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## Improving Commercial Banking Business in Nigeria through Application of Marketing and Public Relations Strategies

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By

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### Abstract

*Commercial banking business in Nigeria has come of age. Towards the last decade of the 20<sup>th</sup> century, there was an influx of commercial banks into the industry. However, with the distress in the industry and the ensuing recapitalization, many of them went the way they came, while some merged and yet some acquired others. Competition in the industry has heightened and only those who provide customer satisfying services will survive. This paper discusses ways through which commercial banking business could be improved upon. Against this background a survey was conducted among five Abuja based commercial banks, four public relations firms, and some customers of these banks to ascertain the degree of relationship between business improvement, and marketing and public relations strategies. A hypothesis was formulated as guide to the study. It states that application of marketing and public relations strategies has no significant relationship with improved commercial banking business. Data was gathered through use of structured questionnaires, and result revealed that there is significant relationship between marketing and public relations strategies, and improved banking business. The work concluded by proffering suggestions which the researcher believes will be of benefit to banking service providers.*

A bank could easily pass as a place where money, and other valuables are kept for safe custody. However, when the word commercial is introduced it then pertains to commerce (exchange between parties).

A commercial bank is a financial institution which deals in money and credit and which receives deposits from the public and from organizations some of which are repayable on demand by cheques. (Anyanwuocho, 2004:194). Anyanwaokoro *Journal of Resourcefulness and Distinction*, Volume 4 No. 1, November, 2012

***Rowland C. Ezenwugo***

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(1996:27-28) defines banks as agents of economic growth and development in any economy through financial intermediation. That they mobilize resources from surplus economic units to deficit economic units as well as facilitating payment system and settlement mechanism due from financial claims and obligations between parties.

Banking business before the turn of the 21<sup>st</sup> century received a lukewarm application of marketing and public relations strategies. It only came into the banks in the 1950s not in the form of “marketing concept” but in the form of “Advertising and promotion concept” (Kotler, 1980:12) Competition later swallowed this concept and practitioners switched to trying to please the customers. This smiling and friendly atmosphere lost its steam soon after and banks had to search for a new basis for differential advantage.

Innovation became the order of the day and the competitive lead it presented was soon overtaken by events as all banks advertised, smiled, and innovated. Banks now looked for new basis for distinction as they found that no bank can offer all products. That a bank must choose, must examine its opportunities, and “take a position” in the market. Positioning now became the wheel on which the banking industry rotated. However, there’s still a higher concept of bank marketing that represents the ultimate essence of modern marketing. The issue is whether the bank has installed effective system for market analysis, planning, and control.

The foregoing suggests that banks demonstrate a case of slow learning, not grasping the revolutionary character of marketing. Now more attention is paid to marketing and public relations strategies owing to decline in profits, slow growth, increasing costs of doing business, changing customer perception, and increasing competition. These problems amongst others led to the distress witnessed in the industry in Nigeria, and subsequent reconsolidation of banks.

The number of operating banks has gone down and in the wake of this has been increased and intensified competition. This has led to adoption of marketing and public relations strategies to attract customers. (Offiah 1991:36). This heightened competition will usher a new era in banking operations which shall be good for the economy.

**Statement of Problem**

Because of the basic differences between goods and services, marketers of services face some real and distinctive challenges. The challenges revolve around understanding customer needs and expectations for service, making the service offering tangible, dealing with myriad people and delivery issues, and keeping promises made to customers. No doubt, answers to above will surely improve commercial banking

## ***Improving Commercial Banking Business in Nigeria through Application of Marketing and Public Relations Strategies***

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business but shall still elude managers of services because of the lukewarm application of marketing, and public relations strategies.

### **Objectives of the Study**

The objectives of this study are to determine the extent to which application of marketing and public relations improve the commercial banking business in Nigeria.

- 1 Explain the nature of marketing and public relations strategies that banks need apply.
- 2 Explain why such strategies should be applied.
- 3 Proffer suggestions based on findings.

### **Statement of Hypothesis**

The hypothesis guiding this work is stated thus:

**H0:** That the application of marketing and public relations strategies has no significant relationship with improved commercial banking business.

**H1:** That the application of marketing and public relations strategies has significant relationship with improved commercial banking business.

### **Significance of Study**

Commercial banks play significant roles in any economy and their performances are not only rated by depositors, but under the close watch of the apex regulatory body, - the Central Bank.

So, dismal performances of any commercial bank are neither tolerated by depositors who seek for other banks where they are more confident nor the Central Bank.

Commercial banks must therefore seek ways of attracting and holding customers as a basis for fighting and matching competition, and growth in the industry.

This study comes in handy here because effective application of marketing and public relations strategies guarantees competitiveness, customer satisfaction and actualization of organizational goals. This as well extends to the up-starting deposit taking institutions.

## **2.0 Review of Literature**

Marketing is the process of creating, distributing, promoting, and pricing goods and services, and ideas to facilitate satisfying exchange relationships with customers and develop and maintain favourable relationships with stakeholders in a dynamic environment. (Pride, and Ferrel, 2004:3)

Commercial banking falls under services, which are deeds, processes, and performances. (Zeithaml, and Bitner, 2003:3). Quinn, Baruch and Paquette (1987:50-

58) see services to include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced and provides added value in forms that are essentially intangible concerns of its first purchaser.

Services in nature of course are intangible, heterogeneous, perishable, and inseparable (Czinkota, and Dickson et al, 2000:306).

Marketing recognizes the combination at various levels the marketing mix elements by firms in attempt to influence their markets. These elements are generally seen to be controllable and are popularly called the four P's (4P's) consisting of product, price, promotion, and place. To this has been added three other P's – People/participants, physical evidence, and process expanding therefore the mix for services. (Fisk, Grove and John, 2004:22). With these, the marketing mix for services totals seven P's (7P's), and their perfect blending is just an integral of the marketing activities needed for improving banking business.

### **Marketing Activities Needed for Improving Banking Business**

#### **Marketing Planning:**

Improved banking business requires continuous planning of activities. The environment in which banks operate is dynamic and with every new day, innovative operations are introduced. This makes the marketplace very competitive. So banks need to anticipate future events and conditions and then determine the best way to achieve organizational goals. Thereafter is the implementation of planned activities devoted to achieving marketing objectives. (Boone and Kurtz, 2004:39). Planning is done at the top, middle, and supervisory management levels emphasizing the strategic, tactical, and operational forms of planning, respectively.

#### **Blending the Mix Variables**

After deciding on the overall goals, then the firm is ready to begin planning the blending of the marketing mix. The marketing mix, is (Kotler, and Armstrong, 2008:50) the set of controllable, tactical marketing tools that the firm blends to produce the response it wants in the target market. Thus the marketing mix consists of everything the firm can do to influence the demand for its product. For services as in the case here are seven elements – the traditional 4P's (Product, Price, Promotion, and Place) and the additional 3P's (People, Physical evidence, and process).

- 1 Product:** Is the offering made to the target market.
- 2 Price:** Is the amount of money customers have to pay for obtaining the offer.
- 3 Promotion:** Are activities that communicate the merits of the offering and persuade target customers to buy it.

## ***Improving Commercial Banking Business in Nigeria through Application of Marketing and Public Relations Strategies***

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- 4 **Place:** Includes company activities that make the offering available to target customers.
- 5 **People:** Are all human factors that play a part in service delivery, and thus influence the buyer's perceptions.
- 6 **Physical Evidence:** Is the environment in which the service is delivered and where the firm and customers interact, and any tangible components that facilitate performance or communication of the service.
- 7 **Process:** Is the actual procedure, mechanism and flow of activities by which the service is delivered – the service delivery and operating systems.

Banks are to perfectly blend these variables understanding that a careful management of the product, price, promotion, and place with their slight modifications presented when applied to services, is very essential to successful marketing because of the basic characteristics differentiating them from physical goods.

### **Market Segmentation and Targeting**

Market Segmentation is the grouping of customers showing similar requirements, expectations, and demographic or psychographic profiles. Although it has been in use over the years, it may be more critical today than at any other time. Commercial banks could be divided into segments such as personal, self employed, students, business and civil servants account holders. But for consumer goods marketing, segmentation is done along these lines:-

- |                    |   |
|--------------------|---|
| (a) Geographic     | - Nations, regions, cities, towns etc.  |
| (b) Demographic    | - Age, sex, income, family size etc.    |
| (c) Psychographic  | - Lifestyle, personality etc.           |
| (d) Behaviouristic | - Benefits, Usage rate, user status etc |

### **Banks Need this Marketing Strategy Because**

1. It enables them to make finer adjustments on their services which will attract and hold customers the more.
2. It enables banks discover and develop market opportunities.
3. It enables banks develop marketing plans & programmes with better understanding.

### **Target Marketing**

Target marketing is the act of evaluating, selecting and concentrating on those market segments that the company can serve most effectively. This strategy will enhance banking business because, it offers the firm opportunities of:-

- (a) Going after the largest part of the market, with one offer and marketing mix, attracting as many customers as possible (undifferentiated marketing).

- (b) Going after a narrow market segment and developing the ideal offer and marketing mix. (Concentrated marketing).
- (c) Going after several market segments, developing an effective offer and marketing mix for each. (Differentiated marketing).

### **Implementing Mix Decisions**

The blending of the mix variables in services goes with decisions on what actions should be taken in respect of each element. Answers to questions of this nature as stated below could be of great importance.

#### **For Product**

- i What nature of services should be offered?
- ii When shall new services be developed?
- iii How do we package our offering?

#### **For Price**

- i Which basis shall inform our pricing? (cost, demand or competition)
- ii How do we set the price level?
- iii How flexible should our pricing be?
- iv Which terms shall guide our allowances, etc?

#### **For Promotion**

- i Which tools do we use?
- ii What are our promotion objectives?
- iii How frequent shall we use the tools? (Advertising, sales promotion, personal selling etc)
- iv What shall be the size of incentive if sales promotion is used?
- v How long shall the promotion last? What should be the conditions for participation? etc.

#### **For Place**

- i Where shall we make our offerings available?
- ii When shall we make our offerings available?
- iii How shall we make them available?

#### **For People**

- i How do we recruit, and train our employees?
- ii How do we motivate and reward our employees? etc.

#### **For Physical Endence**

- i How do we design our facilities?

## ***Improving Commercial Banking Business in Nigeria through Application of Marketing and Public Relations Strategies***

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- ii What shall employee dress code be?
- iii How shall our equipment be handled? Etc

### **For Process**

- i How shall our services flow? Standardized or customized?
- ii What about the number of steps? Simple or complex?
- iii What is the extent of customer involvement?

Banks need to find answers to these questions to enable them effectively develop, price, promote and deliver services in a manner that is more efficient and attractive than that of rivals. This will enhance their competitiveness in the industry.

### **Market Positioning**

Implementation of decisions will leave the firm establishing and maintaining a distinctive place in the market. Positioning is essential and enhances banking business in that it:-

1. Establishes for the firm a position in the minds of the targeted customers.
2. Enables the firm have a position providing one simple and consistent message.
3. Sets a company apart from its competitors.
4. Makes a company focus its efforts for it cannot be all things to all people.

### **Conducting Marketing Research**

Improvement on banking business is further enhanced by conducting marketing research. Marketing research has the traditional responsibility of generating pertinent information used in reaching decisions. It is in fact the planned, systematic gathering, recording, and analysis of data about problems inherent in marketing of goods and services. Of course provision of banking services cannot be constraint free, in this ever charging world of publics and markets. So conducting marketing research shall be of relevance to banks because, they will use it for planning, problem solving, and control purposes.

### **Controlling Marketing Activities**

The blending of mix elements, and implementation of decisions must produce a result for the banks in the market place. Prior to initiation of actions, targets must have been set. It now demands that set targets must be compared to actual results so as to see where deviations or discrepancies occurred which shall necessitate taking of corrective measures. Where the performance is above set targets, then firm is to consolidate efforts because rivals will be looking out for slips. Marketing control is important because it enables banks see where corrective measures need be taken.

### **Public Relations**

Public relations refer to a firm's communications and relationships with its various publics. (Boone, and Kurtz, 2004. 507). These publics include customers, suppliers, stockholders, employees, government, general public and society in which the firm operates. Public relations are needed in the banks because it is used to handle unfavorable rumours, stories, and events. (Cutlip, Center, and Broom, 2006:5) It is common hearing about delays in banks, frauds, gratification, and insensitivity to consumers' complaints and deliberate disclosure of information. Public relations can be used to handle these unfavourable statements.

Again, public relations are used to promote products, and it can have a great impact on public awareness at a much lower cost than advertising can. (Kotler, and Armstrong, 2008:441)

Thus applying public relations to banking business will enhance it as relationships with the bank's various publics are built, unfavourable rumours dispelled, and awareness created at lower costs. Etc

### **3.0 Research Design and Methodology**

In trying to determine the effects of the application of marketing, and public relations strategies in Nigerian commercial banking industry, the researcher carried out a survey in five out of twenty-four commercial banks in Nigeria, four public relations firms, and customers of the banks. The banks, public relations firms, and customers are all located in Abuja.

The sample size was drawn using the simple random sampling technique and a random sample of thirty five bank staff each was drawn, fifteen each from the public relations firms, and thirty customers each from the banks. With this, the sample size for the study stood at 385.

Structured questionnaires were administered, and of this figure, a total of three hundred were returned. See distribution below.

**Table 1: Questionnaire Distribution Table**

<b>Respondents</b>	<b>No Distributed</b>	<b>No Completed &amp; Returned</b>
Bank staff	175	150
Public relation practitioners	60	50
Bank customers	150	100
Total	385	300

Percentage return= $300/385 \times 100/1=78\%$  approximately



***Improving Commercial Banking Business in Nigeria through Application of Marketing and Public Relations Strategies***

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**Source:** Field survey, 2012.

**Model Specification**

To evaluate the effect of the application of marketing and public relations strategies on commercial banking business, (Yomere, and Agbonifoh 1999:37) in

$$Q = F(B, PRO, C) \text{--- (1)}$$

Where,

Q= Output (products and services)

B= Banker

PRO= Public relations officer

C=Customer

opines that output (Q) which is the dependent variable arise from production due to the combination of the independent variables-bankers, public relations officers, and customers to the banks. The equation can be written in a more testable form\_

$$a_1, a_2, a_3, >0$$

Where;  $a_1, a_2, a_3$ , are coefficients of the independent variables. It is clear that models abstract from and reflect reality and are therefore testable.

**Testing of Hypothesis**

The hypothesis guiding this work has been stated thus.

**Ho:** That the application of marketing and public relations strategies has no significant relationship with improved commercial banking business.

**H1:** That the application of marketing and public relations strategies has significant relationship with improved commercial banking business.

A 5% level of significance is assumed.

**Table 2: Responses on How Application of Marketing and Public Relations Strategies Will Improve Commercial Banking Business**

Responses	Bankers	Public Officers	Relation Customers	Total
Positively	110 (85)	30 (28.3)	30 (56.70)	170
Negatively	40 (65)	20 (21.7)	70 (43.3)	130
<b>Total:</b>	<b>150</b>	<b>50</b>	<b>100</b>	<b>300</b>

The expected frequencies are in brackets, and determined using the formula below.

Expected frequency (E)=Row total x Column total  
Grand total.

Determination of Chi-square ( $x^2$ ) value:

$$X^2 = \sum \frac{(O-E)^2}{E}$$

Where; O = Observed frequency  
E = Expected frequency  
 $\Sigma$  = Summation sign

Applying the formulae above we have the table below.

**Table 3:**

S/N	O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
1	110	85	25	625	7.35
2	30	28.3	1.7	2.89	0.10
3	30	56.7	-26.7	-712.89	12.57
4	40	65	-25	625	9.62
5	20	21.7	-1.7	2.89	0.13
6	70	43.3	-26.7	712.89	16.46
<b>Total:</b>					<b>46.23</b>

Therefore  $x^2$  calculated = 46.23 (i.e. 7.35+0.10+12.57+9.62+0.13+16.46)

**Determination of Degrees of Freedom (df)**

Df = (R-1) (C-1)                      Where; R = Rows  
C = Columns

In this case, we therefore have;

Df = (2-1) (3-1)

Df = (1) (2)

Df = 2

**Read off  $x^2$  Critical Value**

At 5% level of significance;  $x^2$  calculated value at 2df = 5.991

**Decision Rule**

Accept null hypothesis (Ho) if  $x^2$  calculated is less than  $x^2$  tabulated.

**Draw a Statistical Conclusion**

Since the computed  $x^2$  value (46.23) is greater than the critical value (5.991) the null hypothesis is rejected.

Having rejected the null hypothesis, the alternative hypothesis

## ***Improving Commercial Banking Business in Nigeria through Application of Marketing and Public Relations Strategies***

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(Hi) which states that the application of marketing and public relations strategies has a significant relationship with improved commercial banking business, is accepted.

### **4.0 Analysis and Interpretation of Question 1**

The respondents amongst other questions were asked; how would the application of marketing and public relations strategies improve commercial banking business?

From table 2 above it is observed that 110 bank staff out of a total of 150. affirmed that application of marketing and public relations strategies positively improves commercial banking business. They represent 73.33% of the surveyed bankers. Forty other bank staff representing 26.67% answered in the negative. For the public relations officers, a total number of 30 representing 60% answered in the affirmative while the remaining 20 representing 40% of the total number of practices surveyed disagreed.

A total number of 30 customers representing 30% of the group agreed that application of marketing and public relation strategies positively affect commercial banking business while the remaining 70 customers representing 70% of that group, disagreed.

We can conclude here that application of marketing and public relations strategies has a significant relationship with improved commercial banking business.

### **5.0 Summary of Findings**

The banking industry has witnessed increasing competition in recent years. In attempt to attract, and hold customers, many marketing strategies have been put to use in this regard. They include introduction of new products, revision of existing ones, and improvement in customer-staff relationship, moderate pricing of services rendered (charges), increased promotional campaigns, and delivery of services.

Apart from these, banks were seen to be good users of public relation strategies. They use such to stimulate positive interest in their offerings, and handle unfavourable rumours, as regards their operations.

Investigation also revealed that innovations are quickly copied by other competing firms and that only the continuous and enhanced application of marketing and public relations strategies will enable the firms face competition and seek actualization of their objectives and goals.

### **6.0 Conclusion**

The study has shown that for improved commercial banking business, banks need to apply marketing, and public relations strategies.

This is because such application helps the firms identify customer needs, develop them, and make them available to the customers in the most effective way. With that, patronage levels increase, competitive edge is earned, and customers are held through delivery of satisfaction. Interestingly, most banks now consider marketing and public relations strategies in their overall planning activity to stay competitive in an industry characterized by fierce competition and rivalry, and increasing regulations.

## **7.0 Recommendations**

Success in a market place always depends on an effective marketing strategy, and when properly implemented it enables a firm achieve its business unit, and corporate objectives.

Against this backdrop, the following recommendations are proffered with the belief that they will tremendously improve commercial banking business in Nigeria.

1. Firms should strategically plan their marketing activities setting out their mission, and objectives.
2. Firms should identify customer needs and wants and provide same in manner that satisfies the customers, actualize organizational goals, and preserve the society.
3. Banks are to perfectly combine the mix elements at various levels to ensure the effective:-
4. Development of service
5. Reasonable pricing of offerings (Charges)
6. Promotion of services to create awareness, persuade and remind customers of the availability of the banks' services
7. Delivery of services to customers where, and when they want them, even where it entails expanding branch networking.
8. Banks need to segment their markets, target selected segments, and position themselves appropriately for improved customer-bank relationship.
9. Banks should also use public relations strategies to build acceptance in customers mind, and dispel unfavourable perceptions.
10. There should be periodic review of performances and set targets compared with actual results for corrective measures to be taken.
11. Banks should embark on marketing research activities so as to find solutions to problems, and then enjoy the benefits accruing there from.

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