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IMPACT OF MARKETING STRATEGIES AND PERFORMANCE OF BANKS AND ITS EFFECTS ON NIGERIA ECONOMY

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Abstract

The banking industry has been facing a lot of challenges in recent times in Nigeria. These include competition among them and between them and other financial institutions such as insurance Companies. Therefore this research, impact of marketing strategies and performance of banks and its effects on Nigeria economy is aimed to identify the various types of the marketing mix components employed by the banks to examine the effect of the marketing strategies on the performance of the banks and to determine if the marketing strategies employed by the Banks differ significantly from one another. Questionnaire was administered on two populations which are Management and staff of the banks and customers of the banks. 250 questionnaires were administered to Management and staff of the banks, and also 250 was administered to customers of the bank in Nigeria. Result of the analysis revealed four factors which were distribution network, quality of service, promotion and price with the percentage contribution of each factor being 51.9%, 73.6%, 31.2% and 38.5% respectively. Multiple regression analysis shows that $R^2 = 0.563$ which indicated that the four factor accounted for 56% variability in the performance of marketing strategies employed by the banks. The result of the analysis of variance indicated that the mean ratings for the banks were not significantly different at 0.05level. We thereby conclude that banks should focus its innovative efforts on enlarging the size of the market in which it participates by introducing new products and services, promoting new uses for existing products and seeking out new class of customers.

Keywords: Marketing Strategy, Anova, Management, Performance, Banks, Economy

Introduction

The contemporary Nigerian Commercial Banks is a very dynamic one. The changes in the environment have been rapid, unpredictable, and far reaching. Thus, economic variables have been complex both in form and impacts on businesses and financial practices have been exhibiting complex behaviours. Therefore, a customer's behaviour is influenced by cultural, social, personal and psychological factors and most of these factors are very dynamic in nature [2, 3, and 5]. But the most dramatic change has been that caused by competitive pressures. Competitors have been applying one strategy or the other to gain sustainable competitive advantage in the market. [8].Like any other business enterprises, the banking industry provides services to the public with the aim of making profits [6]. In view of this significant role it plays, its importance in stimulating economic growth and development in Nigeria cannot be overemphasized. From the foregoing therefore, this study is designed to examine the marketing strategies adopted by banks in Nigeria post consolidation.

The banking industry has been facing a lot of challenges in recent times in Nigeria. These include competition among them and between them andother financial institutions such as insurance Companies, Mortgage Banks, Discount Houses, Building Societies, and Commercial Banks. Economic recession and various regulations on banking operations have hampered the conventional banking system of the early part of the century. [7] Opined that financial habit in a developing economy like Nigeria is still very low especially in the rural areas. Large parts of the population in the country are illiterate and less privileged people. The banking industry is thus faced with the gargantuan task of developing its financial culture and habits for the populace [1, 4]. In the light of these problems, the following research questions were generated:

- How relevant are marketing strategies in promoting the health of Nigerian Commercial banks?
- Do marketing strategies employed differ significantly from one bank to another?
- Have the existing marketing strategies give the desired result in relation to the performance of Nigerian Commercial banks within the realm of financial services?

The general objective of the study is to investigate the impact of marketing strategies on banks performance in Nigeria. While the specific objectives are;

i. To identify the various types of the marketing mix components employed by the banks
ii. To examine the effect of the marketing strategies on the performance of the banks.
iii. To determine if the marketing strategies employed by the Banks differ significantly from one another.

This study is important in all ramifications. Firstly, Nigeria is presently lagging behind in appreciating the importance of banking institutions owing to the low literacy level. According to the Central Bank of Nigeria's statistical publication in 2004, the 246 banks in existence in that year had 10,256 branches throughout the country. The population of Nigeria is estimated to be above 140 million. Going by the projection of the 1991 national census of 5% population growth rate, this implies that 13,651 persons to each financial institution not forgetting those infants, children and the aged are also included. This is a far from what obtains in places like the United States of America, Germany, Japan and the United Kingdom. Since this situation cannot continue for long, it gives the banking industry an insight into how to take long range view of the future prospects by applying marketing strategies now in order to maintain large customer base and gain from the potentials abound in the target markets. It gives the financial institutions the chance to retain their customers and secure new ones in the emerging markets.The significance of the study can also be viewed as a means of knowing the tremendous development marketing strategies have brought to modern day financial operations. This is in terms of specialization, promotion, and accumulation of capital and healthy rivalry with the financial industry.This study provides those who are responsible for devising marketing strategies a means of widening their scope of specialization for effective and efficient performance. It also helps in the measurement of the effectiveness of financial organization's marketing strategies as against that of its competitors.Finally, it gives us an insight into how Commercial Banks can use controllable variables. It will also be of importance to know how marketing strategies in the financial industry are different from those of other service rendering industries.

Marketing strategies

Marketing strategies match products and services with customers needs or wants, decide where and when to sell, distribute, promote products/ services/ ideas and set prices. The strategic approach depends on whether the organization is addressing existing customers or is trying to attract new customers and whether the product or service is new or already established. [6, 9]. [10] Indicated that, marketing strategies are the means by which a marketing goal is to be achieved. It is usually characterized by a specific target market and if a marketing goal is to be achieved, then marketing strategies are employed. Each institution has a marketing strategy, which is an overall plan for the attainment of institutional goals.

Marketing Strategies adopted by Nigerian Banks, include the strategy of image making where projection of a good image to the public involves providing the right services through corporate promotion. An image is projected and impressed on the minds of the target market. In image sustenance, it applies various tools such as publications, lectures, seminars, sponsorships, etc to attract the right type of customers. The main strategy adopted by the First Bank of Nigeria Plc is that of image making (First Bank Annual Report,2010). Access bank Plc also adopts this strategy by claiming to be "Passion for excellence." A lot of emphasis is placed on promotional expenditures through advertising, public Relations, etc and the basic thrusts of such campaign are credibility, unequalled track records, reliability, goodwill, financial and competitive strength, etc. These unique features assure continuous loyalty from their customers and also increases the number of potential customer's interest and conviction to patronize their services.

Another strategy adopted by banks is the market leader strategy. Such a bank has the largest market share in the relevant product markets, and usually leads the other banks in price changes, new product introduction, distribution coverage, and promotional intensity. Unless a dominant firm enjoys a legal monopoly, its life is not altogether easy. It must maintain constant vigilance. A product or service innovation may come along and hurt the leader. The leader might spend conservatively whereas a challenger spends liberally. The leader might misjudge the strength of its competitors and find itself left behind. The dominant firm might look old-fashioned against new and peppier rivals and the dominant firm's costs might rise excessively and hurts its profits. [4].The key objective of this strategy is to remain and be regarded as the foremost in the banking sector a strategic group leader by expanding total market demand, by providing the right services at the right time in the right places to the right customers. Market leader strategies include wide access to customer's "long term" outlook e.g. the First Bank Nigeria Plc with a network of 364 branches nationwide which stands it out as one of the largest in the nation, others include lower interest on loans, heavy advertising and increased market share through the extensive proliferation of more branches both locally and internationally [7].The market follower strategy is one based on innovative imitation through which the market followers copy the market leader’s strategies. The market follower strategy involves serious efforts to hold on to current customers and win a fair share of new customers. The followers are usually and constantly monitoring the strategies adopted by the leader and respond to alterations in their marketing programmes in order to ensure that they instill a belief of “you can go for what you already have” in the minds of the respective customers. [5].

Another strategy that banks use in marketing customers services is by making the bank environment to be more conducive for the customers, improvement of their services by training and re-training of their staff to turn out qualitative service to their. [10].Customers in a distinctive fashion is also adopted by some banks, using gift items and souvenirs as presents to customers especially during festive periods. They offer awards to the best customers at the end of the year. Some banks have also adopted the charge-free services approach which attracts customers to save and maintain credits accounts with the bank.

The survival strategy is another strategy that is adopted by some banks. This involves anticipating changes and preparing a survival strategy where strategic management is introduced into its operation. The major areas of survival strategy implementation are the establishment of annual reports and budgets, allocation of resources and close monitoring and studying competitive activities.

Methodology

The research was guided by plan, structure and strategy which unravel facts on the questions raised. Based on the facts that logicality in data gathering is expedient in research work, the data discovered accidentally are set aside for a meaningful and relevant fact to emerge. The samples for this research were chosen from two populations, namely

i) Management and staff of the banks

i. Customers of the banks

The research instrument, for the study is in the form of questionnaires developed to obtain perceptions of service quality from customer, and management staff of the selected banks, each section had a general service process questions and another section is made up of service attributes or items for assessing importance and another section with attributes to assessing performance. In addition questionnaires administered to customers had a section to capture socio-demographic data of the respondent.

The data collected in this research was analyzed using F-test and Regression analysis. The multivariate statistical tools employed included analysis of variance and factor analysis. The analysis was carried out at 0.05 level of significant.Regression Analysis was used to determine the ratings of the bank with some other variables such as place/distribution network, quality of service, promotion and price. To further determine the best marketing strategy that contributes most to bank performance, stepwise multiple regressions was used. The regression plane is given by

$Y = a + b_1 x_1 + b_2 x_2 + ---- + b_4 x_4,$

where Y is the dependent variables and X's are the independent variables. The a_1 b_1 b_2 are the regression or model coefficients.

One-way ANOVA was used for testing the hypothesis that there is no significant difference between a number of treatments. The total variation of the observations is partitioned into two components, one measuring the variability between the group means, X_1, X_2,….X_c and the other measuring the variation within each group. These two components are compared by means of an F-test. In one way ANOVA, the observations were divided into a mutually exclusive category called one-way classification. To obtain the F-ratio, the sum of squares, degree of freedom and means square were calculated. In this research ANOVA was used to do a comparative analysis of the possibility significant of difference between the three banks with regard to cost of service, quality of service, promotional strategy and distribution network.The methods of data analysis include frequency distribution, bivariate statistical analysis, correlation, t-test, independent sampling test. Other methods include regression analysis, stepwise multiple regression analysis, analysis of variance (ANOVA) .The analyses were carried out at 0.05 significant levels of 95 confidence levels respectively.

Multiple regression analysis was used to determine/identify factors that significantly affect rating of the bank using the extracted factors (Place/Distribution Network, Quality of Service, Promotion and Pricing), as the independent factors (variables). The multiple regressions were done for all the banks combined. The results of multiple regression analysis for all the banks, when 'rating of the bank' is the dependent variable, were shown in Tables 1 – 3.

Table 1 gave the model summary with R-Square value of 0.563, the high value of R-Square value is an indication of model adequacy and that the fitted multiple regression model is significant as shown in Table 2 (The Analysis of Variance, ANOVA, Table) with p-value of 0.000 (p-value < 0.05), which is an indication that at least one of the four identified factors significantly affects 'rating of the bank'. Table gave the table of the coefficients of the fitted model and the fitted model is the model is Y= 1.729+0.519 Place/Distribution Network + 0.736 Quality of Service + 0.312 Promotion +0.385 Price. While all the factors have positive impact on the 'rating of the bank' Place/Distribution Network' contribute 51.9%, 'Quality of Service contribute 73.6%, Promotion contribute 31.2% and Pricing contribute 38.5% to banks performance (p-values < 0.05)

Table 1: The model summary of the Multiple Regression Analysis, using 'Rating of the Bank' as the dependent variable for all the banks

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750[a]	.563	.557	.772

a. Predictors: (Constant), Price, Promotion, Quality of service, Place/Distribution Network

Table 2: The Analysis of Variance (ANOVA) Table of the Multiple Regression Analysis

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	62.640	4	15.660	26.271	.000[a]
	Residual	449.449	754	.596		
	Total	512.090	758			

a. Predictors: (Constant), Price, Promotion, Quality of service, Place/Distribution Network

b. Dependent Variable: Rating of the bank

Table 3: The Table of Coefficients of the Multiple Regression Model.

Model	Understandardized Coefficients	Understandardized Coefficients	Standardized Coefficients		
	B	Std. Error	Beta	T	Sig
1 (Constant)	1.729	.088		61.682	.000
Place/Distribution Network	.519	.048	.520	18.536	.000
Quality of Service	.736	0.928	.766	26.286	.000
Promotion	.312	0.728	.387	11.143	.001
Price	.385	0.728	.469	13.751	.000

i. Dependent Variable: Rating of the Bank

The model is

Y= 1.729+0.519 Place/Distribution Network + 0.736 Quality of Service + 0.312 Promotion +0.385 Price

for determining if the marketing strategies employed by the banks differ significantly from one another.To achieve this objective, the mean of the identified four factors (Place/Distribution, promotion, quality of service and price) were compared for all the banks using Analysis of Variance (ANOVA). The results of the Analysis of Variance (ANOVA) Test for ‘Distribution Network’ was shown in Table 4. The distribution networks for all the banks weresignificantly different at 0.05 level of significance. The F-calculated value is 4.128 with p-value of 0.016 (p-value < 0.05).

Table 4: Analysis of Variance (ANOVA) Table for comparing Distribution Network for all the banks

ANOVA

Distribution network, quality of service, promotion and price

	Sum of Squares	df	Mean Squa	F	Sig.
Between Groups	8.189	19	4.095	4.128	.0.00
Within Groups	749.811	756	.992		
Total	˜58.000	758			

The results of the Analysis of Variance (ANOVA) Test for Place / Distribution Network show that "/ Distribution Network" for all the banks were significantly different at 0.05 level of significance. The F-calculated value is 39.658 with p-value of 0.000 (p-value < 0.05).

Summary of Findings

In terms of source of awareness of banking services, the study revealed that advertisement constitutes the major source of awareness of banking services to would - be customers. The analysis of services that customers subscribe to in the banks revealed that majority of the customers of the banks is savings account holders. In terms of satisfaction with the services rendered by the banks, the study revealed that majority of the respondents in the banks described the services of their bank as either good or excellent. The analysis of the interest rate charged by the banks showed that the interest rates of the Banks are not satisfactory. The result revealed four factors which were distribution network, quality of service, promotion and price with the percentage contribution of each factor being 51.9%, 73.6%, 31.2% and 38.5% respectively. It was found that the four factors explained 56.3% of the total variability of bank performance. This shows that the four factors have great impact of the performance of the selected banks. Findings from objective one equally shows that the conceptual framework used in this research work could be adopted by banks to evaluate the impact of marketing strategies on their performance. The model is Y= 1.729+0.519 Place/Distribution Network + 0.736 Quality of Service + 0.312 Promotion +0.385 Price. The result also shows that $R^2 = 0.563$ which indicated that the four factor accounted for 56% variability in the performance of marketing strategies employed by the banks at 0.05 level of significance and that place/ distribution network and quality of service were positively related to performance while promotion and price were not significant. For all the banks fitted model is significant at 0.05 that is coefficient indicated distribution network, quality of service, promotion and price are significant. The result of the analysis of variance indicated that the mean ratings for the banks were not significantly different at 0.05level.

Conclusion

The findings of the research indicated that the management of all the Banks understand and adopt marketing concepts. The research has been designed to help marketing development planners and managers think through the practice of marketing management. With the proliferation of banks resulting into keen competition, less innovative and static banks will have their market share either partially eroded or fully captured by more dynamics and innovative ones. At this point, it is perhaps logical and reasonable to draw the following conclusions from the study, it was discovered that all the banks have similar marketing strategy. These strategies are quality of service, distribution network, promotion and price. Also, as identified in the second study objective, the result of the multiple regression analysis on the impact of marketing strategies employed by all the three showed a positively significant relationship when asset placement and other variable such as cost of services, promotion strategies, distribution network and quality of services were examined.

For further improvement, it is recommended that

i. Financial Institutions especially banks should Endeavour to employ the use of marketing strategies to enhance better performance and good competitive advantage.
ii. Banks should concentrate more of their resources on the four basic variables identified to have contributed most to the bank performance which are, price, promotion, place/distribution and quality of service.
iii. Bank should focus its innovation efforts on enlarging the size of the market in which it participates by introducing new products and services meant to satisfy their customers.
iv. Banks should always put into considerations both psychological socio-cultural factors of their prospective market when employing any market strategies.

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