JOURNAL OF MANAGEMENT AND ENTERPRISE DEVELOPMENT

Volume 7, Number 4, 2010

INTERNATIONAL RESEARCH AND DEVELOPMENT INSTITUTE

JOURNAL OF MANAGEMENT AND ENTERPRISE DEVELOPMENT

ISSN 1117 - 1677

Volume 7, Number 4, 2010

Published by the International Research and Development Institute in Association with Kan Educational Books, No. 63 Itiam Street, P. O. Box 790, Uyo, Akwa Ibom State, Nigeria.

First Published 2004

ISSN 1117 - 1677

Printed and Bound in Nigeria.

JOURNAL OF MANAGEMENT AND ENTERPRISE DEVELOPMENT

ISSN: 1117-1677

Volume 7, Number 4, 2010

Journal of Management and Enterprise Development, Volume 7, Number 4, 2010
ISSN: 1117 – 1677

THE IMPACT OF RELATIONSHIP MARKETING ON THE PERFORMANCE OF BANKS IN LAGOS METROPOLIS

[1]S.O. Ashamu; [2]B.H. Akinlabi; [2]W.A. Akingbade [2]N.S. Alaka.
[1]Dept. of Accounting and Finance, Lagos State University, Ojo, Lagos, Nigeria
[2]Dept. of Business Administration and Mgt. Tech., Lagos State University, Ojo, Lagos, State, Nigeria

ABSTRACT

Marketing is the life wire of any bank. A bank without a good marketing team and strategies is bound to fail. In order to be relevant and be seen as being relevant to their customers, banks have to innovate new strategies and install the art of technology that will make life easy for customers and themselves. Customer Relationship Management Service is a marketing strategy that ensures the acquisition and retention of most profitable customers using the most cost effective method. The objective of this paper is to examine if relationship marketing practices as a new philosophy has been rightly adopted in the banking industry. The study is based on the information gathered and collected from both primary and secondary sources. The sample for the study is made from the selected banks and customers in Lagos metropolis. Data analysis for the study was done using frequencies, percentage, and Z-score. Findings of the study revealed that relationship marketing practices have been playing a dominant role in improving the performance of banks and increasing customers' satisfaction through service quality. Therefore, the continued existence of any bank will depend on its ability to maintain good relationship with customers and service quality.

INTRODUCTION

Every organization competing in an industry has a competitive strategy whether explicit or implicit. This strategy may have been originated explicitly or implicitly through a well articulated planning process or it may have developed implicitly through the activities of the various functional arms of the organization (Achumba, 2000:18). The need for marketing in financial industry cannot be overemphasized. Banking today is about marketing. The most critical role of marketing in financial institutions is to blend the element of the marketing mix optionally in coherent form in which it can be used to further the realization of the institution's marketing objectives this is in the form of marketing strategy. However, crave for development and marketing in the financial service industry has thrown up a basic problem. A careful examination of study of current bank service in the market reveals the fact that banks are merely interested in getting enough deposit to finance their risk assets. It is not much about what the customer will benefit, it is also increasing their bottom-line. The strategies bank's employed in making their service get to the customers are worrisome. It appears that banks continuously use the selling concepts, which focuses on the service rather than the prospects. The effective communication of products or services benefits is also a weak area of marketing management in the financial industry. The end result therefore is low level of awareness and poor quality products, which will translate into customer disgust instead of delight. Marketing as applied to banking is to identify present and future markets for services; selected which markets to serve and identify customer's need within them; setting line and short-term goals for the progress of existing and new services and managing the a profit, and controlling success in doing so. Achumba (2000: 24) posits that the extent of success of an organization to a large extent depends upon how well it formulates its policy and strategy in the light of its changing environment. Nagasimha (2005:37) framed the significance of marketing strategy in his comment "business is like war in one respect, if its grand strategy is correct any number of tactical errors can be made and yet the enterprises prove successful". Relationship marketing is a strategy to identify and establish; maintain and enhance relationship with customers and other stakeholders, at a profit so that the objectives of all parties involved are met. Relationship marketing is based on the idea that the happier a customer is with a relationship, then the greater the likelihood they will stay with an organization. As a sub-set of the above, for a bank to go beyond its advertised interest in satisfying the customers into building effective relationships, they must know and understand the customer so well that the service fits him and sells itself. Building banking relationship is not just about saving money, or granting a loan. More fundamentally, it is about understanding the customer, so well that selling becomes superfluous. There are sound financial reasons for the growing popularity of relationship marketing: research has shown that the cost of attracting a new customer is estimated to be five times the cost of keeping a current customer happy

(Jackson, 1985:23). The problem definition of this study is to examine whether the practice of relationship marketing (i.e relationship banking) influences performance of banks in Lagos metropolis.

NATURE AND CONCEPT OF RELATIONSHIP MARKETING PRACTICE

The current conceptualization of relationship marketing migrated from organizational behaviour and industrial marketing where interdependence between firms has been the foundation of successful business-to-business alliances. Relationship marketing has been a major shift in marketing theory and practice. And despite the growing volume of literature in support of relationship buildings and the espoused stories by its proponents, relationship marketing seem to mean different things to different writers and different practitioner (Duff, 1998:19 and Harker, 1999:12). Depending on the individual, building customer relationship can imply something about independencies or mutual interests, personalized treatment, interpersonal reports, targeted "one to one" communication, after sales services, customer satisfaction, works of month, or doing something in long term to name a few. Levitt (1997:28) succinctly explained relationship management in the following words: "relationship between a seller and a buyer seldom ends when the sales are made. In a great and increasing proportion of transactions, the relationship actually intensifies subsequent to the sales. This becomes the critical factors in the buyer's choice of the seller the next time around. The sale merely consummates the courtship. The marriage begins. How good the marriage is depends on how well the relationship is managed by the seller".

Gordon (1996:19) emphasized that relationship marketing entails the following:

i. Focus on customer retention
ii. Quality set by all
iii. Oriented product benefits
iv. Long time scale
v. High customer service
vi. High customer commitment
vii. High customer contract

Garbarins and Johnson (1999:24) view relationship marketing practice as a relationship involvement where the customers use truth and commitment as the mediator for determining future activities with the selling firm. According to them, many organizations perceived that the best initial approach toward relationship marketing is investing in compliant handling procedures to demonstrate customer's commitment resulting in customer loyalty. Geysken (1998:13) emphasized that the practices of relationship marketing are centered on nothing more than good communications which are simply taken in expanded form beyond the essential description of features and benefits to seeking out a greater understanding of each prospective customer. The resulting objective is to change customer behaviour so that loyalty replaces the threat of detection of ever-increasing hurdles of competitive products and service (Roa and Perry, 2002:24).

RELEVANCE OF RELATIONSHIP MARKETING PRACTICES

Despite the emergence of relationship marketing as a new marketing idea for many firms and banks in western countries, there is no general accepted position about its relevance on the practice of marketing. Authors like Davis (1995:24); and Larson (1997:10) argued that it is merely a new tactic added to marketing activities, or a strategic focus shift (Li et al, 1997:18), or even a paradigm shift or a view that overturns most previous marketing thinking (Gronros, 1996:16; Sheth and Pravatiya, 1995:7). Plamer (1997:21) further noted that the world of marketing used to be based on relationship before mass marketing made, different but recent advances in information technology may permit a return to a marketing world relationship. Wright, (1996:8) opined that for banks to go beyond their advertized interest in satisfying the consumer into building effective relationship, they must know and understand the consumer so well that the service fits him and sells itself. Secondly, the bank must be customer-oriented. Thirdly, corporate government in banks must appreciate the place of coordinated marketing in the scheme of things. The fourth principle is that a profitability.

BANK RELATIONSHIP MARKETING PRACTICES

There are four competing concepts under which banks conduct their relationship activities (Kotler, 2003:14). It includes production concept, product concept, selling concept and the marketing concept; we shall examine them in turn.

Production concept: First is the "production concept". This holds that clients will favour financial services that are widely available and low in cost. Banks with this philosophy concentrate on achieving high operational efficiency and distribution network, assuming that customers are primarily interested in service availability and low rate.

Product Concept: This holds that clients will favour high quality financial services banks which favour this philosophy focus on high quality offering and try to improve them overtime.

Selling Concept: this argued that customers, if left alone would ordinary patronize banks services. As such, banks must undertake aggressive selling and promotion efforts. Characteristically banks which apply this approach, concentrate on selling what they can offer, rather than offer what they can sell.

Marketing concept: this arose to challenge the previous concepts. It holds that the key achieving the bank's goals lie in determining the needs and wants of targets markets and delivering the desire satisfaction more effectively and efficiently than competitors. In essence, the marketing concept is aimed at generating customer satisfaction as the key to satisfying business.

METHODOLOGY

A population is made up of all conceivable elements, subjects or observations relating to a particular phenomenon of interest to the researcher (Asika, 1991:34). The population of this research study is all the licensed twenty five (25) commercial banks operating in Lagos Metropolis. By extension all the twenty-five (25) banks have their branch offices in Lagos; therefore, the research area portrays a true representation of commercial banks in Nigeria. A convenient sample of ten (10) banks was randomly selected; on the other hand, twenty bank customers were randomly selected. The researchers administered One hundred and twenty (120) questionnaires to the selected banks' staff and customers', but ninety five (95) were properly filled and returned represents 95.0% returned rate. The questionnaire used was divided into two sections; the first section is designed to gather information on the demographic characteristics of the respondents, while the second section is designed to tap information relating to the problem of the study. The second part contains structured and unstructured questions. The unstructured questions are to assist the respondents to apply information in areas that the structured questions did not cover.

ANALYSIS AND DISCUSSION

For the purpose of data analysis, simple descriptive analysis and percentages were used. Of the 95 respondents, 75 (78.9%) were bank staff while 20 (21.1%) of them were bank customers. Data analysis reveals that over 50% of the respondents are female compared to their male counterpart. In the same vein, 50% unveiled the fact that majority of banks are strictly new generation banks. The academic qualification of the respondents shows that about 50% of the respondents have postgraduate qualification and about 30.6% are B.Sc/HND holders while about 19.4% are holders of OND and/or equivalents. The research study also reveals that about 42.0% of the respondents have spent between 10-14 years, while 25.7% have spent 5-9 years with their banks, and about 42.3% have spent about five years and below. The researcher used significance level that is probability value setting the boundary between the acceptances and rejecting zones. The researchers used a common value that is 5%, which could also be stated as 95% confidence limit. In Table 1, it is obviously seen that 30% of the respondents unanimously agreed that there is a strong competition in the marketing of bank service and that the market is very narrow and prone to difficulties whenever banks adopted marketing strategies that are poor and inefficient. About 50% of the banks' staff agreed that they adopted relationship marketing philosophy. These were against 5%, 7% and 8% of others respectively.

Table 1: Bank staff response to questions on marketing strategy philosophies

Response option	Frequency	Percentage
Marketing concept	23	30
Relationship marketing	38	50
Selling philosophy	32	5
Product philosophy	7	7
Production philosophy	5	8
Total	75	100

Source: Researchers' Survey, 2010

Table 2 shows assessment of nature of competition going among banks directed to bank customers. Respondents were asked to rate the nature on a scale of 1 to 3 where 1= very low, 2 = moderate and 3 = very high.

The data indicates 40% of respondents were of the view that competition among banks is very high 25% agreed it is moderate while 15% were of the view that competition among banks are very low.

Table 2: Customer response on nature of competition existing among banks

Response option	Frequency	Percentage
Very high	8	40
Moderate	7	35
Very low	5	25
Total	20	100

Source: Field Survey, 2010.

The implication of this is that more aggressive and goal-seeking marketing officer should be employed while relationship marketing strategies adopted at a minimum cost.
Table 3 shows percentage responses concerning each of elements of bank customer relationship. Respondents were asked to rate the degree of importance of each of the elements that best reflects a good customer relationship of a bank on a scale of 1 to 5, where 1 = Least important and 5 = Most important. The data indicates that majority of the respondents rated relationship quality- 35% as most important, followed by satisfaction (25%), bank commitment (10%), Trust (10%), competence (10%), conflict handling (5%) and communication (5%) respectively.

Table 3: Customers response on elements of Customer Relationship of Banks

Response option	Percentage
Bank commitment	35%
Trust	10%
Communication	5%
Competence	10%
Conflict handling	5%
Relationship quality	25%
Satisfaction	10%

Source: Researchers' Survey, 2010.

This implies that the banks have maintained a good customer relationship with their customers even in turbulent business environment or in economic recession, still put their customers on priority list (i.e. bank commitment).

Table 4: Group cross tabulation and response to question on the impact of relationship marketing on the performance of banks.

Groups	Strongly Agreed	Agreed	Uncertain	Disagreed	Strongly Disagreed	Row Total
Banks	36	37	1	-	1	75
Customers	8	9	2	1	-	20
Column total	44	46	3	1	1	95
Percentage	46.3	48.4	3.2	1.1	1.1	100

Source: Researchers' Survey 2010

df = (m-1) (n-1) = (5-1) (2-1) =4

The study revealed that about 46.3% of the respondents strongly agreed that there is positive impact of the performance of banks in the banking industry. 48.4% respondents also agreed with the assertion. However, 2.2% of the respondents were not in support of the position. The implication here is that since about 94.7% of the respondents interviewed are in support of the favorable impact of relationship marketing on the performance of bank, it means that relationship marketing has been a great assistance to the banks and highly relevant to their growth in terms of customer base and continuing existence. The result of Z-test at 5 percent level of significance with 4 degree of freedom is 0.798 while the critical value is 0. We therefore, reject the null hypothesis which specified that there is unfavourable impact of relationship marketing on the performance of banks. This indicates performance in the banking industry is partially dependent on good bank-customer relationship, and relationship management.

CONCLUSION

Relationship marketing is a concept that has been given international prominence, and forward looking organizations are at one stage or the other implementation several variants of the model with success. Relationship marketing is a form of marketing that evolved from direct response marketing in the 1960s and emerged in the 1980s, in which emphasis is placed on building longer term relationship with customers rather than on individual transactions (Webster's, 1992). The focus of this study is on banking industry. Many banks spend time doing what they think is right relationship management, when in reality they are simply following an administrative process without understanding what they are trying to achieve. All the selected banks revealed that their banks have defined account of relationship management policy. The other marketing strategies adopted included selling philosophy, marketing philosophy, product philosophy and production philosophy. From the banks staff responses, over 50% of the bank staff indicated relationship marketing as the marketing strategy being used by their banks. It is an indisputable fact from this research that there is a feedback mechanism through which customers express their satisfaction or otherwise of the banks services delivery. Also, the growth and success of the bank depend to a great extent on the effectiveness of marketing efforts.

RECOMMENDATIONS

Considering some of the problems that confronted the Nigerian banks prior to the conscious introduction of relationship management, the financial service industry should place adequate attention on reducing customers waiting time. Robust frameworks for developing and nurturing new relationship should be designed with a view to reaching their customer. Furthermore, the current re-engineering efforts in the financial industry should be sustained and extended to cover all the critical strategic branches of the banks to ensure global alignment of their services. The result of the Z- score test shows that relationship marketing has positive impact on the performance of banks. There is therefore the need for banks to leverage on their strengths in entering into strategic alliances, with a view to aborting outs and improving on performance.

Finally, the bank should further improve on their existing frameworks for increased employee communication and involvement as well as consultation.

REFERENCES

Achumba, I. (2000), ***Strategic Marketing Management in the 21st Century.*** U.S.A. : Mac Williams and Capital Publishers Inc.

Asika, N. (1991) ***Research Methodology in the Behavioral Sciences.*** Nigeria: Longman Publishers Ltd.

Achumba, I. (2000), *Strategic Marketing Management in the 21st Century.* U.S.A. : Mac Williams and Capital Publishers Inc.

Duff, H. L. (1998), "***Service Marketing".*** Englewood Cliffs: Prentice-Hall.

Garbarins, G. T and Johnson, S. (1999), "Marketing Strategy and Competitive

Environment as Determinant of BusinessPerformance".Http://www.sbaer.uca.edu.

Gordon, O. O. (1985) "***Relationship Marketing: Perspective on Service Marketing***." Journal of Marketing Research, Vol. 10 No.16 Pp. 62 – 70.

Greysken, P. (2000): "***Valuing marketing's contribution***". European Management Journal, 18(3), 233 – 45.

Gronroos, C. (1996), **Relationship Marketing: Theory and Practice**. Florida: Dryden Press. pp326-333

Harker, M. J. (1999), "***The Marketing Book".*** Bhi Chesteri John Willey and sons Ltd.

Kotler, P. (2000***), Marketing Management: Planning Anaalysis Implementation, and Control.*** New Delhi: Prentice- Hall of India Private Ltd

Kotler, P. (2003), ***Marketing Management***. Singapore, Pearson Education Plc Ltd.

Levitt, T. (1997), ***"After the sale is over"***. Harvard Business Review, Vol. 2 Pp. 87 – 93.

Li, G. et al. (1997), ***"the capabilities of market-driven organizations"***. Journal of Marketing. 58 (October), pp 37 – 52.

Morgan, R. and O'Thunt, j. (1994), ***"Marketing concept and consumer orientation"***. European Journal of Marketing, 20(10), 18 – 23.

Nagasimha, K. (2005), Role of Relationship marketing in Competitive Strategy.Jpurnal of Marketing Research. 6(12), 1-27.

Roa, S. and Perry, C. (2002),***"Thinking about Relationship Marketing. Where are we now"***. Journal of Relationship Marketing. Vol. 17, No. 7 Pp. 598-614.

Seebohm, W. J. (1971), ***Fundamental of Marketing***. New York: McGraw Hill Company.

Sheth, C. W. and C. L. Pravatiya (1991), ***"Building Customer Relationship and inventory of service producer' objective and practices"***. Journal of Relationship Marketing , New York Vol. 19, No. 6, Pp. 385 – 399.

Webster, J. O. (2002): ***Relationship Marketing: A paradigin shift.*** Journal of marketing research Vol. 1 No 12. Pp 9-11.

Wrigth, O. (1996***),"The Changing Dynamics of Bank/Customer Relationship : Managing the confidence crisis ."*** Lagos: FBN Monthly and Economic Report.