

Financial Services from the Providers' Perspective (TPP) – J/501/8700 (2011-12)

Qualifications that this unit contributes to:

ifs Level 3 Diploma in Financial Studies (DipFS) - 501/0048/8

Title	Financial Services from the Providers' Perspective (TPP)
QCF level	3
Credit value	8
Additional information about the unit	
Unit purpose and aim(s)	<p>Learners will explore some of the key external factors that impact upon the provision of financial services and the main influences that determine the framework within which providers operate. Learners will have the opportunity to explore the financial services marketplace from the point of view of the provider and appreciate the challenges that they face.</p> <p>In this unit learners will study the wider environment and the consumer influences that need to be considered by financial services providers. The emphasis of the unit is on the methods that these providers use in order to satisfy customer needs, wants and aspirations whilst operating competitively and profitably in the financial services marketplace.</p>
Unit expiry date	
Location of unit within the subject/ sector classification system	15 Business, administration and law 15.1 Accounting and finance
Availability for use	Private unit
Unit available from	September 2010
Learning hours	The recommended learning time for TPP is 75 hours, of this a minimum of 55 guided learning hours.
Individual unit assessment	TPP is assessed by a single 75-minute objective test that will comprise 42 one-mark questions. 21 stand-alone questions, 21 questions associated with three case studies. 21 marks are required to pass this unit.

Learning outcome	Assessment criteria
The learner when awarded credit for this unit will:	Assessment of this learning outcome will require a learner to demonstrate that they can:
1. understand the highly competitive nature of the financial services marketplace and the manner in which financial services organisations respond	1.1 identify the range of traditional financial services organisations 1.2 identify the range of new financial services organisations 1.3 describe the methods used by financial services organisations to respond to competition
2. understand the key external factors that impact upon providers and the environment in which they operate	2.1 identify the external influences on financial services providers (PEST) 2.2 describe the effects of the regulatory framework on financial services providers
3. understand the impact of uncertainty and change upon the services and products provided	3.1 explain the concept of product positioning 3.2 describe the impact unforeseen events can have on financial services products
4. understand the process by which providers research, develop and tailor products to meet the needs, wants and aspirations of different customer groups in order to recognise their distinctive values	4.1 explain how financial services providers manage the customer relationship 4.2 describe the marketing research techniques used by financial services providers 4.3 explain the product development process
5. understand how an appropriate mix of product benefits, features and add-ons can meet the needs, wants and aspirations of different customers and groups of customers	5.1 identify the factors influencing the financial marketplace and providers 5.2 describe how market segment needs, wants and aspirations are met 5.3 identify different product features and delivery channels used by financial services providers
6. know the different delivery channels that financial services providers use	6.1 explain the different delivery channels used by financial services providers
7. understand the approaches taken by financial services providers to achieve customer satisfaction in particular situations whilst maintaining profitability	7.1 identify the approaches taken by financial services providers to achieve customer satisfaction in particular situations whilst maintaining profitability
8. know the different approaches financial services providers use to attract and retain customers	8.1 identify the different approaches financial services providers use to attract and retain customers
9. understand the advantages and disadvantages to the customer and the financial services provider of the different delivery channels	9.1 outline the advantages and disadvantages to the customer and the financial services provider of the different delivery channels
10. know which delivery channels would be most appropriate for different products and customer groups	10.1 identify which delivery channels would be most appropriate for different products and customer groups

Examination structure/ referencing:

Learning outcomes	Reference	Indicative content	Weighting*	Assessment criteria
1. understand the highly competitive nature of the financial services marketplace and the manner in which financial services organisations respond	DFS201	Range of providers traditional and new entrants. Methods of responding to competition.	3 2	1.1/1.1/1.3
2. understand the key external factors that impact upon providers and the environment in which they operate	DFS202	External influences on financial services providers (PEST). The effects of the regulatory framework on financial services providers.	2 2	2.1/2.2
3. understand the impact of uncertainty and change upon the services and products provided	DFS203	Product positioning. The impact of unforeseen events on financial services products.	2 2	3.1/3.2
4. understand the process by which providers research, develop and tailor products to meet the needs, wants and aspirations of different customer groups in order to recognise their distinctive values	DFS204	Managing the customer relationship. Marketing research techniques. The product development process.	1 3	4.1/4.2/4.3
5. understand how an appropriate mix of product benefits, features and add-ons can meet the needs, wants and aspirations of different customers and groups of customers 6. know the different delivery channels that financial services providers use	DFS205	Factors influencing the market place and providers. Meeting of market segment needs, wants and aspirations. Product features and delivery channels.	4	5.1/5.2/5.3/6.1

Case studies				
7. understand the approaches taken by financial services providers to achieve customer satisfaction in particular situations whilst maintaining profitability 8. know the different approaches financial services providers use to attract and retain customers 9. understand the advantages and disadvantages to the customer and the financial services provider of the different delivery channels 10. know which delivery channels would be most appropriate for different products and customer groups	DU2CSA	Customer satisfaction.	7	7.1/8.1/9.1/10.1
	DU2CSB	Customer attraction and retention.	7	
	DU2CSC	Delivery channels.	7	

* The 'weighting' indicates the number of questions relating to a given area of the syllabus that will appear in the examination.

The following examples have been provided to help teachers with their planning and should **not** be regarded as a definitive list or as a scheme of work.

Learning (Guided hours)	Outcome learning	Comments and context
<p>1. understand the highly competitive nature of the financial services marketplace and the manner in which financial services organisations respond</p> <p>(6 hours)</p>		<p>The existence and importance of competition: the variety of financial institutions in the marketplace, including traditional providers, such as banks and building societies, and other providers, such as supermarkets and retail stores.</p> <p>Why financial services providers sell products to:</p> <ul style="list-style-type: none"> • make profit. • provide people with the financial solutions they need. • gain market share. • satisfy the needs of their members, shareholders, partners and other stakeholders. <p>Methods of responding to competition.</p> <p>The consumer environment.</p> <p>Why individuals choose financial products and the determination of consumer choice.</p>
<p>2. understand the key external factors that impact upon providers and the environment in which they operate</p> <p>(8 hours)</p>		<p>The regulatory, legislative and consumer protection framework:</p> <ul style="list-style-type: none"> • The Financial Services Authority. • The Office of Fair Trading. • The Information Commissioner. • European Union directives, laws and regulations. • The Financial Ombudsman Service. • The Financial Services Compensation Scheme. • Consumer Protection legislation. • Internal governance procedures. <p>The political environment; for example, social inclusion, stakeholder pensions.</p> <p>Economic influences:</p> <ul style="list-style-type: none"> • Interest rates.

	<ul style="list-style-type: none"> • Inflation rates. • Employment/unemployment rates. • House prices. • Stock market movements. • Foreign currency and exchange rates. • Government rescue plans. <p>The social and cultural environment:</p> <ul style="list-style-type: none"> • Multiculturalism. • Consumer culture. <p>The demographic environment:</p> <ul style="list-style-type: none"> • Family changes. • Ageing population. • Migration. • Population size. <p>The technological environment:</p> <ul style="list-style-type: none"> • the greater use of IT • the greater use of mobile devices.
<p>3. understand the impact of uncertainty and change upon the services and products provided</p> <p>(8 hours)</p>	<p>The impact of this change and uncertainty upon the services and products provided, such as:</p> <ul style="list-style-type: none"> • Increase in inflation rate. • Greater volatility in share price movements. • Economic uncertainty, eg recession and possible recovery. • Sub-prime lending and attitudes to availability of credit. • Institutional difficulties, eg Northern Rock, Equitable Life, reduced confidence in the financial services industry. • Changes in weather conditions eg effects of flooding. • Terrorist attacks. • Attitudes of different religious groups to financial products. • Greater awareness of ethical and environmental issues. <p>Product positioning: the impact of this change and uncertainty in terms of:</p> <ul style="list-style-type: none"> • who do financial services providers want to aim a product at. • the sorts of messages will be given out.

<p>4. understand the process by which providers research, develop and tailor products to meet the needs, wants and aspirations of different customer groups in order to recognise their distinctive values</p> <p>(6 hours)</p>	<p>The management of the customer relationship.</p> <p>Marketing research techniques: knowing the market.</p> <p>Primary research:</p> <ul style="list-style-type: none"> • Surveys. • Questionnaires. • Analysis of complaints. <p>Secondary research:</p> <ul style="list-style-type: none"> • Information from already published sources. • Information from credit reference agencies. <p>The product development process:</p> <ul style="list-style-type: none"> • The adaptation and modification of existing products to make them appeal to a new target market and to maintain the product's competitive advantage. • The creation of new products to be cross-sold to existing customers of other products and to enable the provider to move into a new market segment. <p>Existing and new products need to be developed for the following reasons:</p> <ul style="list-style-type: none"> • Changes in customers' needs, wants and aspirations. • Response to competition. • Changes in legislation. • Changes in delivery methods.
<p>5. understand how an appropriate mix of product benefits, features and add-ons can meet the needs, wants and aspirations of different customers and groups of customers</p> <p>(4 hours)</p>	<p>Factors influencing the market place/providers.</p> <p>Meeting of market segment needs, wants and aspirations.</p> <p>The segmentation of markets by:</p> <ul style="list-style-type: none"> • Age. • Gender. • Social class. • Income. • Location, eg geographical region. • Religion. • Lifestyle, eg interests and hobbies.

	<ul style="list-style-type: none"> • Occupation. • Family status. • Residential status. • Attitude, eg ethical considerations. <p>The identification of product benefits, features and add-ons and how these meet the needs, wants and aspirations of consumers in different customer groups, such as:</p> <ul style="list-style-type: none"> • Interest-free credit card balance transfers. • Cashback. • Rewards programmes, such as Air Miles. • Ethical considerations, such as the Co-operative Bank. • Environmental considerations, such as HSBC publicity material. • Internet-only accounts. • Basic bank accounts for particular consumers. • Attitudes to interest by certain religious groups. • Affinity accounts, such as the Britannia Building Society.
<p>6. know the different delivery channels that financial services providers use</p> <p>(1 hour)</p>	<p>The identification of the different delivery channels that can be used by financial services providers.</p> <p>These can include:</p> <ul style="list-style-type: none"> • Branch network. • Other types of direct face-to-face contact. • Telephone (including mobile). • Post. • Internet. • Intermediaries/direct sale. • Multi channel delivery.

<p>7. understand the approaches taken by financial services providers to achieve customer satisfaction in particular situations whilst maintaining profitability</p> <p>(4 hours)</p>	<p>Relationship between profit, services and customer selection.</p> <p>The use of market segmentation to select the segment of the market to target will be based upon:</p> <ul style="list-style-type: none"> • potential profit to be driven from customers within each segment including: <ul style="list-style-type: none"> – profit margin. – volume of sales (including multiple product sales). – value of transactions. • the size of the segment- potential for sustainability of product sales, the future growth of the segment by size, and potential for economies of scale. • the costs of sale: <ul style="list-style-type: none"> – costs of marketing: level of competition, sophistication of customer and willingness to shop around can impact on the costs of marketing. – costs of product research, design and development. – costs of operation, distribution and maintenance of the product. • the accessibility and reach of the segment - considering the placement of the segment and the position of the financial services provider. • how the benefits and features of the product match the needs of the customer in the segment <p>Examples of tactical methods used by financial services providers to achieve customer satisfaction in different situations including:</p> <ul style="list-style-type: none"> • Attractive deals for new customers. • Enhanced product offers for existing/loyal customers. • Packaging products together with a covering fee. • Add-ons. • Cashback. • Brand image. • Loss leaders. • Exchange rates. • Savings v borrowing rates. • Customer service. • Convenience. • Reputation. • Size.
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	<ul style="list-style-type: none"> • Employment record. • Type of ownership, e.g. mutual or plc organisations. <p>Social and ethical considerations – corporate social responsibility.</p>
<p>8. know the different approaches financial services providers use to attract and retain customers</p> <p>(4 hours)</p>	<p>Customer attraction and retention.</p> <p>Examples of different approaches taken by financial services providers use to attract and retain customers including:</p> <ul style="list-style-type: none"> • Product promotion. • Product pricing. • Product features. • Advertising. • Branding. • Public relations. • Sales literature. • Direct selling. <p>Transactional Selling v. Relationship Marketing</p> <p><i>Transactional selling</i> - the sale of individual products for a profit - one off sales, involving short time scales and no prolonged relationship, minimal customer contact, limited understanding of customer needs.</p> <p><i>Relationship marketing</i> - begins with one sale, builds to multiple sales, longer timescales to build relationship, higher levels of two way contact and better understanding of customer needs.</p> <p>Relationship marketing leads to <i>customer loyalty</i> - the ladder of customer loyalty - advocate, supporter, client, customer, prospect.</p>
<p>9. understand the advantages and disadvantages to the customer and the financial services provider of the different delivery channels</p> <p>(2 hours)</p>	<p>The recognition of the various advantages and disadvantages of the different delivery channels (listed above) to:</p> <ul style="list-style-type: none"> • The financial provider. • The customer.

<p>10. know which delivery channels would be most appropriate for different products and customer groups</p> <p>(2 hours)</p>	<p>Different delivery channels may be more appropriate than others for the following reasons:</p> <ul style="list-style-type: none"> • Simplicity. • Convenience. • Creation of/conformity to image, eg use of Internet. • Degree of financial capability/confidence. • Cost. • Satisfaction of an aspiration, eg the need to be in control. • Flexibility. • Ease of use. • Preference for personal service. • Contrast with competitors.
<p>Examination preparation.</p> <p>(7 hours)</p>	<p>Examination technique and revision guidance for DipFS can be found on my ifslearning website, which includes:</p> <ul style="list-style-type: none"> • command words • examination technique • examples and activities to assist learners sitting the examination <p>Example examination material is available to teaching staff only on my ifslearning website, which includes:</p> <ul style="list-style-type: none"> • three specimen papers • answers and justification documents for each specimen paper