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# MARKETING MIX: A STUDY ON MUTUAL FUNDS

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Mutual Funds are financial intermediaries which pool the savings of numerous individuals and invest the money thus raised in the diversified portfolio of securities like equity, bonds, debentures and other instruments. Investors believe that these port-folio will fetch them good returns. The main objective of mutual funds is to maximise the return to the investors who participate in the securities market indirectly through mutual funds.

## Types of Schemes

The mutual funds may broadly be divided into open ended and close ended schemes. Under open-ended schemes, the fund is open for purchase or sale at all times; the investors can enter into and exit from the fund at any time. Besides the investors can purchase and sell the units on the basis of the Net Asset Value announced by the mutual fund company. On the other hand, close-ended scheme is open to investors for a limited period. This can be reclassified, as per Indian practice, into growth scheme, income scheme, balanced scheme and tax savings scheme, money market scheme, off-share scheme, etc.

## Total funds mobilised through mutual funds

There was an exciting development in the mutual funds markets due to the entry of public sector as well as private sector funds. New funds and new schemes gave a further impetus to the industry in spite of the depressed market condition. It is interesting to note the 5th annual report of LIC mutual fund covering the period from 1-4-94 to 31-3-95 which reveals that the total number of registered mutual funds (including

UTI) went upto 21 and the aggregate funds raised under all the mutual funds amounted to Rs.64,820 crores under 155 schemes. The UTI alone accounted for 85% of the total funds. The private sector mutual funds raised Rs.2147 crores under 16 schemes.

## Regulations of Mutual Funds

In India, the following statutes/guidelines regulate the registration and operation of mutual funds.

- \* Unit Trust of India Act 1963 and UTI guidelines.
- \* RBI guidelines for mutual funds.
- \* Central Government guidelines for mutual funds dt 8.6.90 and revised dt 14.2.92.
- \* The Securities and Exchange Board of India (Mutual Fund) Regulation, 1993, and
- \* The Indian Trust Act 1982 and relevant provisions of the companies Act 1956.

The success of the Industry depends on the ability of fund managers in identifying the needs and preferences of investors, inventing different types of schemes to suit the varying needs of investors and in deploying the funds properly. However, the ultimate success depends on the creation of confidence in investors by protecting their interests. Announcement of different policy measures and regulations by SEBI and other agencies alone will not protect the investors' interest.

## Current Status of Mutual Funds in India

UTI was the first mutual fund company started in India in 1964. Though UTI is a mutual fund

company, its schemes were being considered only as some tax saving investments. In 1989 various public sector banks and financial institutions entered this field. Then, after liberalisation, in 1992 private sector also was allowed to enter mutual fund business. Many of these private sector funds have been started in collaboration with foreign institutions. soon we can expect direct launching of schemes by multinational institutions. This has led to the entry of a number of mutual funds and a large number of schemes being announced by private and public sector funds.

As a result very high competition is expected. Given the competitive environment the success of any mutual fund depends largely on its ability to market its schemes. Therefore, it is imperative on the part of mutual fund companies to choose a right marketing mix to successfully sell their schemes to the investors.

## Marketing Mix of Mutual Funds

Entry of the private sectors has accelerated the intensity of competition with public sector funds. Different funds managers are working for the success of their funds. So far as the prospect of the mutual funds in India is concerned, it is very bright. Indian Investing Public and growth of our industrial network will provide enough opportunity for the success. However, for the overall success of mutual fund, the strategic marketing practices will be the only tool for success.

In this connection, it would be appropriate to refer to the views of Sri.Maheshwar Sahu. According to him, success of mutual fund industry depends on the managers' ability in analysing of the mutual funds market,

identification of investors etc. Further, he is of the opinion that service marketing mix of mutual fund consists of the following elements. (Six Ps)

- \* Planning and Designing of service
- \* Pricing of mutual fund
- \* Promotion and distribution of the scheme
- \* People
- \* Physical facilities, and
- \* Process.

Let us discuss these elements briefly one by one.

#### Planning and Designing of Service

One has to decide what exactly is the service to be sold in the market. The strategic marketing practice is very crucial in the planning and designing of the mutual fund schemes. Therefore, a thorough marketing research on the investors' requirements and segments must be conducted. The marketing research may cover the following aspects.

- \* Identification of probable investors
- \* Preparing of Profile of the investors
- \* Segmentation of investors as per their requirements
- \* Planning of schemes for each segment
- \* Pre testing of market schemes before launching.
- \* Selection of a brand name of the scheme with the brand policy of the fund,
- \* Establishment of "Research Wing" to pursue the research continuously for innovation etc.

#### Pricing of Mutual Fund

Price, another important factor in the mix plays a vital role in the marketing of any goods or service.

Therefore, mutual fund has no exception. It is absolutely necessary to clearly evaluate the achievements and goals of an organisation before pricing of the schemes. In the same way, aspects like incentives to investors, commission to intermediaries or brokers, the operational expenses etc., must be considered and evaluated carefully. The pricing which is appropriate for both investors and organisation, are to be fixed for schemes.

#### Promotion and Distribution of the Scheme

It is also equally important like other factors. In order to select appropriate distribution channel and promotional aids for each segment, market research should be conducted more effectively. For effective research following steps are to be followed.

Different segments of investors are to be identified; accordingly suitable schemes are to be offered.

The attitudes of each segment and uses of products are to be studied carefully.

There should be appropriate planning for promotional mix for each segment. This will certainly create great awareness of the schemes as per their competitive advantages.

#### People

It refers to the investors who are the kings on the mutual fund and intermediaries. Investors, judgment, selection of schemes or organisation can be changed to some extent by the services of personnel of the organisation. Therefore, due care should be paid for investors. Besides, the intermediaries also assume greater importance. In order to produce quality in service, feed backs from investors and intermediaries must be evaluated carefully. It is a known fact

that one customer brings another customer to a particular scheme of organisation.

#### Physical Facilities

In the mutual fund, it refers to supporting services offered by organisations. They are: distribution of prospectus, applications, issue of certificates, transfer, supplying periodical information about the fund. It is true that they give overall impression about schemes of organisation.

#### Process

It refers to delivering system of mutual fund scheme. This should be well planned. It is the duty of managers to decide the appropriate steps involved in delivering the service to the investors. In identifying steps, policies of organisation procedure etc., are to be considered.

#### Conclusion

It is the first and foremost duty of fund managers to make a careful analysis of the market, identify the investors' needs and requirements, segmenting the consumers. No designing different schemes is the best way to success. A careful market research in studying the perception of the different segments and redesigning the schemes will lead to further success.

Prior attention should be given to investors grievances. The regulatory measures are explained clearly to the investors and there. In the growth of mutual fund the brand name and schemes play a vital role. It is true that mutual fund industry is just beginning. Strategic marketing will bring many more new innovations. In the days to come, the marketing will be the only means to success in mutual funds industry of the country.

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