

Impact of Contemporary Marketing Strategies on Profitability of Deposit Money Banks (DMBs) in Nigeria

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Abstract

The research focuses on the impact of contemporary marketing strategies on profitability of Nigerian banks. Three selected banks were used for this study, they include: Zenith bank Plc, Sterling bank and Access bank. Some of the objectives of the study includes: To determine whether the use of marketing strategy enables bank to achieve their financial objectives, to find out which marketing strategy tools banks use more often in building customers confidence in the banking sector, to ascertain whether the adoption of marketing strategy in banks have increased customers patronage, and lastly to find out if the adoption of marketing strategy builds a favourable corporate image for the banks. The literature on strategic marketing topics, customer relations and banking industry was extensively reviewed. Both primary and secondary data were used for the study. In the course of the study, a structured questionnaire was issued to make inquiry which later helped in the formulation of the hypothesis. For the method of data analysis, percentages, tables and chi-square were used in testing the hypothesis, to which the findings ascertained includes: The use of marketing strategy helps banks achieve their financial objectives, Strategic marketing helps in the increase of customers patronage, and the adoption of strategic marketing tools in the operation of a bank helps her build customers confidence in the banking industry. It was concluded that banks when carrying out her services need to employ result-oriented marketing strategies such as customizing her payment or services while introducing newer innovative products. Bases on this same recommendation were made.

Keywords: Marketing, Strategy, Banks Services, Customers Patronage

1. INTRODUCTION

Given the trend of every aspects of economic activities globally and particularly in Nigeria, it is imperative for business entities to adopt measures that should strategically reposition them to remain afloat. With much increase in the level of customer awareness in response to their needs and wants or satisfaction, firms should also discuss their previous marketing strategies that are not result-oriented and acknowledge the paradigm and thus shift from the old marketing strategy to the new marketing strategy, which is both customer and technology driven in modern marketing management (Johnson, 1990). One of the industries which have gradually started repositioning its operation to suit customers' needs and wants is the banking industry. Nigerian banking system is characterized by internal and external competition. The upsurge of new banks created room innovation and further market sharing. A proxy to determine the extent of competition is the intensity of advertising by banks in recent times. The system has witnessed sophistication in the style and designing of new financial products (Anyafu, 1999). (Vicent, 1980) envisaged that the service demanded of the banking industry is more sophisticated in response to change in the nature of the business they are called upon to finance because their customers are becoming more knowledgeable and discriminating.

A few years ago, bank did not see the need for providing adequate service and encouraging patronage. The issue is that a financial system thrives on public confidence and the erosion of that confidence results in the undermining of the financial system to perform its essential role of savings mobilization. The nature of banking service is that, banks have to build up an image of respectability, capability and reliability through satisfying their customers. Today, with the increase in the level of awareness of Nigerians towards banking operations, banking institutions now face unusual challenges as they get stronger and tougher. That is why in the light of all these, a bank has to engage in marketing activities if it is to gain a fair share of the market. By means of marketing its service, banks constantly remind their customers about them in order to build a friendly corporate. Thus, the major objectives of this paper is to

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assess the Impact of Contemporary Marketing Strategies on Profitability of Deposit Money Banks (DMBs) in Nigeria. Based on the research objectives stated above, the following null hypothesis is formulated for the study:

H0 1: The use of strategic marketing strategies does not enable banks achieve their financial intermediation objectives.

H0 2: Banks who adopt marketing public relations tools in their operations is not likely to build/sustain customers' confidence in the banking industry

H0 3: Banks' adoption of strategic marketing principles does not increase customers' patronage.

Keywords: Marketing, Strategy, Banks Services, Customers Patronage

2. LITERATURE REVIEW

2.1. Conceptual Clarifications

2.1.1 Marketing and the Nigerian Banking System

Banking in Nigeria is fast becoming not only very competitive but also sophisticated. This means that for any bank to remain in business, it must be marketing oriented. In response to the above, Vincent (1980) envisaged that the services demanded of the banking industry will grow more sophisticated in response to changes in the nature of the businesses they are called upon to finance and as their customers become more knowledgeable and discriminating. Personal selling and is one the various marketing activities used by banks in Nigeria to market their services. At Access Bank which was one of the banks visited by a researcher and at a lot of other banks presently, those involved in the personal selling activity are members of the department called credit and marketing. They go out to solicit for customers. The key work here is APPROACH. The way the customer is approached by the banker determines to a large extent if they will patronize the bank or not. These days, banks in Nigeria have come to learn that 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. As a result of this, banks now put up really beautiful buildings with states-of the art facilities. This is marketing, a way of attracting customers.

The general posture of the banking the public image so as to aid them in achieving their sales objective. Efforts are now being made at all times to let the public know the way in which their banks look after the interest of their customers, shareholders and the community within which it operates. Banks also try to ensure that as a favourable publicity goes a very long way in enhancing the business opportunities of bank. In addition to this good relationship with the media, a lot of banks in Nigeria have also strived at all times to associate themselves with wishes and aspirations of the immediate community within which they operate. They engage in this type of marketing through good gestures such as donating to charitable projects of a community etc. Banks also try to sponsor important programmes and events. These kinds of gesture endear the bank to the community. As part of their marketing activities, banks advertise. They engage in advertising not only as means of selling services to just customers but also to prospective customers. In Nigeria today, advertising is the most effective means of getting to all categories of people in all places far and near. Advertisements in the press, television, radio, billboards etc. are all presently engaged in by banks.

As part of the marketing activities, banks have developed some schemes such as EXCACARD, UNICARD and VALUECARD which were mentioned. Another example is Allstate purpose scheme. These are schemes erased in such a way to make customers save money for different purposes. They also have the entire fund scheme where the bank attempts to pull in money from different investors. Investors are to transact business in any part of the country where this bank has branches without any form of constrain. This is because a customer of the bank who opens his account in Port Harcourt for instance can either withdraw from or pay in money into his account while transacting business in Lagos. This enables clients of these banks to do their

business at any part of the country without having to carry cash, cheques and overdraft about. Human resources play an important part in shaping the success of bank. Banks are becoming aware of this because “no matter how perfect a plan may be, the result may be disastrous if it is badly executed, so also will the result be bad, if perfectly service is badly delivered (Olupitan,1988). To this effect, banks have tried to make sure that their members of staff are always of good behaviour. This is important because after passing comments on the building, the next thing to comment on especially by a first visitor to the attitude of it staff, particularly the cashiers who the immediate link between cashiers who are the immediate link between the bank and the customer. A first visitor to the bank could be put off or attracted by behaviour of his first contact with the bank. Banks are seemingly becoming aware of this fact as they try to make sure that their members of staff is play good manners and are also polite with customers. According to Marsh (1988) prompt attention to customer by member of staff is another marketing activity, which banks use to retain customer. The long hours of waiting, which was, the order of the day in many banks in commercial centre is now almost a thing of the past. Banks now seem to attend to customers promptly and efficiently. The banks are better off now. Efficient performance of available service is yet another means of statements of cheques; all go a long way in determining the efficiency of a bank. Finally, the major tool used in marketing activities of banks is CUSTOMER SERVICE. Considering the proliferation of banks in the country these days, the only way a bank can remain long business is through efficient customer services.

2.1.2 Strategic Marketing in Deposit Money Banks

Generally, majority of the western world including those of America, Britain and Nigeria are so much obsessed with a short-term objective of profit maximization. However, the strategic marketing objectives of most banks are found out to be the expansion of customer base. A bank that has increased its patronage customer base or market share by 20% and profit by 100% is judged to have out-weighed its competitors with profit increases of 39% and market share of 5%. This is based on long-term nature of strategic marketing objective of bank. The valuation of future wealth and survival is a big cursion to banks than immediate large profit that might have just come from one single operation/transaction. The process of exploring marketing opportunities and investing money to pursue those opportunities and predicting the outcome of those investments is the strategic marketing planning process. Companies that live by the marketing concept realized that marketing efforts are more successful when they are carefully planned. The planning will start from the identification of the opportunities and development of means of reaping the opportunity through cost commission and performance prediction.

Simply put, strategic marketing planning is the process of examining a company’s marketing opportunities, allocating resources to capitalize on those opportunities and predicting market and financial performance that is likely to occur. The result of strategic marketing planning is documented in the marketing plan, which summarizes the current situation, states the objectives and outline strategic designs to help the company reach those objectives. Strategic planning focuses on long-term projections of five to ten years, and religiously followed to achieve the planning objectives; these four steps must be considered:

- i. Access current position and performance
- ii. Establish specific objectives
- iii. Develop marketing strategies and;
- iv. Design marketing programmes.

These enumerated procedures are really employed by Access Bank Plc in planning and opening corresponding offices with the establishment of automated teller machines at its various branches. Also, Zenith bank Plc was noted for carrying out strategic marketing planning in opening other branches in West African countries.

2.2 Empirical Discussion

Prior to the establishment of Central Bank of Nigeria on 1959, the main bank in Nigeria were local branches of banks of the metropolitan countries that are lending and related activities largely of the export, of primary

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commodities and import of manufactures. The banks as such were mere enclave institution that had little to do with economic development efforts of the country (Anyafu, 1999). In 1960, the 12 commercial banks operating in country had a total asset of N235.8 million and about 190 branches throughout the country. The only merchant bank, Philip Hill (Nigeria) Limited, (which later merged with Nigeria Acceptance Limited) did very little business. There were no specialized development banks.

Soon after the establishment of the Central Bank, it assumed responsibility for the Nigerianisation of the credit base through the creation of local money and capital market instrument in which financial institution could invest their surplus funds instead of the money and capital market instead of in the money and capital markets abroad. Development in the economy and the changing views of the monetary authorities had great impact on the perceived sales of the financial system. The banking system in Nigeria today, is made up of the Central Bank and Special Banks. The Central Bank, the Development Banks, the Savings Banks and the people bank of Nigeria are owned and controlled by the Federal Government, although some non-government equity is involved in the case of the development banks. The commercial and merchant banks are characterized by private initiative and participation, while community banks are sponsored by communities.

3. METHODOLOGY

Probability sampling technique is chosen from this study. The decision is based on the cost of studying the entire population, which may be a bit difficult. Hence, the probability sampling therefore will enable the researcher to select the sample units with each unit having an equal chance of being selected. Since the banks under investigation have up to 80 staff in each of the branch sampled, comprising the executive officers and cashiers, the researcher adopts a sample size determination model for a known universe.

3.1 Model Specification

The formula is thus:

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size

N = known population figure

I = constant factor

E = level of error (0.10)²

Applying this formula:

80

0.81 = 98.76

Approximately = 100

Our sample size is taken to be 100

The main methods used in the analysis of the data included the following descriptive statistical tools: table, figure and percentages. Also, chi-square (X²) was used in testing the hypotheses. The formula for chi square is given thus:

$$X^2 = \sum \frac{(FO - FE)^2}{FE}$$

Where: \sum = Summation

X² = Chi-square

FO = Observed Frequency

FE = Expected Frequency

Contingency tables were used in showing the observed and expected frequencies. The results were tested using significant lead and table values of appropriate degree of freedom.

4. RESULTS AND DISCUSSION

The data were analysed in percentages, figures and charts and chi-square. Responses on each question in the questionnaire were analysed and presented in a tabular form. A brief discussion follows each table. A total of 100 questionnaires were produced and administered to the two categories of respondents, namely, bank executives and cashiers, sampled from the three commercial banks (Access Bank, Sterling Bank and Zenith Bank Plc)

Respondents	Number Distributed	Number Returned	Number Used
Bank Executive	40 (40%)	38 (40%)	36 (40%)
Cashiers	60 (60%)	55 (60%)	52 (60%)
TOTAL	100 (100%)	93 (100%)	88

Statistical Test of Hypothesis

Three hypotheses were formulated for this study. For the test, we adopted chi-square. The formula is given thus:

$$X^2 = \sum (FO - FE) / FE$$

Where X^2 = Chi-square

FO = Observed frequency

FE = Expected frequency

\sum = Summation

$$DF = (c - 1)(R - 1)$$

Where:

DF = Degree of freedom

C = Column

R = Row

I = Constant factor

Significance level = 0.005

Decision Rule

The rule states that, we reject null hypothesis at the appropriate degree of freedom if calculated X^2 value is greater than calculated X^2 value otherwise we do not. Mathematically stated, if $X^2, 0.05 >$ accept H_0 otherwise do not.

Test of Hypothesis One

H_0 : The use of strategic marketing strategies does not enable banks achieve their financial intermediation objectives.

Table 1.1

Contingency Table for Hypothesis One

FO	FE	FO-FE	(FO-FE) 2	(FO - FE)2/ FE
28	27.8	0.2	0.04	0
8	27.8	3.91	15.28	33.73
0	4.09	-4.09	-16.72	-4.08

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40	40.18	-0.18	-0.03	0
2	5.9	-3.9	-15.21	-2.57
10	5.9	4.1	16.81	2.84
			X2	=13.22

$$DF = \frac{(3 - 1)(2 - 1)}{2 \times 1} = 2$$

To calculate expected frequencies (FE) we apply this formula

$$\frac{RT \times CT}{N}$$

Where:

RT = Row Total
 CT = Column Total
 n = grand total

$$1. e_i = \frac{36 \times 68}{88} = 27.8$$

$$2. e_i = \frac{36 \times 10}{88} = 4.09$$

$$3. e_i = \frac{36 \times 10}{88} = 4.09$$

$$4. e_i = \frac{52 \times 68}{88} = 40.18$$

$$5. e_i = \frac{52 \times 10}{88} = 5.9$$

$$6. e_i = \frac{52 \times 10}{88} = 5.9$$

$$\text{Calculated } X^2 = 13.22$$

$$\text{Critical } X^2 = 5.991$$

Decision rule/ Conclusion

Since calculated $X^2(13.22)$ is greater than critical value of 5.99 at $df = 3, 0.05$, we therefore reject the null hypothesis and accept the alternative which states that, "The use of strategic marketing strategies enables banks achieve their financial inter-mediation objectives".

Test of Hypothesis Two

HO: Bank who adopt marketing public relations tools in their operations is not likely to build/sustain customers' confidence in the banking industry.

Table 1.2

Contingency Table for Hypothesis Two

FO	FE	FO-FE	(FO-FE) ²	(FO - FE) ² / FE
30	24.5	5.5	30.25	1.23
0	3.27	3.27	-10.69	-3.26
6	8.19	-2.18	-4.75	-0.58
30	35.45	-5.44	-29.7	-0.83

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8	4.72	3.28	10.75	2.27
14	11.18	2.19	4.76	0.4
			X2	= 8.58

Expected frequency is calculated by adopting the following formula

Below:

$RT \times CT$

$$\begin{aligned}
 & N \\
 1. \text{ ei} &= \frac{36 \times 60}{88} = 24.54 \\
 2. \text{ ei} &= \frac{36 \times 8}{88} = 3.27 \\
 3. \text{ ei} &= \frac{36 \times 20}{88} = 8.18 \\
 4. \text{ ei} &= \frac{52 \times 60}{88} = 35.47 \\
 5. \text{ ei} &= \frac{52 \times 8}{88} = 4.72 \\
 6. \text{ ei} &= \frac{52 \times 20}{88} = 11.81
 \end{aligned}$$

Calculated X2 = 8.57

Critical X2 = 5.991

Decision Rule/ Conclusion

Since the calculated X2 (8.57) is greater than critical X2 (5.991). We therefore reject the null hypothesis and accept the alternative one and conclude that, “bank who adopts marketing public relations tools in their operations are likely to build/system customers’ confidence in the banking industry.

Test of Hypothesis Three

HO: Banks’ adoption of strategic marketing principles does not increase customers’ patronage.

H1: Banks’ adoption of strategic marketing principles does not increase customers’ patronage.

Table 1.3

Contingency Table for Hypothesis

FO	FE	FO-FE	(FO-FE) 2	(FO – FE)2/ FE
28	26.18	1.82	3.31	0.12
6	3.27	2.73	7.45	2.27
2	6.54	-4.54	-20.61	-3.15
36	37.81	-1.81	-3.27	-0.08
2	4.72	-2.72	-7.39	-1.56
14	9.45	4.55	20.7	2.19
			X2	= 9.37

Expected frequency = $RT \times CT$ n

Where:

RT = Row Total

CT = Column Total

n = grand total

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$$1. FE = \frac{36 \times 04}{88} = 26.18$$

$$2. FE = \frac{36 \times 8}{88} = 3.27$$

$$3. FE = \frac{36 \times 16}{88} = 6.54$$

$$4. FE = \frac{52 \times 64}{88} = 37.81$$

$$5. FE = \frac{52 \times 8}{88} = 4.72$$

$$6. FE = \frac{52 \times 16}{88} = 9.45$$

Calculated X² = 9.37

Critical X² = 5.991

Decision Rule and Conclusion

Since the calculated X² value (9.37) is greater than critical X² (5.991) under df = 2, 0.0 significant level, we therefore, reject the null hypothesis and accept the alternative one and conclude that “bank adoption of strategic marketing principles increases customers’ patronage”.

4.1 Discussion of Findings

Based on the analysis and interpretations of data the following findings were made:

- i. Consistent use of strategic marketing strategies makes banks achieve their individual financial intermediation objectives.
- ii. When banks adopt marketing public relations tools in their operation there is every likely that customer’s confidence on the banking industry is built or sustained.
- iii. It was also found out the banks’ adoption of strategic marketing principles increase customer’s patronage.
- iv. Banks use persuasive strategic marketing communication strategies such as public relations, advertising, promotion, etc in carrying out their saving or fund mobilization.
- v. Among the needs of customers, total satisfaction is rated as highly needed.

5. CONCLUSION AND RECOMMENDATION

Based on the finding of the study, it can be seen that strategic marketing has strong place in the operations of banks. Most especially, strategic marketing tools are needed in the marketing of financial services and products. Banks who have recognized the paradigm shift from old marketing of selling to the market to the customer concept, which emphasizes customer satisfaction will benefit in the long run. Given the volatile nature of banking environment coupled with competition marketing concepts and principles become the only answer that can help banks to remain a lot in business. In carrying out her intermediations services’ a bank needs to employ resulted-oriented marketing strategies, such as customizingservices/products, bringing in more innovations and above all retraining her staff especially, the front office staff (cashier) in the new techniques of scouting for customers. Finally, we conclude that marketing strategies have been recognized world over as among the antidote that can represent a bank for a greater test ahead. Its contribution cannot be over-stressed. The following recommendations are made in the instance of the findings and conclusion:

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- i. Banks which have not really explored the advantages of strategic marketing in the performance of financial inter-mediatory role should do so. The earlier the better because the business in which the banking industry operates is faced with stiff competition.
- ii. Banks should confine to adopt sound and ethical marketing practices in the savings mobilizations. They should also adopt the new marketing concept, which aims at satisfying customer needs at profit.
- iii. Both bank executives and cashiers should always be retrained to meet up with marketing challenges of banking services.
- iv. Total quality service or product should be the hallmark of the banking industry's total market offerings. If there is no quality in the service delivery of a bank, there is every prospect that the customer will not be this satisfied. They may likely turn their back against that particular bank.

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