

# **Competitors' Product Knowledge and Marketing in Changing Scenario**

**Presented by**

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# **PRESENTATION STRUCTURE**

- **Competitive Strategies**
- **Product Environment**
- **Mutual Fund Marketing Mix**
- **Emerging Scenario**
- **How to Succeed**
- **Best Practices**

# COMPETITIVE STRATEGIES

- **Normal evolution of any post-competitive industry**

- **Stage 1 : Market Explosion**

- **New targets**
- **NEW CHANNELS**
- **BROADER CLIENT COMFORT**
- **THE NOISE IMPACT**

**Sundar S:**

Insurance, Satyam Internet,  
Credit Card, Cellular

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# COMPETITIVE STRATEGIES

- **Normal evolution of any post-competitive industry**

## – Stage 2 : The differentiation game

- **New products**
- **New service standards**
- **New economics**

**Sundar S:**

Automobiles, Airlines, ATM  
Bank accounts / ETF

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# COMPETITIVE STRATEGIES

- **Normal evolution of any post-competitive industry**
  - **Stage 3 : New Pecking Order**

# **COMPETITIVE STRATEGIES**

**Strategic thrust  
would depend on  
reading of industry scenario  
and  
fit with organisational position**

# COMPETITIVE STRATEGIES

<b>Stage</b>	<b>Strategic Thrust</b>
<b>– Market explosion</b>	<b>• Market Coverage</b>
<b>– Differentiation</b>	<b>• Market Positioning</b>
<b>– New pecking order</b>	<b>• Protect / Change rules of the game</b>

# COMPETITIVE STRATEGIES

## • Net Assets League Tables

(Rs Crore as on mid-Dec 2001)

– UTI	50,025
– Prudential ICICI	7,248
– Birla Sun Life	4,100
– HDFC	3,913
– Templeton	3,768
– Pioneer ITI	3,493
– Alliance	3,300
– SBI	3,203
– SCB	2,950
– LIC	2,400

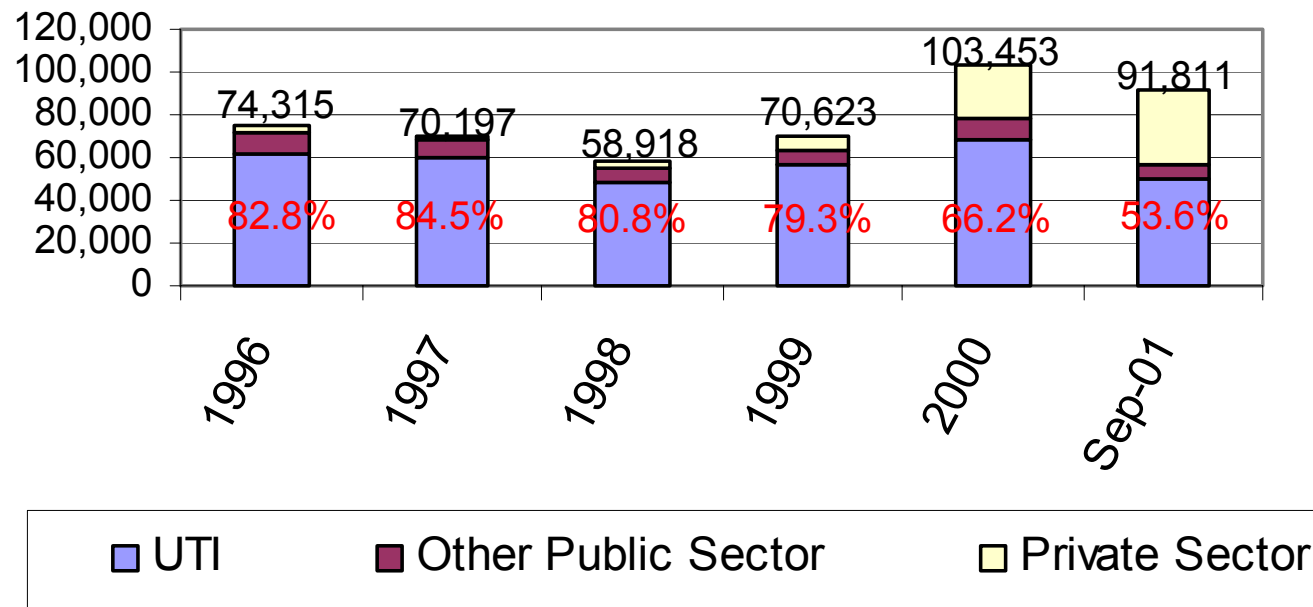
**Sundar S:**

Gainers and losers

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# COMPETITIVE STRATEGIES

## Net Assets by Fund Type (RsCrore)



**Sundar S:**

Gradual erosion of market share is expected

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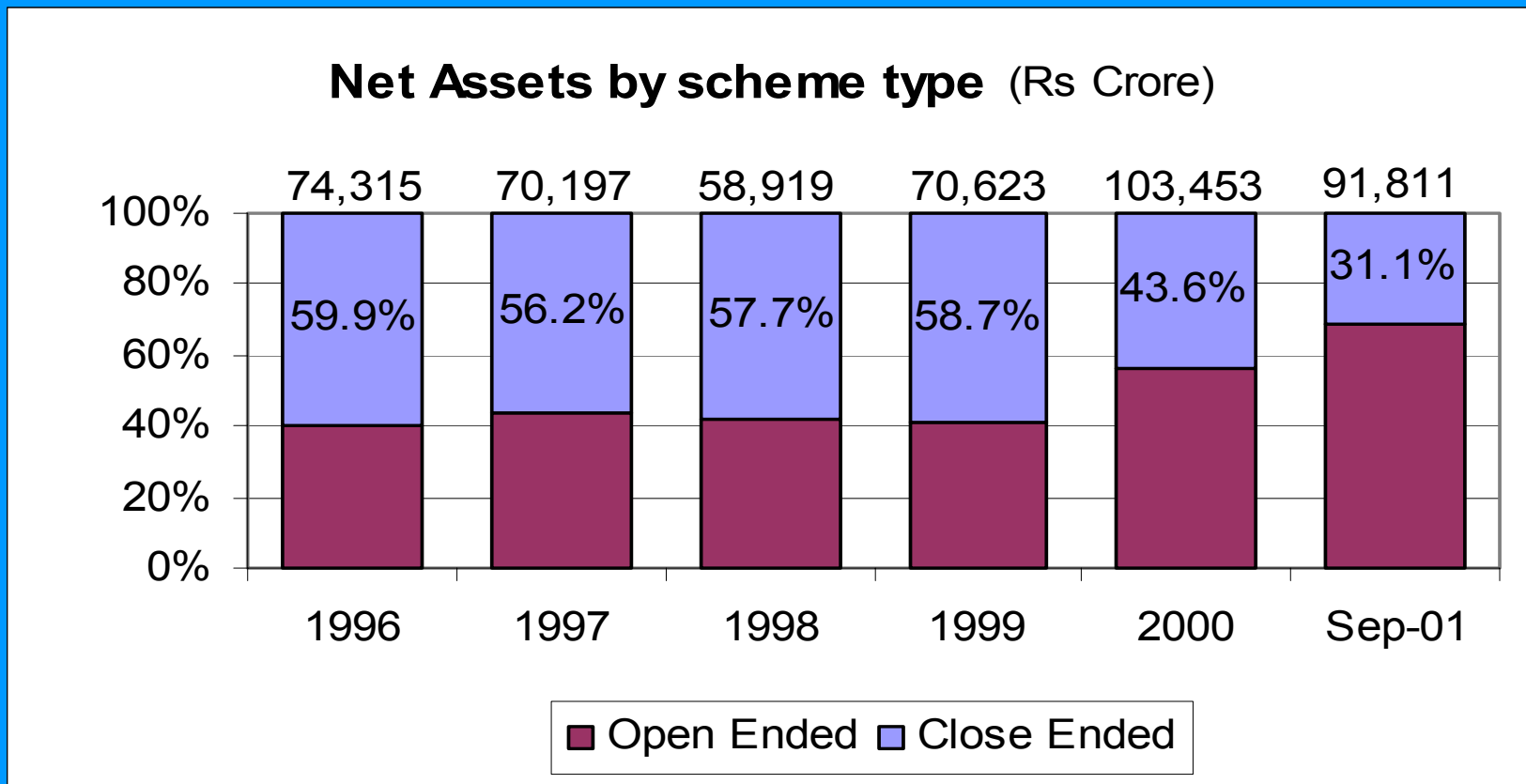
# COMPETITIVE STRATEGIES

- **Where does the MF sector stand –**
  - **Market Explosion ?**
  - **Making Presence Felt ?**
  - **New Pecking Order ?**

# **PRESENTATION STRUCTURE**

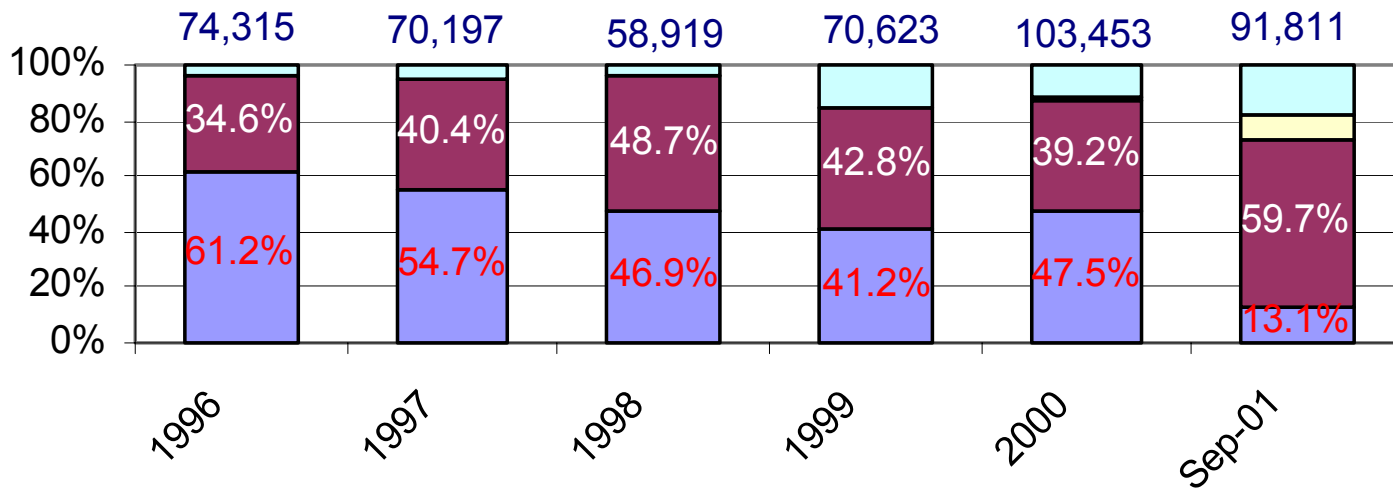
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# PRODUCT ENVIRONMENT



# PRODUCT ENVIRONMENT

Net Assets by Fund Category (% to total)



Equity Funds
  Debt Funds
  Money Market, Liquid
  Balanced

# **PRODUCT ENVIRONMENT**

- **Financial service uniqueness**

- **Intangible product**

- **No patents**

- **Limited exclusivity period**

**Product innovation not a USP**

# PRODUCT ENVIRONMENT

- **Mutual fund uniqueness**

- **Upfront commitment by client for uncertain future**
- **Unpredictable returns driven by market and fund management**

**Organisation, people and past performance become key elements of marketing strategy**

# PRODUCT ENVIRONMENT

- **“Copy Cat” competition on products**
  - **Open-end, gilt, serial, liquid, sector, index**
- **“Copy Cat” competition on services**
  - **Sunday NAV, Direct credit**

# PRESENTATION STRUCTURE

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# MF MARKETING MIX

- **STARBUCKS**
  - **Sponsor / Fund House**
  - **Timing**
  - **Advertising & Press Relations**
  - **Returns – Past Performance**

# MF MARKETING MIX

- **STARBUCKS (cont'd)**
  - **Brand Building**
  - **Usefulness to investor**
  - **Channels**
  - **King and Performer match**
  - **Sales Strategy**

# MF MARKETING MIX - Sponsor

## STARBUCKS

- **Who are the people behind the operation – shareholders, employees?**
- **What is their track record for fair dealing?**
- **Are they here for the long term?**
- **Who are the service providers?**

# MF MARKETING MIX - Timing

## STARBUCKS

- **Flavor of season phenomenon**
  - **When to offer a scheme**
    - **When market is down?**
    - **When market is up?**

### Sundar S:

Easier for scheme to outperform market, if launched when market is down.

Issues – Market view confidence / Role of invt. timing. Sellability. Pressure on FM

# **MF MARKETING MIX – Advt.,PR**

- **STARBUCKS**
- **Print**
- **Television**
- **Bill Boards**
- **Point of Purchase**
- **Communications & Updates**

# MF MARKETING MIX - Returns

## STARBUCKS

- **View on “performance” in mutual fund context**
  - **As markets mature, scope for super-normal returns diminish**
  - **Absolute v/s Relative – role of derivatives**
  - **Fund houses have to stick to clear investment philosophy**
  - **Investor has a critical role in determining nature of exposure**

# **MF MARKETING MIX - Returns**

**In situations  
where investors expect  
aggressive risk taking,  
fund houses will protect  
themselves through  
choice of investor and legalities**

**Sundar S:**

Orange County

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# MF MARKETING MIX - Brand

## STARBUCKS

- **Brand is a relationship – not a name**
- **Creating a brand preference – FMCG examples – top of mind recall**
- **Flagship schemes?**
- **Choice of segment presence**

**Sundar S:**

HDFC MF, Templeton

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# **MF MARKETING MIX - Usefulness**

## **STARBUCKS**

- **Scheme should**
  - **Fulfil a significant need**
  - **Meet performance qualifier**
  - **Ensure adequate service level**

# **MF MARKETING MIX - Channels**

## **STARBUCKS**

- **Direct Sales**
- **Related Distributors**
- **Independent Distributors**

**Need for channel management  
skills**

# **MF MARKETING MIX – King**

## **STARBUCKS**

- **King & Performer**
  - **Investor**
  - **Fund Manager**

**Don't present Madonna to a  
Bharat Natyam audience!**

# MF MARKETING MIX - Sales

## STARBUCKS

- **Type**
  - Institutional clients
  - Retail clients
- **Knowledge levels**
  - Basic
  - Advanced

# MF MARKETING MIX - Sales

## STARBUCKS

- **How to decide what to push**

- **Market view**

- Is market overheated
- How is economy doing
- Any interesting sectors
- Direction of Interest rate

**Minimise Role of mkt. view through systematic plans**

# MF MARKETING MIX - Sales

## STARBUCKS

- **How to decide what to push**

- **Scheme view**

- Organisation comfort
- Fund Manager
- Investment philosophy
- Fund Size
- Investor distribution
- Portfolio composition
- Service levels

# MF MARKETING MIX - Sales

## STARBUCKS

- **How to decide what to push**

### – **Scheme view (cont'd)**

- **Performance**

- **Risk : Beta, SD, Duration**

- **Return : Absolute, Relative**

**Crisil “risk adj. return ranking”  
and “composite performance  
ranking”**

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# MF MARKETING MIX – Sales

## STARBUCKS

### • Example – Index Funds

#### My Iris Returns Profile

	Returns in last				Since Inception
	Week	Month	Quarter	Year	
Pioneer-ITI Index Fund - BSE	-2.37%	9.06%	20.15%	N/A	4.37%
UTI Master Index Fund	-2.48%	8.45%	18.52%	-20.36%	0.65%
UTI Index Equity Fund	-1.65%	8.18%	18.41%	-12.08%	11.79%
IDBI Principal Index Fund	-2.16%	8.07%	17.90%	-19.11%	-7.35%
Franklin India Index Fund	-2.25%	7.84%	17.44%	-18.52%	-13.17%

# MF MARKETING MIX - Sales

## STARBUCKS

- **Example – Index Funds**

**Crisil Risk-adjusted Returns Rankings**

	Period ended November 01		
	Quarter	Half-year	Year
Pioneer-ITI Index Fund - BSE	N/A	N/A	N/A
UTI Master Index Fund	4	4	3
UTI Index Equity Fund	N/A	N/A	N/A
IDBI Principal Index Fund	1	1	1
Franklin India Index Fund	2	3	2

# MF MARKETING MIX - Sales

## STARBUCKS

- **Example – Open – Equity Funds**

### My Iris Returns Profile

	Returns in last				Since Inception
	Week	Month	Quarter	Year	
Templeton India Growth Fund	-1.90%	8.22%	19.66%	-8.62	5.66%
Prudential ICICI Growth Plan	-2.64%	8.01%	18.78%	-21.45%	18.76%
K 30	-1.98%	8.70%	19.01%	-28.99%	16.58%
SBI Magnum Equity Fund	-1.53%	7.72%	21.71%	-40.54%	14.06%

# MF MARKETING MIX - Sales

## STARBUCKS

- **Example – Open – Equity Funds**

**Crisil Risk-adjusted Returns Rankings**

	Period ended November 01		
	Quarter	Half-year	Year
Templeton India Growth Fund	3	4	2
Prudential ICICI Growth Plan	15	14	8
K 30	4	7	10
SBI Magnum Equity Fund	12	28	23

# MF MARKETING MIX - Sales

## STARBUCKS

### • Example – Open – Equity Funds

Crisil Composite Performance Rankings

	Sep-01						
	Rank for Quarter	Superior Returns	Asset Size	Industry Concentration	Company Concentration	External Liquidity	Internal Liquidity
Templeton India Growth Fund	1	1	6	6	11	14	15
Prudential ICICI Growth Plan	2	4	3	13	8	5	13
K 30	3	13	15	1	5	9	7
SBI Magnum Equity Fund	5	18	8	9	13	4	10

# MF MARKETING MIX - Sales

## STARBUCKS

- **How to decide what to push**

- **Investor view**

- Risk profile
- Investment horizon
- Investor awareness

**Listen, watch, sense**

**Then advise**

**Sundar S:**

Physician example

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# MF MARKETING MIX - Sales

## STARBUCKS

- **How to decide what to push**
  - **Integrated thought process :**
    - Market view
    - Scheme view
    - Investor view

**Look at investor's interest – not yours!**

**Sundar S:**

Foreign bank employee  
example

# **PRESENTATION STRUCTURE**

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# EMERGING SCENARIO

**Scenario**

**Impact**

**Copy-cat  
Competition**

**Quick  
commoditisation  
of products and  
services**

**Sundar S:**

Covered earlier

# EMERGING SCENARIO

## Scenario

**Demands of time  
for sustaining  
specialization in  
every field**

## Impact

**Changing  
complexion of  
client base –  
more of  
demanding  
prospects**

**Sundar S:**

BAL Experience – 2 VRS, 1 out of mkt, 1 serious employee

# EMERGING SCENARIO

## Scenario

**Role of technology,  
especially  
internet**

## Impact

**Easy access to  
updated  
information –  
well-informed  
prospects**

**Sundar S:**

Elimination of role of broker for basic info. – Pune exp as individual and corporate investor

# EMERGING SCENARIO

## Scenario

## Impact

**Maturing of  
markets**

**Returns will be a  
qualifier –  
returns will not be  
a USP**

### **Sundar S:**

Access to info equal – US conference calls; Transparency; Elimination of systemic inefficiencies; Fiduciary responsibility – tips v/s professional investment

# EMERGING SCENARIO

## Scenario

**Active regulatory environment**

**Sundar S:**

Unilever-MLIM

Goldman Sachs lead-managed Netherlands co issue

## Impact

**Higher standards of acceptable behaviour and risks associated with inappropriate behaviour – there will be **no short cuts****

# EMERGING SCENARIO

## Scenario

**Elimination of  
inherent  
conflicts of  
interest in  
intermediary  
structure**

**Sundar S:**

Physician example

## Impact

**Emergence of a  
body of financial  
planners –  
discovery of role of  
caring for  
prospects'  
financial health**

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# EMERGING SCENARIO

## To sum up

You will be selling a **commodity**  
to **well-informed and demanding prospects**  
in a market where **returns will not be a USP**  
and **no short cuts** will be available to you  
while you **re-discover yourself**

# **PRESENTATION STRUCTURE**

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# How to succeed

**Core**

**More**

**Sell quality**

**Baki**

**Sab**

**Bakwaas!**

**Sundar S:**

Context – returns not a USP;

AMC, Sponsor, Delivery on promises

# How to succeed

**Core**

**Differentiate  
through service  
level**

**Sundar S:**

SCB – Room service;

McDonald, Pizza Hut, Baristas

Branding without service – Dolphin

**More**

**... make it  
memorable  
through  
branding**

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# How to succeed

**Core**

**More**

**Live** by your brand

... else you will die  
with **your brand**

**Sundar S:**

Room v/s Broom!

Coke, Ford-Firestone, Union Carbide, Bofors

# How to succeed

**Core**

**Knowledge-enable**  
the front office

**More**

... and you will see  
prospects in  
**your front office**

**Sundar S:**

Context – well informed prospects – Knowledge  
(Beta of Tata); Current info; Single message  
(Broking wholesale v/s retail)

# How to succeed

**Core**

**Develop a  
professional  
relationship**

**Sundar S:**

Haircut example

**More**

**... to make the  
client want to  
come back to  
you**

# How to succeed

**Core**

**Give your client  
what he needs**

**More**

**... not what he  
thinks he needs;  
not what you want  
to push**

**Sundar S:**

Tech funds to widows

# How to succeed

**Core**

**More**

**Make the process  
a pleasure**

**... not a pressure**

**Sundar S:**

Disney ;

Private Bank experience

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# How to succeed

**Core**

Let your  
moral **standards**  
be rigorous

**More**

... more **rigorous**  
than the  
legal standards

**Sundar S:**

Enron's problems

# How to succeed

**Core**

**More**

Stay **relevant**

... else  
you  
will

**become redundant**

**Sundar S:**

Service beyond form pushing (internet role);

Knowledge updation

# How to succeed

## To sum up

Sell a **quality** product  
with a **differentiated service** level  
geared to build your **brand**  
through a **knowledge-enabled front-office**  
that builds a **relationship**  
by offering **what the prospect needs**  
through a **process that is a pleasure**  
and upholding **rigorous standards**  
while remaining **relevant**

# PRESENTATION STRUCTURE

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# BEST PRACTICES

- **RESTFUL**

- **Risk-Reward Relationship**

- **Ease of business**

- **Service**

- **Trust / Transparency**

- **Shekhar Sathe, Kotak Mahindra**

# BEST PRACTICES

- **RESTFUL (cont'd)**

- **Fairness to investors**

- **Utility**

- **Liquidity**

- **Shekhar Sathe, Kotak Mahindra**

# **PRESENTATION STRUCTURE**

- **Competitive Strategies**
- **Product Environment**
- **Mutual Fund Marketing Mix**
- **Emerging Scenario**
- **How to Succeed**
- **Best Practices**
- **Thank You**