and improve marketing efficiency. This can include using artificial intelligence and

machine learning to personalize marketing messages and offers, integrating social media platforms to reach new audiences, and using data analytics to better understand customer behavior and preferences.

5. Collaborating with Financial Advisors: Mutual fund companies can collaborate with financial advisors to reach more potential customers and provide greater support and advice to investors. This can help mutual fund companies tap into the expertise and networks of financial advisors and build long-term relationships with investors.

Overall, mutual fund companies need to focus on educating customers, simplifying the investing process, providing transparency, leveraging technology, and collaborating with financial advisors to market their products more effectively and build long-term customer relationships.

An avenue mutual fund companies and LIC could work towards would be cross-selling and upselling of products. Both these companies have created the retainer product, but now need to enhance and develop products for the aforementioned task to keep customer recall value high.

CONCLUSION

With the advancement of Artificial Intelligence (AI), even the financial services sector our bound to be adapting it. This will be an interesting forum to see AI investing for humans and how the Mutual Funds sector undergoes this transformation.

In this project we analysed how LIC used its fear-based marketing campaign to reach the lengths and breadths of the country. LIC became the undisputed KINGPIN, a position which will be long held by it.

The increasing adoption of digital technologies in India is transforming the financial services landscape. Digital payments, mobile banking, and online lending platforms are becoming more popular, making financial services more accessible to a wider range of customers. The government's push for a cashless economy and the growth of fintech companies in the country are expected to further accelerate this trend.

The Indian government's focus on financial inclusion is opening new opportunities for financial services companies. The Jan Dhan Yojana scheme, which aims to provide every Indian citizen with a bank account, has already led to significant growth in the number of people using banking services in the country. Financial services companies that can offer low-cost, accessible services to underserved populations are likely to see significant growth in the coming years.

Overall, the future of financial services marketing in India will require a focus on digital transformation, customer data, financial inclusion, and compliance, along with a commitment to providing personalized and differentiated customer experiences.

CHAPTER 5: REFERENCES AND BIBLIOGRAPHY

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QUESTIONAIRRE

1) NAME - _______________

2) EMAIL - ________________

3) AGE?
- Less than 18
- 18-25
- 25-40
- 40+

4) OCCUPATION?
- Student
- Business
- Employed
- Self-employed
- Homemaker

5) HOW WOULD YOU DESCRIBE YOUR LEVEL OF FINANCIAL LITERACY
- Very Knowledgeable
- Somewhat Knowledgeable
- Have a faint idea
- Not knowledgeable

6) WHICH OF THE FOLLOWING IS THE SAFEST INVESTMENT ACCORDING TO YOU?
- Stocks
- Mutual funds
- Bonds
- Life Insurance Policy
- Other - __________

7) WHICH FINANCIAL INSTRUMENT ARE YOU MOST LIKELY TO INVEST IN?

- ○ Stocks
- ○ Mutual funds
- ○ Bonds
- ○ Life Insurance Policy
- ○ Other - __________

8) FINANCIAL ADVISORS HAVE BEEN TALKING ABOUT THE NEED FOR EARLY INVESTING STARING IN YOUR 20s?

- ☐ One needs to have comprehensive knowledge first and then start ivesting
- ☐ These are tools by financial companies to raise more capital
- ☐ Early investing ensures greater returns in the longer run

9) WHY WOULD ONE INVEST IN MUTUAL FUNS?

- ☐ Mutual funds have given steady returns in the past years
- ☐ Diversification
- ☐ High market volatility
- ☐ Steady investment would insure long-term benefits

10) WHAT DO YOU LOOK BEFORE INVESTING IN A MUTUAL FUND (1 BEING LOWEST AND 5 BEING HIGHEST)

	1	2	3	4	5
Risk accredited	☐	☐	☐	☐	☐
Past performa...	☐	☐	☐	☐	☐
Efficient mana...	☐	☐	☐	☐	☐
Diversification	☐	☐	☐	☐	☐

8

11) WHAT DO YOU THINK MUTUAL FUND COMPANIES CAN DO BETTER?

- ☐ Increase transparency
- ☐ Integrate AI into systems
- ☐ Innovate new financial products
- ☐ Socially contribute by helping to increase financial literacy.
- ☐ Improving customer relationships

12) WHY WOULD ONE BUY LIFE INSURANCE POLICIES?

- ☐ To protect family in case of untimely happenings
- ☐ Are a safe investment since money-back is guaranteed
- ☐ Risk-averse
- ☐ Tax-saving instrument

13) WHICH INSURER WOULD YOU CHOOSE?

- ○ LIC
- ○ ICICI Prudential Life Insurance
- ○ Bajaj Allianz Life Insurance
- ○ SBI Life Insurance
- ○ Max New York Life Insurance

14) LIC ADS TALK ABOUT THE FEAR OF FINANCIAL INSECURITY FOR YOUR FAMILY IF YOU WERENT THERE ONE DAY. DO YOU AGREE?

- ○ Yes
- ○ No