MARKETING OF BANKING SERVICES IN A COMPETITIVE ENVIRONMENT

CASE STUDY OF FIRST BANK OF NIGERIA PLC

BY

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A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION, INSTITUTE OF ADMINISTRA TION, AHMADU BELLO UNIVERSITY, ZARIA

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER IN BUSINESS ADMINISTRATION {MBA}

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DECLARATION

I hereby declare that this project in partial fulfilment of the requirements for the award of the degree of Master of Business Administration {MBA} of Ahmadu Bello University, Zaria, is a product of the research findings conducted by me.

All sources of information used for this write-up are clearly acknowledged by means of references.

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22/1/00
DATE

CERTIFICATION

This project report entitled, ' **MARKETING OF BANKING SERVICES IN A COMPETITIVE ENVIRONMENT**": A CASE STUDY OF FIRST BANK OF NIGERIA PLC", by **OKEGBOLA OLUBUNMI** meets the regulations governing the award of the degree of Master of Business Administration {MBA} of Ahmadu Bello University and is approved for its contribution to knowledge and literary presentation.

Mr ABUBAKAR — SUPERVISOR — 22/1/08 — DATE

Prof. A.D Shendu — EXTERNAL EXAMINER — 22/7/2008 — DATE

HEAD OF DEPARTMENT — 28/9/07 — DATE

DEAN, POSTGRADUATE SCHOOL — 4/1/08 — DATE

DEDICATION

This project is with humility and profound gratitude, dedicated to the Almighty God, the source of knowledge, wisdom and understanding and also to my dear parents.

OKEGBOLA OKESOLA O. [ENGR.]
OKEGBOLA CATHERINE M. [MRS.]

ACKNOWLEDGEMENT.

The successful completion of this project work cannot be as a result of my sole effort, but also with the contribution, one way or the other, of some individuals, who have made the success and the completion of this research work possible. Hence, this acknowledgement goes to them.

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ABSTRACT

The development in the banking industry in the present age are fast changing and at the same time taking an aggressive posture whereby success in the industry is only for the most aggressive and innovative operators in the game. The dramatic changes taking place in the industry have further hardened the competition, therefore making it intensive and a survival of the fittest. The zero sum nature of the competition resulting from the interactors of complex environmental factors such as political, social, cultural and economical, all operate to influence the operators in the industry. Banks whether commercial or merchant, big or small, government or private-owned, cannot be stagnant in their operations especially in the area of rendering services to the public. But as a necessity has to strive to keep pace with the changes in the industrial competitive environment.

As a result of the generic environmental influences, most banks are involved in the practice of strategic marketing in order to achieve their desired objectives. For example, most of these new generation banks are adopting aggressive marketing strategy as an optimum strategy to reach to their customers. This objective is achieved if bank management can find out the needs and wants of their target customers and at the same time, fashioning out products and services to meet the needs of these target customers at a profit to the bank. In the present day, banks especially First Bank of Nigeria Plc practice strategic marketing in diverse ways such as in new product development, by providing special incentives to stimulate customers' patronage.

Gone are the days when banks rely heavily on their capital base as a prerequisite for customers' patronage. The idea of marketing is to tell people about the product on sale, the benefits and the reasons why the product is preferable to others. Therefore, for any bank to achieve appreciable degree of success in the banking sector in Nigeria competitive business environment, it must devote a lot of time, personnel and money to seek and service their customers satisfactorily more than their competitors.

The central focus in the project is to ascertain the effectiveness of marketing of banking services in a competitive environment using First Bank of Nigeria Plc as a case study. The Bank as one of the banks in the industry, has developed and introduced some technologies in the banking sector especially in areas of customer services, efficiency and general operations to stimulate staff to put in more efforts towards her customers satisfaction which is the foundation for her existence.

It is indisputable fact that the industry is so competitive that survival is for the fittest, therefore achieving the objectives of any bank, especially First Bank in the set up, and at the same time meeting up the demands of teeming customers, is not mere practicing the banking business. That is, it goes beyond the mere banking operations, it includes carving out marketing strategies to get to and maintain their target customers and attract prospective ones.

Furthermore, major strategic marketing policies of the bank will be reviewed and the advantages and the disadvantages of the schemes will be stated. Thus, the findings are likely to be of high value to both the bank and her customers in general and marketing students in particular, because of its literary contribution to knowledge.

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CHAPTER ONE

1.0 BACKGROUND OF THE STUDY:

Marketing is vitally important to the success of any organization as well as banks as it covers all business activities that direct the flow of goods and services from the producer to the consumer or user (customers).

In the recent years, marketing is making a tremendous change in the business world, the banking business inclusive, as the Nigerian business environment is becoming more competitive. The dramatic changes constantly being experienced has further made the banking business operation more challenging and even more competitive. These changes, usually resulting from the interactions of complex environmental factors such as political, social, cultural, economic forces as well as religion, operate to influence the people in all aspects of their existence. Therefore, every organization, whether big of small, private or public cannot afford to be stagnant in its general operations, especially marketing, but as a necessity, has to keep pace with the changes in the environment.

Banking institution which is primarily a financial industry, operated by human resource for the benefit of the general public and the banks themselves engage in commercial trading of customer services, which range from less complex to highly complex with the global economic transformation. Traditionally, marketing as a management process was of relatively little importance to the banking institution. Banks only occupied the position as financial intermediaries between depositors and users of investment funds and also as catalysts of the economy. However, because of the ever increasing competition in the business environment, the Nigerian banks, in order to survive and ensure relevance in the highly competitive environment, compete in the market place by using marketing strategies that would single-handedly provide quality services to customers, price the services appropriately as well as promote such services towards satisfying their customers.

The competition, which arose as a result of the influence of Structural Adjustment Programme (SAP), has become stiffer and tougher. Banks would not only compete with each other, but also with non-financial institutions and semi-financial institutions while provide related services. Thus, with these activities, the banks no longer just offer a place to take out, pay in and borrow money, but offer high quality service delivery.

The Nigerian banking environment had become more open, freer and more competitive since the deregulation of the banking sector. The programme encouraged and enhanced competition among the banks and brought some developments which includes; liberalization of bank licensing by government policy, changes in the foreign exchange

policies of the government to encourage competition in the banking industry, deregulation of the interest rate.

Subsequently, it is on the basis of competitiveness that marketing of banking services can become meaningful and relevant in the country, Nigeria. With greater competition, more quality services and customers, success in banking business requires this adoption of marketing orientation.

The marketing (customer) orientation is a very important foundation stone of all sectors in the economy, the financial services sector, inclusive. It gives the clear insight of the markets in which banks operate with a view to developing and producing quality services, which would satisfy customers' needs and wants. Thus, it is imperative for all financial services industries to strongly adopt this aspect of the marketing concept. Though it is evident that the approach towards the adoption of the marketing concept by the financial service industry, especially banks has been a slow one, but due to the ever changing and dynamic environment or increasing competition in the banking environment, the reverse is the case, that is, banks are swiftly adopting the marketing philosophy, developing some aggressive marketing strategies or merchandising techniques to develop, promote and deliver quality services towards customers satisfaction by meeting their demands.

In the nutshell, as the content of this research work unfolds, an attempt shall be made to: look at the application of the marketing activities in the commercial banking business in Nigeria; assess the effect of the Structural Adjustment Programme and government legislation on the banking activities; unfold marketing strategic moves the commercial banks can employ to enjoy customers satisfaction as well as other conditionalities for operating as commercial banks. These marketing strategies would help the commercial banks to effectively market their services successfully and with courtesy and this in turn enhance the corporate image of the banks as well as the general development in the Nigerian economy.

1.1 STATEMENT OF PROBLEM

Banking, as a service provider, has been faced with series of criticisms by experts as armchair banking, since the economic reform programme (SAP) in 1986. This is as a result of the reluctance of the banks in adopting and employing marketing strategies, appreciating marketing concepts and functions in the banking business. Thereby, making marketing in banking difficult to achieve. Their perception of marketing in the banking business is narrowly centered around cheap and or cost free deposit mobilization for investment into the highest yielding ventures. However, in the present competitive environment, marketing of banking services goes beyond this shallow end. Therefore, it is expedient for banks in order to survive in the present age and in the new millennium to

design and employ certain unique marketing strategies and merchandized techniques for a purposeful and customer-oriented approach to the banking business.

Banking as a profession engages in service marketing business and as sellers of financial services, banks have two goals to achieve in the marketing approach. These include the mobilization of deposits through various accounts like; saving, current, fixed, demand deposit accounts & making maximum profit from investment of these funds.

In ensuring competition in the banking environment, it is imperative for the banks to adopt the marketing orientation and apply the marketing tools in order to survive and be successful providers of financial services. Hence, in the course of this research work, the following problems would be investigated and they include: -

(i) Inadequate quality banking services;
(ii) Lack of innovation on the part of the banks in packaging and delivery of their services;
(iii) Customers' (dis)satisfactory responses at the manner banking services are offered;
(iv) Inadequacy of bank facilities to make customers comfortable; etc.

1.2 AIMS AND OBJECTIVES OF THE STUDY.

Marketing of Banking services in Nigeria has become so complex and sophisticated that individual bank has to adopt various tactics and strategies as a master approach to winning new prospective customers and at the same time maintaining the corporate loyalty of the existing customers. The competitive nature of banking industry has made it a battlefield where survival is the fittest and thus, most innovative banks in the industry survive such competitive pressures. The choice of banking services has developed to a stage where banks are becoming more aggressive both in their thinking and operations. Gone are the days when bank managers confirmed themselves in their offices waiting for customers to come, but nowadays, managers do a lot of promotional selling that is, "personal selling" to win a customer. The idea of creating a marketing department in the organizational structure of a bank is to intensify the aggressiveness and efforts toward meeting the needs and wants of their customers.

The objective of this research work is to scrutinize the roles and functions of marketing in the commercial banking industry with much emphasis on First Bank Nigeria Plc and the marketing strategies adopted and implemented by the Bank for speedy service delivery. The examination of the role of marketing in the banking industry will include the following;

(i) Strategies used in marketing of banking services;
(ii) The similarities between the marketing of banking services and that of tangible products;
(iii) The application of marketing activities in the banking services.

(iv) Suggestion on the best and efficient ways of marketing banking services in a competitive environment.

1.3 JUSTIFICATION OF THE STUDY

Competition is the key word in the Nigerian banking environment in the recent years. The recent dramatic changes that are constantly experienced in the banking operating environment as well as the economy in general has brought about an era of tough competition. These changes of developments, which the Nigerian economy witnessed, resulted from the adoption and implementation of Structural Adjustment Programme (SAP) in September 1986 and this has continuous and direct bearing on the banking industry. These changes and developments tended to encourage deregulation of the financial sector which resulted in increase in the number of operating banks in the country and liquidity mop up exercises of the Central Bank of Nigeria (CBN).

Further, some developments, which geared up competition, are as follows;

(1) Liberalization of bank licensing by government
(2) Deregulation of interest rates.
(3) Introduction of foreign exchange market (SFEM/FEM/IFEM).
(4) Removal of government and government agency deposits from all other banks to the Central Bank of Nigeria (CBN).
(5) Use of foreign currency denominated guarantees for Naira credit facilities by banks in Nigeria was prohibited.
(6) Use of stabilization securities by the CBN to mop-up excess liquidity.
(7) Use of prudential guidelines by government to control the quality of services in terms of loans and advances granted by banks in Nigeria.

The programme has successfully engineered the banks to plan strategically, make some innovative moves with a view to ensure continued survival of banks in the competitive environment.

1.4 RESEARCH METHODOLOGY

Two methods were used in the course of collecting information and data for this research work and they include: Primary source and Secondary source.

Primary source involved the use of interviews with the First Bank management staff, while questionnaires were distributed to other staff as well as customers of the Bank where their views were obtained as regards the services offered by the bank and the manner at which the services were offered.

The secondary source involved data collection from internal records e.g. textbooks journal, annual reports etc.

Moreover, data analysis was based on data and information supplied through personal interviews and questionnaires and also from secondary source. From this, descriptive and mathematical analyses were made in form of calculation in tabular forms and figures.

1.5 SCOPE OF STUDY:

This research work is centered on marketing of banking services in competitive environment with focus on commercial banking in Nigeria, because of its operation in retail marketing business which largely affects the lives of the average man in the society and whose impact is far-reaching than those in the investment banking business.

Special reference is made to First Bank of Nigeria (CBN) Plc, as a case study of this research work. The bank would be expected to provide all the necessary data required, sufficient enough to give meaningful inferences about banking services in Nigeria considering the fact that Nigeria operates branch banking and networking systems which goes with uniform operating system in all the units and, or branches throughout the country.

1.6 LIMITATIONS OF THE STUDY

The major constraint of this research work was as a result of paucity of relevant and current literature.

The other constraints encountered during the research in relation to data collection were the uncooperative attitude of the bank officials and access to official documents. Also include secrecy and bureaucratic procedure, shortage of funds and time.

1.7 ASSUMPTIONS AND HYPOTHESIS:

This research work is based on the following assumptions;

(i) Every organization has an objective to achieve. This objective may be clear or vague in interpretation

(ii) The competitive nature of the banking industry has made it a fight for the survival of the fittest.

(iii) The primary objective of First Bank of Nigeria Plc is to satisfy her existing and prospective customer at a profit.

(iv) In a banking industry, customers' loyalty is won and maintained, only when he/she is satisfied with services offered by the bank.

In accordance with the chosen method and base on the above assumptions, the following hypotheses are made:

HI: First Bank Plc is the best commercial bank in the country from any perspective.

HO: First Bank Plc is the best commercial bank in the country from any perspective

HI: FBN has the highest number of customer in the banking industry.

HO: FBN has the highest number of customer in the banking industry.

HI: The bank services to customers are second to none in the industry.

HI: The financial status of the bank is as a result of aggressiveness and quality services offered to customers.

HO: The financial status of the bank is as a result of aggressiveness and Quality services offered to customers.

HI: Money transfer system of the Bank i.e. "Western union money transfer" is the fastest, convenient and secured means of remitting money to families from abroad.

HO: Money transfer system of the bank is not the fastest, convenient and secured means of remitting money to families abroad.

1.8 DEFINITION OF TERMS.

BANKING: The Banking Act of 1969 defined banking business as "the business of receiving monies from outside sources as depositors irrespective of the payment of interest, and the granting of money loans and acceptance of credits or the purchase of bills and cheques or the purchase and sales of securities for account of others or the incurring of the obligation to acquire claims in respect of loans prior to their maturity or the assumption of guarantees and other warranties for others or the effecting of transfers and clearings and such other transactions as the commissioner may, on the recommendation of the Central Bank, by order published in the Federal Gazette designate as banking business.

BANK CUSTOMER: in Nigerian context is that person who must have opened an account with the bank and has at least one transition on the account.

PERSONAL CUSTOMERS: are mainly workers whose salaries and wages are paid direct to banks for the credit of their accounts. Other categories of personal customers are pensioners and students who receive cheques for their maintenance.

BUSINESS (CORPORATE) CUSTOMERS: are primarily corporate organizations, ranging from the sole trader (entrepreneur) to partnership and to public and private limited liability companies.

HYPOTHESIS: this is a tentative and testable explanation, usually in a declaration form of relationship between variable either general or specific.

ASSUMPTION: this is a tentative and testable opinion of an individual concerning a phenomenon.

RESEARCH: Research is simply the process of arriving at dependable solutions to problems through the planned and systematic collection, analysis and interpretation of data.

CHAPTER TWO

LITERATURE REVIEW:

2.0 INTRODUCTION.

This is one of the interesting part of the project work. This is because the chapter contains all the vital literature definitions and extracts from the research work of some authors, which formed the bulk of the study.

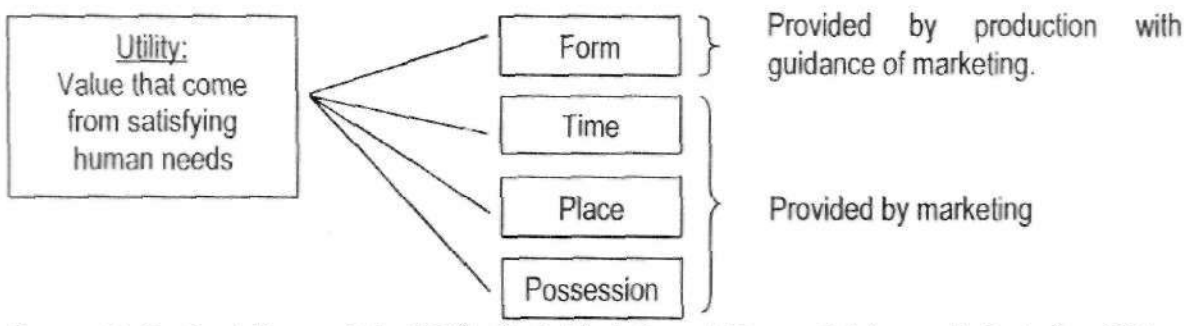
In this, chapter, many textbooks in marketing would be consulted, a comprehensive review of literature is widely delivered to be an essential ingredient in the development of knowledge through research. The significance of the literature review derived from the basic belief among researchers that the more one knows about the methodologies, findings and conclusions to one's area of research solutions to one's problems is visible.

2.1 MARKETING – WHAT IS IT ALL ABOUT?

Most people, including some business managers say that marketing means "selling" or "advertising". It is true that these are parts of marketing, but marketing is much more than selling and advertising. Marketing is a set of activities, which provides needed direction for production and helps to ensure that the right goods or services are produced or performed and find their way to consumers. Thus, it is enough to see that marketing plays an essential role in providing consumer with need satisfying goods/services.

Marketing, from all indications, relates to production and neither of the two must be left in isolation, as it is obviously practised in the business organization in the recent years, whereby people overrate the importance of production in relation to marketing, thinking that once you just have a good/service your business will be a success. This is not so, because, both marketing and production are simultaneously important parts of a total business system aimed at providing consumers with need–satisfying goods and services and together, they provide the four basic economic utilities – form, time, place and possession utilities that are needed to provide consumer satisfaction. See figure 2.1. Here, utilities mean that power to satisfy human needs.

Fig 2.1: **Types of Utility and how they are provided.**



Source: McCarthy & Perreault Jr. (1990); Basic Marketing: A Managerial Approach, Irwin Inc, USA.

Form Utility: Is provided when someone produces something tangible, for instance, tennis racket. But just producing tennis racket doesn't result in consumer satisfaction. The product must be something that consumers want or there is no need to be satisfied.

This is how marketing thinking guides the production side of business. Marketing decisions focus on the customer and services to produce. It doesn't make sense to provide goods and services consumers don't want when there are so many things they do want or need.

Even when marketing and production combine to provide form utility, consumers won't be satisfied until possession, time and place utilities are also provided.

Possession Utility: this means obtaining a product and having the right to use or consume it. Consumers usually exchange money or something else of value for possession utility or satisfaction.

Time utility: means having the product available when customer wants it.

Place utility: means having the product available where the customer wants it. For instance, Tennis rackets that stay at a factory does not amount satisfaction just by its production until concerted effort is made to get it to its consumers.

Time and place utilities are important for services too. For example, banking industry has become recently popular– for bank services to amount to providing satisfaction, the siting of operating offices should be recessable and operation time should be made convenient to existing and prospective customers. This is why recently most banks introduced Saturday banking.

Stated simply, marketing provides time, place and possession utilities. It should also guide decisions about what goods & services should be produced to form utility (satisfaction).

2.1.1 DEFINITIONS OF MARKETING:

There are several ways to consider the subject marketing, so, there are also a number of ways to define the term itself. Because for most people marketing has a business connotation, it is best to begin by discussing marketing from a business perspective.

In a business firm, marketing is what brings in the revenue. Marketing generates the revenues that the financial people manage and the production people use in creating products or services. The challenge that faces marketing is to generate those revenues by satisfying consumers' wants at a profit and in a socially responsible manner.

The American Marketing Association (AMA) also defines marketing as:

"The performance of business activities that direct the flow of goods and services from producers to consumers or user".

This definition includes the marketing of services– intangible "Products" that are usually consumed immediately such as entertainment, lodging or transportation.

The definition is also applicable to marketing of money, financial services and insurance. Certainly, a bank must market its services and some even have special marketing departments. Banks use many modern merchandising techniques to encourage people to open accounts and to rent money to them for a price, (called interest). Securities (stocks and bonds) are also marketed aggressively.

William .J. Stanton (1978) gave his own definition of marketing as:

"A total system of business activities designed to plan, price, promote and distribute want–satisfying goods and services to present potential customers".

It would be seen from the above definition that marketing covers all business activities. However, the marketing manager is not concerned with the manufacturing process, but only responsible for the type of goods that are produced, the time of their production and how, when and where the goods are delivered to the consumers with a view of meeting the demands of the customers. In other words, the marketing manager or division is directly responsible for such activities as; selling, advertising, transportation and promotion, and indirectly responsible for production and accounting.

Nonyelu G. Nwokoye's (1987) definition of marketing involves economic goods and services and is ultimately concerned with satisfying human economic needs. According to him, marketing is;

"Set of activities that facilitates exchange transactions involving economic goods and services for the ultimate purpose of satisfying human needs".

The activities implied in this definition include product design, development, production, branding, package, distribution and promotion.

Philip Kotler (1981) sees marketing as;

"Human activity directed at satisfying needs and wants through exchange processes".

This means that human activity, which leads to the satisfaction of consumers' needs and wants by means of exchange is marketing. Therefore, marketers must recognize and understand consumers' needs and wants and then determine how best to satisfy them. Satisfaction becomes available through the process of exchange in society.

Marketing as applied to banking has also been defined by Lord Frederick Seebohm, given by Hanson (1982) as;

"Identifying present and future markets for service; selecting which markets to serve and identifying customers needs within them; setting long and short-term

goals for the progress of existing and new services; and managing the services so as to persuade customers to use them at a profit and controlling our success in so doing".

This definition has been made for bankers in the same phraseology now used in the marketing world in general: the marketing mix (4Ps) which includes; product, place, promotion and price.

McCarthy and Perreault (1990) see marketing as existing at two levels: "micro level" and the "macro level". The first looks at customers and the organizations that serve them. The second takes a broad view of whole production distribution system. Thus, they defined marketing as;

"Both a set of activities performed by organization and a social process".

Micro-marketing according to McCarthy and Perreault is the performance of activities that seek to accomplish an organization's objectives by anticipating customer's needs and directing a flow of need satisfying goods/services from producers to customers.

Micro-marketing is more than just persuading customers, i.e., it is more than just selling and advertising, but it is aimed at identifying customers; needs and meeting these needs so well that the product almost "selling itself".

Macro-marketing on the other hand, is a social process that directs an economy flow of goods and services from producers to consumers in a way that effectively matches supply and demand and accomplishes the objectives of society. Like micro marketing, macro marketing is concerned with the flow of need-satisfying goods and services from producer to consumer. However, the emphasis with macro-marketing is not on the activities of individual organizations, but on how the whole marketing systems works. This includes looking at how marketing affects society and vice versa.

In the nutshell, marketing begins with potential customer's needs, not with the production process. Marketing tries to anticipate needs, determine what goods and services are to be developed, including decisions about product design and packaging, prices or fees; credit and collection policies; use of middlemen, transporting and storing policies, advertising and sales policies; and after the sale, installation, warranty and perhaps even disposal policies.

2.2 MARKETING SERVICES:

The generic definitions of marketing are applicable to both goods and services, thus the features of a service, like that of a product, bears on its ability to satisfy stated or implied needs of users (consumers).

Service is therefore given by Philip Kotler (1988) as:

"An act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything".

Services generally differ from goods in a number of respects, especially in banking, it is rare for goods to be marketed (although some banks have included physical objects like moneyboxes in their range of products from time to time). The emphasis in banking is therefore on marketing services, and it is useful to consider some of the specific features of services, which create such difference. The key features include the following:

1. **Intangibility:** services are intangible (which means they cannot be touched, tasted, felt, heard, held or smelled), so potential buyers cannot usually look at or try out what they are going to buy or have bought. For instance, money (fund) transfer service is a service which customers pay for and is performed by banks, but the customer does not obviously have anything to show as a result. The same can be said of insurance, savings and investment services.

2. **Inseparability:** unlike the tangible products that are manufactured, stored and sold later, services are typically produced and consumed at the same time. It is difficult to separate the service provider from the service. If the service is rendered by a person, then the person is part of the service. Since the client is also present as the service is being produced, both the provider and the client affect service.

3. **Heterogeneity:** services are heterogeneous, i.e., services are often specific to the individual buyer rather than identical. The quality of the service is highly dependent on the quality of the personnel conducting the transactions. As a result, the potential for variability is high and quality management and control is difficult. The quality service a customer receives from a bank when making a loan application depends in the performance of the loan assessor; the bank would be judged on that rather than the quality of the resulting loan. Variability of service quality can be reduced by the use of techniques to standardize service delivery. For instance, the use of ATM (Automated Teller Machines) and the development of expert systems to control loan evaluation and account opening.

4. **Perishability:** Services cannot be stored, they must be produced on demand and often in the presence of the customer. This however, creates problems especially in a situation when demand exceeds supply or vice verse. For example, when economy is booming and interest rates on loans and advances are low, mortgage loan demand will be high, but banks may often be in a difficult situation to raise funds to finance the demand for loan (e.g. mortgage). The banks cannot simply store mortgage funds from a period when savings were high and mortgage demand low.

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In addition to these general features of services, which are not necessarily separate and distinct from one another, many services, especially banking services are characterized by a client relationship where the customer uses a particular service because he/she likes the sales staff. Buyers of goods are less influenced in this way. They are more likely to decide what to buy before deciding where to go rather than deciding first which supplier is the best.

A key aspect of marketing within any service organization is to confront these issues (features) and attempt to resolve them, by employing a strategy towards achieving a specific goal. For instance, developing a tangible representation of a service, for example cheques, credit cards and smart cards are tangible representations of money transmission and credit facilities.

2.3 THE MARKETING CONCEPT:

Since World War II, it has become important to serve the customer, and marketing has become to be equated with an approach known as "total marketing". Total marketing added to the traditional definition of marketing concept of 'giving the buyer a say in what goods and services the firm sells'. In other words, the effort of a firm or organization is to produce what the consumer wants.

The marketing concept is a philosophy of business, which states that the customers' want-satisfaction is the economic and social justification for a firm's existence. Hence, William J. Stanton (1978) said that the marketing concept is based on two fundamental beliefs:

1) **Marketing Orientation:** this means that planning, policies and operations should be customer-oriented, that is, emphasis should be on customer's wants.
2) **Profitable Sales Volume:** this should be the goal of the firm and not just volume for the sake of volume alone. First determine what the customers want and then figure out how to profitably make and deliver a product or service to satisfy those wants. Consequently, all organization activities in production engineering and finance as well as in marketing must be devoted first to determining what the customer's wants are, then satisfying those wants while still making a reasonable profit.

Stanton (1978) further stated that for a business organization to realize the full benefits of the marketing concept, the philosophy must be translated into action. In other words, the marketing activities must be well coordinated.

Peter Drucker (1973), elaborated on this issue giving that it is customer who determines what a business is and that it is the same customer alone whose willingness to pay for a good or service, converts economic resources into wealth, things into goods. What the business thinks it produces is not of first importance, especially not to the future of the

business and to its success. What the customer thinks he is buying, what he considers value, is decisive: it determines what a business is, what it produces and whether it will prosper. And what the customer buys and considers value is never a product. It is always utility, that is, what a product or service does for him. Peter Drucker went further saying;

> *"Because its purpose is to create a customer, the business enterprise has two– and only these two-basic functions: marketing and innovation. Marketing and innovation produce results, all the rest are costs".*

The marketing concept can be represented by figure 2.2 below.

Fig 2.2: **The Marketing Concept.**

	The marketing Concept	=	Produce what people want to buy, NOT sell
Means that we	↓		what we like making.
	Put the customer first	=	organize and so-ordinate the company so that
So we must	↓		this happens
	Find out what customers need	=	carry out market research.
In order to	↓		
	Supply satisfaction for those needs		
Which we do by offering the right	↓		
	Marketing Mix	=	Product – the right article
		=	Price – at the right price
		=	Place – available through the right channels
		=	Promotion – presented in the right way.

Source: John Wilmshurst (1980): The Fundamentals &Practice of Marketing, William Heinemann Ltd, London

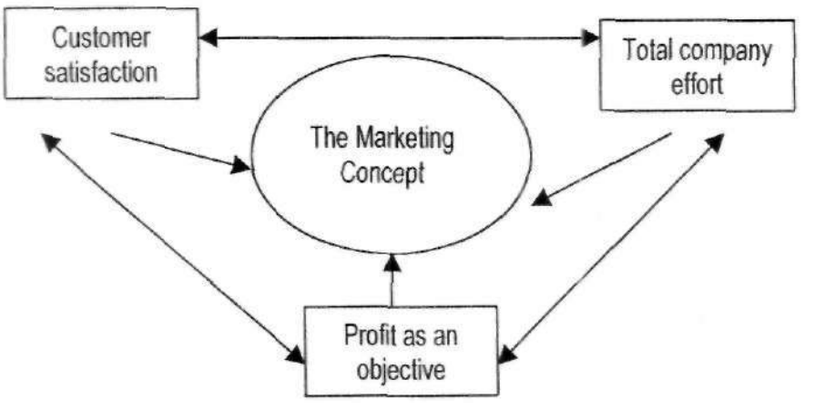
Furthermore, according to Philip Kotler (1980), the "meat" of the marketing concept is customer satisfaction, the largest hurdle a firm has to overcome to develop a marketing orientation. Hence, banks or firms that are skillful in doing what suits their customers are neckdeep involved in the marketing concept. According to McCarthy and Perreault (1990), there are three basic ideas included in the definition of the marketing concept which have to be pointed out and they are as follows:

(i) Customer-Orientation

(i) A total company effort

(ii) Profit – not just sales as an objective.

Fig 2.3: **The Marketing Concept.**



Source: McCarthy & Perreault Jr (1990); Basic Marketing: A Managerial Approach, 10th Edition, Irwin Inc, USA.

A **Customer Orientation** guides the whole company. This is because the output from one department may be the input to another. Hence, the marketing concept becomes a philosophy of the organization not just the marketing department.

The **Total Company Effort** is guided by what customers want, instead of what each department would like to do. Thus, marketing concept emphases on customer satisfaction, which is logical for each and every part of the system.

Profit, as an Objective is necessary for the system's survival. The marketing concept as it pertains to profit objective is concerned with making of money, not just making sales. That is, it creates profitable volume not just volume.

The adoption of marketing concept has not been easy and universal, many firms or business organizations are still production-oriented. For instance, in the past banks offered a range of products or services, which they had the resources or skills to provide. If customers wanted to use the banks' services they could choose to do so and would pay what the bank decided was a fair price. Thus, the basic philosophy was product-centered. But there has been a dramatical change due to government deregulation programme, which encouraged stiffer competition among the banks and enables many businesses to be more competitive.

Banks, in order to survive in the existing competitive environment has become marketing-oriented. For example, Nigerian banks, which used to be opened for limited hours (i.e. 8a.m-2pm) that were convenient for bankers not customers, now stay open for longer hours (i.e. 8am-5pm) and also on Saturday. They also offer more services for their customers – automatic banking machines that take credit cards or a personal banker" which gives financial advice. With the deregulation of the interest rates, banks compete with themselves and also with other financial institutions for checking accounts and

retirement investment. Most banks now aggressively advertise their special services and even interest rates so that customers can compare bank offerings.

Branch banking system, which has been commonly associated with lending, is now devoted to marketing of other services such as: savings and investment schemes. Hence, branches are more devoted to marketing rather than lending, especially since many of the data processing tasks of the branches are now automated. Therefore, to encourage the process of using retail bank branches more as a place for marketing a range of financial services, the banks have strongly started to:

1) Develop specialist corporate branches to deal with large company customers and to allow the retail branches to concentrate more on the "mass-market" of individual customers;
2) Spend heavily on information technology by acquiring more computer system with Y2k(Year 2000 compliance) which will enable the banks to analyze customer data for marketing purposes;
3) Train branch staff to be excellent "sales people";

Social responsibility has now become an important objective of the marketing concept. It is quite possible for a company to satisfy its customers and be irresponsible to the larger society e.g., a company may sell a product that satisfies a number of customers, but dangerously pollutes the environment. Banks have been traditionally taken seriously their responsibility to be good corporate citizens and to promote and enhance good quality of life. For example, banks through various community programmes, contribute to the promotion of arts, education and sports.

Conclusively, it is evident that marketing concept idea is not just to satisfy customers, but to do it at a profit through an integrated, whole-company effort. All the three (see figure 2.3) are considered simultaneously. Profit opportunities depend not only on outdoing some other firm, but also on doing the right thing. In fact, often the best way to be at the competition is to be first to find and satisfy a need that others have not even considered.

2.4 MARKETING MANAGEMENT:

Marketing management, which can also be referred to as strategic marketing management begins to develop when marketing philosophy, has been translated into action. That is, when the following two changes take place;

(a) The marketing activities in a firm has been well coordinated and managed; and
(b) The chief marketing executive has been accorded a more important role in company planning.

Kotler (1980) explained marketing management in the following words:

"Marketing management is the analysis, planning implementation and control of programmes designed to create, build, and maintain mutually beneficial exchanges and relationships with target markets for the purpose of achieving organizational objectives. It relies on a disciplined analysis of the needs, wants, perceptions and preferences of target and intermediary markets as the basis for effective product design, pricing, communication and distribution"

Simply defined, management is getting things done effectively through the organized efforts of other people with the view to achieve desired objectives.

Management however, does not take place vacuum, it takes place in an environment, either external, internal, national or international. The environment provides the inputs and offers the forum for disposing the outputs. The manager decides which inputs and mix and also process to adopt the inputs and where to obtain them. He/she decides how, where and which of the outputs to dispose and this can be done effectively if the manager has a clear understanding of and is responsive to the environment.

Since management is getting things done through people, it also follows that manager is concerned not only with physical processes, organization structures and tasks, but the "people" he deals with and must take account of their attitudes, beliefs, values and reaction. Hence, marketing management with the view of satisfying the needs of these people. Therefore, to get things done, the manager, especially the marketing manager, to be specific, adopts the marketing management process, which is the process of:

(1) Planning marketing activities;

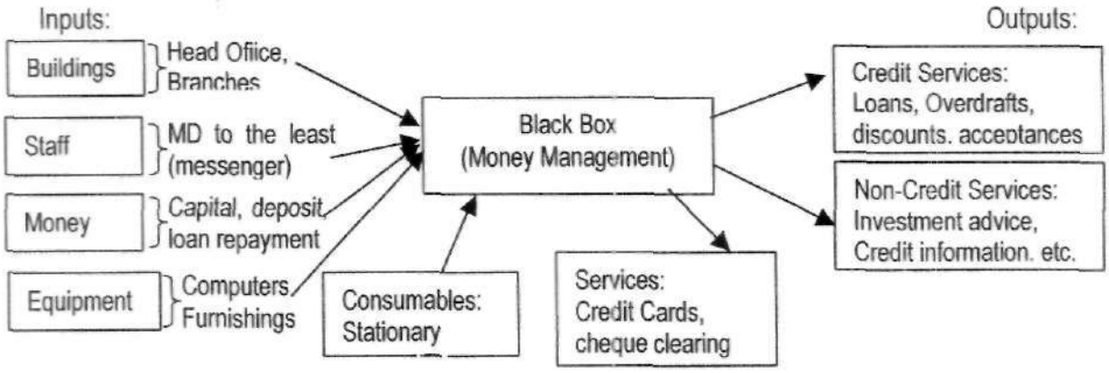
(2) Directing the implementation of the plans; and

(3) Controlling these plans.

The planning, implementation and control are basic jobs of all managers. The jobs are all connected to show that the marketing management process is continuous. In the planning job, managers set guidelines for the implementing jobs and specify expected results. They use these expected results in the control jobs to determine if everything has worked out as planned. The link from the control job to the planning job especially important. This feedback often leads to changes in the plans or to new plan.

Similarly, this marketing management process planning, organizing & directing and controlling can be regarded as inputs and outputs, as they are viewed as a system. For instance, in case of a bank, the inputs are capital, buildings staff, equipment and consumable, while outputs can be summarized as payment transmission, credit services and non-credit services. The latter includes overdrafts, discounts, loans, acceptances etc, while the former include investment advice, trustee services, credit informant, status report etc. The inputs are processed into outputs in the black box or factory – see figure 2.4.

Fig 2.4: **Banks System Approach to Marketing Management.**



Source: Nwankwo G.O (1991): Bank Management: Principles & Practice, Malthouse Publishing Ltd, London.

The five inputs are involved in every input or output. A loan, for example which is an output, a financial service, involves the customer approaching the manager (a staff input) in his office (building) seated on a chair with a table (equipment). It also involves the customer completing the loan application form (consumable) before collecting the loan (cash output). The bank must, of course, first acquire the money before it can offer the service, this input may come from share holders, debenture holders or from depositors. Again, all other inputs are involved – buildings, staff (in form of cashiers), equipment (in form cubicles), counters and consumable (in form of tellers), etc. Recording the transactions and clearing the cheques will involve other equipment such as strong rooms, cheque sorters etc.

Marketing management of the bank involves planning the inputs, the outputs and the process of converting the inputs into outputs and getting them delivered to the ultimate consumers at a profit, with the view of satisfying or meeting the needs and wants of these customers. In this way, the basic objective of a bank, especially marketing-oriented bank does not differ from that of any of the profit-making, marketing-oriented organization. Though, the scope and sophistication may differ, but the basic functions are the same: Planning organizing and directing and controlling the inputs, their processing into outputs and their delivery to the ultimate consumer.

2.5 MARKETING PLANNING:

Marketing planning means finding attractive opportunities and developing profitable marketing strategies. It focuses on market environment facing the firm, particularly the competitors and customers. The emphasis is to have an in-depth understanding of this market environment and also to be able to anticipate changes that have strategic implication.

Marketing planning according to Christopher Martin, given by O. Hudson (1998), is *"the systematic application of marketing resources to achieve marketing objectives."* It is the

means by which an organization seeks to monitor and control the hundreds of external and internal influences on his ability to achieve profitable sales. Planning is therefore seen to provide an understanding through organization intends to take to achieve its objectives. This helps managers of different functions to work together rather than to pursue their own functional objectives in isolation.

Marketing planning is described as a process by Busch and Houston (1985), consisting of the follow steps;

(i) Situation analysis
(ii) Establishment of objectives
(iii) Determination of product markets and market segmentation.
(iv) Budget determination
(v) Management of the marketing program, and
(vi) Evaluation and control.

Strategic marketing planning is an on going process whose application should result in a statement of strategy content. The results of activities and actions in one part can and often do require changes in another part. For example, a firm may establish objectives only to find they need adjustment in response to competitive changes. The process goes on at several levels throughout the corporation. Organizations can do strategic planning at the corporate division and product levels and at function level such as marketing. At the corporate level, planning emphasizes situation analysis and statement of corporate mission and objective, while at the division level, planning focuses on implementation of strategic planning.

2.5.1 BANKS STRATEGIC MARKETING PLANNING:

The strategic marketing planning as described by Channon (1986) is the core of bank strategic marketing management, resulting in the development of bank's long-term marketing objectives and the development of an action marketing plan throughout the bank to lead to the achievement of this objective. In specific terms, a bank's marketing strategic plan makes explicit the following:

(i) The market priorities which determine resources allocation;
(ii) The assumption behind the choice of market priorities;
(iii) The changes required to capitalize on market opportunities;
(iv) The timing of strategic moves;
(v) An estimate of the environment in which the bank will act; and
(vi) The expected rate of progress in strategic implementation.

From the above, it follows that customers' needs and above all satisfaction, have to be given a pride of place in the bank's strategic management, if it is to be successful.

Therefore, in the setting of market priorities, the marketing concept requires that this must be customer-focused; in order to achieve the objectives of the bank as derived from the mission statement of which improved performance in terms of profit, market share, improved public image and integrity of the bank.

In executing its marketing plan banks prepare a situation analysis which identifies clearly;

(i) The range of business the bank is currently engaged in;
(ii) The strength and weaknesses of the bank;
(iii) Opportunities available to the bank;
(iv) Threat which the bank will have to face;
(v) The different kinds of customer which the bank wants;
(vi) The reasons why customers choose the bank in preference to others;
(vii) What financial needs customers have which the bank does not meet;
(viii) What competition the bank faces in all its different services;
(ix) The range of products to be offered, prices of those product (e.g. Charges for current accounts) and methods of promotion to be used;
(x) The distribution methods to be used for different products and to different markets;
(xi) The kind of marketing staff needed in the organization; and the training needs of these staff;
(xii) The costing of the marketing process, including budgets (e.g. advertising);
(xiii) Any constraints on marketing (e.g. Legal restrictions).

2.6 MARKETING STRATEGY.

The word strategy is a general statement of the way in which an organization plans to achieve its objective. Technically defined, a strategy is *"a long-term commitment of resources to achieve specified objectives in a competitive environment."*

Marketing strategy, therefore can be described as a new positive move towards satisfying both present and future needs and wants of consumers (ultimate or industrial), by so doing, achieving quick sales volume and increased profits. This thereby places the organization in an advantageous position against its competitors even in a competitive environment.

Philip Kotler (1980) gives his own definition of marketing strategy as:

> *"a consistent, appropriate and feasible set of principle through which a particular company hopes to achieve its long-run customer and profit objectives in a particular competitive environment".*

Notably marketing strategy specifies a target market - a fairly homogeneous group of customers to whom organization wishes to appeal by putting the controllable variables (marketing mix) together to satisfy this target customers. This approach is called "target

marketing" to distinguish it from "mass marketing".

2.6.1 DEVELOPING MARKETING STRATEGIES:

In an attempt to develop marketing strategies, the following philosophical marketing strategies are used as the foundation on which other strategic moves can be built on. These emanate from the marketing concept and they are as follows:

(i) All organization's planning, policies and operating procedures which are customer-oriented;

(ii) The decision as to what product or service to be made available and how must they be got from customers;

(iii) Marketers on a continuous basis must have a good knowledge of their customer to know their behaviour;

(iv) Marketers must endeavour to use effective means of communication on the application of sales promotion, personal selling advertisement and possibly publicity;

To develop marketing strategies, there is the need to have information about the environment, competition, market characteristics (i.e. supply and demand), the customer etc. Also there is need to consider both controllable factors (marketing mix: product, price, promotion and place) within the organization and the uncontrollable factors (political, economic, cultural, technology, social) which are outside the organization, but normally present in the environment the organization operates.

2.6.2 GUIDES ON DEVELOPING STRATEGIES:

Strategy to be developed consists of the following components:

(i) A definition of the desired future in terms of scope of activities of the organization must be clearly stated.

(ii) A statement of the competitive advantage of the organization is given.

(iii) A statement of the objectives to be achieved.

(iv) A statement of how resources required to implement the strategy will be allocated.

As a market-oriented business organization, with a view to making maximum profit and creating customers' satisfaction, the organization would therefore consider the cost and feasibility of generating or maintaining strategic assets or skills that provide the basis for a sustainable competitive advantage (SCA).

To achieve SCA the organization, having the marketing concept as a foundation to developing strategies and using the components as a guides in developing strategies can then make a number of strategic choices about;

(i) Which market segments to be in;

(ii) What the marketing objectives is to be, market share, sales value;

(iii) What products or services to offer, and how they should be positioned in the market (e.g. as value for money);

(iv) The relationship between quality and price of the product;

(v) How the product is to be delivered to the customer;

(vi) How to promote the product.

2.6.3 MARKETING STRATEGIES IN COMPETITIVE ENVIRONMENT.

The present competitive environment is making top management think and act strategically. In this regard, top management of most organizations today are putting increased pressure on marketing executives to ensure that all strategic move are consumer oriented (i.e. keeping the consumers satisfied at all times).

There are four important issues that have to be clarified in relation to the choice and use of a strategy at any given time.

Firstly, the nature of competitive environment in which the company exists needs identification.

Secondly, the strategy appropriateness to the environment and the company in terms of suitability and benefit must be ascertained.

Thirdly, its feasibility with regards to the company's ability to execute the strategy in terms of human and material requirements.

Finally, consistency as it relates to the extent to which the chosen strategy can be in use for a reasonable period of time for the achievement of the stated objectives.

Generally, a company's marketing strategy takes the following factors into considerations:

(i) The company's competitive size and position in the market;

(ii) The company's resource, objectives and policies;

(iii) The company's target market's buying behaviour;

(iv) The company's competitors marketing strategies;

(v) The company's stage of product life cycle;

(vi) The characteristics of the economy.

Theoretically in a competitive marketing environment, marketing managers use different strategies depending on the position their product(s) are occupying in the market.

However, in a typical market, firms occupy positions such as:

- Market leader – who controls the greater share of the market,
- Market challenger – is the next stronger firm in the industry after the market leader.
- Market follower – is the next strong competitor following the market challenger, and lastly,

❖ Market nichers.

MARKET LEADER STRATEGY: Market leader, controls the greater share of the market. The main objective of a market leader is to maintain its enormous market leadership position. Hence, in order to achieve this objective in a competitive environment, the market leader pursue one or more of the following broad strategies. With these strategies, the market leader can protect its market share by leading other firms in the industry in new product innovation, cost cutting discoveries and improving the marketing number.

(a) **Fortification strategy:** This strategy helps the dominant firm to maintain its leadership by keeping reasonable price in relation to perceived value of its offer to that of competitors. If also produces brand in a variety of sizes and form to satisfy consumer preferences.

(b) **Confrontation strategy:** This is normally applied when engaged in massive promotional war with the aggressive competitor.

(c) **Harassment strategy:** This is achievable by the dominant firm through threat and pressure on a competitor by attracting better executives of the competitor into his own firm and also on distributors by instructing them not to carry the products of the competitor. Also the dominant firm can restraint its competitors through legal devices or lobby through legislation to get a law established that would be unfavourable to its competitors than itself.

By practicing or adopting the above strategies, the dominant firm would be able to expand the total market in the three ways;

(i) Attract new users to the product class, using market penetrating strategy or new market strategy or geographical-expansion strategy.

(ii) Discover and promote new uses for the product through research effort.

(iii) Convince people who are customers and users of the product to use more of the product for different occasions.

MARKET CHALLENGER STRATEGY: The market challenger is a firm in the industry that occupies the second position in the sales product. The main objective is to gain more market share and by so doing, it uses one or more of the following three strategies;

(a) **Direct-attack strategy:** This is also referred to as "head on strategy", whereby the market challenger faces the market leader "head on" in its competitive war, by offering lower prices, better packages and effective advertisement campaign.

(b) **Back-door strategy:** using this strategy, the challenger runs around the market leader rather than directly into it.

(c) **Guppy strategy:** This strategy is used by the challenger to attack smaller competitors, instead of the market leader in an attempt to gain market share. Other

strategies that can be used by the market challenger to gain more market share include; price discount, offering cheaper quality goods, prestige goods product innovation, improved services etc.

MARKET FOLLOWER STRATEGY: The market follower occupies the third position in the market. The follower does not engage in any form of competitive war instead it tries to copy what the market leader and challenger are doing in terms of prices charged, services offered, promotional strategies used and so on. In most cases, the follower attempt to hold on to current customers and win more if possible, always try to identify area by which it can achieve distinctive advantages (e.g., in areas such as location, services, financing etc); enters new markets by keeping its cost of manufacturing low and product quality and services high.

Market follower can adopt a number of strategies. It can identify a target market to which it can profitably serve and tries to expand to new markets that are opening and also avoid any action that would create intense competition and relation.

MARKET NICHER STRATEGY: The market Nicher occupies the fourth position. Nichers are minor firms in an industry that operate in some part of the market and try to avoid clashes with bigger competitors. They are specialists in particular products and they effectively serve market niches that are likely over looked by competitors. Nichers do identify viable forms of specialization along market, customer, product or marketing mix lines.

Conclusively, the development and implementation of marketing strategies in competitive environment is unavoidable if business organizations are to survive and grow. Hence, the choice of which strategy to employ at any given competitive situation depends on the company, and its ultimate aim of satisfying the consumer.

2.6.4 BANK MARKETING STRATEGIES:

In banking, for effective marketing of financial services, every member of staff is a marketer, a practitioner of total quality management as well as strategic manager, since without repeat business from customers, none of these good plans can be operationally successful. Effective marketing of banking services requires bankers to emphatise with customers, that is, putting themselves in the position of the customers, identify their needs and wants, being patient in dealing with them and above all endeavour to give error free service. In other words, total satisfaction of customers should be the ultimate customer service delivery by bank management, especially in competitive environment. To achieve success in executing these plans, the following practical strategies are normally adopted:

(1) Deposit mobilization

(2) Granting of credit facilities

(3) Bank environment and operation

(4) Development of other bank instruments.

For each of the strategies, there is need to follow the under listed steps in order to ensure that customers satisfaction is met;

(i) identifying customers by organization or group or segment;

(ii) determine method and ways of meeting their requirements ;

(iii) anticipate their needs;

(iv) meet their needs.

DEPOSIT MOBILIZATION STRATEGIES: Deposits are the raw materials of banks through which they can generate funds by granting loans and advances and investing in government securities, commercial papers etc, and rendering other financial services like performance bonds, equipment leasing and business advising services. However, competition in the industry demands that innovative products need to be developed to attract deposits from customers. Amongst innovative deposit instrument that can be used and directed to different segments of the customer population are:

(i) Investment certificate of deposit

(ii) Floating rate deposit account

(iii) Current account with variable interest rats

(iv) Cash remittance services

(v) Target and special deposit account for special customers e.g., high network individual (HNWIs)

(vi) Insurance deposit account

(vii) Profit sharing deposit account

(viii) Premium current account facilities.

CREDIT GRANTING STRATEGIES: These strategies take care of the different customer groups of the bank. Accordingly, new credit product and instrument are developed for the different customer segments. Oyewole (1993) listed some of such credit instrument as:

(i) Rural credit scheme and special agricultural credit

(ii) Commercial papers and Bills discounting

(iii) Credit cards

(iv) Export simulation credit

(v) Loan syndication

(vi) Debt conversion

THE BANK ENVIRONMENT OF BANKING OPERATION: This strategy is adopted to improve the arrangement of the banking environment, make it more comfortable to ensure a faster pace of service delivery. This requires banks to use the service of works and methods

engineers to reorganize banking processes. This requires the purchase of new and modern equipment and new bank furniture. Further, because modern day customers demand a comfortable banking environment where quality service can be delivered, Nigerian banks therefore strive at improving the quality of their services by using modern equipment that can reduce the drudgery of long queues of customers in the banking hall. Such equipment and facilities/instrument includes:

(i) Automated Teller Machine(ATM)
(ii) Networked computer cashier terminals
(iii) Cheque guarantee facilities for selected customer
(iv) Automated funds transfer to any part of the country
(v) Weekend and extended/ flexible banking hours.

DEVELOPMENT OF OTHER BANK INSTRUMENT: The need for innovativeness by banks in product development encourage the development of some other instruments to improve customer care or satisfaction in the banks, especially in Nigeria. These instruments include:

(i) Mutual funds
(ii) Unit trusts
(iii) Equity swap
(iv) Asset securitilization
(v) Fund management service
(vi) Risk assets trading
(vii) Investment advisory services
(viii) Stock brokerage service.

2.6.5 COMPETITIVE MARKETING STRATEGY:

Business strategies are quintessentially competitive. First Bank of Nigeria Plc, for instance competes with other banks, while chevron with other oil-producing companies. Competition is more than an add-on: it is a way of life. According to the American Supreme Court, *" Competition is our fundamental economic policy"*

Adam Smith added that rivalry imposes discipline on the social order: *"competition is the great motivator, the spur which drives firms beyond self-imposed limits and creates an overarching logic for all business activities".*

What are businesses competing for? The answer is always the same and can be given under three vital interdependent elements. A business thrives because:

(i) Sufficient number of customers want or need their products or services and are able to pay for them;
(ii) Substantial profit margin;

(iii) Customers choose to buy from that firm rather than another.

Therefore define competitive marketing strategy or simply referred to as competitive strategy can be defined as, *"a series of races against the clock"* to deliver survival and advantage. Competitive strategy requires keeping these three balls in the air at the same time – *providing superior value, winning sufficient customers, and managing cost.*

An effective competitive strategy will:

(i) create and recreate an organization business;

(ii) Provide clarity about what is important;

(iii) Specify the organization formula for "adding value faster than cost";

(iv) Tell the organization where to compete;

(v) Define the organization superiority;

(vi) Become a management action;

(vii) Plan and be constantly evolving.

Competitive strategy can basically be of three forms:

(1) Price leadership strategy;

(2) Benefits leadership strategy;

(3) Dual benefits and price leadership strategy.

These three forms of competitive strategy are called generic competitive strategies. Figure 2.5 diagrammatically represents the strategies.

Fig 2.5: **Core Generic Competitive Strategies.**



Source: First Bank monthly Business & Economic Report, 1998

PRICE LEADERSHIP STRATEGY: This strategy enables customers to buy an adequate product at a low price. It requires:

(i) Finding a market with profit potential;

(ii) Correctly judging what customers define as "adequate";

(iii) Supplying a product which meets the customers' basic requirements;

(iv) Offering the lowest cost of ownership to the customers;

(v) Signaling lower costs of ownership;
(vi) Understanding the factors which drive costs;
(vii) Sustaining low costs for every activity;
(viii) Enjoying superior economics of scale;
(ix) Installing efficient management and service philosophies; and
(x) Constantly experimenting to find better/and cheaper ways.

BENEFITS LEADERSHIP STRATEGY: This enables customer to buy an enhanced product at an acceptable price. It therefore requires;
(i) Finding a market with superior profit potential;
(ii) Correctly judging what customers define as "enhancement which add value"
(iii) Supplying a product which needs the customers' enhancements requirements;
(iv) Building a strong reputation for the firm and its brands;
(v) Researching to provide leapfrog products and innovating in design and developments;
(vi) Constantly comparing with competitors' products and monitoring competitors' strength and weaknesses;
(vii) Maintaining an integrated organization with strong co-ordination between departments;
(viii) attracting highly able and creative staff'
(ix) Respecting the marketing functions which creates an 'enterprise' organizational culture and is influential in decision making; and
(x) Successfully signaling superior value.

DUAL BENEFITS AND PRICE STRATEGY: The dual benefits and price strategy enable customers to buy an enhance product at a low cost.

Subsequently, in addition to the three basic competitive strategies discussed above, other strategies could also be adopted in gaining competitive advantage over competitors and these strategies include:

1. **Segment Specific Strategy:** This enriches customer to buy a product, which meets special needs at an acceptable price. This strategy requires:
   (i) adopting a 'creative' market segments;
   (ii) Serving 'attractive' market segments;;
   (iii) Deliberately limiting the scope of competitors;
   (iv) Developing specialized product/service market strategies
   (v) Getting close to the markets and identifying customers' existing and emerging needs;
   (vi) Understand the valuing and decision making processes of customers within each segment;

(vii) Identifying potential customers and related rich market (which provide the opportunity for growth);

(viii) Developing specific key success factors (KSFS) for chosen market segments;

(ix) Analyzing changes in chosen market segments and mapping how market segments are changing speed and direction of change; and

(x) Tracking competitors' strategies in chosen market segments; if possible, raising costs of entry to new competitors in chosen market segments.

2. **Multi-Strategies:** These strategies are employed to serve the needs of different customers.
3. **Visioning Strategy:** this strategy requires developing a vision or mental picture of what to organization should become.

2.7 MARKETING INFORMATION AND RESEARCH:

To manage a business well is to manage its future and to mange the future is to manage information. Hence every firm must organize the flow of marketing information to its marketing managers. This is because the marketing managers need the information for analysis, planning, implementation and control purposes in relation to development in the marketing environment. Information is needed regarding controllable and uncontrollable variables in the marketing system, plus the measurement of their influence on the behavioural response.

Further, organizations study the information needs of the managers and therefore design marketing information system to meet these needs. The marketing information system (MIS) is normally used to assess the managers' information needs, develop the needed information and finally distribute the information into a timely fashion to the marketing managers. These information needs are therefore developed through internal company records, marketing intelligence activities, marketing research and marketing decision support analysis. Hence, Kotler (1984) defines marketing information system (MIS) as follows:

> *"a marketing information system consists of people, equipment and procedures to gather, sort, analyze, evaluate and distribute needed, timely and accurate information to marketing decision makers".*

Gathering information is an essential first stage in the banking industry, just as it is in other orgainsation. This is because marketing plan begins by looking at the bank's current position in terms of markets, competition and strength and weaknesses. This information usually come from a broad range of sources, some purely internal like the bank's own records of numbers of customer and accounts. Other data about the market as a whole and the quality of competition may come from the competitors or from independent surveys.

Moreover, when making strategic decisions, banks acquire and analyze information needs about:

(i) The bank's strengths, weaknesses, opportunities and threats (SWOT) in the market, regarding the development of new products for existing markets and/or new markets for existing products, and/or diversification into new environment altogether (perhaps by merger or acquisition);

(ii) The needs, wants and values of the target market (customers);

(iii) The size, growth rate and value of the target market;

(iv) The impact of the environmental forces on the market;

(v) The current and potential market share obtainable by the given products or services based on the competitor's activity and the ability of the banks to develop competitive products or services.

(vi) The performance of the product in the market and its stages in its life cycles.

Understanding the bank's own customers may require specific research. Research may be important where a new product is being launched. By getting views from potential customers beforehand, the risk of a costly mistake is reduced. Thus, primary purpose of research is to provide information not data, for the management for decision making process.

Marketing research, as a provider of information, has been defined by many experts, people including associations. One rich and useful definition is the one given by the **American Marketing Association.** It outlines many of the uses of marketing research and summarises the purpose of actually doing a market research project. The definition is as follows:

> *"Marketing research is the function which links the consumer, customer and public to the marketer through information (information used to identify and define marketing opportunities and problems); generate, refine and evaluate marketing action; monitor marketing performance and improves understanding of marketing as a process.*
>
> *Marketing research specifies the information require to address these issues; designs the method for collecting information; manages and implements the data collection process, analyze the results; and communicates the finding and the implications".*

Kinnear andTaylor (1991) defined marketing research, incorporating four important terms:

> *"Marketing research is the systematic and objective approach to the development and provision of information for the marketing management decision–making process".*

From this definition, "Systematic" refers to the requirement that the research project should be well organized and planned; the strategic and tactical aspects of the research design must be detailed in advance and the nature of the data to be gathered and the

mode of analysis to be employed must be anticipated. "Objectivity" implies that marketing research strives to be unbiased and unemotional in performing its responsibilities. The remaining two elements of this definition- information and decision-making form the components of the marketing management process and are characteristic of experience and judgement. Thus, these are the two important information inputs that the marketing managers should rely on.

Generally, marketing research can be defined as *"the systematic design, collection analysis and recording of data and finding relevant to a specific marketing situation facing the orgainsation"*. In other words, marketing research is a process of gathering, analysing and reporting information relating to the marketing of goods and services, including situational analysis (like SWOT analysis), market share analysis, competitive analysis, environment analysis etc.

It should be noted that diversity of sources of data or information are used for different marketing problems and this has led marketing experts to distinguish between market research and marketing research. Market research, compared to marketing research, is research into the qualities and features of a specific market. That is, it is concerned with assessing the size of the overall sales market and size and nature of 'segment' within the market (characteristic of consumers or group of consumers and the way they perceive and differentiate between products/brands).

However, marketing research looks both inwards and outwards of the market. This means that when conducting a marketing research, the manager must not only look outwards to existing and potential market, customers, environment, etc., but also inwards at organization's behavioural response to customers' demands.

Moreover, in conducting marketing research, there is the need for a bank to make analysis of its marketing system and capabilities, which considers:

(i) The marketing environment, regarding customers, competitors, suppliers, environmental forces, technology etc.
(ii) Marketing strategy relating to resources, SWOT, corporation, marketing objectives;
(iii) Marketing plans and controls in respect of sales forecasting, product development, market plans and control procedures
(iv) Marketing organisational structure, which include training and motivation, efficiency and coordination of staff; management structure;
(v) The marketing mix (evaluation of 4ps i.e. product, price promotion and place);
(vi) Profitability and cost-effectiveness of product.

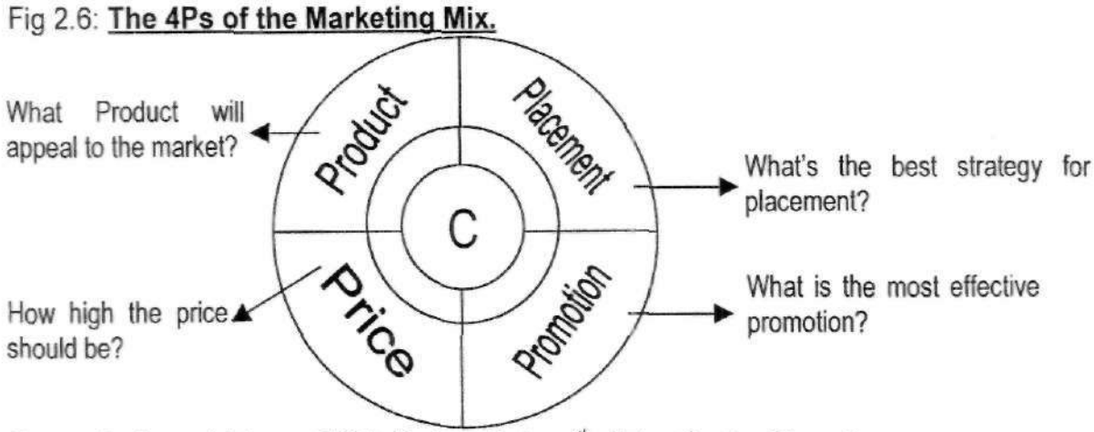
Notably, when marketing research is systematically recorded and analyzed in order to form a complete data base of marketing intelligence, this is often referred to as a

marketing information. Banks in Nigeria for instance, are aggressively moving towards the introduction of such systems to enable them make decisions based on a full understanding of their target markets (customers, both corporate and individual). This, they do, by developing and improving on their information technology network system by bringing the latest software package i.e., the Internet.

2.8 MARKETING MIX:

Marketing mix is the controllable variables an orgainsation puts together to satisfy the target market. A typical marketing mix includes some product, offered at a price with some promotion to tell potential customers about the product and a way to reach the customer's place, in other words, product, price, promotion and placement are four aspects of marketing strategy which together make up the marketing mix. Hence, creating a marketing mix is like solving a puzzle, the marketing manager fits the right product with the right price and finds the right promotional approach and the right methods (distribution) to satisfy the needs and preferences of the particular target market. This means that marketing manager's choice of product, price, promotion and placement is dictated by the target market. The importance of the target customers in this process can be seen in figure 2.6 where the customer "C" is at the center which represents the target market. The customer is surrounded by the controllable variables in the 4ps of the marketing mix.

Fig 2.6: **The 4Ps of the Marketing Mix.**



Source: Rachman & Mescon (1985): Business Today. 4th edition, Random House Inc.

McIver and Naylor (1984) gave a definition of marketing mix as:

> *"The balanced blend of marketing ingredient best calculated to achieve a defined marketing objective as economically as possible".*

From this definition, the marketing ingredients referred to here are the 4Ps of the marketing mix and these 4Ps– product, price, promotion and placement form the areas about to decisions are made. These four areas are usually considered together in order to achieve basic goal of marketing, meeting customers' needs profitably. They cannot be considered in isolation because each affects the other, an improved product for example

being able to command higher price. If the product is wrong, inadequately promoted or not available in the right place, at the time, it will fail to meet customers' needs. Also if the price is wrong, the bank, for example, may not make any profit even if the customers are happy.

More recently, writers on marketing have begun to look critically at the limitations of the idea of the marketing mix. There have been suggestions that other elements should be included. For example, a personnel is commonly considered as a separate influence on marketing decision-making. This is the most important factor for service industries like banking where a customer's view of the bank is determined by how he/she is treated by the bank's staff. Also public relations is proposed to be included in the list of components of marketing mix, since bad publicity can counteract the effects of the most careful planning in product, price, place or promotion.

PRODUCT: Product area is concerned with developing the right 'product' for the target market. This offering may involve a physical good or service or a blend of both. Hence, a businessperson's first marketing decision concerns the products/ services that will attract customer in the target market. The key is to determine consumers' wants and needs, translate them into desirable products and service.

In the banking industry, for instance, products are referred to as service. This is because they cannot be physically seen, that is intangible products and do not exist on their own. For example, the use of a cheque guarantee card is a service the bank offer, but it cannot sell this service to someone who does not already have an account and a cheque book. For banks, therefore, it is very important to consider the product range rather than individual items in the product range. The banks have product ranges in five areas of:

(a) Cash handling
(b) Money transmission
(c) Investment
(d) Lending
(e) Financial advice

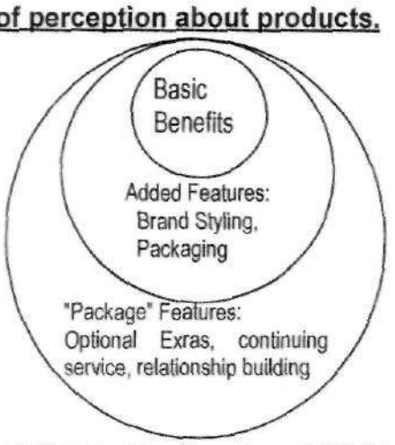
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Some services fall into one or more of these product ranges, there is considerable overlap. For instance, a well established service like the account over-draft could fit into several of these product range.

Customer's perception about the product is one important aspect when marketing product. At least the customer should appreciate the basic benefits of the product. Marketing of the product may be more successful if additional features like packaging, styling can be built in. In addition package of associated features like continuing service, extend the customer's dependence on the product, thereby establishing a lasting bank-

customer relationship. This level of perceptions about products can be represented in figure 2.8.

Fig 2.7: **Levels of perception about products.**



Source: Hendersen (1988): Banking Operations. DPPublications Ltd, London.

A bank, for example, might devise a product of saving account for young people. The basic benefits are those of any saving account. Funds are kept safely and interest is paid. These benefits are seen by any potential customer and are represented by the inner circle in the diagram (fig. 2.8). To sell this product, the bank may offer additional feature such as free gifts incorporating the bank's name or the brand name of the account. These features are outside the basic benefits as shown in the second circle in the above diagram. The outer circle represents anything which extends beyond what is initially perceived by the buyer, for example, a follow up letter of welcome to an account in order' club with further special offers. These package features are partly aimed at increasing the customer's use of the service and partly at reassuring the customer that the decision to pen the account was a good one.

Part of the role of marketing is to devise new products, as customers' needs change and also to remove products from the product range as they become unprofitable. Products often have stage of life circle; introduction, growth, and eventual decline, but some like current accounts do continue over a long periods and are more likely to be improved or amended than dropped from a bank's product range.

Decisions about what products to offer, and at which branches, are normally made centrally. Banks do not usually adopt the policy of some retailers of allowing managers to put on their own special offers. However, because banks are providers of services rather than goods, the quality of the product/service may vary from branch to branch depending on the efficiency and friendliness of staff which also vary. Thus, the managers motivate staff to ensure that a high quality product is supplied and the standard of the product is maintained.

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PRICE: Having made the basic decisions about the product line, the marketing manager decides the right price for the products. Some times, lower prices will maximize profits, on the other hand, the desirability of some products depends on a high quality image which a high price helps to confer. Pricing decisions involves ascertaining the following: the product's life cycle stage; the kind of competition in the target market (that is, the prices charged by competitors); the cost of the whole marketing mix; the current practices as to mark ups, discounts and other terms of sale, even more importantly the strength of demand in the target market because if customers won't accept the price, all the planning effort will be wasted. Further, he should be aware of legal restrictions on pricing, because prices are usually affected both by the external economic environment and the company's internal policies.

In the banking industry, pricing decisions in a bank is often more difficult than making pricing decisions in a manufacturing business because it is hard to analyse the costs incurred in providing a banking service until customers start to use the service. Pricing decisions are therefore affected by a number of other factors:

(a) **Relationships:** A customer who comes from a wealthy family may be offered services at a lower cost because of the importance of maintaining the family connection. At a more general level two services offered together may be priced more competitively than if they were provided separately. This situation helps to increase sales and strengthen the customer's relationship with the bank.

(b) Special offer: where a bank wants to encourage the use of a particular service, it may reduce the price, as some banks have done for house buyers, offering mortgages at reduced rates than usual for a first year.

(c) **Customer attitudes:** Bank may specifically want to alter its customers' attitudes towards a particular product. For instance, banks may reduce charges for automated payments than for cheques in order to encourage greater use of new technology.

The factors discussed above make the pricing of bank services complex. However, for established bank products, banks can modify prices to achieve desired profit margin and/or to meet targets for market share. For new products, pricing is difficult, because the decision cannot be based on experience. A number of different approaches are commonly used and they include:

(a) **Cost – plus pricing:** This method of pricing is to calculate costs and add on an extra amount as profit. The major defect of this approach is that cost depends on the volume of sales and if a new account for instance, is only taken up by a hundred people, the cost per account will be much greater than if a hundred thousand accounts are opened. Therefore, the initial pricing decision needs to be made before the take-up of the service is known.

(b) **Skimming:** This means charging high price at the initial stage. The aim is to attract customers who are not price-sensitive and also to create an image of high quality service. Hence, the high revenue early on may mean that price reduction will be possible later.

(c) **Penetration pricing:** This method of pricing means setting a low price so that customers will be attracted in large enough numbers to quickly build up market share. If a mass market is needed in order to justify offering a particular service, penetration pricing is more likely to be used than skimming. Profit may be improved later if prices can be raised or if other services can be sold to the new customers.

(d) **Value pricing:** Value price therefore means pricing determined by what customers judge is the right price according to such research. If this price is too low, the bank may abandon the new product or try to reduce the cost of supplying it.

Price in a banking business refers to interest rates offered to deposits and borrowers, bank charges and commissions for individual service. Prices are fixed at levels considering: cost of provision, competitors charges, quality of service and any special unique service offer and also perceived "added value" for customers.

PLACE: Place is concerned with getting the right product to the target market's. A product is not much good to a customer if it is not available when and where it is wanted. A product reaches customers through a channel of distribution - from producer to final user or consumer. Sometimes a channel system is quite short, it may run directly from the producer to the final user (consumer) like the case of banks. Often it is more complex, involving many different kinds of middlemen and specialists like the case of manufacturing companies. If a marketing manager has several different target markets, several channels of distribution might be needed.

Although place is often used to refer to the systems by which services are made available to users ignoring the importance of time, in the banking business, time is an important phenomenon. Services are usually provided at the right time as well as in the right place. Time is important because customers, either private or corporate don't like to be kept waiting in bank and they go for banks that offer quick service at shortest time.

The existence of a wide branch network is the aspect of place (distribution) in banking business. By this network system case can be obtained only from the bank branches during the opening hours. However, with the invention of Automated Teller Machines, customers, especially cardholders can withdraw cash at many sites other than the branches of their banks. Thus, this method of distribution has given customers much access to their money and made distribution of bank services faster and easier.

PROMOTION: The most important decision a marketing manager makes is how the manager should inform prospective customers about his products. This involves promotion, which includes the sales approach. This promotion is an aspect of the marketing mix that is concerned with telling the target market about the "right" product. Similarly, banks see promotion as an approach or strategy to get customers and potential customers to be more aware of the bank and its product, and also to make more use of the products.

In the recent years, especially since the deregulation of the banking sector which brought about stiff competition among the banks, promotion of banks and their services has become much more prominent because of:

(i) The greater competition between banks;
(ii) The increase in new services brought to customers' attention;
(iii) The loss of personal deposits, mainly to building societies;
(iv) The increased sophistication of customers; and
(v) The acceptance by banks of marketing as a philosophy rather than technique.

The most obvious of promotion is advertising, while other forms of promotion include, personal selling and sales promotion. Promotion however is divided into two categories:

(a) Above the line promotion which means advertising in the press and through radio, television; and
(b) Below the line promotion which covers all other forms of promotion other than media advertising. This includes: personal selling, sales promotion.

1) **Advertising:** this is a form of mass selling (which involves communicating with large numbers of customer), it is any paid form of non-personal presentation of ideas, goods and services by an identified sponsor.

   Advertising is the form of promotion mostly used by banks and it has a particularly high profile in the recent years. It is generally aimed at image creation for banks as well as creating and improving customers' awareness of the existing and new services stimulate customers' demand and ultimately maximize profits for the bank.

2) **Personal selling:** involves direct communication between sellers and potential buyers. It is usually face-to-face but some times the communication is over the telephone. Personal selling enables the salesperson adapt the firm's marketing mix to each potential buyer. It is another important and useful promotional technique used by banks in getting potential customers to be aware of the bank and its product/service. By achieving effective personal selling, banks should embark on staff training, which plays a major part in improving selling techniques, product knowledge and awareness of selling opportunities.

changes in the environment, which enhanced competition.

2.9 MARKETING SEGMENTATION:

Market consists of buyers who are likely to differ in one or more respect. They may differ

in their desires, resources geographical locations, buying attitudes, buying practices etc. Any of these variables can be used to segment a market.

Philip Kotler (1981) defines market segmentation as:

> *"... process of subdividing of a market into distinct subsets of customers where any subset may be conveniently selected with a distinct marketing mix".*

Market segmentation involves "breaking apart" i.e. disaggregating all possible needs into some generic markets and brand products markets in which the organization may be able to operate profitably. It is also an aggregating process, i.e., clustering together people with similar needs into a "market segment".

In banking industry, for example, market for banking services in normally segmented into personal customers and corporate customers.

Personal customers can be segmented by demographic dimensions such as: age, income level, location, family size, marital status, social class to help in planning marketing mix- place and promotion planning. Personal customers may be the existing and potential customers who are potential depositors and borrowers each with different needs in the market for depositing and borrowing funds.

Similarly, corporate customers are usually segmented by size of the business– small–scales, medium-scale and large–scale business or by the nature of business– exporting, importing and domestic trading businesses. This business can simultaneously belong to potential market segment and hence sub-segmentation takes place like small–scale import business, large-scale export business etc. Also, like, the personal customers each of corporate customers are savers and potential borrowers and with different characteristic needs in the market which banks have the obligation to meet or satisfied.

In market segmentation, the objective is to identify the kernel elements, which influence behaviour in the market. In consumer markets, the most market-oriented variables are customers' product requirements and customer's response to marketing stimuli. Hence, there are four basic segmentation variables, which form bases for segmenting personal customer market, and they are as follows:

1) **Geographic variables:** These involve division of markets into different locations, such as; nations, regions, state, cities, towns, etc, based on the notion that customer's needs and responses vary geographically.
2) **Demographic segmentation:** This is a situation whereby market is segmented into demographic dimension, like age, sex, family size, income, occupation, relation, education, nationality, marital status social class, etc. Demographic variables are the most widely used segmentation variable as consumer-buying behaviour tends to be largely determined by them.

3) **Psychographic variables:** This involves grouping consumers on the basis of life style and personality. This is important because, the complexities of consumer behaviour cannot be captured using demographic variables alone. For instance, two consumers of the same age, social class and income may not have the same purchase patterns. Consumer's life styles refer to the pattern of living adopted by the consumer. Products are usually are produced to enhance such life styles and through the creation of brand image, designed to appeal to corresponding consumer personalities or self images, marketers use personality variables to classify the market.

4) **Behaviouristic segmentations:** this involves the division of the market on the basis of consumer knowledge, attitudes, and response to the actual product or its attributes. The buyers may be segmented on the basis of purchase situations or what occasions give rise to their purchase of the product; the benefits sought by them from the product/service (economy, prestige convenience etc); usage rate of the product (occasional user, regular user, heavy user); frequency of purchase etc.

To be useful, market segments exhibit the following characteristics, which regarded as the requirements for effective segmentation and they include:

(i) Measurability: This refers to the degree at which the size and purchasing power of the resulting segments can really be measured.

(ii) Accessibility: This refers to the degree at which the existing and potential customers in the market segment can be effectively reached.

(iii) **Substantiality:** The market segment must be large and profitable enough to be worth purchasing or large enough for supplies to develop a product or service or advertising promotion.

2.10 CONSUMER BEHAVIOUR:

Efficient total marketing begins, of course with getting an accurate picture of the consumers who are being targeted. The Consumer behaviour is concerned with the decision process that consumers or group of consumers go through to make a purchase decision. This includes all those influences that explain the outcome of the decision. It therefore not just concerned with describing behaviour, but it is concerned with uncovering the reasons that explain why buyers behave in a particular manner. Understanding the consumer behaviour therefore helps the business organization in analysing opportunities available in the markets for the organization, in designing marketing programme. Hence, the nature and scope of consumer behaviour are characterised as follows:

(i) Consumer behaviour deals primarily with the behaviour of industries in the market place – the manner in which they purchase and use products/services.

(ii) Consumer behaviour is multidisciplinary. Its understanding is enhanced by contributions from such areas as psychology, social, sociology, cultural, anthropology and economic.

(iii) Consumer behaviour is concerned with the factors that influence product purchase decisions and product usage.

(iv) Consumer behaviour is also concerned with the process by which consumers arrive at buying decisions and how that process differs across individuals and producers.

(v) Finally, consumer behaviour includes post purchase and usage behaviour surrounding a product for example.

Generally, consumer behaviour contributes to the entire strategic planning process in marketing. As suggested by the concept, the development of marketing strategy begins with assessment of consumer needs and want. The scope of consumer behaviour provides such an understanding so, it is an important part of situation analysis.

Awareness of consumer behaviour helps reduce the uncertainty inherent in any marketing programme. It enables the organisation to anticipate the effects of its marketing decision variables on consumers. Outcomes of a specific marketing strategy can be realistically predicted. The organization can then budget, implement and manage the marketing strategy.

Understanding the consumer behaviour allows a firm to measure the effects of a strategy. Thus, it is a basis for performance evaluation. It allows the assessment of more than just sales volume or profit for example, a bank may know that local customers place a high value on friendly service. The goal of its advertising campaign therefore would be to suggest to consumers the friendly nature of the institution. One measure of its effectiveness would be consumer perceptions of the bank on the friendliness dimension. This, in turn, contributes to the assessment of strength and weakness in a subsequent situation analysis.

Today, customers have become highly sophisticated and they come to banks hoping to get all necessary help they require. Therefore, the bank employees usually exhibit knowledge, courtesy, ability and willingness to provide prompt service continuously introduced to meet the yearnings of the sophisticated customers. In getting their products/services (existing or new) to meet the demands of the sophisticated customers, banks try to profile their the targeted customers, and study their behaviour, relating to:

a) **Education standard:** Because the market today appears to be highly dichotomised, the banks must take the education standard of the customers into consideration. On one hand, we have the highly educated people who are more sophisticated and expect to receive the same service they receive from their banks in London or New

York. These are the enlightened people who tend to make more money and they have taste for specialised products/services such as foreign travel, credit card, mortgage services. While on the other hand, we have the less literate or illiterate customers who make less money and prefer to do their businesses the traditional way. Thus, the banker holds it as a duty to study the attitudes of these two distinct classes of customers simultaneously, and provide the products/services they want.

b) **Financial status:** income (disposable personal income) earned by the customers is also considered by the banks.
c) **Buying habits:** how people decide to spend money, credit, time, what products/services and ideas attract them and why, when, where and how consumers purchase and use goods or services and who or what influences decisions.
d) **Others:** age of the customers, social class, occupation and location (i.e. where the customers live), marital status etc.

These factors influence the consumers' perceptive bias of the product, their objective and subjective selection criteria. This action could be response to stimuli (information).

Subsequently, these factors suggests three very important ways in which the consumer behaviour can be influenced:

(i) Increase the level of customers' knowledge and awareness of a product they were previously unaware of.
(ii) Showing the customers how the product would help to satisfy their needs by telling them facts about the product of benefits it would bring them.
(iii) Changing customers' attitude towards the product.

2.11 BANKING INSTITUTIONS IN NIGERIA.

The banking institution in Nigeria was established by the Banking Ordinance (Act) 1952, which was later amended. But supply of banking services in Nigeria could be dated back in 1892 when Elder Dempster Company was engaged in monetary transactions (i.e. movement of coins up and down the country). The African Banking Corporation (ABC) was later formed to provide banking services to the company, but the bank collapsed in 1892, and was taken over by Bank of British West Africa. Many banks later sprang up, including the indigenous ones, but many of them collapsed due to mismanagement, competition and under-capitalisation. The Central Bank was established in 1958 with commencement of operations on 1st July 1959.

Furthermore, as a result of indigenisation, oil boom of the 1970s and deregulation programme of 1980s, more commercial, merchant, development banks, even community and mortgage banks sprang up in the country, this trend has continued in the 1990s.

The structure of the banking institution in Nigeria can be grouped under the following:

CENTRAL BANK OF NIGERIA (CBN).

The Central Bank of Nigeria is referred to as the apex bank of all the financial institutions in Nigeria. It was established as of the result of Mr. J Laynes recommendation to keep the country's financial system under control and close supervision. In other words, the Banking system in Nigeria is regulated by the CBN which was set to achieve the following objective:

(i) To issue legal tender currency in Nigeria
(ii) To maintain external reserve
(iii) To safeguard the international value of the currency
(iv) To promote monetary stability and a sound financial structure as well as economic growth
(v) Act as banker and as financial adviser to the federal Government
(vi) Act as banker to other banks and as well as lender of last resort.

MERCHANT BANKS:

In Nigeria, merchant banking (also called investment banking) started in 1960 when Philip Hill and Nigerian Acceptances were established. They later merged in 1969 to form the Nigeria acceptances Ltd.

Merchant banks are wholesale bankers whose deposits are usually in large accounts. Such deposits are fixed for a particular period. They provide specialist services like the acceptance bills of exchange, corporate finance, portfolio management, equipment leasing and acting as issuing houses. Their principal function is the provision of medium and long-term lending as opposed to short-term lending.

COMMERCIAL BANKS:

Commercial Banks are business enterprises set up to do banking business, which is the money business. They accept deposits (savings, current, fixed, time deposits) from the public and make profit by lending money to the public. In the process of accepting deposits and lending money to the public, they perform further type of function-money creations. Moreover, commercial banks perform some of which include:

(i) Make credit available to their customers;
(ii) Make provision of facilities, both within the country and internationally;
(iii) Assist in transferring money outside the country by sending, on behalf of the central Banks, travellers' cheques to their customers;
(iv) Provide facilities for safe-keeping of valuables like jewellry, documents etc; and
(v) Give financial advice to their customers.

The Nigerian Commercial banking system is the branch banking system. Presently, due to the government policy on financial institution, the number of commercial banks have

increased and Nigeria has 51 banks with wide branch network extending through out the country (NDIC report 1998).

DEVELOPMENT BANKS:

Development banks established for the purpose of providing long-term finance usually owned by the government. The development banks consist of Nigerian Industrial development bank (NDB), Nigeria Agricultural & Co-operative Bank Ltd, Nigeria Bank for Commerce Industry, federal Mortgage Bank of Nigeria. These banks provide finance for industrial, agricultural and housing activities, while federal saving Bank provides facilities for small savers.

Other banking institutions include mortgage Banks, Co-operative banking institutions include, Mortgage Banks, Co-operative banks, Peoples Banks, Community banks, etc.

2.12 COMMERCIAL BANKING SERVICES.

Commercial banks offer numerous services and they include the following:

1) **MOBILIZATION OF SAVINGS AND OTHER DEPOSITS:**

One of the basic functions of commercial banks is to mobilise deposits on behalf of customers and make funds available for investment purposes by the process of granting credit facilities to other customers. Commercial banks receive three types of deposits, which are; savings deposits, current (or demand deposits and Fixed (time) deposits.

Saving deposits: are deposits of individuals who want to save small amount on regular basis. The savings deposit account is normally operated with the use of passbooks. Commercial banks usually set a limit to the number of times withdrawal can be made from the savings deposit account. Savings deposit attracts interest, which is usually paid on the fluctuating balance in the passbook.

Current Deposits: are deposits that are operated with the use of cheques. The deposits are payable on demand so that customers don't have to give notice of withdrawal. The deposits do not earn interest, instead owners of such accounts are charged some commission by the bank to enable it cover the expenses of operating the accounts. Overdraft facility can be granted on this account. Therefore, before a customer can open a current account, he is required to provide two referees who must be considered of satisfactory status.

Time Deposits: are made for specific period of time, usually they are large deposits which attract interest rate which is negotiable. Time Deposits do not need reference of cheque book to operate the account and no overdraft facilities are allowed on this

deposit account. They are often opened for three months, six months, nine months or one year.

2) **EXTENSION OF CREDIT FACILITIES:**

Another service provided by the commercial banks is extending credit facilities to worthy borrowers. In making credit available, the banks are rendering great social services, through their actions, production is increased, capital investments are expanded and a higher standard of living is realised. Credit can be extended in various forms and some of these include:

(a) **Loan Accounts:** are mainly operated by sole traders and individuals such as salary earners to help them overcome some financial problems such as payment of school fees, medical bills and some unforeseen expenses. The account grated is generally small and it is repayable in the shortest possible time with interest.

(b) **Overdraft:** overdraft facilities are generally granted to business customers, i.e. large corporate bodies and medium and some small scale enterprises. Funds advanced on overdraft are repayable on demand, while interest is payable on the outstanding balance on daily basis. An overdraft is intended to fluctuate within the agreed limit, but need not always be utilised (i.e. the account can some times be in credit).

(c) **Performance Bond:** this is a service provided to customers in the building and contracting industry where they are required to supply a performance bond before they can tender for contracts. The bon guarantees that the company has adequate financial resources to execute the contract successfully. When a banker gives such guarantee, it usually takes a counter – indemnity so that he can claims against the customer in case of difficult.

(d) **Bankers Drafts:** Bank draft is drawn by a branch of a bank on another branch. It is issued on request to a customer who is compelled to make payments to a payee who wants to make sure that the cheque will not bounce Bank drafts are usually requested for when large payments are involved and when the payee has to part with valuable articles due to high incidence of bouncing cheque.

Other services offered by commercial banks in extending credit facilities are medium and long-term loans, Guarantees and indemnities.

3) **TRANSFER OF FUNDS OR MONEY TRANSMISSION:**

Commercial banks perform an important service to its customers by providing money transfer facilities and making payments on behalf of their customers. Banks carry out this function in various ways which include:

(a) **Collection of cheques:** customers receive cheques on which their names appear as payee and deposit the cheque in their accounts. These cheques are presented

to the paying banker through the clearing House system. The customers accounts maybe credited on the day he pays in the cheques, but normally will not be allowed to draw against them before they are cleared, unless he has a special arrangement with the bank.

(b) **Open credit or Cashing Credits:** is usually requested for by a customer travelling to another town to do business which will necessitate his stay there sometime, he can request his bank to establish an open credit facility for him. The customer's bank will authorize the branch concerned to honour all cheques drawn by the customer up to a certain limit.

Other services offered by commercial banks in transferring funds are standing orders and mail/telegraph transfer.

4) **MONEY CREATING:**

Commercial banks accept current deposits and they also lend money to their customers. The current deposit, which they hold, is the base on which they erect their ability to create money. When customers deposit money in banks and make claims on these banks some of which are not in cash, settlement of such claims through the clearing system enable banks to collectively play around with more money then what was actually deposited by customers. The banks also create money by granting credit facilities that far exceed the actual cash available.

5) **TRANSFER OF FUNDS OR MONEY TRANSMISSION:**

Commercial banks perform an important function of providing financial facilities of international trade and services required to support part of our economy. International trade financing is becoming too complex resulting in increased involvement by banks as intermediaries for exporters and importers as well. The several ways through which international trades is financed are as follows:

(a) **Bills for Negotiation:** this is used when a customer is urgently in need of funds and wants the proceeds of the bill immediately. He may therefore request his bank to negotiate his bill, thus, sells the bill to the bank, while the bank pays the customer the face value of the bill less a discount. Such negotiation is normally performed "with recourse", implying that, when an acceptor defaults in payment to the bank, the bank will claim from the customer. Hence, security is usually demanded in this kind of situation.

(b) **Bills for Collection:** this service is used by exporters when he ships goods to a buyer (importer) in another country. Hence, these goods are shipped on collection basis. The exporter therefore draws a bill of exchange payable on specified date on the importer, who then gives the bill to his banker to collect the proceeds on his behalf. The bank will send the bill to its correspondent bank in the exporters

country and requests that the bill be presented at the end of the term for payment and when the proceeds are received, the exporter's account is then credited with the currency equivalent. However, the exporter may forward the bill direct to the importer for acceptance and when accepted the bill is returned to him. He then attaches the necessary documents to the bill when demanded, and passes it to the bankers who will forward it to the importers' country.

Other ways through which funds are transferred are through Documentary credit, Open account, etc.

6) **BUSINESS ADVICE SERVICES:**

The aim of providing this service by commercial banks is to assist small business customers to develop their businesses in a way that they can attract bank finance. For instance, small-scale businessmen and women are advised on how to introduce simple record keeping and accounts in their business operations.

Other commercial banking services include:

(a) Brokerage services;
(b) Safe-keeping of valuables
(c) Services to Travellers
(d) Night safes
(e) Business Advisory service.

2.13 BANKING COMPETITIVE BUSINESS ENVIRONMENT

No single organization exists unto itself, rather every viable organization exists because, it is serving some needs of society. Any business undertaking, which is not serving economic needs of society, cannot survive. Apart from serving economic needs of society, an organization depends on the society for all the resources it uses to provide goods and services to society. It is always a process of taking what the society has (i.e. manpower, machinery, raw materials and funds), converting it to meet specific needs of society, and giving it back to society which goes on between an organization and its environment.

In general language, environment is used in an abstract sense to refer to one's external conditions or circumstances. In other words, things or events that are capable of influencing the way a business organization cope with the challenges of existence and survival constitute that organization's business environment.

Banks, being essentially in business, are no exception. They also have their own business environment, which affect the marketing decision of their services. They are usually surrounded by a total of nine environmental domains given by Offiongodon (1991), which include:

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(1) Industry
(2) Human resources
(3) Economic condition
(4) Government
(5) Raw Materials
(6) Financial Resources
(7) Technology
(8) Market (personal and corporate)
(9) Culture

INDUSTRY DOMAIN:

(a) **Industry Size:** Is it an oligarchy of free enterprise? What of growth rate? Can the trend be sustained, improved or reversed?
(b) **Competitors:** Who and where are they? What market share does the focal bank control, or aims to control? What areas of non bank financial firms may cause worry? What immediate actions need be taken?
(c) **Convention and Norms:** Bank aversion from litigation and industrial unrest. Any new conventions? What potential effects may such have on bank business?

GOVERNMENT DOMAIN:

(a) **Federal, State and Local Government Laws:** BOFID, failed banks and other decrees, CBN Guidelines and sanctions. What is coming up next and what potential effects would such have?
(a) **Taxes:** VAT on bank charges, super profit tax, and their effects, company tax rates on signboards etc.
(b) **Court System:** Legal procedure, case laws, contractual relationships, human rights, land laws, etc.
(c) **Political Process:** Military coups, election annulment, parliamentary debate, effect of political upheavals on bank business etc.

TECHNOLOGY DOMAIN:

(a) **Modern Tools:** Computerization, Regiscopic camera, money counter, night safer, etc
(b) **Automation:** Electronic transfer, fax, Mirc cheques, ATM closed-circuit television, E-mail, Local and Wide area networks (LANs and WANs), etc.

ECONOMIC CONDITIONS:

(a) **Growth:** Growth rate, sectorial growth contribution
(b) **Recession:** Source and scope, effects on employment level, production, and distribution.
(c) **Inflation Rate:** Control measures effects on savings, cost of funds, and interest rates

(d) **Rate of Investment:** Sources trend and prospects, composition of bank investment portfolios etc.

Banks do influence the various domains in their business environment. These domains on their part also exert influence on banks. In other words, influence takes place in two directions: from the banks to its environment and from the environment to the bank.

2.14 THE CHALLENGES OF BANK MARKETING IN A COMPETITIVE ENVIRONMENT.

As pointed out earlier, the customer is central to marketing. Any business that chooses to stay in business has no choice but to continually identify and respond to the needs and desires of existing and prospective customers profitably. Accordingly, recognizing the importance of customers and that they differ from each other in terms of their needs and wants is the starting point in the market.

Bank marketing is different from marketing in manufacturing organizations. It performs two major functions:

- Attracting deposits from customers
- Attracting customers to borrow from the bank and use its other services.

The two functions therefore demonstrate vividly that in banking, marketing of financial services is one of the foci of the techniques of customer care. A marketing-oriented approach to effective bank marketing therefore devises strategies that will make customers willingly bring their deposits to the bank. Additionally, strategies are designed to make customers be willing to be borrowers of the banks fund for productive purposes for durable consumption provided they yield to banks, as lenders, adequate returns on their investment and depositors' funds. Also, banks must design competitive strategies innovatively to make customers willingly want to patronize their other services.

With the marketing approach, the bank no longer sees itself as offering travellers cheques or safe deposits, but as marketing security, no longer as issuing cheque books or credit cards but as facilitating cash requirements; and no longer offering loans but enabling customers to satisfy their wants and needs.

Guided by the marketing concept, banks would be satisfying customers' financial needs. This would teach banks to realize that financial needs vary among different groups of people and that the services to meet these needs should be differentiated according to the customer type.

A banker therefore, has to attract customer to sell deposits to him and has to attract them to buy loans and advances from him. Thus, unlike other firms, the banks do not only have to develop marketing strategies to sell their services, they also have to develop those with which to buy.

The rationale for bank marketing is very crucial since banking, like other businesses in the country, is in a seller's market. There is therefore the need for banks to engage in aggressive marketing, which will enable the banks to attract customers to whom they can sell loans and advances.

The researcher discovered two main challenges for banking industries in Nigeria. These challenges are external and internal challenges.

A. **EXTERNAL CHALLENGES:**

1. **Global Banking Environment:** Unlike yester years, banking is no longer localized. Banking services are to be provided across the globe. This is because the whole world has become a global village due to some factors:
   - Technology: especially the stupendous growth in telecommunications and information technology, which facilitates international business. By this means, bank customers become more informed and very sophisticated in their demand for banking services. Thus, with information, customers gain access to details of their accounts across the globe and even transact businesses on-line as and when desired.
   - Economic Liberation: that is, free market economic policy as shown by the wide acceptance of the open market competitive system. Many nations are removing barriers in international business relationship, thereby bringing whole business communities together and closer.
   - Democracy and its associated concepts of human rights, transparency, accountability etc.

The challenge to meet these modern trends in banking is real and has to be faced.

2. **Nigerian Banking Environment:**

   In the Nigerian Banking environment, a sensuous dimension has been introduced since 1986. A crucial evaluation of the situation reveals that Nigerian banks are making efforts to compete in the increasingly globalized market environment. This arises as a result of:
   - The proliferation of banks from 40 in 1985 to 120 as at December 31st 1997. The implication of this is stiff competition.
   - The paid-up share capital of banks increasing from ₦40million and ₦50million (merchant and commercial banks respectively) to ₦500million.
   - The Nigerian economy has become more opened and freer than ever before. From the period of the implementation of the Structural Adjustment Programme (SAP), we had the Inter-bank foreign Exchange market, which had gone through series of evolution to be known as Autonomous Foreign Exchange market (AFEM).

- ❖ Promulgation of two decrees– Nigerian Investment Promotion Commission Decree No16 of 1995 and Foreign Exchange (monitoring and miscellaneous provisions) Decree FEM No 17 of 1995, to encourage foreign investments and inflow of foreign exchange.

The extent to which Nigerian banks can participate globally depends to a large extent on the following:

a) The extent to which the economy is market-driven;
b) The extent of competition in the domestic economy;
c) The extent of openness and liberalisation in the economy;
d) The extent to which political, economic and social infrastructure are aligned to the market economy;
e) The capacity of its institutional framework to support the market economy; and
f) The extent of the change process which is required.

3. **Political Environment:**

Bank marketing business is seriously influenced by the political as well as economic situations. Banks need correspondent banks abroad to ensure that their businesses are effective and efficient. Unless it is sure that there is political stability in any country, it will be difficult to have a good correspondent banking relationship or partners who will either invest in or support the banks' businesses abroad.

In Nigeria, the political scenario is changing, with the concomitant infusion of encouraging ideals such as the corruption Bills and the reversal of bad monetary and fiscal policies. The banking industry can now operate and effectively market their services without too much fear of an overbearing Federal Government. In addition, the laws governing business transactions in the present political climate have adequate checks, since any attempt to the contrary would now go through established platform which has already been defined by law.

With this relaxed political scenario, there is the possibility of a wider market for the Nigerian bank services internationally for example, the ECOWAS market, which is believed to have surplus funds and overwhelming advantages, would place Nigerian banks in better position for enlarged transactions.

Banking in Nigeria is highly controlled by both Central Bank of Nigeria (CBN), the Nigeria Deposit Insurance Corporation (NDIC) and the law. While CBN ensures that banking businesses are carried out on line with the economic policies of the government, the NDIC is concerned with the safety of the depositors' funds. In complying with these regulations, banks are inhibited in rendering service, as these

controls amount to restricting banks to transact on the funds kept with them, which in turn reduces their income, which could be used to improve on the quality of services.

B. **INTERNAL CHALLENGES:**

The recent failure of about 26 banks at the same time was devastating. This resulted in the collapse of bankers' confidence and honour. The causes of the failure have been traced largely to various internal problems especially poor marketing of services in the respective banks in addition to the external influence of the economy and the society.

Hence, the challenge to Nigerian banks in particular for successful and effective marketing of their services is to win back the respect and lost glory by reflecting on their social responsibilities (obligations) to their customers, the shareholders and the society generally and therefore, take appropriate steps to correct the situation.

Social responsibility as a business objective, is one of the important areas in which banks can set objectives and achieve results. Today, a general consensus would be that business is far too important in society to be left to businessmen, so we have to find a middleway between the demands of society and requirements of profitability. Banks have always been obliged to adapt themselves to the changing expectations of the community in order to survive. As the community increasingly looks for social responsibility, bank management has to approach the problem in systematic way. Factor involved:

- Banks' role both national and international: investing in the community, protecting the environment etc;
- Participation in community affairs: membership of local bodies, local and national government;
- Regard for minority groups;
- Customers: e.g. banking hours, money transmission services;
- Shareholders: e.g. constraints on profits, charitable and political donations;
- Staff: including working conditions, profit sharing, education and training of staff.

The relationship between banker and customer can take many forms. The relationship may be that of agent/principal custodian; advisory or even consultancy and suppliers of credit. This relationship is normally built on trust. Hence, the big challenge to banks for successful bank marketing is gaining customer trust, which can be achieved through honesty, trustworthy and living above board. In other words, high ethical and professional standard should be maintained. By achieving these standards the banks would undergo the following:

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a) **Provision of information:** customers should be provided meaningful information, so that they can make meaningful decisions. In short, there is compelling need for banks to explain banking services more effectively. Although many services have been created in response to either stated or perceived needs by the public, the innovative process is unnecessarily showed because of incomplete or poor information to the customer.

b) **Disclosure of information:** this is a challenge, which includes, but goes beyond providing sufficient information to the customer. This is because, it relates to making publicly available certain information that the public has the right to have in ascertain whether or not bank is operating in the public interest.

c) **Development of Payment System:** the growth in the development of the payment system is a big challenge to and an important issue to be resolved by the banks as it will, to a large extent determine to mobility in the funds market. The improvement in the payment system would therefore make customers happier and increase customer trust. Thus, the ability of Nigerian banks to respond in a timely fashion to the demands of depositors and investors would effectively counter the argument that Nigerian banks cannot effect payments as and when due. To get this adequately managed, the payment system should be a joint concern of banks, the monetary authorities and the Federal Government.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY.

3.1 INTRODUCTION:

The inquisitive nature of human being has made it necessary for man to ask questions about his surroundings and his day to day occurrences, which satisfying answers are expected. Answers to these questions are vital because decisions that affect the course of human existence have always come from such premises. The nature of man and the need to provide solutions to his immediate and remote problems have given rise to research studies.

The word research as a social science discipline has received many definitions from world-renowned social scientist based on their individual perspective and interpretations.

According to E. C. Osuala (1982), in his book "Introduction to Research Methodology" research is:

> *"A process of arriving at dependable solutions to problems through the planned and systematic collection, analysis and interpretation of data."*

From the researcher point of view, a research is a gently and well organized systematic approach to needed data for solving a particular problem.

In summary, research can be seen as systematic process of discovering, acquiring and using knowledge for promoting progress and for enabling man to relate more effectively to his environment, to accomplish his purposes and to resolve his conflict. The word research may be Basic or Applied depending on the need the research is to serve.

BASIC RESEARCH: This deals with relationship between two or more variables, the objective being to develop a theory by identifying all relevant variables in a particular field and making generalizations or propositions about their relationships.

APPLIED RESEARCH: These are studies designed to identify specific potential applications of general knowledge. The objective is to test the theories, models or concepts derived from basic research in real problem situations.

3.2 PURPOSE OF RESEARCH

The idea behind research study is to discover new knowledge and the relationship, expanding and verifying existing knowledge. In other words, the purpose of research is to search for answers to questions through the application of scientific procedures. These procedures have been developed in order to increase the likelihood or the specific problem and will be reliable and unbiased. For research to find answers to questions, such questions must possess one common characteristic: they must be amenable to

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observations or experimentation in the natural world so as to provide required information.

3.3 RESEARCH METHODOLOGY USED

In this part of the research work, the researcher will strive to explain in brief and clearly what was done and how it was done. This is necessary to help other researchers who may be interested to follow up the work or replicate it. If such useful information is not available suspicion may arise on the validity of the findings or even whether the findings are real or not.

In this write-up, the researcher made extensive use of Descriptive, interview and Questionnaires methods as means of collecting data from both the Bank's management, staff and her customers.

DESCRIPTIVE METHOD: This approach to data collection is very useful and efficient means of getting information for a research work, especially when the subject matter can be descriptive in nature. The researcher adopted the method to enable him present some analysis of the Bank from the era of British control (1890 – 1979) to the time when the name of the bank was changed from Bank of British West Africa to First Bank of Nigeria in 1979. The bank was renamed "First Bank" because it was the first successful bank to operate in Nigeria over a century.

INTERVIEWS: These are meetings in which the researcher direct questions at the subject and records the obtained responses. They are often face to face interaction, in some cases, interviews can be conducted on phone. Unlike any other method, the researcher asks questions and records the answers; he can easily understand the expression and mood of the subject at once. The interview method, as a way of data collection can be either structured and at the same time unstructured. Structured interviews are used in getting the needed data from the Bank personnel concerning the bank's activities, mission and vision, strategies, customers relationship, capital base, services and her social responsibilities to the society in general etc. The idea behind using this method is to examine the banks' general performance and measure, the extent of her involvement in the global structural changes and development in the financial sector where competition has reached a peak.

QUESTIONNAIRE: This is the most commonly used means of collecting data, as a device for obtaining answers to research questions sent to the selected respondents. The questionnaire questions are presented with exactly the same wordings and in the same order to all respondents both the Bank staff and customers. The aim is to ensure that all respondents reply to same questions and thus helps in getting the same type of information from a large number of respondents. In this method, questions are structured

in such an easy manner that some are open-ended, while others are close-ended questions to permit a free response from the respondent rather than limiting him/her to a stated alternative. The respondent is asked to provide his/her answer to the questions.

3.4 RESEARCH POPULATION AND SAMPLE SIZE

The research population is based on the marketing of Banking services in Nigeria using First Bank of Nigeria Plc as a case study. Since the introduction of Structural Adjustment Programme in 1986, and the deregulation of the banking industry, the marketing of banking services has taken a different dimension especially in '90s with the emergence of new generation banks. The competitive nature of the industry has forced all the Banks to look for winning strategies to outsmart her competitors in the industry. Gone are the days, when managers confirmed themselves in their luxurious offices, only to be sought by customers. Nowadays business is no longer as usual, banks are adopting crazy and aggressive strategies and tactics, all tailored towards customers satisfaction and improved banking services to customers.

The use of First Bank Nigeria Plc as a case study is necessary because being the first successful and the oldest bank in the country, the bank has passed through rough, tough and complex banking terrain. Being the first bank to be successfully set up and managed on the Nigerian soil, it has endured a steady terrain in the developments and global changes in the banking industry, right from the era of British Colonial regime to the present day banking operation in Nigeria, despite the economic predicament and the instability in the administration of the country since the departure of the British administration in the country.

3.5 STATISTICAL TECHNIQUES USED

Some statistical techniques are used as means of gathering data and making interpretation easier. Some of these devices are sampling, Arithmetic mean, frequency distribution median and mode etc.

3.6 THE HISTORICAL BACKGROUND OF FIRST BANK NIGERIA PLC

First Bank Nigeria Plc, as a leading banking institution in Nigeria was founded in 1894 by a shipping magnate from Liverpool, Sir Alfred Jones, and commenced as a small operation in the office of Elder Dempster & Company in Lagos.

The Bank was incorporated as a Limited Liability Company in London on March 31st, 1894, with Head Office in Liverpool. It started business under the corporate name of the Bank for British West Africa (BBWA), with a paid up capital of 12,000 pound Sterling, after absorbing its predecessor, the African Banking Corporation (ABC), which was established earlier in 1892.

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To reposition and take advantage of opportunities in the changing environment, the Bank undertook several restructuring exercises. In 1957, it changed its name from Bank of British West Africa to Bank of West Africa. In 1969, the Bank was incorporated locally as the Standard Bank of Nigeria Limited in line with the Companies Decree of 1968. Changes in the name of the Bank also occurred in 1979 and 1991, to First Bank of Nigeria Limited and First Bank of Nigeria Plc respectively.

The principal strength of the Bank is its network of branches dispersed throughout the Federation of Nigeria. In the early years of its operations as the Bank of British West Africa, its branches were spread in the sub-region of West Africa. For instance, a branch was opened in Accra, Gold Coast (now Ghana) in 1896 and another in Freetown, Sierra Leone in 1898. These therefore marked the genesis of the Bank's international banking operations. The second branch of the Bank in Nigeria was opened in the old Calabar in 1900 and two years later, services were extended to Northern Nigeria. However, with the current 307 branches spread throughout the Federation and a London branch, the Bank maintains the largest branch network in the industry.

At the inception of operations in 1894, the Bank had a staff of six, comprising three Europeans and three Africans. But today, the Bank is fully Nigerianised in response to the aspirations and yearnings of the Nigeria people and Government.

To satisfy customers' needs, First Bank has diversified into a wide range of banking activities and services. These include Corporate Banking, International Banking and Electronic Banking as well as the Traditional Banking.

With a share capital of ₦520.308million as at March 1999, a total asset base of ₦129.5billion, deposit base of ₦84.53billion as at March 1999, and having 209,967 individual and institutional shareholders in all parts of the country, First Bank, which got listed on the Nigeria Stock Exchange (NSE) in March 1971, has won the NSE President's Merit Award eight times, as the bank with the best financial report in the banking sector.

Similarly, the Banker Magazine rated the First Bank 7th among the top 100 African banks and the 1st in Nigeria. In addition, First Bank also won the 1999 EuroMarket Award for outstanding performance.

In line with its Mission Statement (*"remain true to our name by providing the best financial services possible"*), the Bank will consistently transform itself as it forges ahead in its second century of qualitative Banking.

CHAPTER FOUR

4.0 DATA ANALYSIS

This chapter presents the analysis of data collected from First Bank Plc, Kaduna and customers of the Bank. Interview was conducted with the Bank Manager on the various services or products the Bank offers to its customers, the mode of competition, and the Bank's operational (marketing) strategies used in marketing its services/products effectively in this high competitive environment. Also, the opinion of other staff was sought through the use of questionnaires. The Bank customers also formed part of the respondents to whom questionnaires were distributed.

From the data collected from the respondents, an attempt was made to appraise the effort of the Bank against the conceptual framework in order to determine the extent to which such efforts have or have not met the expectations of the customers in a banking competitive environment.

4.1 PRODUCTS AND SERVICES OFFERED BY FIRST BANK:

For over a century, First Bank of Nigeria has distinguished itself as a leading banking institution and a major contributor to the economic advancement and development of Nigeria. With over 300 branches spread all over Nigeria, the Bank offers variety of services and products to customers. Some of them are mentioned as follows:

1. **AUTOMATED TELLER MACHINE (ATM OR FIRST CASH):**

   This is a plastic card device that enables the Holder to withdraw cash from the Automated Teller Machines located in the various branches of the Bank nation wide. Withdrawals can be made up to a magnetic strip of the plastic card.

   Beneficiaries: only current account holders of the Bank can avail themselves of the special service presently.

   Benefits:

   - A cardholder enjoys instant cash withdrawal round the clock.
   - Reduces the risk of carrying cash around.

2. **BILL DISCOUNTING:**

   This is a special re-financing arrangement designed to sustain Trade-Creditor customers in continuous operation. It enhances customers' confidence and can be customised to cover all negotiable instrument evidencing money owed or title to goods, e.g. Export proceeds, Bill of Exchange, promissory Note.

   Beneficiaries:

   All cash-flow sensitive customers.

Benefits:

- Helps customer to overcome problems commonly associated with business cyclical constraints.

3. **CUSTOMER CLIENTS CASH LODGEMENT SERVICE:**

This service entails receiving payments from third parties into the accounts of customers. Special tellers are designed for this purpose with dedicated cashiers. The dedicated cashiers may be the Bank's personnel or agents of the company on whose behalf, the Bank receives payments.

Beneficiaries: Corporate Clients with huge cash receipts from many sources.

Benefits:

- It eliminates cash holding risks and enables clients' customers convenient cash lodgement.
- It saves the client the problem and cost of employing additional hands to handle cash.

4. **DOMICILIARY ACCOUNT:**

This is an account maintained in foreign currency of the account or in Naira. This is categorized into two: Export Proceeds Domiciliary Account and Non-Export Proceeds Domiciliary Account.

Beneficiaries: Nigerians, Resident Foreign Nationals, Nigerian Registered Companies, Embassies, High Commissions, and other Diplomatic Missions and International Organisations operating in Nigeria e.g. UNESCO, WORLD BANK, UNICEF etc.

Benefits:

- Automatic payment abroad for importation of urgently required materials like spare-parts of services.
- Provides a legal way of holding foreign currency irrespective of the amount.
- Funds placed in Domiciliary Accounts attract payment in foreign currency at a competitive rate. The interest is applied half yearly.
- Holders of Export Domiciliary Account shall continue to have easy access to the funds maintained by subject to existing guidelines.
- Depositors can sell at, or part of the balance on their Non-Export Domiciliary Account to Authorized dealers for naira if they so desire.

5. **EQUIPMENT LEASING:**

This is a financing option that facilitates the acquisition of all categories of equipment across industries without purchasing the equipment.

Beneficiaries: Corporate and individual customers who have the need to use relatively expensive equipment and who may not have resources to outrightly purchase the equipment.

Special Benefits:

- Use of equipment without acquiring it.
- It is another credit financing option, which might be required, when all has turned sour.
- It is easy to obtain and at the end of the lease period, the equipment becomes that of the customer.

6. **MASTER CARD:**

This is a credit card that enables the holder to make payments for or settle bills incurred in duty-free shops and selected supermarkets. As a member of the MasterCard International Consortium, First Bank pays for purchases made by MasterCard cardholders from any part of the world. A MasterCard cardholder can use the card to obtain cash (Naira).

Special Benefits:

- It is convenient.
- It minimizes the risks associated with carrying cash.

7. **FOREX PURCHASE AND SALES:**

This service entails the purchase of foreign exchange for the customers from CBN intervention through weekly bidding to fund their L/Cs. It also includes sourcing of foreign exchange through autonomous market at a negotiable rate for the customers to fund their Bills for collection.

Beneficiaries: all customers of the Bank both corporate bodies and individuals who are into importing business.

Special Benefits:

- Efficiency in providing customers with needed foreign exchange at competitive rates.
- Special financial advice on foreign markets is offered free of charge.

8. **LOAN SYNDICATION:**

This is the pooling of resources by a consortium of banks for the benefit of corporate customers that might need very considerable capital outlay, which may be beyond what an individual bank can shoulder.

Beneficiaries: corporate customers of the Bank.

Special Benefits:

- Convenient and secured means of receiving money in foreign currency, Naira equivalent or credit into their domiciliary account.

9. **SMALL AND MEDIUM ENTERPRISES (SME) DEVELOPMENT PROJECT LOAN SCHEME:**

This designed to support existing enterprise restructure and modernize their operations maintaining their comparative advantage and to retain competitiveness; help establish a new generation of viable investments in the private productive sector and service activities.

Beneficiaries: SMEs with fixed assets (excluding land) plus cost of the investment project not exceeding ₦45million in constant 1998 prices.

Benefits:

- Enabling small medium-scale entrepreneurs to become more competitive by investing in the rehabilitation and expansion of their existing enterprises, and establishing new ones;
- Receiving production and improving viability of selected over-leveraged firms;
- Supporting a program of assistance to micro-enterprises;
- Providing an alternative and flexible source of long term financing to SMEs through equipment leasing.
- Making the delivery of technical support services more demand driven and responsive to the needs of small-scale enterprises.

10. **TRUSTEESHIP:**

This service is offered by First Trustees Nigeria Ltd., a wholly owned subsidiary of First Bank if Nigeria Plc. Its business is mainly management of investible funds such as pension funds on behalf of organisations or companies. It also arranges and acts as Trustees to Debenture issues where many lenders are involved.

Beneficiaries: corporate customers of the Bank who have investible funds or who may wish to establish or maintain a well-managed Pension Fund Scheme.

Benefits:

- Efficient management of Pension Funds and other investible funds.
- Offer the best financial and funds management advisory services.

11. **VALUECARD:**

This is an electronic purse that serves as an alternative to cash and other payment instruments. It enables companies and individuals carry money conveniently from one location to the other for settlement of bills and other transaction without physical cash, cheques or drafts. It is also possible to make cash withdrawals at any of the branches of the banks in the consortium. The card is secured with a Personal Identification Number (PIN) of the cardholder which is known only to him/her.

Beneficiaries: clients who provide equivalent cash.

Benefits:

- The risks associated with carrying physical cash is eliminated;

- ❖ There is a reduction in the cost of cash handling and management;
- ❖ Vendors enjoy instant payment for transaction;
- ❖ Enhancement of internal account reconciliation;
- ❖ It attracts more business for a merchant or vendor client;
- ❖ It is reliable and convenient;
- ❖ It is portable and easy to use;
- ❖ It is safe, secured and usable nationwide.

12. **WESTERN UNION MONEY TRANSFER:**

This is a customer service that enables individuals to electronically transfer funds through global network to friends, relations and business associates. One need not be a customer of the Bank before operating the service.

Beneficiaries: Tourists in Nigeria and Nigerian residents who have friends, relations or associates abroad.

Benefits:

- ❖ It is the fastest, convenient, easy and secured means of remitting money to families from abroad.

Other Products/Services include:

a) Overdrafts;
b) Loans and advances;
c) Business Advisory Services;
d) Demand Deposit Account; etc.

4.2 FIRST BANK MODE OF COMPETITION

The following are the Bank's means of competition:

1. **COMPETITION FOR COMPETENT STAFF:**

Competition for competent managers among banks has been motivated by the need to secure adequate skill to be able to profit from the market oriented banking business in the economy. With the prospects of high profitability looming over the Bank from its foreign exchange dealings, treasury management and financial service consultancy, the Bank goes out to acquire staff who would perform, and then offer them very attractive remunerative packages.

2. **INTER-BANK COMPETITION FOR DEPOSITS AND OVER-NIGHT LOANS:**

This is another area of competition. First Bank with Union Bank of Nigeria since the deregulation, engage in supply of the bulk of the funds to other banks who in turn borrow to re-lend to their customers using their borrowing rates with mark-ups as their benchmarks for their own lending rates. Since these other banks' lending rates are

largely determined by their borrowing rates, First Bank, together with UBN and UBA often take account of this in its inter-bank dealing.

3. **INTEREST RATE COMPETITION:**

   This is both on the supply of funds and demand for funds. First Bank structured its interest rates on deposits both in terms of maturity and size of the deposits. The tendency however has been to have higher rates for longer maturity and for larger sizes of deposits. This often designed to attract big institutional depositors.

4. **SUPPLY OF DIVERSE PRODUCTS:**

   FBN engage in supply of diverse products with new products being offered in the market from time to time. The products are aggressively advertised using the most recent technology in the country's media. Some of the products are targeted at specific income groups such as low-income earners and their savings deposits or at a particular gender.

5. **CUSTOMER SATISFACTION:**

   Customer service has, accordingly, become an area of aggressive banking. Aimed at reaching out to customer and satisfying customer's demand at the counter for cash service, loans, financial counselling and other banking services, FBN utilizes modern technology to maximum effects. With computers, customer service has been made easier because balances in the accounts of customers can be determined without delay. Thus, time saving and quick decision-making on customers' requests and demands (i.e. customers' satisfaction) are now becoming a strong competitive factor.

6. **BRANCH NETWORK:**

   The branch network gave the bank its greatest strength. The network enabled the Bank to mobilise deposits and provide effective banking services. By maintaining market leadership in the environment, FBN combines computer technology with telecommunication technology to link its branch network with its Head Office. Prompt response is given to customer requests from any of the branches.

7. **MARKET SEGMENTATION:**

   In offering various forms of products, the Bank seem to segment the market for its banking service. It tries to create a monopoly of the market for each product through branding and thereby seek to earn some economic rent. The Bank by using its corporate name as brand name creates impression that its products are different. Though this limits the competition in the Bank's product markets, yet the preferences of users of the Bank's services are targeted. Choice among bank customers is therefore broadened.

4.3 STRATEGIES USED BY FIRST BANK

As the market leader in the banking environment, with over 60% of its share under its control, the Bank tries as much as possible to see that it uses its own various strategies to outsmart its competitors and maintain its leadership position in the market. The Bank adapts strategies to protect its products/services and differentiate them from other brands in the market. The strategies used include the following:

1. **MAINTENANCE OF LOW INTEREST RATES:**

   This is an important strategy of the Bank. The Bank maintains low interest rates on deposits and loans and advances relative to its rivals. This makes interest income and expense to be relatively low while the low rates attract customers. There are two factors, which actually explain the strategy. The first is the high level of liquidity of the Bank, resulting from both low deposit rates and lending rates. The second factor is low level of inter-bank lending rate of the Bank.

2. **PRICE CUT STRATEGY:**

   The Bank maintains a stable low price posture. This however has not necessarily resulted in low revenue because of the large resource base. It is from this also that the Bank derives a competitive edge over other banks.

3. **PROMOTIONAL STRATEGY:**

   As part of the aftermath of the deregulation, First Bank utilised promotion as a deliberate strategy to mobilise deposits. Advertising, packaging, personal selling and other marketing promotional strategies are put into maximum use to maintain and increase its market share. However, the widely used promotional strategy is advertising which is normally done through the media (television, radio, Newspapers, etc.). Packaging is also another marketing tool used. For instance, Western Union Money Transfer Service has been well packaged that it attracts such an enormous crowd patronage. Also some other familiar products like the MasterCard, etc were re-packaged for selected target markets with attractive rates to attract customers. The Bank's Annual Report and Accounts which has become a marketing tool are well packaged and professionally published that the Bank won the coveted "Stock Exchange Merit Award" for outstanding performance and financial reporting in the financial sector in the year 1998.

4. **BRANCH NETWORKING:**

   Branch Network is another strategy embarked on by the Bank in order to effectively market its services. The opening of new branches is still regarded a strong competitive strategy and the Bank's network of branches remains a formidable mechanism for reaching out to existing and potential customers.

5. **MAINTENANCE OF QUALITY AND QUANTITY OF SERVICES/PRODUCTS AND ASSETS:**

In the new order, emphasis is on quality of service and customer intimacy. The bank monitors and maintains the quality and quantity if its services, products and assets as a deliberate operational strategy. The maintenance of quality is achieved by elevating the management of quality to the highest priority through Total Quality Management, which however creates competitive advantage.

4.4 RESPONSES TO QUESTIONNAIRES.

In an attempt to investigate the effectiveness of marketing of banking services in a competitive environment, questionnaires were designed and distributed randomly to both staff and the customers of First Bank of Nigeria Plc, kaduna. Ten questionnaires were distributed to the staff of the Bank and all were returned. On the part of the customers, 150 questionnaires were distributed, while 120 questionnaires were returned. The responses obtained from the questionnaires are presented on the tables below:

4.4.1 STAFF RESPONSES TO QUESTIONNAIRES:

Table 4.1: Do you believe that marketing is of importance to the Bank?

OPTIONS	RESPONDENTS	%
Yes	7	70
No	3	30
Total	**10**	**100**

Source: FieldWork

From the above table, 7 respondents, representing 70% of the total respondents gave a positive response to the importance of marketing to the Bank. The reason for this response was that as it is evident that the banking environment is dynamic and highly competitive, the Bank has to implement the marketing activities in its operations in order to operate successfully in the global market and maintain its leadership position which is being threatened by the new generation banks. However, 3 (30%) respondents gave a contrary view. They believe that since the Bank has a wide branch network more than any bank in the country and more than enough customers, they see no need for marketing as a tool for profitability.

Table 4.2: Do you believe that marketing strategy is an important element in the marketing of banking services?

OPTIONS	RESPONDENTS	%
Yes	7	70
No	3	30
Total	**10**	**100**

Source: FieldWork

7 (70%) respondents supplied positive responses to the above questions as shown on the table. While 30% (3) of the respondents do not believe that the Bank need marketing strategy to sell its products/services.

Table 4.3: Does marketing strategy have any impact as a direct contributor to profit in your Bank?

OPTIONS	RESPONDENTS	%
Yes	8	80
No	2	20
Total	**10**	**100**

Source: FieldWork

From the available data shown above, 8 respondents, representing 80% of the total respondents claimed that marketing strategy has contributed tremendously to the profitability of the Bank. While the remaining 20% of the respondents, on the other hand do not believe that marketing strategy contribute to the profitability of the Bank.

Table 4.4: What measure of success has the Bank achieved by employing these strategies?

OPTIONS	RESPONDENTS	%
Successful	4	40
Very successful	6	60
Not successful	-	-
Total	**10**	**100**

Source: FieldWork

From the available data shown on the table above, 6 (60%) respondents claimed that employing the marketing strategies have been very successful, while 4 respondents which represent 40% of the total respondents believed that employing marketing strategies in the Bank operations was successful. However, none of the respondents gave a contrary view to the other two options.

Table 4.5: Have these strategies helped to serve in the marketing of the Bank services effectively?

OPTIONS	RESPONDENTS	%
Yes	8	80
No	2	20
Total	**10**	**100**

Source: FieldWork

80% of the respondents believed that the marketing strategies have helped in effective marketing of the Bank's services, while the remaining 20% gave a contrary view to this claim.

Table 4.6: Which of the following marketing activities is the one mostly used by the Bank?

OPTIONS	RESPONDENTS	%
Advertising	7	70
Personal Selling	-	-
Packaging	3	30
Public Relation	-	-
Total	**10**	**100**

Source: FieldWork

Given from above table, it is obvious that 7 (70%) respondents, who make up the majority of the respondents, claimed that advertising is the mostly used marketing tool to attract customers to the Bank's products/services. While 3 (30%) respondents claimed packaging.

Table 4.7: Has this marketing activity helped in making customer become more informed about the product?

OPTIONS	RESPONDENTS	%
Yes	10	100
No	-	-
Total	**10**	**100**

Source: FieldWork

All respondents gave a positive response to the above question, while none gave a contrary view to it.

Table 4.8: How important is service packaging to the Bank?

OPTIONS	RESPONDENTS	%
Very important	5	50
Not important	5	50
Total	**10**	**100**

Source: FieldWork

From the above table, 50% (5) of the respondents believed that service packaging is very important to the Bank, because it helps motivate customers to buy the service/product. Also 50% of the respondents claimed that service packaging is not important to the Bank.

4.4.2 CUSTOMERS' RESPONSES TO QUESTIONNAIRES.

The data obtained from the customers' questionnaires were analyzed by using percentage to relate: customers' reasons for choosing First Bank; reception of the Bank staff to the customers; time spent for transaction and others. This analysis was performed based on customers' income level, age group, type of bank services patronized by the customers. Considering the income level, respondents with annual income less than ₦60,000 were considered as low income group, while those with ₦60,000 and above were regarded as high income earners.

In the present competitive environment, especially in the banking environment and considering the fact that majority of the banks today are highly computerized and fully automated, especially with the internet network computerization, five (5mins) time limit was given in this research work a the standard time for normal transaction.

Finally, the customers of First Bank that are below or equal to 35years are categorized in one group, while those above 35years are categorized in another group.

CUSTOMERS' REASONS FOR CHOOSING FIRST BANK.

Normally customers have different reasons for choosing a bank. Some customers patronize banks because of personal selling by bank officials; bank advertisement; recommendation by friends, relations; personal relation; product/service packaging.

Table 4.9: Customers' Reasons for choosing First Bank.

OPTIONS	RESPONDENTS	%
Personal Solicitation	22	18.33
Bank Advertisement	28	23.33
Personnel Relation	15	12.50
Recommendation by friends, relations, etc.	35	29.17
Product/Service Packaging	20	16.67
Total	**120**	**100**

Source: FieldWork

From the above table, majority of the respondents patronizes the Bank because of recommendation from friends, relations, or colleagues at work. This group made up of 35 respondents, which represents 29.17% of the total respondents. 22 respondents patronize First Bank as a result of personal selling by the Bank staff, while 28 (23.33%) of the total respondents patronize the Bank as a result of the Bank's advertisement. 20 (16.67%) respondents patronize the Bank as a result of the Bank's service packaging, while 15 respondents patronize because of personnel relations.

ISSUE OF STATEMENT OF ACCOUNT:

Customers of First Bank receive their Statement of Account from the Bank at different

periods. Therefore, from the data collected concerning this issue, the result of the collation of the response of the respondents is as follows: -

Table 4.10: Ways of receiving Statement of Account.

OPTIONS	RESPONDENTS	%
Monthly	15	12.50
Quarterly	20	16.67
Yearly	55	45.83
None at all	30	25
Total	**120**	**100**

Source: FieldWork

From the above table, it was observed that out of 120 respondents, 15 (12.50%) respondents receive the Bank Statements of Account monthly, while 20 respondents which represents 16.67% of the total respondents receive Statements of Account quarterly. 55 (45.83%) respondents receive theirs yearly and 30 (25%) of the total respondents do not receive the Bank Statements of Account.

Further observation was that majority of the respondents admitted receiving the Statements of Account yearly. This group make up of 45.83% of the total, while the group that receive theirs monthly could be seen as the smallest group with 30 respondents (12.50%). Thus, the delay in issuing out the Statement of Account could be as a result of laxity on ht e part of the Bank staff; inadequacy or breakdown of computer or automated machines.

ACCURACY OF STATEMENT OF ACCOUNT.

Some of the bank customers, on receiving the Bank Statement of Account, observe some errors in the postings, while some claimed that the Statements of Account are completely accurate and sometimes partially correct. Some customers complained of complete incorrect posting of their accounts. Thus, the breakdown of the respondents is shown below:

Table 4.11: Accurate Posting of Statement of Account.

OPTIONS	RESPONDENTS	%
Completely correct	47	39.17
Partially correct	55	45.83
Not correct at all	18	15.00
Total	**120**	**100**

17945

Source: FieldWork

Out of 120 respondents, 47 (39.17%) respondents admitted that the Bank Statements of Account received were completely correct, while 55(45.83%) respondents claimed

partially correctness of the Bank Statement of Account. This however formed the majority group. The least group, which claimed 18 (15%) respondents of the total respondents, admitted that, on receipt of the Bank Statement of Account, the accounts are completely incorrect.

Further, from observations made, the partially correctness and total incorrectness of the Bank Statement of Account could be caused by negligence, or laxity on the part of the Bank staff; lack of regular training and supervision of staff.

CUSTOMERS' AWARENESS OF PRODUCTS/SERVICES OFFERED BY FIRST BANK.

First bank offers diverse services to its customers and in order to create awareness of its products/services among its customers, it uses different promotional strategies, but concentrate more on advertisement. Thus, some customers, in response to this issue, agreed to being aware of the Bank's various products/services, while some are not aware of the products, except the normal services such as: savings, current and fixed deposits accounts the banks normally offer. The breakdown of the data collected is therefore shown below:

Table 4.12: Awareness of products offered by First Bank.

OPTIONS	RESPONDENTS	%
Yes	80	66.67
No	40	33.33
Total	**120**	**100**

Source: FieldWork

Available data shown above depict that 80 respondents, representing 66.67% admitted that they are aware of this various products offered by First Bank, while 40 (33.33%) respondents claimed they are not aware.

GENERAL ASSESSMENT OF SERVICES RENDERED BY FIRST BANK.

The breakdown of the responses of customers on how they would assess the services rendered by First Bank of Nigeria is as follows:

Table 4.13: Customers' Assessment of the Services offered by First bank.

OPTIONS	RESPONDENTS	%
Very Satisfactory	15	12.50
Satisfactory	30	25.0
Dissatisfied	55	45.83
Very dissatisfied	20	16.67
Total	**120**	**100**

Source: FieldWork

From the available data shown above, 15 respondents, representing 12.5% claimed that they are very satisfied with the general services offered by the Bank. 30 (25%) respondents admitted that they are satisfied, while 55 respondents claimed dissatisfaction with the services rendered by the Bank, especially the customer delivery service. 20 respondents on the other hand, are very dissatisfied.

From the above, we can deduce that First Bank is not at this period of high competition in the banking environment, rendering high quality customer delivery service.

FACILITIES IN THE BANK.

The Bank environment, especially the banking hall, is very important in the its overall effort in marketing its services to meet customers' satisfaction. Such facilities or instruments which include; seats, automated machines, air-conditions, computers etc should be adequately available in the Bank to reduce drudgery of long queues of customers in the banking hall and to ensure faster pace of service delivery. Thus, how adequate are these facilities provided by First Bank? The breakdown of customers' responses is as follows:

Table 4.14: Adequacy of facilities in the Bank.

OPTIONS	RESPONDENTS	%
Very Adequate	13	10.83
Adequate	40	33.33
Inadequate	50	41.67
Very Inadequate	17	14.17
Total	**120**	**100**

Source: FieldWork

It can be deduced from the above table that out of 120 respondents, 40 respondents which represented 41.67% of the total respondents are satisfied with the facilities provided by the first Bank, while 50 (41.67%) respondents and 17 (14.47%) respondents claimed that the facilities are inadequate and very inadequate respectively. 13 respondents which represents 10.83% of the total respondents claimed to be very satisfied with the facilities available in the Bank. In other words, the facilities are very adequate.

TIME SPENT FOR TRANSACTION.

Time standard time set by the Bank to transact normal business in the Bank is five (5minutes). Therefore, the time spent by customer to transact business has direct relation with his level of satisfaction derived from banking services. An individual may be dissatisfied if he spends much time to transact business with the bank.

Table 4.14: Time spent for transaction by Customers.

OPTIONS	RESPONDENTS	%
Less than 5 minutes	10	8.33
More than 5 minutes	80	66.67
Exactly 5 minutes	30	25.00
Total	**120**	**100**

Source: FieldWork

From the available data above, 10 (8.33%) respondents claimed that they spend less than 5 minutes at the Bank for transaction. On the other hand, 80 respondent, representing 66.67% of the total respondents claimed that they spend more than 5 minutes at the Bank, while 30 (25%) respondents spend exactly 5 minutes at the Bank.

Further observation made concerning this issue was that respondents receive quick service delivery from the Bank staff because of their acquaintance with the Bank top managers; their high level of income and also the type of services (i.e. foreign exchange) they patronize. While on the other hand, respondents that spend more than 5 minutes at the bank are those that have no acquaintances with the top managers and have low income.

ASSESSMENT OF THE BEHAVIOUR OF THE BANK STAFF.

Here, the degree of courtesy the Bank customer receives from the staff is assessed. Hence, the breakdown of the customers' responses is as follows:

Table 4.16: Customers' Assessment of the behaviour of the Staff of First Bank.

OPTIONS	RESPONDENTS	%
Very Courteous	15	12.50
Courteous	45	37.50
Discourteous	25	20.83
Very discourteous	5	4.17
Indifferent	30	25.00
Total	**120**	**100**

Source: FieldWork

Available data shows that out of 120 respondents, 60 (50%) respondents claimed that they are satisfied with the reception of the Bank staff to customers. These respondents however, form the group of those people with income of ₦60,000.00 per annum and above; those of age 35 years and above and those that are acquainted with the top managers. On the other hand, 30 respondents representing 24.99% of the total respondents are not satisfied with the attitude of the staff towards the customers. These

respondents comprised customers with income lower than ₦60,000.00 per annum; those below the age of 35 years and who are not acquainted to any of the top managers. While the remaining 25% respondents are indifferent to this issue.

CUSTOMERS' REACTION TO THE PRESENT BANKING HOURS.

The breakdown of the customers' responses to this issue is presented on the table below:

Table 4.17: Customers' level of satisfaction to the present banking hours of First Bank.

OPTIONS	RESPONDENTS	%
Satisfied	120	100
Not satisfied	-	-
Total	**120**	**100**

Source: FieldWork

All respondents are satisfied with the present banking hours of the Bank, especially with the introduction of Saturday banking system.

LEVEL OF PERFORMANCE OF FIRST BANK.

The level of performance of First Bank is improving as could be deduced from the response of the customers questioned. Hence, the customers' rating of the performance of the Bank is therefore presented in the table below:

Table 4.18: Customers' Rating of the performance of First Bank.

OPTIONS	RESPONDENTS	%
Below Average	4	3.33
Average	66	55.00
Above Average	50	41.67
Total	**120**	**100**

Source: FieldWork

From the table above, 4 respondents claimed that First Bank is still performing below average, while 66 (55%) respondents which made up of the majority group believed that the Bank's performance is still on the average level. On the other hand, 50 respondents representing 41.67% of the total respondents claimed that the Bank is performing above average.

CHAPTER FIVE

SUMMARY, CONCLUSION & RECOMMENDATION

5.1 SUMMARY

Developments and the aggressive nature of our banking environment have made the competition very stiff that survival in the sector is only for the most innovative and aggressive banks. The orthodox and conservative ways of banking business are gradually giving way to more aggressive and radical banking with the upcoming of new generation banks. The aggressiveness of these new banks, both in operation and customer sought has proved to be of high profit to those that adopt the method as an optimum strategy.

Marketing as we all know, is a way in which an organisation matches its own human financial and physical resources with the wants of customers, hence marketing of banking services is not quite different from what marketing is all about.

The competitiveness of the business environment has forced Commercial banks to fashion out a winning strategy through which they can serve their existing customers better than their competitors and at the same time win more prospective customers. Gone are the days when bank executives confirmed themselves in an air conditional room waiting for customers to call on them. However, the orientation is changed, while the sector has become more complex and sophisticated, the philosophy has changed to the extent that the customers are now the "king" while the bank executives are the servants. Some banks, especially the new generation banks are adopting some aggressive strategies by going to the extent of calling at their prospective customers at various homes on weekends. The survival of banks to face challenges, coupled with the skill and assets of the banks reasonably enough to match the competitiveness of the market. Banks executives should re-orientate themselves if they want to survive and remain in business towards knowing that customers are the reason for their business existence. Based on the shift in the marketing concepts, banks are constantly on the move in finding and developing an optimum strategy for their survival in the competitive environment.

The success of any bank is not based on the aggressiveness of the bank perse, but on the type of services it offers to the public, all directed towards customers' satisfaction and at the same at a profit to the bank. Marketing of bank services are sensitive that they are supposed to be handled by experts who are well-trained in the field because of the skills that are needed, unlike the marketing of tangible products where the products can speak for themselves. In the marketing of intangible products like bank services, the marketer

has to demonstrate a lot of skills and maturity so as to attract and convince the prospective customer while he/she should buy the service or patronize the bank. For example, "Western Union Money Transfer" introduced by First Bank of Nigeria Plc in 1998 is the most convenient and safest and fastest means of transferring money from abroad. Prior to the introduction of Western Union Transfer, people especially in less developed countries were finding it very difficult to transfer money and other valuables like certificates to their various countries from Europe, for example.

5.2 CONCLUSION.

The marketing environment under which the banks operate has become so complex and competitive, for any bank to market its services successfully by mere introduction to the public.

The consumers can change their decisions spontaneously, irrespective of the quality of the service concerned. According to commerce, the foundation of every business enterprise is "effective communication", i.e. if a bank does not blow her trumpet, nobody will know that the bank exist.

Based on this philosophy, banks through their marketing departments are no longer folding their hands in their various air-conditioned rooms to allow the market forces to determine their fates for them. Nowadays, banks put in extra efforts towards marketing of their services in the competitive marketing environment.

The success in the marketing of bank services is achieved through, a well planned and implemented marketing activities like personal selling, advertising and publicity; manipulation of information towards designing new delivery networks to access more customers over a wide area; moving away from the current highly transaction-oriented and stereotyped banking to a pro-active (i.e. marketing-oriented) one; and creating non-conventional financial products and services that will exceed customers' expectations and at prices at no extra cost to the traditional charges.

According to Chinese former military strategist, SUN-TZU, during the Vietnam war, 1972, *"all men can see the tactics whereby I conquer but what one can not see is the strategy out of which great victory is evolved"*. As individual banks have their missions and objectives towards their customers, so also are their individual tactics and winning strategies for achieving their goals in the market.

5.3 RECOMMENDATION.

Marketing, whether it involved the marketing of tangible products like consumable commodities or intangible services like bank services is something that must be handled by and experts. The sensitive nature of marketing has made it impossible for amateurs to

survive in the field of marketing irrespective of the product that is involved. Based on this, the researcher is making the following recommendations:

1. For a successful marketing of services in the generic market, banks should define their mission through satisfaction of customers' needs and wants at a profit.
2. The Banks should always try to be sincere to their existing and prospective customers by making sure that all the benefits acclaimed in the service are embedded in the service. Hence, they should strive to monitor the degree of customer's satisfaction with their services on a continuous basis. By doing so, the banks would be able to identify areas requiring improvement, thereby facilitate the much desired satisfactory delivery of banking services.
3. The banks should re-orientate their staff towards customer friendliness. Usually, customers complain about the discourteous attitude of the bank staff, hence, it is expedient for the management to intensively train their staff towards customer friendliness, knowing fully well that human relation (customer friendliness) is very vital in banking business and for effective marketing.
4. Banks, especially the old generation banks, which are still practising the armchair banking system, should move to more pro-active banking system, thereby embracing in totality the marketing management function, its concept, setting up full-fledged marketing units manned by trained and experienced hands to carry out this important function.
5. Banks should engage in intensive research and a lot of market segmentation to cater for the various categories of customers in the same banking hall.
6. Banks should always strive to improve the quality of customer services as well as customer service delivery. In fact quality of service rendered should always receive priority over quantum of new products offered.
7. In creating and increasing customers awareness of the range of products/services, banks have to improve in their promotional activities, especially in the area of personal selling and publicity which involve designing brochures listing all the products/services rendered, which would be given to all prospective customers. A market–oriented bank aims at meeting customers' needs profitably and in order to do this, bank staff who have contact with customers must be aware of the banks product range and must be alert in identifying situations where a customer is likely to need particular services. Therefore, taking an interest in a customer's personal circumstances can be a way to spot selling opportunities.
8. Interest rates and quick service delivery which should be adopted and maintained so that the customers will always feel satisfied and will have no regrets for associating with bank in Nigeria.

9. Furthermore, customers (Banking public) should be knowledgeable enough to know that not all that glitters is gold and should be wise enough not to allow cozy and fake impression created by any of the banks to deceive them. Hence, customers must be educated and well informed of the operations of the banks in order to maximize the use of banking services to their benefits.
10. Government through its financial intermediaries like CBN and NDIC as a guardian of the people's interest should look into the activities of these banks and come up with laws that will safe-guard the people's money from the activities of some of the fraudulent banks in the banking industry.
11. The aggressiveness and customer service policies of the new generation banks are putting them affront of the old banks, thereby giving them an edge in both customers' patronage and profit making. Therefore, the management of old generation banks should endeavour to reach out to the rural areas with the improved Electronic Banking facilities to ensure constant and continued customers' satisfaction and efficient and effective service delivery to customers. They should no more rely on their past glories of expanded network branches and big financial asset base as a winning strategy.
12. Furthermore, for old generation banks, especially First Bank to maintain its market share in competitive banking environment and also withstand the growing pressures from competitors, thereby meeting increasing needs of their numerous customers, the management must try to establish both Local and Wide Area Networks (LANs & WANs), using Nitel leased lines, dial-up and satellite communication facilities, etc. In furtherance of this, the banks must establish strategic alliances with many foreign companies in providing funds transfer.
13. The dynamic nature of our global business environment has forced the banking industry to change along the line positively. The Nigerian banks especially the old generation banks are notorious for their long queues and often unsightly banking halls. These days, customers demand a comfortable banking environment where quality service can be delivered. The banks should be re-engineered to ensure a faster pace of service delivery in a comfortable environment. This can be achieved through re-organization of the banking processes, improvement in infrastructures, demarcation of various approaches to the tellers, cleanliness and general interior decoration.
14. Creating and sustaining competitive edge in the banking industry demands that the finance sector invest in IT solutions and banking applications like; Bank Master, Globus and Micro Bank to provide real-time on-line banking services across the country in the short run and extend to the world in the long run. This will enhance their service delivery capacity and enable Nigerian Banks to compete effectively with the rest of the world, since globalization and marketing is all about competition. This is

more so with the impending introduction of the universal banking system and entry of international banks and consequent environment of fierce competition.

15. Lastly, the major kernel that needs to be cracked by all banks to sustain their reliability and credibility as well as maintain effective business environment is to make their computer systems Year 2000 Compliant. Thus, in order to be modern, relevant, survive the present competitive pressures, and retain customers' loyalty, banks must address the Y2K problem.

In the nutshell, if all these mentioned recommendations are strictly applied and implemented, marketing of banking services in Nigeria will always be a very profitable venture to both the banks and their customers which will in turn bring a positive multiplier effect on the economy.

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APPENDICE I

Department of Bus. Administration
Institute of Administration
Ahmadu Bello University
P. M. B. 1013.
Zaria, Nigeria.

Dear Sir,

I am a post-graduate student of the above Institution conducting a survey on **MARKETING OF BANKING SERVICES IN A COMPETITIVE ENVIRONMENT**: A case study of **FIRST BANK OF NIGERIA PLC.**

I am glad if you could assist by responding to the sample questions over leaf.
I wish to assure you that all information provided by you would be for academic purposes only and would be treated strictly confidential.

Your anticipated co-operation would be highly appreciated.

Thanks.

Yours faithfully,

OKEGBOLA OLUBUNMI

APPENDICE II

QUESTIONNAIRE FOR THE STAFF OF FIRST BANK OF NIGERIA PLC.

1. How long have been with First Bank of Nigeria Plc?
   (a) below 5 years (b) 5 – 10 years (c) 10 – 15 years (d) 15 – 20 years
   (e) above 20 years.
2. What level of staff are you?
   (a) Senior staff (b) Junior staff (c) Management staff
3. What are the various services offered by the Bank?

   .....
4. Do you believe that marketing is of great importance tot he Bank?
   (a) Yes (b) No.
5. Do you believe that marketing strategy is an important element in the marketing of banking services?
   (a) Yes (b) No.
6. Does marketing strategy have any impact as a direct contributor to profit in your Bank?
   (a) Yes (b) No.
7. What strategies has the Bank used?
   (a) Pricing strategy (b) Promotional strategy (c) Market segmentation strategy
8. What measure of success has the Bank achieved by employing these strategies?
   (a) Successful (b) Very successful (c) Not successful
9. Have these strategies helped to serve in the marketing of the Bank services effectively?
   (a) Yes (b) No
10. Which of the following marketing activities is the one mostly used by the Bank?
    (a) Sales promotion (b) Advertising (c) Distribution (d) Personal selling
11. Has this marketing activity helped in making customer become more informed about the product?
    (a) Yes (b) No.
12. How important is packaging to the Bank?
    (a) Very important (b) Not important.
13. As a staff of the Bank, how do you rate the marketing of your service?
    (a) Excellent (b) Good (c) Fair (d) None of the above.

APPENDICE III

QUESTIONNAIRE FOR THE CUSTOMERS.

1. How old are you?
   (a) Below 25 years (b) Between 25 and 25 years (c) Between 35 years and 55 years
   (d) Above 55 years.
2. What made you to choose First Bank of Nigeria Plc?
   (a) Bank's advert (b) Personal solicitation(c) Recommendation by friends or relations
   (d) Personnel Relation (e) Product/Service packaging
3. Which if the following accounts do you operate with the Bank?
   (a) Current account (b) Savings (c) Foreign exchange
   (d) Fixed deposits (e) any other.
4. How often do you patronize the Bank in a month?
   (a) Once (b) Twice (c) Thrice (d) More than thrice
5. What is your source of income?
   (a) Salary (b) Rent (c) Dividends/Interest (d) Others
6. What is your annual income?
   (a) Less than ₦15,000 (b) Between ₦15,000 and ₦30,000 (c) Between ₦30,000 and ₦50,000
   (d) above ₦50,000.
7. How have you been getting your statement of account from the Bank?
   (a) Monthly (b) Quarterly (c) Yearly (d) None at all
8. When you receive them are they correctly posted?
   (a) Complete correct (b) Partially correct (c) Not at all
9. Are you aware of the range of services offered by First Bank?
   (a) Yes (b) No.
   If 'Yes', how many of the services do you know and how did you become aware of them?
10. How would you assess the services rendered by First Bank?
    (a) Very satisfactory (b) Satisfactory(c) Dissatisfied (d) Very dissatisfied
11. Would you co-operate with First Bank towards making the services efficient or effective?
    (a) Yes (b) No.
12. Do you believe that in order to promote banking services, First Bank need to embark on a strategy?
    (a) Yes (b) No.
13. Has the packaging been used by the Bank motivated you to buy its product?
    (a) Yes (b) No.
14. How will you rate the facilities provided by the Bank for customers' comfort?
    (a) Very adequate (b) Adequate (c) Inadequate (d) Very inadequate
15. How long does it normally take you to carry out the transactions?

(a) Less than 5 minutes (b) More than 5 minutes (c) Exactly 5 minutes

16. What do you think the cause of delay in the Bank?

(a) Operational procedures (b) Laxity on the part of the staff (c) Inadequate staff or machines

(d) Any other reasons

17. How do you assess the behaviour of the Bank staff to the customers?

(a) Very courteous (b) Courteous (c) Discourteous (d) Very discourteous

(e) Indifferent

18. Are you satisfied with the present banking hours?

(a) Yes (b) No.

19. How would you rate the performance of First Bank?

(a) Below average (b) Average (c) Above average

20. What are your suggestions to improve the marketing of banking services, especially in this present competitive environment?

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