

## The emergence of the marketing mix in the banking sector

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**Abstract:** *This article explains the emergence of the marketing mix in the banking sector and the specificity of this field. Research has shown that the evolution of the marketing mix in banking is closely related to the evolution of the marketing mix for services. The modern approach of the marketing mix for services comes from Booms and Bitner, from 1981. They filled the traditional 4Ps of the marketing mix (coming from products): price, product, placement (distribution) and promotion with specific intangible services components: personnel, presence (physical evidence) and process. For the banking sector, the development of those three components nowadays represents the main challenge because they represent the most important way to differentiate from the competition and to deliver superior services to the customers who are more sophisticated and demanding.*

**Key-words:** *marketing mix, banking, services*

### 1. Introduction

The evolution of the marketing mix in the banking services is closely linked to the evolution of the concept of marketing mix in services and its components. A number of researchers have tried to customize and adapt the traditional marketing mix of products to the services sector, either by totally rethinking its components, or by adding new specific components to this sector.

The first references to the intangible nature of services that distinguish them from products can be found in studies published by Branton (1969) and Wilson (1972).

In the 70's some researchers leant more on the peculiarities of marketing in the service sector (Blois 1974; Bessom and Jackson 1975; Shostack 1977), which lead to an increased development of the conceptual frameworks to address the marketing mix in this sector. Gradually, marketing services began to be seen as self-contained within the subsystems of marketing, and development efforts focused on the theoretical basis of its development (Constantinides E., 2006).

The reasons for development were mainly two:

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1. Services have become an important sector in developed economies and are a source of profit for the companies in the sector;
2. Services have evolved as essential parts associated to physical goods within the concept of "extended product" (Kotler 2005; Jobber 2004).

## 2. The emergence of the marketing mix for services

The main studies<sup>2</sup> conducted in the marketing mix of services and the researchers' proposals over time, are shown below:

Author (s)	Arguments	Motions
<b>Booms and Bitner (1981)</b>	They recognize the special nature of services and they demonstrate the importance of environmental factors (physical evidence) in influencing perceptions of quality service. Also, they include "participants" (staff and customers) and "service delivery process" as additional components to the marketing "4Ps" traditional mix.	The marketing mix in services, also includes, beside the traditional "4Ps": - The participants - The physical evidence - The process
<b>Cowell (1984)</b>	Three aspects justify the revision of the initial approach: - the original mix was created for production - empirical evidence suggests that marketing practitioners in the services field are limited by the traditional approach.	He adopts the framework proposed by Booms and Bitner with the "7Ps" in the marketing mix in services.
<b>Brunner (1989)</b>	He stated that the "4Ps" of the traditional mix have to be expanded in order to include the specific factors of services, so as for each to become a mix by itself.	He provides a structure of "4C": - Concept mix - Cost mix - Channels mix - Communication mix
<b>Rushton and Carson (1989)</b>	They conclude that the special features of services marketing make it impossible to control the process using traditional instruments.	They conclude that it is required to develop new tools and concepts of marketing in services.

<sup>2</sup> In a study by Constantinides (2006), the evolution of the concept of marketing mix in services is reviewed considering the different studies published by researchers; most of them are presented in the chart.

<b>Author (s)</b>	<b>Arguments</b>	<b>Motions</b>
<b>Fryar (1991)</b>	They explore segmentation and differentiation by successfully positioning services. They recognize the importance of the personal relationship with the client and the service quality as elements of the marketing mix.	Services marketing requires: differentiation based on segmentation and positioning; direct contact with customers; unique vision on quality.
<b>Heuvel (1993)</b>	The interaction between the person who delivers the service and the customer is very important and it directly affects the quality and the consumer perceptions related to it.	Services marketing mix includes: - Personnel - Product - Placement (Distribution) - Price - Promotion
<b>Doyle (1994)</b>	Although he acknowledges that the content of the traditional "4Ps" is somewhat different in services, he accepts this framework. He considers that the greatest difficulty is to adjust to the "4P" to "Placement" and "Promotion" and replaces them with the words "Communication" and "Distribution".	The marketing mix in services includes: - Product - Price - Communication - Distribution
<b>Melewar, Saunders (2000)</b>	He underlies that the Visual Identity System of the Company is the core differentiation in services.	A new "P" should be added to the traditional four and specific three: "Publications".
<b>English (2000)</b>	The traditional approach of marketing has never been right to marketing health services.	He proposes a new frame 4 R: - Relevance - Reply (Answer) - Relations - Results
<b>Grove and others (2000)</b>	They say that marketing services can be compared to a theatre play. The way the service is provided is as important as the service itself. The traditional marketing mix fails to include the specific and distinctive features of marketing services.	The experience in service consists of four strategic theatrical elements: - The actors - The audience - The Décor - The Interpretation These elements should be added to the seven identified by Booms and Bitner.

Author (s)	Arguments	Motions
<b>Beckwith (2001)</b>	The services marketing implies focusing on increasing customer satisfaction and rejecting outdated marketing concepts.	The four aspects of the marketing mix: -Price -Brand -Wrapper -Relations

Table 1. *The evolution of the concept of marketing mix in services*

Source: E. Constantinides "The Marketing Mix Revisited: Towards the 21<sup>st</sup> Century Marketing" 2006

All the authors mentioned above agree to the special nature of marketing in the services sector and consider it necessary to approach this individually, since the traditional approach through the "4 Ps" is regarded by all as full of shortcomings. The specific elements of the services marketing, which were mentioned in the studies above, are:

- **The human element** (the personnel and the customers), often included as a new parameter, the decisive factor in offering the service, being responsible for the quality of the services received by the customers.
- The importance of "tangible" services through "**physical evidence**" with the purpose of making them easier to perceive and evaluate by customers.
- **The process** of delivery and the "**quality of services**" which are highly important in services.
- **Direct communication** and building personal relations with customers are fundamental aspects, but are not part of the traditional approach.

In the light of the development of the concept of marketing mix in services presented above, the framework that Booms and Bitner suggested in 1981 is the best suited for a modern approach and integrative services marketing.

Thus, confirmed and tested by most subsequent studies, the "4 Ps" of the traditional marketing mix (coming from products): price, product, placement (distribution) and promotion are filled by the specific intangible services mix: personnel, presence (physical evidence) and process.

### 3. The specificity of the bank marketing mix

The "7 Ps" of the marketing mix in services can be successfully applied to the financial and banking sector, though there are some peculiarities of specific data services and banking products.

The emergence and development of the marketing mix in the banking sector were determined by a number of factors such as:

- The awareness of the importance of the marketing science in the banking sector;
- The growth of competition in the banking sector on mature markets and the only way to continuous development was direct competition for market shares;
- The growth and the diversity of the banking products due to the increasing demand from more sophisticated customers with a dynamic lifestyle;
- The quick adaptation to new technologies in the banking sector that allowed banks to develop on new markets and to launch new products.
- The changes in the law system which made them less restrictive in the past years, as well as the globalization that conquered all the markets.

Banks have responded quickly to these changes in an ongoing effort to adapt to the new conditions imposed by a rapidly changing market and increasingly sophisticated consumers who pay attention to the quality of the banking services. Thus, the components of the services marketing mix have acquired specific meanings in the banking sector in terms of this ongoing effort to adapt to the market expectations.

Changes that have shaped the marketing mix in the banking sector can be sorted according to their area and to their specific influences, as follows:

#### **a) The changes in consumer behaviour**

Due to the changes in the lifestyle from the past decades such as: higher living standard, higher level of urbanization, the growth of the life expectancy and the modifications as regards the family concept, banks needed to adapt to the new social trends by:

- Focusing especially on the retail market;
- Paying more attention to physical customers and maintaining a long lasting relation with them;
- Coming up with new products on the markets dedicated to targeted clients such as seniors, due to the ageing tendency of the population from developed economies and to the increasing rate of divorce;
- The diversification of the distribution channels and the emergence of new ones such: internet banking, mobile banking, contact centre, etc.
- Offering loans solutions to special sectors like: health care, studies or social insurances.

#### **b) The amendments of the legislative authority settings and the government's interventions in the banking activity**

The deregulation reforms that took place before 2008 focused on diminishing the protectionist measures that restricted competition in favour of liberal interventionism. These liberalization measures have changed the banks' decisive attitude towards marketing activities, allowing them a much larger expansion and leading to more aggressive marketing practices.

The Changes on the components of the marketing mix were mainly recorded by the emergence of new banking products and services, especially by those based on the derivatives market and subprime mortgages, which ultimately lead to the financial collapse in the United States and then to difficulties throughout the global financial markets. For the new products, legislative deregulation allowed the diversification of the distribution channels and the emergence of new ways of promotion and advertising that were not always fair to the consumer. Lately, however, a joint effort of the main players on the global financial market can be noticed to strengthen legislative regulations in the banking sector, an effort that will have a decisive impact on bank marketing activities.

Still, the bank marketing has evolved considerably since the big crisis from 2008 and will not return to previous practices, but the focus will shift to relationship marketing and to new information technologies.

### **c) New technologies**

Due to their financial strength, banks are in the frontline in terms of technological innovations in order to increase the efficiency of their own activity and to allow the entrance on new markets. In the past decades, the development of the information technologies allowed banks to replace a part of the costly labour force, to manage large databases for market reasons and to develop new distribution channels.

The technological development had an important impact on other parts of the marketing mix such as promotion (by developing new virtual communication media), processes (by streamlining and improving banking activities both in the front-office and in the back-office), product (with the emergence of new categories of banking products and services), price (helping to reduce the products and services cost because of the savings on the personnel costs) etc.

These technological innovations have taken various forms, as follows:

- Using the fixed and mobile telecommunications systems for the banking activity and for diverse operations (checking balances, making deposits, bank transfers etc.);
- The development of the internet as a new distribution channel, even of entirely "virtual banks" that provide services in this environment only;
- Computer science innovation, electronic settlement system and database management, that allowed broad-scale implementation of cards as a means of payments facility;
- The increase of database administration for marketing reasons.

#### **d) The protection of the environment and new energetic technologies**

Due to the increased consumer interest in environment protection and non-polluting energy technologies, banks were forced to consider these aspects in their activity and to imprint them in their work. Thus, a remarkable concern can be noticed from banks, especially in developed economies, to harmonize the internal rules and procedures to the local legislation for protecting the environment.

These domestic laws have changed consumer behaviour, affecting the marketing policy of the banking institutions. These have developed new products for financing the investments in non-polluting energy technologies and crossed the adoption of international standards for protecting the environment. They also got licenses to prove that their activity does not have a major impact on the environment. In the internal organization of banking institutions, as well as in customer service, there is an increased attention to the use of clean technologies such as the use of electronic documents instead of paper, or to adapt the activity of bank agencies to a minimum consumption of energy etc.

These measures have a strong component of marketing and communication. Banks are trying to attract a positive attitude from that class of customers that is concerned about these issues by promoting a positive image of environmental protection.

#### **4. Conclusions**

The four traditional components of the marketing mix for services originate in the marketing mix for products. Still, only "4Ps" cannot explain the complexity of the marketing mix for services. Thus, scientists brought to light three more components, in order to explain the specificity of services.

The framework that Booms and Bitner suggested in 1981 is best suited for a modern approach and for integrative marketing services. As tested by most subsequent studies, the "4 Ps" of the traditional marketing mix: **price**, **product**, **placement** (distribution) and **promotion** were filled by the specific intangible services mix: **personnel**, **presence (physical evidence)** and **process**.

Although they are found in other service sectors, too, in the banking field these three components play a decisive role, especially in terms of the quality of services offered to consumers, which has become nowadays the main challenge for banks in order to deliver superior services.

The new trend is actually a strategic action plan for banks, which try to exceed the customers' expectations, to retain them in the portfolio, since this is the only healthy way to develop the business on a mature market.

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