

## The Influence of Services Marketing Mix (7 Ps.) and Subjective Norms on Customer's Satisfaction in Islamic Banks of Palestine

Feras M.I. Alnaser<sup>1\*</sup> Mazuri Abd Ghani<sup>1</sup> Samar Rahi<sup>1</sup> Majeed Mansour<sup>2</sup> Hussein Abed<sup>3</sup>

1.Faculty of Economics and Management Sciences ,Universiti Sultan Zainal Abidin, Terengganu , Malaysia

2.Faculty of Administrative and Financial Sciences, Arab American University, Jenin, Palestine

3.Human Resource Manager, An-Najah National University, Nablus, Palestine

### Abstract

The purpose of this study was to examine the relationship between services marketing mix (product, price, place, promotion, people, process and physical evidence) on customer Satisfaction. Additionally, this study also explored the role of subjective norms towards customer satisfaction in Islamic Banks of Palestine. Customer satisfaction is one of the essential factors for the success of a company. In order to achieve the high customer satisfaction, companies must know when and how their customers are satisfied about the products and services. The majority of companies follow a conventional marketing strategy, but some companies choose to follow a religious or spiritual marketing strategy such as the Islamic marketing strategy. Conventional marketing strategies satisfy the customers based on the current needs of the customer, whereas, Islamic marketing strategies satisfy the customers based on the human values, marketing cultures, and Islamic rules and regulations (shariah laws). Structural equation model was used for the testing of hypothesized relationships. Finally, study concluded that marketing mix and subjective norm significantly influence on customer satisfaction in Islamic Banking context.

**Keywords:** Services marketing mix (7Ps), Subjective Norms, Customer Satisfaction

### 1. Introduction

Bank marketing deals with providing services to satisfy customers' financial needs and wants. To satisfy these financial needs, customers want specific services. All the techniques and strategies of marketing are used so that ultimately they induce the people to do business with a particular bank. This requires satisfaction of customers. Traditional marketing mix cannot be responsible for the total marketing function of a service organization like banks. It requires all elements of service marketing mix. Service marketing mix plays an important role in bank marketing. It consists of the various elements of a marketing programmer which need to be considered in order to successfully implement the marketing strategy and positioning in the markets (Samar Rahi, 2015, 2016; S Rahi, 2016). It helps in differentiating services of a particular bank from its competitors(Ltifi, 2015).

Modern Islamic Finance began with the 1975 established of the Islamic Development Bank in Jeddah (Saudi Arabia) and the Dubai Islamic Bank , but its main growth is quite recent (Shoab, Watanabe, Cao, & Kurakake, 2007).The growth was particularly encouraged by successive in oil price (until 2014) and the need to recycle petrodollars (S Rahi & Ghani, 2016). In 2007, Islamic banks achieved annual growth in assets of 27 percent against only 19 percent for conventional banks (Kober et al., 2008) . This tendency continued after the financial crisis, global Islamic Banking asses witnessed a compound annual have less of an interest in the quality of bank services or prices than wealthier populations. Level of education could also play role. Finally, the extent of customers experience with Islamic Banks may also influence their decision making. Islamic banking in Palestine is provided only through two Islamic banks, the Arab Islamic Bank and the Palestinian Islamic Bank, both were founded in 1995; in 2013, the assets of Islamic banks operating in Palestine reached nearly 970.8 million US dollars, that's approximately 9% of the overall banking assets. Total deposits at the Islamic banks reached 500 million US dollars, that's 6.5% of the general deposits. While the total loans reached 460.1 million US dollars, that's approximately 10.4% of the grand total. Also, the Islamic banks in Palestine achieved 10 million US dollars in profits during the past period, and recently the bank in Palestine are starting to have an open appetizer towards expanding their plans towards Islamic transactions, where some commercial banks are trying to obtain licenses to open new Islamic branches or windows. Therefore, three objectives are as follows:

1. To build an analytical connection between the customers satisfaction with the services marketing mix model, the 7 Ps and in Islamic Banks in Palestine.
  - a. Determination of products and services that helps to meet the needs of customers.
  - b. Determination of the distribution channels according to the potential customer desire
  - c. To observe the value of price that intended customers willing to pay.
  - d. To analyze the impact of the promotion of the business on customers.
  - e. To observe the importance of people performance.
  - f. To investigate the process how it is going on.
  - g. To observe the importance of physical evidence of the banking sector.
  - h. To investigate whether the physical evidence is impact on customers or not.

2. Creation of perceived value and generate a positive response through design 7ps. Model in Islamic banks in Palestine that achieve the customer satisfaction.
3. To provide a systematic and objective study to see how the development of services in Islamic banks in Palestine.

## **2. Literature Review**

In today's business world, there are many players in the same industry selling similar or closely related products and services. As such, companies need to compete to grow and survive. As a means to overcome competitors, businesses have to focus on ways of satisfying customers' needs and nurturing long-term relationships (Wieland, Koskela-Huotari, & Vargo, 2016). As a way to achieve this goal, businesses must understand the specific elements in the marketing mix that should be practiced to attract customers and make them feel satisfied. The service marketing mix focuses on the blending of different elements in such a manner as to attain consumer and organizational objectives. The components are the 7P's of marketing, which are product, price, place, promotion, people, processes and physical evidence. When the seven elements are blended well, they lead to customer satisfaction, which is an indication of the extent to which customers' needs and expectations are met. The services marketing mix has an incontrovertible importance for creating a mental picture of intangible products, in other words services (Oflaç, 2014). In the study of (Mahmood & Khan, 2014) indicates increasing product basket is not the only way to attract more customers. Customers must be able to stand out the products from those of competitors. In banking services price fairness and transparency, distributing banking services in convenient way, behavior of employees, customers' education, tangibility and process through technology play important role in differentiating services from competitors (Kaura, 2013)

### **2.1 Product**

Product describes what a business is selling and includes all the benefits, features, and advantages that customers can get from using the product (Jones & Morgan, 2014). When developing a product or service, businesses need to consider the needs and preferences of customers and how they can be satisfied (Tellis, 2013). Product contributes to high levels of customer satisfaction if it strikes a good balance between what customers are looking for and what the product offers. Usually, customers' preferences change too often (Wilson & Gilligan, 2012) Therefore, it is imperative for businesses to keep up to date with latest trends regarding customer needs and market dynamics. It can be achieved through market intelligence.

### **2.2 Price**

This element refers to what it costs customers to get the service or product they want. Pricing is an important strategy in marketing because it determines the ability of a business to attract customers and make more sales (Tokman & Beitelspacher, 2011). Setting too high prices may discourage customers while setting too low prices may lead to reduced profits. Therefore, businesses set their prices at equilibrium levels taking into account the market forces of demand and supply, as well as competitors' moves (Shoham, Brencic, Virant, & Ruvio, 2008). As a need to attract more customers and maintain the competitive edge over rivals, it is necessary to consider seasonal pricing and discounts.

### **2.3 Promotion**

This element refers to the ways of keeping customers informed of the product and its benefits. Businesses use a combination of different promotional activities to make customers aware of the goods and services (Osborne, Radnor, & Nasi, 2013). These activities include advertising, direct marketing and sales (Tsiotsou & Goldsmith, 2012). Evidence from research shows that use of promotional strategies can lead to improved customer satisfaction, enhanced brand reputation and better sales. Most companies use a combination of promotional strategies to attract customers and make them more satisfied.

### **2.4 Place**

Place describes the location where the product is seen, sold or distributed to the customers. It can be a physical retail store (brick-and-mortar) or an online store (Hu et al., 2009). Effective place strategies ensure that customers can easily locate the business and buy the product they want (Weinreich, Odumade, Jameson, & Hogquist, 2010). A strategic business location ensures better business visibility, which leads to consistent customer traffic. Businesses can distinguish themselves from competitors through effective visual merchandising techniques and by using more innovative strategies to design the retail spaces.

### **2.5 People**

This element refers to the staff working in an organization. It includes senior management and the salespeople. People are an essential consideration for effective marketing and thus customer satisfaction. According to S.

Samar, Ghani, and Alnaser (2017) customer satisfaction is directly influenced by the people representing the business. It is because people are the only element in the service market mix that can interact directly with customers (R. Samar, Ghani, & Muhamad, 2016)). In this regard, successful organizations gain competitive advantages by recruiting and training the right staff that can help not only in marketing and selling the product but also in developing and maintaining fruitful relationships with customers (SAMAR RAHI, YASIN, & ALNASER, 2017; Rahi Samar, Mazuri Abd Ghani, & ALNASER, 2017). As noted by French et al. (2009), the people element is important because it aids in providing excellent customer service, which enhances customer satisfaction.

### **2.6 Process**

This element refers to the various stages and activities involved in delivering a product and service to the customers (Hochbaum, Moreno-Centeno, Yelland, & Catena, 2011). Having good processes ensures rapid and timely delivery of products to customers. It, in turn, saves time and resources by increasing business efficiency. Processes also make it possible for businesses to repeatedly deliver the same service standard to customers (Kyrgidou & Hughes, 2010).

### **2.7 Physical evidence**

This element describes the ambiance and other physical attributes of the point where customers interact with the sales and marketing staff. This element is particularly relevant for businesses that operate out of shops. Customers will make perceptions based on the physical outlook of the store, as well as the perceptual plan of the service.

### **2.8 Customer Satisfaction**

(Oliver, Rust, & Varki, 1997) explain the customer satisfaction as a conceptual definition which is the consumer's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over full fulfillment. Previous research finding of shows that there is a significant positive relationship among the seven elements of marketing mix and customer satisfaction (Faris, Aljarah, & Mirjalili, 2016). Among the marketing mix's 7Ps (product, price, place, promotion, physical evidence, participants/people, and process), only 5Ps (product, price, promotion, physical evidence and participants/people) had a statistically positive relationship with customer satisfaction. In this we study researcher will measure of all 7Ps. towards customer satisfaction.

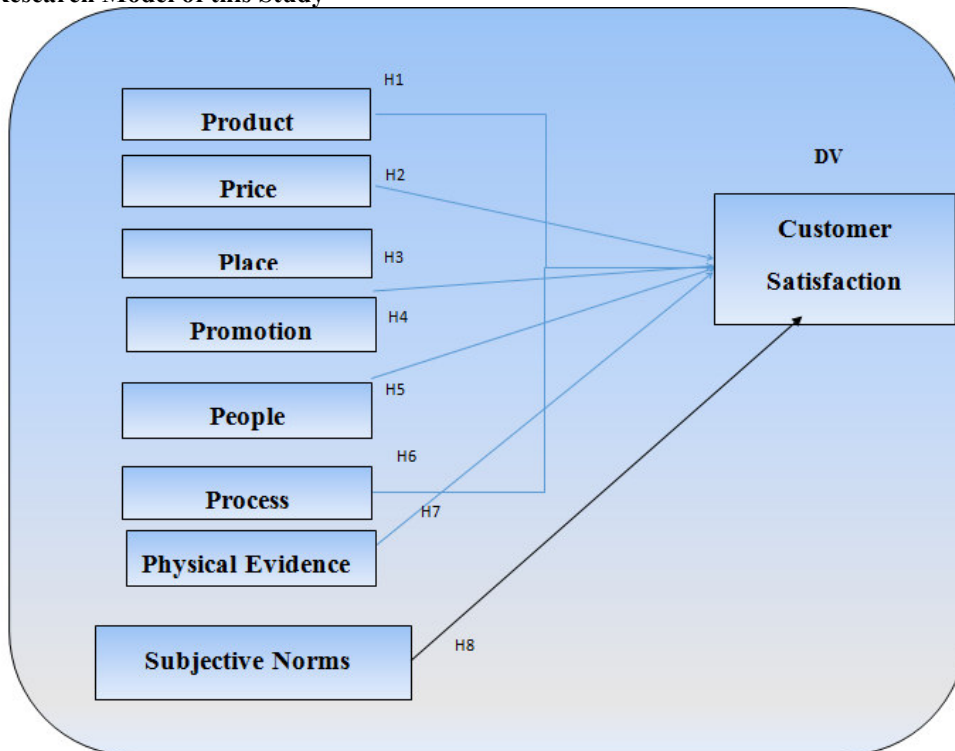
### **2.9 Subjective Norms**

Subjective norm is a significant belief that shows the underlying influences on subjective norms (Ajzen, 1991). Subjective norm also become the drive factor that leads customer purchase behavior (Ryan & Bonfield, 1975). In addition, subjective norm tend to measure the social influence on a Customer behavior in which sometimes decision is not made by them personally but under the Expectation of relevant others like family and friends that influence their behavioral performances. In fact, insertion of subjective norm to measure customer loyalty should provide more accurate result (MacKerell Jr et al., 1998). By the same token, another finding revealed that subjective norm is a prominent factor of behavioral intention to select the restaurant when the social pressure from others to perform the behavior is great (Moan & Rise, 2005).

## **3. Research Model**

The research model is comprised the marketing mix components including product, price, promotion, distribution, process, people and physical evidence and subjective norms the (TRA) dimension. Figure 1 depicted research model of this study, in that marketing mix and the subjective norms are independent variables of the study while customer satisfaction is the dependent variable in the research model.

## Research Model of this Study



### Hypothesis Formulation

- H1: Product has significant influence on customer satisfaction
- H2: Price has significant influence on customer satisfaction
- H3: Place has significant influence on customer satisfaction
- H4: Promotion has significant influence on customer satisfaction
- H5: People has significant influence on customer satisfaction
- H6: Process has significant influence on customer satisfaction
- H7: Physical evidence has significant influence on customer satisfaction
- H8: Subjective norm has significant influence on customer satisfaction

### 4. Methodology

As current research is a quantitative in design a questionnaire was distributed in one of Islamic bank of Palestine. The sample size for the present research is 150 banking customers. The respondents were requested to fill the questionnaire at their convenience (Samar Rahi, 2017). The data was analyzed using Smart-PLS. The items of marketing mix were measured on 5 point likert scale ranging from 1 = strongly disagree to 5 = strongly agree for assessing the marketing mix factor that affect the customer's satisfaction. The factor of marketing mix including in the study were products/services, price, place, promotion, people, processes and physical evidence.

#### 4.1 Analysis and results

Structural equation model was applied in this study where measurement model and structural model was examined. After applying SEM researcher found significant factor loading was higher than 0.70, similarly the CR was more than 0.70. Finally, the average variance extracted was found significant higher than 0.50. Thus, measurement model was achieved for this study. The study includes 8 hypotheses which are based on the linear relationship and can be tested using structural equation. Table 1 shows the values of different hypothesis test by SEM.

Table 1. The results of data analysis using what analysis??

Hypothesis	Independent variables	Beta	Statistics	Sig.	R
1	Product	0.52	2.15	0.00	0.720
2	Price	0.50	2.31	0.01	
3	Promotion	0.47	2.22	0.02	
4	Place \ Distribution	0.50	2.26	0.04	
5	People	0.48	2.28	0.00	
6	Process	0.52	2.29	0.03	
7	Physical Evidence	0.49	2.32	0.02	
8	Subjective Norms	0.48	2.22	0.04	

The results of data analysis depicts that hypothesis 1 is supported. The analysis shows a positive relation between product and customer satisfaction. Hypothesis 2 of the study is also supported by the results as the results show a positive relationship between price and customer satisfaction. The regression output of Hypothesis 3 also support the hypothesis presented by the study suggesting a positive relationship between promotion and customer satisfaction. The Hypothesis 4 results suggest a positive relationship between distribution and customer satisfaction as it was expected by the authors. The hypothesis 5 also presents a positive relationship between people and customer satisfaction as the regression analysis. The regression analysis of Hypothesis 6 supporting the expectation and finds a positive relationship between process and customer satisfaction. The hypothesis 7 of the study also supports the expected results and suggests that there is a positive relationship between Physical evidence and customer satisfaction. The last hypothesis 8 also supports the expected results and suggest that there is a positive relationship between subjective norms and customer satisfaction. Furthermore, all moderating hypothesis are significant.

## 5. Conclusion

The study is aimed to find out the relationship between the marketing mix components and customer satisfaction in banking sector of Palestine. The finding of the study shows that there is a significant positive relationship among the seven elements of marketing mix and customer satisfaction. Furthermore the results suggest that subjective norms play a moderator role between seven 7 P, s and customer satisfaction in Islamic banking context. In Palestine banking sector bank managers should focus on subjective norms and marketing mix in order to maintain the customer satisfaction.

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