Contents

List of figures xv
List of tables xviii
Acknowledgements xix

Introduction 1

PART I
Context and strategy 7

1 The role, contribution and context of financial services 9
1.1 Introduction 9
1.2 Economic development 10
1.3 Government welfare context 13
1.4 Lifetime income smoothing 16
1.5 The management of risk 19
1.6 Poverty and financial exclusion 20
1.7 Mutual and proprietary supply 22
1.8 Regulation of financial services 26
1.9 A new philosophy and approach to regulation 30
1.9.1 On the role of financial markets 30
1.9.2 Three major regulatory challenges 31
1.9.3 UK regulatory reform – a new regulatory architecture, approach and philosophy 32
1.9.4 Regulatory philosophy 34
1.9.5 European regulatory reforms 36
1.9.6 Potential impact of Brexit 37
1.9.7 Future challenges 38
1.10 Summary and conclusions 39
Case Study 1: Microinsurance 40

2 The financial services marketplace: structures, products and participants 44
2.1 Introduction 44
2.2 Some historical perspectives 44

2.3 The geography of supply 46
2.4 Financial advice 50
2.5 An outline of product variants 51
2.6 Banking and money transmission 52
2.7 Lending and credit 57
2.8 Saving and investing 60
2.8.1 Savings 65
2.9 Life insurance products 70
2.9.1 Life insurance 71
2.9.2 Health insurance 72
2.9.3 Annuities 72
2.10 General insurance 73
2.11 Summary and conclusions 76
Case Study 2: Police Mutual Assurance Society Limited (Police Mutual) 77

3 Marketing financial services: an overview 81
3.1 Introduction 81
3.2 Defining financial services 81
3.3 The differences between goods and services 82
3.4 The distinctive characteristics of financial service 84
3.4.1 Intangibility 85
3.4.2 Inseparability 88
3.4.3 Perishability 90
3.4.4 Heterogeneity 91
3.4.5 Fiduciary responsibility 93
3.4.6 Contingent consumption 94
3.4.7 Duration of consumption 96
3.5 The marketing challenge 96
3.6 Classifying services 97
3.7 Summary and conclusions 99
Case Study 3: Aktif Bank – Aktif online 100

4 Strategic development and marketing planning 103
4.1 Introduction 103
4.2 Strategic marketing 105
4.3 Developing a strategic marketing plan 108
4.3.1 Company vision and mission 111
4.3.2 Situation analysis 114
4.3.3 Marketing objectives 115
4.3.4 Marketing strategy 116
4.3.5 Market specific strategy 117
4.3.6 Implementation 117

4.4 Tools for strategy development 118
4.4.1 Growth strategies 118
4.4.2 Selecting the product portfolio 120
4.4.3 Competitive advantage 125
4.5 Summary and conclusions 129
Case Study 4: Retail banking in China 129

5 Analysing the marketing environment 134
5.1 Introduction 134
5.2 The marketing environment 135
5.3 The macro-environment 138
5.3.1 The political environment 139
5.3.2 The economic environment 142
5.3.3 The social environment 143
5.3.4 The technological environment 146
5.4 The market environment 153
5.5 The internal environment 156
5.5.1 Resources 156
5.5.2 Competences/capabilities 158
5.5.3 Auditing the internal environment 158
5.6 Evaluating developments in the marketing environment 159
5.7 Conclusions 162
Case Study 5: Private banking in China 163

6 Understanding the financial services consumer 168
6.1 Introduction 168
6.2 Consumer choice and financial services 169
6.2.1 Problem recognition 171
6.2.2 Information search 173
6.2.3 Evaluation of alternatives 174
6.2.4 Purchase decision 175
6.2.5 Post-purchase behaviour 176
6.2.6 Summary 177
6.3 Consumer buying behaviour in financial services 177
6.4 Marketing responses 180
6.5 Researching financial services customers 184
6.5.1 Processes and outputs 184
6.5.2 Research for product and service development 185
6.5.3 Research for brand and communications 187
6.5.4 Stakeholder understanding 189
6.5.5 Market understanding 190
6.5.6 Thought leadership and research for PR 190
6.5.7 Social media monitoring 190

6.5.8 Qualitative and quantitative methods, techniques and tools 191
6.5.9 Ethical issues 197
6.6 Conclusions 198
Case Study 6: Behavioural economics and the financial services consumer 199

7 Segmentation targeting and positioning 210
7.1 Introduction 210
7.2 The benefits of segmentation and targeting 210
7.3 Successful segmentation 213
7.4 Approaches to segmenting consumer markets 215
7.4.1 Customer characteristics: customer-oriented segmentation 215
7.4.2 Customer needs and behaviours: product-oriented segmentation 220
7.5 Approaches to segmenting business-to-business markets 221
7.6 Segmentation in a digital world 224
7.7 Targeting strategies 226
7.7.1 Undifferentiated targeting 226
7.7.2 Differentiated targeting 226
7.7.3 Focused segmentation 227
7.7.4 Customized targeting 230
7.8 Positioning products and organizations 230
7.8.1 Perceptual mapping 232
7.9 Repositioning 234
7.10 Summary and conclusions 235
Case Study 7: Entrepreneurial Spark powered by NatWest 236

8 Internationalisation strategies for financial services 239
8.1 Introduction 239
8.2 Internationalization and the characteristics of financial services 240
8.3 The drivers of internationalization 241
8.3.1 Firm-specific drivers of internationalization 241
8.3.2 Macro level drivers of internationalisation 244
8.3.3 The extent of internationalisation in financial services sector 251
8.4 Globalisation strategies 253
8.4.1 International strategies 253
8.4.2 Global strategies 254
8.4.3 Multidomestic strategies 255
8.4.4 Transnational strategies 255
8.5 Strategy selection and implementation 256
8.5.1 Which markets to enter 256
8.5.2 Method of market entry 257
8.5.3 How to market in international markets 259