

THIS IS A SAMPLE SYLLABUS!!!

Leonard N. Stern School of Business Graduate Division

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Marketing of Financial Services
B70.2321

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Course Objectives

(Nonmarketing Majors) to provide targeted marketing coursework and concepts designed to enhance understanding of significant marketplace and marketing issues driving competition in the financial services industry.

(Marketing Majors) to provide a broader base of industry specific marketing knowledge so that the ability to contribute to business objectives is speeded.

Overall Course Theme

Traditional structural analysis of the financial services industry suggests that it should degenerate into a commodity-like battle with low levels of profit for participants. This is because of such factors as the large numbers of competitors in most sectors and ease of comparing product performance among suppliers. The continuing consolidation among banks is one example supportive of that view. Yet empirical reality in many sectors of the industry suggests otherwise. Our hypothesis is that there is some combination of buyer behavior and marketing strategies that slow the commoditization process. The purpose of this course is to learn which of those factors are most potent in slowing profit convergence and the ways in which firms employ them to their advantage.

Course Overview

The course is divided into three main sections. The first section explores the strategic situation that characterizes financial services and provides an overview of financial services businesses. With this foundation, the second part of the course proceeds to explore the marketing decisions faced in financial services through the class discussion of case studies. In the third section, student teams will present their analyses of specific sectors of the financial services industry focusing on the marketing activities of a chosen firm in the sector.

Materials

- 1 Case Packet with Case Studies (Available in the bookstore).
- 2 **“Differentiate or Die” by Jack Trout**
- 3 **“Selling the Invisible” by Harry Beckwith**
- 4 **“Execution- the Discipline of Getting Things Done” by Larry Bossidy & Ram Charan (recommended- not required)**

Assignments

Class Participation = 20% of Grade

In-class case discussion is a learning process which depends on active, prepared participation on the part of all students. By taking this class, you contract with both the professor and with fellow students to have prepared the case and to actively participate in the discussion of the case in order to maximize the learning for yourself and your fellow students. In order for the process to work each student will need to use your name card every class session and, after the first class session, to take the same seat for the remainder of the term.

Your participation will be evaluated on a quantity x quality basis. Obviously, not attending class or not participating reduces the quantity part of the equation to zero. It should also be noted that participation without quality can have a similar result. All are aware that there is a great disparity in the natural inclination to participate. All have experienced the individual who talks too much with little substance or who cannot stick to the topic or whose comments exhibit little reflection. Please use a little self-analysis to determine if you may fit into one of those categories and modify your behavior accordingly. The best way to avoid those problems is to come to class well prepared. For your information the instructor will make notes following each class session on your contributions in order to accurately reflect each students' participation.

Study questions for each case are contained in Appendix B of this syllabus.

2 Case Studies Written Analysis = 30% of Grade

Two cases will require written analysis. First Direct: Branchless Banking and Citibank, Launching the Credit Card in Asia. These two cases represent key foundational concepts of the course and the written submissions are required in hard copy only at the beginning of the class when the cases will be discussed.

Course Project and Presentation =30% of Grade

A major element of this course is the study of a specific sector of the Financial Service Industry and the presentation of the results of that study including recommendations for the marketing strategy of a specific firm in the sector. In overview form, a team of students will perform a literature and web search. It is encouraged that you interview industry executives to 1) gain an overview of the industry sector and its key drivers, and 2) to study and analyze the marketplace strategies and actions of a set of relevant competitors. The report of this work is to be contained in a set of transparencies (PowerPoint format) and communicated in a presentation capable of being delivered uninterrupted in 20 minutes. The presentation itself, however, will be fully interactive. There will be questions and discussion during the presentation.

Details of the project and presentation are contained in Appendix A of this syllabus.

Individual Final Integrative Paper to Support Presentation = 20% of Grade (due 12/14/98)

Reflection is an important aspect of learning. At the end of each lecture, case discussion period, and student group presentation, 5 or so minutes will be scheduled to elicit the class' lessons learned. The final paper is designed to complete your learning experience by having you integrate the learnings you gained across all of the cases and your field research. It is to be no longer than 10 pages, double-spaced and may have as many exhibits attached as necessary although those exhibits are not to be used to sneak in more prose.

The paper should be organized using key lessons (or themes if you prefer) as main headings with subheads as appropriate. These lessons or themes will require you to reflect on the learning experience and to find higher level concepts for you to integrate the course's content. It is expected that in illustrating those themes, you will refer to and use as examples all of the cases and presentations including discussion points made during class sessions. Since much of the learning involves not just the case (or presentation) situation and facts but the insights gained in the discussion of them, you will find it useful to take notes appropriately. You may find it useful to think about creating a standard format for yourself to record ideas in some logical manner to make the task easier and less haphazard.

Readings

In addition to the case studies listed in the session outline, the following books will be used as the basis of discussion in the course. They are to be read in their entirety:

“Differentiate or Die” by Jack Trout
“Selling the Invisible” by Harry Beckwith

Cases will include companies from the following industry categories: consumer banking, private banking, investment banking, insurance, mutual fund/ portfolio management, alternative investments (hedgefunds).

Session Outline

9/24 Introduction
Lecture: Service Concepts and Financial Services
Reading: Global Financial Services Industry (Case Packet)/ Meridien White Paper (Website)

Setting the Stage

10/1 Lecture: Competitive Strategy in Financial Services
Exploring Relationships and Relationship Strategy
Valuing Customer Relationships
Reading: Mismanagement of Customer Loyalty (Case Packet)/ Supply Chain Challenges: Building Relationships (Case Packet)

Managing Strategy in Financial Services

10/8 Case Discussion: First Direct: Branchless Banking INSEAD —write up due at beginning of class

10/15 Harvey Golub: Recharging American Express (Case Packet)

10/22 Case Discussion: Citibank: Launching the Credit Card in Asia Pacific (A) write up due at beginning of class (Case packet)

Case Discussion: Investment Management, Mutual Funds

- 11/5 Guest Lecturer: Neal Brandi, Founding Partner Neal Brandi and Associates
Case Discussion: New York Life Insurance Company: Pension Department 9-591-051
- 11/12 Guest Lecturer: Robert Akeson, Senior Managing Director, Neuberger Berman Prime Brokerage
Case Discussion: BayFunds 9-595-031
- 11/19 Case Discussion: Fox Venture Partners 9-296-041

Case Discussion: Investment Banking

- 11/26 Case Discussion: European Bank for Reconstruction and Development: Marketing Strategy for the Debut Bond Offering (Case Packet)
Chase Strategy for Syndicating the Hong Kong Disneyland (Case Packet)

The Impact of Electronic Banking and the Internet

- 12/3 Paybox Mobile Payment Service (Case Packet)

Team Presentations

- 12/10 Team Presentations
12/17 Team Presentations
Lecture: Course Summary

Appendix A

Project Description

Purpose

The purpose of the term project is:

1. to apply the course concepts to a specific sector of the financial services industry,
2. to practice skills in industry and competitive analysis, and
3. to gain in-depth knowledge about how marketing strategy and tactics in financial services contribute to business success.

Output

The term project will have two outputs:

1. an individually written document detailing the findings of the study integrating course concepts
2. a twenty minute team presentation which communicates the study's key findings.

Project Description

To develop a live “case study” evaluating the effectiveness of a particular business line’s marketing strategy in a real life context. Students will work in teams and have access to corporate decision-makers. You are expected to take on a senior consultant’s role in an effort to find points of opportunity and risk within the businesses, integrating course concepts when possible. You are expected to conduct extensive interviews with management, do web searches, etc. as part of the data gathering process. This maps the beginning of the “value chain”. Students will also have privileged access to listen in on customer service calls (the “end of the value chain”) to help determine where the points of opportunity and risk are in the business (listening to the customers’ voice). The final presentation should articulate research methodology (which should include competitive research for benchmarking), observations, conclusions, recommendations. To the extent possible, all risks and opportunities should be quantified. Some students have chosen to do a formal SWOT analysis as the outline to present their findings. The final presentation will be presented to an audience of your peers who will act as the board of directors.

Background

Most organizations have a defined market strategy that is initiated and developed from a corporate level marketing or business management group. This strategy, which typically includes all the disciplines discussed in class: competitive analysis, target market identification, product development- capabilities and pricing model, new client acquisition strategy, retention model, cross-selling model, servicing model, technology implementation, integration and long term planning. You are to pay particular attention to these “points” in the value chain to determine where the business is gaining or losing competitive advantage.

Suggested Outline and Content

Company Performance vs. Peer Group

1. Relevant strategic level industry performance data (# firms, total revenues, profits and growth trends, market share distribution, market valuation, etc.).
2. Industry data by key market segments, product offerings, customer type and relevant trends in each.
4. Typical firm economics (how do firms make money?) and typical customer economics (What’s the average “life” of a customer? How is the P&L impacted with increased longevity? What is the value of a typical customer? How is the P&L impacted with one percent improvement in retention?).
5. Major economic, technological, political, and social forces facing the industry and to which it must respond.

The Value Chain For The Company

1. Relative marketplace positioning, value proposition, product capabilities, and customer dimensions. How does it compare competitively?
2. Performance measures i.e. market share, revenue, and profitability trends.
3. Competitive performance of new products, channels, customer satisfaction, cost position, quality, etc.
4. Marketing strategy choices advertising and sales force expenditures and headcounts (as possible), pricing strategy, branding, distribution, etc. THIS IS EXPECTED TO BE A MAJOR FOCUS OF THE STUDY AND PRESENTATION. YOU MUST INCLUDE A REVIEW OF THE WEBSITES OF THE COMPETITORS. How is their strategy reflected in how the website is designed? The architecture? The interactivity w/ potential clients? Their ability to conduct e-commerce over the site? The information available, ease and relevance to the potential customer. The graphics, feel, tenor, voice etc.
5. Key issues and problems facing the company

6. Describe the competitive landscape in the future and how they will fare
7. Recommendations and conclusions.

Data Sources

Teams are expected to perform literature searches and personal interviews to obtain the data for the study. Primary research including personal interviews, document reviews and listening exercises will form the foundation for the study. Trade magazines, industry studies, annual reports and 10Ks, and financial analysts reports will provide industry context. For a good overview of conducting an industry study, see Michael Porter, *Competitive Strategy* (The Free Press, 1980) Appendix B "How to Conduct an Industry Analysis).

Presentation and Report Styles

Presentation capable of uninterrupted delivery in a maximum of 20 minutes although it will be interactive with questioning throughout. The presentation is to be in PowerPoint and a hard copy and diskette containing the presentation are to be submitted. The presentation should contain the full name of its authors and the date of the presentation. The presentation should follow the outline above with the addition of a single executive summary slide up front.

Written Report-- follows the outline above with a single page executive summary detailing key findings. The report is to be of the same professional quality as one that you would submit to a prospective employer if asked for a sample of your work.

The report should be in prose form (although not wordy) and tables and figures should follow the page on which they are first discussed (or integrated into the text if your word processing skills allow). It is expected that you will use heads and subheads to help the reader understand your logic and organization.

All tables and figures are to have useful, descriptive titles and should be appropriately numbered. The source of all data used should be noted on each table or figure and a complete list of references used is to be included (there is nothing worse than inheriting a key report from your predecessor which does not reference data sources!). Backup data and similar material should be contained in appendices.

There is no page minimum or page limit to the report. Groups are expected to cover the topic at a professional level. For ease of reading, the report should be submitted either in a three-ring binder or simply stapled.

Appendix B:

Study Questions

Harvey Golub, Recharging American Express

1. What challenges did Harvey Golub face in late 1992? What alternative courses of action could he have pursued? What is your evaluation of his chosen approach?
2. What is Golub hoping to achieve by turning American Express into a principles-driven organization? What are the benefits and risks of this approach?
3. What are the critical elements of American Express measurement and reward systems? What roles have they played in the change process?
4. What were the major phases in the change process at American Express? How do the first and second waves of reengineering compare?
5. What is your assessment of Golub's approach to management? His goal of making

American Express one operating company?

Study Questions

Write Up Questions

Citibank: Launching the Credit Card in Asia Pacific (A)

1. Should Citibank launch the card product? Why or why not?
2. Given its upscale customer base, how should Citibank position its card if it decides to launch it? What demographic groups are highest potential, lowest risk?
3. Which countries should Citibank enter first? Which countries should it avoid?
4. How should Rana Talwar convince his country managers and headquarters to accept the card product? What organizational mechanisms does he have in his control?
5. If you chose not to introduce the card, what would you do to achieve the \$100 million earnings target by 1990? What kind of branch banking products should the bank offer?

Study Questions

IDS Financial Services

1. Working from Exhibit 3 and the knowledge of the size of IDS's client base in Exhibit 5, what is the value of a customer to IDS per year? (Value per year is the annual revenue less variable costs) See whether you can compare the value of a customer who has bought a financial plan to one who has not, and hence calculate the value to IDS of selling a financial plan. Do you think this is the same as the value of a financial plan to the customer?
2. Knowing the average retention rate from Exhibit 5, can you estimate the value of a customer to IDS, not annually, but as a capital sum? How about the value of a plan as a capital sum? Again, does this seem in line with the value of the plan to the customer? How does it compare to the price of the plan?
3. What does IDS spend to acquire a customer? What do they spend to retain a customer? Is the ratio about right?
4. What is your advice to Saunders now?

Study Questions

New York Life Insurance Company: Pension Department

1. What are the major differences between defined benefit and defined contribution plans and how do these differences affect the marketing of pension plans?
2. How has NYL's strategy evolved with the market? How would you assess NYL's performance to date?
3. What are the issues with respect to NYL's sales force? How would its role differ with a greater emphasis on defined contribution plans?
4. What, if anything, does NYL learn from the market research data?
5. What should O'Connor do with respect to record keeping? Would these changes be strategic or tactical?

Study Questions

BayFunds

- 1.How would you compare Baybanks customer base to those of its major Massachusetts competitors?
- 2.How would you evaluate BayFunds performance to date in marketing its funds versus its Massachusetts competitors?
- 3.What is the relative profitability of BayFunds proprietary funds versus the profitability of third party funds with loads? What are the short-run and long-run financial implications of each type of fund? What are the non-financial implications?
- 4.Evaluate BayBanks basic premise in launching BayFunds.
- 5.Given the choices facing Judy Benson as shown in Exhibit 18, which of the initiatives would you recommend she concentrate her limited time and resources on? Specifically, what action do you recommend she take with respect to third party funds?

Study Questions

European Bank for Reconstruction and Development

- 1.What challenges does the European Bank face in marketing itself and its products in the international financial markets?
- 2.Determine a recommended strategy for the bond launch. What are the pros and cons of your strategy? What are the pros and cons of the strategies outlined in the case?
- 3.What are the strengths and weaknesses of each of the four investment banks contending to lead manage the offering?
- 4.How would you price the bonds?
5. Should the Banks Treasury unit be profit guided or profit maximizing? How does this affect your marketing strategy?

Study Questions

Write Up: First Direct: Branchless Banking

- 1.Describe the marketplace dynamics into which First Direct was attempting to launch a new competitor?
- 2.How would you describe the buying behavior of the retail banking public in Great Britain?
3. What were the risks to success?
4. What crucial strategic decisions did the team make at each juncture ie: identifying high potential target market, points of differentiation, design and use of systems and technology, the hiring and training of human talent etc. that influenced the outcome?

