

Effective Model in Financial Services Marketing: An Empirical Study of Tehran Stocks Exchange Brokerage

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Abstract: Today changing the Industrial Economy to Service Economy and fast development of organizations and service institutions around the world justify developing a new field of marketing called "Services Marketing". In this field, "Financial Services Marketing" has been created which has been applied in financial institutions and financial dealing. We have reviewed the importance and implication of financial services marketing in the development of stocks exchange market in the present study, through investigation of applications, methods and models of financial services marketing in Tehran stocks exchange market. We found that marketing mixes of retail and whole dealings affect on the dealings of the brokers. Also, marketing research is important and respected in the field of assessing self-potentiality, finding investors and knowing environmental conditions. In terms of market segmentation, identifying of the main investors, target and focusing of transactions on regarded stocks by special buyers are prominent and being considered. More important factors are including, having marketing plan and strategy, relationship marketing and customer orientation, striving for the best reputation in the market, attracting new customers and the satisfaction of key and target investors. In conclusion, traditional and experimental methods are being used in marketing of brokers services in Iran and since there is no competitive condition in its real sense, these methods have already been effective. Regarding the competitive environment, brokers should get familiar with systematic and scientific marketing methods or provide facilities to develop and change the management of brokers marketing through using expert and professional consultants in this field.

[Nasehifar V. **Effective Model in Financial Services Marketing: An Empirical Study of Tehran Stocks Exchange Brokerage.** *J Am Sci* 2012;8(9):789-795]. (ISSN: 1545-1003). <http://www.jofamericanscience.org>. 108

Keywords: Pattern of Financial Services Marketing; Marketing mixes; Stocks Exchange

1. Introduction

Along with global changes and development and converting of industrial economy to service economy as well as rapid development of organizations and service institutions all over the world, a new field of marketing called "Services Marketing" gradually has been formed and its specialized branches such as marketing, financial services and marketing of tourism services are currently being completed [1-3]. In this paper, we have investigated the importance of financial services in developing sales and marketing of financial and credit institutions.

The most important factor, which clarifies the necessity of studying financial services, is the competition among brokers to attract investors. Many factors might cause being competitive market trading, including number of competitors and their ability and expertise [4, 5]. The lack of customer loyalty, particularly in retail and standard trade and the similarity of brokerage services, highlight the necessity of applying marketing methods of brokerage services [4-6]. It is obvious that in future, agents who have profitability and consequently substantial income will remain in the market [6]. In this paper, raising the income of a Stocks Exchange broker toward sustainable and acceptable profitability is the main issue.

Overview of concepts for stocks exchange, brokerage and financial marketing services

Stocks exchange is a specific market in which trading of securities by stocks brokers is done based on stocks exchange established law [7]. The stocks exchange is a mediated system for buying and selling stocks [8].

Equity securities include stocks of joint stocks companies, export credit agreement, partnership bonds and bonds issued by companies, municipalities, state institutions and the general treasury, which are capable of trading and transporting. Equity securities are documents which are presented for receiving the funds in the future [7, 8].

Stocks exchange brokers are people who are employed in trading of equity securities and trading in stocks exchange is done exclusively by these people [7]. Brokers are financial intermediaries who buy and sell stocks for others not for their own shares. Securities dealers are the owner of equity securities and can afford the risk of price fluctuations [9, 10].

Price is the rate which is expressed by brokers for each unit of equity securities [7, 11].

Financial institutions are firms which their main asset is financial assets such as stocks, bonds and loans. Financial institutions in financial markets

are attempting to provide various financial services [11, 12]. Financial intermediaries facilitate activities of the financial system. Investment banks, brokers and dealers are three types of financial intermediaries [8, 12].

Marketing consists of planning and implementation process, production, pricing, promotion and distribution of ideas, goods and services in order to create and maintain relationships and achieve individual and organizational goals [13]. Also, marketing is including analysis, interpretation and thinking about the problems and issues around exchange between buyers and sellers. Furthermore, marketing is an activity for attracting and retaining customers [14, 15].

Marketing mix is referring to a set of controllable tools that their combination is applied in marketing programs and is seeking to achieve the objectives of a firm and to meet the target market. Marketing mix contains four well-known Ps, including product, price, promotion and place [16]. Since 4 Ps of traditional marketing mix accompanied with some lacks, [17] have added some other factors to the model and presented a new model consisting of seven Ps. This model includes the following variables: product, price, place, promotion, participation, physical evidence and process. On the other hand, in Goetsch's point of view [18], marketing mixes is containing six Ps: product, price, promotion, place, profits and people. From the point of Cooper's view [19], the marketing mix contains four well-known Ps which have been evolved and their number reached to seven. These factors include: product, price, place, promotion, participation, presence and process. Characteristics of financial services force marketing director of this department to pay attention to the other elements. These factors or elements include the "people" who offer services, "process" that services are available to customer through them and "physical evidence" in this process. In Kotler's opinion [20], two additional variables or two other Ps should be added to the marketing mix, involving the structure of Political Power and Public Opinion Formation. Services can be defined as an activity or intangible benefit which is presented from one side to the other side and does not follow any ownership or possession [21].

2. Material and Methods

Theoretical Framework

Regarding the above factors and their impact on agency activities, in this study, brokerage services marketing mix variables including (1) Product, (2) Price, (3) Promotion, (4) Place, (5) People, (6) Presence, (7) Process (8) Physical evidence, (9) Rules and regulations of the stocks (10) Public opinion,

have been considered. On one side, in a classification, marketing pattern is including marketing research, marketing mix, marketing organizations, marketing programs and marketing strategies. On the other side, elements of marketing strategies are involving market segmentation, selecting target and market marketing mix variables. Also, personal relationships with customers and maintaining them play prominent role in services marketing. Hence, marketing model of brokerage services is including (1) marketing mixes (2) marketing research in areas of assessing self-potentiality, competitors, investors and environmental conditions (3) market segmentation, its criteria and target market (4) having a marketing plan and strategy (5) relationship marketing and customer orientation (6) establishing the structure and organization of marketing [22].

Study of documents and evidences

In the study of various documents, numerous points about the Tehran Stocks Exchange brokerage have been observed. One of the reliable and citable sources with regard to its approval is the set of laws, rules and regulations of the Stocks Exchange. It is provided by a group of authors in Tehran Stocks Exchange on 2001 and this section refers to its extracted points. Explanations of some concepts comprising, stocks exchange, equity securities, stocks brokers and price have been provided in previous section. So here we are presenting other concepts overviews which are important for our discussion.

- ❖ Structure of the Stocks Exchange is formed by the Exchange Council, the admission board of the equity securities, the organization of stocks brokers and stocks jury board [7].
- ❖ Stocks Exchange is run by the organization of stocks brokers, which has legal personality and shall be governed by director board of stocks [7].
- ❖ Stocks brokers are classified into two groups (1) natural persons and (2) the competence of Iranian financial and credit institutions approved by the Central Bank of Iran [7].
- ❖ Any employment agency cannot work as a stocks broker unless his name is being listed on the plaque of stocks brokers [7].
- ❖ Stocks brokers are not able to do the following activities on their or other persons' names (1) releasing of equity securities (2) accepting deposits (3) discounting of commercial papers [7].
- ❖ Stocks jury board investigates disputes between stocks brokers with each others,

between sellers or buyers or stock brokers which are caused by trading in the stocks [7].

- ❖ Stocks brokers can do blockage individually and jointly [7].
- ❖ The stocks transactions and dealings out of the formal sessions are prohibited [7].
- ❖ Every stocks broker, who has been entrusted to keep securities or funds for the transaction, takes their advantage for himself or other ones is a betrayal of trust. Moreover, stocks brokers are required to provide privacy statement [7].
- ❖ Trading in the Tehran Stocks Exchange shall be made only by stocks brokers [7].
- ❖ Stocks brokers should insert the phrase "Tehran stocks broker" on top of all documents, bills and other securities [7].
- ❖ Stocks brokers cannot embark on any type of professional advertising and they are only authorized with the consent of the general secretary of the stocks exchange to release notifications including their own authorized representatives' names, mailing and telegraphic address and their office telephone [7].
- ❖ The amount of commission received by brokers from each side of transaction must be calculated as follows and the granting of any discount or commission received more than the amount specified, is prohibited. 1) The minimum transaction fee is 5000 Rial. 2) The maximum commission fee of a stocks broker is 30,000,000 Rial in one transaction. 3) In the stocks trading, each party will pay a commission fee equals to five in one thousand transaction fee to the stocks brokers who has done the trading on their behalf [7].

3. Results

In this study, following results have been obtained:

1. The effect of applying financial services marketing methods: It has been determined that increasing of dealings of the brokerage is possible through applying financial services marketing methods.
2. Classification of brokers' dealings: Brokers dealings are classified in to retail and whole dealings categories.
3. Marketing factors of financial services affecting on retail dealings: Marketing factors of financial services which influence retail dealings, are including five Ps: promotional methods, people, places, process and physical evidence that as described in Table 1. As it has been illustrated in this table, each major

variable contains minor variables which determine the areas of major variable in retail trades that should be considered.

Table 1: Marketing mixes of financial services in retail trades

Minor variables	Major variable
Public Relations Unit Information presentation related to organizations' stocks	Promotional methods
Neutral Motivation of employees Knowledge and expertise of employees Attracting trust of customers by employees	Product People
Level of professional skills of employees Accessibility of employees Expressions of politeness and respect of employees	Presence
Neutral Easy access of investors to brokerage office	Place
Location of brokerage in terms of geographical location Location of brokerage in terms of visibility Ease of trading for investors Provide face to face and direct counseling Speed of providing brokerage services	Process
Diversity of methods of stocks trading by the brokerage Providing stocks trading guide	Physical evidences

4. Marketing factors of financial services affecting on whole dealings: Marketing factors of financial services that affect on whole dealings include the four Ps which are promotional methods, product, people, and process as shown in table 2. As illustrated in this table, presence, place and physical evidence are not effective on whole dealings.

Table 2: Marketing mix of financial services in major trades

Minor variable	Main variable
Information presentation related to organizations' stocks Brokerage's reputation	Promotional methods Product
Motivation of employees Attracting trust of customers by employees	People
Neutral	Presence
Neutral	Place
Ease of trading for investors Provide face to face and direct counseling Speed of providing brokerage services	Process
Neutral	Physical evidences

5. Stocks exchange rules and regulations and public opinion: Stocks exchange rules and regulations and picture of stocks exchange and stocks brokers in the public opinion affect on stocks trades (retails and wholesales) as external variables. According to the conducted survey, the impact of marketing mixes,

extracted from the literature study and theoretical framework of research on stocks transactions is shown in table 3.

Table 3: Impacts of marketing mixes on stocks trades

Variable	Retail trade		Whole trade	
	Effect	Score	Effect	Score
1 People	Yes	7.65	Yes	6.7
2 Process	Yes	7.4	Yes	7.7
3 Place	Yes	7.3	Neutral	-
4 Product	Neutral	-	Yes	7.5
5 Presentation	Neutral	-	Neutral	-
6 Promotion	Yes	6.7	Yes	7.1
7 Physical evidences	Yes	5.7	Neutral	-
8 Price	Constant	-	Constant	-
9 Rules and regulations	Yes	7.6	Yes	7.2
10 Public opinion	Yes	8.1	Yes	7.5

6. Other factors and methods of marketing: in table 4, other factors and methods of marketing and their efficiency have been shown. As it can be seen, these factors and methods are including marketing research, market segmentation, its criteria and target market and relationship marketing and customer orientation. Efficiency of each method has been investigated for its subdivisions as well.

Table 4: Other factors and methods of marketing

Factors and methods	Result
Marketing research	Effective
1.Applying marketing research in the field of knowing self-potentiality	Effective
2.Applying marketing research in the field of knowing competitors	-
3.Applying marketing research in the field of knowing investigators	Effective
4.Applying marketing research in the field of knowing environmental conditions	Effective
Market segmentation, its criteria and target market	Effective
1. Market segmentation and choosing target market	Effective
Having marketing plan and strategy	Effective
1.Having marketing plan	Effective
2.Having strategy	Effective
3.Having differential strategy	-
4.Having focusing strategy on specific industries	-
5.Having focusing strategy on specific buyers	Effective
6.Having focusing strategy on key and target customers and investors	Effective
Relationship marketing and customer orientation	Effective
1.Attracting and keeping customer	Effective
2.Considering customer satisfaction and being customer-oriented	Effective
Establishing marketing structure and organization	-
1.Establishing marketing structure and organization	-

7. Marketing model of brokerage services

Marketing model of brokerage services include (1) marketing mixes (2) marketing research in areas of assessing self-potentiality, competitors, investors and

environmental conditions (3) market segment, its criteria and target market (4) having a marketing plan and strategy (5) relationship marketing and customer orientation (6) establishing marketing structure and organization and it has been obtained according to the study findings of marketing model of brokerage services.

7.1. Marketing mixes

- ❖ Marketing mixes of retail dealings include: (a) people (b), process (c) place (d) promotion (e) physical evidence. Also external factors affect on brokerage transactions.
- ❖ Marketing mixes of whole dealings consist of (a) process (b) product (brokerage reputation), (c) promotion (information presentation) (d) people. Moreover, external factors impress brokerage transactions.
- ❖ Also, development of skills and knowledge of stocks brokerage managers and employees play a key role in this issue.

7.2. Marketing research

- ❖ Assessment of self potentiality: Studying of self activities (Strengths, weaknesses and performance)
- ❖ Recognition of the competitors is not important.
- ❖ Recognition of the investors: Studying of investors (buyers and sellers) and familiarizing with investors criteria for buying and selling
- ❖ Understanding the environmental conditions: Research and studying of environmental factors affecting the stocks market

7.3. Market segmentation, its criteria and target market:

- ❖ Classification of investors (buyers and sellers)
- ❖ Determining the main and target investors
- ❖ Focusing of transactions on preferred stocks of "special buyers"
- ❖ Retail market segmentation variables are involving (a) reliability of investors (b) loyalty of investors (c) the manner and behavior of investors, (d) previous familiarity with investors (e) the purchase or sale value
- ❖ Whole market segmentations variables comprise: (a) reliability of investors (b) loyalty of investors (c) investors' business (d) the purchase or sale value (e) previous familiarity with investors.

7.4. Having determined marketing plan and strategy

- ❖ Having a clear and determined marketing plan

- ❖ Having strategy
- 7.5. Relationship marketing and customer orientation
 - ❖ Effort for having good name in the market
 - ❖ Attracting new customers

Considering satisfaction of target and key investors

7.6. Establishing marketing structure and organization: is not important.

Given the above discussion, marketing plan of brokerage services is extracted as follows:

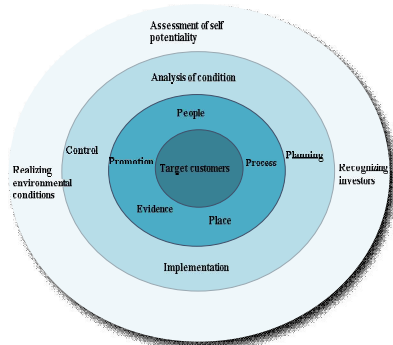


Figure 1: Marketing model in the retail dealings

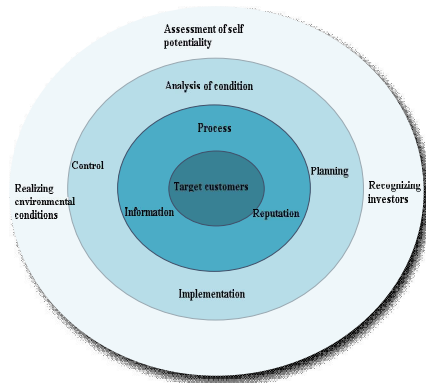


Figure 2: Marketing model in whole dealings

As it has been shown in these figures, marketing models in retails trading and whole trading are similar in several aspects and there are just some difference between two models. In retail dealings effective factors are including 5 Ps; people, process, promotion, physical evidence and place and in whole dealings are including process, information and reputation models.

8. Future view: According to the study findings, it seems that in the future this model will be undertaken some changes and following factors will be highlighted and get more importance.

8.1. Marketing research

- ❖ Assessing self potentiality: Studying of self activities (Strengths, weaknesses and performance)
- ❖ Recognition of the competitors is not important.
- ❖ Recognition of the investors: Studying of investors (buyers and sellers) and familiarizing with investors criteria for buying and selling
- ❖ Recognition of the environmental conditions: Research and studying of the stocks market and investigating affecting environmental factors.

8.2. Market segmentation, its criteria and target market

- ❖ Classification of investors (buyers and sellers)

8.3. Having marketing plan and strategy

- ❖ Having a clear and determined marketing plan
- ❖ Having a strategy

8.4. Relationship marketing and customer orientation

- ❖ Effort for having good name in the market
- ❖ Attracting new customers

4. Discussion and Conclusion

Before conducting the study, it was thought that the marketing methods are not followed by the Tehran Stocks Exchange brokers. However, findings of the current study that are based solely on the conditions prevailing in the Stocks Market in Iran showed marketing methods have been followed by stocks brokers, but are not systematic and show lack of organization, strategy and clear structure. In other words, any function which has been done as marketing of brokerage services so far, are more resulted by experiences and willingness of managers rather than systematic activity with structure and codified strategy. Tehran Stocks Exchange brokers marketing is done in non-competitive environment and brokers often are not familiar with the techniques of competitive marketing. However, it may be claimed that in future it will be paid more attention to these factors and methods. In addition, the role of the time, competition and environmental conditions in the occurrence of such phenomenon cannot be neglected.

Many researches in the field of knowledge and service marketing believe that, marketing is one of the sciences that have usage in all disciplines. This science has entered into the new fields such as the service and financial market as the communities have advanced Greyser [23] discussed that, as long as formal function of marketing may well decline, the emergence and importance of the marketing research within the company on the whole will increase.

Brennan and Hughes [24] expand a model in which the dependence of the brokerage commission rate on share price provides an incentive for brokers to produce research reports on companies with low share prices. This study suggests that additional insight on analyst following can be obtained by viewing analysts as working alongside brokers as part of a brokerage firm's marketing team. Companies allocate considerable resources to market their products. They strive to identify customer preferences and design products to satisfy these preferences, and they employ personnel to sell these products. Another studies [23, 25, 26] suggest that the marketing of financial products has many of the same features as the marketing of other products.

The marketing of financial products is a major enterprise, as indicated by the size of brokerage firms' payrolls. Results of Alipour and Sadeghisharif's study [24] gives intense alarm to the brokerage firms for not using the marketing research to data with investors of stock exchange marketing in Iran. Consistently with our study they found due to existence of traditional structure which has been employed from years ago, marketing theories have no place on that. Also, they found similar problems, similar to our finding, in this market. Thus to cover such problems brokers should get familiar with systematic and scientific marketing methods or provide facilities to develop and change the management of brokers marketing through using expert and professional consultants in this field. In other study, it examines the role of financial analysts as a marketing aid to brokerage firms. This study suggests that investors prefer to hold stocks of high-quality companies and those financial analysts help the marketing efforts of brokerage companies by focusing their analysis on such stocks [27].

In summary we can say that in brokerage services marketing in Iran as like as marketing in other small businesses, are mostly based on traditional and experimental methods and since competitive conditions in real meaning have not been existed, this method has been effective so far.

But according to the findings of this study and brokers' opinions and with respect to competitive conditions brokers and agents, in the future stocks brokers need to get familiarized with systematic and scientific marketing methods or provide areas of evaluation in brokerage marketing management through employment of professional consultants and experts.

5. Suggestions

Considering the pattern obtained from the test, following suggestions are offered to brokers:

- ❖ Brokerage marketing model is a contingency model which can be changed to an outstanding one through training, consulting and research cores.
- ❖ Given the lack of sufficient knowledge and skills in this filed in brokers' community-level, it is suggested that the National Stocks Exchange organization holds a series of courses in the fields of marketing and management services.
- ❖ Marketing brokerage services can be changed through three aspects 1) by the Stocks Exchange, 2) by brokers individually and 3) marketing institutions.
- ❖ Also it is suggested that in academic environments some courses like management or marketing of brokerage services in addition to financial courses are taught in order to clarify public and brokers opinion.
- ❖ Considering that we are in the path of globalization and the stocks exchange cannot separate itself apart from this fact, knowing marketing models in other countries, particularly successful stocks exchange around the world by appropriate study groups as well as modeling for future might play important roles.
- ❖ Applying marketing concepts and techniques in brokerage services can develop transactions and dealings in a brokerage. In this area, the role of managers in brokerage companies is very vital, as their resistance to apply these methods is a serious obstacle for changing of marketing system in brokerage companies. In this regard, strategic planning of brokerage companies and developing marketing strategies seem essential.
- ❖ Target market should be categorized with respect to the retail and whole dealings.
- ❖ Establishing of the public relations unit in the retail trade could lead to development of deals and transactions.
- ❖ Using information brochures is not recommended.
- ❖ Providing counseling and guidance for investors is always recommended. Also, creating a collection data system and providing information can be useful. In addition, helping the customers seems necessary. In this area, the creation of an advisory relationship and establishing a consulting department can be beneficial.
- ❖ Reputation of stocks brokerage in whole dealings could result in deals development.

- ❖ Brokerage name does not necessarily attract investors.
- ❖ Attracting investors trust by employees can always be effective. In this ways, attracting trust, including providing benefits, keeping secrets, strengths in human skills, strong technical skills, honesty and accuracy are recommended.
- ❖ Brokerage staff characteristics such as attitudes, knowledge, expertise and tracking of transactions have significant affects on the retail trade.
- ❖ Human resources management and particularly justification and education of staff for attracting trust and consent of investors are effective.
- ❖ Easy access to brokerage office in retail dealings can lead to development of deals and transactions. In this regard, having representation in cities or in different parts of Tehran (capital) and joint cooperation with banks and other financial institutions for transactions are recommended.
- ❖ Considering the appropriate location in retail trading is vital. Processes of transaction and trading toward increasing accuracy and speed and providing required consultancy affect customer satisfaction.
- ❖ Diversity of trading methods impresses retail dealings and indirect transactions such as labor process for industrial workers without direct visiting, accepting phone orders and deposit customer money in to their account without visiting can be exemplified.

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