KENYATTA UNIVERSITY

UNIVERSITY EXAMINATIONS 2017/2018

FIRST SEMESTER EXAMINATION FOR THE DEGREE OF BACHELOR OF COMMERCE

BAC 413: MARKETING OF FINANCIAL SERVICES

DATE: Wednesday, 7th February 2018 **TIME: 4.30 p.m. - 6.30 p.m.**

INSTRUCTIONS:

The Paper has FOUR Questions
Answer ALL Questions.

QUESTION ONE

a) Segmentation is essentially a process whereby a provider of financial services chooses to group prospective customers together on the basis of a set of common characteristics that have significant implications for its marketing activity. There are different classification of bases for segmentation among them Psychographic segmentation, the science of measuring and categorizing consumer lifestyles, buyers are divided into different groups on the basis of their social class and life styles.
Using relevant example, explain how the Psychographic segmentation classification is used in Marketing of financial services. (8 Marks)

b) Marketing of financial services is different from marketing of goods and services, this has implication on the marketing mix used by the financial service providers. Identify and explain EIGHT components or Ps that influence the marketing strategy of financial services providers.

(8 Marks)

QUESTION TWO

Advertising is one of the most important decisions in the marketing of financial services. Advertising serves multiple roles for the financial services organization as well as for the individuals who use those services. Several factors differentiate the advertising process in financial services from advertising in other contexts or markets. There are unique aspects of advertising in financial services.

Required:

a) Discuss FOUR challenges facing Advertising of financial services. (8 Marks)

b) Explain FOUR critical success factors for financial market advertising. (8 Marks)

QUESTION THREE

Consumer behaviour can be defined as the behaviour that consumers display in searching for, purchasing, using, evaluating and disposing of financial products and services that they expect will satisfy their needs. The study of consumer behaviour is the study of how individuals make decision to spend their available resources (money, time and effort) on consumption-related items. It includes the study of what they buy, what they but it, how they buy it, when they buy it, where they buy it, and how often they buy it. Social and economic factors affecting the demand for financial services.

Required:

a) Discuss the following frameworks used to explain financial service behaviour.

   i) Engel-Kollat-Blackwell model (6 Marks)

   ii) Consumer behaviour matrix (6 Marks)

b) Briefly explain five characteristics that distinguish financial services marketing from marketing of goods. (10 Marks)

QUESTION FOUR

Pricing a financial service is both an art and a science. *The "art" of pricing is in careful and considered communication to and feedback from customers and staff to ensure that pricing messages are appropriately and correctly delivered. The 'science' of pricing is in ensuring that the product is profitable and is competitive in the market, that aside from very few specific and chosen loss leaders, that each products returns a profit.* Cracknell and Messan (2006).

Required:

a) Using three factors, critically analyze the challenges of electronic banking pricing in emerging market like Kenya. (6 Marks)

b) Explain how the following pricing strategies can be applied in financial services marketing.

i)	Loss Leaders	(3 Marks)
ii)	Regulation-Based pricing	(4 Marks)
iii)	Penetration Pricing	(3 Marks)
iv)	Cost-Based Pricing	(4 Marks)