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Theoretical Aspects Related to Banking Marketing

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Abstract: *The financial-banking sector is continuously evolving due to intense competition, making marketing a crucial element for financial institutions. This paper explores the role of marketing in banking institutions, emphasizing the need for a customer-oriented approach. It examines the key characteristics of banking services, including intangibility, inseparability, perishability, variability, and the high degree of imitation. Additionally, the paper discusses the financial marketing mix, detailing its components: product, price, promotion, placement, personnel, processes, and physical evidence. The study highlights how banks adapt their marketing strategies to maintain competitiveness and customer satisfaction in a dynamic market.*

Keywords: *banking marketing; financial services; financial marketing mix; customer orientation; banking sector; service characteristics; marketing strategies.*

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1. Introduction

Marketing plays a vital role in the success of financial-banking institutions due to the highly competitive nature of the industry. With constantly changing customer needs and expectations, banks must implement effective marketing strategies to attract and retain clients. The financial-banking sector is characterized by the provision of both tangible and intangible services, necessitating a unique marketing approach.

This paper explores the importance of banking marketing, analysing how financial institutions adapt their strategies to meet market demands. The study delves into the key characteristics of banking services, distinguishing them from traditional products. Furthermore, the paper examines the financial marketing mix, emphasizing the essential elements that contribute to the successful implementation of marketing strategies in the banking industry. Through an in-depth analysis of these components, the paper provides insights into the evolving role of marketing in financial institutions and its impact on customer satisfaction and business growth.

2. The Importance of Banking Marketing in a Financial Institution

Since the financial-banking sector of any bank is constantly evolving due to fierce competition in this field, marketing has proven to be a crucial component of financial institutions. It is also important to note that, due to this competition, customers have high expectations regarding the services offered. (Olteanu, 2005)

In response to market demands, the concept of orientation must have the following meanings:

- The financial-banking institution offers solutions to meet customers' financial needs while also identifying new needs, adapting its products, services, and current financial offerings, and introducing new concepts and products to the market.
- The financial-banking institution is structured in a way that allows it to remain flexible and adapt to customers' needs.

To successfully carry out the marketing process, a financial-banking institution must focus on customer orientation and consider the following aspects:

- Identifying a profitable market in relation to its activities
- Analysing customer needs (both present and future)
- Developing a marketing plan and strategy to achieve the institution’s desired objectives

According to classic marketing principles, the distinction between products and services is made in an accessible manner. Simply put, a product is a tangible good offered to the market to satisfy a need, whereas a service represents an activity performed or an intangible benefit provided to the customer.

Building on this distinction, the theory of service marketing is based on specific characteristics of a financial-banking institution, which include (Odobescu, 1999):

- Intangibility
- Inseparability
- Perishability
- Variability
- High degree of imitation

Intangibility differentiates services from products. Services are intangible because they are immaterial and cannot be physically touched or perceived through the senses, unlike tangible products. A customer can only evaluate a service after purchasing and experiencing it. Because of this, service providers must ensure a high level of trust and security to maintain long-term collaborations with clients.

Inseparability distinguishes services from physical goods based on their mode of delivery. While physical products can be packaged, stored, and transported for sale at different locations and times, services require simultaneous delivery and consumption.

Because of this condition, service providers in financial institutions must allocate more time (availability) to meet customer needs. This has led to extended business hours and advancements in digital banking services (e.g., banking cards, Internet Banking, etc.).

Perishability refers to the impossibility of storing a large number of service requests over a specific period. In a financial institution, this issue manifests as on-demand service delivery. Demand for services is not always proportional, fluctuating significantly at different hours, on certain days, or during specific periods of the year.

To address this, banks must efficiently organize their resources and workforce to meet demand. Nowadays, this issue has been largely resolved through digitalization and automation of banking services.

Variability refers to the inconsistency in service quality depending on the individual providing the service, the time, and the place of delivery.

A high degree of imitation is a unique characteristic of financial-banking services. Unlike patented inventions or product trademarks, banking services cannot be easily protected from replication. When a bank introduces an innovative service, it faces a high risk of imitation, as competitors can quickly reproduce successful services at lower costs.

Given all the points mentioned above, modern marketing applied by a financial-banking institution has introduced the concept of the financial-banking product, leading to a less distinct difference between services and products.

There are solid arguments supporting this modern marketing approach, namely:

- The difficulty of promoting financial-banking services without making them tangible. As a result, financial institutions have incorporated tangible elements into their services to enhance sales, marketing, and customer acceptance.
- The application of this concept enables financial institutions to develop new financial products by grouping portfolios (e.g., loans, investments, etc.).

In this financial-banking sector, the concepts of services and products are currently independent and interchangeable only for marketing purposes.

Banking service marketing is different due to the unique relationship between the client and the bank. This creates a one-sided obligation from the provider to the client, while both parties still have specific responsibilities in the use of services.

3. The Banking Marketing Mix

The marketing mix is a set of marketing tools controlled by a company or institution to generate desired responses in a target market. It includes all elements used by an institution to influence demand growth for a product.

In financial-banking marketing, additional components are included to address the specific needs of the tertiary sector. The financial marketing mix includes the following components:

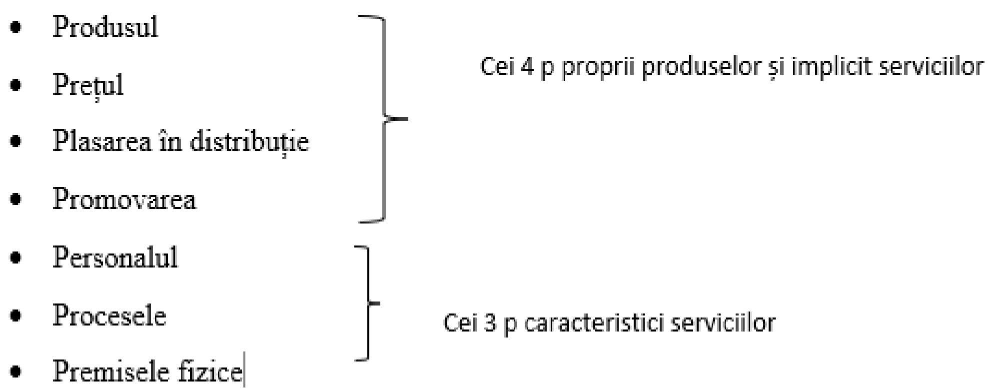

Figure 1. The Components of the Marketing Mix

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The product represents the range of services offered by a financial-banking institution.

A financial-banking institution also engages in marketing activities to provide optimal offers, including:

- Ensuring the quality and performance of a financial service
- Creating and adapting new financial products or services
- Finding new ways to innovate financial products or services by adding new features

Price is a crucial component of the marketing mix, as it serves as a key decision-making factor for both individuals and businesses when purchasing financial services. There must always be a correlation between price and competition, with a clear justification of its value for customers.

In financial-banking institutions, the price is determined by commissions, fees, charges, and interest rates. In the insurance sector, the price is represented by the insurance premium.

Promotion is the means through which a bank becomes known to its clients. Customers learn about the bank's characteristics, products, and services, while the bank uses specific communication strategies to generate interest and curiosity about its offerings.

Empirical research (Vorzsak, 2004) on service promotion has identified the most impactful financial-banking promotion methods:

- Personal selling
- Word-of-mouth advertising
- Email marketing
- Advertising through print and online media
- Television advertising

Placement in distribution refers to making a bank's financial products and services available under optimal conditions in the market. In the financial-banking sector, this component of the marketing mix focuses on development through:

- The network of branch offices
- The network of ATMs
- The network of POS terminals
- Digital banking systems

Personnel is a key component of the marketing mix due to the nature of financial services and their heterogeneity. Bank marketing professionals closely manage personnel, as employees play a vital role in delivering high-quality services and shaping the customer's perception.

Personnel management involves six key steps:

- Hiring the right person and placing them in the right position
- Defining transactional objectives
- Managing employee motivation
- Managing employee attitudes
- Monitoring performance results
- Reallocating inefficient or unfit personnel

Processes refer to the set of procedures a customer must complete to obtain a financial product or service. In financial-banking institutions, this component involves streamlining operational workflows, such as service interactions at different counters.

Since customers generally have high expectations, financial institutions must minimize waiting times and maximize problem resolution rates. This component of the marketing mix is primarily overseen by the institution's marketing department.

Physical evidence includes the tangible aspects that accompany service delivery. This component is essential in financial marketing due to the intangible nature of services. Providing a physical environment helps enhance customer experience and engagement.

In the financial-banking sector, physical evidence includes:

- The bank's branch location

- Parking facilities
- Interior space aesthetics
- Privacy measures for confidential transactions
- Waiting areas and document completion spaces

There is no perfect marketing mix, but every bank competes in the same market, striving to develop new portfolios and attract a larger customer base.

3. Conclusion

In the modern financial-banking sector, marketing has become a critical component for ensuring institutional success. Banks must continuously innovate and tailor their marketing strategies to address the evolving needs of customers while maintaining a competitive edge. The unique characteristics of financial services, such as intangibility, inseparability, perishability, variability, and susceptibility to imitation, require a specialized approach to marketing.

The financial marketing mix, comprising product, price, promotion, placement, personnel, processes, and physical evidence, serves as a framework for banks to enhance service delivery and customer experience. By effectively managing these components, financial institutions can strengthen their market position and build long-term relationships with customers. Ultimately, the ability to implement a well-structured marketing strategy determines a bank's ability to adapt, grow, and succeed in an increasingly competitive financial landscape.

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