Service Marketing Mix Expectation Gap (An Empirical Study of Stock Exchange Market in Iran)

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Abstract—In today's competitive world, it is inevitable to have expertise, knowledge, and marketing experience for financial market activators, especially the brokerage firms. This is essential along with performing the marketing operations and beside intermediaries and carrying on the daily transactions of shares in stock exchange market. The objective of the study is investigating gap expectation between two groups of activators in stock exchange market in Iran. The first group is about brokerage firms, while the second one is the investors in the capital market. The research methodology used in this study is based on both survey and description methods. So far accurate answer to the research questions, the authors design and developed a questionnaire which it is the most suitable for this study. A survey questionnaire was completed by two groups of brokerage firms and investors those who are activating in Iranian stock exchange market at the end of 2009 and in the mid of 2010. The finding of this research state that there are gap between brokerage firms and investor’s point of view in case of application the service marketing mix to attract investors to the Iranian capital market.

Keywords: Service marketing mix, Gap expectation, Brokerage firms, investors.

I. INTRODUCTION

Over the last two to three decades, service quality, customer satisfaction, customer perceived value and loyalty have been ongoing research areas in worldwide marketing literature (Boulding et al., 1993; Caruana and Msida, 2002; Durvasula et al., 2003/2004; Ladhari, 2008; Tam, 2004; Rust and Oliver, 1994). Compared to the focus of much of the literature, financial services, including stock broking, are more complex than other services and deserve more in-depth attention. This study addresses a substantive topic of high significance to customers (financial services) which has been almost “completely neglected in marketing research” (Martenson, 2008, p. 142). Financial marketing like the traditional one tries to seek the new customers for the financial product. The more strong the process of the financial marketing, the larger the number of the customers are found, and accordingly the capital market is more developed in every country. Many researchers on this subject have been performed in developed countries, but not in the developing countries. The main goal of this research is to enlighten the academic opinions in marketing tools of financial sector. As Srinivasan Joshi and Hanssens (2009) have stated, the track of marketing is very little in financial marketing.

1) History Of Tehran Stocks Exchange

TSE opened in February 1967. During its first year of activity, only six companies were listed in TSE. Then Government bonds and certain State-baked certificates were traded in the market. The Tehran Stock Exchange has come a long way. Today TSE has evolved into an exciting and growing marketplace where individual and institutional investor trade securities of over 420 companies. TSE activities process could be divided into three periods: A) Since the beginning of TSE activity until revolution (1967-1978) In the period of 1967 to 1978 the number of listed companies and their capital raised from 6 with IRRs 6.2 b to 105 (22 private banks, 2 insurance companies, and 81 industrial corporations) with IRRs 240 b. In 1967 the value of shares and bonds traded in the TSE, was IR 15 m, which increased to IRRs 34.2 b in 1978. Actually, most of this development activity was due to the ratification of ownership development of manufacturing units’ stocks and tax exemption for the listed companies’ laws.  B) Since revolution until the end of imposed war:(1979-1988) In the second period of TSE activities, two important events i.e. the Islamic revolution and Iraq's invasion were reduced exchange activities severely and exiting number of listed companies from TSE. In 1978 the value of shares traded was reduced to IRRs 4.1 b and this trend continued to 1982 and reached IRRs 9 m. From 1982 the trend of shares value increased and finally at the end of the period reached IRRs 9.9 b. c) Since the end of imposed war until now (1989-2006) In fact, TSE was taken into account as one of the most important executive mechanisms for national economy optimization in order to facilitate the equipment and active contribution of the private sector in the productive activities through transferring some of the state duties to the private sector, gathering and errant savings, all to be directed toward investment. In 1989, economic authorities' attention to restarting of TSE activities increased the number of listed companies from 56 in 1988 to 422 in 2006. Furthermore, in 1988 the annual value of shares traded in the TSE, was IRRs 9.9 b, which increased...
Figure No.1: Structure of stock exchange marked in Iran

Supreme Council of Stock Exchange

Information Technology Co of Tehran Stock Exchange

Stock Exchange Organization

Information Technology Co of Tehran Stock Exchange

Control Exchange After Exchange

Tehran Stock Exchange

Iranian Commodities Stock Co.

Over The Counter CO

Other Stock Exchange

Brokerage of Stock Exchange

Commodities Stock Brokerages

Investment Safes and Banks

Financial Processors

Other Financial Constitutions

Brokerages Center

Constitutional Investment Center

Financial Constitutions

Oil Stock Market Electricity Stock Market

Figure No.1: Structure of stock exchange marked in Iran
to IRRs 44.8 b in 2006. During this period, especially between 2001-2004, return of TSE investments grown up considerably and in 2003 reached to 131.4% which on that year was the highest return between WFE's members.

2) Structure of stock exchange marked in Iran

The structure of stock exchange marked in Iran illustrated in figure No.1, which shows, there is no any concept and position for marketing. Therefore for we need to clarify the application of the marketing in stock exchange Market which named financial marketing.

II. REVIEW OF LITERATURE

The has indicated the moderating effect of customer expertise on service performance expectations (Jamal and Naser, 2002). Increases in customer familiarity will increase customer expertise (Alba and Hutchinson, 1987). Expert customers have higher expectations (Jamal and Naser, 2002). Customer perceived value has been of research interest in the marketing field over the last decade (Eggert and Ulaga, 2002). There are many definitions of perceived value. Researchers have not reached consensus on a single definition (Day, 2002). In parallel with the Gaps Model of service quality, Woodruff (1997) suggested that customer perceived value was the difference between desired value and perceived value. Stock trading in Singapore is governed by the Securities and Futures Act (Singapore Monetary Authority, 2006). Stock broking services refer to those provided by self-employed commission-based brokers with a fundamental role of buying and selling stock for investors (Chan et al., 1991). The marketing of financial products is a major enterprise, as indicated by the size of brokerage firms' payrolls. Stoll (1993) reports that in 1989, compensation to registered representatives (i.e., brokers) exceeded $9 billion. Clerical and administrative employee expenses added another $10 billion. The market for stocks, however, is hardly saturated. Mankiw and Zeldes (1991) report that only 27% of households own stocks (including mutual funds), and even among households with liquid assets of $100,000 or more, the proportion is only 48%.

(1) investors tend to identify stocks of high-quality companies as stocks with
(2) institutional investors prefer high-quality companies to comply with their fiduciary responsibility for prudent investing.

The reason we have chosen to focus on these three issues is because they are some of the financial marketing subject areas where one of the authors of this article has published numerous commentaries about, predominantly due to the fact that they have been debated within boardrooms of the major financial institutions for a number of years. Financial institutions have been grappling with these issues for a while now and have found it hard to institute the necessary mechanisms that might help manage them more effectively. In those commentaries the author has made certain assertions that we believe might make sense in theory but that are quite difficult to implement in practice. The aim of this article is to critically appraise their viability in practice. By choosing the areas that our co-author has focused on, we hope that we can avoid being accused of using this article to criticize assertions made by our peers. Our aim is to bring honesty and objectivity into this debate. (Shahin Shojai) The people and management factor in Stock Exchange includes:

- Training, specialized skills development of employees;
- Rewards/incentives policy relative to relationship building and customer retention;
- Focus on change management when required (user involvement, communication, and re-training);
- Deployment of an internal marketing plan to establish a (service marketing Department) consciousness; and

Although respective researchers have conducted empirical investigations involving the concept of marketing effectiveness, few conceptual measures of the construct exist. However, Kotler's (1977; 1997) operationalisation has been cited as one of the best known measures of marketing effectiveness (Webster, 1995). According to Kotler, the marketing effectiveness of a firm entails an amalgam of five components, notably: customer philosophy; integrated marketing organization; adequate marketing information; strategic orientation; and operational efficiency. First, it is imperative to identify the importance of studying the market, recognizing the numerous opportunities, selecting the most appropriate segments of the market to operate in and endeavoring to offer superior value to meet the selected customers' needs and wants. Furthermore, the firm must be suitably staffed to enable it to perform marketing analysis, planning and implementation. Subsequently, marketing effectiveness calls for managers to have sufficient information for the purposes of planning and effective resource allocation to varying markets, products and territories. Marketing effectiveness is also contingent upon the adeptness of managers to deliver profitable strategies from its philosophy, organization and information resources. Ultimately, marketing effectiveness depends upon the ability to implement marketing plans successfully at various levels of the organization. The real problem with quantitative measures, however, is the difficulty in knowing what is to be measured, and how this is to be defined. The measurement of attitudes, perceptions, and beliefs is extremely complicated. In this case, it is necessary to understand these attributes over time, as the securities house salesman is trying to create a relationship with the buyer over a long time period. The dyads are managing a continuous process, or continuously “shooting at a moving target” in the words of one research participant The relationship is continuously changing. Therefore, any mechanical, quantitative method, such as administering a questionnaire, would only capture an instant “snapshot” of the process, and,
aditionally, one which would be incapable of precise definition. (Katherine Tyler).

1) The Marketing Orientation In Iran Financial Services

The IRAN financial services sector is perceived as having been highly undeveloped and reluctant to adopt the marketing concept (Morgan, N. and Piercy). It has been characterized as supply orientated – principally concerned with operational, risk and financial issues and, in marketing terms, product led. A range of well established products would be sold, “hard” in some areas such as life assurance, or left to be “bought” in others (Ennew, C.T., Watkins, T. and Wright, M). Relatedly, marketing activities, ideas and departments within companies were limited in their scope and afforded low status in relation to other business “disciplines” such as accounting and actuarial work [18]. An early exception to this generalization was the retail banks which, according to Clarke, were by 1988 entering the “final” evolutionary stage of marketing development – the “marketing control” era – where the marketing concept drives the whole organization.

2) The Concept Of “Need”

The concept of “need” has a long history within the field of industrial psychology where it was originally seen to fill the conceptual gap between stimulus and response in behaviorist theory. The stimulus was seen to elicit a response if the individual had a need that could be satisfied by such a response. It was particularly adopted in motivation theory when the presumed causal relationship between job satisfaction and work productivity/performance failed to be confirmed in several empirical studies (Vroom, V.H). Mc Carthy (1964), offered 4ps as marketing mix and introduced that to the scientific centers. He introduced four main factors as an effective factors in the marketing of products. These factors were product, price, place and promotion. According to his point of view, all activities in the field of product and service marketing can perform in the frame of four main factors (Mc carthy and others, 2003). The above perspective did not consider the vary of activities in different businesses, and offering same alternative for all marketing dimensions (Bennett, A.R, 2000). The service marketing mix is a set of controllable and predictable tools that an organization makes use to produce the response it wants and needs from its different target market. It consists of everything that the brokerages can do to influence the demand for the services that it offers. The product is what is being sold (Jonathan Ivy, 2008). It is more than simple set of tangible features; it is the complex bundle of benefits that satisfy customer needs. In the case of brokerage firms, what is being sold is widely debates. Some state that the package of shares offered by brokerage for attract the investors and large enterprises are the raw material and also entry of new and large enterprises will go to this variable. The kinds of share offered are ultimate procedure for element of products.

The price factor of the service marketing mix is character by being charged for the brokerage firms as a commission and the total price of each share made by the stock exchange market. This factor not only affects the revenues the stock exchange market (brokerages) derives from its purchase, but also affects investors and financial market activators as well. Place consists, distribution in both channel and physical models that the brokerages adjusted to provide profitable shares of large enterprises to its market for responsiveness to the financial market activators. Providing another channel to distribute shares to the customers even at out of the regular system. Promotion involves all the tools that brokerage firms can use to provide the market through information and its service offering: advertising, publicity, public relation and sales promotional endeavors. Different above elements are used for different publics. In fact some publics, like prospective large enterprises, are too important that a number of promotional tools will be aimed at them for benefit and reputation purposes. The people element of the service marketing mix consists all the personnel of the brokerage firms that interact with prospective financial market activators and in fact once they are purchased as customers of stock exchange market. Thus at the level of financial activators perceptions of advising personnel of brokerage firms will play an important role in choice process, which influence on LSEs perception to entry the stock exchange market. Physical evidence and process are the latest to the service marketing mix. Physical evidence is the tangible assets and component of the service offering. A variety of tangible aspects will evaluate by brokerage firms target marketed, ranging from the shares material to the appearance of the place and advising facilities at the brokerage firms. While process are the administrative and bureaucratic functions of the brokerage firms and formally of entry to stock exchange market, the evaluating the marketing knowledge will be key role at the both brokerage firms and stock exchange organization. Service marketing differs from goods marketing cause of existence of necessities of different decisions. Therefore, they differentiated service marketing from goods marketing (Booms & Bitner). For the goods and products with tangibility nature have traditionally used a 4Ps model, on the other hand the same model will use for the products with the services nature as 7Ps approach in order to satisfy the needs of the service provider’s customer: product, price, place promotion, people, physical facilities, and process. Three more ps were added to previous 4p as personnel, physicial assets and process, can finally introduced a new mix marketing (7P) for services as well (Rafig, 1995) Early researchers stated that the implementation of marketing was dependent upon manageral philosophy and organizational marketing culture rather than marketing structures (Carson, 1968; Pearson and Wilson, 1967; Ames, 1970; Webster, 1981). McCar�hy and perreault, 1984; Boone and Kurtz, 2002) are discussed with focusing assumption that the CME is able to control or at least strongly influence organization
decisions about products, price, promotion, and place of sale. Greyser (1997) discussed that, as long as the formal function of marketing may well decline, the emergence and importance of the marketing knowledge within the company on the whole will increase. Achrol (1997) and Moor and Rust (1999) also address to anecdotal evidence to indicate that disintegration of the formal marketing function is occurring with activities being outsourced. Terrill, c. (1992) pointed out that the new services performance is essentially the task which bring about two components, the first is to be efficient to develop a strength point to respond to the needs of customers and, the second is to consider the present conditions of the capital market for offering the shares in developmental process.

III. OBJECTIVES AND RESEARCH APPROACH

The purpose of this study was to determine if the service marketing mix is used by investors when selecting shares to purchase through brokerage firms in stock exchange market of Iran recognize whether the service mix is used by brokerage firms in stock exchange. The research methodology used in this study is based on both survey and description methods. So far accurate answer to the research questions, the authors design and developed a questionnaire which it is the most suitable for this study. A survey questionnaire was completed by two groups of brokerage firms and investors those who are activating in Iranian stock exchange market at the end of 2009 and in the mid of 2010. Five-Point Likert Scale questionnaire was employed in this research. The Five-Point Likert’s scale having the ratings of “strongly disagree” (1) and “strongly agree” (5) were used. Keeping in view the hypotheses of the study, the questionnaire was prepared with 37 questions. Questionnaire was drawn for the two groups it aimed professional information and data relating to existing variables, product, price, place, promotion, peoples, physical assets and facilities, marketing process and performance as well as development of Iranian stock exchange market. In order to measure the qualitative groups such as opinion, attitude, perception and etc, the qualitative scale was converted to quantitative one. If any of two groups (respondents) ranked on attribute in place of The Five-Point Likert’s scale having the ratings of “strongly disagree” (1) and “strongly agree” (5) were used. Further the questionnaire is sub-divided into two parts in this section, part one the actual application of service marketing mix which renders by Brokerage firms to the investors and second part show the expected level of service marketing mix which renders by the brokerage firms. The statistical tools used in the study included mean value, standard deviation, and Mann-Whitney U Test for the purpose of analysis and interpretation. The sample fat this study has been selected from the investors those who are activating in capital market and recognized brokerage firms from Iranian stock exchange market. The simple random techniques have been used for selecting people as a sample which 70 of brokerage firms and 40 from well-known investors of the Iranian stock exchange market were the final samples for this research. The universe in this research is all of the brokerage firms and inventors of Iranian stock exchange market.

IV. HYPOTHESES OF THE STUDY

1) There is a gap between actual and expected situation in case of package of service offered from brokerage firms and investors point of view in Iranian stock exchange market
2) There is a gap between actual and expected situation in case of share pricing method from brokerage firms and investor’s point of view in Iranian stock exchange market.
3) There is a gap between actual and expected situation in case of distribution channels from brokerage firms and investor’s point of view in Iranian stock exchange market.
4) There is a gap between actual and expected situation in case of promotion methods from brokerage firms and investor’s point of views in Iranian stock exchange market.
5) There is a gap between actual and expected situation in case of brokerage firms’ staff from two group’s point of views in Iranian stock exchange market.
6) There is a gap between actual and excepted situation in case of physical assets and facilities from brokerage firms and investor’s point of views in Iranian stock exchange market.
7) There is a gap between actual and excepted situation in case of marketing process and performance from brokerage firms and investor’s point of views in Iranian stock exchange market.

V. DATA ANALYSIS

To reviwe existence difference between brokerage and investor attitudes in order to offered services through stock exchange market to attract the large scale enterprises. According to the nature of the data which is ordinal and for comparing the data of two groups the Mann–Whitney U test have employed. According to P-value result, all hypotheses at the level of 1% Alfa are accepted. Furthermore, the different exist between grade of mean in brokerage firms and investors are significantly accepted. Thus, we can state that there is huge gap between the actual and expected situation of brokers and investors in financial market of Iran. Also, the results of statistical test in the table.1 shows that, the greatest gap in between two groups is about physical assets and facilities, (Fifth hypothesis) while the least gap is about personnel of the stock exchange market of Iran.
VI CONCLUSION

The finding of this research state that there are gap between brokerage firms and investor’s point of view in case of application the service marketing mix to attract investors to the Iranian capital market. Also the result of foundation hypotheses support that the existence of huge gap in physical assets and facilities at the level of brokerage firms, while the existence of small gap in staff of brokerage firms in Iranian stock exchange market. 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 sciences has
entered into the new fields such as the service and financial market as the communities have advanced. (Rosta, 2006, p.31) Greyser (1997) discussed that, as long as formal function of marketing may well decline, the emergence and importance of the marketing knowledge within the company on the whole will increase. Taking into account that all seven hypotheses were accepted which the result of the study gives intense alarm to the brokerage firms for not using the marketing knowledge to data with investors of stock exchange market in Iran. so for the authors believe, be case of existence of traditional structure which employed years ago, marketing theories have no any place on that. So many problems are going to rise in this market. Thus to cover such problems the Iranian stock exchange market should make such decision to introduce the marketing knowledge, at least, service marketing into the atmosphere of this market, as well as activating brokerage firms. Finally the authors of this research suggest that the service marketing mix should enter to the organizational structure of stock exchange market in Iran.

VII. REFERENCE


