

## CREATIVITY IN BANKING SERVICE MARKETING: A CASE STUDY IN A GROUP OF IRAQI BANKS

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### ABSTRACT

The study aims to identify the role of marketing and innovation in the banking sector in Iraq. The Iraqi financial sector is fully equipped with banks and has an aggressive and competitive environment, in this case, the beginner's place has made it difficult to survive. Therefore, this study assesses Iraq's environment with the help of pest (political, economic, social and technological) and Porter's Five Forces analysis to understand the market environment and demands. The study is based on a theoretical framework because we are unable to obtain raw data from the subject, so the study covers a detailed review of the literature that defines the current situation of Iraq. The final results are useful for new investors wishing to invest in the Iraqi banking sector and also for bank regulators. The study seeks to obtain a deeper understanding of the ways in which banks are improving their competitive positions through the development of innovative electronic banking services and the use of a new technical strategy in the banking sector. The aim of this chapter is to provide a clear idea of the main issue that is of interest to this research and why it is important for the study. In the first place, the introduction is supposed to show motivation under the importance of the topic. Thereafter, the problem statement and the purpose of the study are provided. The research structure is then included.

**Keywords:** Banking marketing, innovation, external factors, internal factors.

### DEFINITION OF KEYWORDS

#### Banking Marketing

It is called banking marketing to develop a distinctive brand image that is considered the capital reputation of a financial institution. The selection of a specific and distinctive location, the creation of an identity in which all bank employees share the judgment, and the allocation of commercial means to promote such sites are different stages of the process of creating such marks. Improving network competitiveness is the second banking marketing challenge of tomorrow. The role of marketing will be to formulate a coherent strategy against the proliferation of distribution channels and customer segments.

#### Innovation

As a concept it is not new and there are already more than 40 definitions of innovation in the scientific literature. In the term dictionary, "innovation" is defined as a new idea, method, or device. Innovation is often seen as the application of better solutions that meet new requirements for unarticulated or already existing market needs (Marvell, 1992)<sup>1</sup>. The concept

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<sup>1</sup> Marvell, S. (1992). "Entrepreneurship in Business Curriculum ." Journal of Education for Business. Vol. 68 No. 1, pp.27-31.

of simple innovation suggests that innovation is the creation of viable new offerings and that they represent new ideas that are being applied. Innovation is generally understood as the introduction of something new or a new way. Innovation is the embodiment, integration or synthesis of knowledge into relevant new original products, processes or services. Creativity is often seen as the foundation of innovation.

#### **External factors:**

The external environment is the state that exists in the economy as a whole, not in a particular sector or region. Overall, the macro environment includes trends in gross domestic product (GDP), inflation, employment, spending, and monetary and fiscal policy. The macro-environment is closely related to the overall business cycle rather than the performance of an individual business sector. The macro environment in which a company or sector operates affects its performance, and the amount of impact depends on the extent to which the company's business depends on macroeconomic health. Cyclical industries, for example, are heavily influenced by the macro environment, while consumer goods are less affected.

#### **Internal factors:**

Assemble all elements in or immediately surrounding the business that could affect its performance including the internal environment, its suppliers, marketing intermediaries, customers, competitors and community.

According to Al-Mahr and Levins (2012), ICT offers countless opportunities for low-cost innovations by users that can sometimes be highly valuable and can significantly increase the use of the underlying technology. An example is Twitter, where users have added a very valuable new functionality via hashtags, simply by using the platform's capabilities differently. Similarly, Nokia Beta Labs users were the leaders in mobile services leveraging the Nokia platform. Popular examples include Sportstracker, which tracks and stores workouts, and PC Suite, which connects and syncs mobile devices with computers. These types of modifications by users are often low-cost, but the resulting services can add significant value to a particular technology. Low-cost innovations are also increasingly observed in developing countries, and are sometimes called Force Majeure or Grassroots Innovations. One example is A Little World (ALW), a flagship system in India, which has reduced reliance on the bank branch and shifted towards a smartphone and fingerprint scanner, bringing financial services typically reserved for city dwellers to rural customers. Many of the service innovations that have sprung up in developing countries have had a tremendous impact on the financial services landscape. (Alexander, 2010)<sup>3</sup>.

### **DEFINITION OF INNOVATION**

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<sup>2</sup>Al-Mahr, D., & Levines, A. (2012). Virtual Virtual User Communities: Motivations for Knowledge Creation for Innovation. *Research Policy*, 41 (1), 167-177.

<sup>3</sup> Alexander, A. (2010). *Business Model Generation: A Handbook of Dreamers, GameChangers, and Challengers*. John Wiley & Sons.

<sup>4</sup> Marvell, S. (1992). "Entrepreneurship in Business Curriculum." *Journal of Education for Business*. Vol. 68 No. 1, pp.27-31.

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## THE ROLE OF THE CUSTOMER IN CREATING INNOVATION IN THE BANKING SECTOR

According to Frank and Shah (2003)<sup>5</sup>, in contrast to producers, who pursue innovation for profit, users typically innovate to meet their unmet needs. The idea of users improving products is not new; however, a number of studies over the past few years have found that exploitation is gaining importance, according to Duncan and Jones (2013)<sup>6</sup>. More touchpoints generate more complexity. Although each separate touchpoint tries to focus on its own purpose, management and customer service often misses the bigger picture of how the customer encounters all touchpoints together. The concept of customer experience has always been falsely associated only with the recreational type of organizations, as economists have linked previous experiences only to services and experiences have spread today other than services such as amusement parks and theaters. Products and services have become more and more interchangeable due to a lack of functional differentiation that has led to competition based on experiences rather than products. 35 years ago, Holbrooke and Hirschman (1982)<sup>7</sup> observed that consumption has innovative customer experience and that future research should begin to focus more on the consumption experience. Evolution of economic value shows differences in supply that are relevant to customer needs for customer pricing. He expresses that the more an offer is designed to meet customer needs, the higher the level of value creation. Therefore, goods are allocated to become services and these services are allocated to become experiences. According to the framework, experiences are the distinctive economic offering. To gain a competitive advantage in today's market, companies are forced to upgrade their offerings to the next stage of economic value, meaning that competitive advantage arises on the basis of experiences rather than actual products. There is no single agreed or overarching definition about CEM, but according to Schmidt (2003), this concept represents the process or methodology used to intensively manage cross-channel customer encounters with a company, brand, or company offering. CEM covers the design and implementation of customer experience along the customer journey to create value for both customers and the company. CEM captures what the customer thinks about the company during all encounters and gives management a tool to discover the covers in the customer journey, where expectations do not align with actual experience.

Each new customer experience is instinctively compared to their previous experiences and judged accordingly but be aware that the customer's personal situation, market conditions and competition can also shape expectations that impact the customer journey. When implementing CEM into the customer journey, what should be noted is that improving individual touchpoints is not enough: the whole journey is what matters, and therefore the

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<sup>5</sup> Frank, N., Shah, S., 2003. How communities support innovative activities: Explore help and exchange between end-users. *Research Policy* 32, 157-178.

<sup>6</sup> Duncan, E., & Jones, C. (2013). The truth about customer experience. *Harvard Business Review*, 91 (9), 90-98

<sup>7</sup> Holbrooke, Maurice B. and Elizabeth C. Hirschman (1982), "Experiential Aspects of Consumption: Consumer Fantasies, Feelings, and Fun," *Journal of Consumer Research*, 9 (September), 132-40



focus should change from the touchpoint to the direction of the journey (Rason et al. || |UNTRANSLATED\_CONTENT\_START| | |2013)<sup>8</sup>.

## INNOVATION MANAGEMENT IN THE BANKING SECTOR

Innovation is essential for business survival in highly competitive markets where it is increasingly difficult to distinguish between products and services. Innovation is important for the following reasons:

- Allows companies to expand their customer base by updating the market with new and improved products.
- It is an essential component of competitive advantage and helps companies stay ahead of competitors before competitor innovations take market share.
- Provides increased revenue and profits and also increases shareholder value. In essence , there are two aspects to this:
  1. Innovative product or service development.
  2. Build the business to market the product or service.

## CHARACTERISTICS OF INNOVATION IN THE BANKING SECTOR

According to Polanyi(2007), the characteristics of innovation <sup>9</sup>are classified in three axes.

1. **Product( Service ) Pivot:** Products are created when a new or improved product is launched in the market.
2. **Process focus:** The innovation process is the introduction of new processes into product development or improvement.
3. **Management axis:** The introduction of changes in management and organization represents the managerial innovation that completes the first axis.

## CONCLUSIONS AND RECOMMENDATIONS

### First: Conclusions :

1. It shows that the innovation strategy must be related to the size of the bank in order to secure the desired objectives of that strategy.
2. The overwhelming majority of bank workers are aware of the importance of innovation in marketing.
3. The vast majority are aware of the paramount importance of electronic banking services to attract customers. As for those who did not agree with the statement, the bank's management must undergo educational courses on the importance of electronic banking services.
4. The bank's management should be subject to educational courses on the importance of expanding the activities of the customer service center.
5. The vast majority of Iraqi bank administrations rely on individual style so that employees are not involved in drawing up the innovation strategy, which may negatively affect the productivity of workers in the future.

<sup>8</sup> Rawson, A., Duncan, E., and Jones, C.(2013). The truth about customer experience. Harvard University

<sup>9</sup> Polanyi M (2007) Personal Knowledge. University of Chicago Press , Chicago

6. The vast majority of Iraqi bank administrations do not notice the development of banking services within the frameworks of the marketing and innovation plan, which requires the Central Bank to educate commercial banks about the importance of development and innovation.
7. The vast majority of Iraqi bank workers are fully aware of the existence of internal factors that can determine and positively or negatively affect development and innovation, which requires the bank's management to formulate a comprehensive marketing strategy for all means of innovation.
8. The vast majority are aware of the importance of innovation in electronic banking services and that without innovation, there is no future for the bank. Hence, each bank must create a marketing office concerned with innovation.
9. The vast majority of Iraqi bank workers have a full culture of the presence of factors that stimulate positive interaction between marketing strategy and innovation. However, it is not enough to know. Rather, strategic policies should be developed to eliminate these factors in daily services and operations.
10. The vast majority of Iraqi bank workers are fully aware of the existence of external factors that can hinder the implementation of a creative marketing policy in the bank, which requires the bank's management to draw up a strategic plan based on marketing and innovation to confront these external factors.
11. The overwhelming majority of restaurant workers believe in the role of innovation and the need to include it in the marketing plan in order to increase the profits of banks.
12. The overwhelming majority gives priority to the electronic bank as the most used service today, which obliges the bank's management to monitor the development of this type of service in future innovation strategies without neglecting the rest of the services.
13. The vast majority of Iraqi bank workers are fully aware of the existence of internal factors that can stimulate the application of a creative marketing policy in the bank, which requires the bank's management to draw up a strategic plan based on marketing and innovation that can benefit from all these internal factors.

## SECOND: RECOMMENDATIONS

- 1- Much is changing in the banking landscape with regulation, technology, demographics, changing customer expectations, increased competition and issues around banks' legacy business and operating models. Challenges are obvious, even if the end state is not.
- 2- Banks need to overcome these challenges and rethink winning in 2020. They need to make tough choices about which clients to serve, how to win and where not to play. They need to rebuild their organizations around the customer, streamlining and reducing cost structurally. They need to learn to be agile, innovative, and adaptable in order to effectively implement and deal with the uncertainty that unfolds in the future. They need to do things differently.
- 3- Each bank's unique response depends on the bank's current situation, its ambitions for the future, the required customer focus, regulatory capabilities, brand promise, regulatory status, and capital constraints. Banks should consider the position they wish to adopt. Do they

want to shape that future, follow it quickly, manage defensively, and postpone change? Staying the same is not an option.

4- Every bank needs to develop a strategy to address these challenges. One that transcends the status quo and considers all possibilities. one that can adapt to an uncertain future. And that takes a holistic view

5- Integrates changes in markets, customers, risks, organization, processes, technology and challenges related to implementing change at scale in the real world.

6- The Bank's management should involve employees in the process of developing an innovation-based marketing strategy.

7- The Bank's management should create innovation and development departments.

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