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Nait Ibrahim Boussad

Department of Management Sciences

University of Ain Temouchent, Algeria

boussad.naitibrahim@univ-temouchent.edu.dz

ORCID ID: 0009-0000-5285-0371

Nouala Meriem

Department of Management Sciences

University of Ain Temouchent, Algeria

meriem.nouala@univ-temouchent.edu.dz

ORCID ID: 0009-0001-1360-7181

Boosting Financial Service Quality: The Power of Innovation Strategy in Algerian Context

ABSTRACT

Objective: Innovation is decisive as it drives the efficiency, security and convenience of banking operations. Ultimately, this will reshape the manner in which financial institutions interact with their consumers. Marketing strategies, and innovation approaches, are critical in improving quality in a competitive environment. This investigation analyses the influence of innovations extended mix marketing elements on the quality of financial services in Algeria.

Methodology: This study focuses on innovative banking research. It aimed to identify measures of financial mix marketing innovation that affect the quality of service using structural equation modelling (SEM) with a Partial Least Squares (PLS) approach. Data were collected from a convenience sample of 584 respondents to evaluate the properties of the measurement tool and validate the seven hypotheses that were formulated and tested.

Findings: The study findings reveal that the dimensions of “Mix Marketing Innovation” positively impact financial service quality, except for two specific aspects. The rejection of the two hypotheses indicates no direct relationship between “Price and Promotion Innovation” and “Service Quality” in the Algerian financial industry.

Value Added: The study provides a fairly stable model and a framework for other industries and regions to assess the impact of marketing mix innovations on the perception of financial service quality. Similarly, professionals can utilise the results to inspire the development of an innovative and coherent marketing mix that enhances service quality. Additionally, the methodology can be adapted for use in other research studies, covering all or some of the variables in different contexts.

Recommendations: Further research could examine the impact of external factors, such as regulatory changes and economic conditions, on the relationship between marketing mix innovations and service quality, as well as explore the effect of cultural and psychological factors, where studies could provide deeper insights and interpretations regarding customer perceptions and experiences.

Key words: innovation strategy, service quality, marketing mix, financial services, Algeria

JEL codes: M31, O31, G21, L15, M10

Introduction

Technological progress, scientific development, increased competition and changing customer attitude have become the dominant features of the Algerian banking sector. All this takes place in the context of acceleration of progress and cognitive excellence in a new knowledge-based global society. To raise performance levels, it is necessary to adapt to current transformations by adopting modern marketing methods and strategies. Emphasizing innovation in policies will help improve the quality of services both internally and externally. As customers become more discerning, the need for innovative marketing strategies encompassing all elements of the service marketing mix becomes paramount (Grönroos, 2004). Innovation is not confined to one component of the marketing mix; it influences all seven elements of service: product, price, communication, distribution, people, physical evidence and process.

In the traditional view, the service has been perceived as less innovative than the product; despite this perception, services are now acknowledged as a driving force behind economic growth and job creation in industrialised nations with a substantial portion of GDP, which present 75% (World Bank, 2022). Recent surveys have challenged the notion that services are resistant to innovation, demonstrating that they do indeed innovate, albeit in ways that differ from the manufacturing sector (Oslo Manual, 2018; Frascati Manual, 2015). The general debate on the different fields of service marketing takes a very particular turn (Zollinger & Lamarque, 2008). Specifically, in the banking sector, continuous innovation is essential for banks to meet the evolving needs of their customers. In today's rapidly changing economy, companies succeed not because they have the best product or service, but because they excel in their marketing strategies. These companies excel at promoting innovative offerings that genuinely fulfil consumer needs (Viardot, 2004). In their study, Kotler and Keller (2016) examined the correlation between marketing mix strategies and customer satisfaction within the banking industry. They discovered that a carefully crafted marketing mix incorporating creative promotional tactics can significantly enhance customer satisfaction and foster loyalty. Marketing innovations in financial firms involve applying new methods in the marketing process, which

require significant changes in the design or packaging, pricing, distribution or promotion of a product or service. These developments mark the beginning of a technological evolution that has continuously shaped the banking landscape (Morrison & Wilhelm, 2007).

The Algerian banking sector is also concerned with the issue of innovation; it was experiencing fierce rivalry due to the recent liberalisation of the Algerian market and the arrival of foreign financial institutions. As Algerian financial institutions are now required to include the principles and elements of marketing innovation into their strategies in order to compete with multinational financial institutions that provide new technologies and innovative practices to the market.

Local financial institutions are compelled to innovate continually to maintain their market share, they develop innovative services, product delivery techniques and transaction procedures in order to enhance service quality and promptly address customer needs and aspirations. By enhancing their innovation ability, financial institutions may efficiently execute their goals, achieve strategic objectives and build long-term consumer relationships by attracting and retaining customers. Hence, the capacity to react to market fluctuations empowers institutions to take the lead in the market and predict changes, giving them a substantial competitive advantage. Given the previous discussion, we are examining: What is the impact of innovation mix marketing elements on the quality of banking services in Algeria's context?

The subsequent section of the paper is structured in the following manner: Section two encompasses a comprehensive analysis of existing literature and clearly states the hypotheses of the investigation. On the other hand, Section three details the methodological framework that was employed in the study. The results of the research are presented in Section four. while the discussion of findings is provided in Section five, the conclusion of study is presented in section six. Finally, the concluding section contains several managerial implications and recommendations for future investigations.

Literature Review

Banking Innovation

The term “Innovation” is a broad concept encompassing everything new and different, distinguishing an enterprise from others. It is critical in enhancing competitive status and performance across various areas, including product development, administrative processes, financial management, marketing strategies, production techniques and service quality. Over the past few years, there has been a steady flow of ground-breaking products in the banking and insurance sectors that align better with customers’ evolving preferences and expectations (Badoc, 1995). Growth in the buyer market, liberalisation of investment and trade, globalisation, technological innovations, and telecommunications have led to unlimited consumer choice, high competition and unprecedented change (Aijo, 1996). The significance of innovation in the services industry and its impact on economic growth is well acknowledged, resulting in several studies on service innovation (Miles, 2005; Howells & Tether, 2004; Hauknes, 1998; De Jong et al., 2003). “Innovation” means change or renewal; this change can be translated into creating and including everything new, whether in products, procedures, tools, or services. Damanpour (1996) describes innovation as a complete or partial transformation in a company’s structure, operations and outcomes that enable seamless integration with the external world. Damanpour (1996) stresses the importance of integrating innovation, regardless of origin, into the relevant environment to ensure client acceptability and utilisation.

Similarly, banking innovation has an essential role since it provides the bank with a competitive edge by introducing novel products to the market (Hodonou et al., 2011). Innovation refers to the utilisation of product processing, the implementation of novel methods to deliver services to clients or the introduction of new regulatory activities and therefore, innovation is linked to any new act or thing by an enterprise. The high level of competition in the banking sector has put an even greater emphasis on customer satisfaction. Today, understanding and responding to changes in customer behaviour is an inevitable aspect of surviving in a competitive and mature market (Goodwin & Smith, 1990).

In this context, Krishnan et al. (1999) emphasise that the banking sector strives to succeed by putting the rapidly changing needs of customers on its agenda. This result is achieved through customer support and offering attractive services or products that competitors cannot offer (Dabholkar, 1994).

Mix Marketing of Services Sectors

McCarthy's four Ps model is well-known as a fundamental marketing concept, especially effective for marketing goods (McCarthy, 1960; Grönroos, 1994). However, it became clear that this marketing mix needed adjustments to better fit service industries, as it was initially designed for manufacturing (Shamah, 2013; Gitlow, 1978). For marketing to be effective in the service sector, the mix should cater to the unique needs of service practitioners (Helm & Gritsch, 2014). Services have distinct characteristics that significantly influence marketing strategies, necessitating these modifications (Rathmell, 1974). Rathmell (1974) noted that the services have specific fundamental attributes influencing marketing techniques. According to Lacobucci (1992) and Zeithaml (1985), the distinction between services and products is rooted in four unique characteristics of services: intangibility, heterogeneity, simultaneity and perishability. In addition, the mix marketing elements have evolved beyond the conventional '4Ps' framework for marketing services, as highlighted by Grönroos in 1983. Three additional factors are included to tackle the marketing challenges posed by the distinct characteristics of services, such as staff, physical evidence and processes. Multiple marketing research studies have validated the significance of the '7Ps' of the services marketing mix, as highlighted by Parasuraman and Berry (1991) and Grönroos and Helle (2012). Innovation extends beyond a single aspect of the marketing mix and encompasses all seven elements of the service product: price, communication, distribution, individuals, materials and process.

Innovation in Banking Marketing Mix Elements

According to Kotler and Keller (2016), staying competitive and keeping up with market changes requires constant innovation in marketing mix elements.

When it comes to financial services, these innovations have the potential to enhance customer experiences and elevate service quality. Research has shown that incorporating innovation into the marketing mix can significantly enhance service quality (Acha & Salter, 2005; Gallouj, 2007). This concept has attracted considerable interest from researchers studying the impact of marketing innovations in the banking industry. Various studies, including those by Chesbrough and Rosenbloom (2002), Bitner and Brown (2008), Kotler and Keller (2016), Zeithaml et al. (2013), as well as Vargo and Lusch (2004), have collectively emphasised the importance of innovative mix marketing, thus raising the quality of banking services. In order to satisfy specific customer requirements and maintain a competitive edge, it is essential to foster product innovation. Price innovation is achieved by implementing transparent and adaptable pricing strategies that attract and retain customers. Implementing digital banking channels significantly improves convenience and accessibility, particularly regarding innovation.

Implementing innovative strategies, such as personalised and targeted advertising, enhances customer involvement and perceptions. Staff training and growth in people innovation guarantee the provision of high-quality service. The role of personnel in service delivery is critical; well-trained and motivated staff can significantly enhance service quality. Studies have shown that investing in employee training and development leads to higher customer satisfaction (Zeithaml et al., 2013). Lovelock and Wirtz (2011) emphasise that the human element in service delivery is paramount. Employees' attitudes, skills and behaviours influence customer perceptions and experiences. Process innovation, through the optimisation of operations, is crucial in enhancing both efficiency and customer satisfaction. Implementing efficient and customer-friendly service processes is essential for achieving high service quality.

Innovations in process design, such as automation and streamlined procedures, lead to faster and more reliable service delivery, contributing significantly to improved customer experiences (Lovelock & Wirtz, 2011). The concept of service process as a critical dimension of service quality was introduced by Parasuraman et al. (1985). Streamlining processes not only boosts service delivery but also enhances operational efficiency. Physical evidence encompasses the visible elements of service delivery, including

the aesthetics of facilities, equipment and promotional materials. These factors have a significant impact on how customers perceive services and can greatly improve the perceived quality (Bitner, 1992). Bitner's (1992) research emphasises the significance of the physical environment in influencing customer perceptions and behaviours. In the financial sector, modern and well-maintained facilities can enhance customer trust and satisfaction. The use of innovative physical evidence, which includes well-designed physical and digital surroundings, has a favourable effect on the consumer experience. In fact, product innovation involves the creation of new financial products that genuinely cater to customers' needs and desires.

Regarding pricing, thinking outside the box and considering creative strategies is essential. One approach is to provide flexible options such as discounts and personalized pricing, tailoring the costs to meet each customer's unique needs. A focus on finding innovative ways to distribute products, such as leveraging online platforms to enhance accessibility. Creating fresh advertising and customer engagement strategies is crucial to enhancing the brand's reputation and fostering customer loyalty. In addition, it is essential to focus on innovations in people, processes and physical evidence to enhance the overall quality of service. Based on these findings, it is clear that innovation is the driving force behind business growth. Companies are driven to be creative in their marketing strategies, experimenting with various elements of the marketing mix, including product or service offerings, pricing, distribution and communication. This creativity not only enhances advancements but also serves as an essential tool for introducing and promoting innovation.

Quality of Financial Services

The concept of quality of financial services is similar to that of quality of service, and it aims to provide high-quality services to clients to satisfy them and meet their needs and wishes continuously. Financial services exhibit minor variations while also sharing common characteristics. Consequently, clients select financial institutions based on many variables, such as proximity, precision, effectiveness, reputation and, most notably, the quality of service (Hu et al., 2021). Therefore,

to ensure client satisfaction with financial services, financial institutions must conduct market studies to gather client expectations using the banking service evaluation module, which consists of many dimensions or indicators (Martinez-Jerez, 2011a; Liu, Y., 2019). According to Durbreuil and Roger (2003), Service Quality measures a service provider's ability to meet customer expectations. Its performance is closely linked to customer satisfaction and, thus, to the services' success. Quality of service concerns three aspects of the servitude system, and they only make sense through their complementarity because the failure of one will have negative repercussions on both beings regardless of their quality levels (Goudarzi, M., 2009). Quality is, therefore, a relative notion based on need. Generally speaking, optimum quality is more desirable than maximum quality. The quality of financial services can be looked at in two ways: from the inside and the outside. Internally, it is all about how well the service sticks to the standards it was designed to meet. Externally, it is about how customers perceive the service—essentially, how good they think it is. When we talk about the quality of service, researchers often describe it as something “evasive” and “abstract” (Cronin & Taylor, 1992). In essence, it refers to the general perception that clients have regarding the quality of an organization and its services (Bitner & Hubbert, 1994). Parasuraman and his colleagues (1988) elucidate the disparity between client expectations and their actual experiences. The concept of quality of service can be viewed as both a static condition and a dynamic procedure (Collier & Bienstock, 2006; Wolfinbarger & Gilly, 2003; Bitner, 1990). It is subjective, meaning it varies from person to person and is based on our thoughts and comparisons. Often, researchers measure service quality by looking at how customers perceive it (Parasuraman et al., 1985). Perceived quality, as defined by Chumpitaz and Swaen (2004), refers to the overall evaluation of a product or service based on its perceived superiority or inferiority.

Relationship between Innovation, Services Mix Marketing and Quality of Financial Services

Innovation is essential in reaching new products by either developing them by adding new advantages or providing entirely new products that the banking

institution has never offered to the market through modern technologies and information technology.

In the field of innovation, researchers have noted a gap in identifying the specific variables that influence innovation to enhance performance (Garcia-Morales et al., 2008). Companies must improve their performance by exploring innovations to remain competitive in a constantly changing and evolving environment (Darroch, 2005; Garcia-Morales et al., 2008). Additionally, McGrath (2021) and Lam, A. (1997) express in their studies that innovation has profoundly influenced the information technology sector. This perspective is crucial in management as it enhances business performance and increases the capacity for creativity and innovation by supporting decision-making. In this context, the research demonstrates that a significant service quality must promote innovation through reliability, tangibility, empathy, responsiveness and assurance in order to achieve superior performance (Warrier, 2004; Nonaka, 1991).

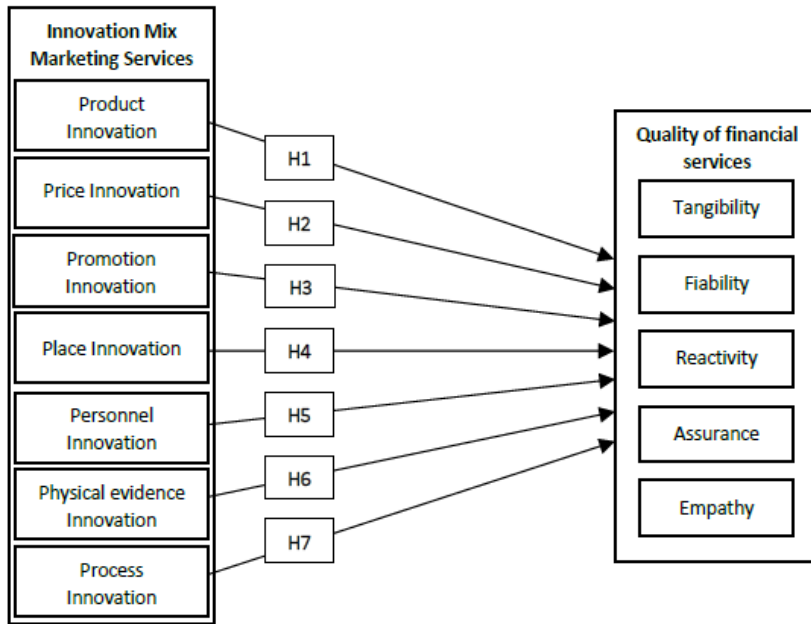
Incorporating innovative strategies into the marketing mix of banking services is essential for staying competitive in the ever-evolving financial sector and satisfying client demands. Research has demonstrated that financial institutions can enhance their competitive advantage by using innovative strategies, including product development, pricing, marketing, distribution, human resources, operational processes and physical infrastructure. Hu et al. (2021) emphasise the benefits of incorporating cutting-edge technologies into financial services to create distinct and personalised offers, improving client satisfaction. Martinez-Jerez (2011b) highlights that implementing novel pricing techniques such as dynamic pricing and subscription models can effectively appeal to a broader client base by offering greater flexibility and transparency. Parasuraman et al. (1988) emphasise the importance of innovative advertising. The utilisation of social media and implementation of digital marketing methods are needed for successful customer engagement in promotional efforts. Liu, B. (2019) proposes that including alternative distribution channels, such as digital platforms and mobile apps, can significantly enhance service accessibility and ease, hence enhancing the user-friendliness of banking. Bitner and Hubbert (1994) argue that fostering employee innovation, achieved via consistent training and a culture of ongoing improvement, is crucial to upholding exceptional service standards and

providing superior client experiences. Wolfinbarger and Gilly (2003) emphasise using sophisticated technology to create effective, streamlined operations. These technologies can reduce service delivery times and ultimately improve customer satisfaction. Finally, Goudarzi, A. (2009) investigates the impact of the physical surroundings on the banking industry. The study highlights that contemporary, well-kept establishments with digital screens and a pleasant atmosphere can favour client perceptions and demonstrate a dedication to excellence. Collectively, these studies indicate that implementing innovative strategies throughout the marketing mix improves the quality of service and pleasure of customers and fortifies a bank's position in the market.

Seven hypotheses indicate how innovation of financial mix marketing influences service quality.

- H1. Innovation Product has a positive and significant effect on financial services quality.
- H2. Innovation Price has a positive and significant effect on financial services quality.
- H3. Innovation Promotion has a positive and significant effect financial services quality.
- H4. Innovation Place has a positive and significant effect on financial services quality.
- H5. Innovation Personnel has a positive and significant effect on financial services quality.
- H6. Innovation Physical evidence has a positive and significant effect on financial services quality.
- H7. Innovation Process has a positive and significant effect on financial services quality.

The model presented below was developed as the study's guiding framework based on the previously described literature review.

Figure 1. The conceptual framework of the study

Source: Own elaboration.

Method

This study focuses on the innovative banking research trends in Algerian's banking sector, which include local and foreign financial institutions' current national challenges. It aimed to identify measures of financial mix marketing innovation that affect quality of service, assess innovation integration and suggest future research directions in service marketing. In order to carry out the research, it is very important to carefully choose the methodology (Hart, 1998). The research is conducted following the post-positivist paradigm and relies on a hypothetical-deductive approach and quantitative research, applying Structural Equation Model analysis utilising Partial Least Square PLS.4 as a statistical technique to examine the data in order to evaluate the properties of the measuring tool and validate certain hypotheses regarding the associations between variables (Malhotra,

2010). In addition, structural equation modelling (SEM) utilises mathematical models to identify causal links between dependent and independent variables across several levels of measurement (Verma & Pearl, 2022).

Measurement Model Assessment

The survey instrument was designed by thoroughly examining the existing literature. The proposed scale for evaluating innovation in the marketing mix of financial services includes seven key dimensions: Product, Price, Promotion, Place (Distribution), People (Personnel), Process and Physical Evidence. When it comes to Product Innovation, we analyse six important factors. These factors include the uniqueness of the services offered, the level of customisation available, and the utilisation of new technologies (Hu et al., 2021). Assessing price innovation involves considering three key factors: pricing flexibility, novel pricing models and transparency (Martinez-Jerez, 2011b). Effective promotion strategies involve leveraging social media, implementing creative promotional techniques, utilising digital marketing strategies and developing innovative advertising campaigns (Parasuraman et al., 1988). Evaluating innovation in the field of Place involves considering six factors. These factors include using unconventional distribution channels, ensuring convenient access and providing round-the-clock services (Liu, B., 2019). According to Bitner & Hubbert (1994), the concept of People Innovation includes eight components. These components evaluate various factors, such as providing employee training on emerging innovations, encouraging staff engagement in idea generation, fostering a culture that values continuous improvement and equipping employees with modern technology tools. When evaluating Process Innovation, it is important to consider five specific factors. These factors include the efficiency of service processes, the use of advanced technologies, the implementation of continuous process improvements and the incorporation of customer feedback (Wolfenbarger & Gilly, 2003). Examining Physical Evidence Innovation involves assessing nine factors that evaluate the innovative aspects of service environments, the use of modern tools, facility maintenance, the presence of digital displays and the overall atmosphere that enhances the customer's experience (Goudarzi, A., 2009). This extensive scale

allows us to thoroughly evaluate innovation in financial services marketing, helping us understand the impact of these innovations on consumer satisfaction and giving organisations a competitive edge.

Researchers have developed many ways to understand and measure traditional service quality, focusing on the critical aspects of face-to-face interactions. One of the most influential models is the SERVQUAL model by Parasuraman et al. (1988). This model is often seen as a foundational theory in the study of service quality (Brady & Cronin, 2001). The SERVQUAL model identifies five main service quality dimensions into 22 specific items. These dimensions are tangibility, reliability, empathy, assurance and interactivity. Researchers have examined several ideas of service quality and unanimously agree that it entails meeting the needs and expectations of customers. According to the studies conducted by Darroch (2005) and Lam, T. (1997), management must evaluate a company's performance in relation to the expectations of its customers. Service quality pertains to the degree to which a company fulfils or surpasses a customer's expectations. Parasuraman et al. (1988) have established ten fundamental criteria that delineate excellent customer service: tangibles, reliability, responsiveness, competence, courtesy, credibility, security, access, communication and client understanding. Researchers have acknowledged that service quality is a multifaceted concept, which has led to the establishment of the SERVQUAL model as the benchmark for assessing service quality. This model was developed through investigations conducted in five distinct service industries: repair and maintenance, retail banking, broking and credit card companies. The study's findings highlight that efficiency, which refers to the ability to consistently and accurately provide the promised service, is a crucial part of this method (Parasuraman et al., 1988; 1991; Cronin & Taylor, 1992; Babakus & Mangold, 1992). The assessment focused on factors such as attention, convenience and commodity. Subsequently, Parasuraman et al. (1991) enhanced the model by categorising the characteristics into five overarching groups encompassing empathy. They then implemented this improved model in the context of telephone firms, retail banking and insurance industries.

We have chosen this model, shown in Figure 1, to analyse the realm of financial institutions. Our measurement model examines various components

of the marketing mix, including product, price, place, promotion, people, process and physical evidence. It also considers different aspects of service quality, such as tangibility, reliability, responsiveness, assurance and empathy. The questionnaire encompassed the respondents' demographic profile and utilised a Likert scale ranging from "strongly disagree" (1) to "strongly agree" (5) to measure the constructs. These questions have been adapted from previously validated and reliable scales to ensure precise and consistent measurements. Our research seeks to assess service quality by measuring the five elements of the SERVQUAL model: tangibility, reliability, responsiveness, assurance and empathy. These elements are then combined into a dependent variable for analysis.

A pilot study was conducted with a sample of 50 individuals from various financial institutions who possess prior experience with such establishments. The respondents were asked to provide feedback on the clarity and organisation of the questions in order to ensure the questionnaire's validity and reliability in addressing the research objectives. Through the use of a pre-test, the initial questions were improved, and necessary adjustments were implemented. The sample consisted of 600 individuals over the age of 18 who live in Algeria and have experience with financial transactions with banks or branch banks. The study utilised non-probability convenience sampling, as mentioned by Sekaran (2003). The data were collected by distributing the questionnaire in two different methods: 200 through personal interviews and 400 electronically through a Google Form shared on social media platforms like Facebook and Instagram. In total, we received 584 valid questionnaires.

Results

The respondents came from various age groups, genders and educational backgrounds, providing us with a well-rounded view. The descriptive results indicate that 41.8% of the respondents fell within the age range of 30 to 45 years old, while 28.4% were younger than 30 years old. Additionally, 19.2%

were between the ages of 46 and 55, and 10.6% were older than 55. It is worth noting that the percentage of respondents in the latter age group is relatively small compared to the overall number of participants in the data collection process. Age has a substantial impact on how financial innovation services are perceived, making it a crucial demographic element. The younger individuals showed a strong interest in E-banking. The findings indicate that our sample comprises 55.3% males and 44.7% females, enabling us to collect the perspectives of both genders. Approximately 55.8% of the respondents own a Bachelor's Degree, indicating a higher likelihood of proficiently utilising digital banking services, and about 76.6% of respondents earn a salary that exceeds 35,000 Da (Algerian Dinars), which is a significant rate in terms of the credibility of the responses in relation to the standard of living. The respondents came from various age groups, genders and educational backgrounds, providing us with a well-rounded view. Table 1 displays the detailed demographic values of a profile of the respondents.

Table 1. Characteristics of interviewees

Demographic Variable	Category	Frequency	Percentage
Age	>30	166	28.4%
	30–40	244	41.8%
	41–49	112	19.2%
	50 and above	62	10.6%
Gender	Male	323	55.3%
	Female	261	44.7%
Education	High School	103	17.6%
	Bachelor's Degree	226	55.8%
	Master's Degree	108	18.5%
	Doctorate	39	06.7%
	Other	08	01.4%
Monthly income	>20.000Da	29	05%
	21.000–35.000Da	166	18.4%
	36.000–50.000Da	210	36%
	51.000–70.000Da	104	27.8%
	>70.000Da	75	12.8%

We conducted a confirmatory factor analysis (CFA) to assess the effectiveness of the measurement models. In this analysis, we specified the number of factors and their direct relationship, as outlined by Price et al. (2002). The evaluation of the measurement model included examining convergent validity, discriminant validity and composite reliability (CR). The assessment of the convergent validity of each item can be determined by examining the factor loading (λ) value, which should be statistically significant and greater than 0.5, preferably over 0.7 (Hair et al., 2019). The average variance extracted (AVE) must exceed 0.5 to indicate a satisfactory level of convergent validity. This means that the latent construct should account for at least 50% of the variance in the indicators, as seen in Table 2 (Fornell & Larcker, 1981). During the convergent validity tests, all items demonstrated substantial loadings onto their corresponding latent structures, ranging from 0.76 to 0.98.

Additionally, the average variance extracted (AVE) (Note: AVE = average variance extracted, CR = composite reliability as shown in Table 2.) for all constructs surpassed the required threshold of 0.50. The reliability of measurement models with reflected indicators can be assessed by examining the composite reliability value (CR) and enhanced by Cronbach's Alpha value. Composite reliability and Cronbach's Alpha are considered satisfactory if they exceed a threshold of 0.70, according to Nunnally and Bernstein (1994). The composite reliability and Cronbach's alpha values for all constructs varied from 0.76 to 0.93, surpassing the minimum permissible threshold of 0.7. Therefore, each construct in this research model demonstrates strong dependability. The dependability coefficient for many variables exceeded 0.5, as seen in Table 2.

The Fornell and Larcker (1981) criterion is used to calculate discriminant validity, and the square root of AVE should be greater than the construct correlations with all other constructs. Table 3 presents the results of the discriminant validity test, which got an AVE value above 0.50. Additionally, the correlation value for each variable was higher than the correlation between variables. Therefore, this research exhibits strong discriminant validity. Therefore, the measuring model demonstrates strong construct validity and reliability.

Table 2. Measurement model summary

Construct	ITEMS	Factor Loading	Cronbach's Alpha	Composite Reliability	AVE
Product Innovation	Prod		0.85	0.90	0.70
	Prod1, Prod4, Prod5, Prod6	0.84, 0.89, 0.78, 0.84			
Price Innovation	Prix		0.76	0.76	0.64
	Prix2, Prix3	0.78, 0.98			
Promotion Innovation	Com		0.83	0.89	0.67
	Com1, Com2, Com3, Com4	0.78, 0.76, 0.88, 0.77			
Place Innovation	Distr		0.90	0.93	0.73
	Distr2, Distr3, Distr4, Distr5, Distr6	0.79, 0.84, 0.91, 0.91, 0.87			
People Innovation	Peo		0.88	0.91	0.64
	Peo3, Peo4, Peo5, Peo6, Peo7, Peo8	0.77, 0.66, 0.83, 0.86, 0.82, 0.82			
Physical Evidence Innovation	PrMa		0.87	0.90	0.66
	PrMa1, PrMa2, PrMa3, PrMa4	0.84, 0.79, 0.87, 0.84			
Process Innovation	Proc		0.85	0.89	0.68
	Proc2, Proc3, Proc4, Proc5	0.83, 0.83, 0.80, 0.84			
Tangibility	Tang		0.84	0.89	0.69
	Tang1, Tang2, Tang3, Tang4	0.87, 0.88, 0.77, 0.82			
Fiability	Fiab		0.75	0.84	0.57
	Fiab1, Fiab2, Fiab3, Fiab6	0.76, 0.77, 0.75, 0.74			
Assurance	Ass		0.67	0.81	0.59
	Ass1, Ass3, Ass5	0.76, 0.81, 0.82			
Reactivity	Rea		0.82	0.88	0.65
	Rea1, Rea2, Rea3, Rea4	0.77, 0.89, 0.82, 0.71			
Empathy	Emp		0.84	0.89	0.62
	Emp1, Emp2, Emp3, Emp4, Emp5	0.80, 0.76, 0.76, 0.83, 0.76			

Table 3. Discriminant validity of latent constructs

Construct	Average Variance Extracted	1	2	3	4	5	6	7	8	9	10	11	12
Assu	0.59	0.77											
Com	0.67	0.41	0.82										
Distr	0.73	0.48	0.82	0.85									
Emp	0.62	0.58	0.64	0.70	0.79								
Fiab	0.57	0.59	0.44	0.53	0.60	0.76							
Peo	0.64	0.56	0.63	0.67	0.76	0.58	0.80						
PrMa	0.66	0.58	0.64	0.70	0.71	0.61	0.70	0.82					
Prix	0.64	0.13	0.35	0.38	0.30	0.13	0.24	0.23	0.80				
Proc	0.68	0.53	0.64	0.69	0.63	0.57	0.67	0.68	0.23	0.83			
Prod	0.70	0.41	0.76	0.79	0.61	0.47	0.59	0.59	0.36	0.54	0.84		
Rea	0.65	0.53	0.61	0.65	0.75	0.52	0.73	0.67	0.25	0.61	0.53	0.81	
Tang	0.69	0.59	0.60	0.68	0.69	0.64	0.67	0.83	0.21	0.66	0.56	0.65	0.83

Note: Oblique elements with bold style are squared AVE; off-diagonal values are the correlation between constructs.

Tenenhaus et al. (2004) proposed an adequacy index known as the Goodness of Fit (GoF) as a comprehensive measure of model fit for SEM – PLS. To estimate the model's adjustment, the following formula was computed, which must be theoretically significant.

$$GoF = \sqrt{\overline{Com} \times R^2}$$

$$GoF = \sqrt{\frac{\sum_{q:J_q>1} \sum_{j=1}^{J_q} \text{cor}^2(x_{qj}, \hat{\xi}_q)}{\sum_{q:J_q>1} J_q} \times \frac{\sum_{p=1}^P R^2(\hat{\xi}_p, \hat{\epsilon}_{\xi_p \epsilon_{\xi_p}})}{P}}$$

$$\begin{aligned} \overline{Com} \text{ (VAVE)} &= \frac{1}{12} (0.59+0.67+0.73+0.62+0.57+0.64+0.66+0.64+0.68+0.70+0.65+0.69)=0.65 \\ \overline{R^2} &= \frac{1}{6} (0.531+0.746+0.815+0.740+0.594+0.819) = 0.71 \\ GoF &= 0.68 > 0.36 \end{aligned}$$

According to Wetzels et al. (2009), the following cut-off values were proposed for evaluating the outcomes of Goodness-of-Fit (GoF) analysis. A model has a GoF value of $0.68 > 0.36$, indicating a very good global model fit (Kushwaha & Agrawal, 2015). Multicollinearity test must be applied to avoid increasing the standard error of the coefficients (McClendon & McKee, 2002) and redundant information by calculating the variance inflation factor (VIF) to assess the degree of Multicollinearity among the latent constructs according to the formula:

We note from Table 4 that the VIF value for all variables is less than the value of threshold 5, and the tolerance value for all variables is greater than 0.2. Therefore, there is no multiple linear relationship between all variables, which indicates the absence of Multicollinearity among the study variables.

$$VIF_i = \frac{1}{1 - R^2}$$

The structural model test is conducted to analyse the consistency values of the coefficients R2, Q2 and F2 of the research model. The stability and explanatory and predictive capacity of the model is evaluated based on the coefficient of determination (R2), the redundancy validated by cross-validation (Q2), and the path coefficients (Hair et al., 2013, 2021). The coefficient of determination (R2) provides information on the proportion of variance explained in the respective endogenous constructs, while the blindfolding method (Q2) presents the predictive capacity of the excluded data (Hair et al., 2019). R2 value indicates that 71% of the variance in Banking Quality Services can be explained by the innovation elements in the marketing mix; the model so has good explanatory power by a high-value Coefficient of Determination = 0.71. (Q2) = 0.35 indicates that the model has good predictive relevance (Q2 larger than 0 = the model has predictive relevance, with values closer to 1 indicating higher relevance). Otherwise, (F2) Effect Size (Cohen, 1988) measures the effect size of the independent variable (Innovation mix marketing) on the dependent variable (Financial quality services), indicating the contribution of each predictor to the value of R2. Regarding the three coefficients, the model is robust and effective in explaining and predicting banking service quality based on the innovation elements of the marketing mix in the Algerian banking sector.

The hypothesis test depends on the T and P values; acceptance corresponds to $t \geq$ the table t value (1.96) if the p values < 0.05 . The results of the test for all iterations between the variables are presented in Table 4. Moreover, they indicate that five of the seven proposed hypotheses are accepted: H1 Innovation in product with $t = 2.952$, H4 innovation in distribution with $t = 3.674$, H5 innovation in people with $t = 10.094$, H6 innovation in physical evidence with $t = 13.481$, H7 innovation in process with $t = 4.291$, and two hypotheses are rejected: H2 innovation in price with $t=0.195$ and H3 innovation in communication with $t = 0.504$ with all five hypotheses allow p-values < 0.05 .

Table 4. Structural Model Assessment

Path	Path Coefficient (β)	t-value	p-value	Tolerance	VIF	f^2	Avr. R^2	Q^2	Results
H1. Prod -> Quality	0.048	2.952	0.001	0.326	3.064	0.15	0.71	0.35	Accepted
H2. Prix -> Quality	0.004	0.195	0.844	0.839	1.192	0.10			Rejected
H3. Com -> Quality	0.016	0.504	0.664	0.266	3.765	0.18			Rejected
H4. Distr -> Quality	0.139	3.674	0.001	0.203	4.933	0.12			Accepted
H5. Peo -> Quality	0.351	10.094	0.000	0.401	2.492	0.11			Accepted
H6. PrMa -> Quality	0.379	13.481	0.000	0.374	2.671	0.14			Accepted
H7. Proc -> Quality	0.124	4.291	0.000	0.408	2.450	0.09			Accepted

Discussion

To measure the effect of innovation in the mix marketing of banking services on the formation of a quality perception among Algerian banking customers, we focused on the measurement elements of the study to highlight the main results that can allow us to validate or refute the hypotheses and consequently address the research problem. The study aimed to showcase the key factors of the services marketing mix that impact how Algerian customers perceive the quality of financial services.

By studying the relationship between the two variables, “innovation financial mix marketing” and “service quality”, we anticipated that the evolution of one would impact the other. We correlated the dimensions of the financial mix marketing with the elements of quality as outlined by the SERVQUAL model. Following the hypothesis testing, we observe through the values that, firstly, both hypotheses (H2– H3) were rejected ($t = 0.195$; $p < 0.05$ – with $t = 0.504$; $p < 0.05$), which means that there is no statistically significant direct relationship between the independent variable, namely “Price innovation” and “Promotion Innovation”, with the dependent variable “Service Quality” (p -value of 0.844 and 0.664 is much higher than the common threshold of 0.05, indicating that the relationship is not significant) (Kushwaha & Agrawal, 2015; Walsh et al., 2004; Iriana et al., 2013), explained by the cultural and economic context in the Algerian banking sector, where customers demonstrate a preference for traditional pricing policies, which are not complex and are transparent, compared to the level of trust expressed regarding the stability of financial transactions. In this regard, the Algerian financial market is governed by rigid and unstable regulations that are out of step with market developments and customer expectations, making price structure innovations less impactful on financial service quality perceptions. In the same context, the bank’s client expresses a categorical rejection of the new innovative techniques in the promotional and communication tools used by financial institutions to promote their offerings, and the client also advocates for the respect of the older systems that favour face-to-face interactions over interactions with bank staff through digital or innovative communication methods. This very protectionist cultural mode

does not work in favour of the development of a spirit that tends to favour innovation in the techniques of communication and promotion adopted by Algerian financial institutions, which often rely on digital channels and advanced technologies on perceived service quality. On the other hand, the effectiveness of these innovations can depend heavily on the available infrastructure in areas with limited internet connectivity or access to digital devices, which explains the rejection of hypothesis H3, explained by increasing customer vigilance, particularly when it comes to financial transactions in the Algerian market, about banks' characteristics that do not alone present the credibility so sought after by clients who are poorly informed about the technical criteria surrounding this financial service, which is complex both in its quality and its advantages.

We subsequently observe through the hypotheses (H1, H4, H5, H6, H7), ($t = 2.952$; $p < 0.05$ – $t = 3.674$; $p < 0.05$ – $t = 10.094$; $p < 0.05$ – $t = 13.481$; $p < 0.05$ – $t = 4.291$; $p < 0.05$), which means that there is a statistically significant direct relationship between the independent variables, namely “Product Innovation”, “Distribution Innovation”, “People Innovation,” “Physical Evidence” and “Process Innovation”, with the dependent variable “Service Quality” (with p-values below the common threshold of 0.05, indicating that the relationship is statistically significant). Therefore, the hypotheses are considered accepted, as the relationships between the dimensions of the service marketing mix, namely (Product, Distribution, People, Materials and Process), and the elements of the quality of Algerian banking services take shape. So, Product, place, people, physical evidence and process had a positive and significant effect on client (Gyaneshwar et al., 2015; Vargo et al., 2008; Lovelock et al., 2011; Amin et al., 2013). The study confirms that the effects are observed in the banking sector in Algeria, and it is explained by the significant relationships arising from the fact that the cultural and economic context in the Algerian banking sector, where customers demonstrate a preference for innovative financial products that meet their specific needs, can significantly enhance the perceived quality of services. Furthermore, innovations applied in different distribution policies, especially the use of digital platforms and mobile applications, improve convenience and accessibility, which increases customer-perceived service quality. Additionally, innovations related to staff training and motivation concerning innovative ideas

among employees can enhance the overall service quality, as well-trained and motivated employees deliver better customer service. In the same context, managing processes that modernize operations can enhance the overall customer experience, reduce service delivery times, and improve the efficiency and effectiveness of service, thereby enhancing service delivery quality.

Conclusion

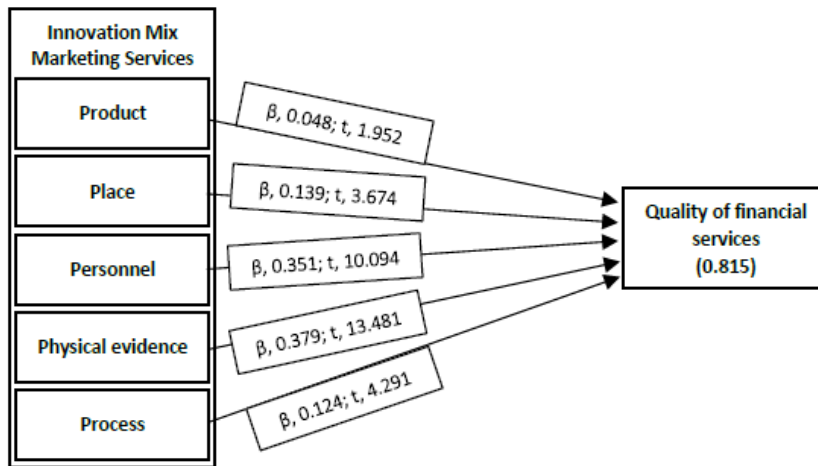
At the end of this contribution, we first present the main theoretical, methodological and managerial results of the research. Finally, we present a set of perspectives and avenues for further research.

The study aims to demonstrate that innovation in the elements of the extended Financial Mix marketing significantly enhances the quality of banking services in Algeria. This result was achieved through the proposal of a set of iterations derived from the literature, which translates to a focus on product, price, place, promotion, people, process and physical evidence, capable of increasing the perceived quality of financial services and improving customer satisfaction while gaining a competitive edge, provided that the banks respect the aspects of innovation. To achieve effectiveness, the marketing strategy of banking institutions must align with the ability to represent and anticipate consumption acts related to limited resources in money, time, effort and the degree of involvement in order to maximise utility through the acquisition of goods and financial services offered. The findings provide valuable insights for practitioners and contribute to the existing literature on service quality and marketing innovation. They also highlight the outputs of Grönroos' (1983) research. Emphasising the importance of understanding and evaluating service quality from a holistic perspective. This study extends that approach by integrating the extended marketing mix elements and providing empirical evidence from the Algerian banking sector.

Based on previous related research, we were inspired to establish a model constituted by the relevant constructs regarding the examination of our

problem, capable of relating the variables and translating the effect between the innovation of the financial mix marketing and the perceived quality of service among Algerian clients. In this sense, our approach had a dual objective: Firstly, it is important to determine how incorporating innovation into financial services can influence clients' perception of quality and ultimately impact their behaviour. Secondly, we examine the Algerian banking market as a specific case study to validate our research hypotheses. To address the issue and in order to identify the dimensions of the marketing mix integrating innovation, as well as the measurement model of the elements that allow for the identification and evaluation of the perceived quality level of financial services, we found it useful to present our study in two parts: a theoretical part, which intrinsically includes a literature review focusing on the component of the financial mix marketing from a strategic innovation perspective. Additionally, it addresses the perception of service quality inside the core of the Algerian banking market, highlighting the foundations, the challenges ahead and, ultimately, the option evaluation models of the various measurement dimensions. However, the empirical study, through the application and testing of the conceptual research model, focused on a diagnosis involving a sample of 584 respondents who were selected to ensure adequate representation of different customer segments, including age, gender and education level, and to investigate to what extent perceived quality is dictated by the formation of a service marketing mix based on a coherent aspect of innovation.

The proposed final model (Figure 2) calls for several comments. As previously mentioned in the discussion of the results, when the consumer becomes aware of the innovative aspect of the pricing of banking services and the manner in which the bank applies its communication policy, there is a possibility of rejection unless the customers become even more attached to the financial product, which has been confirmed by the results (H2 and H3). It is observed through the validation of the hypotheses (H1, H4, H5, H6 and H7) that the innovation of the elements of the service marketing mix exerts a positive influence on the dimensions of service quality in the Algerian banking context. Based on the findings of hypothesis testing and the validation of indices and statistical values, the final model that is being suggested is provided as follows.

Figure 2. Final proposed model with designation of significance and beta effect coefficient

Source: Own elaboration.

Managerial Implications

The study contributes to the literature on the quality of financial services and innovation applied to the marketing mix, providing empirical evidence from the banking sector in Algeria. The work is part of a cumulative logic and has enriched previous studies that address the issues related to the new challenges facing financial institutions to ensure performance. Likewise, professionals can leverage the results and draw inspiration to develop an innovative and coherent marketing mix that enhances the quality of financial service.

In this study, we set ourselves the task of determining the impact of the innovative marketing mix on the Algerian banking consumer, capable of translating a positive perception of quality. To this end, we studied the Algerian banking market; in this regard, financial institutions should focus on continuous innovation in their product offerings, pricing strategies, distribution channels, promotional activities, staff training, service processes and tangible elements in

order to remain competitive. Adopting innovation as a strategic lens for designing a coherent marketing mix can lead to increased customer satisfaction, loyalty and positive word-of-mouth, thereby improving financial performance by reducing the gap between customer expectations and perceptions.

Furthermore, by examining the results and statistical values, the study provides a fairly stable model and a framework for other industries and regions to assess the impact of financial mix marketing innovations on the perception of service quality. Additionally, future research should continue to explore the dynamic relationship between marketing innovation and service quality in different contexts. The research could also explore the impact of external factors, such as regulatory changes and economic conditions, on the relationship between marketing mix innovations and service quality, and the studies could provide deeper insights into customer perceptions and experiences. Future studies could also expand the scope to include other service sectors in Algeria or compare the findings with those from other countries to provide a broader understanding of the impact of financial marketing mix innovations on service quality.

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