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Theoretical Concepts of Banking Marketing

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Abstract: *Banking marketing plays a crucial role in the competitive financial-banking sector, where institutions must continuously adapt to evolving market demands. This paper explores the significance of marketing strategies in banking, emphasizing how financial institutions identify customer needs, develop innovative products, and differentiate their services. The study also discusses key characteristics of banking services, including intangibility, inseparability, perishability, heterogeneity, and replicability. Additionally, the research delves into the process of launching new financial products, the banking product life cycle, and the increasing importance of cross-selling strategies and customer loyalty programs. By integrating these marketing principles, financial institutions can enhance their market positioning and achieve long-term profitability.*

Keywords: *banking marketing; financial institutions; service marketing; product life cycle; cross-selling; customer loyalty; financial products; market positioning.*

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1. Introduction

Marketing has become an essential function in the banking sector, where competition is continuously intensifying due to globalization and technological advancements. Financial institutions must not only provide core banking services but also differentiate themselves by offering innovative and customer-centric products. This paper examines the value of banking marketing in financial institutions by exploring key service characteristics, product development strategies, and modern marketing techniques such as cross-selling and customer loyalty programs.

As banking services are largely intangible, institutions must build strong relationships with customers based on trust and reliability. The ability to identify profitable markets, assess evolving customer needs, and implement effective marketing strategies is critical for financial success. This study aims to highlight the impact of marketing in the financial sector and provide insights into how banks can leverage strategic marketing approaches to maintain a competitive advantage.

2. The Value of Banking Marketing in a Financial-Banking Institution

The remarkable impact of marketing is evident in two main situations: firstly, when financial-banking competition is continuously expanding despite barriers to entry and exit in this market, and secondly, when globalization and increasing demand from competitors in this field highlight the importance of commercial activities, which have reached a high level of significance. (Mnerie D. & Mnerie G.V., 2012)

By incorporating these fundamental financial-banking concepts, a financial authority's market-oriented approach includes the following aspects:

- The financial-banking institution successfully meets customers' financial needs while also identifying new demands, (Zeithaml, Bitner & Gremler, 2018) adjusting financial products and services, and designing and launching new offerings in the market.
- The financial-banking institution is structured in such a way that it remains adaptable to customers' financial needs.
- To successfully carry out the marketing process, (Kotler & Keller, 2016) financial-banking institutions must focus on customer orientation while considering the following aspects:
  - Identifying markets that are both advantageous and profitable for their operations.
  - Assessing both current and future customer needs.
  - Developing marketing strategies and tactics to achieve set goals.

In line with traditional marketing principles, the distinction between products and services remains flexible. In this regard, a product is defined as a tangible good offered to the market to satisfy needs, whereas a service is an activity performed or an intangible benefit provided to a consumer, without resulting in a physical product.

Based on this, service marketing theory identifies key differences between products and services, (Lovelock & Wirtz, 2016) emphasizing their defining characteristics in the banking sector:

- Intangibility is the most important feature distinguishing services from products. (Parasuraman, Zeithaml, & Berry, 1985) Services, due to their intangible nature, cannot be evaluated through the senses like physical products. As a result, the actual value of services can only be assessed after purchase, once the customer experiences the benefits. Therefore, service consumers require trust and confidence in the service provider before making a purchase.
- Unlike tangible goods, which can be packaged, stored, and transported before being sold, service demand arises from the simultaneous execution and consumption of the service. This feature imposes constraints on banking institutions, prompting them to extend customer service hours and develop digital banking services (such as online banking and ATM networks) that allow customers to access services outside of traditional business hours.
- Service perishability refers to the inability to store service demand. This aspect creates challenges for banks in managing demand fluctuations. If service demand remains high and stable, financial institutions can efficiently allocate resources. However, if demand varies

significantly over time (e.g., peak hours, specific days, or seasonal fluctuations), banks must find ways to balance supply and demand.
- Heterogeneity arises because service quality is not fixed but varies based on the service provider, the timing, and the location of delivery.
- Unlike physical products, which are often protected by patents and unique specifications, financial services can be easily imitated. When a financial institution introduces a successful new service, competitors can quickly replicate it at a lower cost and with less effort than developing an entirely new service.

Regardless of how a bank structures its marketing activities, responsibility for marketing falls on all employees, whether they work in the front office (customer-facing staff) or the back office (those handling financial operations behind the scenes). (Grönroos, 2007) Front-office employees have a direct impact on customer perceptions, while back-office staff contribute indirectly by ensuring seamless service execution.

3. The Development and Launch Process of New Banking Products and Services

The creation of a new banking product follows two main approaches: a technical approach and a commercial approach. These approaches should not be isolated but rather complementary.
- A purely commercial perspective may overlook feasibility constraints.
- A purely technical approach may result in products that do not fully meet customer needs.

It is worth noting that many companies in Romania have banking accounts, offering universal banking services. Additionally, the Romanian government aims to mandate that all businesses, regardless of size, maintain a bank account.

The significance of banking accounts for legal entities is undeniable, as they facilitate financial transactions such as salary payments, supplier settlements, and other business operations.

When expanding product offerings, banks must consider both customer needs and international trends in similar markets. Generally, banks strive to differentiate their services in ways that are attractive to a broad customer base while maintaining financial viability.

Each financial service should be tailored to client needs. Thus, customer segmentation, product adaptation, and customization are essential aspects of banking product development. Expanding the range of services allows banks to better meet customer demands, offering products such as leasing, investment products, capital market operations, securities trading, savings plans for education, and student loans.

The modern banking product plays a crucial role in market positioning, helping financial institutions:
- Enter a new market,
- Strengthen leadership in a specific market segment,
- Maintain a competitive position,
- Innovate or refine their service offerings.

4. The Product Life Cycle in Banking Marketing

From launch to market withdrawal, a product's marketing strategy evolves through the following stages: (Mnerie D., Mnerie G.V., & Lădar, 2012)
1. Launch: High market uncertainty, low revenues, and significant investments in promotion to raise awareness.
2. Growth: The product gains popularity, revenue increases, and competitors may introduce similar offerings. First-mover advantages are emphasized.
3. Maturity: Revenue stabilizes, growth slows, and marketing efforts shift toward attracting new customers and optimizing pricing strategies. Competitor products gain traction.
4. Saturation: The market reaches full capacity, and competitive pressure increases. Price reductions may become necessary to maintain sales.

5. Decline: Revenue decreases, marketing strategies lose effectiveness, and new, more technologically advanced products emerge, gradually replacing older ones.

In a well-developed marketing strategy, products are not isolated but integrated to maximize cross-selling potential.

5. Cross-Selling and Customer Loyalty in Banking

Modern banking institutions increasingly focus on cross-selling strategies to improve profitability. (Berry, 1983) This means selling multiple products to the same customer over time.

- Initially, a customer may purchase a basic financial product (e.g., a personal loan or a checking account).
- Over time, as trust develops, they are more likely to purchase additional products (e.g., savings accounts, insurance, or investment products).

Customer loyalty programs that offer rewards and incentives are commonly used to drive short-term sales growth. These programs help retain existing clients while encouraging them to engage with a wider range of financial services.

6. Conclusion

Banking marketing is an indispensable element of financial institutions' success in an increasingly competitive landscape. The ability to anticipate customer needs, develop innovative products, and implement effective marketing strategies determines the long-term viability of a bank. The study highlights the importance of service marketing characteristics, product development processes, and customer loyalty initiatives in achieving sustainable growth. Additionally, the integration of cross-selling strategies enhances profitability by increasing customer engagement with multiple banking products.

As financial institutions continue to evolve, their ability to adapt marketing strategies to changing consumer preferences and technological advancements will be crucial. By focusing on customer-centric approaches and market-driven innovations, banks can strengthen their competitive positioning and drive long-term profitability.

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