Chapter 9
Mutual Fund:
Marketing Mix and Promotional Strategies

Shalini Chhabra
Aklank Girls P. G. College, India

ABSTRACT

Mutual funds provide various facilities that make saving and investing simple, accessible and affordable, by using professional management, diversification, variety of products, liquidity, affordability, convince. Moreover, strict government regulation and full disclosure of information makes the investment more secures in India. In India mutual funds market the key area of interest of market experts are understanding the investor's expectations and meeting those expectations. The mutual fund sector is one of the fast growing sectors in Indian economy and has tremendous potential for sustained future growth. The present era of exponential growth has seen changes, refinements and innovation etc. the industry needs to identify the expectation and houses of the investors and meet their expectations in a better way by overcoming the challenges the mutual fund industry is facing. Keeping in view that ever increasing competition of similar or alternative product, marketing has been concerned the most vital area of operation of Mutual funds industry. Mutual fund Marketing is different from marketing of other goods. The present chapter tries to explore the marketing strategies adopted by Mutual funds, the different 7 Ps that are involved by the various mutual funds for attracting the investors.

CHAPTER OBJECTIVES·

- To understand the Concept of mutual funds, ·
- To study the Elements of Mutual Fund Marketing Mix and the 7 Ps concept,
- To study the preferred distribution channels of mutual funds industry
- To study methods adopted by mutual funds for the promotion and advertisement,
- To study the challenges faced by the mutual fund industry related to Marketing strategy.

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INTRODUCTION

A mutual fund is a financial intermediary that pools the savings of investors for collective investment in a diversified portfolio of securities. A fund is “mutual” as all of its returns, minus its expenses, are shared by the fund’s investors (Meena, 2011). The Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 defines a mutual fund as a fund established in the form of a trust to raise money through the sale of units to the public or a section of the public under one or more schemes for investing in securities, including money market instruments. According to the above definition, a mutual fund in India can raise resources through sale of units to the public. It can be set up in the form of a Trust under the Indian Trust Act. The definition has been further extended by allowing mutual funds to diversify their activities in the following areas: · Portfolio management services · Management of offshore funds · Providing advice to offshore funds · Management of pension or provident funds · Management of venture capital funds · Management of money market funds · Management of real estate funds A mutual fund serves as a link between the investor and the securities market by mobilizing savings from the investors and investing them in the securities market to generate returns. Thus, a mutual fund is akin to portfolio management services (PMS). Although, both are conceptually same, they are different from each other. Portfolio management services are offered to high net worth individuals; taking into account their risk profile, their investments are managed separately. In the case of mutual funds, savings of small investors are pooled under a scheme and the returns are distributed in the same proportion in which the investments are made by the investors/unit-holders. Mutual fund is a collective savings scheme. Mutual funds play an important role in mobilizing the savings of small investors and channelizing the same for productive ventures in the Indian economy.

BACKGROUND

The growth of the mutual fund industry in India can be divided into four phases: Phase I (1964-87), Phase II (1987-92), Phase III (1992-97), and Phase IV (beyond 1997).

Phase I

The mutual fund concept was introduced in India with the setting up of UTI in 1963.The Unit Trust of India (UTI) was the first mutual fund set up under the UTI Act, 1963, a special act of the Parliament. It became operational in 1964 with a major objective of mobilizing savings through the sale of units and investing them in corporate securities for maximizing yield and capital appreciation. This phase commenced with the launch of Unit Scheme 1964 (US-64) the first open-ended and the most popular scheme. UTI’s investible funds, at market value (and including the book value of fixed assets) grew from Rs 49 crore in1965 to Rs 219 crore in 1970-71 to Rs 1,126 crore in 1980-81 and further to Rs 5,068 crore by June 1987 (Tarun and Bodla,2001). Its investor base had also grown to about 2 million investors. It launched innovative schemes during this phase. Its fund family included five income-oriented, open-ended schemes, which were sold largely through its agent network built up over the years. Master share, the equity growth fund launched in 1986, proved to be a grand marketing success. Master share was the