

BUDGETING STRATEGIES IN ADVERTISING
BANKING SERVICES: A CASE STUDY OF INTERCITY BANK PLC

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DECLARATION

I hereby declare that this project was written by me and that it is solely my own research work. It has not been previously presented in any application for a higher degree.

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THE ABOVE DECLARATION IS CONFIRMED

DR. A. B. AKPAN *A. B. Akpan*
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1/5/99
DATE

DEDICATION

Dedicated to my father, His Royal Highness Obong, B. E. Onoh, the paramount ruler of Oruk-Anam Local Government Area Akwa Ibom State for the wisdom and intelligence God has endowed on him and to my son Tochukwu D. Isichei.

CERTIFICATION

This project Title "BUDGETING STRATEGIES IN USE FOR ADVERTISING BANKING SERVICES. A CASE STUDY OF INTERCITY BANK PLC". by Owoh, Judith C. 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.

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I first and foremost acknowledge the hand of God Almighty in my completion of this course, he and he alone saw me through the hectic and dangerous paths I had to tread to arrive here.

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OWOH, JUDITH C.

ABSTRACT

Many methods are used for budgeting funds for advertising in a bank. Business executives attitude towards the advertising budget is that they will spend more money as long as they can be assured that it will bring in a profit.

Banking services are basically marketing of their services and many marketers agree that without budgeting for advertisements in an organization, like bank, the marketing plan will be affected, advertising will then be very difficult to carryout if not impossible and done haphazardly without much achievement.

The organization should consider some marketing warfare in order to get it's own marketing shares. Such warfare like offensive, defensive, flanking and guerilla warfare when budgeting for it's advertisements so as to know how to allocate funds based on the activities of it's competitors.

Analysis show that organizations and banks especially use various methods in allocating funds for advertisements in their companies, these methods are:

Percentage - of-sales method, share of market method, Task or objective method, sales respond decay model, Empirical Research method, available funds method.

Advertising as one of the four promotional tools others being (personal selling, publicity and sales promotion) is very relevant in this age and time when communication is needed for the creation of awareness of bank's numerous services, therefore the power of advertising to inform, enlighten, and educate customers of the availability of services offered and it's power to reach a wider audience faster makes it the best promotional tool preferred by banks.

In view of this power of advertising on selling banking services to the public, a good and sizeable amount of funds must be set aside by bank Directors for the purpose of advertising their services frequently to that of their competitors in the industry. In this competitive era, only a sustained advertising and good advertising budget can win patronage for a bank..

The Nigerian citizenry are more exposed as ever; therefore, banks marketing departments must not over look good, innovative, and attractive strategies of budgeting for advertising that will give them a good market share.

This study will find out in general what strategies used by organizations, like banks, to set advertising budgets in banking services using Intercity Bank plc as a case study.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

THE KEY TO GOOD BUDGETING

According to Reginal L. Jones & George Tretris, the following rules must be kept to achieve a good budget.

Budgeting should not be seen as a financial function performed by budget developments bookkeepers or accountants because these group of people merely record and report plans and comparisons of operating results with those plans, they help management analyze interpret and react.

Budgeting also should not be seen as forecasting as such if what is aimed at is predict the outcome of events rather than planning for a result and controlling to maximize the chances of achieving that result. Because many companies forecast rather than budget and this leads to lack of effectiveness of the budgets, since these forecasts are usually prepared by the finance departments and not by the operating people.

BUDGETING FUNDS FOR ADVERTISEMENTS.

No advertising or marketing plan is complete, without a discussion of what, the programme is going to cost and how the money is going to be raised and spent. The advertising department has a duty to convince management that the suggested level of expenditure makes good business sense.

Since accountants and internal revenue service agents consider advertising a current business expense, many executives treat advertising as a budget item that can be trimmed or eliminated like other expense items when sales are either extremely high or extremely low and this is very unfortunate.

According to Courtland L. Bovee, if the cost of a new banking hall to impress customers is considered an investment, in the company's future ability to offer services, similarly, advertising as one element of the promotion mix should be considered an investment in future acquisition of customers.

Advertising he says builds a consumer's preference and promotes goodwill. This in turn enhances the reputation and value of the company's name. At first advertising may move a person to open an account with a particular bank, but it also affects the person's next choice of bank.

Thus advertising may also influence consumer to try the banks other service.

Thus while advertising may be looked upon as a current expense for accounting purposes, it can also be considered a long-term capital investment. For management to consider advertising as an investment, however, it must have some understanding of the relationship between advertising and sales and profits.

Intercity bank has not put this into consideration and is not creating a totally separate funds or department for adverts but rather advertises as need be this has affected the bank in the sense that it end up spending more on advertisements without really noticing.

As the research study would prove, the bank has not set up a budget separately for advertising and kept to a static amount each year.

1.2 STATEMENT OF THE PROBLEM

Banks in Nigeria generally advertise their services to get more patronage, but many of them do not have a defined department for advertising alone. They always associate advertising with marketing and public relations department, and most times they see advertisement as uncalled for expense.

Most banks do not budget for advertisement and where they do, they do not adhere strictly to it and at the end of its financial year, the bank has either spent more than 50% of its generated income without knowing this, or has not taken cognizance of its expenditures on advertisements alone.

In this study the following problem will be looked into:

- i. What budgeting is
- ii. Advantages of budgeting
- iii. Types of advertising budgets inexistence statement
- iv. How banks set their advertising budgets.

1.3 OBJECTIVES OF THE STUDY.

The objective of budgeting money, time, for advertising products is to minimize cost of advertising.

The purpose of this study is to find out if intercity bank budgets for its numerous advertisements, and what percentage of its income.

Furthermore, it will set out to find out if intercity bank has a separate department for advertisement, the kind of methods it uses to budget for its advertisements and why.

It is also the aim of this study to examine whether advertising made by the bank commensurate with the profit realized. It will also see if budgeting for advertising wards – off competition.

And finally it shall seek to suggest ways on how budgeting for advertisement can better influence customer patronage and also increase service effectiveness of banks and intercity bank plc.

1.4 SCOPE OF THE STUDY

This research will be limited to Kaduna because of limited time factor and resources.

Emphasis would be placed on how banks budget for advertising in their organizations using Intercity Bank as a case study. All relevant topics relating to budgeting and budgeting for advertisements, and advertising will be carefully examined.

1.5 LIMITATIONS OF THE STUDY

The survey way restricted to only Intercity Bank because the researcher could not be granted audience by most banks who were for of suspicious on the researcher's main purpose.

Most banks preferred to keep their strategies for fear of loosing their market share in the industry.

The bank grudgingly pushed the researcher to their marketing representative after a written request to grant the researcher an interview was demanded by the headquarters,

1.6 HYPOTHESIS

The study will prove that budgeting for advertisements has a positive co-relation to budgeting for advertising method used.

That if budgeting for advertising methods is used-properly, the banks will stand to benefit in the long run and spend less on advertisement but still achieve their goals.

CHAPTER TWO

LITERATURE REVIEW

2.1 WHAT BUDGETING IS

A budget is a formal, written, financial plan, which presents management's planned actions and the projected financial effects of these plans. Budgeting incorporates many of the accounting concepts.

The budget usually presents the financial plan in financial statement format, including income statement, balance sheet, and statements of cash flow.

2.2 ADVANTAGES OF BUDGETING

- i. The annual planning process forces management to examine the entity as a whole and the direction which it is moving. According to (WalGenbach, Hanson, and Dittrich) Management must carefully consider anticipated market demand and recent trends, changes in productive capacity, availability of new technologies, anticipated actions of competitors, performance of outside suppliers, and many other factors. Long-term goals should be re-evaluated, and all short-term goals should be reviewed during the planning process.

The budget should then be developed, in line with the goals and objectives of the organization. The budgeting process should

therefore, project some of the current operations as they exist and plan to make changes in others.

ii. CONTROL OF OPERATIONS

The budget provides the planned basis to which actual results can be compared. Frequently comparing of the budgeted and actual operating data is operating procedure because this provides a natural base for the application of management by exception principles.

iii. BASIS OF PERFORMANCE MEASUREMENT

A firm is successful because its key personnel do their jobs efficiently, reliably and with general adherence to plans. For all major aspects of a firm's operation, a well-developed budget includes criteria for a high level of performance; therefore, properly used a budget can be a significant motivational force because managers at various levels know that their actual performance is evaluated by comparisons with a desired level of performance.

2.3 BUDGET PREPARATION

All business enterprise using budgeting of some sort must consider certain elements of budget preparation – the budget committee, the budget period, and the master budget.

A budget committee generally consists of representatives from all major areas of a firm – such as sales, production and finance. It is frequently headed by the firm's controller. The committee co-ordinates, the preparation of the budget, initiate budget procedures, collect and integrate data from various units in the organization, supervise the review and modification of original estimates and direct the implementation of the budget. All departments should be involved in the formulation of the budget so it will be standardized. Otherwise, the budget may be viewed as an unreasonable goal imposed by outsiders who do not know the departments very well.

The period covered by a budget varies Cash budgets may Cover a week or a month, production budgets a month or a calendar quarter, general operating budgets a calendar quarter or a year and budgets for acquisition of plant assets several years.

In continuous budgeting, an interesting extension of period-by-period budgeting, the coming year is dealt with as quarterly period. At any given time, the firm has four sequential quarterly budgeting, and it adds a new quarterly budget as each quarter expires. With this system, regardless of the time, of the year, the current calendar quarter plus the next three quarters. Continuous budgeting can also be carried out in monthly periods

The master budget is a comprehensive document that integrates all the detailed budgets for the firm's various activities. The master budget contains the data necessary to formulate projected financial statements for the budget period.

The details of a master budget vary according to the firm's operations. Whether the firm is manufacturing, merchandising or service oriented.

2.4 TYPES OF BUDGETS

There are the traditional methods of budgeting and the Zero-base (ZBB) budgeting procedures:

2.4.1 TRADITIONAL METHODS

According to (Wal Genbach Wal Genbach *et al*) Traditional budgeting procedures often start with the proceeding year's budget or the proceeding years actual expenditure. In many instances, the budgeting process simply results in last year's figures plus a percentage. This approach too often automatically justifies the amounts budgeted or expended last year and limits thorough analysis and justification procedures to the "new money" or the incremental portion of the total budget. The defect in this approach is that portions of last year's expenditure may not deserves continued justification,

because the firm may want to take funds from existing operations and devote them to more attractive operations.

2.4.2 ZERO-BASE BUDGETING - (ZBB)

Zero-base budgeting (ZBB) avoids the obvious problem in the traditional budgeting. In general ZBB requires each of the firm's budgetary units to justify all of its expenditures as if the units operations were just starting.

ZBB may take different forms but the following procedures prevail in most cases.

1. The firm is divided into decision units (cost or services centers) to which budget decisions naturally relate.
2. Decision units request funds by preparing decision packages, which state forth goals, a programme for achieving them, benefits expected, related alternatives, consequences of not being funded, and required expenditures.
3. Various levels of management participate in combining and ranking all 'departments' decision packages.
4. Decision packages ranked higher than management's cut off point constitute the plans for the firm's master budget

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a major drawback to ZBB is that it is time consuming – therefore costly for all departments to justify in details each year all aspects of their operation.

Consequently some firms use the traditional budgeting procedures and have what is termed a Zero-based review of departments every two or three years? ZBB is more useful in the budgeting of support functions such as research and development or the utility department than it is for budgeting direct material and labour. Advertising as a promotional mix is any paid form of non-personal presentation of ideas, goods or services by an identified sponsor, with the use of the media of mass communication.

2.5 ADVERTISING

Advertising activities include the following forms of messages: Messages carried on newspapers, and magazines, on out door boards, on streets, cars, buses, trains, cards and posters, in radio and Television broadcasts and in circulars of all kind whether distributed by mail, by person, through tradesmen, or by inserts in packages, dealers help, materials and motion pictures used for advertising etc.

Labels, tags and other literature accompanying merchandise are deemed advertising, in contrast with publicity and other forms of

propaganda, advertising messages are identified with the advertiser either by signature or oral statement.

2.5.1 DEFINITION AND MEANING OF ADVERTISING

Advertising has been defined by numerous authors as follows:

Encyclopedia Britanica as "a form of paid public announcement intended to promote, the sales of a commodity or service or to bring about some other effect desired by the advertiser".

International Encyclopedia of the social science defined advertising as "means of making known in order to sell goods and services or presenting the most persuasive possible message to the right prospects".

Aiyenuro (1975) defines advertising as "means whereby the existence of goods or the invention of new lines is brought to the notice of the people". Advertising can therefore be defined as the publication of facts or opinions about goods or services in order to get the public interested in them and to persuade them to purchase.

As the aim of advertising is to expand the sales of commodities, therefore, it is an aid to trade.

Advertising is the process of communicating with the public.

Advertising is persuasive and informative communication directed at actual or potential buyers with a view to generating sales.

Two words in this definition of advertising need elaboration, namely persuasive and informative. A situation in which an advertising communication is persuasive but void of information is unthinkable. At least information would be given on the name of the product or the company and even if it does not do so, it would be in one way or the other inform the public to watch out for a product or company to be named in future.

In this view, Douglas J, et al (1981) defined advertising as consisting of all the activities involved in presenting to a group a non-personal, oral or visual, openly sponsored message regarding a product, service or idea.

This message called advertisement is disseminated through one or more media and is paid for by the identified sponsor.

There is a clear distinction between advertising and advertisement. Advertisement refers to the message itself while advertising is a process – It is a programme of activities necessary to prepare the message and get it to the target audience and the sponsor is openly identified in the advertisement.

2.5.2 . PRINCIPLES OF ADVERTISING

Advertising is effective when properly used and wasteful when badly used. This is why the management of any organization must put the following principles into consideration when developing its advertising programme.

On the whole, advertising will have a lasting effect only if undertaken over a long period of time say two or three years.

Successful advertising is possible only if the trend of demand is favourable. A manufacturer would therefore be ill advised to launch a mass advertising campaign in favour of his product if the demand trend was unfavourable.

To be worth advertising, on a large scale, a product should be capable of being differentiated. Differentiation is the process of giving a product a distinct identity, or distinguishing it from other product in the same category. Differentiation can be achieved by emphasizing on a products hidden quality. These qualities that cannot be seen are taken by the customer on trust.

The success of advertising will often depend on an appeal to the emotional motives of customers. "Emotional motives" here means the

reasons for which customers buy a product other than from actual necessity.

Prestige, adventure, romance, or social success can be associated with a product in order to give it consumer appeal.

2.5.3 ADVERTISING AND SOME CONSUMER BEHAVIOUR MODELS.

Discussing advertising alone will be incomplete without showing how consumers are expected to react to advertising. Below is a review of certain modules on consumer behaviour most especially those related to advertising.

According to Kotler (1976)

Attention: - Describes the response, and indicates the buyers sensitivity to information.

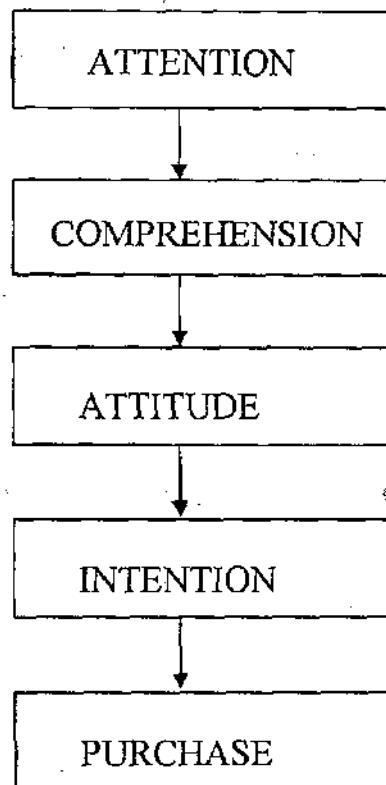
Comprehension: - Shows the amount of knowledge the buyer has about the brand at any point in time. As a cognitive element, it can be measured by aided or unaided recall or recognition of brand attributes.

Attitudes towards a brand: This is the buyer's evaluation of the brand relative potential to satisfy his motives.

Intensive to buy: Is the buyer's forecast of whether he will buy and which brand he will buy. It reflects both his predisposition towards the brand and the inhibitors he sees operating.

Finally purchases behaviour is an overt act of purchases the overall model is summarized as follows.

FIGURE I



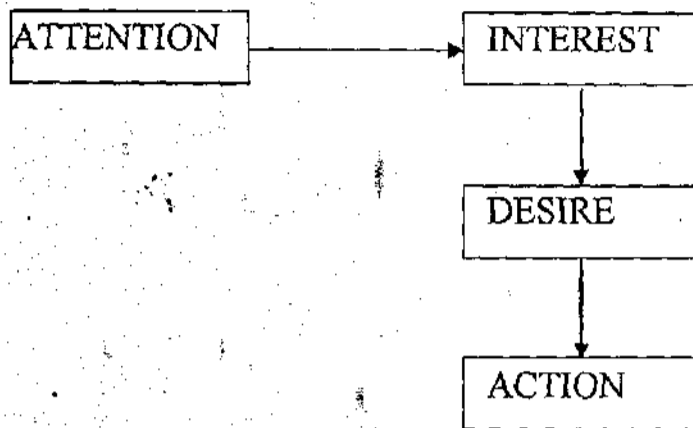
Source: Phillip KOTLER; Marketing Management: Analysis planning and control 1976.

Another model of advertising is the AIDA.

This term is derived from the first left of the four words in the process represented.

This model states that before becoming a user of a product, the recipient of a product moves from awareness of the product to an interest in

it, from this he develops a desire for the product and this then results in Action in which he goes and purchases the goods. This model is illustrated in Figure 2 below.



Source: COLIN GILLINGAN and GEOFFERY CROWTHER, Advertising management (1976) Pg 15

RAY (1971) incorporated these into a comprehensive "three order" model.

The first stage of response is the standard of learning. Here the buyer is aware of the advertisement before he forms his attitudes. After this is the purchase action. This applies when the buyer is involved in alternative products which are clearly differentiated and also the product is at it's early stage of the products cycle.

The second hierarchy of response is known as dissonance attribution response model. This is the reverse of the first one here we have the

purchasing first then attitude change and at last, awareness of the advertising. This applies mostly when buyers are involved but products are similar. Personal selling is more important and product is in the early maturity stage. This model applies to expensive durable.

Third order is low involvement hierarchy the consumer is believed to pass from awareness stage to purchasing and then a attitude change system.

2.5.4 ADVERTISING MEDIA

Having decided to advertise, the management will consider the means of communication at it disposal, which advertising media or medium to use. In trying to influence the customer's attitude, the advertiser may use a variety of media each having a varying degree of influence over choice, habits and impulse. The following are the method of advertising which are usually employed are:

RADIO:- Commercial advertising is now a common feature of radio networks. Radio advertising carries both competitive and informative slogans about goods.

TELEVISIONS:- Television appears to be within the reach of a few members of the community, only such goods that are likely to be within the exclusive reach of the television viewers should be

advertised on televisions because the time available for conveying the advertisers message is not sufficient for effective mass persuasion for durable goods and articles sold at infrequent intervals. Television is essentially a medium for entertainment, some of the most effective and memorable advertisements are those which entertain as well as persuade.

NEWS PAPERS: The papers that circulate throughout a community provide a suitable form of advertising for goods that are nation wide in demand. Magazines, trade journals and other educational publications serve as useful means of advertising. No paper can survive as a national daily without the support of advertising. Most times, it is the revenues received from advertisers that enable newspapers owners to keep the cost of their paper down.

WINDOW DISPLAY: In this kind of advertising, goods are arranged or displayed on the window to attract customer's attention.

CINEMAS: This is another form of local advertising now only accounts for a small portion of total mainly by local retailers who often share the cost of their advertisement with the manufacturers.

CATALOQUES, PRICELIST: These are printed and sent to perspective customers. Care should be taken to ensure that most of the

catalogues, handbills and circulars do not stray into wrong hands and are rendered ineffective.

2.5.5 HOW ADVERTISING WORKS

To inform customers about their services, banks have to advertise, without some form of advertising customer' and customers to be will not know what services exist in such banks and where it could be found. Even if banks open branches all over the place, it has to advertise its presence and services.

The task of the advertiser is to persuade people to buy the services and he has to justify this when people patronize their bank.

However, advertising succeeds only if it has met a need. The bank cannot grow unless, it has customers.

We can distinguish three types of influence on the customer when he or she closes a bank.

- i. The customer may have a conscious choice by comparing similar banks in the industry and reaching a decision on the basis of quality of goods and services offered and its availability. The advertiser must therefore make these seem as attractive as possible. Services offered will be strongest here.

- ii. A customer may choose a bank out of habit, many people always bank in some banks like old generation banks like union & first banks out of fear that other banks like the new generation banks may become distressed and they will possible loose their investments. The advertiser who wishes to break into an established market must try to arouse people to try his product, while the defender of old banks will stress the reliability of the old, familiar banks.
- iii. There must be a definite impulse to take decision to bank in a particular bank at a particular time. Many factors may help to strength this impulse, there are, the manner of workers in the bank, the attractiveness of the banks building, and its statusquo amongst other banks, its coverage in terms of branches both within and outside the country. How they go about offering bank services to customers this will involve treatment of customers and the crop of workers available in such banks.

2.6 HOW BANKS SET ADVERTISING BUDGETS

Many methods are used for allocating funds for advertisements in a company. Business executive's attitude towards the advertising budget is that they will spend more money as long as they can be assured that it will bring in a profit. Over the years, the numbers of

methods have been developed to help company determine how much to spend on advertising the most common of which are as follows: some organization rely solely on one technique, while others used several in combination. Most sophisticated methods are being put to use in recent times as opposed to earlier methods like percentage of sales methods. One should bear in mind that no one technique is adequate for allocating advertising funds in all situations.

No advertising or marketing plan is complete, therefore, without a discussion of what the program is going to cost and how the money is going to be spent. The advertising department has to convince management that the suggested level of expenditure makes good business sense.

Many methods are used for allocating funds for advertisements in a company and these are:

1. PERCENTAGE -OF - SALES -METHOD.

This type of advertising budget is determined by allocating a percentage of last year's sales, anticipated sales for next year, or a combination of the two. The percentage is usually based on an industry average on company experience or else arbitrarily. This method is considered the simplest of all because it relates to revenue

and does not cost anything more over, it is safer. Its short coming is on what percentage to use usually, the percentage is based on an industry average or on company experience but the snag here is that it assumes that every company in the industry has similar objectives and faces the same marketing problems, more often, if the percentage is based on the company's history, it assumes that the market is highly static which is rarely the case.

The advantages of this method is seen in good performance when applied against future sales because it assumes that a number of Naira are needed to sell a certain number of units and once the percentage is dictated, the correlation between advertising and sales will remain constant and the competitor advertising remains relatively unchanged when the market is stable.

Moreover, the management tends to think in terms of percentages whether income or outgo, they think of advertising in the same way. This method also diminishes the likelihood of competitive warfare since it is commonly used in the industry. The greatest shortcoming of the percentage of sales method is that it violates a basic marketing principle that marketing activities should stimulate demand and thereby sales, they are supposed to occur as a result of them.

ii. SHARE-OF-MARKET-METHOD

This method was developed by J.C. Peckham. In industries where products are very similar, there is usually a high correlation between a company's share of the market and its share of industry advertising. For this reason, some firms set a goal for a certain portion of the market and then apply the same percentage of industry advertising finance to their budget. This method is a bold attempt to achieve an objective. This method shows that the company's best chance of holding its share of the market is to keep a share of advertising somewhat ahead of its market share for instance if you have 40% share of the market, you should spend 45% percent of the industry's advertising cost. One short coming of this method is that there is no guarantee your competitors will not increase their own advertising budgeting.

One hazardous aspect of this method is that tendency to become complacent companies compete on more than one basis and advertising is just one tool as one of the marketing mix. Therefore simply maintaining a higher percentage of media exposure may not be enough to accomplish the desired results. Companies must maintain

an awareness of all the marketing activities of their competitors not just advertising.

iii. **TASK METHOD OR OBJECTIVE OR BUDGET BUILD UP METHOD**

It is one of the few logical means of determining advertising allocations. It defines the objectives that are sought and how advertising is to be used to accomplish those objectives. It considers advertising a marketing tool to generate sales. The task method has three steps viz.

Defining the objectives

Determining strategy and Estimating Cost.

After specific quantitative marketing objectives have been set, the advertiser develops programmes to be used in attaining them. The advertiser will have to determine which advertising approach will work best how often ads are to run, and which media to use. The proposed cost of this programmed is determined and this becomes the basis for the advertising budget. The task method forces companies to think in terms of goals and whether they are being accomplished.

The effectiveness of this method is most apparent when the results of particular ads or campaigns can be readily measured. Due to

it's nature, this method is adaptable to changing conditions in the market and is easily revised as dictated by past results.

There are also some advanced models for setting advertising budgets.

These include:

a. **SALES RESPONSE DECAY MODEL**

This was developed by Vidale & Wolfe, in their model, the change in the rate of sales at time "t" is a function of four factors. The advertising budget, the sales response constant, the saturation level of sales and the sales

- decay constant

$$\frac{ds}{dt} = r \left(\frac{m-s}{m} \right) - I$$

where

s = rate of sale at time "t"

$\frac{ds}{dt}$ = change in the rate of sales at time "t"

r = sales - response constant (defined) as the generated per

Advertising Naira when s = 0

m = saturation level of sales

I = sales - decay constant (defined) as the fraction of sales per time when A

= 0

A = rate of advertising expenditure at time 't'. The Vidale and Wolf model can be used to estimate the profit consequences of alternative advertising – budgeting strategies. It brings together and interrelates three useful concepts for determining the advertising budget viz.

b. AN ADAPTIVE ADVERTISING MODEL

This model of advertising budget model assumes that the advertising sale response function is not stable but changes through time. If it was stable, the company should make one large effort to measure into future. But there is good reason to believe that the parameters are not stable because of changing competitive activity. Advertising copy, products design and the economic climate.

c. THE PRECEDING MODELS DO NOT EXPLICITLY TAKE

COMPETITIVE EXPENDITURE INTO ACCOUNT: - The competitive share models take into account what your competitors are doing. The omission in the preceding model is valid where there are many competitors, none of whom in large or where it is difficult to know what competitors are sending for advertising. In many situations, however, firms know their competitors expenditures and try to maintain competitive parity. In this situation a firm must

consider competitive reactions at determining its advertising appropriation.

The problem can be viewed in terms of games theory. Freeman has developed some models to show how duopolies should allocate advertising budgets to difficult territories to take maximum advantage of the other mistakes. He distinguishes two situations where company sales are proportional to the company's share of total advertising expenditures and where the company with fifty-plus percent of the total advertising takes the whole market.

2.7 MORE METHODS

1. **ALL AVAILABLE FUNDS METHOD:** Go-for-broke techniques generally used by small firms with limited capital who are trying to introduce products or services.
2. **EMPIRICAL RESEARCH METHOD:** - This method uses experimentation to determine the best level of advertising expenditure. By running a series of tests in different markets with different budgets, companies determine which is the most efficient level of expenditure is.

ADVERTISING BUDGET AND THE COST OF ADVERTISING

Advertising cost depends upon the medium chosen. Therefore, media must be chosen on the basis of value. Management must know that the cost of using media is high and must try to select the media that will reach the market for the product at the minimum cost.

If advertising expenses are to be deducted from gross profit, then it should not raise price, an effective advertising is one that stimulates demands, rapidity of turnover will be highly geared too and maximum profits made. These profits will be ploughed back into the business to mass produce goods and this will encourage reduction in the cost of goods, per unit. The consumer will then pay less for goods but if the advertisement did not yield much response, the producer will be forced to increase his prices in order to budget for advertising and subsequently, the consumer will bear the burden and may be forced to switch over to a suitable substitute or reduce the quantity bought if there are no substitutes.

METHOD USED BY INTERCITY BANK TO BUDGET FOR ADVERTISEMENT

In the issue of budgeting for Advertisement, the organization does not use a particular method; it employs all and probably uses the

most efficient and cost effective method at each period as it favours the organization.

Since the organization engage in finding such advertising methods in form of promotions, several responsibilities (any programme that assists the life of individuals, touches organizations and institutions and the society at large) for example football, polo and golf tournaments, symposia, fund raising for as, educational, drama, orphanage and support in cash or kind. The organization in part uses these as some form of advertisement and promotions. So the company does not adhere strictly to budget a specific amount of finances for advertising it's activities, all they do is to give back to the society what they give in. the company ends up spending more than 50% of its generated income on these activities because the bank feels it is duty bound to live up to its duties to the society and to meet up with its corporate mission which is to be (among the top ten bank in balance sheet size and returns on assets by the year 2010 and their mission is to provide qualitative financial services that exceed their customers expectations – using highly skilled and motivated staff, up to date technology and efficient processes. The company tries not to refuse any programme that is capable of advertising the bank. The level of the organizations involvement in funding

or sponsoring each of these advertisement programmes depends on the types of programme.

ADVANTAGES OF THIS METHOD TO THE COMPANY

This method has a lot of advantages for the organization, because no strict rules are made on the budgeting for adverts instead the company advertises only when it is necessary although they believe strongly in advertisement as a method of moving their bank forward.

It affords them the opportunity to only start to plan for the advertising budgets next year before the end of the financial year, which is usually 3rd of June every year for the bank.

2.10 COMMERCIAL BANKING SERVICES IN NIGERIA

One of the earliest definitions of a banker is that of J.W Gilbert Adekanye (1986) as "a dealer in capital or more properly in a dealer in money. He is the inter-mediate party between the borrower and the lender. He borrows from one party and lends to another "The importance of this definition is in the emphasis it places on the time honoured functions of a bank namely deposit mobilization from the surplus sectors and granting of loans and advances to the deficient sectors.

The English Bill of Exchange Act of 1882 defines a “bank” or a “banker” as including a body of persons whether incorporated or not, who carry on the business of banking.

Dr. Hart – defines “A bank or a banker as a person or company carrying on the business of receiving monies and collecting drafts for customers subject to the obligation of honouring cheques, drawn upon them from time to time by the customers to the extent of the amount available on their current account.

In Nigeria, the banking Act of 1986 defined banking as the business of receiving monies from outside sources as deposit acceptance or credits or the purchase of sale of securities for the account of others or the incurring of the obligation to acquire claims in respect of loans prior to their maturity or the guarantees and other warranties for others, or the effecting of transfers and clearing and such other transactions as the commissioner may on the recommendation of the central bank, by order published in the federal gazettes designate as banking”. From the above definitions, we deduct that banks are a financial institutions which deal in money and credit and which receive deposits from the public and from organizations some in which are repayable on demand by cheque. They operate on commercial basis that is they are out to maximize profit by trading in money.

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2.11 EVOLUTION OF COMMERCIAL BANKING IN NIGERIA

The first commercial bank in Nigeria was the African Banking Corporation, owned by Elder Dempster & Co, a shipping firm based in Liverpool, it later wound up its affairs of the banking following various hardships. This bank was situated along Broad Street Lagos.

Other pioneer commercial banks are:

The British bank of West Africa (B.B.W.A) which was formed in 1983 and registered in London as a limited liability company in 1984 with its first branch in Lagos.

Another was Barclays bank DCO (Dominion colonial and overseas) now called union bank of Nigeria, which opened its first branch in 1917.

The first indigenous Nigeria commercial bank wholly owned by Nigerians is the National bank of Nigerian Limited formed in 1933. This was followed by the establishment of Abonmagbe bank limited now called Wema bank limited. Several other indigenous banks sprang up this period but most of them collapsed due to mismanagement and fraud.

“The free for all” nature of early banking activity in Nigeria led to innumerable bank failure, distresses and loses to depositor. There

was therefore the need for the legislation for the control of banking in Nigeria, this gave birth to the setting up of a commission of inquiry to investigate the matter and make recommendations. The Patton commission was then set up for this purpose and upon its report; the first banking legislation in Nigeria was enacted in 1952. The banking repealed in 1969 by the banking act of that year with some minor amendments in 1970, 1972 and 1979 remains the current principal banking laws and regulations in Nigeria. Save for the recently promulgated decree N0 25 (Banks and other financial institutes decree 1991).

Many banks sprout up that by 1995 there were one hundred and fifteen (115) licensed banks operating in Nigeria (64 commercial banks and 51 merchant banks) with total branches of 2377 scattered over the country N.D.I.C.) The federal government has created peoples bank and community banks, which together with other banks in the industry are vying for a share of the market.

2.12 THE INFLUENCE OF GOVERNMENT

The company's act of 1968 strengthened government control over the activities of banks and made it compulsory for all companies operating in Nigeria to incorporate locally under Nigerian company

law. All foreign controlled banks were thenceforth obligated to register as Nigerian companies. This same act of 1968 and subsequent amendments, tightened government hold on the banks as the act required banks to tender certain periodic reports to the central bank, still in 1986, the central bank of Nigeria issued the first monetary policy circular.

These circulars involved the imposition of quantitative ceilings on the overall growth or sectoral distribution of banking system credits, proscription of viable reserve requirements and direct regulation of interest rates on deposit and lending. The monetary circulars are regulatory and penalties are proscribed for infringements. By 1968, central bank of Nigeria had introduced three (30 financial instruments to mobilize the financial resources of the country for the government. They include development stock, treasury bills and certificates, other instruments like stabilization, issued to banks, bankers unit fund, which was designed to control money supply and thus inflation and to channel surplus funds of banks into government stocks.

In 1977 another instrument to strengthen the deposit base of the banks was introduced known as negotiable certificate of deposits

(NCD) this instrument issued by individual banks with the permission of central bank, which acts as the negotiator of last resort.

From 1977 a more determined effort was made by the government to ensure strict observance of the credit guidelines by the banks, banks were mandated to devote specific percentage of their advances to building and Agricultural sub sectors in order to. For contravening this regulation, penalty is in place. And any short fall encourage them from 1978/79 was required to be deposited with the central bank. Such deposits would not count as part of the specific liquid assets of the banks and would therefore bear no interest.

During 1977/79, the government also made it obligatory for bank to devote a minimum of 50% if their advances to indigenious borrowers. This was increased to 70% in 1979 if which 10% was to be channel to small-scale enterprise.

2.13 **ADVERTISING IN THE NIGERIAN BANKING INDUSTRY**

Modern business world depend very much on advertising without which the producers and the distributors would not make any headway and buyers would not know or remember the product or service is in existence.

The Nigerian economy is not left out in the production of new products and services for the consumption and use of its intended users. The only way the public would be aware of the existence of such new products or services is if it were advertised.

There is stiff competition in almost all sector of the Nigerian economy, producers compete with each other for market share of the economy.

Banking industry is not left alone in this stiff but healthy competition to make their services known to their customers and potentials ones.

From 1980 to date, the banking industry saw the emergence of so many banks which are owned by individuals, federal government, state government and the communities. These new banks now have to compete with the existing banks already in the industry. In order for the new banks to be known, they resorted to advertising. Now the old and new banks have to compete for patronage of the Nigerians.

With the new trend in Technological development and advancement, like the introduction of computers into the banking in industry, new services are created on daily basis by innovative and articulate managers in order to woo customers to their banks. What this means is that banks have to let their customers know of their new

improved services or the introduction of new services and this is done by only through advertising.

The Nigerian banking sector is arguably one of the most efficient advertisers in the Nigerian economy today. Surprisingly the banking sector is one of the sectors with the highest expenses in terms of capital going into advertising compared with other productive sectors. The reasons for this can be traced to organizational misconception concerning proper place of the advertising function, conceptual problem in originating of advertising campaign, account management inadequacies and the problem of un-balanced media planning.

2.14 ADVERTISING FUNCTION AND THE BANKING SECTOR.

The advertising functions in Nigeria is a much misunderstood function going by the manner in which banking sectors and other economic sectors perceive its place within the corporate organizational structure. What is normally seen is adequate time devoted and a tremendous amount of resources devoted and spent on the advertising functions. This result in insufficient organization of corporate function media relation and customer relation because most of these are non strategic.

Advertising in the commercial banking sector has generally been treated as a frivolity which is condoned because of the general belief that it is the 'safest' form of publicizing and creating awareness in terms of active and socially responsive corporate citizen. This leads to the advertising lacking devotion and even more indicting to the banks that it's not informational or market oriented which makes it functionally useless.

For the marketing function to yield fruits, there is a need for quarterly campaign. The reason for this is to project the corporate image favored before the banking customers.

In line with this, the Association practitioners of Nigeria (AAPN) see advertising as "the image projection, and image projection means marketing communication". This includes full services advertising promotion packaging public relation activities, marketing consultancy and consumer research.

The banking sector has reached a critical point in its activities and the sector has to take its formational and promotional programmes more seriously. Any forward looking bank will have no choice but to incorporate credible strategic planning into virtually every aspect of its operations if it is to survive in the ever increasing competition in

the industry. This development will enhance the conceptualization of bank advertising to the benefit of the banks and their customers.

2.15 WHAT BANKS ADVERTISE

Banks engage in financial advertising just like the building society and investment institutions.

Bank – advertise their services which are not confined only to traditional bank accounts but includes loans, insurance house purchase deposits will executorships and advice on investment port folios. Many banks specialize and indulge in certain services as business loans (development banks) or underwrite new share issues, while others seek to attract university students or offering specialized services for the farming community (i.e. Agricultural banks like the Nigerian Agricultural and Co-operative Bank).

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CHAPTER THREE

RESEARCH METHODOLOGY

These chapters will discuss those methods used for gathering data for this research, the instruments and tools used, the population and size, the sampling procedure employed and statistical techniques used in analyzing the data.

3.1 RESEARCH METHOD USED

There are basically three main types of research available viz:

1. Basic Research
2. Applied Research
3. Action Research

Research method may either be historical in this case it mainly deals with the past, survey or environmental which deals with the present. When a research deals with the future, expectation, it is said to be prognostic. There is also experimental research, which is commonly found and applicable in the sciences and engineering.

This research work utilized descriptive survey for this project. It is a case study and is intended to show the relationship between budgeting for adverts and company or organizations profitability.

KASHIM IBRAHIM LIE

3.2 JUSTIFICATION OF RESEARCH METHOD USED.

Descriptive survey research approach is chosen for this study because it is the most relevant to this topic. It deals with existing problems at a particular setting. A descriptive survey research according to Gay (1981) involves "collecting data to answer a question concerning the current status of the subject of study".

This type of research does not seek to develop theories or on obtaining generalisable scientific knowledge, rather, it gives full analysis of data collected. This results in valuable conclusions and recommendations. Since there are many questions arising from the topic of study, which require descriptive answer, this method is very appropriate.

3.3 INSTRUMENT AND TOOLS USED TO GATHER DATA

The various sources used to gather data for this study are the primary and secondary ones.

Primary data include those data, which have been recorded by the actual eyewitness or participant. These recording may have been done in form of document or artifacts.

Secondary sources are those, which have been recorded by someone who obtained his data directly. These include:

- a) Publishing books
- b) Magazines
- c) News papers
- d) Specially duplicated materials published or unpublished
- e) Manuscripts of papers such as letters, diaries and other type written or hand written document

The researcher utilized the following primary sources of data for this study.

- a) Questionnaire
- b) Personal interview
- c) Direct observation

3.1 THE QUESTIONNAIRE METHOD

The questionnaire is probably the most used method of data collection. It is a device for obtaining answers to research relevant questions from a sample of respondents by using a form which the respondent fills him/her self.

In the questionnaire, questions are presented with exactly the same wording and in the same order to all respondents.

The aim is to ensure that all respondents reply the same questions and thus helps to get the same type of information from a large number of

respondents questionnaire may be delivered directly to the respondents or through post.

Questions in the questionnaire are either open ended or close ended.

3.3.2 OPEN ENDED QUESTIONS

These kinds of questions are designed to permit a free response from the respondents rather than one limited to stated alternatives.

The respondent is asked to provide his/her answer to the question for example a question like "why do you think an advert must be budgeted for" will require expression by as many respondents may attempt to answer the question.

The short coming of open ended questions include:

- a) Some respondents may give answer that are essentially irrelevant
- b) The researcher may misunderstand and interpret response wrongly.

3.3.3 CLOSE ENDED QUESTIONS

Close-ended questions are those in which the responses of the subject are limited to the stated alternatives. These alternatives may be simply yes or no. Here the respondent is asked to select an answer from among a list provided by the researcher. Close-ended question

are very popular, since they provide a greater uniform of response and are more easily processed.

ADVANTAGES OF CLOSE ENDED QUESTIONS

- a) Questions are standardized, simple to administer, quick and relatively inexpensive to analyze.
- b) Help to ensure that answers are given in a frame relevant to the purpose of the enquiry and in form that is used in the analysis.
- c) The respondent himself makes judgment about his attitude rather than leaving this up to the researcher to decide.
- d) They make clear the dimensions along which answers are sought.

DISADVANTAGES.

- a) The chief disadvantage of close-ended question is in the researchers structuring of response. The close-ended questions may force a statement of opinion on an issue about which the respondent does not have an opinion.
- b) The researcher structured questions may overlook some important response is the fixed alternative may not give adequate representation of the response.

3.3.4 THE PERSONAL INTERVIEW

a) Personal interview is the most usual method of collecting data in surveys. It is very similar in nature and purpose with questionnaire, except for certain relative advantages the two techniques are essentially interchangeable however, for permanent record, the different comes in. As a research procedure, the interview is a conversation carried out with the definite aim of obtaining certain information. It is designed to gather valid and reliable information through the response of the interview to a planned sequence of questions.

b) ADVANTAGES OF THE INTERVIEW METHOD

- i. Flexibility: the interviewer is allowed to vary his approach to fit the occasion and he can also influence the responses he receives.
- ii. It enables an interviewer to get an insight into a particular situation in the early stages of investigations.
- iii. The saying that seeing is believing is valid in this case as the reaction of the interviewee can give out a lot of ulterior motives.
- iv. The method enables the interviewer to desire more precise generalization in the later stages.

c. DISADVANTAGES

- i The major weakness of the interview method is distortion, and bias. This stems in the large part from its flexibility which happens to be both an advantage and a disadvantage. To a degree that the interviewer is allowed to vary his approach to fit the occasion, he is likely not only to complicate the interpretation of his own personality into the situation and thus influence the response he receives.
- ii Interviewers tend to obtain data that agree with their own personal conviction. Occurs as a result of the fact that interviewers sometimes fail to plan or prepare before speaking especially when rephrasing or clarifying questions.

3.4 ANALYTICAL/STATISTICAL PROCEDURE

The Analytical method used in this work is descriptive analysis, this is mostly used in this project to answer some of the research questions.

3.5 OBSERVATION METHOD

Personal observation involves carefully watching of activities that relate to the study. Observation takes many forms, business: systematic and participatory observation involves only mere

observation of action or activities and recording without any participation, while in the participatory observation, the observer take part to some extent in the activities of those he observes: he may join in the routine work of those he wishes to study.

The researcher decides to hold personal interview with some respondents too clarify some issues and also administer some questionnaires on employees of Advertising and budgeting in selected companies.

For the secondary source researcher consulted the following:

- a) Textbooks.
- b) Hand books
- c) Annual reports and accounts of the companies
- d) Response to previous questionnaires
- e) Journals
- f) Advertising bills

3.6 A BRIEF HISTORY OF INTERCITY BANK

Intercity Bank plc was incorporated in 1987. according head of the marketing department Magadishu Branch, the bank commenced operations in 1988. Recently the bank was restructured and majority of the shares moved to corporate bodies and individual investors.

The bank he says now has twenty-one (21) branches and five (5) cash centers. The banks services have since become broader in scope and the quality of delivery has been significantly enhanced.

The bank has well trained work force and it is equipped with state-of-the art information technology and expanding branch network to adequately cater for banking needs. There is an outline banking system and answer friendly services.

The banks head office is at Kaduna its website is www.intercity.com.ng, Email: intercity@intercity.com.ng. Intercity bank regional offices are at Abuja, Kano, and Lagos while it has branches at Abuja – Wuse, Abuja Maitama, Apapa, Baolgun, Gusau, Ikara, Jos. Kaduna main, branch, South, Kano, Katsina, Maiduguri, Minna, Port- Harcourt, Skoto Suleya, and Zaria.

Its cash centers are at Kano, Katin Kawari, Kano kofa wambai, Minna, Kaduna, Abubakar Gumir central market Kaduna, independence way shopping complex.

CORPORATE PROFILE

BOARD OF DIRECTORS

The Board of Directors of Intercity bank Plc for now is made-up of: Alhaji Falalu Bello, OFR (Sarkin Bai Zazzau, as Chairman, Alhaji Lamis. S. Dikko (Ajiyan Katsina) A.G Managing Director/CEO. Syed Shyasuddin

Ahmed as Deputy Managing Director, Ambassador Hamza Abubakar as Director, Alhaji Yusuf Yabaji Sani, Hajiya Bola M. Shegaya, Alhaji Muhammed B. Babangida, Alhaji Abdullahi Umar (Wazirin Gwandu) Col. Aminu Isa Kontagora (rtd) all as Directors.

The company secretary is Saudi M. Jallo and the solicitors are Summit chambers. The company registration number is RC 94524 while their Auditors are: Panel Kerr Forster & Co, Chattered Accountants.

MISSION

The banks mission according to its mission statement is to provide, "Quality financial services, that exceed our customers' expectation using highly skilled and motivated staff, up-to-date technology and efficient processes with the ultimate aim of enhancing value for all stake holders"

VISSION

The banks vision is: "To be among the top 10 banks in Balance sheet size and return on Assets in Nigeria, by the year 2010"

This can be seen in its Adoption of ordinary Resolution to capitalize N299,727, 306,000 in it's 14th Annual General meeting (AGM) held at Zaranda Hotel, Bauchi on Friday 16th January 2004, which Agenda was for to carry out ordinary Business.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1.1 Question were asked and from the table below respondent – marketing personal confessed that the organization has a marketing department and subsequent question on when the department was created shows that the department was there since the inception of the bank. More questions on this issue revealed that the activities of this department relates to those of the public relations department.

MARKETING DEPARTMENT

Table I

OPTION	RESPONSE
YES	✓
NO	

SOURCE: FIELDWORK

FUNCTIONS OF THE DEPARTMENT

4.1 TABLE II

ALTERNATIVE	RESPONSE	YES	NO
Advertising and publicity	1	✓	
Statistic research		✓	
Out door advertising		✓	
All off the above		✓	

SOURCE: FIELDWORK

The respondent stated that the banks marketing department performs all the above mentioned functions

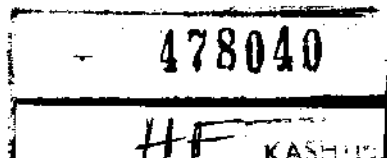
4.1 Successes recorded in the department on terms of advertising

TABLE III

ALTERNATIVE	RESPONSE	YES	NO
Very successful		✓	
Fairly successful	ONE		✓
Not successful			✓

SOURCE: FIELDWORK

From the table above, it can be observed that the marketing department was very successful; profit realized justified their advertising expenditure. This shows that the more you advertised, your product or



services the more revenue is generated even though it is mostly in the long

run.

PROMOTIONAL ACTIVITIES EMPLOYED

TABLE IV

4.1

ALTERNATIVE	RESPONSE	ONE OF THESE	ALL	NONE
Personal Selling	ONE			
Gifts of customers		NO	YES	NO
Exhibitions and demonstrations out door				
All off the above				

SOURCE: FIELDWORK

The table above shows that the bank employs numerous promotional methods available to its services to the customers. It can be said that the bank used all these as a result of the stiff competition it faces in the banking industry.

4.1.1 MEDIUM OF ADVERTISING USED BY INTERCITY BANK

PLC:

TABLE V

Medium of advertising used by intercity bank

ALTERNATIVE	RESPONSE	ONLY	TOGETHER WITH OTHERS	NOT USED
Electronic media		NO		NO
Bill board		NO	YES	
Print media	ONE	NO	YES	NO
All of the above			YES	

SOURCE FIELDWORK

From the above table, the Intercity banks Plc uses all channels of creating awareness in the country to advertise its services and to protect its image as well. It is also glearing that it does not use one medium in isolation but uses all together to achieve the vital role of reaching it's active customers in every nook and cranny of this country. Hicks (1981) once said consumers are vulnerable to the kind of media used to persuade them to buy a product.

4.1 MOST EFFICIENT MEDIUM

TABLE VI

ALTERNATIVE	RESPONDENT	MOST EFFICIENT	LESS EFFICIENT
Radio		✓	
Magazines/Newspapers			✓
Journals			✓
Bill boards			✓
Television	ONE	✓	

SOURCE: FIELDWORK

The table below shows that the Radio and Television has been most efficient for it's advertising purposes. These two alternatives though expensive, have stronger appeal because of their power of communication. Though the bank uses the entire above medium.

4.1 TABLE: Do you budget funds for advertisement in this bank

ALTERNATIVE	RESPONDENT	YES	NO
To a great extent		YES	
To a little extent			NO
To no extent			NO

SOURCE: FIELDWORK

The above table shows that the bank actually budgets for advertisements every financial year – to a great extent.

TABLE: . . . What methods amongst the budgeting for advertising strategies do you use?

ALTERNATIVE	RESPONDENT	YES	NO
Percentage of sales		YES	
Empirical Research			NO
Share of market		YES	NO
Task or objective		YES	
Sales response decay		YES	
Adaptive			NO
All available funds			NO

SOURCE: FIELDWORK

The above table shows that the banking uses vagaries of methods to allocate funds for advertising budgets, but uses percentage of sales mostly

REASONS WHY INTERCITY BANK ADVERTISES ITS SERVICES

The main reason for advertising products or services is to create awareness and get more patronage. In order to retain its customers and get more patronage from prospective customers and more especially stem the

activities of its ever-streaming competitors, in the banking industry, the bank has to engage in advertising.

The research work found out that as a result of advertising, a high patronage level is realized, the marketing personnel interviewed pointed out that the more they advertised the more customers they have patronizing the banks services. The banks vision and mission statement attest to its ambition to be among the top commercial banks in the country, hence, advertising itself becomes necessary.

An interview conducted on whether customers respond to the banks many ads, shows that majority of customers are influenced and informed to patronize or buy a product as a result of the persuasive and demonstrative nature of advertising.

TYPES OF SERVICES OFFERED BY INTERCITY BANK PLC

As a commercial bank, services offered by the intercity bank Plc to the public are similar to those of other commercial banks.

These services are as follows: -

1. **Mobilization of savings or acceptance of deposits:** - The bank accepts deposits from people and organizations for safe-keeping. The amount deposited is credited to the customer's account. There are three types of such account.

a. CURRENT ACCOUNT (DEMAND OR CHEQUE ACCOUNT)

To open such an account, a person was to be introduced to the bank by a referee or (referees) usually these referees must have an account with the bank or a different bank. This account is kept by corporate bodies, institutions and individuals – who need for the day to day running of their businesses. Lodgment of cash or cheques could be made into the account, while withdrawals are made by cheque provided to the account holder. Holders of this account may be eligible for financial assistance for the bank in form of loans, advances or overdrafts.

b. SAVINGS ACCOUNTS: - No referees are required when opening savings accounts. It is designed for those who have surplus fund to save until when needed. A specific amount is required to open such accounts and also certain amounts is to be left in the account in the event of withdrawal of one's money. Interest is paid for this type of account with a condition that the account holder does not withdraw up to a certain number of times within a month, if he exceeds, he loses the interest for that month. A passbook is used for the operation of such account.

c. **TIME DEPOSIT ACCOUNT:** - This type of account has a fixed maturity period of say three months, six months or a year. It provides clients with a reasonably large excess of funds that they do not need until a certain time. The advantage of such an account of savings that it attracts higher interest.

ii. **LOANS AND ADVANCES:** - Intercity bank offers overdrafts to deserving customers who have current accounts with them. Before these facilities are granted, certain conditions set out by the bank have to be met. Any customers, small, individual and corporate clients can borrow as long as they meet the stipulated conditions set by the bank. Overdraft is repayable on demand at the bank's discretion. While loans are repayable over a fixed period. Interests are charged by the bank for giving out loans or overdrafts to its customers, which has to be agreed between the customer and the bank. Normally, the bank requires security which may be in many forms like share certificates, life insurance policy, title deeds to property as cover for the loan or overdraft granted to its customers.

CORPORATE FINANCE AND INVESTMENT AND FOREIGN EXCHANGE TRANSACTIONS.

- iii. UNDER CORPORATE FINANCE: - These services are rendered by specialized staff under the corporate lending department. Their serves include:
- a. Equipment leasing: - In this financing are augment, the bank as (The owner or lesser) procures the required machinery or equipment to the clients or lessee the right to use same in return for the payment of specified rentals over on agreed period of time.
 - b. Loan syndication: - - Where a clients borrowing requirements are extremely large and exceed the lending capacities of one or two banks as it often the case with major business enterprises, intercity bank can arrange with a consortium of lenders a loan syndication package to meet the requirements of such clients.
 - c. Performance bonds guarantees and indemnity: - The bank can issue a performance bond, behalf pf it's corporate and institutional clients to facilitate the conclusion of a business contractual agreement.
 - d. Multilateral agencies funding: - Such as the export stimulation loan of the Africa Development bank (ADB) the rediscounting and refinancing facility (RRF) f the NEXIM and NERFUND.

- e. Corporate advisory services: This involves such areas as capital-restructuring debt covers in scheme etc

iv. **TREASURY AND INVESTMENT SERVICES**

- These are money market related services provided through their treasury and international trade department and they comprise of the following: -

a. **TENORED DEPOSITS:** - The bank accepts deposits of various tenors at competitive interest rates from individual, corporate and institutional clients.

b. **DISCOUNTABLE INVESTMENT INSTRUMENTS:** - The bank assists corporate clients to raise short term funds from the money market by issuing and marketing commercial papers and bankers acceptances. The bank similarly provides a variety of attractive discountable instruments to investors such as Banker acceptance, commercial notes, treasury bills and certificate and negotiable certificate of deposit.

c. **INVESTMENT MANAGEMENT ADVISORY SERVICES:** - The bank offers investment advisory services to trustees of pension and provident fund schemes. The bank also provides individual portfolio management services for high net worth investment.

v. **INTERNATIONAL OPERATIONS**

The bank maintains mutually beneficial relationships with reputable correspondent banks around the world to facilitate the international trade transactions of their numerous customers. These banks include:

- a. **FOREIGN EXCHANGE DEALINGS:** - The bank s abreast with the financial happenings of other worlds currencies so it give expert advise to its customers who want to purchase foreign currencies and also advise them on how to cope with vagaries of the international market. It also provides them with up to date financial advice. How they can buy and sell foreign currency to their customers at the prevailing rates approved by the government (CBN).
- b. **FOREIGN CURRENCY DOMICILIARY ACCOUNTS:** - These are account denominated in foreign currency opened for clients that wish to maintain them. Interest in paid at prevailing rates and request for withdrawals are promptly processed in line with the C.B.N guidelines.
- c. **DOCUMENTARY AND CLEAN BILLS FOR COLLECTIONS:** - For transactions not covered by letters of credit, the bank handless bill for collection entrusted to the bank by clients, correspondent banks or foreign suppliers.

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d. **DOCUMENTARY LETTERS OF CREDIT:** - To facilitate the handling of imports settlement, the bank provides customers with the services of issuing and executing all types of letters of credit through their world wide network of correspondent banks.

e. **SALES OF TRAVELLERS CHEQUE:** - When a customer wishes to travel abroad, either for a holiday or on business, the bank can provide travelers, cheque. Travelers are particularly convenient as they are readily acceptable in most entry points and outlets. They are also safer to carry about than foreign currency notes.

f. **REMITTANCES:** - The bank offers efficient services in fund remittances in settlement of international trade transactions through the agency arrangements with their correspondent bank.

Vi **WEEK- END BANKING SERVICES:-** A full banking operation is performed in their magadism branch to cater for the needs of the customers and business people. This affords customers who are only free on Saturdays to withdraw money and also deposit their earnings with out fear of waiting till Monday.

Vii **BROKERAGE SERVICES:-** The bank buys stock and shares for it's customers – and this entails the bank passing on the instruction of

its customers to stock brokers and merchant bank for execution since the law does not permit commercial banks to underwrite.

SAFE KEEPING OF VALIABLES: Valuables like jewelry, important documents like wills, share certificates, educational certificates etc are kept by the bank in its safes and vaults. An official receipt is usually issued to the owners of such terms when these items are deposited.

BANKS GAIN FROM ADVERTISING

Since very stiff competition exists in the banking industry, many banks have resorted to rigorously advertising and budgeting for advertisement of their services to the public. This is evident in the setting up of such specialized departments with different names as marketing department, public relations department, and promotions departments well with the same purpose.

The department identifies the important targets of the banks promotional activities then it chooses the major channels through which their services will reach the public effectively and fast. Various banks put huge amount of money aside yearly for advertising. Big and viable banks that employ the use of advertising consistently are the one that reap the most rewards. Sustainable advertising campaigns by

banks yield gradual impacts and only the big banks gain from this since they consistently employ the use of advertising. The Cliché “The big four” has come to stay in the Nigerian Banking industry because of the following banks’ attitude towards advertising, banks like (First Bank Plc, U.B.A. Plc, U.B.N Plc. and Afric bank Plc). their ever magnanimous financial bases are able to sustain the advertising tempo of their services to the citizenry.

Sustained advertising has the advantage of bringing to the advertising banks increase in public awareness of the existence of such banks and the services they render. This awareness to the public inevitably leads to increase in number of customers patronizing the bank especially corporate organizations with strong financial strength.

Feelings of reliability, capability and confidence are created in the minds of the populace by banks that constantly advertise its products and services. People will want to be associated with such banks. Do business with such banks as they have the belief and confidence in such banks’ activities – what with union banks Logo of a stallion and slogan of “big, strong, and reliable”.

Advertising creates good image for banks especially with the use of such media like news-paper and Television which has the

power of showing imposing bank edifices spacious banking halls, courteous and prompt services from smartly dressed and pleasant mannered staff; how customers leave the banking smiling all the way home.

Moreover, with advertising banks not only attract more businesses to themselves, their customers, this they achieve by using such medium as Radio, Television, corporate brochures etc gift items.

FINDINGS FROM INTERVIEWS WITH THE INTERCITY BANK

REPRESENTATIVE

The researcher gathered that intercity banks financial year is 3rd day of June every year, and the first quarter is in July. By the end of its financial year, the banks management starts to plan for budgets of next year.

When asked if the bank advertises, he said 'yes' that adverts came in form of promos, ads and social responsibilities, and the bank welcomes any programmer that is capable of exposing the banks activities to the citizenry. Programmes that touch the lives of individuals, corporate bodies and organizations, programmes like tournaments, symposia, drama, supporting orphanages, in cash and in kind. Their level of involvement also depends on the type of programme.

When asked if there is a budgeted amount for advertising in this bank, the respondent said 'yes' there is a budgeted amount set aside for advertising but that the bank does not adhere strictly to this because at the end of the financial year, the bank would have spent more than 50% of generate income on advertising depending on what they pan for the public – because they give back to the society what the society give in, the bank feels it is duty bound to live up to it's duties to the society and to meet up with it's corporate vision which is to be among the top ten banks in balance sheet size and return on assets, by the ear 2010, while the banks mission is to provide qualitative financial services that exceed their customers expectations using highly skilled and motivated staff and work force, up-to-date: technology and efficient processes.

The association of the bank and stakeholders is fantastic in corporate gifts.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS.

5.1 SUMMARY

Constraints of this research notwithstanding, certain valid conclusion can still be drawn from the research result as follows:

1. We conclude that there is a highly significant effect of advertising in the banking services.
2. That the view of banks in advertising is indispensable and a necessary.
3. Advertising is persuasive, informative, and influences consumer decision immensely.
4. Banks use mostly the percentage of sales method in setting or allocating funds for advertising though most times it uses many methods interchangeably.
5. that the Tradition method is more viable in the preparation of balance sheet and budgeting for advertisement.

5.2 CONCLUSION

Further investigation into the type of budgeting methods used in budgeting for advertisement in banks, it has been understood that the following suggestions should be looked into.

- (a) That the bank should budget specifically for advertisement to be carried on effectively.
- (b) Management must carefully consider anticipated market demand, recent trends; changes in productive capacity; availability of new technologies, anticipated actions of competitors, performance of outside suppliers and many others. This will help them to know the direction in which the entity is moving.
- (c) Long term goals should be re-evaluated and all short term views should be reviewed during the planning process.
- (d) The budget should be developed in line with the goals and objectives of the organization.
- (e) Budgeting for adverts should be used as a motivational force, this will make managers at various levels will know that their actual performance is evaluated by companions with a desired level of performance.
- (f) Than bank must consider certain elements of budget preparation – the budget committee, the budget period, and the master budget so as to standardized.
- (g) The bank should not see budgeting for advertisement should not be seen as forecasting, so as to be able to predict the outcome of events

otherwise there will be lack of effectiveness since forecasts are usually prepared by the finance departments and not by the operating people.

- (h) The management should thoroughly understand the relationship between advertising and sales, profit so they can view advertising as an investment rather than as a current expense.
- (i) The Bank should use other methods of budgeting for advert rather than concentrate on percentage of sales all through.

To survive in business and to go higher the organization should see it's banking business as though it was a battlefield, by using the "strategic square" method. Which suggests that out of every 100 companies

One should play defense	Two should play offense
Three should flank	And '94 should be guerillas.

Companies that gets more than half the business ought to be defense	Companies second to the leaders should mount offensive attacks
Companies in the distant third position should avoid direct attacks but try flanking moves	The others in this position should find a market segment small enough to defend.

Lets look closely at each of the four types of marketing warfare.

Offensive Warfare

1. The attack should be launched at the leader's weakest position
2. The attack should be launched on as narrow a front as possible. The full time of products is a luxury only for leaders. Offensive wars should be waged with single products.

The main consideration is the strength of the leader's position. No matter how strong a number two or three company is in a certain category or attribute, it cannot win if this also is where the leader is strong.

Defensive Warfare

1. Defensive market warfare should be a sole preserve for only the market leaders to indulge in.
2. The best defense is good offense. A leader should introduce new products and services before the competition does, even if it means with price attack.
3. Strong competitive moves should always be "blocked". The leader should rapidly copy the competitive move and not wait till it is too late.

Flanking Warfare

Principles of flanking marketing warfare are as follows. Flanking means attacking competition where it is weak not where it is strong

1. Good flanking moves must be made into uncontested areas.
2. Surprise your competition often by springing new ideas, innovations etc.
3. Don't quite after your organization is ahead because the pursuit is critical as the attack itself.

Guerrilla Warfare

The key attribute of successful guerrilla wars is flexibility. A guerrilla should not hesitate to abandon a given product or market if the tide of battle changes. The principles of guerrilla marketing warfare are:

1. Find a market segment small enough to defend. It could be small geography or in volume.
2. No matter how successful you become, never act as the leader.
3. Be prepared to "bug out" at a moments notice. A company that runs away lives to fight another day.

5.3 RECOMMENDATIONS

Going by the findings and all facts mentioned in earlier pages, the following recommendations have been put forward

- (a) Banks Board of directors should allocate adequate fund to their marketing departments to enable them compete well with other banks in selling their types of services to the public.
- (b) To increase customers awareness of the type of services, available, banks should embark on a massive continuous advertising campaign and should during the course of each advertising try to make public know more of their services.
- (c) The Bank should pay attention to personal selling because banking is largely based on personal selling of services and efforts must be made by banks to fully embrace personal selling in product delivery.
- (d) For advertising to be more effective, The bank should change their mode of advertising periodically. This will curb the modern style or repetitive advertising which is rather booking to customers.
- (e) Bank should make the advertising message of their products or services clear to the audience, they should employ languages in their environment and use a general language that every one can understand in everywhere.
- (f) Adequate facilities for customers should be provided in the banks premises especially in the banking hall, sitting arrangement must be provided, to make customers relax while waiting to be attended to

(g) The Bank should monitor the degree of customer satisfaction with their services on continuous basis, this will help the bank to identify areas that need improvement.

(h) The Bank should always try to improve customer services, special attention must be given to areas, customer handling (correspondences customers statement of account) quality of services must be tops in the banks list of privities.

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