

**Columbia University  
Graduate School of Business**

Strategic Issues in the Marketing of Financial Services  
Professor Noel Capon  
B 9601  
Spring 1999: Th. 3:00-5:30  
Office Hours: Th. 1:00-3:30

509 Uris Hall  
TN: 212-854-3466  
Fax: 212-749-3549  
nc7@columbia.edu

**Course Objectives**

The financial services industry is characterized by significant environmental change (e.g., regulatory, technological, global), increasing levels of competition, and globalization. In part because of the turbulence in the industry, and in part because of Columbia Business School's unique position as a major business school in New York, Columbia MBAs are much sought after by financial services firms.

However, although technical expertise may be important in gaining entry level positions in this industry, students who are able to raise their sights to understand and develop perspective into the critical strategic issues facing financial services firms today will be the ones to progress to senior management levels. This course is designed to aid Columbia students in achieving these positions.

This focus of this course is the presentation of a number of viewpoints on the critical strategic issues facing various segments of the financial services industry, and the actions that leading companies are taking to address them. This will be achieved from presentations by, and discussion with, prominent executives from leading financial services firms. These individuals will address the issues currently faced by their organizations and the strategic actions currently being taken. (Each guest will be assigned a host student to ensure that s/he arrives at the classroom on time and is provided with appropriate refreshments.)

In addition, students will learn how to design and implement a coherent marketing strategy in various financial services sectors through lecture, discussion and case analysis. Students will complete a strategic marketing project based on a financial services organization of their choice.

Students are required to have a good background in both marketing and finance; course registration is conditional on successful completion of the core courses in marketing (B 6601) and finance (B 6301).

**Background**

During the past few years, significant turbulence has occurred in the several industries that together comprise the financial services industry. To a large extent, changes occurring in traditional ways of doing business have resulted from major environmental changes in technology, regulation and a broadened view of market possibilities along a geographic dimension. As a result, barriers that formerly separated one industry sub-segment from another (e.g., commercial banks, savings banks, insurance companies, investment banks, brokerage houses) have been dismantled and competition has increased for many participants, often on a world-wide basis. With protected positions diminished, many financial service firms look to marketing to improve their competitive status.

Despite the importance of the financial services industry to the economies of advanced societies, and massive industry changes (past and future), educational programs and business school courses in the marketing of financial services are rare. Columbia Business School is in a unique position both as a major

institution in New York, the city with perhaps the highest density of financial services firms in the world, and a research center that has prepared many case studies on financial services firms.

### **Pedagogy**

Each class session focuses on one area of the financial services industry. In general, a case discussion will be followed by a presentation from a leading figure in the financial services industry, and a question and answer session. Note that several cases in the outline are for background purposes only; these are placed in parentheses.

In order to gain the most out of the case study discussion, preparation in advance of each class session is very important. Furthermore, since much learning is derived from fellow students' contributions to class discussion, failure to prepare for class should be construed as breaking a contract with them.

As preparation for each guest speaker, students will be assigned to the various topic areas. Each student (or student group) will be responsible for developing a small set of reading materials, preparing a synopsis for their fellow students, and making a short presentation to the class. The materials must be prepared one week before the class in which their topic is being discussed so that fellow students can be prepared for the guest speaker.

At *each* class session you are expected to place a name card in front of you; failure to do so will negatively affect your grade because of the role class participation plays in grade assessment. You should assume the Professor has an extremely bad memory for names and requires the assistance of a name card! The name card is also a courtesy to the guest speakers. In addition, you must deliver a class card (including photograph, available from Student Affairs) to the Professor at the start of the course. A class list will be provided to each visiting speaker.

### **Course Requirements**

As indicated above, students are expected to contribute to the class discussion, 25% of the final grade. The final examination, a written case analysis, also counts for 35%; there is no mid-term examination. A term project (see below) counts for 40% of the grade.

### **Course Materials**

Cases and Readings Packet  
Hard copy overheads

## Course Outline

Session	Topics and Assignment
1	<p>January 21</p> <p>Topic: Introduction to course, cases, assignments, term projects Topic: The Financial Services Environment Topic: Special Dimensions of Financial Services</p> <p>Read: Capon, "Strategic Marketing in Financial Services," Chapter 1 Gadiesh and Gilbert, "How to Map your Industry's Profit Pool," <i>Harvard Business Review</i></p>
2	<p>January 28</p> <p>Strategic Issues in the Marketing of Financial Services: An Overview Guest Speaker: Hamid Biglari, Partner Head, North American Investment Banking Practice A Global Leader, Wholesale Banking Practice McKinsey and Company (212 446 8081, Fax: 212 826 9843)</p> <p>Topic: Tasks and Principles in the Marketing of Financial Services Topic: A Framework for Developing Marketing Strategy</p> <p>Read Bauer and Kelley, Chapters 4,6,11,13</p>
3	<p>February 4</p> <p>Topic: Commercial Banking: Consumers Guest Speaker: James L. Bauer, Vice President Strategic Alliances and Partnerships, National Consumer Services Chase Manhattan Bank (212 622 1875, Fax: 212 622 0315)</p> <p>Case: Citibank, Northeast Division (A) (Case: Richmond Savings Credit Union: Relationship Banking) (Case: Primerica Corporation (B): Cross-Selling Financial Services) (Case: Datek-Instacard Corporation (A): Identifying Opportunities) (Case: BankOne Corporation: Retail Distribution) Read Bauer and Kelley, Chapters 1,2,3</p>
4	<p>February 11</p> <p>Topic: Securities Exchanges Guest Speaker: Georges Ugeux, Group Executive and Vice President International Research The New York Stock Exchange (212 656 2077, Fax: 212 656 2016)</p> <p>Case: The New York Mercantile Exchange</p>
5	<p>February 18</p> <p>Topic: Charge/Credit Cards Guest Speaker: Anne Bousquet, President, American Express Relationship Services American Express (212 640 4732, Fax: 212 619 7039)</p>

- Case: Big City Bank: Credit Card Division  
 (Case: The Credit Card Industry in 1987)  
 (Case: MasterCard International)  
 (Case: American Express: Card Products)  
 (Case: Sears Roebuck and Co.: The Discover Card)  
 (Case: Dollar Dry Dock Savings Bank: BankCard Division)
- 6 February 25 Topic: Commercial Banking: Corporations and Institutions  
 Guest Speaker: Tom McGrath, Managing Director  
 Industry Head Global Corporate Banking-Technology  
 Citibank  
 (212 559 5919, Fax: 212 593 0054)
- Topic: Key Account Strategy and Management  
 Read: Capon, Chapters 2,3
- 7 March 4 Topic: Mutual Funds  
 Guest Speaker: Steve Canter, Chief Investment Officer  
 Dreyfus  
 (212 922 6360, Fax: 922 6170)
- Case: Fidelity Research and Investment Company (A)
- Read: Capon, Fitzimmons and Prince, "An Individual Analysis of the Mutual Fund Investment Decision," *Journal of Financial Services Research*.  
 Wilcox: "Bargain Hunting or Star Gazing? How Consumers Chose Mutual Funds."
- 8 March 11 Entrepreneurial Challenges in Financial Services  
 Guest Speaker: Peter Roberts, CEO  
 College Savings Bank, Princeton, NJ  
 (609 987 3700)
- Case: College Savings Bank (A), (B)  
 (Case: General Electric Credit Corporation (A): New Product Development)
- 9 March 25 Private Client Marketing  
 Guest Speaker: Jay Mandelbaum, Senior Executive VP  
 Salomon Smith Barney  
 (212 816 9608, Fax: 212 816 2218)
- Case: Battery Securities  
 (Case: Bankers Trust Company: International Private Banking)
- 10 April 1 Topic: Investment Banking  
 Guest Speaker: David May, VP of Global Marketing  
 Goldman Sachs and Co.  
 (212 357 1854, Fax: 212 428 1212)

Case: Financial Guaranty Insurance Company

11     April 8     Topic: Retail Brokerage  
                         Guest Speaker: Paul W. Critchlow, Senior VP Marketing and Communications  
                         Merrill Lynch & Co. Inc.  
                         (212 449 9900, Fax: 212 449 9424)

                         Read: “Schwab Puts it all Online,” *Fortune*, December 7, 1998

12     April 15     Topic: Course Review  
                         Student Presentations

## **TERM PROJECT**

In addition to experience gained through case analysis, a key purpose of the course is to provide students with an in-depth experience in financial services. This is achieved through preparation of a case study and companion analysis note on a significant marketing problem facing a financial services firm.

### **Description of Assignment: Case Study and Analysis Note**

The case study site is discussed between professor and student(s); students may work in groups, maximum size three. In general, students are expected to develop their own sites, based on interest, and discuss with the professor who approves all sites.

### **Schedule**

For term papers of the type required for this course, the calendar time necessary for successful completion is often significant. In large part this is due to difficulties in scheduling appointments with busy senior executives. Students should identify topics and commence work on projects early and stick to well-developed schedules to the extent that this is possible given interviewing constraints.

The following guideposts should be adhered to:

Thursday February 11: Turn in name of project, key focus, participating group members

Thursday February 25: Turn in work plan indicating completion of key tasks, and including an interview schedule

Final Examination Day: Turn in completed project. Remember that both the case study and analysis note must be submitted

Case: Citibank: Global Trade Systems

Case: General Motors Acceptance Corporation (A)

Read: Prince, "Strategic Networking Unlocks the Doors to New Private Banking Business," *Private Banking*, (Fall 1988)

Citibank  
Peter Thorpe, 559-3576  
Tomas Hazleton Risk Assessment, Chirman's office (Tom Fernandez has #)

Andreas Beroutsos  
Partner, Financial Services Practise  
McKinsey and Company  
(212 446 8026, Fax: 212 826 9843) (David Huber 446-7634)

Topic: Commercial Banking: Consumers  
Guest Speaker: Janet Cropper, SVP National Consumer Services (212 622 8211, Fax: 622 8083)\*  
Chase

Ref to Jim Bauer, Market Development 212-622-1875 has McKinsey Contacts

Topic: Commercial Banking: Corporations and Institutions  
Guest Speaker: Tom McGrath  
Managing Director  
Industry Head Global Corporate Banking-Technology (212 559 5919, Fax: 212 593 0054) Kathy  
, Citibank

Guest Speaker: The New York Stock Exchange  
Georges Ugeux (212 656 2077, Fax: 212 656 2016)\* Elizabeth 656 2056  
talking to Georges; Georges called. in principle agreed  
(Cathy Kenny 656 8330 domestic)

#### Private Client Marketing

Guest Speaker: Jay Mandelbaum  
Salomon Smith Barney  
(212 816 9608, Fax: 212 816 2218)  
, Joanne, Aileen Asst. confirm material

Topic: Retail Brokerage  
Guest Speaker: Paul W. Critchlow (212 449 9900, Fax: 212 449 9424)\*  
Merrill Lynch, LJ,

Topic: Investment Banking  
Guest Speaker: David May, VP of Global Marketing (212 357 1854, Fax:  
4281212)\* Barbara  
Goldman Sachs and Co., D May called, getting cleared

Case: Financial Guaranty Insurance Company

Topic: Financing  
Guest Speaker: G.E. Capital  
Mo Caher tf



