

Chapter 20

PESTEL Analysis–Based Evaluation of Marketing Strategies in the European Banking Sector: An Application With IT2 Fuzzy DEMATEL

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ABSTRACT

This chapter evaluates the marketing strategies in European banking sector. In this context, six dimensions of PESTEL analysis (politic, economic, sociological, technologic, environmental, and legal) are taken into the consideration. On the other side, interval type-2 fuzzy DEMATEL approach is used to weight the importance of these dimensions. The findings show that technological and political factors have the highest importance. Therefore, it is recommended that technological innovations in the banking sector should be followed by European banks. Within this framework, these banks should design a market research department to follow these developments in the market so that new products and services can be identified. Therefore, technological development should be adopted in the strategy development process. In addition, interest rates defined by the central bank should also be considered by these banks. Hence, adopting marketing strategies according to the interest rate policy of the central banks provides a competitive advantage to the European banks.

DOI: 10.4018/978-1-7998-2559-3.ch020

INTRODUCTION

Although there are many advantages of globalization, it also causes some problems for the companies, such as increasing competition. Due to this situation, companies had to compete with more powerful competitors than before. The banking sector was also affected from this competitive environment. The main reason for this is the increase in international trade as a result of globalization. This condition resulted that banks that will mediate to international trade have to perform different operations. Therefore, banks are now in a more difficult environment (Allen et al., 2019; Dinçer et al., 2018a; Bai et al., 2019; Yüksel, 2017). For example, in many countries, the local banks must compete with many big international banks. In this circumstance, many strategies are required to be able to attract the attentions of the customers (Zaleska and Kondraciuk, 2019; Dinçer et al., 2018b; Beyers et al., 2019; Yüksel et al., 2016; Baabdullah et al., 2019).

Banks are trying to take many new actions just to survive in this competitive environment. Within this framework, they employ very different departments for this purpose, such as market research and financial analysis departments. One of the important actions in this context is the marketing strategy. In other words, they need to develop new marketing strategies in order to increase their competitiveness. In this context, new strategies should be developed considering customer expectations. As an example, different alternative distribution channels can be developed, and new advertisements can be made (Cooke et al., 2019; Dinçer and Yüksel, 2018).

One of the most important strategic planning techniques is PESTEL analysis. The main purpose of this approach is to consider environmental issues to develop new strategies. There are mainly six different dimensions of this method. First of all, political factors in the country may affect the strategies of the companies. Also, economical aspects play a key role in this context. Additionally, sociological issues can have an influence on the strategies. Moreover, technological factors may direct companies in this framework. Finally, environmental and legal aspects may affect strategy development process.

PESTEL analysis also plays a crucial role for the banking sector. It is obvious that banks are required to analyze the issues mentioned in PESTEL model in order to survive in a competitive environment. The main reason is that many different factors can have an effect on the performance of the banking sector (Yüksel et al., 2018). For instance, economic conditions directly influence interest rate which represents the cost of the banks. Additionally, if the banks do not consider political factors in the country while generating strategy, they may take high amount of risks. These issues show that an unnecessary marketing strategy could lead to a reduction in the company's profitability.

The level of the competition also increased in European banking industry especially after the globalization. Europe has become a market that attracts the attention of many international banks both as location and economic size. Therefore, many international large-scale banks have entered the European market (Goddard et al., 2007). This situation has increased the competition in this region. Because of this situation, European banks try to develop new strategies to survive in this difficult environment. However, it is not so easy to understand which factors should be mainly focused on (Dinçer, 2018; Carbó et al., 2009).

In this study, it is aimed to assess marketing strategies of the banking industry. Within this scope, European banking sector is taken into the consideration. In addition to them, six different dimensions of PESTEL analysis are used to measure the success of marketing strategies of these banks. In the analysis process, interval type-2 fuzzy DEMATEL approach is considered to weight these six dimensions. As a result of this analysis, it can be understood which factors are more significant in the performance of marketing strategies in European banking industry.

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