CONSUMER CHOICE OF COMMERCIAL BANKS IN NIGERIA (A STUDY OF ZENITH INTERNATIONAL BANK LIMITED)

BY

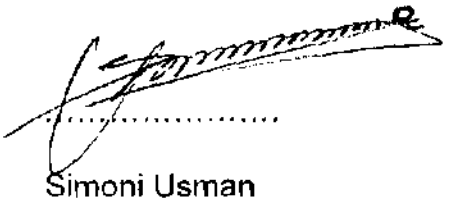
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A RESEARCH PROJECT SUBMITTED TO POST GRADUATE SCHOOL, AIIMADU BELLO UNIVERSITY ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR AWARD OF THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (MBA).

1998

DECLARATION

I, Simoni Usman with registration number G93/BAP/7489, hereby state that this project report is entirely my handiwork and it is the result of my research findings. It has never been presented in any application for a higher degree. Wherever published information has been used, appropriate references have been made. Any failure to do so is an unintentional oversight.



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Simoni Usman

The above declaration is confirmed by

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J. C. Onu

Project Supervisor

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APPROVAL PAGE

This research project titled "Consumer Choice of Commercial Banks in Nigeria (A case study of Zenith International Bank Limited)" has been read and approved as having met the requirements for the award of the Degree of Masters in Business Administration (MBA) in the Post-Graduate School, Ahmadu Bello University, Zaria.

..... 15/6/95
J. C. Onu (Supervisor) — Date

..... 23/10/00
Head of Department — Date

....
External Examiner — Date

..... 04/05/02
Dean, Postgraduate School — Date

DEDICATION

This work is dedicated with love,

to my dear wife,

Comfort.

ACKNOWLEDGEMENT

A lot of individuals and organisations have made substantial contributions to the successful completion of this programme and their valuable assistance is here acknowledged with thanks.

Most importantly, I thank the Almighty God for His help in so many ways.

I am particularly grateful to my supervisor, Mr. J. C. Onu for guiding me through this project; And to my lecturers too numerous to mention, for giving me the benefit of their knowledge.

I acknowledge the co-operation and assistance I received from the management and staff of Zenith International Bank Ltd., Kano branch and the host of its customers who responded to my questionnaire. Without you, this study would not have been possible.

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Lastly, but by no means the least, I recognise the encouragement and patience of my wife, Comfort and the entire members of my household.

May the Almighty God reward you all abundantly.

Simoni Usman
December, 1998

ABSTRACT

The study has examined the quality of Banking services in Nigeria vis-a-vis the changing needs of the customer. It has also articulated how much certain customer attributes affect their choice of commercial banks.

In the course of the study, a review of literature was undertaken. It covered the concept of consumer behaviour and gave a brief history of Bank Marketing in Nigeria.

The study relied mainly, though, not entirely on primary data. To this end, customers and a few officers of the bank were interviewed.

The results of the study showed that in modern day baking, almost every bank has a slogan proclaiming its commitment to customer satisfaction and the efficiency of its services. In trying to meet customer needs, banks have learned to focus their operations. They are putting a lot premium on developing and maintaining intimate relationships with their customers to determine their needs and expectations and knowing how best to meet them.

CHAPTER ONE

1.0 INTRODUCTION:

The banking sector in Nigeria has witnessed tremendous changes in recent times. The introduction of the Structural Adjustment Programme (SAP) in 1986 by the Federal Government of Nigeria saw increased banking activity in the country. From less than 50 banks in 1984, we had witnessed a proliferation of banks, rising to an unprecedented number - 120 in 1992. This is in addition to the gamut of other financial institutions that sprang up, such as community banks, Finance Houses, Mortgage banks, People's bank etc. all of which competed with Commercial banks for deposits.

The increase in the number of banks has led to increased competition as manifested in the varied products and services provided by these banks for better or improved customer satisfaction. Government deregulation of both interest and exchange rates since 1987 made competition among banks even more severe. For many banks, the banking hall is now fully air-conditioned which practice benefits both the staff and customers. Modern technology is being used to speed up services to customers. Competition has led to greater creativity and services like cash evacuation from customers' premises are being offered. Warehouse financing, express cashier service, automated transfer service and many other services are now available to customers.

In the past, high margins and complacent customers contributed to the bottom line of banks, allowing for the illusion that all that is needed to sustain

the life of a bank is a licence. Banks waited for customers to come and the customers were contented with the services they received. This is not so anymore. With intensified rivalry, ebbing margins and more discerning customers, the consolidation of the banking industry became imminent. The era of armchair banking has given way to aggressive and customer oriented banking services.

With the deregulation of the financial sector which followed the adoption of SAP, the harmony, the mutual respect between banks and their customers gave way to a relationship that has turned out to be more or less a servant-master relationship. The new banks that sprang up capitalised on the relative complacency of the older banks and gave them a good fight. Consequently, customers started switching banks. Split banking became the order of the day. In an effort to out-do one another, banks went into all kinds of unprofessional activities. Dubious customers who were reading the unfolding drama took advantage of the situation and landed many banks, bank executives and genuine customers into serious troubles. Twenty six banks have as at July, 1998, finally been laid to rest while many depositors have lost huge amount of money (Bulama, 1998). This development has shaken confidence of genuine bank customers and has created so much fear.

In order to arrest the increasing crisis of confidence that have been generated, the need arose to overhaul the entire banking system. This has led to far reaching supervisory and regulatory arrangements which are aimed

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at strengthening the system and the promotion of safe and sound banking practices. Chief among them were the Central Bank of Nigeria Decree (No.21) of 1991 and the Banks and other Financial Institutions Decree - BOFID (No.25) of 1991. Also, the Failed Banks (Recovery of Debts) and financial malpractices in Banks Decree was promulgated in 1994. All these were aimed at consolidating and harmonising the numerous amendments to the existing banking laws, enhancing their capital base and professionalism in bank lending and to arrest the issue of improperly granted loans and other insider dealings.

Furthermore, the minimum paid up capital for Commercial and Merchant banks was increased to N50 million and they were given up to the end of 1998 to meet this requirement. For the banks, it became a case of "The survival of the fittest", while for the customers, it provided the opportunity to assess and choose among surviving banks which to patronise.

In banking, where the business exists to serve customers, maximum profitability can be achieved only when existing customers can be retained and new ones won. This can only be done when customers are satisfied with the service they receive. This study will therefore attempt to look at those attributes customers of banking services in Nigeria are likely to consider before making a choice of which bank to patronise. The study will also focus attention on some of the strategies commercial banks in Nigeria adopt in

order to retain market share, with particular reference to ZENITH International Bank Limited.

1.1 HISTORICAL BACKGROUND

ZENITH INTERNATIONAL BANK LIMITED opened its doors to customers at its modest Head Office located at 84, Ajose Adeogun Street, Victoria Island Annex, Lagos, on July 16, 1990. Since then, 20 more branches have been opened all over Nigeria, offering services and products that are fully computerised through its state-of-the-art, on line, real-time Zenith 2000 software.

ZENITH was founded by Nigerians who have distinguished themselves in their professions and various areas of human endeavour. The paid-up / called-up share capital as at 30/06/98 is N512 million. The bank has therefore fully met the new minimum paid-up capital requirement of N500 million (Zenith International Bank Annual Report 1998).

Total shareholders' fund stands at N2.3 billion. The bank has witnessed substantial improvement over the years with growth recorded in all performance parameters namely, profit before taxation, total assets, deposits and capital adequacy.

The organisation of the bank is structured into proactive, dynamic units with unique responses to market demands and pressures in the area of product

and service origination, development and marketing. The aim of its founders is to fill the gap in today's Commercial banking service delivery : an automated, fast and courteous service to customer, driven by young and efficient professionals.

ZENITH INTERNATIONAL BANK LIMITED operates a wide range of comprehensive commercial banking services including savings and current accounts for corporate and non-corporate clients, treasury and financial services (local & foreign), investment banking, investment/funds management, export finance, bonded warehousing, issuance of performance bonds, guarantees, bid bonds, customs bonds, provision of equipment leasing and trade finance related services among others.

1.2 STATEMENT OF THE PROBLEM

For a long time, Nigerian banks had operated in the sellers market. Times were when the banks simply opened their doors and waited for business. Consequently, the customer was at the receiving end. But recent developments within and outside the country have made Nigerian banks to appreciate the need to put the customer at the centre of their activities.

Various products have been introduced, new services have been created which have gone a long way to make the average bank customer feel he/she is important. But how have these customers responded to such overtures in terms of patronage? To what extent does the quality of service influence

consumer choice? How do the commercial banks in particular intend to meet the changing needs of the customer?

These and more are some of the questions this study will attempt to answer.

1.3 HYPOTHESES

This research work is premised on the following hypotheses:

1.3.1 NULL HYPOTHESIS

Ho_1 That enhanced customer service is a necessary condition for success of commercial banks in Nigeria.

Ho_2 The customer is the essence of being in business and the emphasis in the new order should be quality of service.

1.3.2 ALTERNATIVE HYPOTHESIS

$H1_1$ Enhanced customer service is not a necessary condition for success of commercial banks in Nigeria.

$H1_2$ The economic climate in today's Nigeria can sustain any business irrespective of the customer.

1.4 PURPOSE OF THE RESEARCH:

It is the objective of this research work to:

(1) Examine the quality of banking services in Nigeria vis-à-vis the changing needs of the customer.

(2) Evaluate the efforts of commercial banks in marketing their services, and to a large extent

(3) Consider how much certain customer attributes affect their choice of commercial banks.

1.5 SIGNIFICANCE OF THE STUDY:

It is envisaged that the study when completed will:

1. Make available information on new ideas that will serve as a guide for banks in formulating marketing strategies and programmes to enhance the provision of good and efficient banking services.
2. Guide consumers in making informed decision on banks and banking services.
3. Benefit the economy generally as it will assist banks in devising ways and means of providing customer satisfaction at a profit to the bank, provide superior financial engineering skills and cultivating a reliable and loyal customer base.
4. The study will also make a modest contribution in providing reading/research materials to students of management in the area of marketing banking services.

1.6 SCOPE OF THE STUDY:

The scope of this write-up is focused on ZENITH INTERNATIONAL BANK LIMITED, a new generation bank, which within a few years of operation, has made giant strides in commercial banking services.

1.7 LIMITATIONS OF THE STUDY:

This study is limited to an assessment of those factors which influence consumer choice of a commercial bank, with particular reference to ZENITH INTERNATIONAL BANK LIMITED.

Lack of sufficient time as well as difficulties in getting desired information from the organisation and its customers, are likely to serve as constraints to this study.

1.8 DEFINITION OF TERMS:

In order to provide a basic framework on which this study will be built, the following key terms are hereby defined:-

1.8.1 CONSUMER:

The Oxford Advanced Learners Dictionary defines a Consumer as a "person who buys goods or uses services", while the Rossenberg dictionary of Business and Management defines a consumer as a "person who uses or consumes goods and services". Yet another definition of consumer is given by Lynch, J.L (1992) as an "individual who may or may not buy a product or service but who disposes of products and services to satisfy a need".

Consumers vary tremendously as to their ages, incomes, educational levels, mobility patterns, and tastes. Bankers have found it worthwhile to distinguish different consumer groups and develop products and services tailored to their needs.

In this write-up, the terms "consumer" and "customer" are used interchangeably. Though closely related, each term has a distinct meaning of its own. Whereas a consumer may not necessarily be involved in a purchase decision, a customer is one who makes a conscious decision to purchase a particular good or service.

The critical attributes of a customer are:

- Freedom of choice in the purchasing decision ;
- Conscious exercise of that choice which results in the selection of certain goods and services and the rejection of others ;
- Involvement at the point of service delivery.

1.8.2 **CHOICE:**

The word CHOICE has been defined by the Oxford Advanced Learners dictionary as "an act of choosing between two or more possibilities". Choice usually involves the exercise of judgement in some degree. Where alternatives exist, choice is inescapable. The importance of "Choice" to organisations in a competitive market, does not lie merely in acts of commitment and dedication as such, but it also lies in the modes, contents and consequences of these acts.

1.8.3 **COMMERCIAL BANKS:**

A Commercial Bank is a corporate establishment whose primary role is to accept deposit and offer loan and other financial services to the investing

public (Oyejide and Soyode, 1986). It accepts deposits from its customers, honours customers' drawings against such deposits on demand and lends out surplus deposits to the needing public.

Its distinguishing characteristics are:

1. Accepts deposit from all categories of the public.
2. Operates a checking account system.
3. Attends Central Bank Clearing Sessions.
4. Has large branch network.

CHAPTER TWO

2.0 LITERATURE REVIEW:

2.1 INTRODUCTION:

Banking in Nigeria is fast becoming not only very competitive but also sophisticated. In the early days of banking in Nigeria, the use of bank services was limited to government, business organisations and to the few affluent in the society. Today, the position has changed. The public has become increasingly aware of the services of banks. However, for a long time, the banks had operated in the sellers market, in which case the customer was at the receiving end. But developments within and outside the country have made Nigerian banks to appreciate the need to put the customer at the centre of their activities.

There is now an atmosphere of increasing competition and innovations in bank services so much so that banks can no longer afford to open their doors and wait for business. They now have to look into their well-stocked shelves of available services and go out of their way to approach prospective customers to whom such services can be sold.

The customers of the 1990s are different from those of previous decades. The adages "The Customer is King" or "The customer is always right" are all borne out of the philosophy of the marketing concept which teaches that to succeed in any business, the customer must be put at the centre of a company's activities. We are now in a buyer's market where there is

competition for the customer's money. It is the customer who is in a position to decide on what services he wants, and where to buy such services.

Commercial banks in Nigeria are today, facing enormous challenges and survival is increasingly difficult. To survive and be successful providers of financial services, it is obvious that the present environment requires a new management order in which the customers needs and expectations form the centre piece of all that the organisation does. This approach puts the customer first in all things, recognising the customer as the essence of being in business. The emphasis in the new order should be on quality of service and customer intimacy.

2.2 THE CONCEPT OF CONSUMER BEHAVIOUR:

There is a Spanish saying that "To be a full fighter you must first learn to be a bull". It is also said that "To beat a terrorist, you have to think like a terrorist". Adopting the consumer's viewpoint is the very essence of sound marketing. Marketing activities, in general, are directed towards influencing a consumer to select the product or service of a particular company as against that of a competitor.

It is essential for a marketer to ask the following questions because of the complex nature of consumer behaviour:-

- Who constitutes the market?
- What does the market buy?
- Why does the market buy?
- Who participates in buying?
- How does the market buy?
- When does the market buy?
- Where does the market buy?

Of central interest is the question:

- *How do consumers respond to various marketer - controlled stimuli?*

The company that understands how consumers will respond to different product features, will have an enormous advantage over its competitors. (Kotler, 1984).

Consumer's wants are constantly changing. Continuous research and appraisal are called for, if marketing is to achieve its major purpose. In his book, Managing for Results, Peter Drucker (1958) points out the facts that:

- What the manufacturer thinks he knows about the customer and the market is more likely to be wrong than right.
- The customer rarely buys what sellers think they sell to him. The customer buys satisfaction. Business can't make or supply satisfaction; it can at best supply means of attaining them.

- The goods and services which a seller sees as direct competitors rarely adequately represent the real competition.
- What the manufacturer thinks the most important feature of the product is usually the hard, difficult and expensive parts to make. What the consumer wants is not likely to be that, but what the product does or can do for him.
- Customers must be assumed to be rational even when their rationality appears absolutely irrational to the seller.
- No single product or company is of great consequence to the total market; the market can decide to dismiss it anytime.

The implication of all the above is that marketing analysis must assume that business normally does not know but needs to find out. If this process of finding out is to reveal the unexpected, it should involve, among other things, seeking answers to such questions as:-

- Who is in the market but does not presently buy our products? How does the consumer spend his total discretionary income?
- What do our customers and non-customers buy from all other suppliers, at what value, and to obtain what satisfaction? Could we aid or are we aiding the attainment of such satisfaction? Is such aid peripheral, or are we really touching the important satisfaction?
- What new developments would enable the customers to do without our present products or services?
- Who are supplying to the total market but are not competing and why?

- What in the customer's behaviour appears totally irrational, and what therefore is his logic that is not in line with our own?

Consumers do have reasons for everything they do. Those reasons may not appear obvious or wise to the seller. But since they impinge on the very survival of his business, Owosen (1971) is of the view that they are worth finding out even at great pains. In recent years, a lot of interest has been shown in motivation research. This is partially because a lot of product failures have not been explained by existing theories, and the need for learning more about consumer behaviour has become painfully evident. Consumer behaviour is, however, no more than a special case of general human behaviour.

2.2.1 FACTORS INFLUENCING CONSUMER BEHAVIOUR:

Consumers buy products and services primarily for the purpose of attaining a variety of needs satisfaction. A Marketer needs to understand what buyers are really seeking in the purchase of their products. It is important to note that consumers do not make their purchase decisions in a vacuum. In the view of Kotler (1984), their purchases are influenced by cultural, social, personal and psychological factors.

(a) **CULTURAL FACTORS:**

Culture has a great impact in an individual's behaviour. It regulates and shapes one's behaviour. Stanton (1986) defined it as "The complex of symbols and artifacts created by a given society, handed down from generation to generation as determinants and regulators

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of human behaviour. International marketers in particular need to study cultural differences before planning their marketing programmes or strategies for different countries.

It is accepted that culture is the most fundamental determinant of a person's wants and behaviour. Whereas lower creatures are governed by instincts, human behaviour is largely learned. The growing child acquires a set of values, perceptions, preferences and behaviour through a process of socialisation involving the family and other key institutions.

(b) **SOCIAL FACTORS:**

Social values are deeply held beliefs which influence consumer behaviour and choice. It takes a long time for a value to take hold, but once embedded it is very difficult to shift. Social values have a bearing on such aspects of consumer service as opening hours, use of credit, attitudes to, and of service providers, environmental awareness, etc.

A consumer's behaviour is also influenced by such social factors as the reference groups, family and social roles and status. Marketers must try to identify the reference groups of their target customers and be able to appeal positively to them. Kotler (1984) refers to the family as "the most important consumer - buying organisation in society". Thus members of the buyer's family can exercise a strong influence on the buyer's behaviour.

(c) **PERSONNEL FACTORS**

A buyer's behaviour are greatly influenced by his/her personal characteristics. Different individuals have different characteristics in terms of height, colour, appearance, etc. Everyone has his own different unique characteristics and motivational requirements. This is associated with the society or culture one is brought up in. Buyers decisions are influenced by age, occupation, economic circumstance, lifestyle, personality and self-concept.

(d) **PSYCHOLOGICAL FACTORS**

Each customer brings to every service encounter the same components in terms of psychological make-up; though the balance and blend of these components will vary between individuals, and in the same individual over time.

Some psychological attributes which are brought into play in service encounters are listed by Lynch (1992) as:

(a) Needs

(b) Perceptions

(c) Beliefs

(d) Attitudes

(e) Values

(f) Self-image

(g) Expectations

(h) Feelings

Needs are the prime activators of customers ; shaped by perceptions and goals. Needs fall into two categories in terms of customer psychology. Physiological needs relate to the tangible aspects of service, such as food, clothes, cars, accommodation. Psychological needs relate to intangible aspects of service, such as comfort, security, self-esteem, etc.

Some physiological needs of customers stem from such innate factors as hunger or illness. Others are stimulated through advertising, marketing and social pressures. For example, hunger can be satisfied by basic foods, many of which need not be cooked. However, food manufacturers strive to convince customers that their particular brand of food, prepared in a particular manner, is likely to satisfy hunger more effectively than other foods.

Hunger can also be a psychological need, be it for social recognition, reinforcing self-esteem or other factors which motivate us to choose one service provider rather than another.

Perception is the result of active thinking about a service and the customers involvement in it. A vital part of perceiving is the attribution of meaning to what we experience. While needs motivate customers, perception shapes their choices of how best to satisfy their needs.

Beliefs are things we take to be true and treat as facts. In terms of customer psychology, they stem from both our own direct experience as customers and what we learn from others. As customers we hold

beliefs about an enormous number of things, which have a marked effect on our perceptions and behaviour. These beliefs guide customer behaviour and the assessment of customer satisfaction by determining our attitudes.

Attitudes are, basically, the stances we take towards something or somebody, in terms of favouring or not favouring, liking or not liking. An attitude is a predisposition to approach a particular service provider on the one hand, or to avoid on the other. Investment in product design, packaging, and customer care training can be wasted by an action which results in the customer adopting a negative attitude.

Values are deeply held beliefs about what is important, good and bad, right and wrong, desirable and undesirable. They provide the criteria which customers use to make choices in selecting a service provider. Some "value clusters" which affect customer psychology include:

* Moral Values -	Usually linked to religious beliefs.
* Political Values	Usually linked to a political party or doctrine
* Professional Values	Linked to membership of a particular profession and its code of behaviour.

Self-Image is the picture a customer has of himself or herself. It consists of such factors as appearance, personal manner, value of job relationship skills, social awareness, sexual attraction, self-awareness etc.

Self-esteem lies at the core of self-image. Any action which increases the self-esteem of the customer will raise the level of satisfaction. Damage to self - esteem will have the opposite effect, but to a more intense degree.

Expectations are assumptions about the likelihood of a future event occurring, but with the conscious recognition that there is some degree of uncertainty about the outcome. Customers act on the basis of expectations. They wait for a plumber because they expect *he will come as promised, but their values and beliefs are not* damaged when he fails to arrive since they have built the "uncertainty factor" into their psyche. It is this elasticity of expectations which provides a powerful influence in determining customer satisfaction.

The final component in the psychological make-up of a customer is possibly the most important in any service encounter - feelings. Strictly speaking, feelings are physiological as well as psychological. They can be felt in the mind in terms of fear, grief, anger, or happiness, but they are expressed physically by such actions as crying, shouting, laughing or by other body signals. Feelings have their roots in the past; they can easily be reactivated by similar experiences in the present. As customers, we recognise this reactivating phenomenon by avoiding service providers with whom we have had a 'bad' experience and returning to those with whom we have had a good experience.

One of the secrets of effective customer care psychology is to look into the feelings of customers and massage their psyche in a manner which will help them to enjoy positive feelings or at least to submerge negative ones.

2.3 CONSUMER EVALUATIVE CRITERIA

There is no simple and single evaluation process used by consumers in any given situation. Several decision evaluation processes abound. Kotler (1991) in his study of consumer behvaiour came up with certain models of the consumer evaluation process, the most current of which, according to him are cognitively oriented - that is they see the consumer as forming product judgements largely on a conscious and rational basis.

He came up with certain basic concepts which according to him, will help in the understanding of the consumer evaluation process. The consumer is seen as trying to satisfy some needs. He is looking for certain benefits from the product solution. The consumer sees each product as a bundle of attributes with varying capabilities of delivering the sought benefits and satisfying needs.

Consumers will differ as to which product attributes are seen as relevant or salient. They will pay more attention to the ones that will deliver the sought benefits. The most salient attribute may not be the most important ones. Some may be salient, because the consumer was recently exposed to an advertisement mentioning them, hence making these attributes "top-of-the-mind". Furthermore, non-salient

attributes might include some that the consumer forgot but whose importance would be recognised when mentioned.

Consumers have been found to apply different evaluation procedures to make a choice among multi attribute objects. Some of the possible models describing how consumers go about evaluating alternatives include:

2.3.1 The Expectancy - Value Model

This model can be stated more formally as follows:

$$A_{jk} = \sum_{i=1}^{n} W_{ik} B_{ijk}$$

Where

A_{jk} = Consumer k's attitude for brand j.

W_{ik} = The importance weight assigned by consumer k to attribute i.

B_{ijk} = Consumer k's belief as to the amount of attribute I offered by brand j.

n = The number of important attributes in the selection of a given brand.

Essentially, a consumer's beliefs about a brand's attributes are multiplied by the respective importance weights and summed to derive an attribute score.

2.3.2 Ideal - Brand Model

This model says that a consumer compares actual brands to his/her ideal brand. The closer an actual brand comes to this ideal, the more it will be preferred.

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2.3.3 Conjunctive Model

Some consumers will evaluate alternatives by establishing minimum attribute levels that acceptable brands must possess. They will consider only the brands that exhibit a conjunction of all the minimum requirements.

2.3.4 Determinance Model

This model says that an attribute might be important to the customer but will not influence his or her choice if all the products possess the same amount of that attribute.

2.4 BANK MARKETING IN NIGERIA

Years ago, Nigerian banks had little understanding of, or regard for marketing. The banks hardly ever thought of marketing research until they were forced into it by competition. This competition led to innovations in bank services so much so that banks had to go out of their way to approach prospective customers to whom such services can be sold.

Marketing bank services in Nigeria has evolved from the subtle dignified silence of the 50s and 60s, through the era of aggressive advertising. Marketing came into banks not in the form of the "Marketing concept" but in the form of "advertising and promotion concept". Banks and other financial institutions were experiencing increased competition for savings. A few financial institutions decided to increase their budgets for advertising and promotions,

and managed to attract many new customers. Their competitors were forced into adopting the same measures and scurried out to hire advertising agencies and sales promotion experts.

The banks that first introduced modern advertising and promotion soon found their advantage dissipated by the rush of imitators. They also learned that attracting people to a bank is easy, but converting them into loyal customers is hard. Thus, banks began to formulate programmes to please the customer. Bankers learned to smile. Cashiers had to be re-trained; the bank interior was redesigned to produce a warm, friendly atmosphere. Even the outside architecture had to be modified into a more attractive show-piece.

The first set of banks to implement these changes began to out-perform their competitors in attracting and holding new customers. Their competitors, however, quickly launched similar programmes of friendliness, training and decor improvement.

As a result, banks sought a new basis for differential advantage. They realised that they were in the business of meeting the changing financial needs of their customers; and they began to innovate new banking products, such as the "Equiserve" facility offered by Equitorial Trust Bank Ltd., and the "Diamond Integrated Banking Service", offered by Diamond Bank Ltd. In this case, customers are

availed the option of operating their accounts in any particular branch of the affected bank from another branch. This service has the promise of eliminating the need to carry huge amounts of cash during travels.

As all banks embraced advertising and created new innovations, they began to look alike. They were therefore forced to find a new basis for distinction. They began to realise that no bank can offer all products and be the best bank for all customers. A bank must choose; examine its opportunities and "take a position" in the market. Positioning goes beyond image-making. The image-making bank seeks to cultivate an image in the customer's mind as a large, friendly, or efficient bank. It often develops a symbol such as a stallion (Union Bank PLC) or an Elephant (First Bank Plc) to dramatise its personality in a distinctive way. Yet the customer may see the compelling banks as basically alike, except for the chosen symbols.

Positioning should be seen as an attempt to distinguish the bank from its competitors along real dimensions in order to be the preferred bank for certain market segments. Positioning aims to help customers know the real differences between competing banks, so that they can match themselves to the bank that can best satisfy their needs.

2.5 FACTORS INFLUENCING CONSUMER CHOICE OF COMMERCIAL BANKS

A look at the main function of banks and the characteristic of bank services should assist in determining what factors would influence a customer in the choice of a commercial bank. The main functions of banks are:

1. Safe keeping (of funds and other customer assets)
2. Lending funds
3. Providing other services that may stem from (1) and (2) above.

From the foregoing, the following may be considered as some of the factors that may endear a bank to consumers:

(1) Competence

Competence means knowing your job. Customers are happy to deal with a banker who knows his/her job. You exact authority as a banker when you can demonstrate to a customer that you understand his/her problems and you can proffer solutions to them. When you go on a call to a customer and you display ignorance about your job, you will need to make extra effort to retain that account.

(2) Accuracy

Customers use all kinds of means to test the competence of their bankers. One mundane yardstick customers use is 'Accuracy; for instance, in bank statement.

(3) **Reliability**

Bankers must be consistent and reliable. Policies must remain consistent. Customers are thrown off balance when policies are changed too frequently. No matter how big a bank is, if customers cannot count on a reliable relationship, they will leave it for other banks that they find to be more reliable.

(4) **Environment**

The beauty, location and surroundings of a bank building play an important part not only in retaining existing customers but also in attracting new ones. A shabby bank premises may be tolerated by existing customers but will not attract new ones especially where there are other competing banks.

5. **Human Relations:**

Human Resources play an important part in consumer choice of commercial banks. After passing comments on the bank building and environment, the next thing to comment on by a first visitor to a bank is the attitude of its staff, particularly the cashiers and customer relations officers, who are the immediate link between the bank and the customer. There are instances where banks have lost good customers as a result of the bad reception of their staff. So also are instances where casual visitors to banks for purpose of cashing cheques issued in their favour by customers have been attracted to open accounts as a result of the pleasant reception received.

2.6 STRATEGIES FOR ATTRACTING CONSUMERS:

The business of banking, like any other profit motivated economic unit, takes place under conditions that are shaped by a hybrid of many factors, many of which change rapidly, particularly in a developing economy, like ours. Banking services, except in particular instances, meet a general rather than a specific need. Competition varies according to product line. To remain in business, banks must decide which aspects of banking they want to be involved in, since all banks will not offer the same products.

Most banks have taken advantage of information technology and introduced services which only a few years ago looked remote. Many novel customer friendly service packages have been introduced, which are changing the face of the banking industry today. The benefits from computerization are aptly captured in advertisement messages which promise to meet customer's needs on "how you want your money", and "where you want our services".

Specific products that answer customers questions on where, how and when they get their money with a variety of associated transaction benefits, have been introduced. One of the most notable is the "equiserve" facility offered by Equitorial Trust Bank Limited. Another is the Diamond Integrated Banking service, offered by Diamond Bank Limited. These are facilities which avail the customer

the option of operating his/her account in any particular branch of the affected bank from another branch.

Incidentally, ZENITH International Bank Ltd. also has a similar service. These systems are generally known as on-line systems in the banking industry. However, many observers and high-networth bank customers easily refer to the new Electronic Smart Card Account of the All States trust Bank Ltd., as an innovation in a class of its own. Called the ESCA, the facility promises a new dimension in easy day-to-day cash transactions for its users. The card enables its users to move money from one location to another and also withdraw or purchase drafts at designated branches of the bank. It also enables a customer to pay for goods without physical cash.

These are some of the strategies that have been adopted by commercial banks in Nigeria not only to attract new customers but also to retain existing ones.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

This research focuses on consumer choice of commercial banks in Nigeria with particular reference to ZENITH International Bank Limited. This chapter explains the design and administration of questionnaires, the sample and population used for the study, and discusses the method used in obtaining data for the research.

3.2 SOURCES OF DATA:

Two sources of data were employed in this research, primary and secondary. The secondary data were obtained from existing materials including textbooks, journals, reports, etc.

The primary sources include personal interviews with the members of staff and bank customers. The interviews were based on the topic, research questions and hypothesis, as suggested by Bailey (1987). Focused interview questions are open-ended to provide flexibility and allow for unanticipated responses. Also, questions could be tailored to probe avenues of exploration that seem to yield information relevant to the topic or hypothesis being studied.

Questionnaires were administered on some bank customers and some members of staff who are the main link in the marketing chain for banking services.

3.3 RESEARCH INSTRUMENTS

As stated earlier in 3.2 above, the instrument for this research include:

- Interview
- Questionnaires
- Personal interaction of the researcher.

3.4 POPULATION AND SAMPLE SIZE:

The population for this project are generally, commercial banks in Nigeria. Since the researcher cannot cover all the commercial banks in Nigeria, ZENITH International Bank Ltd. was used as a case study. Hence, the sample for the study is ZENITH International Bank Ltd., Kano branch. The factors taken into consideration is the position of the bank in the industry in terms of growth, profitability and service; nearness to the researcher and willingness to release information.

3.5 DATA ANALYSIS TECHNIQUES:

Data analysis involves putting the data received into tabular form for ease of comprehension and understanding the relationship. The tables so formed can then be analysed and described to provide an idea of the pattern the data has taken and emphasize the highlights.

For this research, descriptive statistical analysis was wholly employed. Descriptive statistics deals with the compilation of data as recorded, providing concise information on which decisions can be taken. In order to take decisions on the data collected, the researcher relied on the use of tables and percentages.

CHAPTER FOUR

4.0 DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

Consumer choice of commercial banks is a research project aimed at examining the quality of banking services in Nigeria vis-a-vis the changing needs of the customer, and also considering how much certain customer attributes affect their choice of commercial banks. This chapter presents the data collected for the research and attempts to critically analyse and interprete such data, which will be used to test the hypothesis formulated in 1.3 on page 7.

4.2 PRESENTATION OF DATA

A total number of two hundred (200) questionnaires were administered, 150 of which were served on customers of Zenith International Bank Ltd, Kano branch, being the organisation on which this study is particularly focused. The remaining 50 questionnaires were served on individuals who are not necessarily customers of Zenith International Bank. One hundred and seventy eight (178) completed questionnaires were returned while twenty two (22) of those served did not respond. This translates to a total of 89% for those that responded and 11% for the non respondents. The percentage of those that responded may be considered fair considering the attitude of people towards questionnaires.

4.2.1 PERCENTAGE STATISTICAL DISTRIBUTION OF RESPONDENTS BASED ON INCOME GROUP

Table 4.1 below showing the percentage distribution of respondents based on income group reveals that fifteen (15) of the respondents or eight percent (8%) are below the N20,000.00 group, while twenty six (26) of the respondents or fifteen percent (15%) earn between N20,000 and N50,000 per annum.

Income Group (N)	No. of Respondents	Percentages (%)
Below 20,000	15	8
20,000 - 50,000	26	15
50,000 - 80,000	21	12
80,000 - 100,000	82	46
Above 100,000	34	19
TOTAL	**178**	**100**

Table 4.1: Distribution based on income group
Source: Field Data

Furthermore, 21 respondents or 12% belong to the N50,000 to N80,000 income group, 82 respondents or 46% are in the N80,000 - N100,000 income bracket, while 34 of the respondents or 79% earn above N100,000 per annum.

The deduction from the above is that all the income groups considered are fairly represented, even though it may be observed that those that earn below N20,000 appear not to be quite keen in patronising banking services. Those that may be considered as the high income earners, that is the N80,000 - N100,000 group and above N100,000 bracket, form the bulk of the bank customers that responded. Put together, they are 116 in number, forming 65% of the total respondents.

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This may be explained by the high initial minimum deposit of Zenith International Bank which at the time of this study stands at N100,000 only.

4.2.2 PERCENTAGE STATISTICAL DISTRIBUTION BASED ON BANK PERFORMANCE.

Bank	No. of Respondents	Percentage
Zenith International Bank	134	75
Others	44	25
Total	178	100

Table 4.2 Distribution based on Bank performance
Source: Field Data

From table 4.2 above, it would be observed that 134 Number. or 75% of the respondents prefer banking with Zenith International Bank Limited while 44 Number or 25% prefer to do business with banks other than Zenith. The above slightly agrees with the distribution of questionnaires as explained in item 4.2 in which 75% of the questionnaires were administered on customers of Zenith.

Some of the reasons adduced by the respondents for their preference of Zenith International Bank include, amongst others:

- Easy access from their residences or offices
- Neat and inviting banking environment
- Friendly and courteous staff, very quick and effective
- Existence of modern banking facilities
- Safety of customers' funds

4.2.3 PERCENTAGE STATISTICAL DISTRIBUTION BASED ON DEGREE OF CUSTOMER SATISFACTION WITH BANK SERVICES

Attribute	Very Important (%)	indifferent (%)	Total (%)
Bank location and general physical environment	92	8	100
Atmosphere in the Banking hall	86	14	100
Quality of services	94	6	100
General attitude of bank staff	88	12	100
Bank's loan and overdraft facilities	65	35	100

Table 4.3
Source: Field Data

Table 4.3 above is generally in agreement with that aspect of the literature where the customer is recognised as the essence of being in business and the emphasis in the new order being quality of service and customer intimacy.

4.3 TESTING OF THE HYPOTHESIS

The hypothesis: Enhanced customer service is a necessary condition for success of commercial banks in Nigeria.

The feedback from the various respondents used for the research reveals in the main that, for customers, banking today is no longer about safety of their funds and increased returns on their investment. Customers demand efficient, fast and convenient services.

Customers want a bank that will offer them services that will meet their particular needs and support their business goals. Many customers want preferential and personalised services tailored to satisfy their individual needs.

Ninety percent (90%) of the respondents attached the "VERY IMPORTANT" status to those attributes such as "friendly and courteous staff"; "neat banking environment"; "modern banking facilities"; etc. which they normally consider before choosing a commercial bank. Basically, customers expect superior results from the bank they patronise.

On this note, and the fact that customers will readily move to another bank if not satisfied, banks will have to work hard to fashion out strategies to meet customer expectations. Those which cannot cope will suffer from dwindling patronage and profit. Thus, hypothesis 1 (Ho_1) - "Enhanced customer service is a necessary condition for success of commercial banks" holds, and is therefore acceptable. The above also holds for the second hypothesis (HO_2) which states inter alia: "the customer is the essence of being in business and the emphasis in the new order should be quality of service".

Having tested and accepted the null hypotheses, there will be no need to resort to the alternative hypotheses. The study will now proceed to highlight some of its findings in the course of the research, from where conclusions will be drawn and appropriate recommendations put forward.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

In modern day banking, almost every bank has a slogan proclaiming its commitment to customer satisfaction and the efficiency of its services. Every bank advertises its special products and services which are supposed to meet customers' needs. Many banks have acquired electronic devices which are the hallmark of money markets in the developed world.

The innovations recorded in the banking industry today are not unconnected with the diversifying business environment, advancement in science and technology, the coming on stream of new generation banks, competition and the ever increasing customer demands. A common experience in every business is that customers' demands keep growing and suppliers must change or adjust to meet up. The banking business is similarly affected by this phenomenon.

The liberation of the banking industry brought about the emergence of dynamic banks with new ideas on how to satisfy customer needs. These new generation banks of which Zenith is one, accounts for most of the innovations that have revolutionised banking today. There is today a keen competition amongst old and new banks to

out-do one another and secure customer patronage. The result is excellent services for customer enjoyment.

In trying to meet customer needs, banks have learned to focus their operations. They are putting a lot of premium on developing and maintaining intimate relationships with their customers to determine their needs and expectations and know how best to meet them. The banks which have done these have excelled in the provision of banking services.

5.2 CONCLUSION

Many banks would advertise their ability and commitment to satisfy the needs of their customers but practising it is a completely different story. One bank that will do everything to satisfy a customer is Zenith International Bank Ltd.

This satisfaction of customer needs can be said to be responsible for the spectacular after tax profit of N1.062 billion the bank recorded at the end of the 1998 financial year thus scoring the bank highest for the fastest growth in earnings in the banking industry. To achieve such success the bank has dedicated a lot of time and resources to ensure that every customer leaves the bank satisfied and happy.

this is a testimony of the bank's dedication to its customers. Everyone, from the security personnel, the customer service executives, the cashiers to the accountants at the back office, work to satisfy customers' needs. Zenith no doubt has done very well and indeed deserves the accolades and patronage it is getting.

5.3 RECOMMENDATIONS

From the study, it could be seen that Zenith International Bank has done very well in terms of satisfying customers' needs. The study has also observed that despite the bank's excellent performance in this regard, a few areas need to be improved upon. Accordingly, the following recommendations are put forward:

1. The bank should promote/assist and support more development oriented projects rather than focusing mainly on a normal consideration of financial profit.

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2. A diversification into other aspects of banking and financing activities as being witnessed in the recent global financial liberalisation, may be of benefit to its customers if the bank's emphasis and motivation are to serve its client firms better. Thus, instead of going to a development bank for a term loan and to a commercial bank for, say, letters of credit and short term working capital finance, an industrial firm would be able to go to a single bank with attendant savings in time, formalities, fees and commissions.

3. The bank should spend more time and resources on staff development and motivation to ensure that the characteristics that define its staff are compatible with the self perceived image of the bank and indeed, those of the target market.

4. The bank should improve on its parking space as this is one of the factors considered under environmental conditions, and it is held seriously by most of the customers interviewed.

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K.A.S. IBRAHIM LIBRARY

SECTION A

10. Do you currently operate a bank account

j. Yes b. No

1. If Yes, a. Current A/c or b. Saving A/c c. Both

k. Others (please specify).....

4. For how long have you kept each of the account

(l) Current A/c ..... years

(m) Savings A/c ..... years

(n) Others (please specify) ..... years

1. Please list in order of preference five Nigerian banks you prefer to bank with

1. .....
2. .....
3. .....
4. .....
5. .....

14. What are the factors you normally consider in choosing a commercial bank?

		Not important at all	Not important	Not Sure	Just Important	Very important
a.	Easy access from residence or office					
b	Neat and inviting bank environment					
c	Friendly and courteous staff					
d	Very quick and effective service					
e	Very good interaction between customers and management staff.					
F	Ability to maintain secrecy with respect to customers' account. Relative ease in obtaining loan facilities.					
H	Moderate charges e.g. interest rate and COT.					

J	Good public rating of the bank.				
K	Existence of modern banking facilities.				
L	Good spread of branches across the country.				
M	Safety of customers' funds.				
N	Favourable recommendation by friends and colleagues.				
O	Availability of Saturday banking services.				
P	Advertisement in newspapers, magazines, radio and Television.				
Q	Special offer to customers through contests and competition (e.g. raffle draws for new accounts)				

15. Have you ever had a cause to change from one bank to another?

(a) Yes (b)No

1. If Yes, how relevant to your decision were each of the following factors?

		Not importa nt at all	Not importan t	Not Sure	Just important	Very importan t
a.	Discourteous service					
b.	Dirty environment					
c.	Outdated equipment					
d.	Unduly long waiting period for customers services					
e.	Unusually high COT charges					
f.	Difficulty in obtaining financial assistance (e.g. loans)					
g.	Inadequate parking space					

17 Could you please indicate the degree/extent of your satisfaction with the services of your present bank with respect to each of the following?

	Not importa nt at all	Not importan t	Not Sure	Just important	Very importan t
a. The general physical environment of the bank (including location)					
b The atmosphere in the banking hall					
c The general attitude of staff to customers					
d The quality of services being rendered to customers					
e The charges for bank services to customers					
f The bank's policy with respect to loan and overdraft facilities					

18. GENERAL COMMENT:

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Thank you.