Marketing of Mutual Fund Investments

A Thorough Analysis of the Seven P's of Services Marketing

From the special viewpoint of India

A Report by

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OBJECTIVES OF THE STUDY

What we intend to learn from the report

MAIN OBJECTIVES

1. To do a detailed study of the Marketing Mix that applies to the service provision of running a Mutual Fund.
2. To Examine all the 7 Ps that relate to Services marketing (Product, Price, Promotion, Place, People, Processes, Physical Evidence).
3. To segregate and classify the Mutual Fund Industry on the type and size and performance of the players.
4. To discuss possible Marketing and Sales Strategies that may be used by Mutual Funds.
5. To discuss the structure and working of a typical Mutual Fund in India
6. To undertake a detailed comparative analysis of a few specific samples of Mutual Funds in India, through surveys conducted.
7. To undertake a generic analysis of all players in the Indian scenario on the basis of their performance last year.
8. To Examine the Advertising Strategies developed by agencies for effectively targeting the target audience. A study of a few advertisements has also been undertaken for a practical and critical examination.
9. To Examine how products and companies are branded and positioned, and how effective the positioning is.
10. To examine the different Sales Promotion activities that have been undertaken.
11. To come up with a Marketing Strategy that may be applied to all Mutual Funds in India in their Sales, Marketing and Promotional activities (Some suggestions that can be taken up across the board).
12. To undertake a Best Practices Survey in the Industry with respect to Marketing.

AN INTRODUCTION TO MUTUAL FUNDS

The Need and Emergence of Mutual Funds in India

INTRODUCTION

There are myriad choices available to the investor of today. Investment avenues are galore. There are different investment vehicles such as stocks and bonds. We however need to invest carefully, and work out various investment options and decide on how to make best of our investment in terms of monetary benefits.

Mutual Funds constitute a part of a wide spectrum of financial services involving management of funds by investing in various financial instruments on behalf of various individuals among others. Individuals interested to invest in these financial instruments provide the money to the mutual funds that do the requisite research and invest it appropriately. Thereby, the investor avoids direct involvement with the financial market and hence avoids any disadvantage that may accrue to him because of asymmetric information. Mutual Funds earn commission basis on the funds invested.

Mutual funds, in its modern version, owe their origin to "Foreign and colonial Government Trust" that collected funds in 1886, for their colonial expansion of the British Empire. The concept of Mutual Funds caught up in the United States in the 1920s, and a few decades later caught up in our country. In countries like the US, Japan, the UK, Germany and Italy, Mutual Funds continue to be one of the most important avenues for investment.

Mutual Funds are the ideal investment vehicle for today's complex and modern financial scenario. Markets for equity shares, bonds, derivatives and other assets have become mature and information-driven. A typical individual is not likely to have the knowledge, skills, inclination and time to keep track of and understand the causes and implications of the price changes and trends.

A Mutual Fund appoints professionally qualified and experienced managers who carry out each function in a way to increase the returns on the money invested by the people. The last few years have been very exciting for the Mutual Funds industry in India - New players have come in, while others have decided to close shop by either selling off or merging with others. Product innovation is now passé with the game shifting to performance delivery in fund management as well as service.

WHAT IS A MUTUAL FUND?

Mutual Fund investments are Collective Investment Schemes, which collect contribution from the subscribers and invest them in a variety of transferable assets such as ordinary shares and bonds.

These Trusts are run by experienced Investment Managers who use their knowledge and expertise to select individual securities, which are classified to form portfolios that meet predetermined objectives and criteria.

These portfolios are then sold to the public. They offer the investors the following main services:

1. Easy and convenient Portfolio Management, in the form of specialist investment knowledge, while at the same time taking care of administrative issues.
2. Portfolio Diversification
3. Marketability: A new financial asset is created that may be more easily marketable than the underlying securities in the portfolio.

DEFINITION

Mutual funds are financial intermediaries, which collect the savings of investors and invest them in a large and well-diversified portfolio of securities such as money market instruments, corporate and government bonds and equity shares of joint stock companies.

Mutual funds have been conceived as institutions for providing small investors with avenues of investments in the capital market, since the size of investments is sometimes a deterrent for them. Moreover, it is difficult to appropriately hedge risks in the Capital markets when the money outlay is small. Since small investors generally do not have adequate time, knowledge, experience and resources for directly accessing the capital market, they have to rely on an intermediary, which undertakes informed investment decisions and provides consequential benefits of professional expertise.

Mutual funds bring down the transaction costs for the investors, and provide them with the following advantages:

- Expert professional management
- Reduction in risk
- Liquidity of investment
- Diversified portfolios
- Tax benefits

The interests of the investors are protected by the SEBI, which acts as a watchdog. Mutual funds are governed by the SEBI (Mutual Funds) Regulations, 1996.

OBJECTIVES OF MUTUAL FUND INVESTMENTS

Why Mutual Funds? And how are Investors Lured?

OBJECTIVES & ADVANTAGES OF MUTUAL FUNDS

To understand and appreciate the different techniques employed by Mutual Funds to market and sell their units, it is imperative that we first understand the objectives and aims that these funds have towards their customers. It is only in this light that we would be able to completely comprehend their marketing strategies. The following objectives can be said to be the major driving force for investors to take the Mutual Funds route.

1. Liquidity of their Investments: The distinct advantage of a mutual fund over other forms of investments is that there is always a market for its unit or shares. The law (SEBI) too requires the mutual funds to ensure liquidity. It is mandatory for Closed-ended schemes to be listed on stock exchanges.
2. Diversification of Risk: Mutual Funds are an extremely sound investment for the purposes of diversification. By investing in many companies the mutual funds can protect themselves from unexpected drop in values of some shares. Small investors can achieve wide diversification of their risks by investing in Mutual Funds, and hence do not have the fear of "putting all their eggs in one basket".
3. Expertise Supervision and Control of Investments: When investors buy mutual fund schemes, an essential benefit that they acquire is expert Portfolio Management of their investments. The professional fund managers who supervise fund's portfolio take desirable decisions viz., what scrips are to be bought, what investments are to be sold and more appropriate decision as to timings of such buy and sell.
4. Lower Costs: Mutual funds have very large funds at their disposal, and hence are in a position to reap the benefits of economies of scale. The brokerage and transaction fees or trading commission is in most cases reduced substantially.
5. Reduced Risks and Safety of Investment: The legislation provides for the safety of investments by regulating the Mutual Funds Industry. The above-mentioned advantages of Mutual Funds ensure minimisation of the possible risks that investors could face.
6. Tax Benefits: Depending on the scheme of mutual funds, tax shelter is also available to investors as per the Union Budget (1999). Income earned through dividends from mutual funds is 100% tax-free!
7. Miscellaneous advantages: Investing in securities through mutual funds has many other advantages like the option to reinvest in dividends, strong possibility of capital appreciation, regular returns, etc.

POSSIBLE USPs

Keeping the above points in mind, the Marketing Manager has the difficult task of convincing the investing populace to invest in the Mutual Fund. All Marketing, Sale and Advertising activities are directed towards the positioning of the Mutual Fund. Building brand equity is an important task of the Marketing Manager. We can as a beginning jot down a few possible areas that the Marketing Manager can focus on in his pursuit to convince more and more of the investors to invest in his Mutual Fund (Both existing and potential customers). The following is a list of possible Unique Selling Propositions that a Mutual Fund may use to augment its sales.

- Project the Mutual Fund as the ultimate instrument for a sound investment.
- Expertise and Skill of the portfolio manager
- Excellent diversification of Investments
- A means for "small" investors to enter the Capital Market in a "big" way
- Select Investment Trusts instead of life assurance or pension contributions
- Highly liquid Investments
- Professionally managed investments with high growth in the past
- Lower transaction costs
- Convenience in the form a hassle free (also paper free) investment
- Tax Shields
- A wide pool of structured portfolios to choose from
- Returns in the form of Capital appreciation, bonuses and dividends
- Protection cover from Downside risks, Strategy risks and Concentration risks
- Complete Disclosure and transparency
- Targeted investments (Sectoral and Industry based portfolios)

CLASSIFICATIONS OF MUTUAL FUND SCHEMES

The Categorisation of Mutual Fund Schemes based on different criteria

THE CLASSIFICATION

Different Mutual Funds are positioned differently depending on the strategy they adopt for making investments. Any mutual fund has the main objective of earning income and high returns for its investors, i.e., getting increased value of their investments. Most Mutual Fund companies offer different schemes of investments depending on the requirements of the target groups.

The most efficient method of starting a classification or categorisation of all schemes that are offered in the Mutual Fund Investments Market would be to group these into two broad classifications: Portfolio Classification and Operational Classification.

A. Operational Classification

Operational classification highlights the two main types of schemes, i.e., open-ended and close-ended which are offered by the mutual funds.

(a) <u>Open Ended Schemes:</u> As the name implies the size of the scheme (Fund) is open, and not specified or pre-determined. Entry to the fund is always open to the investor who can subscribe at any time. Such fund stands ready to buy or sell its securities at any time. The units are normally not traded on the stock exchange but are repurchased by the fund at announced rates. Open-ended schemes have comparatively better liquidity despite the fact that these are not listed. No minute-to-minute fluctuations in rates haunt the investors.

(b) <u>Close Ended Schemes:</u> Such schemes have a definite period after which their shares/ units are redeemed. Unlike open-ended funds, these funds have fixed capitalisation, i.e., their corpus normally does not change throughout its life period. Their price is determined on the basis of demand and supply in the market. A premium may exist only on account of speculative activities.

B. Portfolio Classification of Funds:

The portfolio classification of funds can be divided into five kinds.

(a) <u>Return based classification:</u> The investors of the mutual fund schemes are made to enjoy a good return in form of regular dividends or capital appreciation or a combination of these both.

1. Income Funds: Income funds are floated for the interest of investors who want to maximise current income. These funds distribute periodically the income earned by them, in the form of either a constant income at relatively low risk or in the form of maximum income possible with higher risk by the use of leverage.

2. Growth Funds: These Schemes have the objective to achieve an increase in the value of the underlying investments through capital appreciation, and they invest in growth-oriented securities.
3. Conservative Funds: These funds offer a blend of good average returns and reasonable capital appreciation. These funds are very popular and are ideal for the investors who want both growth and income from their investment.

(b) Investment Based Classification: Mutual funds may also be classified on the basis of the kind of securities that they invest in.

1. Equity Funds: These funds invest most of their investible shares in equity shares of companies and undertake the risk associated with the investment in equity shares. In a developed market, Equity funds can be of different categories. For example, 'blue chip', FMCG, PSUs, etc.
2. Bond Funds: These Funds have their portfolio comprising of bonds and debentures (Debt Instruments). These funds are considered to be very secure with a steady income.
3. Balanced Fund: These funds have their portfolio consisting of a balanced mix of equity and bonds. The composition of these funds may vary depending upon the outlook of the market.

(c) Sector Based Funds: There are funds that invest in a specified sector of economy and they specialise in the said sector. However, they run the risk of not being able to diversify. Sector based funds are aggressive growth funds which make investments on the basis of assessed bright future for a particular sector.

As an offshoot of the above classification, another categorisation that is more used to assess the performance of the different kinds of Mutual funds in the market has been developed, and this categorisation is as follows:

1. **Equity – Diversified**
2. **Equity – Sector**
3. **Equity – ELSS**
4. **Balanced Funds**
5. **Debt Funds**
6. **Liquid funds**
7. **Gilt Funds**

The details of the above will be dealt with subsequently when we discuss the performance of various Mutual fund Schemes.

WORKING OF A MUTUAL FUND

How Mutual Funds carry out their Operations

CONSTITUENTS OF MUTUAL FUNDS

All mutual funds comprise of four constituents:

Sponsors:

The sponsor is the entity, which initiate the idea to set up a Mutual Fund. They are equivalent of a Founder of a Company. A Sponsor may be a registered company, scheduled bank or financial institution. There are certain conditions and criteria that have been set for an institution to be become a sponsor. A sponsor has to satisfy rigorous conditions such as capital, duration of operations (at least five years' operation in financial services), default free dealings record and general reputation of fairness and a good faith. The sponsors appoint the Trustee, AMC and Custodian, which are the other constituents of the Mutual Funds framework. After the formation of the Asset Management Company, the sponsor is just a stakeholder.

Trust/ Board of Trustees:

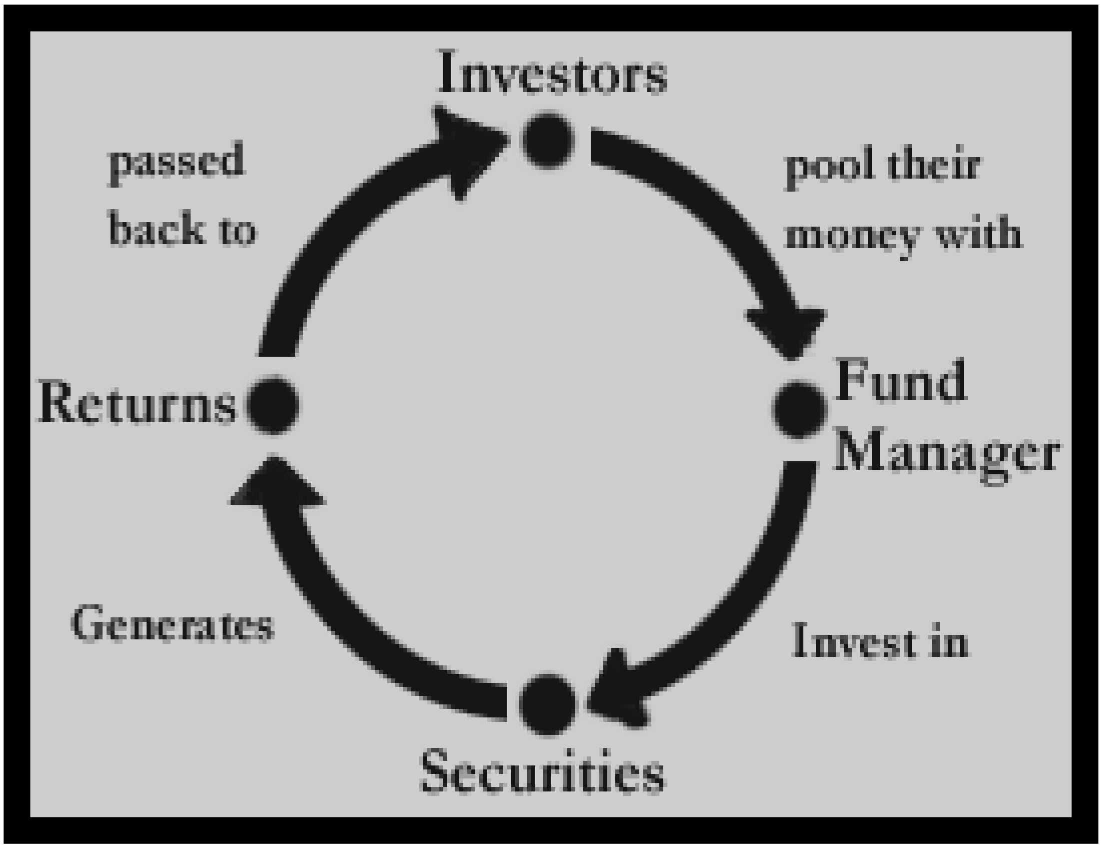
Trustees hold a fiduciary responsibility (A relationship of utmost good faith) towards unit holders by working for protection of their interests. Trustees float and market schemes, and secure necessary approvals. They check if the AMC's investments are within well-defined limits, whether the fund's assets are protected, and also ensure that unit holders get their due returns. They also review any due diligence by the AMC, as required by the law and other statutory bodies. For major decisions concerning the fund, they have to take the unit holders' consent. They submit reports every six months to the Securities Exchange Board of India (SEBI), of which the investors get a report (The Annual Report). Trustees are paid on an annual basis out of the assets of the fund. This payment is currently set at 0.5% of the weekly net asset value (NAV).

Asset Management Company or Fund Managers:

Fund Managers are the people who manage the money of the investors. An AMC takes decisions and manage the portfolios of the investors. They compensate the investors through dividends, maintain proper accounting and information for pricing of units and shares, calculate the NAV, and provide to the investors, information on listed schemes. The Asset Management Company also exercises due diligence on he investments and submits quarterly reports to the trustees. Thus they have a reporting function too. A fund's AMC can neither act for any other fund nor undertake any business other than asset management. This is provided for so that there is no clash of interests. The net worth of the AMC should not fall below INR 100 million. Also, the fee of the AMC should not exceed 1.25% if collections are below INR 1000 million and 1% if collections are above Rs. 1000 million. SEBI has been vested with powers to question and regulate an AMC if it deviates from its prescribed role.

<u>Custodian:</u>
The Custodian is often an independent organisation and takes the custody of securities and other assets of the Mutual Fund. Its responsibilities include receipt and delivery of securities, collecting income-distributing dividends, safekeeping of the units and segregating assets and settlements between schemes. Their charges range from 0.15% to 0.2% of the net value of the holding. Custodians can service more than one fund.

HOW A MUTUAL FUND WORKS



The above diagram clearly indicates how the operations of a Mutual Fund are carried out. It is important to understand the working of a Mutual Fund even while studying how they are marketed because for informed customers the selling the advantages of clean processes in the Fund, and the adherence to stipulations can be the difference between a sale and a lost customer.

THE EFFECTIVE MARKETING PLAN WITH REFERENCE TO MFs

Strategies that Sell

The tale of peddling services is as old as the hills. But never has a period in business history seen such an aggressive marketing of services. No business prognosticator could have forecast such a brutal fight for customer money, such a struggle for existence and such revolutionary changes in the service industries to satiate the escalating expectations of consumers. This is now true of the Mutual Fund industry.

The fact that the Mutual Fund industry can be viewed as a 'Service industry' makes it imperative to analyse the seven 'Ps' of marketing which form the pillars of modern day marketing strategies. These seven 'Ps' must be carefully examined and analysed and the "effective" marketing plan must be made only by giving adequate weightage to them. This analysis is done as under and has been supplemented by real life examples.

In a Mutual Fund managerial efficiency and investment skills and know-how determine returns to the investors. Successful Mutual Funds are those wherein marketing creates confidence among potential investors and strengthens their desire to invest in the fund.

Since Mutual Funds have greater characteristics of being a service rather than a product, there are 7 Ps associated with it. These are, therefore, the following elements of the Marketing Mix:

1. Product
2. Price
3. Promotion
4. Place
5. People
6. Processes
7. Physical Evidence

We will discuss each of these in detail in the following chapters.

MUTUAL FUNDS AS A SERVICE

Traits that make Mutual Funds a Service rather than a product

MARKETING A SERVICE PRODUCT

Mutual Funds primarily sell a service to the investors – The service of organising the pooling of resources, and managing assets and investments of the investors. They mobilise funds from the investing public to manage funds efficiently, i.e., they create an expectation of good returns in the mind of the investors and generate a desire in them to invest their money in Mutual Fund units / shares.

Mutual Funds are portrayed as products different from various other investment options. While bank deposits offer assured returns, insurance companies sell contracts. Equity shares of companies give returns based on their operations. *Mutual Funds on the other hand sell on the proposition that returns are hedged against various risks and depend on the investment skills and efficiency of the MF managers.*

Successful mutual fund marketing, therefore, must create confidence among potential investors and strengthen their desire to put their money with a particular fund. It is not only publicity talking skills and public relations that will strengthen confidence, but also evidence of good performance. Additionally, Organizational image, visibility of operational policies and quality of management form an indirect part of Mutual fund marketing.

In case of Mutual funds, unit certificates, which are proofs of the ownership, evidence the *tangible component*. But the fact remains, that the mutual fund units are nothing but the service provided by the professional portfolio managers who manage the investments signifying the mutual fund units.

AP Kurian, Chairman, AMFI says *"Mutual funds are essentially a service and with differences in the products being limited to plus or minus one percent, it is the service aspect of mutual funds that needs to be emphasised."*

SERVICE ATTRIBUTES OF MUTUAL FUNDS:

While *intangibility* means that services cannot be displayed, physically demonstrated or illustrated, *heterogeneity* means that consumers cannot be certain about performance on any given day.

These inherent properties of services lead them to possess very few *search qualities* (the attributes that a customer can determine before purchasing a product like colour, style, feel, smell etc) and more of *experience qualities* (for their attributes cannot be known or assessed until they have been purchased and consumed) and *credence qualities* (the characteristics that the consumer may find impossible to evaluate even after purchase and consumption). The services of an Asset management company of a MF are not tangible, displayable or easily communicable to the investors. Thus, assessing the quality of the services is difficult. Moreover, customer satisfaction is dependent on a factor called *inseparability of production and consumption* that is important in the case of Mutual funds where the units are first produced and then sold and invested in and hence consumed simultaneously, thereby affecting the perception of the quality of service.

The service aspect also has implications for Perishibility. The services provided by the Mutual fund cannot be saved, stored, resold or returned.

The implication of this is that the Mutual fund managers find it difficult to forecast demand and plan creatively for capacity utilization in terms of services.

All such factors make selling of mutual funds as services more complicated than ever. And to meet the challenging task of penetrating the markets deeper and winning over the customers, in the face of heavy competition, it has become imperative for the market players to *sensibly tangibilise their services* by correct positioning and effective communication of the core benefit.

Some of the aspects that need to be kept studied are enumerated as under. These apply to all services in general and hence are of relevance to the Mutual Fund industry as well.

Positioning

Service positioning is useful in establishing a new service image as well as for maintaining and repositioning existing services. Some of the instances are as follows:

Service is considered to be successfully positioned if it establishes and strives hard to maintain a distinctive and desirable place for itself in the consumers' mind in relation to the other competing organisations and offerings. Organizations may choose to focus on one or more of the four dimensions of service quality in developing an effective position viz. reliability, responsiveness, assurance, empathy.

Reliability: Reliability can work well as an effective dimension of positioning service as long as it can be maintained as a distinguishing characteristic feature among their competitors.

Responsiveness: Mutual funds are increasingly realizing the need for focussing on responsiveness by responding to the desires of the customers by prompt, "willing-to-help" value –added services.

Assurance: This factor is used effectively in the industries where trust and confidence in the service provider are particularly critical. As in the case of MFs, which frequently use assurance-based advertising tag lines to build customer confidence.

Empathy: Firms can position themselves on empathy, which caters to customer's desire for individualised attention.

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9. Price
10. Promotion
11. Place
12. People
13. Processes
14. Physical Evidence

We will discuss each of these in detail in the following chapters.

P_1 for PRODUCT

The Mutual Fund Scheme

INTRODUCTION

Every service has a product element in it, and ever product has a service associated with it. The Product in the case of Mutual Funds is the scheme that is offered to the investors by the Mutual fund for investing purposes. The salient features of the product usually are the Type and classification of the Scheme (Open-Ended / Closed-Ended), the portfolio of Investments (Debt / Equity / Balanced / Gilts) and various other clauses protecting the rights of the Investors. Branding can also play an important role in the Mutual fund Industry with the sponsor's name usually being associated with the product and a number of Mutual Funds have been very much successful in leveraging these for their operations. This aspect of branding is explained later in detail.

DIFFERENCES BETWEEN BANK AND MUTUAL FUND INVESTMENTS

To explain the main characteristics of the "Product" that Mutual Funds offer, we need to compare it with the traditional nearest competitor, and this in terms of an investment would be an investment with a bank (Be it a saving account, or a fixed deposit, etc). Some differences between n investment with a bank and that with a Mutual Fund are listed below in a table.

	BANKS	**MUTUAL FUNDS**
Returns	Low	Higher
Risk Involved	Low	Moderate
Investment Options	Low	Higher
Administrative Expenses	High	Low
Network	**High penetration**	Low penetration, but improving
Liquidity	Cost involved, May be a hassle	High liquidity in most cases
Quality of Assets	Not transparent	Transparent, Investors informed of any change in assets
Interest Calculation	Minimum balance between 10th. & 30th. Of every month	Everyday

A greater and more structured analysis of the different products that are available along with their performance is dealt with at a later stage in the report.

PRODUCT INNOVATION

However, it would be worthwhile to list a few new products that are making waves in the market. The Indian mutual Funds were lagging behind in terms of **product innovation**, but there have now been indications that there will be newer products coming the customer's way. Some suggestions are listed below.

- Offshore Funds: Funds that mobilise funds from abroad.
- Derivative Funds: Complex and riskier, derivative funds are likely to be more profitable and can be launched initially for equities and interest-bearing securities.
- Index Funds: With the availability of many well-managed indices in India, index funds can easily be launched.
- Umbrella Funds: A number of sub-funds with different options can be launched with the option to switch from one sub-fund to another.
- Family Funds: Baby funds can be launched under this scheme. Funds collected under a baby fund are to be invested in a family-fund.
- Offshore Funds: To mobilise funds from abroad.
- Derivative Funds: Complex and riskier, derivative funds are likely to be more profitable and can be launched initially for equities and interest-bearing securities.
- Small Company Funds: Small-Cap funds have done exceedingly well abroad. In India there is tremendous potential for such funds.
- Asset Allocation Funds: These funds allow investors to participate in stock market growth. A risk-free balance is maintained in allocating assets in stocks, bonds and cash.

Product innovation and **product proliferation** will increasingly be the key determinants of success for individual fund houses.

As investor knowledge increases it will show a demand for specialized products and services. The financial industry as a whole has to travel a few miles before we can get to that level.

The mutual fund industry in India has grown from a single US-64 to a total of 417 schemes presently available in the market. However, the figure seems miniscule when compared to the 13,000 odd schemes occupying the US market. The Indian market has metamorphosed into the predominant open-ended era from the close-ended one; it has ushered investors into a present risk based return environment from the security of the guaranteed return times, yet, the product offerings have been largely vanilla as in debt, equity and balanced schemes. The primary innovation of the Indian industry came in the form of insurance-linked tax saving products introduced by UTI and LIC Mutual Fund, but that was as far back as the pre-1990s. Product innovations otherwise seemed to have plateaued in the mutual fund industry although we have seen the occasional sector funds which caught investor fancy because of the tech boom, serial plans which seemed to be tailored for corporate investors and index funds. Mutual funds otherwise for various reasons seem to have adopted a very cautious approach to product innovations.

Deregulation of the financial markets, development of the futures and options market, introduction of structured products such as collateralized bond obligations, collateralized loan obligations, credit-linked notes or credit-linked derivatives will provide hitherto unavailable investment avenues to fund managers and thereby lead to an increase in product innovations.

The innovation or differentiation should not be there just for the sake of it. It should really add value to the end investor either by way of instrument design or opening a new asset class.

Product innovation is an important part of evolution of any industry. It is also true in investment industry. The innovation or differentiation should not be there just for the sake of it or just for scoring brownie points for marketing. It should really add value to the end investor or the intermediary either by way of instrument design or opening a new asset class.

Even though one finds many claims of innovative products by various providers, in most cases the differentiation is miniscule. Big ideas in financial products are very few and occur after a long period of time.

There is tremendous scope for product innovations within the mutual fund industry. One of the most significant innovations was on the platform of convenience namely the turnaround time required for repurchase.

Zurich India has gone a step further and introduced Zuricheques, special, pre-issued, repurchase cheques. Unit holders can opt for these cheques at the time of investing in our range of debt funds _ Zurich India High Interest Fund, Zurich India Sovereign Gilt Fund and Zurich India Liquidity Fund.

To quote some products, for instance, the Benchmark Asset Management Company has launched India's first Exchange Traded Fund (ETF) christened as `Nifty BeES'. ETFs have gained popularity worldwide only in the past two to three years. The normal open-ended fund started in 1924 while ETFs were started only in 1993. So between the two structures there is a gap of nearly 70 years. The ETF, Nifty BeES would be tracking the S&P CNX Nifty Index. The company is also planning to come out in a phased manner, ETFs linked to other indices and various sectors.

P_2 for PLACE

Choosing the right Channel

This 'P' in the case of Mutual Fund Services contains elements like *Channel type, Intermediaries, Outlet locations, managing channels* etc.

SELLING OF MUTUAL FUND UNITS THROUGH INTERMEDIARIES:

These are the people/ distributors who are in direct touch with the investors. They perform an important role in attracting new customers and contribute towards nearly 80% of the total sales of mutual funds. Most of these intermediaries are also involved in selling shares and other investment instruments. Their job is to convince investors to invest in mutual funds. Customers prefer to work with those intermediaries who give them right information about the fund. *Developing effective marketing strategies can create awareness. Mutual funds have to ensure that distributors act as genuine advisors to clients.*

DISTRIBUTION STRATEGY:

In a country as big as India, geographically diversified and densely populated, there is a need to have a network of *distributors sufficiently large and varied* to tap investments from all corners and segments. It is these distributors who form the outlets for the funds.

The *registration of distributors* is a step in the right direction and will ensure their seriousness and quality.

There is a need to develop channels like *payroll subscription and independent financial advisors*, which have been very successful in the West.

Among the competitors of the mutual fund industry, Life Insurance Corporation with its dedicated sales force is offering insurance products; banks with their friendly neighbourhood presence offer the advantage of extensive network; finance companies with their hefty upfront incentives offer higher returns; shares – provided the market is moving favourably – also attract direct investments from retail investors. It is against this background that the merits and demerits of the alternative methods of distribution have to be studied. In their attempt to improve customer access, fund houses apart from the usual national and regional distributors, brokers, sub-brokers and banks, are eyeing unexplored possibilities.

EXAMPLE: IDBI Principal, for instance, has joined hands with the post and telegraph department for the simple reason that a product sold at the post office carries some assurance of credibility, at least in the investor's mind.

According to Mr. S.V. Prasad, President, Zurich India Mutual Fund *regular meetings of distributors* are held to keep them informed of the activities, and the plan of the organization.

RETAIL THROUGH AGENTS

The alternative distribution channels that are available are selling, or using lead managers and brokers along with sub-brokers, for selling units. To be successful in this mission, the industry will have to ensure that *only those agents that have conviction about mutual funds being the most versatile and an ideal investment vehicle for investors are encouraged***.** This is because, there is a sense of loyalty amongst agents, in anticipation of getting continuous business throughout the year, and the trust and credibility that has been generated or will be generated by being loyal to one institution. Savings in advertisement and publicity expenses is also affected, as the target of communication is restricted to a few groups of individuals, since the agent will function as a facilitator, informer and educator. The reduced cost benefit will ultimately accrue to the investor in the form of higher returns.

In such a system, one achieves ***brand loyalty*** through continuous interaction between agents and investors. Building a team of agents and other distribution network such as distribution and collecting agents and franchise offices, will provide the investor the opportunity of having continuous interaction and contact with the mutual fund.
Therefore, retail distribution through the agents is a preferred alternative for distributing mutual fund products.

Changing face of the Distribution Channels:
Technology is going to make a big difference down the road both in terms of servicing as well as a fundamental change in the business model. There is a whole new distribution channel opened up over the last two to three years where most international banks, private sector banks have started distributing funds. *Technology is making mass customisation more feasible. The fund industry has to respond to these competitive pressures and rapid technological changes.*

P_3 for PROMOTION

Striking The Right Chord

Promotion of Mutual Funds would include

- Branding
- Advertisements
- Sales promotion

BRANDING OF SERVICES

To build a powerful service brand that will mean satisfaction, quality and value to the customers the service seller has to understand customer needs, deliver superior quality on attributes that matter to customers, low "cost of quality" and overall cost leadership. The five steps for effectively branding services are building a brand proposition, overcoming internal barriers, measuring delivery against the proposition, continual improvement and expansion. . It is also recommended to develop a "service contract" internally to create ownership for the service brand across all levels of the organization.

Four elements of developing a Brand

The four elements under which an identity is typically developed for a brand are:

Brand as a product This deals with the tangible and intangible aspects of the product and the manner in which the customer relates to it.

Brand as organization This is about the organisation's innovation, customer concern etc which are important for building strong brands**.**

Brand as person This implies the personality aspects of the brand and tells us what happens to it when it is converted to a person by endowing it with social, demographic and psychographic values**.**

Brand as symbol This deals with the symbolic aspects of the brand like visual imagery, logo, brand heritage etc. Thus any given brand can be described in terms of these four elements.

These four elements are achieved through advertisements flashed across various media.

ADVERTISEMENTS

Mutual funds require higher advertisement and sales promotion expenses than any consumer product offering measurable performance. Different kinds of advertising and sales promotion exercises are required to serve the needs of different classes of investors.

There are certain issues with reference to advertisement, publicity literature and offer documents, which deserve attention. Most of the mutual fund advertisements look similar, focussing on scheme features, returns and incentives. An investor exposed to the increasing number of mutual fund products finds that all the available brands are rather identical, and cannot appreciate any distinction.
The present form of application, brochures and other literature is generally lengthy, cumbersome and at times complicated.

This implies that it is all the more important to formulate the marketing and advertising strategies carefully. The advertising perspective of a Mutual fund would include areas such as:

1. Media of advertisements
2. Appeal of the advertisements
3. The target segment of the advertisements
4. Effective communication
5. Added dimensions

MEDIA OF ADVERTISEMENTS

The various modes of Advertisements used by Mutual funds are:

1. Print Media
    (a) Newspapers
    (b) Magazines
2. Web advertising
3. Hoardings and banners
4. Pamphlets, Brochures and Banners
5. Word of Mouth Communication

EVOKING THE DESIRED RESPONSE: APPEAL

This refers to evoking a required response from a prospect by stimulating a desired Emotion. There are mainly two types of appeals that an advertisement campaign of a mutual funds seeks to make:

1. Positive Incentives: In this case the advertisement will try to provide an incentive to the prospective investor to invest in a particular fund by highlighting the benefits associated with such investments. The various benefits which might interest a prospective investor are:
    - The returns that the fund is expected to provide.
    - The degree of liquidity and safety that the investor is promised.
2. Negative Stimulants: In this case the advertisement, by instilling a fear of the adverse, in the mind of the prospect, might motivate him to invest in various mutual fund schemes:

- Stress is laid on "Risky times" or perhaps references are made to the "Recession" and how it is very dangerous for common investors to route their investments through any other route.
- Stress can be laid on the market volatility as against the need to have a regular, safe and pre-determined return.

TYPES OF ADVERTISEMENTS

Mutual Funds have resorted to various strategies of advertising in the past to cater to the required market segment within the framework of regulations set by SEBI. The various types of Ads have been broadly classified into the following:

- Point Blank
- Symbolic
- Evaluative
- Reference of External Agents
- Humanistic

POINT BLANK

"Advertising is fairly straight forward, crisp and laconic; without any symbolic, emotional or evaluative references"

- Advertisements are presented in a fairly direct and common manner so as to indicate "First-Things first". Example: Mutual Fund advertises its various policies in a direct manner with a simple appeal to the reason rather than giving any kind of emotional justifications for the same. Kindly refer to the advertisements attached.
- This strategy is mainly applicable in the advertisement of "regular income" schemes or those having slight variances.
- It is preferred in those cases when the vast majority is aware of the credentials of the issuing company and enjoys a good rapport with it.
- It is devoid of technical and other fancy connotations and a fairly standardized set of instructions.

SYMBOLIC

"Advertisements carry an implicit meaning and involve interpretation by the prospect."

- These advertisements covey the message through commonly accepted symbols and their implicit meanings according to the culture and accepted norms of a particular region or a country.
- The basic idea is to create a lasting impression in the mind of the prospect.
- Various symbols used to communicate may be open to cultural interpretation and may mean different things to different people.
- These advertisements are devoid of any factual or direct content
- The advertisement by Zurich India mutual fund may be a good example of this strategy where a father carrying a baby is symbolizing safety offered to the investors by the mutual fund.
- Another interesting advertisement by LICMF also brings the case to the point where the sweetest of the fruits of the Indian sub-continent, the mango, is used

to symbolize the "sweet returns" on the policies offered by LICMF.

EVALUATIVE

"Advertisements make comparisons backed by objective numerical analysis"

- These advertisements try to create the necessary impact on the minds of the prospect by presenting past performance data and growth figures over a period of time.
- Computations of NAV, Annual Dividend Yield, and Annual Compounded Rate of Return are standardized and are not subject to ones own application/interpretation (as per the SEBI code).
- Floated only after substantial time has elapsed since the issue date and also help in comparison of results over a period of time.
- These act as testimony to the ability of the company to fulfil its promises regarding returns and benefits and thus ensure customer loyalty.
- These advertisements must mention the relevant figures for the past three years, where applicable (as per the SEBI code).
- Example: The Tata Mutual Fund justified investments in their mutual fund schemes by quoting excellent past results, which were sustained over a period of time. (Kindly refer to advertisement attached)
- Prudential ICICI Growth fund depicted its performance and excellent returns over a period of time with the help of a graph, intending easy comprehensibility for a layman.

REFERENCE OF EXTERNAL AGENTS

"Advertising quotes views of external accredited institutions or informs about awards received."

- Customer confidence and loyalty is won by flaunting excellent credit ratings awarded and awards won over a period of time.
- This type of advertising constitutes a "secondary line of attack on the minds of the prospect" – with the primary line of attack being that of its 'core competencies'.
- Chola Mutual Funds flaunted its Triple Ace Income Funds' AAAf credit rating awarded to it by CRISIL. (Advertisement annexed)
- Similarly JM Mutual Fund advertised its CPR-1 rating awarded for performance by CRISIL.
- Kothari Pioneer advertised on the strength of The ET-S&P Micropal awards, in lieu of excellence in relative investment management, to create an impact in the minds of the investors.

HUMANISTIC

"Advertising with emotional overtones; appealing to the human in the investor"

- Having elements such as moral values, family relations, love for the near ones etc, these advertisements try to appeal to the weaker side of the prospects' personality.
- The main focus is not on facts or figures and thus it not an appeal to the prospects' reason, rather it tries to capitalise on his emotional aspect.

- This strategy may be used either in the introductory stage of a scheme or to restore the investor confidence back into it.
- Example: The ING Group touched the emotional chords of the readers by advertising its policies as a new earning member for the family, providing the needed support when needed the most. (Please refer to the advertisement attached)
- Also UTI introduced its Children's Gift Growth Fund as a gift for the investors' child, a gift he could cherish forever.

TARGET SEGMENTS

The various segments targeted by mutual funds and their preferred investment attributes are:

MARKET SEGMENTS:
1. Retail Segment
2. Institutional segment
3. Trusts
4. Non –resident Indians
5. Corporates

INVESTMENT ATTRIBUTES OF A FINANCIAL PRODUCT:

Different segments of the market have different risk-return criteria, on the basis of which they take investment decisions. Not only that, in a particular segment also there could be different sub-segments asking for yet different risk-return attributes, and ***differential preference for various investment attributes of financial product.*** Different investment attributes an investor expects in a financial product are:
- Liquidity,
- Capital appreciation,
- Safety of principal,
- Tax treatment,
- Dividend or interest income,
- Regulatory restrictions,
- Time period for investment, etc.

INTEGRATING INVESTMENT ATTRIBUTES AND THE SEGMENTS

1. Retail Segment: This segment characterizes large number of participants but low individual volumes. It consists of individuals, Hindu Undivided Families, and firms. It may be further sub-divided into:

1. Salaried class people;
2. Retired people;
3. Businessmen and firms having occasional surpluses;
4. HUFs for long-term investment purpose.

- These may be further classified on the basis of their income levels.
- The investment preferences for urban and rural prospects would differ and therefore the strategies for tapping this segment would differ on the basis of differential life style, value and ethics, social environment, media habits, and nature of work.
- Broadly, this class requires security of the principal, liquidity, and regular income more than capital appreciation. It lacks specialised investment skills in financial markets and highly susceptible to mob behaviour.
- The marketing strategy involving indirect selling through agency network and creating awareness through appropriate media would be more effective in this segment.
- The patterns of investments could be that in case of Retired persons and salaried persons nearing age of retirement Pension fund schemes and Monthly Income Plans are preferred whereas in case of the relatively young salaried persons equity segment may well be attractive.

2. Institutional Segment

- This segment characterises less number of participants, and large individual volumes.
- It consists of banks, public sector units, financial institutions, foreign institutional investors, insurance corporations, provident and pension funds.
- This class normally looks for more specialised professional investment skills of the fund managers and expects a structured product than a ready-made product.
- The tax features and regulatory restrictions are the vital considerations in their investment decisions.
- Each class of participants, such as banks, provides a niche to the fund managers in this segment. *It requires more of a personalised and direct marketing to sustain and increase volumes*

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3. Trusts

- It consists of various types of trusts, namely, charitable trusts, religious trust, educational trust, family trust, social trust, etc. each with different objectives.
- Its basic investment need would be safety of the principal, regular income and hedge against inflation rather than liquidity and capital appreciation.
- This class offers vast potential to the fund managers.

4. Non-Resident Indians

- This segment consists of very risk sensitive participants, at times referred as 'fair weather friends.'
- They need the highest cover against political and exchange risk.
- They normally prefer easy exit with repatriation of income and principal.
- Marketing to this segment requires special kind of products for groups of foreign countries depending upon the provisions of tax treaties.

5. Corporates

- Generally, the investment need of this segment is to park their occasional surplus funds that earn returns more than what they have to pay on account of holding them.
- Alternatively, they also get surplus fund due to the seasonality of the business, which typically become due for the payment within a year or quarter or even a month.
- They need short term parking place for their fund. This segment offers a vast potential to specialised money market managers.

Thus, each segment and sub-segment has their own risk return preferences forming niches in the market. Mutual funds managers have to analyse in detail the intrinsic needs of the prospects and design a variety of suitable products for them. Not only that, the products also require marketing through appropriately different marketing strategies.

EFFECTIVE COMMUNICATION OF THE CORE BENEFIT

In this part we discuss the appropriate communication strategies to be adopted through advertisements in the customer decision-making process:

Since services are ethereal, it is a challenging task to effectively communicate about their core values. While there has been many an advice from service scholars to tangibilise service, many approaches seen in practice often fail to capture and communicate the core service benefit. Some creative service communication strategies considered to have helped the service sellers stand out in the crowd have been discussed below.

CREATIVE SERVICE COMMUNICATION STRATEGIES

- Physical representation entails showing physical components of the service delivery system to represent a service brand (for instance delivery of the returns by courier service)
- Performance documentation entails presenting objectively documented data as per performance (e.g. the performance record of MFs).
- Consumers adopt innovations in services more slowly than they adopt innovations in goods
- Performance episode strategy depicts a typical service delivery incidence (e.g. an agent going out of the way to explain the details to a layman customer)
- Service consumption documentation features testimonials from customers about some aspect of service (e.g. feedbacks and investor surveys by MF companies)
- Direct benefit statement that tells about the benefit of the service in the promotional campaigns (e.g. "assured and safe returns" or "12 percent interest rate")
- Use of logos and icons as symbols of the service (e.g. usage of a pearl to imply the quality of the scheme by Alliance Capital Mutual Fund.)

CONSUMER DECISIONS STAGES AND COMMUNICATION TASKS

As a consumer moves through a sequence of decision stages, the communication tasks prove to be different in every stage. The consumer decision stages comprise of the following five phases viz.

- Problem recognition,
- Evoked and consideration set formation,
- Pre-purchase evaluation,
- Acquisition and use and post-use evaluation.

The aforementioned communication strategies are matched with the different service communication tasks at various consumer decision stages as discussed here under.

Problem recognition

At this stage the consumer senses a problem and looks for a solution. Advertising in this stage has to make a connection in the consumer mind between the consumer problem and the service per se as its solution. For new services, problem recognition may simply entail making the consumer aware of what his service does and how it can be of use to the consumer i.e. by direct benefit statement. Consumers, even if it is intangible, easily understand often the new service benefit (e.g. the benefits of home delivery of groceries or a high speed internet connection). The task of problem recognition is, however, more demanding when the direct benefit of the new service is not immediately valued by the target customers. These customers need a demonstration of the second-order benefit of service. In DSL, for instance, where high speed by itself does not draw a customer, the second order benefit of, let us suppose, faster online trade execution might be appealing and this can be conveyed affectively by a comparison of two customers trading online with a slow versus a fast connection and the DSL customer delighted with the faster execution and therefore a more favourable trade price (a consumption episode strategy).

Evoked and consideration set placement

Once the problem is recognized, the next task is to place the brand into the consumer's evoked and consideration sets. In the case of the DSL service, for instance, someone viewing an ad could buy the basic idea but then patronize a competing DSL service provider. To help the advertising create brand awareness and brand evocation, it is essential that the brand has a clear identity. Brand identity is created by associating the brand name with some sensory image like a symbol, logo, graphics or other visual form that lingers in the minds of the customers or prospective customers. For services, symbols usually have to carry the entire burden and must at the minimum be unique in the visual form (e.g. Embassy Suite's stylised "E" and Radisson's Font style). **Uniqueness** will, at the most enable brand identity, but not placement, into consideration set. The latter would require **service differentiation** which in turn requires that the symbols be connotative as well and capture the core meaning of the service for instance Merrill Lynch's bull, Traveler's umbrella and Lucent Technologies' dab of the red paint ring signifying energy and innovation. **Physical representations** serves brand identity the best if the service system has unique visual forms and the physical system components have connotative overtones (e.g. the networked globe icon on bright coloured brown vehicles of UPS). Without any uniqueness, physical representation does nothing for brand identity and evocation. An even more potent tool for consideration set placement is a **core value proposition statement** that differentiates the service brand. Though the core values in services are intangible, its communication need not suffer from the intangibility's pitfall properties of generality or abstractness. The core value proposition (which is a direct benefit strategy) should be phrased in a concrete meaningful way like the Charles Schwab value proposition "we are custodians of your financial dreams".

Pre-purchase evaluation

A service's end product is typically intangible, but many components of its service delivery system are tangible. The choice of a tangible or an intangible feature in advertising should depend on which attributes are "determinant" – those which the customer employs in evaluating an option and on which the brand is not at parity. Communicating an intangible feature is more challenging but that is no excuse for diverting advertising to a tangible feature, if the determinant attribute in a particular case is an intangible one. An attribute can be communicated by linking it to relevant tangible elements of the service delivery system or by linking it to a more intangible outcome. For instance, if the wireless services want to illustrate freedom from dropped calls, instead of simply citing the objective or making the customers talk to the camera about the efficiency of the system, the "dropped call" feature can be better communicated by focussing on a more intangible benefit like "you will never lose a sales prospect due to a dropped call". For some target audiences, such intangible executions may be more appealing than corresponding tangible execution. **What makes an ad lose its effectiveness is failing to avoid the pitfall properties of intangibility. A statement like "Our name stands for reliability" becomes bland and loses its impact.** In order to make the intangible attribute more specific and searchable, it is advisable to resort to a mere direct statement that has a **greater persuasion power**.

Service acquisition and consumption

Customers are able to assess the service performance in this service consumption stage. The perceived performance depends on actual performance but the latter is not always obvious to the service recipient. Therefore**, perception shaping** is an important communication task at this stage. One way of doing this is by bringing the service work from below to above the "line of visibility". To illustrate, when the customers who are getting their motorcars repaired are allowed to watch the arduous work of fixing up the car, they appreciate why they have to pay the extra money. If bringing such transparency to service work by physical relocation is not possible then the customers can be educated by communications. Such communications can take the form of point-of-purchase (POP) information displays or personal educational selling. Giving the service process the much-needed transparency by physical structure restructuring, POP materials or individual briefing stress on the use of channels other than mass media advertising which further emphasise the role of integrated marketing communications rather than solely advertising to earn the appreciation for performance

Post-purchase evaluation

The post-purchase evaluation takes into account the totality of the service experience. After having gone to a salon, the quality of the haircut plus the ambience, the courtesy of the stylist and everything else the customer experienced while being at the salon become an input in service quality evaluation. The task of marketing a service product is doubtlessly a formidable one because it is multi-faceted and most of its outcomes are incorporeal and impalpable. As a result of this pitfall, branding was never really an integral part of the culture of the service firms until recently when it became an obligatory factor to help the market players emerge as a survivor in the present-day tussle for existence. Thus, while the problem of intangibility can be handled differently by different strategists, judicious positioning, branding and effective communication of the core values of the ethereal service product aided by a dash of sensible tangibilisation ought to be the focus of the service peddlers.

ADDED DIMENSIONS

Apart from the intangibility aspect there are some other elements due to which it becomes a little difficult to effectively advertise mutual funds. These points must be borne in mind for chalking out an effective marketing plan:

- **Competition with the established and the acknowledged:** The closest substitutes to mutual funds are age-old services like Fixed Deposits and Insurance Deposits, which have wide acceptability amongst the masses. Mutual funds have still to go a long way to being able to win the investor confidence and loyalty.
- **The bane of the technicality involved:** Mutual funds involve a lot of technicality in terms of knowledge about the capital markets, the returns expected, the variations in returns etc. the common man who is expected to rope in his savings into such funds thus lacks the requisite knowledge needed to comprehend these intricacies. This acts as a basic impediment against spread of mutual funds in the rural sector.
- **The element of risk as a deterrent:** Returns on mutual funds are largely dependent on economic conditions prevailing. This adds an element of risk to the investments in mutual funds and hence it takes quite an effort to convince the customers.

SALES PROMOTION ACTIVITIES

The present sales promotion activities of the Mutual funds can be divided into two main headings:

Direct Marketing: This constitutes 20 percent of the total sales of mutual funds. Some of the important tools used in this type of selling are:
Personal Selling: In this case the customer support officer of the fund at a particular branch takes appointment from the potential prospect. Once the appointment is fixed, the branch officer also called Business Development Associate (BDA) in some funds then meets the prospect and gives him all details about the various schemes being offered by his fund. The conversion rate in this mode of selling is in between 30% - 40%.

Telemarketing: In this case the emphasis is to inform the people about the fund. The names and phone numbers of the people are picked at random from telephone directory. Sometimes people belonging to a particular profession are also contacted through phone and are then informed about the fund. Generally the conversion rate in this form of marketing is 15% - 20%.

Direct mail: This one of the most common method followed by all mutual funds. Addresses of people are picked at random from telephone directory. The customer support officer (CSO) then mails the literature of the schemes offered by the fund. The follow up starts after 3 – 4 days of mailing the literature. The CSO calls on the people to whom the literature was mailed. Answers their queries and is generally successful in taking appointments with those people. It is then the job of BDA to try his best to convert that prospect into a customer.

Advertisements in newspapers and magazines*:* The funds regularly advertise in business newspapers and magazines besides in leading national dailies. The purpose to keep investors aware about the schemes offered by the fund and their performance in recent past. The purpose can even be to inform the customers about the appreciation in value of the various policies and how they have performed better than competitors.

Hoardings and Banners*:* In this case the hoardings and banners of the fund are put at important locations of the city where the movement of the people is very high. The hoarding and banner generally contains information either about one particular scheme or brief information about all schemes of fund.

<u>Selling through intermediaries</u>: As already stated, Intermediaries contribute towards 80% of the total sales of mutual funds. These are the people/ distributors who are in direct touch with the investors and help in attracting new customers and servicing the old ones on a personalised basis. In fact, a lot depends on the after sale services offered by the intermediary to the customer. Customers prefer to work with those intermediaries who give them right information about the fund and keep them abreast with the latest changes taking place in the market especially if they have any bearing on the fund in which they have invested.

Regular Meetings with distributors and training and selection of agents*:* Most of the funds conduct monthly/bi-monthly meetings with their distributors. The objective is to hear their complaints regarding service aspects from funds side and other queries related to the market situation. Sometimes, special training programmes are also conducted for the new agents/ distributors.

This topic has been dealt with in greater detail elsewhere in the report.

P_4 for PRICING

Money Matters

INTRODUCTION

It is perceived that the Mutual Funds have no control whatsoever in terms of pricing of its services. In the case of mutual funds the pricing is done on the basis of the Net Asset Value (NAV) That is, the price remains the same, irrespective of the demand for the fund units .The price is instead tied to the Naiveté various regulations in this regard as stated by SEBI must also be met.

In India the face value of Units of most of the mutual fund is Rs. 10. However, while deciding on the price, incentives, and brokerage charges and commissions are also to be decided in advance because the expenses towards these items will affect the ultimate returns to investors.

The pricing components are as follows:

- Flexibility in Pricing
- Terms
- Discounts and Allowances

The usual approaches to pricing the goods as well as services are:

1. *Cost based Pricing*
2. *Demand based Pricing*
3. *Competition based Pricing*

The various terms regulating the pricing of MFs are as under:

Section 49. (3) States - While determining the prices of the units, the mutual fund shall ensure that the repurchase price **is not lower than 93% of the Net Asset Value and the sale price is not higher than 107% of the Net Asset Value**, provided that the repurchase price of the units of a close ended scheme shall not be lower than 95% of the Net Asset Value: Provided further that the difference between the repurchase price and the sale price of the unit shall not exceed 7% calculated on the sale price.
Section 49(4) states - The price of units shall be determined with reference to the last determined Net Asset Value as mentioned in sub-regulation (3) unless,

(a) The scheme announces the Net Asset Value on a daily basis; and
(b) The sale price is determined with or without a fixed premium added to the future net asset value, which is declared in advance.

A Number of regulations have also been provided under the SEBI (Mutual fund) Regulations of 1996, which provide for the limits to be placed on the fees and other Charges to be levied by the Asset Management Company for the services provided by it.

52. (2) The Asset Management Company may charge the mutual fund with investment and advisory fees which are fully disclosed in the offer document subject to the following namely: -

1. One and a quarter of one per cent of the weekly average net assets outstanding in each accounting year for the scheme concerned, as long as the net assets do not exceed Rs.100 Crores, and
2. One per cent of the excess amount over Rs.100 Crores, where net assets so calculated exceed Rs.100 Crores.
3. For schemes launched on a no load basis, the asset management company shall be entitled to collect an additional management fee not exceeding 1% of the weekly average net assets outstanding in each financial year.
4. In addition to the fees mentioned in sub regulation (2), the asset management company may charge the mutual fund with the following expenses namely:
   (a) Initial expenses of launching schemes.
   (b) Recurring expenses including:
      1. Marketing and selling expenses including agents' commission, if any;
      2. Brokerage and transaction cost;
      3. Registrar services for transfer of units sold or redeemed;
      4. Fees and expenses of trustees;
      5. Audit fees;
      6. Custodian fees; and
      7. Costs related to investor communication;
      8. Costs of fund transfer from location to location;
      9. Cost of providing account statements and dividend/redemption cheques and warrants;
      10. Insurance premium paid by the fund;
      11. Winding up costs for terminating a fund or a scheme;
      12. Costs of statutory advertisements
      13. Such other costs as may be approved by the Board.

5. Any expense other than those specified in sub-regulation (2) and (4) shall be borne by the asset management company *or trustee or sponsors* Provided that initial expenses of floating the scheme shall not exceed six percent of the initial resources raised under that scheme and such expenses should be accounted in the books of accounts of the scheme as specified in the Tenth Schedule. Provided further that any excess over the 6% initial issue expense shall be borne by the asset management company.
6. The total expenses of the scheme excluding issue or redemption expenses, whether initially borne by the mutual fund or by the asset management company, but including the investment management and advisory fee shall be subject to the following limits:
   (a) On the first Rs.100 Crores of the average weekly net assets 2.5%
   (b) On the next Rs.300 Crores of the average weekly net assets 2.25%
   (c) On the next Rs.300 Crores of the average weekly net assets 2.0%
   (d) On the balance on the assets 1.75%

   Provided that such recurring expenses shall be lesser by at least 0.25% of the weekly average net assets outstanding in each financial year in respect of a scheme investing in bonds.

7. Any expenditure in excess of the limits specified in sub-regulation (6) shall be borne by the asset management company or by the trustee or sponsors

DISCOUNTS AND ALLOWANCES

The grant of discounts and allowances to the investors is strictly prohibited under the SEBI Regulations. However, most of the Mutual Funds practise price differentiation unofficially - though the levels of differentiation are very small-within a 2% range-and are usually given to the investors who invest money in bulk. The Brokerage margins in the Mutual fund industry in India are also low. In a study conducted by Economic times Funds Tracker, these margins were found to hover around the 2% mark.

P_5 for PEOPLE

The Human Touch

This aspect of the seven 'Ps' is being stressed upon as one of the most relevant today and includes the following elements and sub-elements:

- *Employees* - Recruitment, Training, Motivation, Rewards, Teamwork
- *Customers* – Education and Training

EMPLOYEES

Recruitment: The employees of a mutual fund broadly include the fund managers, the distributors and the retail agents. One of the recent steps taken by AMFI (Association of mutual Funds of India), the self –regulatory organization of Mutual funds in India has been the one of making it mandatory for the Mutual fund managers and the sales force to obtain certifications from AMFI. This would certainly go a long way in improving the quality of service of the Mutual funds. **Registration** of the distributors is also an important part of this.
As Mr. A. P. Kurian says " What is important today is that the intermediaries i.e., the distributors, agents and who are distributing and selling the mutual funds, need to become more disciplined and pass the AMFI test. They must register with AMFI and must become professional people so that they can advise their clients properly."

Training: Most of the funds conduct monthly/bi-monthly meetings with their distributors. The objective is to hear their complaints regarding service aspects from funds side and other queries related to the market situation. Sometimes, special training programmes are also conducted for the new agents/ distributors.
Planning a calendar of training sessions for the agents so that the mutual fund selling is transparent, informative and ethical is of utmost importance

Motivation and Rewards: The mutual fund industry is characterised by the strong bond between the performance of the fund managers and the remuneration that he/she gets. Thus, the skill and efficiency of the manager come into play and they also get motivated because of this.

Teamwork: Teamwork culture is another feature, which goes a long way to ensure that there is better coordination and higher success rate of the employees.

CUSTOMERS

"Mutual funds in India are still often taken to be synonymous with UTI"-lament many in the industry hence, it is being constantly emphasised that *investor education* is the need of the hour in the mutual fund industry today as it is the various myths and lack of information that keeps the investors away. In fact, it has been found that the majority of the investors in MFs in India are from the metropolitan cities and the level of penetration of the MFs is very low in other areas. This has been attributed to the lack of awareness and understanding among the potential investors.

As *Mr. Sankaran Murthy, Dundee Mutual Fund,* says-" As far as safety of investment is concerned, it is wrong to say that mutual funds are the safest investment avenues. That is why creating awareness among the investing community becomes more important- awareness about benefits of investing in mutual funds, *that mutual funds work differently* from the other saving instruments like banks, post office, non-bank companies, or chit fund companies. They should understand that there is enough protection; there is a mechanism within mutual fund structure to protect the interest of investors. There is a trustee, an AMC, auditors, and there is SEBI."

Realizing the need for investor's education, mutual funds have conducted several awareness programs at different centers in recent years. For example the Zurich India group has conducted various such programmes.

The Association of Mutual Funds of India (AMFI) has also conducted several seminars on mutual fund investment. The AMFI certification course for the agents and the distributors shall go a long way in improving the awareness of the investors about the mutual fund products and help the mutual fund industry to grow in a healthy way.

Many MF companies are now bringing out advertisements that impart some basic level of knowledge about the Mutual funds in general as also about the company itself. The companies also print various pamphlets and material to educate the investors.

Kindly refer to the booklet of Taurus Mutual Fund attached herewith.

Another example is the innovation employed by ICICI Prudential in collaboration with leading business magazines catering to niche Investor areas (Intelligent Investor) has been to educate the masses about the Mutual fund concepts and benefits. These articles are accompanied by Financial calculators, Financial planners etc.

P_6 for PHYSICAL EVIDENCE

Tangibilsing the Intangibles

This aspect includes the following with respect to the Mutual Fund sector.

Physical Evidence refers to the environment in which the service is delivered and where the customers interact, and any tangible commodities that facilitate the performance or communication of the service

1. Servicescape:
   - (a) Facility Exterior
   - (b) Facility Interior
2. Other Tangibles
   - (a) Brochures
   - (b) Application Forms
   - (c) Visiting Cards etc.

The **Servicescape** includes the facility Interior and the facility Exterior.
In case of the Mutual funds, the Servicescape should be designed keeping in view the requirements of the Employees as much of the interactive marketing usually takes place outside the Servicescape through Tele – based, Web –based service delivery systems.

However, the **Other Tangibles** do have a very important role to play through various aids like Application forms, Brochures, Business cards, Stationery, Billing Statements, Reports, Employee Dress, Internet / Web Pages. The Quality of the Tangibles has an important role to play as it gives impression regarding the quality of the service being provided by the company.

Refer to the Offer Documents annexed to the report.

P_7 for PROCESS

The Building Blocks

THE PROCESS

The process element in case of a Mutual Fund would include:

1. Flow of activities
    (a) Standardized
    (b) Customized
2. Number of steps
    (a) Simple
    (b) Complex
3. Customer Involvement

These are then, the essential elements of a marketing plan. Besides these, some additional aspects that need to be emphasised here are:

1. Cost
2. Additional incentives
3. Customer servicing

COST

The cost of investing in mutual funds in India is not very high because SEBI has strictly laid down the limits of various expenses. According to the SEBI Regulations, the AMC can charge the mutual funds with inv, management and Advisory fees that are fully disclosed in the prospectus. Accordingly, the Initial expenses under one scheme can't be more than 6% of the Funds raised. These expenses include:

1. Issue cost of sponsoring the fund and its scheme.
2. Recurring expenses including marketing, selling, agents' and brokers' commissions, transaction costs, Registrars' and Transfer agents' fees and so on.
3. Incentives are often offered to investors for early payment. Under the Equity linked tax saving scheme, incentives varied from 1.5% to 4% in the past.
4. Agents' commission is paid out of the funds collected. The rate of commission is usually between 1.5% and 3.5%.
5. Usually, there are no pre-fixed redemption and encashment charges. The encashment and redemption price is fixed on the basis of NAV and is usually less than the underlying NAV of the fund. Therefore, redemption/ encashment charges are always recovered from the investors.

Additional incentives: Although mutual funds have been providing various direct and indirect inducements to investors, there have recently been proposals to ban the following:

a. Use of lotteries and gifts

b. Agency commission to an individual on the condition that he also becomes an investor and collects subscription from others.
c. Early-bird incentives or other cash incentives for selling schemes
d. Insurance benefits, if the same is not -allowed to all investors
e. Offering of units at a differential price to any one class of shareholders

SERVICING THE CUSTOMERS

The marketing of services is significantly influenced by the quality of service and the interpersonal relationship between customers and the service organisation. Servicing has great significance in mutual funds, as in the absence of any tangible evidence; this provides to the customers an indication of the product quality Expected rates of return being more or less for all schemes, it is the quality of service, which become the deciding factor. Thus, prompt and timely service in issuing certificates/cheques and in attending to any customer problems would make a distinct difference. These services can be provided through external agencies, or internally through the service department. In India most mutual funds provide after-sales service through both external agencies and internal service department, although they largely rely on external agencies (transfer and registrar agents) who are specialized in the job.

In order to ensure quality service to customers, **service audit** would be of great help to monitor the range of services usually rendered by mutual funds. These are sales-related, complaint-related and suggestions related services. Service standards can be fixed on the basis of expectation levels of customers that can be found through **market surveys.**

MARKETING STRATEGIES

Suggestion for a Generic Marketing Strategy

THE APPROACH

The basic approach to the Marketing Strategy that we are about to suggest is the following:

- Think laterally about the market: Come up with new ideas, view the scenario in a simplistic fashion, appeal to basic issues.
- Understand your customer deeply: Understand their needs, their concerns, their lifestyles, their aspirations and their likes and dislikes.
- Feedback loop: Develop a strong feedback loop from the Marketing team to the Organisation, and vice versa. There should be no loss of messages that are being sent out into the market. There ought to a feedback system installed that gives us feedback on Market, Competition and Customer.
- Stick to the organisation's Core Values

Case Study: Coca Cola Company

Scenario

Market share of Coke in 1980s: Average per capita consumption of fluids by the world's 4.4 billion people - 64 ounces. Coke consumption - less than 2 ounces! What's our market share of the stomach?!?

Strategy

Our enemy is not just Pepsi – Also coffee, milk, tea – water

Coke

Roberto Goizueta (1980), Coca Cola Company.

In India (2000)

Our competition is water, tea, Nimbu paani and Pepsi … in that order!

DEFINE COMPETITION LANDSCAPE

The strategy that we ought to adopt should be that of Coca Cola's.

Your competition is not just companies like Pru-ICICI, Franklin Templeton, Kotak ……. It is also bank deposits, gold, other precious metals & stones, land, buildings, horses, artwork, RBI Bonds, PPF ..… THE WHOLE GAMUT!

We ought to understand the customer's spending and saving habits deeply. We need to know how much he can invest, What excites him, What concerns him, What constrains him, What changes does he face…

There should a targeted focus on the uniqueness of Mutual Funds as an investment tool. We need to understand how potential customers would look at an investment in a Mutual Fund. They might look at it as an upfront commitment by them for uncertain future, unpredictable returns driven by market and fund management Organisation. In such a scenario people and past performance become the key elements of the Marketing Strategy.

STARBUCKS

Sponsor / Fund House

Timing

Advertising & Press Relations

Returns – Past Performance

Brand Building

Usefulness to investor

Channels

King and Performer match

Sales Strategy

Sponsor

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

Timing

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

Advertising and Public Relations activities

- Print
- Television
- Bill Boards
- Point of Purchase
- Communications & Updates
- Internet

Returns
- 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

Brand
- Brand is a relationship – not a name
- Create a brand preference – top of mind recall

Usefulness
- Scheme should fulfil a significant need
- Scheme should meet performance qualifier
- Scheme should ensure adequate service level

Channel
- Direct Sales
- Related Distributors
- Independent Distributors
- Channel management skills are key.

King
- The Investor is the KING
- The Fund is the performer

Sales Strategy
- Focus on Customer needs
- Think laterally
- Consider all forms of investments as competition

TO SUM UP

Sell **QUALITY** 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, while upholding rigorous **STANDARDS** and remaining relevant.

MUTUAL FUNDS BEST PRACTICES

What do the best do?

THE PRACTICE OF "RESTFUL"

Risk-Reward Relationship: A clear and direct relationship of Risk with Reward has to be developed and the concept instilled in the mind of the investor, and this is the basis of all classification of Mutual Funds.

Ease of business: The Business of Mutual Funds is not an easy one – It is easy only for the ones who have either been in the business for a long time, or for the people institutions which have been in the Investment space for long time and are willing to experiment and learn from their mistakes, and can be flexible.

Service: The service provision ought to be flawless, for after all, Mutual Funds is a service, and the only way the number of customers can be increased and the existing ones retained is by providing a higher level of service, thereby increasing customer satisfaction.

T rust / Transparency: A high level of transparency has to be built into the system of processes and investments in Mutual Funds. This of vital importance as the terms "Transparency" and "Trust", in the case of Mutual Funds are synonyms. Trust in the firm would come only with transparency. And with Trust would come more business.

F airness to investors: This, of course, is an offshoot of the previous point that we made. No business can survive unless it is fair to the customer. However, what is important here is that it has to be made evidently clear that the firm is actually being Fair to its customers. Modesty doesn't help, and this has to be told to your customers so that they actually notice.

Utility: The objectives of the investment have to be always kept in mind while marketing Mutual Funds, for if there is a deviation, its utility is lost, or the customers remain unsatisfied.

Liquidity: This has been again and again highlighted, for it the basic premise that most investors invest in Mutual Funds only because of the high level of liquidity. There has to be a good market developed for your issue, so that there is a ready market available for them.

Courtesy: Shekhar Sathe, Kotak Mahindra

CURRENT SCENARIO IN INDIA

Latest News from the Indian Mutual Fund Industry

DEVELOPMENT OF THE MUTUAL FUND INDUSTRY

The Indian Mutual fund has passed through three distinct phases.

Phase I: 1964 to 1987
The only player during this period was the Unit Trust of India (UTI), which had a total asset of Rs. 6,700/- Crores at the end of 1988. It currently has the one of the largest corpus of INR 500 Billion collected from 20 Million investors.

Phase II: 1987 to 1993
During This period 8 more funds were established (6 by banks and one each by LIC and GIC). The total assets under management had grown to over INR 600 billion at the end of 1994 and the number of schemes was 167.

Phase III: 1993 till date
The third phase began with the entry of private and foreign sectors in the Mutual Fund industry in 1993. Kothari Pioneer Mutual fund was the first fund to be established by the private sector in association with a foreign fund, and a host of companies followed suit.

Recent Trends in the Industry

The important recent development in the Mutual Fund Industry in India has been the aggressive explosion of the private players. This has been accompanied by the decline of companies floated by UTI and other Nationalised banks. UTI saw its "death" when their fiasco came to light in the form of two big blows in 1997 and 2001.

Many nationalized banks got into the mutual funds business in the early nineties and got of to a good start due to the stock market boom prevailing then. These banks did not really understand the mutual funds business and they viewed it as another kind of banking activity. The performance of most of the schemes floated by these organisations was not good.

The recent years have seen a spate in the opening up of the sector, and a large number of companies have come in to participate in the Mutual Fund Industry.

The experience of some of the AMC's floated by the private sector Indian companies was also very similar. They quickly realised that the AMC business requires a lot of financial support as returns are seen only in the long run.

Another major change in the last few years has been that some Mutual Fund shave sold out to foreign owned companies, while some have merged with others and there is a general restructuring going on right now.

There has been a lot of foreign participation too with many major financial institutions from abroad coming to the country. The foreign owned companies have deep pockets and have come here with the expectations of a long haul. They can be credited with the introduction of many new practices such as new product innovation, sharp improvement in the service standards and disclosure, usage of technology, broker education and support etc.

The latest trend that has been catching up has been the tremendous increase in the Joint ventures between Indian MNCs and foreign MNCs for conducting the mutual fund business with the Mutual fund being able to leverage the foreign partner's expertise and the domestic player's network.

COMPANIES OPERATING IN INDIA

There are present over thirty Mutual Funds in India. A comprehensive list is given below.

A) Unit Trust Of India

B) Bank sponsored

a. BOB Asset Management Co. Ltd.
b. BOI Asset Management Co. Ltd.
c. Canbank Investment Management Services Ltd.
d. PNB Asset Management Co. Ltd.
e. SBI Funds Management Ltd.
f. Indfund Management Ltd.

C) Institutions

a. GIC Asset Management Co. Ltd.
b. IDBI Principal Asset Management Co. Ltd.
c. IL & FS Asset Management Co. Ltd.
d. Jeevan Bima Sahayog Asset Management Co. Ltd.

D) Private Sector

1. Indian

a. BenchMark Asset Management Co. Ltd.
b. Cholamandalam Asset Management Co. Ltd.
c. Kotak Mahindra Asset Management Co. Ltd.
d. Shriram Asset Management Co. Ltd.
e. Reliance Capital Asset Management Ltd.
f. J.M. Capital Management Ltd.
g. Escorts Asset Management Ltd.

2. Joint Ventures - Predominantly Indian

a. Birla Sun Life Asset Management Pvt. Co. Ltd.
b. DSP Merrill Lynch Investment Managers (India) Ltd.
c. First India Asset Management Private Ltd.
d. HDFC Asset Management Company Ltd.

e. Sundaram Newton Asset Management Company
f. Pioneer ITI AMC Ltd.
g. Tata TD Waterhouse Asset Management Private Ltd.
h. Credit Capital Asset Management Co. Ltd.

3. Joint Ventures - Predominantly Foreign

a. Alliance Capital Asset Management (India) Pvt. Ltd.
b. Standard Chartered Asset Mgmt Co. Pvt. Ltd.
c. Dundee Investment Management & Research (Pvt.) Ltd.
d. ING Investment Management (India) Pvt. Ltd.
e. JF Asset Management (India) Pvt. Ltd.
f. Morgan Stanley Investment Management Pvt. Ltd.
g. Prudential ICICI Management Co. Ltd.
h. Sun F & C Asset Management (I) Pvt. Ltd.
i. Templeton Asset Management (India) Pvt. Ltd.
j. Zurich Asset Mgmt. Company (I) Pvt. Ltd.

FROM THE AMFI CHAIRMAN'S DESK

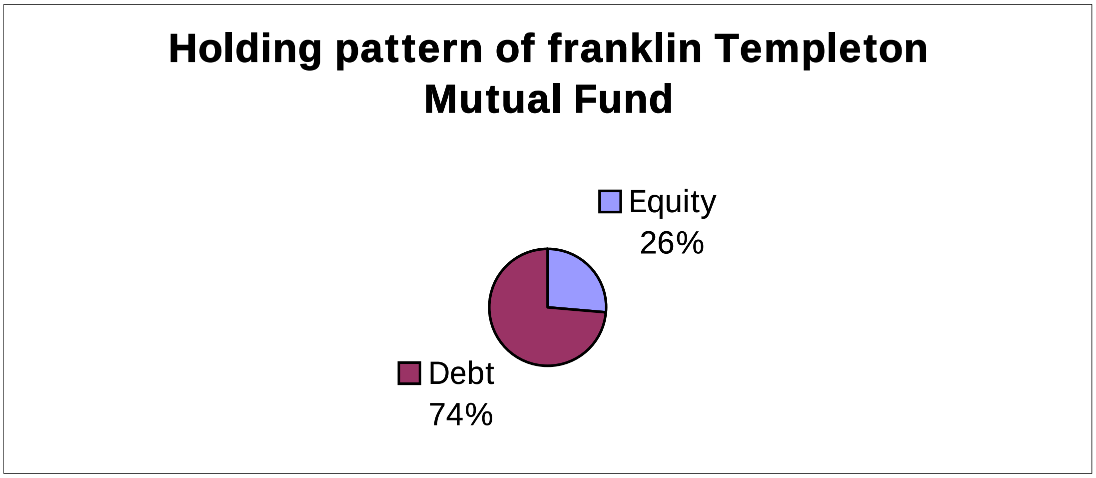
Looking back, the fiscal year ending March 2002 witnessed several developments in the mutual fund industry. The assets under management showed a modest growth of 11 percent to Rs. 1,00,594 crore. As many as 90 new schemes were launched and the gross mobilization was up by 77 percent to Rs. 1,64,523 crore, on a net basis the mobilization was down by 27 percent to Rs. 7,175 crore. The asset allocation showed a marked shift towards debt and government securities. On the performance side, while the Income Schemes gave competitive returns, the Equity Schemes remained generally depressed in line with the market condition. As in other industries, the trend of mergers and acquisition has become more pronounced in the mutual fund industry as well.

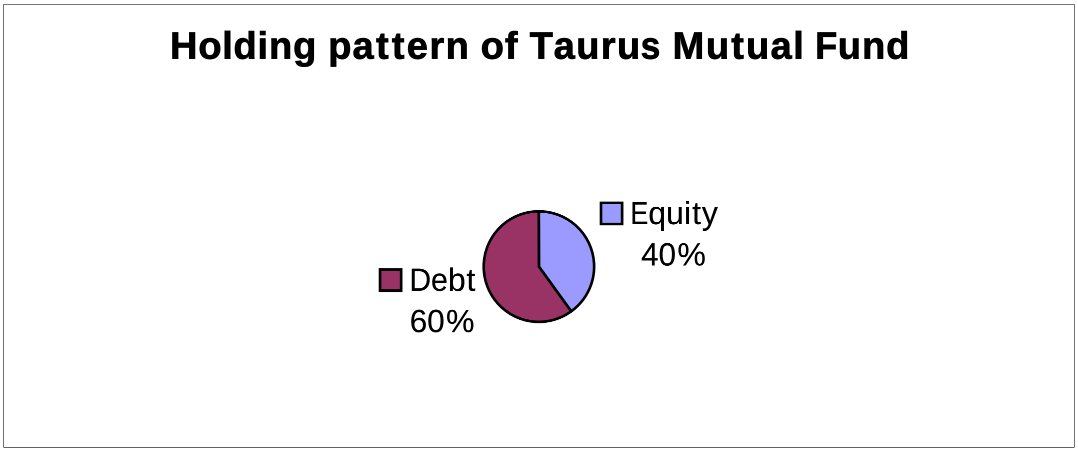
AMFI continues to play its role as a catalyst and initiator for setting new standards and refining existing ones in many areas particularly in the sphere of valuation of securities. A major initiative of AMFI during the year was the launching of registration of AMFI Certified Intermediaries and providing recognition and status to the distributor agents.

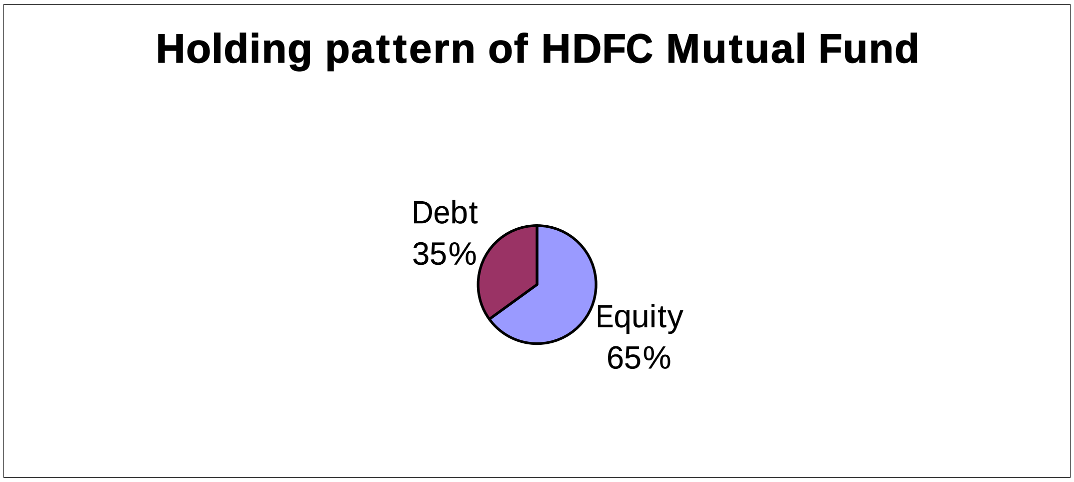
Looking forward, the ongoing refinements in regulations, improved transparency and disclosure along with dissemination of performance data in systematic manner and analysis by several research bodies, present an environment that is at once conducive and supportive for stimulating further growth of the industry.
Developing a cadre of trained certified intermediaries, building a wider retail base through market penetration and demonstrating commitment to best practices by strictly adhering to the guidelines and standards set by AMFI and the regulator are some of the key areas on which the members of the industry have to devote more attention as we go along nurturing the industry on healthy lines.

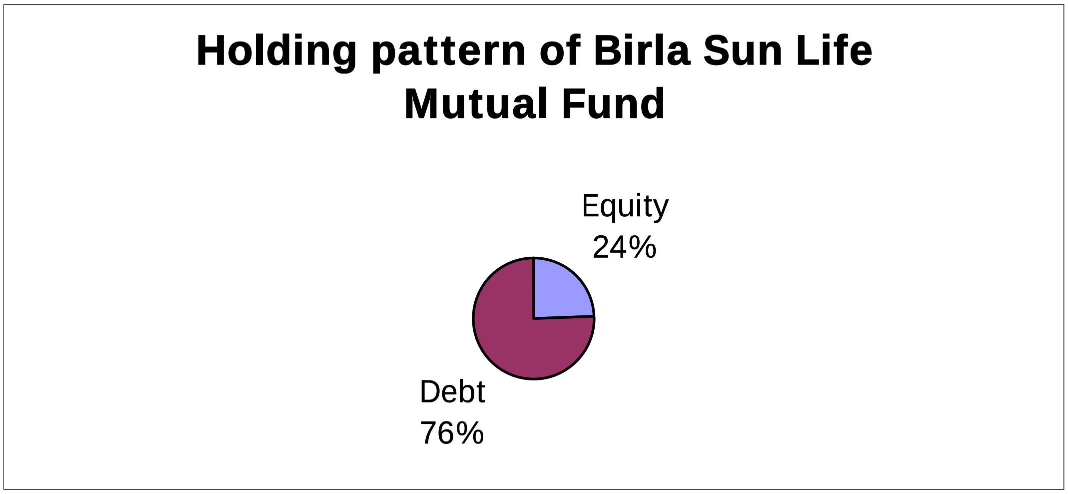
Analysis of the Study

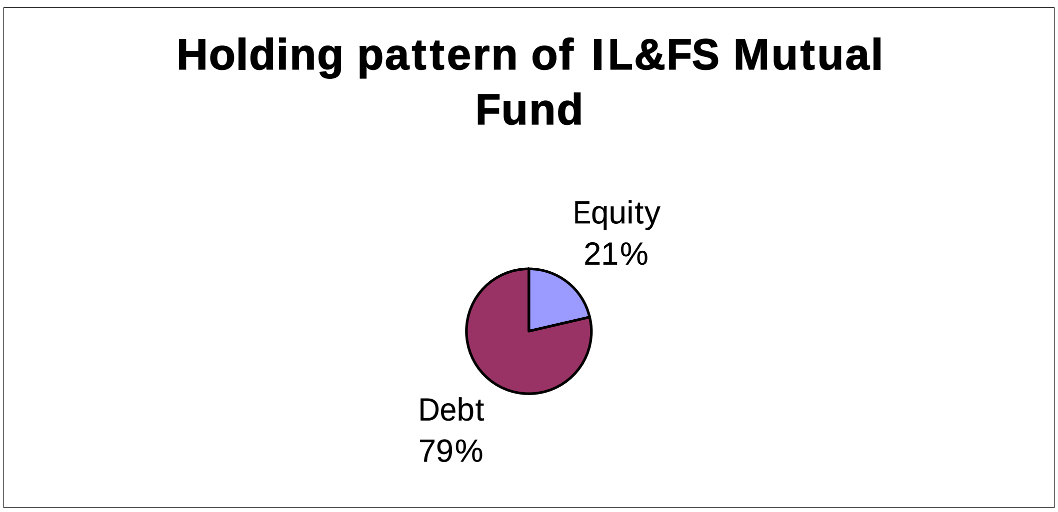
Our learning: What the Trends indicate

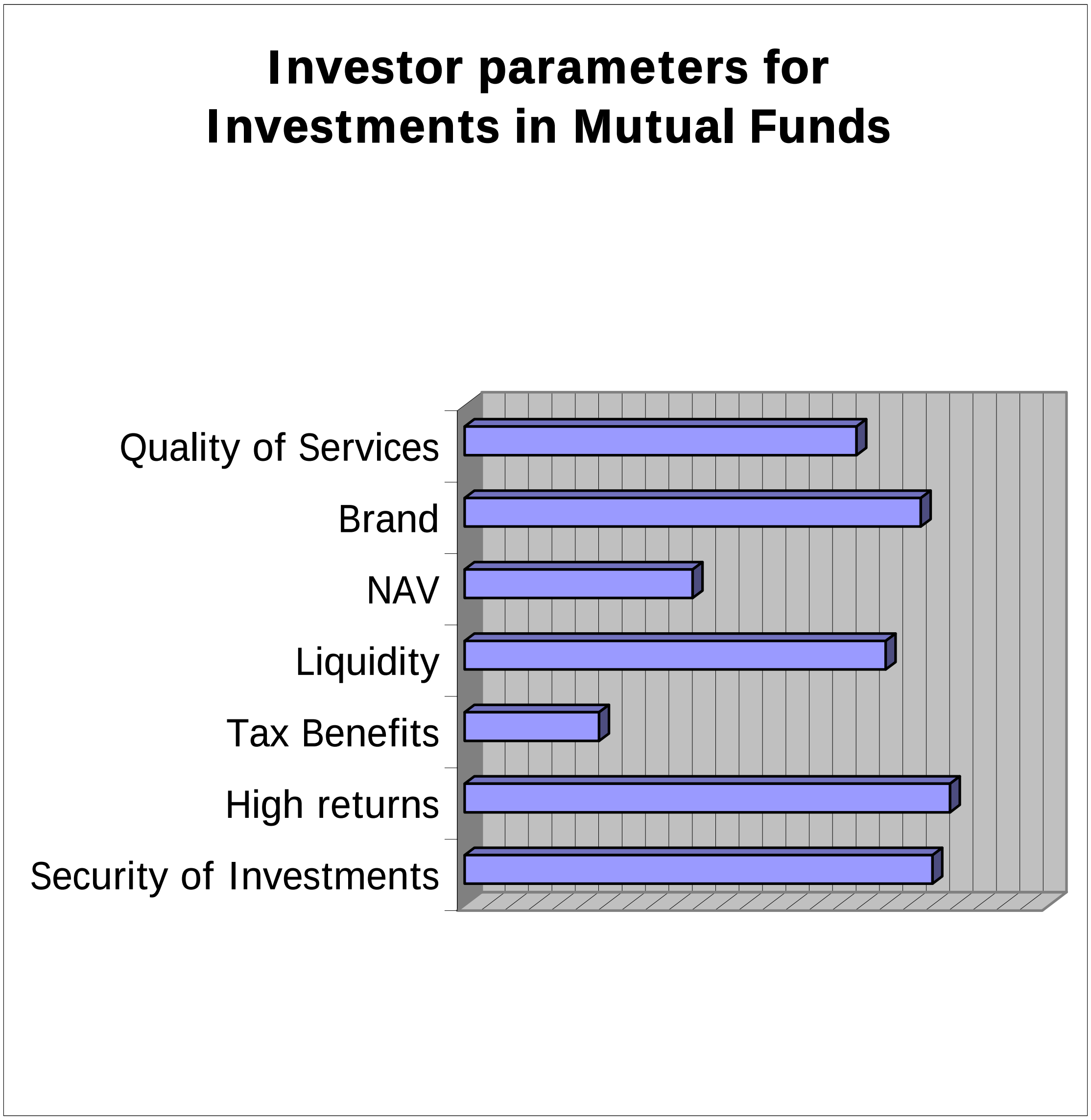







Holding pattern of Birla Sun Life Mutual Fund
Equity 24%
Debt 76%


Holding pattern of IL&FS Mutual Fund
Equity 21%
Debt 79%


Investor parameters for
Investments in Mutual Funds
Quality of Services
Brand
NAV
Liquidity
Tax Benefits
High returns
Security of Investments

REGULATIONS FROM SEBI

The Advertisements Code for Mutual Funds in India

SIXTH SCHEDULE

SECURITIES AND EXCHANGE BOARD OF INDIA (MUTUAL FUNDS) REGULATIONS, 1996: ADVERTISEMENT CODE [Regulation 30(1)]

1. An advertisement shall be truthful, fair and clear and shall not contain a statement, promise or forecast which is untrue or misleading.

2. An advertisement shall be considered to be misleading if it contains -
   (a) Misleading Statements: Representations made about the performance or activities of the mutual fund in the absence of necessary explanatory or qualifying statements, and which may give an exaggerated picture of the performance or activities, than what it really is.
   (b) An inaccurate portrayal of a past performance or its portrayal in a manner, which implies that past gains or income, will be repeated in the future.
   (c) Statements promising the benefits of owning units or investing in the schemes of the mutual funds without simultaneous mention of material risks associated with such investments.

3. The advertisement shall not be so designed in content and format or in print as to be likely to be misunderstood, or likely to disguise the significance of any statement. Advertisements shall not contain statements, which directly or by implication or by omission may mislead the investor.

4. The sales literature may contain only information, the substance of which is included in the Funds' current advertisements in accordance with this Code.

5. Advertisements shall not be so framed as to exploit the lack of experience or knowledge of the investors. As the investors may not be sophisticated in legal or financial matters, care should be taken that the advertisement is set forth in a clear, concise, and understandable manner. Extensive use of technical or legal terminology or complex language and the inclusion of excessive details, which may detract the investors, should be avoided.

6. The advertisement shall not contain information, the accuracy of which is to any extent dependent on assumptions. [Any advertisement that makes claims about the performance of the fund shall be supported by relevant figures.][i]

7. The advertisement shall not compare one fund with another, implicitly or explicitly, unless the comparison is fair and all information relevant to the comparison is included in the advertisement.

8. The Funds, which advertises yield must use standardised computations such as annual dividend on face value, annual yield on the purchase price, and annual compounded rate of return.

9. Mutual funds shall indicate in all advertisements, the names of the Settler, Trustee, Manager and or Financial Advisor to the Fund, bringing out clearly their legal status and liability of these entities.[ii]
[9A. All advertisements containing information regarding performance, advertising yield, return or any scheme detail or inviting subscription to the scheme shall contain disclosures of all the risk factors.][iii]

10. All advertisements shall also make a clear statement to the effect that all mutual funds and securities investments are subject to market risks, and there can be no assurance that the fund's objectives will be achieved.

11. If however, in any Advertisement a mutual fund guarantees or assures any minimum rate of return or yield to prospective investors, resources to back such a guarantee shall also be indicated.

12. If any existing mutual fund indicates the past performance of the fund in advertisements, the basis for computing the rates of return/yield and adjustments made (if any) must be expressly indicated with a statement that, such information is not necessarily indicative of future results and may not necessarily provide a basis for comparison with other investments. [Any advertisement containing information regarding performance, NAV, yield or returns shall give such data for the past three years, wherever applicable].[iv]

13. All advertisements issued by a mutual fund or its sponsor or asset management company, shall state, "all investments in mutual funds and securities are subject to market risks and the NAV of the schemes may go up or down depending upon the factors and forces affecting the securities market.

14. All advertisement launched in connection with the scheme should also disclose prominently the risks factors as stated in the offer document along with the following warning statements:

a) ... Is only the name of the scheme and does not in any manner indicate either the quality of the scheme, its future prospects or returns; and,
b) Please read the offer document before investing.

[14A. Any advertisement reproducing or purporting to reproduce any information contained in a offer document shall reproduce such information in full and disclose all relevant facts and not be restricted to select extracts relating to that item which could be misleading.]
[14B. No celebrities shall form part of the advertisement.][vvi]

15. No name can be given to a scheme with a view to subtly indicate any assurance of return, except in the cases of guaranteed return scheme in accordance with regulation 38.

16. No advertisement shall be issued stating that the scheme has been subscribed or oversubscribed during the period the scheme is open for subscription.

17. If a corporate advertisement is issued by the sponsor or any of the companies in the Group, or an associate company of the sponsor during the subscription period, no reference shall be made to the scheme of the mutual fund or mutual fund itself; otherwise it will be treated as an issue advertisement.

18. If a corporate advertisement of a sponsor issued prior to the launch of a scheme makes a reference to the mutual fund sponsored by it or any of its schemes launched/to be launched, it shall contain a statement to the effect that the performance of the sponsor has no bearing on the expected performance of the mutual fund or any of its schemes.

19. Advertisements on the performance of a mutual fund or its Asset management company shall compare the past performances only on the basis of per unit of statistics as per these Regulations. Advertisements for NAVs must indicate the past as well as the latest NAV of a scheme. The yield calculations will be made as provided in these regulations.

[1] *Inserted by SEBI (Mutual Fund) Amendment Regulations, 1999 vide Gazette Notification S.O.No: 1223 (E) dated December 8, 1999*

[1] *The words "distinction between each of them, both legally and in terms of their functions, responsibilities and obligations" were deleted vide SEBI (Mutual Fund) Amendment Regulations, 1998,notified vide S.O.*
32 (E) dated January 12, 1998.

[1] *Inserted vide SEBI (Mutual Fund) Amendment Regulations, 1998,notified vide S.O. 32 (E) dated January 12, 1998.*

[1] *Inserted by SEBI (Mutual Fund) Amendment Regulations, 1999 vide Gazette Notification S.O.No: 1223 (E) dated December 8, 1999*

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A Study Conducted by
The Students of the Master of Finance & Control Course
Department of Financial Studies
University of Delhi South Campus

Industry Questionnaire

Dear Respondent,
This Questionnaire is for the purpose of assimilating primary data as part of a study on "Marketing of Mutual Funds". It is purely for academic purposes and the data given will not be passed on to anyone. We request you to kindly fill up the form. Thank you.

PERSONAL INFORMATION:

NAME:

DESIGNATION:

DEPARTMENT:

ORGANISATION:

FIVE SIMPLE QUESTIONS:

Q1. What is your primary Advertising Strategy?

[ ] Outsourcing (Hiring a Professional agency)
[ ] In-House Marketing Department
[ ] Through Adhoc Contracts
[ ] Any Other (Please specify)

____

Q2. What proportion of your revenues is allocated for marketing?

____

Q3. Of this outlay, what proportion is allocated for

[ ] Direct Marketing
[ ] Selling through Intermediaries
[ ] Others

Q4. Which customer segment do you target?

[ ] Salaried
[ ] Corporate
[ ] Retired
[ ] Industrial Investors

Q5. What is the proportion of corpus allocated -Equity, Hybrid and Debt?

Equity Funds

[ ] 0%

[ ] 0-20%

[ ] 20%-50%

[ ] 50%-75%

[ ] 75-100%

Hybrid Funds

[ ] 0%

[ ] 0-20%

[ ] 20%-50%

[ ] 50%-75%

[ ] 75-100%

Debt Funds

[ ] 0%

[ ] 0-20%

[ ] 20%-50%

[ ] 50%-75%

[ ] 75-100%

MARKETING of MUTUAL FUNDS

A Study Conducted by
The Students of the Master of Finance & Control Course
Department of Financial Studies
University of Delhi South Campus

Investors Questionnaire

Dear Respondent,
This Questionnaire is for the purpose of assimilating primary data as part of a study on "Marketing of Mutual Funds". It is purely for academic purposes and the data given will not be passed on to anyone. We request you to kindly fill up the form. Thank you.

PERSONAL INFORMATION:

NAME:

AGE:

OCCUPATION:

MONTHLY INCOME:

SEVEN SIMPLE QUESTIONS:

Q1. Do you hold any Mutual Fund schemes?

[ ] Yes
[ ] No

Q2. If Yes, which one/ ones?

____

____

Q3. If No, what is the reason for not holding Mutual Fund Units?

[ ] Lack of knowledge
[ ] Too technical
[ ] Perceived as an unsafe investment

Q4. Do you have any other investments? Which ones?

[ ] Postal saving Schemes
[ ] Insurance
[ ] Shares
[ ] Bonds

Q5. What primary features do you look for in a Mutual Fund?

[ ] Security of Investments
[ ] High returns
[ ] Tax Benefits
[ ] Liquidity
[ ] NAV
[ ] Brand
[ ] Quality of Services

Q6. What type of Mutual Fund would you invest in?

[ ] Growth / Equity
[ ] Balanced
[ ] Income / Debt

Q7. Where do you get Mutual Fund Information from?

[ ] Print Media (Newspapers / Magazines)
[ ] Electronic media (TV / Internet)
[ ] Brokers / Agents
[ ] Word of Mouth

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