

African Research Review

An International Multi-Disciplinary Journal, Ethiopia

Vol. 5 (2), Serial No. 19, April, 2011

ISSN 1994-9057 (Print)

ISSN 2070-0083 (Online)

Corporate Relationship Marketing in Developing Economies: Sustainability Tonic for Nigerian Banks

(Pp. 72-86)

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Abstract

Banking is fundamentally characterized by systemic dynamism and industrial volatility. Forward moving practitioners, therefore, are not relenting in their resolve to be more sensitive, appreciative and proactive in the market place. This essentially challenges them to strategically leverage on contemporary research outputs to blaze the trail in service innovation and overall corporate profitability redefinition. This study critically showcases corporate relationship marketing (CRM) as multi-auspicious and efficacious new sensation to drive Nigerian banks to topmost heights with utmost sustainability. This competition – friendly vantage pathway is conceptually projected in this work as the relationship marketing – performance causality (REMPEC) diagnostic connect.

Key Words: Bank profitability, Institutional sustainability, Nigerian economy, Relationship Marketing

Introduction

In countries where banking is highly profit-centric, so much emphasis is usually laid on buying and selling of money. Consequently less attention is paid to retailing and retaining customers. This definitely undermines ultimate banking goals in the face of globalization, environmental volatility and sophisticated *customership* (Zineldin, 1995; Adeleye, 2007). In recent years, the concept of marketing has obviously shifted from *transactionalism* to *relationalism*; with the new paradigm, placing more value on customer retention than customer acquisition. While some developing countries like China, India and Malaysia are driving on the fast lane with corporate relationship marketing (CRM), the same cannot be largely said of many others, where transactions and operations are largely dominated by traditionalism. Worse still, there is dearth of empirical studies on CRM practice in the Nigerian setting. It was in this light that it became very expedient to beam the searchlight on CRM potency with special focus on the Nigerian Banking sector; so that stakeholders would better come to terms with the degree and pedigree of CRM. This would also help to realign and fine-tune existing practice with acceptable contemporary marketing paradigms and global best practices. Consequently, the pertinent specific CRM-related objectives of this study were:

- To examine the relationship between bonding and bank performance;
- To examine the relationship between shared value and bank performance; and
- To examine the relationship between reciprocity and bank performance;

These connecting perspectives are captured in Figure 1:

In line with the above defined targets, the corresponding research questions were:

- To what extent is bonding related to bank performance?
- To what extent is shared value related to bank performance?
and

- To what extent is reciprocity related to bank performance?

On the other hand, bank performance indicators were specified as market share, customer retention, and cost reduction. Accordingly, the following research hypotheses (RHs) were formulated:

- RHo1: There is no significant relationship between bonding and market share;
- RHo2: There is no significant relationship between bonding and customer retention;
- RHo3: There is no significant relationship between bonding and cost reduction;
- RHo4: There is no significant relationship between shared value and market share;
- RHo5: There is no significant relationship between shared value and customer retention;
- RHo6: There is no significant relationship between shared value and cost reduction;
- RHo7: There is no significant relationship between reciprocity and market share;
- RHo8: There is no significant relationship between reciprocity and customer retention; and
- RHo9: There is no significant relationship between reciprocity and cost reduction.

Conceptually, the above constructs presupposed a strategically functional relationship between CRM (the predictor variable) and bank performance (the criterion variable). The dimensions of CRM considered (bonding, shared value, and reciprocity) were very pronounced in the comprehensive profile enunciated by Sin, Tse and Yau (2002). Each of them, as hypothesized above, relative to the bank performance operational manifest (market share, customer retention, and cost reduction), agrees with the epistemological strand of Yau, McFetridge and Chaw (2000). The relationships are also ideally contingent on contextual/ moderating variables such as organizational culture of banks and available sector-specific technologies.

As espoused by Trochim (2006), the scope of a study such as this, may be viewed from three main dimensions (content, geographic, and analytic perspectives). In essence:

- The content/theoretic scope of this study directly captured literature on (CRM), business (bank) performance and the contextual (moderating) considerations;
- The geographic scope was indicative of a Nigerian study, industrially domiciled in the Nigerian banking sector; and
- The analytic scope, relative to elements of the study population / subjects drawn from the sampling frame, mainly comprised Bank Managers, Marketers (Account Officers), and Tellers.

These are hypothetically enumerated in Figure 2:

Theoretic Insights on Corporate Relationship Marketing

Literally, this study was premised on three sociological baseline theories, including social network, social exchange, and allied theories (Blau, 1964; Hunt and Morgan, 1995; Fubara and Mguni, 1995; Chajewski, 2001; Agundu, 2002; Ahiauzu, 2006). Bearing in mind the geographic scope and hypothetical constructs as *operationalized*, the theoretic reflections succinctly underscored the materiality of:

- Service marketing;
- Bank performance; and

Bank performance measurement/functional relationships

The marketing concept has developed rapidly over the years, overwhelmingly influencing the value chain and purchasing power of consumers. Nonetheless, it insists that customers must be satisfied at all times and at a profit. Marketing professionals, therefore, continue to invest fortunes in research so as to better comprehend the buying behaviours of the consumers and meaningfully design marketing strategies that would precipitate and accentuate the desired consumption decisions and patterns. Paradoxically, the traditional approach to satisfying customers widely regarded as (marketing mix/ transactional marketing), is fast giving way to the contemporary realities of environmental dynamism and increasing consumer sophistication. Accordingly, in many modern economies, the

paradigm shift in the marketing environment is more in favour of constructive/effective customer retention and total strategy game-plans (Berry 1983, Gronroos 1990; Mogan and Hunt 1994; and Ayozie, 2004).

Relationship contextually, is concerned more with business to consumer (B2C) dealings, typified by long-term, close and intense interactions between relatively symmetric interests. This is expected to occasion greater trust, commitment, and interdependence in the entire business setting. These tendencies have equally made the practice of CRM in developed and fast growing economies (including the Asian tigers), to place more emphasis on visibly positive/constructive outcomes, especially retaining existing customers (Gummesson, 1998), reducing cost (Evans and Laskin, 1994) and ultimately increasing profitability (Sin, Tse and Yau, 2002).

Analysts widely contend that the paradigm shift from traditional marketing mix (*transactionalism*) to relationship marketing (*relationalism*), is also largely due to frail corporate performance associated with erstwhile *traditionalism*, as clearly indicated by poor auditing and psyching of customers, high cost of seeking new accounts, and weak internal marketing, among others. The previous empirical works of Gronroos (1999), Gummesson (1997), Yau, McFetridge and Chaw (2000) and Sin, Tse and Yau (2002), among others, did reveal that significant positive results are already justifying the shift to the new and more acceptable marketing paradigm. The paradigm dynamics are shown in Figure 3:

However, there is still a dearth of focal studies on the practice of CRM and its linkages with business performance, particularly in the Nigerian banking sector (Olotu, 2009; Agundu and Sagbara, 2008). Consequently, gauging and spotlighting the degree to which CRM is practiced and how it relates to business performance in the Nigerian banking sector, constituted a critical point of departure in this study.

Methods

The study involved a cross-sectional survey design in line with the methodological prescriptions of Fubara and Mguni (1995), Osuala (2004), and Ahiauzu (2006). The apparatus justification was also connected with the scope and depth of the study especially as banks' business relational experience was under investigation. The correlation mechanism adopted for the purpose of hypotheses testing helped to illuminate the functionalities of CRM and bank performance in a non-contrived setting.

The bank branches studied cut across the 24 recapitalized banks, duly approved/pronounced by the Central Bank of Nigeria (CBN). A total of 123 bank branches were contacted out of 189 pilot volunteers. Accordingly, the accessible population relative to the above bank branches was 4,552 employees, and using the *Krejcie-Morgan Sampling Determination Table*, the appropriate corresponding sample size was 565. The stratified random sampling method facilitated selection and contact of the sample units. To aid data collection, a research questionnaire was designed and administered on the bank workers. The instrument was in two parts (part A for demographic specifics and part B for the study variables). Equally employed in the data collection process were in-depth interview (IDI) and observation schedules which helped to complementarily shed more light on issues contained in the questionnaire. The respondents' enumerations eventually indicated an effective 409 (72%) analytical base, out of the 565. This is shown in Table 1:

Data on the focal dimensions of CRM and bank performance were measured using a 5-point scale, with responses (ranging from 5 = *Strongly Agree* to 1 = *Strongly Disagree*). *Nominalism* was adopted in assessing bank performance relative to market share, customer retention and cost reduction, mainly due to bank officials' well-known highly confidential predisposition. Researchers who had done it this (*nominalist*) way and recorded accepted positive results in the past, are many (Dawes and Swailes 1999; Yau, McFetridge and Chaw; 2000; Sin, Tse and Yau, 2002; Davies, 2004). The measurement scales have also been pre-tested and validated in several previous studies, including the above.

Even with these validations and consistencies, confirmatory test was still conducted on the scales in this study. Against this backdrop, internal consistency of the research instrument was confirmed in terms of Cronbach Alpha Coefficient, which usually indicates the average of all possible split-half estimates from a sample (Trochim, 2006). The reliability of the instrument was thus measured against the minimum Alpha benchmark of 0.70 (Nunnally, 1978). Validity test of each study variable was also done in their content and construct perspectives. While face/content validity necessitated checking the *operationalized* frames against relevant content domains; the construct validity involved checking the convergent and *discriminant* manifests through factor analysis. The results for both content and construct validity test were favourable as shown in Table 2:

Results

The initial analysis of data was descriptive, while measures of central tendency (mean scores) were later derived to classify study specifics and present responses in more usable form for further analysis. Inferential statistical tools (particularly *Spearman Rank Order Correlation*) substantiated the research hypotheses aided by SPSS (computer tool). The IDI-related data analysis was conducted through a perspective-focused approach, using *Gibbs-QSR Nvivo* computer software. This process mainly complemented the other results with comprehensive data coding, sorting, integration and contextual channeling into the statistical systems software. The correlation statistics relating to the test of research hypotheses are presented in Table 3:

Essentially, drawing in theoretically from Table 3, the cross-functional statistical matching of the focal variables comprehensively established that:

- There is a significant relationship between bonding and market share;
- There is a significant relationship between bonding and customer retention;
- There is a significant relationship between bonding and cost reduction;
- There is a significant relationship between shared value and market share;
- There is a significant relationship between shared value and customer retention;
- There is a significant relationship between share value and cost reduction;
- There is a significant relationship between reciprocity and market share;
- There is a significant relationship between reciprocity and customer retention; and
- There is a significant relationship between reciprocity and cost reduction.

These are schematically consummated in Figure 4:

Discussion

The key for interpretation, considered appropriate for the correlation (r) of study variables, was based on the categorizations set by Evans (1996) as follows:

- < 0.20 = Very Weak;
- $0.20 - 0.39$ = Weak;
- $0.40 - 0.59$ = Moderate;
- $0.60 - 0.79$ = Strong; and
- $0.80 - 1.00$ = Very Strong.

The interpretation process was also subject to 0.01 (two tail) level of significance, and by this, all the test results showed positive and significant correlation. This compelled a rejection of all the null hypotheses and pronouncement of the alternates. The IDI analysis was centered on the interpretative strand of relationship marketing. *Contextualism* and *integralism* were, therefore, brought to bear on the cross-breeding of CRM variables with bank performance ordinates. All the statistical analytical outcomes so triangulated eventually brought about quintessential revelations at the end of the process, to wit:

- Bonding, shared value and reciprocity are crucial dimensions of CRM, particularly in contemporary banking;
- Market share, customer retention, and cost reduction are critical modern bank performance indicators; and
- Bonding, shared value and reciprocity have strong, positive and significant relationships with market share, customer retention, and cost reduction in holistic strategic banking.

Conclusion

CRM, as a contemporary banking paradigm, has giving bank performance a boost in terms of market share, customer retention and cost reduction in many parts of the world. This holds sway in many parts of the world. The imperativeness of communication, sociality, trust and empathy in complementing this high performance drive cannot also be over emphasized.

It is, therefore, most precarious for those banks that do not have departments/units officially responsible for CRM. Relationship marketing standards, when properly adopted help to set benchmarks (core values) of institutional operational processes, and later prevail as diagnostic tool for *trouble-shooting* possible areas of weakness for corrective purposes.

Furthermore, the focal dimensions of CRM, if contextually programmed, serve as veritable instructional models for human resource development (HRD) in banks. Moderating factors such as organizational culture and technology also provide clues for managers to build on competitive advantage in various market segments, so as to synergize and optimize ultimately. Albeit, the *REMPEC diagnostic connect* portends an auspicious and efficacious guide for bank management teams to meaningfully design core business strategies, which should be holistically effectuated. With the increasingly criticality of all these in 21st century banking, it is recommended that:

- Banks should invest more to upgrade CRM systems if they are to promote strategic acquisition and retention of highly informed, very profitable customers;
- Internal marketing support systems should be enhanced in order to make the corporate *strategization* process more effective, efficient and focused;
- Bank officials should be more conversant with the intrigues of CRM relative to contemporary concept application and expectations. This should be tied to definite reward systems in order to aim further at highly strategic targets;
- Relationship between banks and customers should grow, equate and possibly surpass that of *Marketers (Account Officers)* and the customers. This can best be achieved by technically formalizing all seemingly strategic informal socializations; rotating *Marketers* around high profile customers while offering them same or better services; assigning two or more *Marketers* to a high-profile customer, for servicing; and designing innovative products / services around the customers and not the individual *Marketers* or the bank;
- Attitude towards staff should be more humane in the advent of failing tasks (especially loan recovery assignments). Since the

process of granting facilities to customers and recovering them is a collective responsibility, all conventional remedial measures should be exhausted before reprimanding or litigating against defaulters; and

- Integrated training programmes should be organized for staff regularly to keep them informed and in vogue (competitively). Since banking is very dynamic, staff should be willing to change proactively with the times in order to be strategically viable. This is what it takes to remain relevant in 21st century banking.

For researchers with burning interest in CRM development, this study may be replicated in other critical sectors of the Nigerian economy. This will go a long way in sensitizing captains of industry and other key market players to further appreciate the potency of CRM in consolidating holistic internal operational consistency for overall institutional sustainability in the Nigerian economy.

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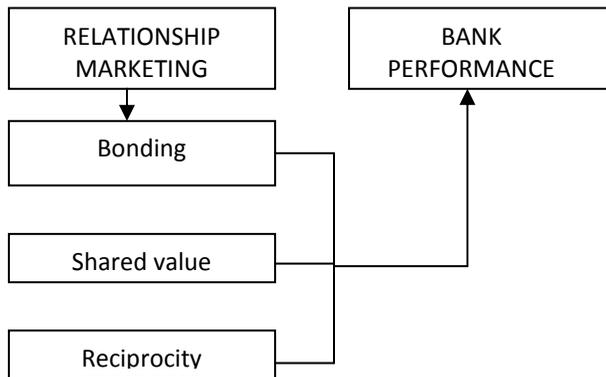
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Figure 1: Relationship Marketing – Performance Causality (REMPEC) Connect



Source: Authors' Impression

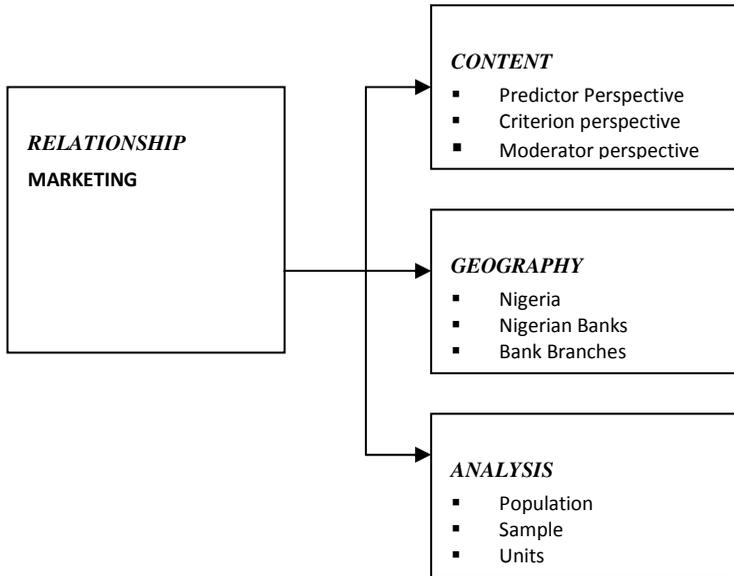
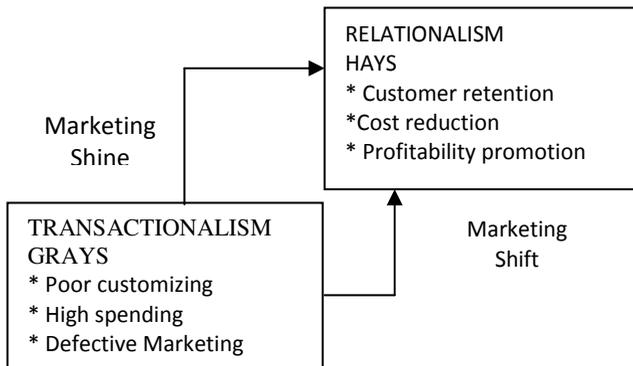


Figure 2: Study Scope

Source: Author's Impression

Figure 3: Marketing Dynamics in Perspective



Source: Authors' Impression

Table 1: Questionnaire Distribution and retrieval

Bank staff	No Administered	No Retrieved	Acceptable Number	Acceptable%
Managers	214	163	161	28
Marketers	246	177	173	31
Tellers	105	82	75	13
Total	565	422	409	72

Source: Research Data

Table 2: Variables Validity Test Results.

Dimensions of RMO	Initial	Extractio (Coefficient)	Eigenvalues	KMO	Determinant	Test of Sphericity
Bonding	1.000	.633	52,654%	.829	.142	.000
Shared value	1.000	.567				
Reciprocity	1.000	.605				
Market share	1.000	.703	57.547%	.542	.595	.000
Customer retention	1.000	.767				
Cost reduction	1.000	.556				

Key: KMO: Kaiser-Meyer-Olkin (Measure of Data Adequacy)

Source: Research Data (SPSS-Aided)

Table 3: Hypotheses Test Results in terms of correlation Coefficients (Rho)

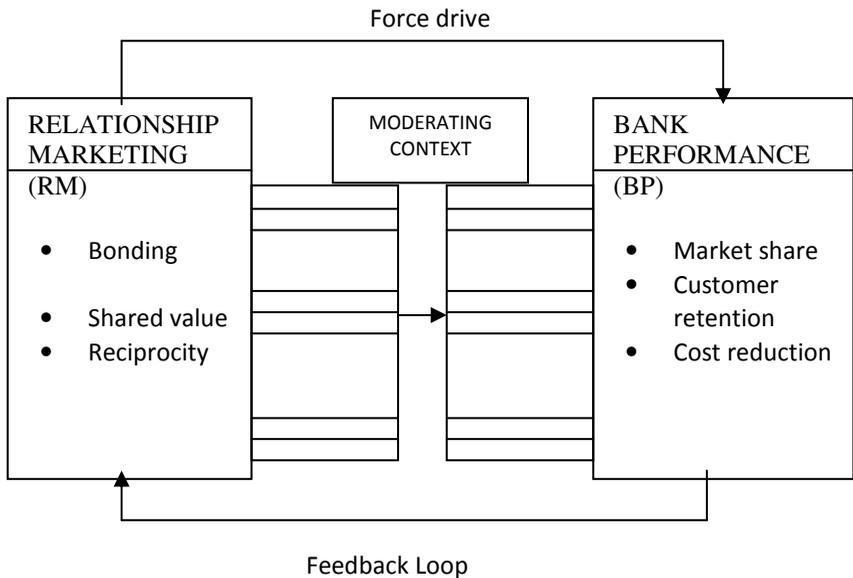
Variable	BP	Market share	Customer retention	Costs reduction
RMO	.642**			
Bonding		351**	519**	417**
VIF		1.812	1.641	1.913
Shared value		433**	521**	383**
VIF		1.228	1.702	1.834
Reciprocity		429**	470**	269**
VIF		1.231	1.195	1.171

** Significant at 0.01 confidence level (2-Tail).

Key: VIF: Variance Inflation Factor (Multi-collinearity test)

Source: Research Data (SPSS- aided)

Figure 4: REMPEC Strategic Diagnostic Framework



Source: Authors' Impression