

## **COURSE GUIDE**

### **MKT 402 MARKETING OF FINANCIAL SERVICES**

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<b>CONTENTS</b>	<b>PAGE</b>
Introduction.....	iv
Course Aims.....	iv
Course Objectives.....	iv
Study Units.....	iv
Tutor-Marked Assignment.....	v
Final Examination.....	v
Summary.....	v

## **INTRODUCTION**

Marketing of Financial Services is a Semester Course work of three credit units. It is designed for students engaged in the B.Sc Marketing Programme in the Department of Entrepreneurial Studies and related programmes in the Faculty of Management Sciences. The course consists of 18 Units.

With regards to the course guide, it exposes students to what the subject matter centers on, the material you will be using and how to make use of it. Furthermore, the Self-Assessment and Tutor-Marked Assignment are contained therein.

### **Contents**

The course content covers the principles and practice of marketing of financial services.

## **COURSE AIMS**

This course aims at exposing students to the principles and practice of marketing of financial services.

## **COURSE OBJECTIVES**

At the end of this course, you should be able to:

- explain the concepts of marketing and services.
- explain the concept of financial services
- outline the roles of marketing in the financial service industry.
- explain the concept of consumer behaviour
- illustrate the consumer design process
- discuss the concept of segmentation, targeting and positioning.
- compare service and customer orientation.
- determine the effects of technology on marketing channels.
- discuss integrated Marketing Communication.

### **Course Materials**

- Course Guide
- Study Units
- Textbooks
- Assignment Guide.

## STUDY UNITS

Each unit is made up of introduction, objectives, Main Content, Exercise, Conclusion, Summary and References.

### The Modules

The course is divided into four modules

#### Module 1

Unit 1	The Nature and Scope of Marketing
Unit 2	Review of Marketing of Services
Unit 3	Overview of Financial Services
Unit 4	Service and Customer Orientation

#### Module 2

Unit 1	Retail and Wholesale Banking
Unit 2	The Nature and Scope of Consumer Behaviour/Decision Making Process
Unit 3	Segmentation, Targeting and Portioning (STP)
Unit 4	Financial Service Development and Management
Unit 5	Marketing Channels and the Effect of Technology

#### Module 3

Unit 1	The Nature and scope of Advertising
Unit 2	The Nature and Scope of Sales Promotion
Unit 3	Branding and Brand Management
Unit 4	Marketing Staff Retention and Loyalty
Unit 5	Marketing Research for Financial Service Industry

#### Module 4

Unit 1	Globalization and External Environment and its Impact on the Financial Service Sector in Nigeria
Unit 2	Competitive Marketing Strategies for the Financial Service Industry
Unit 3	Pricing, Profitability and Decision Making
Unit 4	Financial Services for Agricultural Marketing

**ASSIGNMENT**

Every unit has an assignment component which you are expected to do carefully.

**TUTOR-MARKED ASSIGNMENT**

To do the assignment, you are expected to apply what you learnt in the content of the study units. It forms part of your overall score.

**FINAL EXAMINATION**

This will be done at the end of the semester.

**SUMMARY**

This course will expose students to the principles and practice of Marketing of Financial Services. This course is designed to equip you with work life in the financial services industry or related organizations.


**MAIN  
CONTENT**

<b>MODULE 1.....</b>	<b>1</b>
Unit 1      The Nature And Scope of Marketing.....	1
Unit 2      Review of Marketing of Services.....	9
Unit 3      Overview of Financial Services.....	14
Unit 4      Service and Customer Orientation.....	20
<b>MODULE 2.....</b>	<b>32</b>
Unit 1      Retail and Wholesale Banking.....	32
Unit 2      The Nature and Scope of Consumer Behaviour/ DecisionMaking Process.....	42
Unit 3      Segmentation, Targeting and Portioning (STP).....	45
Unit 4      Financial Service Development and Management...	49
Unit 5      Marketing Channels and the Effect of Technology...	57
<b>MODULE 3.....</b>	<b>61</b>
Unit 1      The Nature and scope of Advertising.....	61
Unit 2      The Nature and Scope of Sales Promotion.....	66
Unit 3      Branding and Brand Management.....	70
Unit 4      Marketing Staff Retention and Loyalty.....	81
Unit 5      Marketing Research for Financial Service Industry...	88
<b>MODULE 4.....</b>	<b>101</b>
Unit 1      Globalization and External Environment and its Impact on the Financial Service Sector in Nigeria.....	101
Unit 2      Competitive Marketing Strategies for the Financial Service Industry.....	106
Unit 3      Pricing, Profitability and Decision Making .....	122
Unit 4      Financial Services for Agricultural Marketing ...	128



**MODULE 1**

Unit 1	The Nature And Scope of Marketing
Unit 2	Review of Marketing of Services
Unit 3	Overview of Financial Services
Unit 4	Service and Customer Orientation

**UNIT 1 THE NATURE AND SCOPE OF MARKETING****CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	The Nature and Scope of Marketing
3.2	The Meaning of Marketing
3.3	The Nature of Marketing
3.4	The Scope of Marketing
3.5	The Functions of Marketing
3.6	The Marketing Mix Elements
3.7	The Marketing Environment
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	References/Further Readings

**1.0 INTRODUCTION**

In this unit, issues bothering on the nature and scope of marketing will be discussed. Furthermore, the functions of marketing, the marketing mix elements and marketing environment will be discussed.

**2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- state the meaning of marketing
- explain the scope of marketing
- explain the nature of marketing
- outline the functions of marketing
- discuss the marketing mix elements
- discuss the marketing environment

### **3.0 MAIN CONTENT**

#### **3.1 The Nature and Scope of Marketing**

#### **3.2 The Meaning of Marketing**

Marketing has variously been seen by different people in different ways. However, all those ways are all aspects of Marketing. Marketing has been seen as selling, trading, distribution, transportation etc. As much as these are aspects of marketing, they do not constitute a comprehensive representation of what marketing is. Marketing encompasses all these and more. The definitions of marketing are as many as there are authorities in the field. However, all comprehensive definitions address the same core issues as we shall see in due course. Some of these definitions are hereby captured below.

Agbonifoh, Ogwo, Nnolim and Nkamnebe (2007:22), defines marketing as consisting of individual and organizational activities designed to facilitate and expedite exchanges so as to achieve the goals of the producer/seller by sensing and satisfying consumer's needs.

The above definition captures the fact that marketing is not only a corporate function but is equally relevant to individuals. Implicit in this definition also, is the fact that exchange is at the heart of marketing. Thereby, all that is done in marketing is geared towards bringing about exchange transactions between a buyer/seller and producer/consumer/buyer.

On the part of Anyanwu (2000:31), "Marketing consists of business related activities that seek to anticipate demand, help in developing and making goods/services available to the satisfaction of the consumers/users and at a profit to the organization/marketers. The above definition exposes the fact that marketing begins prior to the production of products. Secondly, it showcases marketing as being focused on customer welfare through value creation and delivery at a reasonable cost to the customer thereby creating customer satisfaction.

In furtherance of our discussion on the meaning of marketing, we posit the following facts about marketing:

- (a) Marketing begins before production by anticipating demand.
- (b) The heart of marketing is exchange and this is facilitated and expedited through its various functions.
- (c) The core mandate of marketing is customer satisfaction and organizational profitability.

- (d) Marketing continues even after purchase and consumption through after sales service and educational promotion. This helps to forestall cognitive dissonance. Cognitive dissonance is that feeling of anxiety that sets in on a buyer/consumer as to whether he has made the right choice or not.
- (e) Marketing is both an individual and a group or corporate activity. As individuals, everyday of our lives, we carry out marketing. A good example is a man trying to convince a young lady to marry him.

Given the facts above, we therefore define marketing as:

Any group or individual activity that is targeted at determining customer (client) needs and providing sustainable need satisfying products for the purpose of organizational profitability.

### **3.3 The Nature of Marketing**

By nature, marketing is a dynamic field of study hence, there has been various developmental changes that has occurred in the field from its evolution till the present age. These changes are captured under the different eras in marketing namely production/product era, selling era, marketing era and societal marketing era.

Okpara (2000) however, captures the nature of marketing under the following headings namely; pervasive, eclectic, controversial and convertible. We shall proceed to explain the terms.

#### **(a) Pervasive**

Marketing is pervasive because it cuts across every facet of life. One is always faced with one activity of marketing or another at every point in time. In school, at work places, at home, at recreation, at events, indeed everywhere. Therefore, no one can avoid the influence of marketing.

#### **(b) Eclectic**

The eclectism of marketing comes from the fact that marketing is a discipline that has borrowed extensively from other earlier disciplines like psychology, mathematics, sociology, economics, management sciences etc.

#### **(c) Controversial**

The story of the six blind Indians ably captures the controversial nature of marketing. Story has it that six blind Indians were traveling through a

forest and along the bush part, they stumbled upon an elephant. Individually, they all felt with their hands the different parts of the elephant. On arrival home, each of them described the animal they ran into according to the part they felt.

**(d) Convertible**

Marketing means different things to different people depending on their point of view. Some see marketing as selling, others see it as distribution while yet, others see it as advertising. This is an age long controversy. Even current marketing definitions tend to capture the perceptions of the authority defining marketing. We have earlier pointed out, that there are as many definitions of marketing as there are authorities in the field. Even as scholars in the field try to find a melting point, no two marketing definitions are completely the same. And so, the controversy rages on.

### **3.4 The Scope of Marketing**

In discussing the scope of marketing or area of coverage, we shall adopt the classification of Busch and Houston as captured in Anyanwu (1998).

They classified the scope of marketing into; Positive/Normative, profit/not-for-profit and Macro/Micro Marketing.

- (a) Positive/Normative Marketing:** Positive marketing covers marketing as it is presently practiced or carried out by individuals and or groups/corporate organizations, including its deficiencies and unscrupulous activities of some middlemen. Normative Marketing on the other hand is marketing as it ought to be practiced, different from how it is being presently practiced. Normative marketing therefore covers ideal marketing practices.
- (b) Profit/Not-for-profit Marketing:** Profit Marketing is marketing as it is practice by profit oriented organizations. Profit oriented organizations are those organizations that were principally set up to make profit or increase shareholders wealth. On the other hand, Not-for-profit marketing refer to marketing as it is practiced by organizations that were principally set up to provide social welfare services or public good like public educational and health institutions.
- (c) Macro/Micro Marketing:** Macro marketing covers all marketing activities that are carried out outside the confines of a firm. It also relates the firm with the outside world. Micro marketing are all marketing activities carried out within the

confines of a firm. They include such things like product development, pricing, place and promotion functions.

### 3.5 The Functions of Marketing

The functions of marketing refer to all those activities of marketing that facilitate exchange relationships. They are captured under the following headings, Exchange Functions, Physical Distribution Functions, Facilitating Functions and Primary Functions.

- i) **Primary Functions:** These are functions that are principally performed prior to production and throughout the life span of the product. They are product development and management, pricing, distribution and promotion management.
- ii) **Exchange Functions:** These functions are usually carried out at the point of exchange transaction. These functions are Buying, Selling, Standardization and Grading.
- iii) **Physical Distribution Functions:** These include, storage, warehousing, transportation, inventory management.
- iv) **Facilitating Functions:** Are risk taking, marketing research and financing functions.

### 3.6 The Marketing Mix Elements

The marketing mix elements popularly called the 4Ps of marketing due to the fact that the name of each of them begins with the letter “P” are marketing resources or variables available to the organization used in creating customer satisfaction and organizational profitability. These mix elements are product, price, place and promotion. A combination or mix of these four in whatever proportion for the purpose of targeting a particular market or group of customers is called the marketing strategy. These conventional four elements are usually obtainable in the marketing of tangible products (goods). However, for the purpose of services marketing (Financial Services) the extended seven elements shall be applicable. These extended seven elements are product, price, place, promotion, people, process and physical evidence. While Jerome E. McCarthy was credited with the original four elements in 1960, it was not until the 1970’s that Booms and Bitner created the additional three elements to make it seven thereby accommodating the marketing of intangible products. We shall proceed to do a brief explanation of all the elements of the marketing mix with regards to services marketing.

#### i) **Product**

A product is the first among equals in the marketing mix. This is because, all other mix elements take their bearing from it and secondly

because it is the core market offering. A product generally speaking is anything that has value and is capable of satisfying human wants (needs). A product is therefore a bundle of utilities or benefits offered to the market by an individual or organization for attention, purchase and consumption leading to satisfaction. It is a want satisfying item.

A product can be tangible (good) or intangible (service). It can further be categorized as consumer products or industrial products. A consumer product is one offered to the market for ultimate consumption. It is further divided into convenience products, shopping products and specialty products.

Industrial Products are those offered to the market for further production or for resale. They are not meant for ultimate consumption. It is mostly meant for corporate or business customers. The industrial products are divided into Raw materials, Hand tools, Component parts, Equipments and Installations. Some of the product related strategies available are branding, positioning, innovation etc.

## **ii) Price**

This is the monetary value of a product attached to it by a producer or seller. However, in a broad sense, price is regarded as any consideration accepted in exchange for goods and services. In this sense therefore, price is not necessarily money (₦100) but can be an item (Barter) expressed in money worth. This is very evident in Trade by Barter and in International Trade where countries engage in the purchase of other countries products by exchanging with their own products. A good example is Nigeria buying arms and ammunitions with crude oil to fight insurgency.

The process of fixing a price to a product is called pricing. Pricing can be based on the cost of product, demand for the product or other factors like government regulations, industry average, company policy etc. There are two notable pricing strategies for new products namely penetration pricing strategy and skimming pricing strategy.

## **iii) Place**

This is also known as distribution. It entails all the activities or processes of getting the products to the market for purchase and consumption. It has been said that without the place element, all other mix elements will come to nothing. This is true because, for the product to be of any use to the customers and by extension the organization, it must be placed in the hands of the customers or at least within their

reach. It is the mental and physical processes that go into the movement of goods and services to the market.

The components of distribution are transportation, warehousing/storage, customer service, inventory management, material handling and logistics. Distribution strategies are Exclusive, Selective and Intensive strategies.

#### **iv) Promotion**

This is the communication arm of marketing. The objectives of promotion are to inform, educate and persuade present and potential customers of a firm's product.

The channels through which promotion messages are encoded or given meaning are called the promotional tools and they are: Advertising, Personal selling, Sales Promotion, Publicity, Public Relations and Direct Marketing. A combination of some or all of these tools for the purpose of reaching a particular target market is called Integrated Marketing Communication (IMC).

#### **v) People**

This refers to the employees or staff of the organization whose actions or inactions affect the level of satisfaction and profitability derivable from a firm's market offering.

#### **vi) Process**

In services marketing, the process of delivering a product to the customer is important since it also affects customer satisfaction one way or the other. This process begins from point of production to point of consumption.

#### **vii) Physical Evidence**

Due to the intangibility of services, there is need for every service to be accompanied by a physical component in order to give flesh and greater visibility to it. Physical evidence refers to the tangible complement of an intangible product.

### **3.7 The Marketing Environment**

Every organization operates within a defined environment. The marketing environment is equally referred to as the 'World of Marketing'. It refers to the factors or forces that directly or indirectly,

overtly or covertly, implicitly or explicitly affects or influences marketing activities of a firm. Some parts of the environment are controllable while others are not. Again, some are internal while some are external. These factors include, suppliers, customers, employees, technology, economy, socio-cultural, demography, political and legal and competition.

### **SELF-ASSESSMENT EXERCISE**

- i. Define marketing in your own words
- ii. Explain the nature of marketing

## **4.0 CONCLUSION**

Marketing is a very important business function. Its importance cannot be over-emphasized. In fact, it is the lifeblood of every organization due to the fact that it generates revenue that sustains the organization.

## **5.0 SUMMARY**

Marketing achieves its objectives in the organization through the instrumentality of its mix elements. With regards to marketing of services (financial services) these elements are product, price, place, promotion, people, process and physical evidences.

## **6.0 TUTOR-MARKED EXERCISE**

1. Identify the broad categories of marketing functions.
2. Identify and explain the marketing mix elements.

## **7.0 REFERENCES/FURTHER READINGS**

- Agbonifoh, B.A, Ogwo, E.O., Nnolim, D.A. and Nkamnebe, A.D. (2007), *Marketing in Nigeria: Concepts, Principles & Decisions*, Aba: Afritowers Limited.
- Anyanwu, Aham (2013), *Marketing Management and Strategy*, Owerri: Avan Global Publications.
- Okpara, Gazie (2012), *Contemporary Marketing, Topical and Tropicalised*, Owerri: Avan Global Publications.

## **UNIT 2      REVIEW OF MARKETING OF SERVICES**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Review of Services Marketing
  - 3.1    Meaning and Characteristics of Services
  - 3.2    Challenges of Services Marketing
  - 3.3    Services Marketing Strategies
  - 3.4    Types of Services
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor Marked Assignment
- 7.0    References/Further Readings

### **1.0    INTRODUCTION**

This unit is an overview of Services Marketing as against goods marketing. Issues such as services marketing mix, challenges of services marketing, services marketing strategy and types of services were discussed.

### **2.0    OBJECTIVES**

At the end of this unit, should be able to:

- define services
- differentiate between services and goods
- identify and explain services marketing strategies
- outline types of services.

### **3.0    MAIN CONTENT**

#### **3.1    Meaning and Characteristics of Services**

A marketing product is principally categorized into two namely; goods and services. Goods are tangible products while services are intangible products.

There are two types of services, primary and secondary services. Primary services are those intangible product offerings that form the main item of trade in a marketing transaction. Secondary services on the

other hand are the service component or accompaniments of a tangible product (good). They are not the main item of trade in a marketing transaction. For the purpose of this unit, our concentration is on primary services.

On the strength of the above, we define a service as a bundle of intangible benefits offered to a market by an individual or organization for attraction, purchase and consumption. Beyond being intangible, there are other characteristics of services that differentiate it from goods version of products. Nwokah (2008) captured those characteristics as follows; Lack of ownership, Inseparability, Perishability and Heterogeneity.

**i) Lack of ownership**

A service cannot be stored like a tangible product. Services are therefore time barred and cannot be owned like goods. For instance, if you pay for a hotel room, you can only lay claim to that room for a period of time after which its ownership goes back to the proprietor. There is therefore no permanent ownership to a service by a customer.

**ii) Inseparability**

A service cannot be separated from the service provider because it is produced and consumed at the same time. You cannot separate a lecturer from his lectures, nor an electrician from his expert services, nor a carpenter from his carpentry services. By implication, the assessment of a service is somehow tied to the personality of the service salesman or service provider.

**iii) Perishability**

Services are highly perishable. More perishable than agricultural products. In the words of Nwokah (2008), perishability of services refers to the fact that services cannot be shared, stored, resold, returned or identified. Services are produced and used simultaneously if not so, it perishes. For instance, an unused bed space in a hotel on a particular day, is lost forever.

**iv) Heterogeneity**

No two services even if from the same service provider are completely the same. If a lecturer gives a lecture on the same topic at different times, the lectures can never be exactly the same. Therefore, there is quality variation.

### 3.2 Challenges of Services Marketing

The challenges of services marketing stem from the peculiarities of services with respect to its characteristics. We shall hence reproduce partially, the opinion of Nwokah (2008).

#### i) **Intangibility**

This characteristics poses the following challenges:

- a) Lack of inventory
- b) Fluctuation in demand
- c) Lack of legal patent
- d) Difficulty in display and communications
- e) Difficulty of quality assessment

#### ii) **Heterogeneity/Variability**

The challenges inherent in this characteristics are as follows:

- a) Variations in quantity/quality in consistency.
- b) Quality control beyond the provider.
- c) Level of demand determines quality.

#### iii) **Inseparability**

Here, the marketer is faced with the following challenges:

- a) Customer is present at the point of production and may even take part in the production by offering advise. For instance, in a restaurant, a customer may demand that his dish be served in an enamel plate rather than a plastic plate for health reasons.
- b) Mass production is difficult.
- c) Quality is dependent on existing factors at the time of service.
- d) Service providers personality is tied to service quality assessment.

#### iv) **Perishability**

- a) Inability to store or return a service
- b) Demand for forecasting ability and creativity in capacity utilization on the part of service provider.

### 3.3 Service Marketing Strategy

The following strategy is recommended with regards to the marketing of services in order to achieve the marketing objectives of the firm.

**Product Strategy:** Every service product must have an accompanying tangible element in order to give flesh to it, thereby, making it more visible. Automation, flexibility and warranty are recommended.

**Pricing Strategy:** Service prices must be flexible enough to accommodate changing conditions. The service marketing manager must not be too rigid with pricing. For instance, a hotel manager must be able to adjust his price to accommodate a guest who wants to check-in towards the end of the day. This will take care of the perishability of the service.

**Promotion Strategy:** In crafting promotional messages, vivid audio-visual items should be made use of, in order to make the required impact on the minds of present and potential customers given the tangibility of services. Personal selling and sales promotion are key, too.

**Place Strategy:** Such things as Compact Disks, Video and Audio cassettes should be used to store services and transfer from one place to another. Adequate training is required for management and employees in terms of physical appearance and responsiveness to customers.

### 3.4 Types of Services

Services as we have earlier said can be classified as primary or secondary services. These have been explained earlier. However, primary services can be categorized according to professional areas or level of professionalization. Services can therefore be unskilled, semi-skilled or skilled service. This is based on the level of expertise or qualifying training required of the service provider.

Services can equally be classified based on the special sector or industry where the service is produced and consumed. We therefore have such things as:

- a) Banking services/financial services
- b) Insurance services
- c) Consulting services
- d) Agricultural extension services
- e) Educational services
- f) Health and allied services

For the purpose of this study, our focus is on financial services marketing and this will form the focus of our next unit (unit 3).

#### **4.0 CONCLUSION**

Services are intangible products as different from goods. They are therefore peculiar. Due to the peculiarity of services, different marketing strategies are therefore needed to drive their success in the market.

#### **5.0 SUMMARY**

A service is divided into primary and secondary levels. Marketing is different from goods marketing due to the following attributes it possesses namely.

The characteristics of services are as follows:

- i) Intangibility
- ii) Inseparability
- i) Perishability
- ii) Heterogeneity and Variability
- iii) Lack of Ownership.

#### **6.0 TUTOR MARKED ASSIGNMENT**

Identify and explain the different broad categories of service marketing strategies you know.

#### **7.0 REFERENCES/FURTHER READINGS**

Nwokah, N. Gladson (2008), “General Overview of Services Marketing,” in

Anyanwu, A and Nwokah, N.G. (edited) Contemporary Book on Services Marketing Owerri: Avan Global Publications.

## **UNIT 3      OVERVIEW OF FINANCIAL SERVICES**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Overview of Financial Service
  - 3.1 Concept of Financial Service
  - 3.2 Peculiarities of Financial Service
  - 3.3 Financial Service Products/ providers
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Readings

### **1.0 INTRODUCTION**

This unit will fully explore issues bothering on the marketing of financial services. Efforts will be concentrated along the lines of concept of financial service, characteristics of financial service, financial service products as well as strategies in the marketing of financial services.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define financial services
- identify and explain the characteristics of financial services.
- outline financial service products
- discuss the strategies for marketing of financial services.

### **3.0 MAIN CONTENT**

#### **3.1 Concept of Financial Services**

In our two previous units (1 & 2) efforts were made to explore the concept of marketing and services respectively. Presently, our efforts will be focused on financial service concept.

Finance generally involves the activity of sourcing and application of funds or money in order to create more wealth. Okpara (2002) as captured by Nnamdi and Nwakanma (2011) opined that finance is any activity or body of knowledge concerned with the utilization of available monetary resources to add value to existing wealth. Finance is therefore

focused on wealth creation. They went further to capture the opinion of Kotler (2006) on service being any form of human activity or benefit that is intangible in nature usually offered by one party to another but does not necessarily result in the transfer of ownership of title or any other thing.

In furtherance of their discussion on financial services, Nnamdi and Nwakanma (2011) defined financial services as those services essentially delivered through the administration of designed financial products with the ultimate improvements in the financial positions of the clients (customers) as well as the financial service providers (institutions and persons) without necessarily resulting in the transfer of titles or ownership of anything to either party.

### **3.2 Peculiarities of Financial Services**

By peculiarities we are referring to the characteristics of financial service. In unit 2, we had identified the basic characteristics of services. All of them are applicable to financial services and are captured by Nnamdi and Nwakanma (2011) thus, intangibility of financial service, variability in quality of service, common valuation of inputs and outputs in financial service, service and product inseparability and implied financial responsibility. In all these, only two were not addressed in unit 2, we shall therefore proceed to capture the opinion of the two authors on them.

#### **i) Common Valuation of Input and Output**

Nnamdi and Nwakanma (2011) opined that, in the financial services, industry, the inputs and outputs are all expressed in common monetary unit, Naira unlike in the goods industry or market. This gives rise to the concept of presumption. In physical products, what goes in as raw materials is different from what comes out as finished product.

#### **ii) Implied Financial Responsibility**

Nnamdi and Nwakanma (2011) is of the view that a financial relationship is implied in the financial services industry as trust appears to be the core element. They opined that customers' patronage of a financial service firm and its products implies that they have equally purchased the trust and guarantee of that firm that their fund will be safe and returned on demand.

### 3.3 Financial Service Products/Providers

The service product in the financial industry is divided according to the financial sub sectors or service providers. The sub sectors include the banking sector, insurance, consulting, stock brokerage, leasing, discount and refinance, hire purchasing, factory services, off-shore financing, credit-card service, trust services, pension fund (Nnamdi and Nwakanma, 2011). We shall proceed to explain them.

#### i) Banking Sector/Services

Banking is the function or process of mediating funds between the surplus sector of an economy and the deficit sector. The process ensures that funds which are built up in the surplus sector are made available for investment and production at the deficit sector. The major institution which carries out this banking function is called a bank. A bank is a licensing institution which accepts deposits from individuals, organizations etc. and provides them various financial services (Sanni, Momodu, Ngerebo, Olagungu and Ogunbiyi, 2008:35). They went further to define banking as “the business of accepting funds for purpose of lending or investment of deposits of money from the public-repayable on demand or otherwise-and withdrawable by others for expenditure.” The following are some of the banking products.

- (a) Current account deposits
- (b) Savings account deposits
- (c) Fixed account deposits
- (d) Loans services
- (e) Over draft services
- (f) Forex deposits
- (g) Kiddies special accounts
- (h) Investment certificate
- (i) Call deposits
- (j) Certificates
- (k) Contingency liability products
- (l) Service related products
- (m) Instant banking
- (n) Online banking
- (o) Diaspora banking
- (p) Consumer and commercial loans
- (q) Money transfer
- (r) Pay gate
- (s) Mobile money
- (t) POS
- (u) Bank cards
- (v) Automated Teller Machines

(w) Merchant Applications

All these services have sub products attached to them.

**ii) Insurance/Insurance Services**

Aneke (2004) as captured by Nnamdi and Nwakanma (2011) defined insurance business as that facility through which those relatively few and unfortunate victims of some losses can gain compensation through the pooled contributions of many who are exposed to the same risk.

These are insurance products to cover every aspect of life namely:

- a) Life Insurance/Assurance
- b) Motor Vehicle Insurance
- c) Education Insurance Service
- a) Health Insurance Services
- b) Unemployment Insurance Service
- c) Fire Insurance
- d) Theft/Burglary Insurance
- e) Goods-in-Transit Insurance
- f) Liability Insurance

Like the banking services, there are equally other sub products attached to these.

**iii) Leasing/Leasing Services**

Ogbuji (2011:167) considers leasing as the most commonly used option in industrial marketing. It refers to acquiring and equipment on the periodic payment of an agreed sum known as rent or royalty. Leasing is normally used in the temporary acquisition of heavy equipments or installations.

Ekeke (2009) as contained in Ogbuji (2011) identified two major types of lease service to be:

- (i) Maintenance lease
- (ii) Net lease

Other lease services include

- (iii) operating lease
- (iv) sale and lease back
- (v) direct lease
- (vi) leverage/lease buy out

(vii) hire purchase

In the words of Ogbuji (2011), hire purchase is an arrangement whereby an agricultural marketer is allowed to finance the purchase of an equipment, material or facility by paying for the total cost of the item purchased in a given number of installments, normally three (3).

The process is such that at the point of acquisition of the item, the hiree is expected to pay the first installment and an agreement will be reached between the parties (hiree and hirer) as to when the other subsequent installments will be paid. However, until the full payment of the purchase sum, ownership is not transferred and the agreement may be revoked for failure to pay at the stipulated date. This service can be in either of the following two options.

- a) Cash installment credit
- b) Commodity installment credit

**iv) Consultancy/Investments/Business Advisory Services**

This is one critical area in the financial services industry that determines to a large extent, the success and failure of business ventures. Without including words, information is the key to effective business decisions and the business advisory services provides the needed information for this.

Nnamdi and Nwakanma (2011) identified the following consulting/investment service.

- i) Periodic transaction
- ii) Purchase and sale of securities
- iii) Investment management services
- iv) Investment advisory services
- v) Business combinations (mergers & acquisitions)
- vi) Business restructuring
- vii) Safe custody of items
- viii) Security underwriting

**v) Stock Brokerage Services**

A stock broker is a regulated professional individual, usually associated with a brokerage firm or broker dealer, who buys and sells stocks and other securities for both retail and institutional clients through a stock exchange or over the counter in return for a fee or commission (www.google.com). Identifiable services rendered by a stock brokerage firm include:

- i) Security purchase/sale order arrangement
- ii) Security underwriting
- iii) Margin loans for share purchases
- iv) Currently and commodity trading advices
- v) Investment/portfolio management etc.

### **SELF-ASSESSMENT EXERCISE**

Identify and explain two types of Leasing Credits you know.

## **4.0 CONCLUSION**

Financial services are services rendered by financial institutions such as banks, insurance companies, brokerage firms, lease companies, Hire purchase firms etc.

## **5.0 SUMMARY**

The financial services sector is a very critical sector of every economy, hence its marketing efforts must not be taken for granted. This unit succeeded in explaining the meaning, characteristics, products and producers of financial services.

## **6.0 TUTOR MARKED ASSIGNMENT**

Identify and explain five financial service providers.

## **7.0 REFERENCES/FURTHER READINGS**

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## **UNIT 4 SERVICE AND CUSTOMER ORIENTATION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Nature and scope of Service Customer Orientation
  - 3.2 The Meaning of Customer Orientation
  - 3.3 Requirements for Service Customer Orientation
  - 3.4 Other Orientations adopted by Firms
  - 3.5 Steps towards Service Customer Orientation
  - 3.6 How Customer oriented is your Firm
  - 3.7 How to Measure the Success of a Customer-centric Firm
  - 3.8 Benefits of Customer Orientation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Readings

### **1.0 INTRODUCTION**

This unit discusses customer orientation as applied to the service sector and more specifically, the financial sector. The meaning approaches and benefits of customer orientation are examined.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define service customer orientation
- state other orientations service firms adopt.
- identify the steps towards customer orientation
- state the benefits of customer orientation.

### **3.0 MAIN CONTENT**

#### **3.1 Nature and scope of Service Customer Orientation**

#### **3.2 The Meaning of Customer Orientation**

Customer orientation has its root on the marketing concept, which according to Kotler and Keller (2007) holds that the key to achieving organizational goals consists of the company being more effective than competitors in creating, developing and communicating superior

customer value to its chosen target markets. Unlike other orientations (production, product, sales) that firms practiced before mid-1950s when the marketing concept emerged, the marketing concept lays emphasis on the centrality of the customer in the overall activities of an organization.

As an offspring of the marketing concept, customer orientation stresses the need for all functions in an organization to work together to respond to, serve and satisfy the customer. Organizations that are customer oriented value customer satisfaction far and above organizational profit. This is because such best practice organizations understand the power and benefits of customer satisfaction especially, the word-of-mouth promotion which is capable of increasing the patronage level of a firm astronomically.

Several definitions have been offered for customer orientation, some of which include:

- Customer orientation is collecting customer information and using this information in business units (Kohi & Jawoski, 1990).
- Customer orientation is the act of collecting information from customers and using it to develop a strategy to meet the needs of the customers (Ruekert, 1992).
- Customer orientation is the set of beliefs that puts the client's interest at the top of the organization's stakeholders, including owners of the organization, managers and employees to make the company profitable (Deshparde, 1993).
- Day (1994) defines customer orientation as a concept which transforms marketing into a potent competitive weapon, shifting organizational values, beliefs, assumptions, and premises towards a two-way relationship between customers and the firm.
- Narver and Slater (1990) see customer orientation as the sufficient understanding of one's target buyers to be able to create superior value for them continuously.
- Customer oriented culture suggests that a firm concentrates on providing products and services that meet customer needs (Dean and Bowen, 1994).
- Niles-Jolly (2006) argue that customer orientation requires a continuous positive disposition towards meeting customers' exigencies and therefore a high degree of concern for these customers.
- While Schneider and Bowen (1993) suggest that customer-oriented culture is nurtured through regular supply of customer information about their needs so as to be able to design and deliver good products.

Therefore, service customer orientation is that organizational philosophy which recognizes the customer as the focal-point of any organizational decision or activity, and this seeks to continually keep the customer satisfied at every stage of the service delivery process.

### **3.3 Requirements for Service Customer Orientation**

The Financial Service Institution Manual (2017) noted that leading institutions are implementing customer-centric strategies by focusing on three critical elements:

- Breaking down organizational silos and structuring incentives to promote a customer culture.
- Understanding customer needs behavioural drivers and profitability.
- Delivering a high-quality customer experience.

Each of these elements requires sound customer analysis and an approach to process improvement that focuses on the customer.

In addition, Neda (2014) suggested that firms that are willing to practice true customer orientation should:

- Create a customer orientation culture.
- Facilitate access to company
- Create commitment and working conscience in staff towards the customer.
- Create a certain hierarchy of customers and values for employees.
- Show that employee behavior can affect the customer.
- Consistently show findings on customer satisfaction.
- Organize periodic training programmes for all staff.
- Encourage organization's channel members to think customer first.
- Again, Maush, Sparrow and Hird (2010) identified six building blocks of customer centricity to include:
  - Mass customization
  - Consumer involvement in the design process
  - Structuring around the customer and not the product.
  - Empowerment of front line staff.
  - Democratization of customer relationship.
  - Capacity to filter data set.

### 3.4 Other Orientations Adopted by Firms

Apart from the customer orientation, service providers and manufacturing firms equally practice other forms of philosophies and orientations in their dealings with their customers. As earlier noted, prior to the advent of the marketing concept, firms adopted the production, product and sales concepts or orientations. Each of these had their focus on quantity, quality and sales volume respectively. Today, most service outfits have interests in other issues other than the customer in their activities. For instance, Kotler and Keller (2007) noted that some firms are competition oriented; trying to follow the dictates of competitive pressure and paying little or no attention to the actual needs and requirements of the customers. Also, some firms are technology-oriented, size-oriented, etc. Comparing the activities of firms that are competition oriented and the ones that are customer oriented, Kotler and Keller (2007) have these to explain:

#### **Competitor-centered companies**

A competitor-centered company sets its course as follows:

##### **Situation**

- Competitor W is going all out to crush us in Miami.
- Competitor X is improving its distribution coverage in Houston and hurting our sales.
- Competitor Y has cut its price in Denver, and we lost three share points.
- Competitor Z has introduced a new service feature in New Orleans, and we are losing sales.

##### **Reactions**

- We will withdraw from the Miami market because we cannot afford to fight this battle.
- We will increase our advertising expenditure in Houston.
- We will meet Competitor Y's price cut in Denver.
- We will increase our sales promotion budget in New Orleans.

This kind of planning has some pluses and minuses. On the positive side, the company develops a fighter orientation. It trains its marketers to be on constant alert, to watch for weaknesses in its Competitor's and its own position. On the negative side, the company is too reactive. Rather than formulating and executing a consistent, customer oriented strategy, it determines its moves based on its Competitor's moves. It

does not move towards its own goals. It does not know where it will end up, because it so much depends on what its Competitors do.

### **Customer-centered companies**

A customer-centered company focuses more on customer developments in formulating its strategies.

#### **Situation**

- The total market is growing at 4 percent annually.
- The quality sensitive segment is growing at 8 percent annually.
- The deal-prone customer segment is also growing fast, but these customers do not stay with any supplier very long.
- A growing number of customers have expressed interest in a 24-hour hot line, which no one in the industry offers.

#### **Reactions**

- We will focus more effort on reaching and satisfying the quality segment of the market.
- We will buy better components, improve quality control, and shift our advertising theme to quality.
- We will avoid cutting prices and making deals because we do not want the kind of customer that buys this way.
- We will install a 24-hour hot line if it looks promising.

Clearly, the Customer-Centered Company is in a better position to identify opportunities and set a course that promises to deliver long-run profits. By monitoring customer needs, it can decide which customer groups and emerging needs are the most important to serve, given its resources and objectives.

In the same way, Galbraite (2005) compared product-centric strategy with the customer-centric strategy thus:

**Product-Centric vs. Customer-Centric** (Jay R. Galbraith, Designing the Customer-Centric Organization A guide to strategy, structure, and process, 2005)

		Products-Centric Company	Customer-Centric Company
Strategy	Goal	Goal Best product for customer	Best solution for customer
	Main offering	New products	Personalized packages of products, service, support, education, consulting Customizing for best total solution
	Value creation route	Cutting-edge products, useful features, new applications	
	Most important customer	Most advanced customer	Most profitable, loyal customer
	Priority setting basis	Portfolio of products	Portfolio of customers – customer profitability
	Pricing	Price to market	Price for value, risk
Structure	Organizational concept	Product profit centers, product reviews, product teams	Customer segments, customer teams, customer P&Ls
Processes	Most important process	New product development	Customer relationship management and solutions development
Rewards	Measures	<ul style="list-style-type: none"> <li>•Number of new products</li> <li>•Percent of revenue from products less than two years old</li> <li>•Market share</li> </ul>	<ul style="list-style-type: none"> <li>•Customer share of most valuable customers</li> <li>•Customer satisfaction</li> <li>•Lifetime value of a customer</li> <li>•Customer retention</li> </ul>
People	Approach to personnel	Power to people who develop products •Highest reward is working on next most challenging product •Manage creative people through challenges with a deadline	Power to people with in-depth knowledge of customer's business • Highest rewards to relationship managers who save the customer's business
	Mental process	Divergent thinking: How many possible uses of this product?	Convergent thinking: What combination of products is best for this customer?
	Sales Bias Culture	On the side of the seller in a transaction New product culture: open to new ideas, experimentation	On the side of the buyer in a transaction Relationship management culture: searching for more customer needs to satisfy

Source: This table is a composite of points describing product- and customer-centric companies taken from Peppers and Rogers (1992, 1997, 2001), Treacy and Wiersema (1995), Seybold (1998, 2001)

### 3.5 Steps towards Service Customer Orientation

To help organizations attain customer orientation, the following steps are required (Bhasin, 2016):

1. **Create a customer value proposition (CVP):** Decide at board level the sum total of benefits which you as a vendor promise to deliver to your customer, in return for the customer's loyalty.
2. **Recruit customer-friendly people:** Hire for attitude, train for skills is the mantra here. Empathy, good communication and problem solving abilities are the qualities to look for.
3. **Treat your employees well:** How your employees feel at work has a much bigger impact on how they deal with customers than any training will.

4. **Train your team:** Frontline as well as back-office staff must gain a full understanding of the customer, product and industry they support. Coaching must also focus on the soft skills; communication and teamwork.
5. **Walk the talk:** Leaders must fully embrace the customer service orientation process and take to the frontline from time to time. Companies that value a culture of servant leadership will excel in this area.
6. **Implement a CORE program:** CORE is an acronym for: Customer Orientation, Referencing & Engagement. In this program cross-functional teams focus on the needs and behaviors of customers as well as internal procedures. An orientation is built around customer needs and the customer profile forms a reference point for the business.
7. **Listen to the Voice of the Customer (VOC):** An honest appraisal of how you are doing in the eyes of your customer is critical. This can be achieved by conducting a formal customer satisfaction survey or by gathering and recording customer comments.
8. **Define your standards:** By analyzing feedback obtained via your VOC program you will be able to fine tune your service levels according to customer needs and expectations. Create a Balanced Scorecard to measure your performance and rectify any shortcomings.
9. **Empower your staff:** Make sure your team has the authority to resolve most customer complaints without further escalation to a supervisor.
10. **Co-ordinate functions:** Avoid silo mentality by encouraging different departments and functions to work closely together.

Also, Jaideep (2017) identified the following actions:

1. Define the target market carefully and collect relevant information.
2. Find out customers' needs and wants.
3. Produce products as per their expectations.
4. Ensure fair deal with customers and ensure commitment toward them.
5. Establish and maintain long-term relations with consumers.
6. Provide them correct information when demanded.
7. Safeguard their long-term interest/welfare.
8. Treat them as business partners.
9. Take care of consumers' suggestions and tackle their complaints.
10. Find out the best way to entertain them, and meet their expectations.

Financial service marketers are therefore encouraged to carefully develop customer-oriented practices by adopting or adapting the steps identified for improved customer involvement and satisfaction.

### **3.6 How Customer-Oriented is Your Firm?**

The questions below will help firms to assess their level of customer orientation:

1. Does your management team meet with customers at least once a month? (even when there isn't a problem)
2. Does customer service appear at least once a month on the top team's agenda?
3. Does the management team give equal weighting to customer data as they do to financial data?
4. Do you have a formal customer satisfaction measurement programme?
5. Does the customer satisfaction measurement programme involve regular, monthly feedback from customers?
6. Are the customer feedback and employee feedback programmes aligned?
7. Are your organisation's values based on customer and employee feedback?
8. Have behaviour codes and competencies been developed based on values?
9. Do individuals receive 360 degree feedback on how well their behaviours are aligned to the brand?
10. Do all employees have a good understanding of how their job provides added value to the customer?
11. Do individuals receive encouragement from their manager to 'live the brand'?
12. Do all employees have a good understanding of what are the current customer concerns?
13. Are service providers involved in service improvement planning and implementation?
14. Do all employees have a good understanding of what is being done to remove customers' concerns?
15. Do employees sometime act as customers, to experience for themselves what it is like to be a customer of theirs?
16. Are training interventions in place to increase customer awareness and align people's behaviour to the brand?
17. Are employees selected for their customer orientation?
18. Are employees rewarded upon customer feedback and service orientation? (This can be non-materialistic recognition as well as financial)?

19. Is the balanced score card used to measure customer orientation and performance?
20. Is there a clear link between customer satisfaction, employee satisfaction and profitability?

### **3.7 How to Measure the Success of a Customer Centric Company**

Not every organization will have the same customer metrics to measure customer centricity. However, the two most important customer centric metrics that should be carefully monitored are churn rate and customer lifetime value (Steven, 2017).

- **Churn rate**

Acquiring new customers is getting more difficult. Therefore, more companies are investing in keeping existing customers instead of trying to find new ones:

- Acquiring new customers can cost up to 5x more than keeping existing customers
- A 2% increase in customer retention has the same effect on profits as cutting costs by 10%
- On average, companies lose approximately 10% of its customer base each year

Companies with a high retention rate grow faster. The key to success is to understand why people leave, and why people remain customers.

To calculate the churn rate, measure the number of customers who left in the last 12 months divided by the average number of total customers (during the same period).

- **Customer lifetime value (CLV)**

For a customer-centric business, the most valuable asset is the customer. The profits generated during the retention phase are often known as customer lifetime value or CLV. Customer Lifetime Value (CLV) measures the profit your organization makes from any given customer.

To calculate CLV, take the revenue you earn from a customer, subtract the money spent on serving them and adjust all of the payments for time value of money. Another way to calculate it is to take average order value and repeat purchase rates. For example, if your average order value is ₦100 and the repeat purchase rate per customer is 20% your estimated CLV is ₦120.

Calculating the customer lifetime value helps you understand why it makes sense to invest in keeping your customers. It's a great way to get an understanding of your customer portfolio and to segment your customer.

### **3.8 Benefits of Customer Orientation**

Consumer orientation is not a marketing philosophy only, but it is a dominant business philosophy and it deserves many practical implications for better managing. Company can achieve its goals effectively by practicing consumer orientation philosophy. Consumer orientation leads to consumer satisfaction (Jaideep, 2017). Consumer satisfaction offers several benefits to company.

The basic question is: Why is companies interested to satisfy consumers?

**Company can have following benefits if it satisfies its consumers:**

1. Satisfied consumer buys more quantity of company's products.
2. Satisfied consumer buys the company's products more frequently.
3. Satisfied consumer talks favourably about the company and its products.
4. Satisfied consumer is not easily impressed or attracted by competitors.
5. Satisfied consumer tries and buys new products as and when the company introduces them.
6. Satisfied consumer extends necessary support during bad (adverse) time. He compromises with the company's offer and he continues buying the product even at a little loss.
7. Satisfied consumer remains loyal to the company, gives valuable suggestions, and protects company's interest in all possible ways.
8. Satisfied consumer extends all possible support to the company to carry out its operations effectively.

### **SELF-ASSESSMENT EXERCISE**

Apart from customer orientation, what other orientations do present service firms practice and which one of them all do you consider most appropriate?

### **4.0 CONCLUSION**

To continually satisfy the service customers and to retain them, service providers must structure there operations to be truly customer-centric.

## 5.0 SUMMARY

Service firms practice different orientations in their dealings with the customers. Technology, production, product, sales, and competitor orientations are common in addition to customer orientation. It is a consensus amongst scholars that the customer orientation remains the most acceptable.

## 6.0 TUTOR-MARKED ASSIGNMENT

Identify the steps towards customer-centric orientation

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## MODULE 2

Unit 1	Retail and Wholesale Banking
Unit 2	The Nature and Scope of Consumer Behaviour/Decision Making Process
Unit 3	Segmentation, Targeting and Portioning (STP)
Unit 4	Financial Service Development and Management
Unit 5	Marketing Channels and the Effect of Technology

### UNIT 1 RETAIL AND WHOLESALE BANKING

#### CONTENTS

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Retail and Wholesale Banking
3.2	Retail Banking
3.3	Wholesale Banking
3.4	Electronic Banking
3.5	Channels and Types of E-banking
3.6	Challenges and Risk Associated with E-banking
3.7	Merits and Demerits of E-banking
3.8	Nigerian Banking Sector and e-products
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	Reference/Further Readings

#### 1.0 INTRODUCTION

The retail function in the channel of distribution is aptly described as business activities that involve the direct sale of goods and services to the ultimate consumer for personal, household or non-business use. They are transactions which concern the direct delivery of banking services to bank consumers for personal, household or non-business use. It is this category of services that we refer to as retail banking services.

On the other hand, in the traditional channel of distribution, the wholesaling function involves all the transactions in which the purchase intention is mainly for resale, production purposes or other business operations. In the banking industry as well, there are services rendered to the banking public which are for business purposes. These activities are what we refer to as wholesale banking.

## 2.0 OBJECTIVES

At the end of this unit, you will be able to:

- explain the concept and application of retail transactions in the banking industry.
- describe the concept and application of wholesale transactions in the banking industry.
- define e-banking and explain its application in the banking industry, etc.

## 3.0 MAIN CONTENT

### 3.1 RETAIL AND WHOLESALE BANKING

#### 3.2 Retail Banking

Retail banking covers a wide range of basic services offered by the banking industry to consumers for personal and/or household consumption. These services are hereby discussed below:

- Individual Savings Account:** This is mainly deposit accounts which attract interest at fixed rates with stipulated conditions that apply. Funds can be withdrawn from this account at any time without notice. It is suitable and mainly used by small depositors to save money for the proverbial 'rainy day.' In the face of stiff competition in Nigeria, banks now offer incentives to their customers to enable them save their money for longer periods of time. The traditional practice started with the use of passbooks where credit and debit transactions were recorded simultaneously. Today, the system has been improved to the point where we now have savings account withdrawal booklet, slips and savings account deposit slip differently. A different and unique variant is what is described in the banking sector as the **Hybrids Savings Account**. This account is characterized by the flexibility of a current account, third party withdrawals, cheque book, etc.
- Individual Current Account:** This is basically a payment account usually for the operation of cheque payments. Commission on Turnover (COT) is usually charged for each withdrawal made. The practice in recent past was to charge an accumulated COT at the end of each month, but now some banks now charge per transaction (withdrawal).
- Deposit Account:** This is the main or the banks' original savings account. The deposit is usually for a fixed period of time attracting interest rates which is related to the banks' base rate.

Withdrawals can only be done on maturity of the specified period. But there is room for emergencies on the part of the customers, though not without conditions such as forfeiting of the interest due on the money.

- d. **Safe Custody and Safety Deposit:** This service allows customers to deposit their valuables other than money with the bank.
- e. **Personal Loans:** When the bank management are satisfied on the status of applicants, loan (s) could be packaged for qualified individual customers. This will afford them the opportunity to buy and consume some household equipment as well as solving some domestic problems or even starting or improving the status of an existing business. To qualify for consideration, the individual must be an operator of a current account.
- f. **Executor and Trustee Business:** Banks through relevant departments such as the legal department do help individual customers to draw up a **will** as well as acting as trustees for the execution of such will.
- g. **Probate Advances:** This is a unique service performed after the death of a bank customer. They are loans offered to administrators or executors of the estate of the deceased person to assist them in meeting any expenses out of the estate before probate. Such critical expenses will naturally include burial expenses. Payment is attached to the estate of the deceased.
- h. **Investment Management:** Banks do manage investible funds on behalf of their customers. This type of service is usually rendered by investment banks or investment subsidiaries of banks.
- i. **Passport Services:** A bank can manage the process and obtain international passport for their customers.
- j. **Letter of Introduction:** Banks do write letters for their customers, to its agents abroad introducing their customers who may be traveling abroad.
- k. **Home Banking Services:** This is more prominent in advanced countries where a channel of communication for changing standing orders, ordering cheque books, as well as information regarding other banking services are established via computers and other Information Communication Technology (ICT) facilities. The Nigerian banking system is beginning to introduce this service gradually.

### 3.3 Wholesale Banking

These are bank services which are offered to business customers. Examples include:

- i) **Loans:** Businesses do secure loans to purchase equipment, buildings, machinery which constitutes capital goods or investment goods. This function helps banks to act as catalysts for capital formation and engine for economic development through their role in the savings-investment process.
- ii) **Discounting of Bill:** In the process of discounting bills, banks act as discount houses. The process involves the purchase of bill at a price below its face value.
- iii) **Agricultural Loans:** In Nigeria, it is difficult for farmers to get access to bank loans. But through the instrumentality of the Agricultural Credit Guarantee Scheme Fund Act (ACGSFA) of 1977, the Central Bank of Nigeria (CBN) guarantees banks in respect of loans offered to farmers.

Other notable services offered to the business world by the banks are as follows:

- Bills for collection
- Bills for negotiation
- Documentary credit
- Finance lease arrangement
- Intelligent reports
- Merchant banking facilities, equity financing and issuing house business etc.
- Guarantees and indemnities
- Performance bonds
- Status enquiries etc.

### 3.4 Electronic Banking (e-Banking)

The deployment of Information Communication Technology (ICT) infrastructure in the Nigerian banking system has led to enhancing banking effectiveness by becoming an indispensable utility that is supporting and driving banking service delivery processes. Among other things, it has promoted the delivery of mass customized services, and the performance of banking transactions through on-line real time basis.

Simply put, e-banking is the conduct of banking transactions electronically through the instrumentality of interconnected networks made possible by the World Wide Web. Its employment has reduced paper based processes in the banking industry and promotes quality service delivery.

### **3.5 Channels and Types of E-Banking**

There are three basic types of e-banking processes. They are:

Internet banking  
Smart card banking  
Mobile/telephone banking

#### **Internet banking**

Bankers make use of the internet – the global web of interconnectivity of computer networks to obtain and discharge customer's instructions. How does this e-banking channel help the retailing or direct marketing activities in the marketplace? The answer is very simple. With internet facilities at the disposal of the bank customer, when an on-line retailer is identified with an appropriate product desire by the consumers and the price is acceptable, the customer involved instructs his bank via the internet to effect payment on his behalf (a special and secure platform is provided for this service). On receiving payment, the vendor or on-line retailer arranges shipment and the goods are delivered at his doorstep without the consumer stepping out of his house, and shopping there from becomes so easy and pleasurable.

#### **Smartcard banking**

Here, the bankers deploy electronic cards, such as master card, visa card, value card, verve card, etc. The cards are electronic devices embedded with chips and PIN codes to enhance electronically based transactions. With these cards, bank customers do have access to their cash at ATM and Point of Sale (POS) terminals where purchases are made.

#### **Mobile/telephone banking**

This service is akin to telephone marketing. This electronic banking channel aids the conduct of banking activities via the mobile or table phones. How does it work? Here, the instructions are passed via voice or Short Message Sending (SMS) to the computer which then decrypts the message and executes the instructions through a highly coded device and response is given back to the customer electronically.

### **3.6 Challenges and Risks Associated with E-Banking**

The conspiracy of two factors: people being more crime predisposed, and the imperfection of man-made system has exposed e-banking to various risks. We now distill the views of Collin (1997), cited by Okeke (2007:11-12) as follows:

- a. **Password/Pin Theft:** A criminal minded fellow on having access to a bank customer's password and/or PIN code can use same to conduct unauthorized transaction in the account. Many of such cases are daily occurrences in the Nigerian Financial System. This is one of the reasons, the Central Bank of Nigeria (CBN) directed banks to discontinue with off-site location of ATMs in Nigeria. Customers are usually warned to safeguard their pin numbers.
- b. **System Hackers:** These are more specialized fraudulent activities perpetuated electronically. System Hackers are software experts who specialize in getting access into the database of a bank and performing unauthorized transactions in the account. Some stakeholders are of the view that there is an internal collusion of bank employees with criminals to perpetuate cyber-crime using valuable banking information.
- c. **System Down Time:** An electronic system stops functioning when the main server of the software application of the bank goes out of air. This explains why sometimes in the banking hall, no one will be offered any service or attended to due to system failure. Customers whose financial needs could be described as urgent could be disappointed. And the waiting time will continue until the system is restored.
- d. **Virus Attack:** This is common knowledge that internet based systems are susceptible to virus attack. The bank's electronic systems are no exception here. The system as well as information in the database could be attacked by virus leading to loss of vital banking information.
- e. **Physical Damage:** Every device is prone to damage associated with careless handling or workplace accident. So, any physical component housing any banking software supporting any e-banking programme could be damaged, thereby giving rise to a malfunctioning of the system.

### 3.7 Merits and Demerits of e-banking in Nigeria

The introduction of electronic banking services into the Nigerian banking system has led to retail banking effectiveness. Some identifiable merits are as follows:

- e-banking has reduced the service delivery time in the banking industry. Today, essential information required for transactions processes faster when compared with the manual system of banking operations.
- E-banking services are more convenient for the bank customers. With online real time framework, bank customers can now enjoy services anywhere and anytime.

- The deployment of electronic platforms does expand the capacity utilization of banks. Many customers can be attended to within short period of time.
- It can be argued that e-banking has given rise to a more secured financial world. Today, e-banking has reduced the amount of cash based transactions with the introduction of e-payment services.
- The target audience of banks has also increased with new product development that caters for the global consumer.

### **Demerits**

- Huge sums of money are lost on continuous bases by bank customers in Nigeria and all over the world through fraudulent activities of criminals.
- Illiterate customers are not enjoying the services of e-banking due to its operational complexities.
- The capital outlay required to deploy the infrastructural facilities required for e-banking has denied rural dwellers in Nigeria from availing themselves of the opportunities inherent in e-banking.

### **3.8 Nigerian Banking Sector and e-Products**

The Nigerian banking industry is dominated by several products for the ultimate consumer and business customers. As shown above, retail products include individual savings account, individual current account, deposit account, etc. Wholesale products include commercial loans, discounting of bills, agricultural loans etc. They are so designed to cater for all customer segments found in the marketplace. With the introduction of e-banking, the banking industry is being influenced to respond with electronic payment products (e-payment products). The main objective of the e-payment product is to minimize the physical presence of customers at the banking halls. Our research shows that giant strides have been achieved by bankers by being very innovative in designing unique e-payment products to the delight of their target audience. More so, products are also designed to respond to the needs of today's global consumer.

According to Obikile (2010), the head, payments and collections, First Bank of Nigeria Plc, the bank prides itself as providing the most innovative e-products in the banking industry. In the Nigerian banking industry, she identified the products, and how they work are as follows:

**E-products (First Bank of Nigeria Plc)****First pay**

Is our electronic payment solution that is available to both customers and non-customers of the bank for efficiency schedule/spontaneous payment to third parties, such as staff salaries, payment of vendors, suppliers, agent and service providers, from the comfort of their offices. First pay is a secure web based application that effects seamless crediting of specified beneficiary accounts at various banks. No schedules, cheque-books or follow-ups are required. All that the user requires is an internet access. First pay facilities electronics receipt of payments via automated Direct Debits into the accounts of debtors/agents of a company following execution of required mandates. This has been of immense benefit to our corporate customers in the manufacturing, financial services, energy telecoms and trading concerns.

**First collect**

Is the electronic customized collection platforms that allows corporate customers receive payment for goods and services nationwide while they monitor payment from the comfort of their offices or homes.

**First online**

Is First Bank's 24/7 internet banking service that gives customers unlimited access to account information and facilities 3<sup>rd</sup> party transfers instruction while providing an interface for communication between account holders and bank.

**First mobile**

Is the banks mobile banking application that delivers banking services such as – funds transfer, bill payment, airtime top up, balance enquiry and min statement through customer's mobile phone.

**Electronic cards & channels**

First Bank issue wide variety of international/domestic debit, credit and post cards on visa, master card and interswitch platforms, enabling our customers effect e-payments on mobile web (online) point of sale (POS) and ATM channels, where bills payment funds transfer and GSM airtime reading can also be carried out.

**First eduportal**

Provides educational institutions with a customized internet schools portal that facilitates e-payment of school fees, while automating typical college administrative process like admission, course registration examination and result transcript, alumni etc. First Eduportal allows schools to focus on core academic activities by providing automated support to the management school records.

**ZENITH BANK**

Some of the e-products offered by the bank are as follows:

Internet Banking  
Zenith Internet Banking  
Bills Payment  
Cheque book request  
Secure funds transfer  
Trade finance status (form M,LC)  
Consolidated account activity report.

**Zenith Mobile***Features*

*Local money transfer*  
*Transfer funds from bank*  
*Transfer funds to any bank*  
*Transfer funds from card*  
*Bill payments (Dolv, MTN etc)*  
*Balance enquiry*  
*Mini statements*  
*Mobile top-up*  
*Collections.*

**Zenith Wesurf**

*Limits online risk*  
*Online viewing*  
*No collateral*  
*No Interest*  
*Shop online*  
*Subscriptions*  
*Pay school fees.*

**SELF-ASSESSMENT EXERCISE**

What is the rationale for classifying banking services into retail and wholesale transactions?

**4.0 CONCLUSION**

Retail and wholesaling of banking are completely differentiated based on the end recipients of the services.

**5.0 SUMMARY**

This unit covered such critical areas as retail and wholesale banking, electronic banking, merits and demerits of e-banking, risk associated with e-banking etc.

**6.0 TUTOR MARKED ASSIGNMENT**

Identify three channels for e-banking in Nigeria

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## **UNIT 2 THE NATURE AND SCOPE OF CONSUMER BEHAVIOUR/DECISION MAKING PROCESS**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Nature and Scope of Consumer Behaviour/Decision Making Process
  - 3.2 Meaning of Consumer Behaviour
  - 3.3 Decision-Making Process
  - 3.4 Factors Influencing Consumer Buying Decision Process
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

This unit will take a look at the nature and scope of consumer behavior vis-à-vis the meaning, consumer decision-making process and factors influencing consumer decision-making process.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- state the meaning of consumer behaviour
- identify the stages in the consumer decision –making process
- state the factors influencing consumer buying decision process.

### **3.0 MAIN CONTENT**

#### **3.1 The Nature and Scope of Consumer Behaviour/Decision Making Process**

#### **3.2 The Meaning of Consumer Behaviour**

Consumer behaviour can be defined as the process and activities individuals, groups, or organizations engage in when securing, using and disposing of products, services, experiences, or ideas so as to satisfy their needs and desires.

Engel et al (1978) defined consumer behaviour as those acts of individuals directly involved in obtaining and using economic goods and services, including the decision processes that precede and determine these acts.

### **3.3 Decision-Making Process**

Consumer decision-making process comprises of five stages. The stages are as follows:

- Need recognition
- Information search
- Evaluation of alternatives
- Purchase decision
- Post-Purchase evaluation

#### **Need/Problem recognition**

Need/problem recognition is caused by a difference between the consumer's perfect state and actual state. For example, a hungry person recognizes the need for food.

#### **Information search**

After the need/problem has been identified, the consumer goes after relevant information that can aid him or her in solving the problem. Consumers can make personal decision based on previous experience of using a specific product or service. The consumer can also seek for information from friends, relatives, co-workers, newspapers, reports on TV etc.

#### **Evaluation of alternatives**

After acquiring relevant information about how to satisfy the unsatisfied need, the consumer compare the information using different criteria's such as price, quality, warranty, corporate reputation etc.

#### **Purchase behaviour**

Here the customer makes a select or choice after having carefully evaluated the available alternative using his choice criteria which may include, price, delivery terms, taste and preference, etc.

#### **Post purchase behaviour**

At this stage, the customer or consumer examines the effectiveness of the product or service vis-à-vis the unsatisfied need. There will be repeat

purchase, if he or she is satisfied with the efficacy of the product or service. However, if the consumer or customer experience cognitive dissonance (a feeling of psychological tension or post-purchase doubt that a consumer experiences after making a difficult purchase choice), he or she will stay away from such product or service unless his choice for the product or service is reinforced by the seller or producer.

### **3.4 Factors Influencing Consumer Decision Making Process**

A lot of factors can influence consumer behaviour in relation to the way he thinks, believes and decides on the alternative goods/service to purchase.

We shall be considering four factors, namely:

- Social group factors
- Psychological factors
- Mass media factors
- Situational factors

### **SELF ASSESSMENT EXERCISE**

Outline the factors influencing consumer decision making process

### **4.0 CONCLUSION**

One of the challenges faced by all marketers is how to influence the purchase behaviour of consumers in favor of the product or service they offer. In-depth knowledge of consumer behaviour will help marketers to overcome the challenges of influencing the purchase behaviour of consumers.

### **5.0 SUMMARY**

Since customers are the essence of any business; it is pivotal for every marketer to study the behaviour of their target customers and the factors that influences their purchase decision.

### **6.0 TUTOR MARKED ASSIGNMENT**

Identify and explain the stages of the decision-making process

### **REFERENCES/FURTHER READING**

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## **UNIT 3      SEGMENTATION,                  TARGETING                  AND PORTIONING (STP)**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Segmentation, Targeting and Positioning (STP).
  - 3.2 Market Segmentation
  - 3.3 Market Targeting
  - 3.4 Market Positioning
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

Segmentation, targeting, and positioning (STP) model is one of the most used models in contemporary marketing (Lynn, 2007). Many marketing scholars believe that the key to successful marketing is the proper application of the STP model. This strategic approach suggests that the mass market consists of some number of relatively homogenous groups each with distinct needs and desires. Given the above, it is pertinent for marketers to identify that market segment, direct marketing activities at those chosen segments which the marketer believes he or she can satisfy better than competitors, and position the product offering so as to appeal to the target segments.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define the concepts of segmentation, targeting and positioning
- explain segmentation, targeting and positioning
- identify the importance of segmentation, targeting and positioning in the marketing of financial services.

### 3.0 MAIN CONTENT

#### 3.1 Segmentation, Targeting and Positioning

#### 3.2 Market Segmentation

One of the most important strategic concepts contributed by the marketing discipline to business firm is the development of market segmentation strategy. Market segmentation, according to Myers (2000) is a process by which groups of buyers within a market is divided and profiled based on certain range of variables, which determine the market characteristics and tendencies. The rationale for segmentation is the fact that all actual or potential customers may not respond in a similar manner to various marketing mix programmes. Certainly, they have varying needs, taste, and preferences. It is therefore important to divide the mass market into distinct groups with members having similarly characteristics in each group. Marketing mix variables are then blended to suit each of these groups. Market segmentation can be done on the basis of the following:

**Demographic:** Here the market is categorized according to key demographic characteristics such as age, sex occupation, income level etc.

**Psychographics:** This variable refers to personality and emotions based on behavior. It is linked with purchase choices, attitudes, life style etc. While the demographic variable explains who are your buyers, psychographic tells you why they buy.

**Geography:** This is divided according to geographical regions or areas with the belief that people in the same area may respond in a similar fashion than people of different areas.

**Behavioural:** This refers to the nature of purchase, brand loyalty, usage level, benefits, sought, reaction to marketing factors, etc.

**Beliefs and Values:** This refers to people's religious, political and cultural belief. It categorizes their belief value systems.

#### 3.3 Market Targeting

One thing is to divide the mass market into segments, and another is to deploy and/or choose a segment and focus on that segment by deploying resources and developing marketing programmes for it. Targeting can enable the marketer achieve this. According to Vitale and Gig (2002) targeting is the determination and selection of a particular segment that the firm has deemed it worthy of venturing into. More so, Kotler (2000) presented a list of factors or conditions the firm or marketer needs to evaluate in order to ascertain whether the segment is Worthwhile serving:

- (i) **Size of the Market:** The market must be large enough to justify segmenting

- (ii) **Accessible:** The marketing must be such that the firm can easily access with the least resources.
- (iii) **Viability:** The selected segment must be economically viable. This explains that the segment must be commercially attractive.
- (iv) **Profitability:** This is that hallmark of all. Any segment that will not add to the profitability of the firm is not worthy of venturing into; it is rather better to let go of them.

### 3.4 Positioning

This the final stage in the STP process. Its primary focus is on how the customer perceives the marketer's offering in relation to competitors offering. As Bowen (1998) puts it, customer perception and view has a huge impact on the brand positioning in the market and is important in gaining a competitive advantage. Levens (2012), posits that three types if positioning the brand to a competitive advantage. According to the author they include:

- (i) **Functional Positioning:** This types of positioning focused on the aspects of the product or services that can fulfill consumers' needs or desires.
- (ii) **Symbolic Positioning:** This is based on the attribute or characteristics of the brand that fulfills customer's esteem.
- (iii) **Experiential Positioning:** This is mainly based on the characteristics of the offering that stimulates the sensory or emotional connection with the customer.

### SELF-ASSESSMENT EXERCISE

Explain the application of the STP strategy in the financial services industry.

### 4.0 CONCLUSION

The STP strategy is no doubt one of the formidable strategies a firm can put up in order to win the larger part of the market and stay competitive. In fact, it offers a clear understanding as to how a business can identify its markets, offer product that can meet market needs and wants based on its resources, and position it's offering to be in the minds of customers in the market. This can lead to competitive advantage and long-run profitability and survival.

### 5.0 SUMMARY

Having critically examined the concept, uses, and important of the STP model in doing business the teacher expects the student to practically apply

the STP strategy in to use and while at the same time being able to come out successful in the exam.

## **6.0 TUTOR MARKED ASSIGNMENT**

1. Explain the bases of segmentation
2. Enumerate the conditions for targeting

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## **UNIT 4 FINANCIAL SERVICE DEVELOPMENT AND MANAGEMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Financial service Development and Management
  - 3.2 Meaning of Financial Service Development
  - 3.3 Financial Service Development Process
  - 3.4 Meaning of Financial Service Management
  - 3.5 Drivers of Financial Service Development
  - 3.6 Benefits of Financial Service Development
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Reading

### **1.0 Introduction**

In this unit, the meaning, process, techniques and benefits of financial services development and management were discussed. A model of financial service development was also proposed to guide practitioners in the field.

### **2.0 OBJECTIVES**

At the end of this chapter, you should be able to:

- state the meanings of financial service development and financial service management.
- understand the process of financial service development.
- identify the techniques for financial service development.
- state the benefits of financial services development.

### **3.0 MAIN CONTENT**

#### **3.1 Financial service Development and Management**

#### **3.2 The Meaning of Financial Service Development**

It is a consensus amongst scholars that service development had been relatively overlooked compared to product (goods) development prior to the advent of technological breakthroughs of the 21<sup>st</sup> century (Agu,

2014; Aruna, 2007; Easingwood, 1993). One reason behind this neglect is that new service development is often less conspicuous, less spectacular and less eye catching. New service development covers all the activities involved in realizing new service opportunities, including product or service design, business model design and marketing (Boundles, 2017). According to Agu (2014), service development is also known as new service development or service innovation. It takes the form of new way of providing a service, often with a novel and very different business model.

Therefore, financial service development is concerned with financial service innovation. That is, planning, implementing and commercializing new ways of providing financial services to target customers. This has to do with the introduction of new, convenient, competitive and profitable ways of providing financial services to target customers.

For financial services companies to stay relevant to modern consumers, they need to think outside the vault (Mathew, 2016). To actualize a successful financial service innovation (development), Mathew (2016) suggested that financial organizations need the following capabilities:

- Encourage network participation that incorporates employees, customers and other external influencers.
- Listen better to digital conversations.
- Thoroughly document ideas and understand the correlation between them.
- Synthesize concepts and create instant proposals.
- Monitor and report on status and results.
- Reward the drivers, propellers of the innovation programme by recognizing and them adequately.

To do these effectively, the following questions are apt:

- Does your organization have an innovation strategy aligned to the corporate strategy?
- Is your organization focused on incremental innovation, or on breakthrough ideas where new service offerings are created by changes in technology and the business model simultaneously? Do you have the right mix of incremental and breakthrough innovations types in your portfolio?
- Is your organization engaged with your customers, using their feedback to influence the future portfolio?
- How are you partnering with the ecosystem of customers, partners, suppliers and other firms?

- Do you have a “fast fail” approach to rapidly test and reject low-value ideas and push the high-value ones to the next stage?
- Have you decentralized innovation to generate ideas through open suggestions?
- Do you have a set of KPIs and metrics to measure the innovation process in your organization? Can reports on those KPIs be produced automatically?
- Do you have a mechanism to engage with your employees, understand and reward the top innovation contributors, and foster an innovation culture in the organization?
- Do you have a mechanism by which high-value ideas can be converted to a standardized proposal by anyone in the organization? Can innovation managers quickly make investment-approval decisions across a large pool of high-potential ideas based on embedded ROI and analytics?

### 3.3 Financial Service Development Process

The new service development process has a similar development process to product development, but there are significant differences in the activities and research techniques (Johne & Storey, 1998). However, Easingwood (1993) argued that service firms are less likely to perform concept tests, test marketing, launching activities and are inefficient in product development activities. This, however, is not applicable in all cases as most financial services in Nigeria have passed through the market testing stage prior to the full commercialization of the new service. For instance, the cashless policy in Nigeria started in few states where it was tested before the full implementation in other states of the federation.

In a review of service development, Cowell (1988) as quoted by Aruna (2007) noted the following about service development:

- Services development appeared to be technology driven rather than user driven
- Generally, the rate of new service creation is quicker, while user adoption of new services are slower, relative to new products
- There are more service improvements rather than service innovations
- In most services, users are involved in the service production process
- Service staffs are critical to service production and delivery.

More recently, Andrey and Mention (2016) identified four patterns of new service development in the banking sector as:

- a. Problem-driven pattern which starts with problem definition and reports a bank's response to an issue.
- b. Proactive-driven pattern which commences with idea generation to explore a variety of activities.
- c. Market-driven pattern which lays emphasis on a profit rationale and starts with a business analysis.
- d. Strategy-driven pattern which frames idea generation within the scope of business goals and starts with the development of service concepts.

The service development process models have been developed by Donnelly, Berry and Thompson as well as Johnson, Sdeieving and Bowers as cited in Ajuna (2007). According to Donnelly et al model, the process involves six stages:

- Exploration
- Screening
- Comprehension
- Development
- Testing
- Introduction.

The Johnson et al model involves seven stages:

- Strategy formulation
- Idea generation
- Analysis
- Service design
- Process development
- Testing
- Introduction

The Aruna Model involves nine steps:

- Service development strategy
- Needs analysis
- Service idea generation and screening
- Detailed investigation
- Concept definition and evaluation
- Service development plan
- Business analysis review
- Service implementation and testing
- Introduction.

In all, the following steps are proposed by the author:

- i. Review of current organizational/industrial practices.
- ii. Decision on the nature and direction of service innovation
- iii. Idea generation.
- iv. Concept development and screening
- v. Business analysis.
- vi. Service development
- vii. Service testing
- viii. Commercialization
- ix. Process evaluation.

### 3.4 Meaning of Financial Service Management

It is one thing to innovate or develop financial services and yet another thing to manage such services for sustainable competitive advantage in the industry. All activities geared towards sustaining the success story of any financial service innovation is regarded as financial service innovation management. For the manufacturing organizations, product innovations are managed using the product life cycle model which manages the new product from its introduction into the market (commercialization) through its growth, maturity and decline stages. Similarly, innovating financial services firms can adopt the service life cycle to manage their newly developed services.

### 3.5 Drivers of Financial Service Development

The nature of services and the pace of change have shifted dramatically in recent years, and mastering the traditional aspects of service delivery will no longer be enough. To seize the opportunities, companies must learn to tap the potential for service innovation made possible by four evolving trends (Tony, David & Evan, 2015):

**Higher customer expectations:** More than ever, consumers demand greater involvement, customization, personalization, and mobility from services-with immediate results. When they see cutting-edge service innovations in one industry, they expect to find them in others as well; witness the spread of self-service kiosks from airline check-ins to the retailing and hospitality industries. As industry boundaries increasingly blur for customers, companies must look for new ideas beyond their immediate rivals.

**The rise of the mobile internet:** About 1.5 billion smartphones are currently in use worldwide and more than 100 billion apps were downloaded in 2013, up from 64 billion in 2012. The resulting mobile and self-service possibilities are transforming service delivery.

Advances in digital payments are increasingly spurring mobile commerce, with far-reaching implications in financial services and retailing. The proliferation of smart devices unlocks growth opportunities, reduces the cost to develop services, and dramatically lowers barriers to entry.

**Big data and advanced analytics:** Companies such as Amazon and Harrah's are known for using customer data to personalize and tailor their services. Continued advances in analytic capabilities allow companies to draw insights from massive, previously untapped sources, leading to new service possibilities.

**The Internet of Things:** Pervasive machine-to-machine (M2M) connectivity is already facilitating real-time service delivery in a number of B2B applications, such as the sensors GE uses in aircraft engines to monitor performance and improve the efficiency of maintenance. In the B2C space, Nest (recently acquired by Google) uses M2M connectivity to link its smart thermostats to other home devices, including washing machines and personal-fitness bands, thus positioning the company as the network hub in a digitally connected home. The prevalence of connected devices opens up possibilities for proactive, even "touchless" service, as well as new commercial models quite unlike the traditional fee-for-service one.

### **Three imperatives**

Companies that evolve quickly will better position themselves to capture this growth, while those clinging to traditional models will face growing pressure from digital attackers. To meet the challenges, forward-looking incumbents are pursuing three imperatives (Tony et al,2015):

#### **1. Institutionalize service innovation**

Services, like products, have a shelf life. After all, customer demand evolves, service expectations change, and technological advances constantly bring new possibilities. Services, therefore, should be periodically examined and refreshed, just as products are. Many companies think of R&D as exclusively for product development. Yet when they dedicate resources and management attention to developing and refining their service offerings systematically, they can make significant improvements.

#### **2. Personalize the customer experience**

Companies have always sought to understand customers better to tailor services to their needs. Traditionally, this has meant focusing on

customer segments or groups. While that wisdom still holds, the advent of massive new datasets and the spread of mobile devices mean that services can now be personalized cost effectively to a much higher degree. The initiative helps the company to strengthen its relationships with merchants and serve them better, while also staying relevant to younger, digitally savvy customers. Some incumbents go further by giving consumers even more control over. When customers volunteer additional information, the experience can be personalized further.

### **3. Simplify service delivery**

Digital attackers tend to thrive on simplicity. Many adeptly combine new technology with process improvements to make services straightforward and more pleasing. Meanwhile, big incumbents, burdened by legacy IT systems and entrenched processes that have evolved over time, often struggle to keep things simple. Still, incumbents can bring more simplicity to their service operations by looking at the world the way their customers do.

### **3.5 Benefits of Financial Service Development**

When a financial service organization develops new, innovative offerings, the following benefits are accruable:

- Enhanced competitive edge
- Improved customer satisfaction and loyalty
- Sustains profitability
- Enlarges the market size (Attraction of new customers)
- Corporate image enhancement
- Ability to compete internationally
- May create avenue for employment of staff with required innovative skills.
- Good for the shareholders and corporate stakeholders.

### **SELF-ASSESSMENT EXERCISE**

Identify and briefly explain the key drivers of financial service development.

### **4.0 CONCLUSION**

For financial service marketers to stay competitively relevant, enhance customer satisfaction and sustain loyalty, there is the need for periodic financial service innovation (development) and their effective management over the life cycle.

## **5.0 SUMMARY**

To successfully develop new financial services, firms should consider: Institutionalization of service innovation, personalization of customer experience, and simplification of the delivery process.

## **6.0 TUTOR MARKED ASSIGNMENT**

Identify five benefits of financial service development

## **7.0 REFERENCES/FURTHER READINGS**

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## **UNIT 5      MARKETING CHANNELS AND THE EFFECT OF TECHNOLOGY**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Marketing Channels and the Effects of Technology
  - 3.2    Overview of Marketing Channel
  - 3.3    Classification of Marketing Channel
  - 3.4    Types of Marketing Channel
  - 3.5    Technology and Marketing Channel
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor Marked Assignment
- 7.0    Reference/Further Reading

### **1.0    INTRODUCTION**

In the last two decades, the concept, structure, formation, and interactivity of marketing channels have witnessed tremendous reformation from the tradition channel design (Da Silva, 2008). The core to this transformation is the application of information technology in managing the channel system. This information is driven by technology, offer new scope of customer relationship management and channels members' collaboration (Van Bruggen, 2010).

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- explain the concept of marketing channel
- identify types and classification of marketing channel
- explain the influence of technology on marketing channel

### **3.0    MAIN CONTENT**

#### **3.1    Marketing Channels and the Effect of Technology**

#### **3.2    Overview of Marketing Channel**

Conventionally, a marketing channel is a structure that is composed of several interconnected bridges (Channel members) to deliver the product from the manufacture to the end user or customer. According to Bucklin

(2000), a marketing channel is an organized network of agencies and institutions that are functionally dependent. More so, Balocco (2012), asserted that marketing channel is entirely denoted to performance of certain activities that ensure the product or service distribution to the right customer at the right time and place and in the most efficient and effective way. Given the above definitions, it is pertinent to mention that the prime objective of marketing channel is the movement of product from the manufacturers through to the end consumers. A recent innovation in the marketing channel system has brought about tremendous changes with the application of internet and mobile technology.

### **3.3 Classification of Marketing Channel**

A typical marketing channel can be classified into two-direct and indirect channel. A channel is said to be direct when goods and services are sold by manufacturers directly to final consumers without activities of the middle men. In this case, producers transact business directly with end users. These end users could be government, institutions, churches, educational institutions, commercial businesses, companies, or even individuals.

On the other hand, an indirect channel entails a system whereby the activities of middlemen are required in the movement of goods and services from manufacturers to end users. According to Iyer (2003), an indirect channel exists when intermediaries are inserted between the producer and consumers and they perform numerous channel functions.

### **3.4 Types of Marketing Channels**

There are basically four types of marketing channels. They are zero level, one level, two levels, and three level channel. A zero level channel is also known as a direct channel whereby no intermediaries are involved in the movement of goods to consumer. A one level channel is when one intermediary (either a wholesaler or retailer) is involved in the distribution system. Furthermore, a two level channel involves activities of both wholesalers and retailers in getting the product to the final user. Finally, a three level channel exist where agents, wholesalers, and retailers are highly needed in pushing the product to consumers.

### **3.5 Technology and Marketing Channels**

The traditional view and structure of the marketing channel was amended and restructured after the invention of the internet technology (Bucklin, 2000). This alternative channel that is pertinent to the virtual environment is termed “online channel”. According to Boundless (2015), the characteristics, functionality, interactivity, distribution flow and association of different channel members, and the overall marketing strategy for this

unique channel have drastically changed the marketing channel concept. It may not be far from the truth to say that conventional channel manager has really gotten momentum through the inclusion of the information technology.

It is important to also say that mobile marketing and other marketing decision support systems have assisted marketers and channel managers to effectively and efficiently manage the marketing channel system. This has brought about cost reduction, a more coordinated channel structure, efficient dissemination of information to stakeholders or channel numbers, and ultimately, enabled the consumer to get product with minimum stress and at the right time and price.

### **SELF-ASSESSMENT EXERCISE**

Identify the benefits of Technology in marketing channel

## **4.0 CONCLUSION**

Based on scholarly works in this area and practical marketing channel practices, this report has proven that technology has impacted positively on marketing channel. This importance and benefits were highlighted to further confirm the need to continually apply technology inventions in managing the marketing channels.

## **5.0 SUMMARY**

As can be deduced in this report, marketing channel has witness tremendous changes especially with the growing application of technology in businesses. These changes have been noticed in the way channel members relate and interact with each other in a bid to satisfy both the end uses of the product and other stakeholders within the channel structure. Technology has undoubtedly provided better ways of managing the marketing channel. Hence, its benefits are vividly highlighted in the body of this report.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Identify and explain the different levels of marketing channel

## **7.0 REFERENCES/FURTHER READINGS**

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**MODULE 3**

Unit 1	The Nature and scope of Advertising
Unit 2	The Nature and Scope of Sales Promotion
Unit 3	Branding and Brand Management
Unit 4	Marketing Staff Retention and Loyalty
Unit 5	Marketing Research for Financial Service Industry

**UNIT 1 THE NATURE AND SCOPE OF ADVERTISING****CONTENTS**

1.0	Introduction
2.0	Objective
3.0	Main Content
3.1	The Nature and Scope of Advertising
3.2	The Meaning of Advertising
3.3	Objectives of Advertising
3.4	Types of Advertising
3.4.1	Audience
3.4.2	Geography
3.4.3	Media
3.4.4	Functions/Purpose
3.4.5	Types of Advertising Media
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References/Further Readings

**1.0 INTRODUCTION**

This unit will address issues bothering on the nature and scope of advertising. Furthermore, the types of advertising, objectives of advertising and types of advertising media will be discussed in this unit.

**2.0 OBJECTIVE**

At the end of this unit, you should be able to:

- state the meaning of advertising
- outline the objectives of advertising
- explain the types of advertising
- outline the types of advertising media

### **3.0 MAIN CONTENT**

#### **3.1 The Nature and Scope of Advertising**

#### **3.2 The Meaning of Advertising**

Advertising can be defined as the business or act of making something (product, service, idea, organization, persons), known to the public, usually through some type of paid media.

Advertising Practitioners Council of Nigeria (APCON) defined advertising as “a form of communication about products, services or ideas, paid by a sponsor and implemented through the media” (APCON, 2000).

According to Alexander (1965): Advertising is defined as any paid form of non-personal communication about an organization, product, service, or idea by an identified sponsor.

Advertising is currently used by profit making organization and non-profit making organization to inform, persuade or remind their target audience about a product, service or idea.

#### **3.3 Objectives of Advertising**

There is no gainsaying the fact that, every advert has a specific objective. Hence, all advertisement generally fit into one or all of three generic goals:

1. To inform
2. To persuade
3. To educate

#### **3.4 Types of Advertising**

Bovee and Arens (1986) proffered a four-pronged approach to identifying the types of advertising, thus:

- Audience
- Geography
- Media
- Function/purpose

##### **3.4.1 Audience**

Every organization has a target audience they intend to reach with their advert. The audience may differ based on the features or characteristics of

the product or service. The following constitute the target audience advertising:

- Consumer advertising
- Industrial advertising
- Trade advertising
- Professional advertising
- Farm/agricultural advertising

**Consumer Advertising:** This can be defined as advertising a product or service for the purpose of reaching the ultimate user or final consumer. Advertisement on Lux soap, eva water, milo, cornflakes are typical example of consumer advertising.

**Industrial Advertising:** This advertising is aimed at institutions that buy or influences the purchase of industrial goods. Industrial advertising focuses on organization that purchases industrial materials (raw material, semi-processes, spare or component etc.).

**Trade Advertising:** Trade advertising focuses on reaching the intermediaries.

**Professional Advertising:** Trade advertising focuses on individuals operating under a code of ethics. Doctors, lawyers, engineering are typical examples of professionals. The aim of this advertising is to encourage them to recommend or prescribe the products to their clients.

**Farm/Agricultural Advertising:** This type of advertising is aimed at institution or individuals that engage in agriculture.

### 3.3.2 Geography

Advertising can also be classified based on the geographic areas covered. Hence, we may have:

**International Advertising:** international advertising is aimed at reaching individuals or organizations outside the country. Furthermore, international advertising is a type of marketing that is done across cultures.

**National Advertising:** National advertising consists of persuasive words and image generally used by a business to sell its products to a national market. Presidential campaigns and large nonprofits also employ national advertising to convey persuasive messages to target audiences.

**Regional Advertising:** Regional advertising is aimed at reaching a specific area or state within a country. It is assumed that some media cover some

states only. Hence, advertisement on these media is seen as regional advertising.

**Example:** NTA-Owerri or Akwa Ibom.

### 3.4.3 Medium

Advertising medium is any paid non-personal means or vehicle used to present message to target audience. The following constitute the medium through which an organization can reach its target audience.

- Out-of-home advertising, for billboards, sign-boards, banners, transit advertising
- Broadcast advertising: Example: radio and television advertising.
- Print advertising, example: newspapers, magazine, direct mails, calendars, key rings etc.
- Point-of-purchase advertising, example: posters stickers etc.

### 3.4.4 Function/Purpose

Function/purpose advertising can be summarized into four categories namely:

- Product or Non-product advertising
- Commercial or non-commercial advertising
- Direct-action or indirect –action advertising
- Primary or selective advertising

## 3.5 Types of Advertising Media

Wright, et al., (1977) listed five categories of advertising media. They are as follows:

1. The broadcast media  
The radio (or audio)  
The television (or audio-visual).
2. The print media  
Publication media  
Newspapers  
Magazines  
The direct advertising media  
Direct mails  
Specialties.
3. The point of purchase (pop)media).

4. The out of home (OOH) media  
Outdoor advertising  
Non-standardized signs  
Transit advertising.
5. Others  
Firm advertising  
Directory  
Sky writing, etc.  
On-line media (computers)  
Miscellany.

### **SELF-ASSESSMENT EXERCISE**

Identify the objectives of advertising

## **4.0 CONCLUSION**

Advertising is one of the tools used by organizations to reach its target audience. Hence, it is imperative for every organization to engage in advertising.

## **5.0 SUMMARY**

Organizations must inform, persuade or educate its target audience or customers. But they need a medium or media to reach them. Organizations can reach its target audience through the following media:

1. The broadcast media (the radio and television)
2. The print media (newspaper and magazines)
3. Point of purchase (POP) media

## **6.0 TUTOR-MARKED ASSIGNMENT**

Outline the types of advertising and briefly explain them.

## **7.0 REFERENCES/FURTHER READING**

- Buckhim, L. (2000). Theory of distribution channel structure: Institute of Business and Economic Research, University of California. Business and Research 23(2), 124-144.
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## **UNIT 2 THE NATURE AND SCOPE OF SALES PROMOTION**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Nature and Scope of Sales Promotion
  - 3.2 The Meaning of Sales of Promotion
  - 3.3 Types of Sales Promotion
    - 3.3.1 Consumer Oriented Promotion
    - 3.3.2 Samples
    - 3.3.3 Contests/Sweepstakes
    - 3.3.5 Trade-Oriented Promotions
    - 3.3.5 Trade Allowances
    - 3.3.6 Point –Of –Purchase Displays
  - 3.4 Sales Promotion Management
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In this unit, the nature and scope of sales promotion will be discussed. Also in this unit, issues bothering on the types of sales promotion and sales promotion management will be discussed.

### **20 OBJECTIVES**

At the end of this unit, you should be able to:

- state the meaning of sales promotion
- identify the various types of customer-oriented sales promotion
- state the various types of trade-oriented sales promotion

### **3.0 MAIN CONTENT**

#### **3.1 The Nature and Scope of Sales Promotion**

#### **3.2 The Meaning of Sales of Promotion**

Sales promotion can be defined as an initiative or a marketing activity aimed either at the consumer or at the distribution channel.

Basically, sales promotion is used to introduce new product, clear out inventories, attract traffic, G.S, Anyanwu, Ahan and Inyanga F.I.N, (1999) came to a conclusion that sales promotion: “Encapsulates all the short-term promotional arrangements and inducements aimed at consumers, sales force, and or middlemen to ultimately create or reinforce favourable market response towards products”.

### **3.3 Types of Sales Promotion**

There are basically two types of sales promotion namely:

- Consumer oriented promotion
- Trade-oriented promotion
- Sales force promotion

#### **3.3.1 Consumer Oriented Promotion**

Consumer oriented promotion can be defined as a marketing activity used by an organization to elicit sales or loyalty from both current and potential consumers. Consumer oriented promotion is targeted at the ultimate user of the product.

Consumer oriented promotion include the following:

- Samples
- Coupons
- Premiums
- Contests/sweepstakes
- Refunds/rebates
- Bonus packs
- Prices-offs
- Frequency programs
- Event marketing

#### **3.3.2 Samples**

Samples are miniature or prototype of an organization’s product offered to current and potential customers for free.

#### **3.3.3 Contests/Sweepstakes**

Contests can be defined as a marketing activity that provides an opportunity for consumers of organization’s product to compete for prizes. The judges reward the consumer base on creative skills and extra effort. Example: Guilder Ultimate search, Maggi “cooking competition

“MTN Project frame. Sweep stakes is the opposite of contests. In sweepstakes, consumers are rewarded base on luck and not their analytical or creative skills. Participants of sweepstakes are chosen at random and not by their effort.

### **3.3.4 Trade-Oriented Promotions**

Trade-oriented promotion can be defined as marketing initiative used by an organization to elicit sales or loyalty of middlemen (intermediaries). Trade-oriented promotion consists of the following:

- Trade –oriented promotions
- Contests and dealer incentives
- Trade allowances
- Point – of-purchase displays
- Training programs
- Trade shows
- Cooperative advertising

### **3.3.5 Trade Allowances**

Trade allowances is a reduction in the prices of a product for the purpose of attracting incendiaries (retailer, wholesales, agents) to stock, promote an organization products.

### **3.3.6 Point –Of –Purchase Displays**

Point – of – purchase display can be defined as any form of special display that creates awareness about the existence of a product or services.

## **3.4 Sales Promotion Management**

Okpara, G. S, Anyanwu, Aham and Inyanga, J. I. N (1999). Propounded the process of planning, organising, executing and evaluating sales promotion campaigns. The process or steps are as follows:

- Conduct research
- Define sales promotion objectives
- Examine and select appropriate sales promotion tools
- Determine the budget
- Articulate the detailed sales promotion package
- Draw integrated incentive plan
- Protest the promotion.

Sales force promotion: this type is targeted at motivating the company's sales force with such tools as awards, selling aids, bonuses etc.

### **SELF ASSESSMENT EXERCISE**

Outline the process of planning organizing, executing and evaluating sales promotion.

## **4.0 CONCLUSION**

Sales promotion is one of the promotional tools that can be used by all organization to elicit sales and loyalty from ultimate users and intermediaries. Hence, it is imperative for every organization to identify the appropriate sales promotion strategy that will be used to attract customers for the organization.

## **5.0 SUMMARY**

There are basically three types of sale promotion, and they are:

- Consume oriented promotion
- Trade/Dealer oriented promotion
- Salesforce promotion

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Identify and explain two types of consumer oriented promotion
2. Identify and explain two types of trade oriented promotion.

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## **UNIT 3      BRANDING AND BRAND MANAGEMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Brand and Brand Management
  - 3.2 Concept of Branding
  - 3.3 Types of Brands
  - 3.4 Functions of Branding
  - 3.5 Terms associated with Branding
  - 3.6 Pros and Cons of Branding
  - 3.7 Branding and Marketing Management
  - 3.8 Developing and Managing Iconic Brands
  - 3.9 Branding and Consumer Perception
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

A lot of reasons have been deduced by different authorities as justifications for the adoption of branding as a marketing strategy. What is more, the popularity of a brand has often been said to be a direct push for sales turnover (Ogbuji, 2008:247). The fact remains that it is an important aspect of every firms marketing activity that cannot be over looked.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- define brand, branding and brand management
- identify the types of brands
- identify the functions of branding
- identify the pros and cons of branding
- explain the application of branding to marketing management
- explain the development of Iconic brands

### **3.0 MAIN CONTENT**

#### **3.1 Branding and Brand Management**

#### **3.2 Concept of Branding**

Branding has been said to be as important as a child's naming ceremony and as old as man/creation (Okpara, 2002:160). McCarthy and Perreaut (1985) as captured in Anyanwu (1999:160) defined branding as the use of a name, term, symbol or design or a combination of these to identify a product. This statement infers that branding identifies the product for the consumer and relates it to branding and product design.

Obiesie (2003:41) captured the very essence of branding when he described it as an integral and intimate part of a product strategy. This suggests that a product is not complete until it is given a name, mark or symbol. He went further to describe branding as a name, term, sign, symbol or design or a combination of these which is intended to identify the goods or services of one seller or group of sellers and distinguish them from those of its competition.

Onah and Thomas (2004:239) identified the various types of brand as manufacturer's brands and private brands. They posited that branding helps to facilitate the performance of the various other marketing management functions like New Product Introduction, Advertising and other promotions, Pricing etc. It is strongly speculated that most times, what consumers buy is name and not quality or functionality or performance.

Okpara (2002:160) believes that branding is the imagination process of creating a unique, relevant and harmonious name, term, sign, symbol or its combination in order to identify a company's product and to differentiate them from those of competitors.

#### **3.3 Brand and its Types**

The process of branding is aimed at creating a brand. This then means that the resultant name, term, sign, symbol or their combination is known as brand. In view of this, American Marketing Association (1960:9) defines a brand as any letter, word, name, symbol or device or any combination thereof which is adopted and used by a manufacturer or merchant to identify his goods and to distinguish them from those sold by other manufacturers, or in the case of services performed by others.

Van Auken (2007) sees a brand as the personification of a product, service or organization. It is also the source of a relationship with

customers. Like a person, it must have human qualities and possesses a soul. He further suggested the following attributes of a brand.

- As a person-possessing core values and a personality.
- The brand is the source of the organizations relationship with people.
- Strives to create an emotional connection with consumers
- The most successful brands tap into deeply felt human needs
- A brand must have a heart and a soul.
- A brand must be trustworthy; it must earn people's trust.
- A brand must possess integrity, that is; it must deliver what it promises-always.
- A brand must be authentic, not manufactured.
- A brand must win people's hearts. It must endear itself and admits to its mistakes.
- A brand gets credit for attempting to do what is right
- A brand must deliver a good value.
- A brand must be accessible and convenient.

After a rigorous market place study of leading brands in the world, Van Auken (2007) compiled a list of characteristics of leading brands as follows:

1. Has very high awareness.
2. Receives a lot of free publicity/buzz.
3. Is perceived to be unique in relevant and compelling ways
4. Is admired and has high purchase intent.
5. Increases customer loyalty.
6. Decreases price sensitivity.
7. Enables the owner to charge a premium price (Higher price than competition).
8. Results in increased market share, especially for the target customers.
9. Provides a platform for growth beyond the current products and product categories.
10. Helps attract and retain talented employees.
11. Helps the management team align employees in support of the brand categories.
12. Increases an organizations sales, profit margins, stock price and market value.

The type of brands has been identified by Anyanwu (2003:20) as Manufacturer's brand, Generic brand and Private brand. These categories of brands are derived based on the nature of decisions faced

by producers of goods when choosing a branding option. It has been said that generally; producers are faced with such decisions as to

- Market products exclusively under a distributor's brand name like Taiwanese manufacturers do.
- Firms adopting the manufacturers branding strategy can decide to either use the family branding option or the individual branding option. A family brand is one brand name used for all or a good number of a company's related products for instance, Japanese Company known as Sony, produces Sony television, Sony radio, Sony fans, Sony video compact disk etc.

Also, Adebawale Electronics (AEI) produces a wide range of electronics using the brand name DEBO. According to Aake, (2002:24) one merit associated with the use of a family brand is that it enables any outlay in advertising and promotions to benefit each product in the family, hence minimizing the promotional expenditure. Agbonifoh, Ogwo, Nnolim and Nkamnebe (2007:316) suggest that the family brand should be used only when the products are of comparable quality, so as to avoid damaging any of the product's image and leading to sales difficulty.

On the other hand, a company may adopt different names for its products which are even related. And this is the individual branding strategy. For instance, Unilever Nig. Plc produces Omo, Surf, Lux etc. and PZ Industries Plc, produce Elephant and Drum. This option demands that a promotional strategy be mounted for each of the product and it is better used for dissimilar products. Moreover, when a major producer produces under the brand names of distributors and resellers, such strategy is private branding. Example, Rokana Industries produce toothbrushes and pastes for some middlemen and firms.

Finally, the generic branding strategy is the type of strategy that allows producers to adopt the universal name of their products as its brand name for example; Dog Food, Egg Yoke, Paper e.t.c.

### **3.4 Functions of Branding**

In order to remain relevant in the face of stiff competition among producers of related products, many marketers have used the branding strategy. This is a result of the numerous functions it performs in positioning the product among which are:

- a) It is used in achieving an improved market positioning, market share and market size of a company.
- b) It is used to distinguish a product from that of other competitors.
- c) It serves as guarantee of consistency of quality and standard.

- d) It aids the advertisement of a product
- e) It is used to forestall product brand piracy
- f) It is used to gain a differential advantage over competitors
- g) It aids the identification and recognition of a product by the buyers.

### 3.5 Terms Associated with Branding

Branding as a function has many terms associated with it. This means that whenever the function is to be performed, some terms must be mentioned, among these terms are product line, product mix, product family and company logo.

A product mix is defined as a combination of different product items meant for a particular target market. According to the American Marketing Association's Committee on definition, a **brand name** is that part of the brand that is made up of words or letters which may be vocalized or uttered. In the same vein the **brand mark** is simply recognized by sight and there may be some difficulties in attempting to vocalize it. It could be in the form of a symbol or colors. The **trade mark** is the **brand name** and **brand mark**, which have received legal protection for a particular firm.

In the words of Brassington and Pettit (1997:267), a trade mark is the legal name of an organization and this could easily relate to the branding of the firm's products. A good example of a brand name is "LUX". "Star" in a Mercedes Benz car or on Maggi cube is an example of brand mark. The marketing manager requires this information in order to arrive at a suitable name for the firm's product.

### 3.6 Pros and Cons of Branding

Branding, just like any marketing strategy is like a coin with two sides (positive and negative). It has its strengths and weaknesses. The ability of the marketing manager to properly manage and utilize the strengths over and above the weakness goes a long way in ensuring its successful application.

Levitt (1960), Aake (2000) and Okpara (2002) identified some of the merits and roles of branding. The following are among the numerous benefits.

- a) It is an opportunity for line extension
- b) It could be used as a tool in adopting skimming pricing strategy of higher price and margin via differentiation and competitive advantage.

- c) It encourages brand loyalty
- d) It is a tool for market control
- e) Branding is used in promoting a product
- f) It stabilizes sales
- g) It is used for price distinction and product value differentiation
- h) Enthrones some status symbols on the users
- i) It makes the description and location of needed products easier for shoppers.
- j) It affords an exclusive legal protection for the efforts of a producer.

As had earlier been said, just like anything else, branding has its hazards. This then calls for precaution in the determination of a products brand name.

One of the major problems of branding is the difficulty in reawakening a dead product, which may be due to manufacturing error or scandal. Again, owing to brand loyalty by consumers, the retailers and other intermediaries are being affected by store switching, which arises in the absence of the preferred brand by the consumers.

Besides, as a result of brand loyalty occasioned by branding, piracy has become the order of the day. Major products which have received global acceptance are being imitated for example; in the market we have PHILLBS for PHILIPS, ISSAL for IZAL and CEEMAN for SEAMAN Aromatic Schnapps e.t.c. In addition, the existence of a brand name gives the owner a concern (disturbance) on how to protect it perfectly against piracy.

Finally, consumers easily become preys to the manufacturers marketing whims as a result of unreasonable additions to brands.

### **3.7 Applications of Branding in Marketing Management Decisions**

Branding is one very important strategy in marketing management activities. The following are some of the applications of branding in marketing management decision as captured by (Ogbuji, 2008:192).

#### **1. Branding and Product Positioning**

In the words of Anyanwu (2006), Positioning in marketing seeks to place products in the minds of prospective buyers to enable repeat purchase and guarantee saving in promotional expenditure. Branding makes this possible, because, once a brand is established what is needed

is a mere reminder type of promotion and not persuasive promotion, which is costlier.

In a highly competitive environment, positioning made possible by branding, becomes a veritable marketing strategy, which is difficult to imitate by competitors. Branding alone makes one product stand out from the crowd thereby bringing out its Unique Selling Proposition.

Product positioning is adopted by a marketer, to try to achieve a defined brand image relative to competition within a market segment. A decision on the product position would enable the manipulation of the marketing mix variables to achieve a positive brand image in a target market; over and above competition.

## **2. Branding and Cost Minimization**

“All things being equal”, reduction in marketing costs assures increases in profitability. Branding as a strategic market tool has the capability to reduce cost associated with marketing. As has been alluded earlier in this section, branding reduces the incidence of persuasive promotion which attracts a higher cost than reminder promotion. It also reduces the effort and other resources expended by the sales force in trying to sell a company’s product to consumers. This is given the fact that unbranded products are more difficult to sell than branded one.

## **3. Branding and Customer Loyalty**

It has been established that there is a strong relationship between branding and customer loyalty (Ogbuji, 2008:247). Customer loyalty or consumer attachment is directed at brands which are outcomes of branding. The mention of such strong brands like “Coke” “Always” “Milo”, “Mercedes”, “Sony”, and “Hp” elicits strong, favorable response from certain consumers. The loyalty these consumers have to these brands wouldn’t have been possible without branding.

**Customer franchise** is a term connected to powerful brand names; and it could be evidenced when a good number of consumers demand a particular brand and would not accept any substitute even though it might be cheaper. Brand names like Sony, Nokia, Mercedes, Star, Hp, IBM possess this franchise.

## **4. Branding and Advertising Spiral**

Outside the fact that branding reduces promotion expenditure as we had earlier said, it also ensures the effectiveness of an aspect of promotion called Advertising Spiral. According to Anyanwu (2003), “Advertising

Spiral depicts a situation where goods, services or ideas are positioned in the market by the instrument of advertising. It is pertinent to point out at this juncture that advertising as a whole and advertising spiral cannot be possible without product branding. This is so, given the fact that there is no need for advertising when products in the market are undifferentiated, and branding ensures differentiation. Branding proposes to the advertiser something to talk about.

## **5. Brand Extension Strategy**

This is a branding strategy that comes handy when a new product is to be launched into the market, especially a highly competitive one. It is an effort to use a successful brand name to launch new or modified products or line. As a strategy, brand extension offers a number of advantages among which is that a strong brand name gives a new product instant recognition (Adirika, et al 1997).

## **6. Branding and Brand Equity**

Brand equity has been defined as the value consumers assign to a brand above and beyond the functional characteristics of the product though it is generally derived from its features. A good example of brand equity could be cited using “paracetamol”, most people in Nigeria would obviously prefer to buy Emzor or May and Baker brands of paracetamol or pay a higher price for them than for a store brand or unbranded paracetamol even though they are chemically similar (Adirika, et al 2001). This, by extension, gives Emzor a competitive edge over store brands.

At the same time, when a producer decides to use the image of a successful brand to introduce another new brand, it becomes brand leverage – for instance, producer of Eva water may decide to capitalize on the strength of Eva water to introduce a new brand of bottled water, consumers of Eva water are likely to transfer the same loyalty they had for Eva water to the new brand.

## **3.8 Developing and Managing Iconic Brands**

The following recommendations made by Van Auken (2007) should be adhered to by any firm that intends to build an iconic brand;

- i) **Create an Identity Myth:** The brand must resonate and show direction to the masses through stories and brand activities. Every society invariably goes through phases of prosperity and crisis and any brand that wants to be etched in the culture must identify

with this. By creating an identity for themselves, they provide identity to the whole society.

- ii) **Involve Multiple Story Tellers:** Dissemination of brand information through the many participants in the society is critical for an iconic brand. The four major authors of these brand stories are companies, the culture industries, intermediaries and customers. Each of these authors facilitate the brand to blend into the fabric of the society. By associating the brand and its identity with the prevalent event in the society, these authors create an iconic stature for the brands.
- iii. **Weave Powerful Brand Stories:** Great brands always have resonating stories that touch the lives of consumers. These stories could be of the brand unique history (Shanghai), Myth (Jim Thomson), Culture (Harley Davidson), Fashion Icon (Giorgio Armani), Struggle (Li Ningh) and Underlying Philosophy (Singapore Airline). These brand stories offer consumers a good reason to elevate the brand beyond their mere utilitarian role in the market.
- iv) **Self Image Reinforcement:** Consumers would readily prefer a brand that re-inforces their self-image or how he/she intends to be perceived. The consumer believes that using the brand creates a feeling of congruence with his self-image. It is also a way to project that image to others. Taking just one product category (motor vehicles) to illustrate this, the image might be “I am progressive and I care about the environment”, the Toyota Prius brand reinforces this image. Or maybe it is “I am frugal” Hyundai would be a good brand choice to reinforce this image. For someone else the image might be, “I am successful and has status” Mercedes is a brand that could reinforce this etc.
- v) **Values Alignment:** Closely related to the previous source of differentiation are brands whose values align with their customer values. Many people buy brands such as Newman’s own, the body shop, or Ben because they are socially conscious.

### 3.9 Branding and Consumer Perception

Knowing the basic difference between the perceptual world and the real world is very important in understanding consumer behaviour. The ability of a marketer to manage consumer perception appropriately to the advantage of his brands is equally important. For instance, it might be wrong to assume that all consumers are price sensitive and therefore decide to introduce a new brand into the market using penetration

pricing strategy. A low price might make consumers perceive a particular brand as being inferior in quality not minding the issue of standardization. It has been said that cognitive processes are responsible for individual consumer differences and uniqueness and that these cognitive processes include; imagination, perception and thinking with the perceptual process being the most important one that takes place between the situation and the behaviour. In most of the cases, consumers make their brand choice and preferences on the basis of their perception.

Branding as consisting of total attributes could be used to positively influence consumer perception. Berkowitz et al. (2000:157), writes that perception is the process by which an individual selects, organizes and interprets information to create a meaningful picture of the world. Furthermore, they stated that due to the fact that consumers operate in a complex environment, the human brain attempts to organize and interpret information with a process called selective perception; a filtering of exposure, comprehension, and retention. Selective exposure occurs when people pay attention to messages that are consistent with their attitudes and beliefs and ignore messages that are inconsistent. Selective comprehension involves interpreting information so that it is consistent with your attitudes and beliefs while selective retention means that consumers do not remember all the information they see, read or hear even minutes after being exposed to it.

### **SELF-ASSESSMENT EXERCISE**

Outline the functions of branding

## **4.0 CONCLUSION**

From the foregoing discussions, it is obvious that the essence of branding is to create a distinctive and unique product whose name rings a bell and commands the influence of consumers positively in terms of their purchase behavior. This is against the background that for a bigger and more resonating name; for a better perceived name, certain consumers will be willing to pay a little more.

## **5.0 SUMMARY**

In this unit, extensive attempt was made to explore the branding as a marketing strategy that can be applied in managing financial services for better and improve operations and to beat competition. Image building which is one of the principal contributions of branding is key in the financial services industry.

## **6.0 TUTOR MARKED ASSIGNMENT**

Identify and explain five areas in which branding are applied in marketing management?

## **7.0 REFERENCE/FURTHER READING**

Ogbuji, C. N. (2008), “Branding: a Strategic Marketing Tool in a Competitive Environment” in Ogbuji, C. N. (edited) *Marketing in Contemporary Nigeria*, Owerri: Stramark Communication Consult.

## **UNIT 4     MARKETING     STAFF     RETENTION     AND LOYALTY**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Marketing Staff Retention and Loyalty
  - 3.2    Overview of Marketing Staff Retention and Loyalty
  - 3.3    Drivers of marketing staff retention and loyalty
  - 3.4    Benefits of marketing staff retention and loyalty
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

In this unit, a discussion of marketing staff retention and loyalty is attempted. We first present an overview of marketing staff retention and loyalty and proceed to discuss the factors that facilitate it. Finally, we discuss the benefits that firms derive from retaining their marketing staff and keeping them loyal.

### **2.0    OBJECTIVES**

At the end of this unit, you should be able to:

- appreciate the general nature of marketing staff retention and loyalty
- outline and discuss the factors that drive marketing staff retention and loyalty
- outline and discuss the benefits that firms derive from marketing staff retention and loyalty

### **3.0    MAIN CONTENT**

#### **3.1    Marketing Staff Retention and Loyalty**

#### **3.2    Overview of Marketing Staff Retention and Loyalty**

The firm's ability to retain its marketing staff is termed marketing staff retention. In several lights, the negative consequences of employee turnover have been portended. For instance, Knight, Edwards, and Flynn

(2012) demonstrated that staff turnover increases workplace demands and decreases perceptions of support. This underscores the need to reduce stress and minimize subsequent turnover. But the general consensus is that when employee turnover is high, both staff and the firm in question can be affected negatively. Specifically, marketing staff are the closest to the customers. Given that customers are the ultimate reason that firms exist, customer dissatisfaction arising from employee turnover can affect organizational performance. In fact, the service triangle as captured in Grönroos (1984) shows that staff and customers are the base upon which every firm stand. Smart companies must therefore work assiduously to retain their marketing staff and keep them loyal especially the high performing ones. Since every company employee or department is involved in marketing in one way or the other, we generically look at marketing staff as all the company's employees and used the two terms interchangeably although our discussion in this unit stems mainly from the marketing perspective. This is more so because as Grönroos(2009) noted, every staff in the organization is involved in developing and communicating value propositions and supporting customer value delivery processes.

### 3.3 Drivers of Marketing Staff Retention and Loyalty

**Customer orientation:** Customer loyalty ensues when company employees exhibit positive attitudes. Kotler and Keller (2009) argued that job satisfaction and employee commitment can be enhanced by instilling customer orientation in employees. Committed employees are easier to retain and keep loyal than other employees. Boosting the customer orientation of employees is therefore a key factor that drives their retention and loyalty to a particular company.

**Job security:** Based on intuition, it is difficult for employees to wholeheartedly commit their efforts toward the realization of the objectives of a company that does not guarantee them job security. Such employees may continue working for the company as long as long as alternative offers are yet to surface. For instance, if the staffs of most Nigerian banks have better alternative job offers, they will certainly leave because of the level of job insecurity that currently characterize that sector. To retain the best talents, the firm must therefore not only strive to keep the customers happy in the short term but must also work out policies that will guarantee employees job security.

**Promotion and attractive remunerations:** According to *Charley Polachi, the managing partner at Polachi Access Executive Search*. Achievement and recognition are high motivators for employees. If they take risks, reward them. Give them a coupon to go out for dinner, an extra day off, tickets to a show, etc. The small stuff adds up".

Summarily, when employees are promoted as and when due and remunerated for hard work, they tend to become more loyal than when such incentives are absent. In sum, one key way to retain employees is to design handsome rewards for good performance.

**Opportunities for self-development and staff training:** Many workers join their organizations not just for the sake of having a job but to develop a career. According to Kotler and Armstrong (2010), training can make employees better at their jobs and consequently improve service productivity. Grönroos (2009: 357), a leading Scandinavian marketing academic stated as follows: “Enabling promises explicitly points out the need to prepare employees who are not trained as marketers and whose main task is not marketing for their customer-related duties”. Additionally, Dibb and Simkin (2009) further noted that employees will be better at doing their jobs if a well-managed training programmes are instituted. According to Feigenbaum (2017), employers who want to harness the full value of their employees and foster loyalty and retention will find training is a winning prospect for all involved because employees who are engaged in their jobs and careers want to know more about their company and industry and to learn skills that will improve their performance.

**Treat employees as customers:** Thinking of employees in the same way—as customers—may similarly improve both key business outcomes and employees’ experience. Since we have a Customer Experience Group, it is also important to create an Employee Experience Group. With such groups, the issues and concerns of employees can easily be ascertained and dealt with just as Customer Experience Group fosters similar fit. Strengthening the employee experience is particularly critical for firms to be able to realize their mission and goals of retaining their employees and keeping them loyal. And as with customers, the employee experience brands firm’s service for potential employees as well. Like customers, today’s workforce has greater awareness of and access to other opportunities, driving employers to rethink how they develop or maintain a competitive position in today’s talent market. The prevailing view of talent management resembles a supply chain, with an on-ramp for hires and an off-ramp for retirees—and the tools to support this life cycle tend to reflect the ideas found in manufacturing: standardization and scale. But just as consumer products have evolved from using mass marketing and “push” advertising, organizations today should move beyond a “one-size-fits-all” approach to their workforce. Instead, more cross-cutting, holistic solutions tailored to a specific business context or outcome are required to realize the full potential of workforce including their retention.

**Internal marketing:** Internal marketing focuses on people inside business boundaries, and places emphasis on the satisfaction of employee needs (Roberts-Lombard, 2010). The main objective for the internal marketing is to make employees the first market of company because the function of internal marketing is to obtain motivated and conscious personnel at every level. Increased awareness of employee importance in business change and implementation has contributed to the adoption of internal marketing. Communication is at the heart of internal marketing. Thus, firm-employee internal communication within helps to ensure that employees' needs are satisfied. According to Anthony Smith, CEO and founder of Insightly, "The best benefit you can provide to your employees is the opportunity to make a difference through their work and help guide the course of the company. Benefits such as clear and frequent communication on company happenings, individual and department direction, and big-picture company direction make all the difference in employee happiness." Employees whose needs are satisfied and are therefore happy are much likely to remain in the organization than dissatisfied and unhappy employees. After all, Roberts-Lombard (2010) found that improved level of internal communication between managers and their employees creates an environment that can promote mutual respect, trust and concern between management and employees.

**Conducive work environment:** According to Kotler and Armstrong (2010), the design and delivery of a service through a superior work environment can create service differentiation which consequently leads to the attainment of competitive advantage. Such superior or conducive work environment is much more likely to attract reliable, competent, and loyal employees than an unconducive work environment.

**Advertising:** Advertising does have a positive effect on organizational employees. According to Fill (2009: 905), "advertising can serve to clarify roles, make promises that can be realistically delivered and demonstrates that the organization values its employees". These have the ability to improve the morale and commitment of the employees which in turn leads to staff retention and loyalty to the organization. In more specific terms, the firm's adverts must be realistic for it to elicit positive effects on employees. According to Fill (2009), the three criteria that employees utilize to evaluate the adverts of their employers are message accuracy, value congruence, and message effectiveness. For the organization to meet the above three criteria to the satisfaction of marketing staff within the enterprise and boost their morale and commitment, the staff have to be involved in the development and sometimes, the actual participation of the advertising.

### 3.4 Benefits of Marketing Staff Retention and Loyalty

There are a number of benefits that firms derive from retaining existing employees and keeping them loyal. These benefits include:

**Service quality management:** Service quality vary according to customer-employee interactions (Kotler and Armstrong, 2010). When front-line employees are empowered, they deliver the best possible service to customers. As customers continually interact with the same employees, they get accustomed with the service capabilities of certain specific service employees within an organization to deliver certain services. Failure to retain such employees can lead to customer dissatisfaction because the new employee who the customers are not familiar with may fail to deliver services that will meet the customers' needs and expectations especially if new employees are less competent than the outgone ones.

**Promise management:** In the process of value creation and delivery, organizations make promises and deliver on those promises if customers must be satisfied. The delivery of promises made to customers during value proposition is accomplished with employees. According to Grönroos (2009: 355), "promises cannot be expected to be successfully kept by the firm unless its employees are willing and motivated to do so". Additionally, employees will be less willing and motivated to deliver a firm's promises to customers when their welfare in the organization is in doubt. One of the typical instances where the morale and motivation of employees will suffer a setback is if the employees are not sure of the organizational programmes poised at retaining their services and extending their job tenures.

**It boosts consumer-staff relationships:** It has been argued that consumers' attitude toward front-desk personnel often determines their attitude toward the service encounter as a whole especially because of the inseparable nature of services. This reasoning evokes an evident role of employee's customer orientation. In the majority of services activities, the customer is often interacting with contact employees, whose role has become an element of differentiation. Through their attitude, contact employees could influence the quality of service perceived by the customer. As the consumer-employee interactions continue, consumers develop mutual bonding with existing employees of the company. Employee turnover can mar the development of such mutual consumer-employee bonding. But with the retention of high performing staff, such bonding is rest-assured and consumer-staff relationships are bound to witness massive boost.

**It leads to employee commitment:** Employees who are retained for their contributions to the success of the organization are bound to become more committed. This is because employee retention is a sign that the company values them. In fact, in a firm where employees are valued, they can't wait to get to work (Kotler and Keller, 2009).

**It leads to overall organizational performance:** A number of evidences have linked employees' positive attitudes to organizational performance. For instance, Kotler and Keller (2009) cited Sears' research that found a high correlation between customer satisfaction, employee satisfaction, and store profitability. Thus, when employees are satisfied with the company, they are motivated to deliver satisfactory services to customers. When customers are satisfied, firms become more profitable probably because satisfied customers tend to not only buy more from the firm but also drum up businesses for the company through word of mouth communication.

### **SELF-ASSESSMENT EXERCISE**

In brief, what is marketing staff retention and loyalty and why is it important?

## **4.0 CONCLUSION**

The most sophisticated technology and even excellent organizational policies will remain unattended to if human beings fail to act on them. Thus, employees especially customer-facing staff are vital to the success of organizations because customers are the reason for organizational existence. Retaining marketing staff especially top talents and securing their loyalty to an organization has therefore been declared important because of a number of benefits that accrue to the organization that do so.

## **5.0 SUMMARY**

The factors that drive marketing staff retention and loyalty include customer orientation, job security, internal marketing, conducive work environment, advertising, and so on. Additionally, securing marketing staff retention and loyalty is beneficial for a number of reasons including service quality management, promise management, boost in overall organizational performance, consumer-staff relationships, and employee commitment.

## 6.0 TUTOR MARKED ASSIGNMENT

1. Outline and briefly discuss five factors that drive marketing staff retention and loyalty.
2. Outline and briefly discuss five benefits of marketing staff retention and loyalty

## 7.0 REFERENCES/FURTHER READINGS

Dibb, S. and Simkin, L. (2009), *Marketing Essentials*, London: Cengage Learning EMEA.

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## **UNIT 5      MARKETING   RESEARCH   FOR   FINANCIAL SERVICE INDUSTRY**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    main content
  - 3.1    Overview of Marketing Research
  - 3.2    Marketing Research and Marketing Decision making
  - 3.3    Marketing Research and the Marketing Information System:
  - 3.4    Meaning of Marketing Research
  - 3.5    The Role and Importance Of Marketing Research
  - 3.6    Scope and Major Areas of Marketing Research
  - 3.7    Other Areas of Marketing Research
  - 3.8    Sub Areas and Types of Marketing Research
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor Marked Assignment
- 7.0    References/Further Reading

### **1.0    INTRODUCTION**

It is a truism that no firm can boast of long term profitability unless it has fully imbibed the tenets of the marketing concept. The customer or consumer is at the center of every marketing activity and should therefore be taken into consideration at every stage of decision-making. Suffice it to say, that the ability of a firm to achieve long-run profitability through customer satisfaction, is dependent on the quality of decisions that it takes in the areas of its marketing mix elements.

Zikmund (1999) recognizes the fact that marketing research is a way of implementing the marketing concept. In his words, one purpose of marketing research is to obtain information that identifies consumers' problems and needs, bridging the information gap between marketing executives and consumers.

### **2.0    OBJECTIVES**

At the end of this unit, students should be able to:

- define marketing research
- explain the relationship between marketing research and marketing decision making
- explain the nature of marketing research

- identify the types of marketing research
- identify the benefits of marketing research
- explain the marketing research process.

### **3.0 MAIN CONTENT**

#### **3.1 Overview of Marketing Research**

#### **3.2 Marketing Research and Marketing Decision-Making**

In the previous section, we had in a nutshell tried to establish the great importance of quality decisions in marketing, in ensuring that the core objective of the firm, which are customer satisfaction and long-run profitability are achieved and sustained. In this section, an attempt will be made to draw a relationship between, Marketing Research and Marketing Decision-making.

In every organization, the importance of relevant, timely and accurate information cannot be over-emphasized, as this facilitates marketing decisions in order to achieve organizational success.

Managers (including marketing managers) need information in order to introduce products and services that create value in the minds of the customers (Quick MBA.Com). Information needs of an organization however, changes with time due to the dynamic nature of consumer behaviour. Therefore, relevant information of yesterday may become obsolete and irrelevant for effective decision-making today. The burden therefore lies on marketing research to constantly provide management with relevant, timely, accurate and usable information to enable it take decisions that will be profitable. However, not-minding the fact that information may be useful for organizational decision-making, what ultimately determines its value to the organization has been outlined by (Quick MBA.com) as follows;

- i. The ability and willingness to act on the information.
- ii. The accuracy of the information
- iii. The level of indecisiveness that would exist without the information
- iv. The amount of variation in the possible results
- v. The level of risk aversion
- vi. The reaction of competitors to any decision improved by the information.
- vii. The costs of the information in terms of time and money.

Virtually everything about marketing or management requires that decisions be taken for the organization to make a head-way. And as we

have variously pointed out, the quality of the decision depends on the availability of relevant, accurate and reliable information, and marketing research ensures the provision of this information.

### **The nature of marketing decision**

Decision-making could be said to be the major function of every marketing manager and rightly so. At every point in time, marketing managers are faced with situations that will require choosing between two alternative courses of action or even choosing among many courses of action. These courses of action present different challenges, advantages and disadvantages to the well-being or profitability of an organization.

The ability of the marketing manager to choose the best alternative course of action that will yield the highest level of profitability to the organization underscores the quality of the decision.

In a typical business setting, managers are constantly faced with situations as described above ranging from such decisions as, make or buy, whether to use a particular promotional strategy or the other etc. The decision areas in marketing equally underscores the scope of marketing research given the fact that, it is required to guard against poor decisions by management and having in mind that such situations are surrounded by a lot of uncertainties that require marketing research to shed more light.

Ibekwe (2012:123) pointed out that marketing research makes the work of decision-makers much more easier and precise by trying to improve outcomes of decision-making, using more formal systematic approaches to decision-making; the act of consciously choosing from alternatives.

Furthermore, she identified five major steps in effective decision-making namely, **define the problem, develop the research plan, collect relevant information, develop findings and recommendations and take marketing action.**

### **When to apply marketing research**

- i. **Cost** Marketing Research is definitely a cost centre in every organization and its cost is sometimes, if not most times, high. Therefore, to use marketing research to aid marketing decision-making, management must ensure that the cost of embarking on it, will not outweigh the cost of a poor decision in that area. For instance, it may not be necessary to embark on elaborate

marketing research in order to decide whether to buy a new official car for a marketing manager or not.

- ii. **Time:** Marketing research requires ample time to be carried out effectively. Management must therefore be sure that they have such time at their disposal before embarking on marketing research. For information to be of value to an organization, it must be timely such that it could be used for the purpose at hand. For instance, there will not be any need to embark on marketing research that will last for a year to aid a decision that must be taken within a month. Such marketing research efforts and resources will be wasted and no organization thrives on wasted efforts.
- iii. **Management disposition:** In an organization where top managers do not appreciate the importance of marketing research and therefore will not be willing to apply the recommendations therein, the use of marketing research is not advised, because it will simply amount to a white elephant project. This is so because the process of marketing research only terminates at the application of research results and recommendations, in solving marketing problems.
- iv. **Management knowledge/competence:** The level of knowledge already possessed by the manager with regards to the decision area, will go a long way in determining whether marketing research should be embarked upon or not. If the decision area is such that the manager has ample knowledge on, then the wise thing is to go ahead with the choice of the best alternative rather than embarking on a costly and time consuming marketing research venture.
- v. **Nature of the Decision:** Decisions that are taken more frequently over a period of time may not require that resources be expended in embarking on marketing research. According to Ibekwe (2012:9), the more strategically or technically important the decision, the more likely that marketing research will be conducted.

### 3.3 Marketing Research and the Marketing Information System

Marketing research is basically of a problem solving nature. In that, it addresses and tries to proffer solutions to predetermined marketing and marketing related problems. A problem in marketing can equally be seen as a need which has been defined as a state of felt deprivation or

deficiency. It could be a need to improve on sales turnover, to segment a market, to improve a brands' or firm's image, to expand a particular market, etc. In performing the marketing function, managers are constantly faced with various problems requiring remedial actions. It is the basic function of marketing research to identify these problems and proffer solutions to them. However, care must be taken not to confuse marketing problems with their attendant symptoms. Symptoms are only manifestations of marketing problems and therefore do not constitute problems in themselves. Marketing problems are therefore the reasons behind the symptoms. *Taking our minds a little bit a way from marketing to buttress our point in the realm of medicine, a headache, feverish conditions, stooling etc. may not constitute sicknesses in themselves but rather symptoms to such illnesses as malaria, typhoid fever, hepatitis etc.*

In 2012, Whytem Nigeria Plc, makers of Osmosis Brand of Paint observed that its brands were losing market in terms of sales turnover. This is a marketing symptom that suggests that there is an inherent problem. This symptom could be as a result of introduction of a better competing brand, the price of the brand itself, the quality of the brand, its poor-package, lack of promotion etc. It is therefore, important to draw this distinction in order not to address symptoms as if they were problems because any attempt at that, will truncate the entire essence of marketing research.

Okpara (2012:37) suggests that marketing research is an adjunct of a larger Marketing Information System (MIS) but that it is often mistaken for (MIS) which is defined by Kotler and Armstrong (2012:123) as people and procedures for assessing information needs, developing the needed information and helping decision makers to use the information to generate and validate actionable customer and market insights. A careful assessment of this definition of MIS will show the following relationship and disparity between it and marketing research.

Okefor (2009;23) summarized the characteristics of Marketing Information System (MIS) and Marketing Research (MR) as follows:

### MIS

- Handles both internal and external data for a firm
- Is concerned with solving and preventing business problems
- Operates on a continuous basis in a systematic format.
- Coordinates information in a future –oriented use
- It is generally dependent on the use of a machine (the computer).
- It includes data from other subsystems in business besides marketing research.

**MR**

- Emphasis is on the handling of external information/data
- Is primarily concerned with solving problems
- Operates in fragmented and on a project by project basis
- Tends to focus on past information basis and opinions
- It can be manual and does not depend on computer processing
- It is one source of information input for a marketing information system.

**3.4 Meaning of Marketing Research**

There are very many definitions of marketing research as there are scholars. However, some relationships exist amongst these varied definitions. We shall therefore reproduce some definitions by notable authors.

Kotler and Armstrong (2012:127) defined Marketing Research as the systematic –design, collection, analysis, and reporting of data relevant to a specific marketing situation facing an organization.

Zikmund (1999) opined that MR is the systematic and objective process of generating information to aid in making marketing decision.

Marketing Research is the application of scientific method in search for the truth about a marketing phenomena (Zikmund and Babin 2007:5).

A cursory look at these definitions would throw some light on the nature and scope of marketing research namely:

- Marketing research is of a problem solving nature.
- It follows a scientific method of enquiry and therefore is systematic.
- It involves a procedure that must be religiously followed.
- It is objective in nature and tries to rule out bias from its process.
- It covers all areas of marketing as well as related business areas.

Borrowing from the above therefore, marketing research is hereby defined as the ***“conscious, calculated and objective inquiry into the reasons behind observable marketing symptoms and the subsequent collection, analysis and interpretation of relevant data to aid decision making towards solving the identified marketing problem”***.

### 3.5 The Roles and Importance Of Marketing Research

The importance of marketing research cannot be over-emphasized. These importances are hereby summarized in this section as follows:

- **Efficient Decision-Making:** The quality of an organization's decisions invariably affects the quality of its offerings which are directed at ensuring customer satisfaction and profitability. Marketing research supports quality decision making.
- It generates information to the MIS
- Marketing Research supports the planning function in an organization by contributing relevant information to the MIS.
- It helps to identify problems relating to observed symptoms.
- It constitutes a link between the marketer and his customers, consumers and the relevant public.
- It helps in problem solving
- It helps in monitoring market trends.

In addressing the role of marketing research, Wikipedia the free Encyclopedia (2013) advanced that MR helps the marketing manager link the marketing variables with the environment and the consumers. It went further to state that MR helps remove some of the uncertainty by providing relevant information about the marketing variables, environment and consumers, without which consumers' response to marketing programs cannot be predicted reliably or accurately. It therefore posited the adoption of the "DECIDE" model in fully understanding the role and process of marketing research.

D	=	Define the marketing problem
E	=	Enumerate the controllable and uncontrollable decision factors
C	=	Collect relevant information
I	=	Identify the best alternative
D	=	Develop and implement a marketing plan
E	=	Evaluate the Decision and the Decision processes

Brief explanations of these different steps of the model was made.

- a. **Define the Marketing Problem:** Problem identification and definition is of paramount importance if the problem is to be addressed appropriately. Solving a poorly defined problem will do more harm than good and care must be taken to draw a distinction between the problem and its attendant symptoms. It is therefore, imperative that a careful description of the basic characteristics of an identified problem is done to show how it is affecting marketing operations. This will equally entail precisely

defining the problem or opportunity, determining constraints and itemizing objectives.

Again, it should be ascertained if the problem defined is occurring for the first time or not. This will help to analyse what remedial actions was taken in the past and how successfully it faired.

- b. **Enumerate the Decision Factors:** Here, the possible decision factors that make up the alternative courses of action (controllable factors) and uncertainties (uncontrollable factors) are listed.
- c. **Collection of Data:** The next step is to collect relevant data relating to the problem at hand with special reference to the various decision factors. Information is equally generated on the alternative courses of action.
- d. **Identify the Best Alternative:** Marketing research will equally enable the manager after careful analysis and interpretation of the data collected, to choose the best option among the various alternative courses of action.
- e. **Develop and implement a marketing plan:** Having chosen the most suitable course of action, what is now left is for the manager to develop and implement a marketing plan based on it to further the progress of the firm.
- f. **Evaluate the decision and the decision process:** Finally, an evaluation is needed to ascertain the success or otherwise of the plan and the decision process itself. A sort of general performance evaluation.

### 3.6 Scope and Major Areas of Marketing Research

Marketing as a process involves the performance of different functions which is directed at the satisfaction of customers' needs at a profit to the organization while also having the protection of the environment in mind. These marketing functions cover product development and management, pricing, distribution, promotion, risk taking, financing etc. These listed functions of marketing are broad decision areas enveloping other sub-decision areas and these underline the scope of marketing research noting that it is needed to aid decision-making. This section will therefore explore some of these areas or classification of marketing research.

Wikipedia encyclopedia (2012) basically classifies marketing research into consumer marketing research and business-to-business marketing research and alternatively by methodological approach into qualitative and quantitative marketing research. It presented the following explanations of them.

1. **Consumer Marketing Research:** is seen as a form of applied sociology that concentrates on understanding the preferences, attitudes and behaviors of consumers in a market-based economy, and it aims to understand the effects and comparative successes of marketing campaigns. It further stated that the field of consumer marketing research as a statistical science was pioneered by Arthur Nielson with the founding of the AC Nielson Company in 1923.
2. **Business to Business Marketing Research:** Studies the relationship existing between a firm and its competitors or associates and how these relationship impacts on the success of its marketing activities. It equally investigates areas of corporate customers as it is inevitably more complicated than consumer research.

Wikipedia Encyclopedia (2013) suggests that in carrying out B2B MR, the researchers need to know what type of multi-faceted approach will answer the objectives, since it is seldom possible to find the answers using just one method. It went further to say that finding the right respondents is crucial in B2B research since they are often busy, and may not want to participate.

It noted that since most business researches leads to strategic decisions, this means that the business researcher must have expertise in developing strategies that are strongly rooted in the research findings and acceptable to the client.

Finally it identified four key factors that make B2B marketing research special and different from consumer research.

- i. The decision making is far more complex
- ii. B2B products and their applications are more complex than consumer products.
- iii. B2B marketers address a much smaller number of customers who are very much larger in their consumer markets
- iv. Personal relationships are of critical importance in B2B markets.

### 3.7 Other Areas of Marketing Research

Marketing research will basically cover such areas as product development, pricing, distribution and promotion.

- a. **Product Research:** This is an investigation into the problems and prospects of a given product, like determining if the product is doing well or not and why. Product research makes innovation

possible by exposing marketers to the performance of the product in the market and the reason(s) behind consumers acceptance or rejection of the product. This enables marketers to effect changes or corrections where necessary. It studies possible product offerings given available technology. Product research encompasses packaging research, brand and branding research etc.

- b. Market Research:** This is concerned basically with studies on specific markets, either consumer markets or organizational markets. It goes further into distinct market segments. It has been defined as the systematic gathering and interpretation of information about individuals or organizations using statistical and analytical methods and techniques of the applied social sciences to gain insights or support decision-making (Wikipedia, the free Encyclopedia, 2012).
- c. Pricing Research:** This area of marketing research concentrates efforts on determining the advantages or otherwise of the different pricing methods and strategies available to a marketer, namely skimming, penetration etc in terms of new product introductions. It exposes the marketers to consumer responses towards product prices. According to Ibekwe (2012:20) it aims at determining the purchasing power of the customers in the firm's market of interest in order to learn the ideal price.
- d. Distribution Research:** Marketers are faced with various choices in terms of channel decision. Whether to adopt a direct or indirect channel is a function of how each of the options impacts on marketing success. Also, various method of distributions and strategies are available to the marketer. Choosing the best alternative method will entail conducting a distribution research. This will help determine the choice of any of the distribution strategies namely **Exclusive, Intensive or Selective distribution strategies** as well as the best alternative choice of transportation means. Decision as to storage methods, customer services to be offered, intermediaries etc. will equally be covered under distribution research.
- e. Promotion Research:** The promotion tools includes advertising, sales promotion, personal selling, publicity/public relations, direct marketing. Adoption of any of these will depend on a lot of factors which includes but not limited to the nature of the product, the nature of the market, the cost involved etc.

A detailed investigation and analysis of those situations and factors with the aim of determining the best alternative promotion strategy will mean a promotion research. Each of the promo tools entail a conduct of marketing research, which will be addressed in a succeeding section.

### 3.8 Sub Areas/Types of Marketing Research

Wikipedia the free encyclopedia (2013) had summarized sub areas of marketing research to include as follows:

- **Ad tracking:** Periodic or continuous in-market research to monitor brand's performance using measures such as brand awareness, brand preference, and product usage (Young, 2005)
- **Viral Marketing Research:** Refers to marketing research designed to estimate the probability that specific communications will be transmitted throughout an individual social Network. Estimates of Social Networking Potential (SNP) are combined with estimates of selling effectiveness to estimate RO on specific combinations of message and media.
- **Advertising Research** - used to predict copy testing or track the efficacy of advertisements for any medium, measured by the ad's ability to get attention, communicate the message, build the brand's image, and motivate the consumer to purchase the product or service (Young, 2005).
- **Brand Equity Research** - how favorably do consumers view the brand?
- **Brand Association Research** - what do consumers associate with the brand?
- **Brand Attribute Research** - what are the key traits that describe the brand promise?
- **Brand Name Testing** - what do consumers feel about the names of the products?
- **Commercial Eye Tracking Research** - examines advertisements, package designs, websites, etc. by analyzing visual behavior of the consumer
- **Concept Testing** - to test the acceptance of a concept by target consumers.
- **Coolhunting** - to make observations and predictions in changes of new or existing cultural trends in areas such as fashion, music, films, television, youth culture and lifestyle.
- **Buyer Decision Processes Research** - to determine what motivates people to buy and what decision-making process they use
- **Copy Testing** - predicts in-market performance of an ad before it is aired by analyzing audience levels of attention, brand linkage,

motivation, entertainment, and communication, as well as breaking down the ad's flow of attention and flow of emotion. (Young, 2005).

- **Customer Satisfaction Research** - quantitative or qualitative studies that yields an understanding of a customer's level of satisfaction with a transaction.
- **Demand Estimation** - to determine the approximate level of demand for the product.
- **Distribution Channel Audits** - to assess distributors' and retailers' attitudes toward a product, brand, or company.
- **Internet Strategic Intelligence** - searching for customer opinions on the Internet: chats, forums, web pages, blogs... where people express freely about their experiences with products, becoming strong "opinion formers"
- **Marketing Effectiveness And Analytics** - building models and measuring results to determine the effectiveness of individual marketing activities.
- **Mystery Consumer or Mystery Shopping** - An employee or representative of the market research firm anonymously contacts a salesperson and indicates he or she is shopping for a product. The shopper then records the entire experience. This method is often used for quality control or for researching competitors' products.
- **Positioning Research** - how does the target market see the brand relative to competitors? - what does the brand stand for?
- **Price Elasticity Testing** - to determine how sensitive customers are to price changes.
- **Sales Forecasting** - to determine the expected level of sales given the level of demand. With respect to other factors like advertising expenditure, sales promotion etc.
- **Segmentation Research** - to determine the demographic, psychographic and behavioural characteristics of potential buyers
- **Online Panel** - a group of individuals who accepted to respond to marketing research online.
- **Store Audit** - to measure the sales of a product or product line at a statistically selected store sample in order to determine market share, or to determine whether a retail store provides adequate service.
- **Test Marketing** - a small-scale product launch used to determine the likely acceptance of the Product when it is introduced into a wider market.

**SELF-ASSESSMENT EXERCISE**

Enumerate the factors that determines when to apply marketing research in decision making

**4.0 CONCLUSION**

Marketing Research provides the firm the impetus to take quality decisions in the face of uncertainties hence, the great need for marketing research.

**5.0 SUMMARY**

This unit has extensively discussed the meaning, functions, types and applications of marketing research in every organization, firms in the financial service sector inclusive.

**6.0 TUTOR-MARKED ASSIGNMENT**

Identify and discuss the two broad categories of marketing research.

**7.0 REFERENCE/FURTHER READING**

Ogbuji, C. N. (2012), **Marketing Research**, Port Harcourt: African Entrepreneurship and Leadership Initiative.

**MODULE 4**

Unit 1	Globalization and External Environment and its Impact on the Financial Service Sector in Nigeria
Unit 2	Competitive Marketing Strategies for the Financial Service Industry
Unit 3	Pricing, Profitability and Decision Making
Unit 4	Financial Services for Agricultural Marketing

**UNIT 1      GLOBALIZATION      AND      EXTERNAL  
ENVIRONMENT AND ITS IMPACT ON THE  
FINANCIAL SERVICE SECTOR IN NIGERIA****CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Overview of Globalization and External Environment
3.2	Globalization
3.3	The Global Customer and Financial Service Response
3.4	Meaning of Marketing Environment
3.5	Environmental Factors in the Financial Service Industry
4.0	Conclusion
5.0	Summary
6.0	Tutor-Marked Assignment
7.0	Reference/Further Readings

**1.0      INTRODUCTION**

The advent of the World Wide Web and by extension the internet has thrown up a whole lot of changes and challenges in the way financial services are rendered to customers. This notable development led to what is today called Globalization, which has redefined the influence of the external environmental factors on financial businesses and has created the concept of Global Customers. This unit shall address these issues and more.

**2.0      OBJECTIVES**

At the end of this unit, you should be able to:

- define globalization
- define external environment
- explain the concept of global customer

- identify and explain the external environmental factors and their impact on financial services.

### **3.0 MAIN CONTENT**

#### **3.1 Overview of Globalization and External Environment**

#### **3.2 Globalization**

Globalization is the process by which the world is becoming increasingly interconnected as a result of massively increased trade and cultural exchange. It has also increased the production of goods and service ([www.bbc.com/globalisation](http://www.bbc.com/globalisation)). This process is made possible by the advent and existence of Information and Communication Technology. Globalization reduces the stress involved in firms going international by making the entire world market a single unit. This created a new market space instead of the traditional market place.

#### **3.3 External Environment of Marketing**

The marketing environment is also called the world of marketing. It is the totality of all the factors and forces that directly or indirectly, implicitly or explicitly affect the marketing activities of a firm. This environment is divided into internal and external environment.

The external environment includes all those factors that are macro in nature and are highly beyond the control of the financial service organization. The organization therefore can only adapt to them and constantly respond to changes in them if the organization is to survive.

#### **3.4 Concept of the Global Customer**

The global customer refers to those customers operate beyond national boundaries. It means an international buyer or customer. A customer from another country other than that of the seller or producer ([www.googlesearch.com](http://www.googlesearch.com)). Multinationals has adopted a new process by which they can better manage their relationships with global customers. It called Global Account Management. In response to the needs of the global consumer, the banking industry in the country developed the visa card to enable them serve this category of customers creditably. Here we capture the visa product offering of two banks in Nigeria as follows:

##### **Features of Zenith Visa Credit Card**

*Chip and pin*

*Card to card transfer*

*One card-dual currency*  
*Spend in other currencies and settle in dollars*  
*Online transaction tracking*  
*Acceptance locally and internationally*  
*Eliminates currency conversion for local transactions*  
*Global transaction notification via e-mail and sms.*

It is important to note that with the offering of the visa card to its customers in Nigeria, the banking industry is repositioning with a view to becoming complaint in the global market place thus gaining the requisite global competitive advantage.

### **3.5 Environmental Factors in the Financial Services Sector**

Basically, a business environment is made up of the customers, employees, suppliers, products and the external environmental factors which consist of economic, technological, political/legal, socio-cultural, competitive factors etc. We shall concentrate efforts at identifying only the variables in the external environment of the financial service sector.

#### **(i) Economic Factors**

Presently, Nigeria is undergoing a period of recession which is negatively affecting the fortunes of many businesses in the financial service sector. Other economic factors include inflation, interest rate, lending rate, per capita income, exchange rate etc. in the recent times, the exchange rate of the Naira to the US Dollar has risen to an all time high, whereby the Naira has very low value compared to the dollar. This has affected the operations of firms in the financial service sector negative leading most of them to downsize their workforce and close some branches. This incidence has equally affected our economy adversely. This exchange rate regime has affected other economic indices mentioned above and has driven the Central Bank of Nigeria into a summer assault of policies targeted at grappling with this mantra.

#### **(ii) Technological**

The advent of the internet has given rise to globalization, which has presented its own challenges to banks and other financial institutions. The rate of technological innovations and inventions is overwhelming. This has affected the way financial businesses are carried. Today, banks are developing various innovative products in response to changes in technology. Such products include, mobile banking, internet banking, automated teller machines (ATM), point of sale machines (POS) and many mobile apps, some of which has earlier been mentioned in a previous unit addressing the issue of retail and wholesale banking.

Innovations in technology have equally made the internationalization of financial operations easier for both service providers and consumers. However, technology in financial service sector is not without its inherent problems some of which are password theft, online criminal activities, system downtime etc.

**(iii) Political/Legal**

In the recent past and indeed presently a lot of reformation have taken place in the financial sector. Series of policies have equally been put in place to give clear directions in the way financial services are carried out. Again, there are a lot of laws, acts of parliament regulating and controlling the way financial sector businesses are carried on and these laws enabled the creation of government regulatory agencies. Some of the regulatory agencies of government involved in the financial service sector includes, Central Bank of Nigeria (CBN), National Deposit Insurance Company (NDIC), Economic and Financial Crimes Commission (EFCC), Consumer Protection Council (CPC) etc.

**(iv) Demographic Factor**

The population of Nigeria is constantly increasing by available statistical records. It is estimated that the population is slightly above 180 million people presently. This has made Nigeria one of the largest markets in the world today. However, the incidence of high rate of unemployment and illiteracy have affected the purchasing power, consumption rate and savings rate of Nigerians as well abilities to use innovative financial products, thereby creating serious challenges for financial institutions with such products. Some demographic indices to look out for are educational qualification/level of literacy, population growth rate, unemployment rate, occupation, mortality rate, birth rate etc.

**(v) Competition**

The level of competition has become more intense in the financial service sector with many banks out of business already and others merely struggling to survive given the economic circumstances. The economic hardship is further creating more competitive problems for financial institutions in the country.

**(vi) Socio-cultural Factor**

Religion is a sub culture and the level of religious crises is on the increase. Many strongly believe that the Boko Haram insurgency is religiously induced. The activities of this terrorist group as well as the militants in the Niger Delta region are in no small measure taking a

negative toll on the financial service sector. Most banks have closed shop in the war torn North eastern part of the country leading to the layoff of workers. Many workers equally resigned on their own due to risk to lives and properties.

### **SELF-ASSESSMENT EXERCISE**

What system enables multinationals to better manage their global customers?

## **4.0 CONCLUSION**

Globalization is a mantra that has reduced the world markets into a single unit thereby greatly removing the bottlenecks inherent in international market entry. It has also exposed weak local firms to competition from bigger international firms.

## **5.0 SUMMARY**

This unit discussed the concept and challenges of Globalisation as well as the concept and impact of the external environmental factors on the financial service industry.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Enumerate and explain the external environmental factors affecting financial service industry.

## **7.0 REFERENCE/FURTHER READING**

Kalu, S. E., Ekeke, J., Ogbuji, C. N. and Obinna, I. (2011), Retail and Wholesale Management in Nigeria, Owerri: Stramark Communication Consult.

## **UNIT 2      COMPETITIVE MARKETING STRATEGIES FOR THE FINANCIAL SERVICE INDUSTRY**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Competitive Marketing Strategies
  - 3.2 Concept of Marketing Strategy
  - 3.3 Types of Marketing Strategies
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 Reference/Further Reading

### **1.0 INTRODUCTION**

The success story of a marketing organization is often dependent on what they produce or offer to customers for their optimum satisfaction but more importantly about how they offer it and to what extent it meets with current and potential customer expectations as regards what and how it is offered (product), how affordable it is (price), where and when it is offered (place) and to what extent it is brought to customers knowledge (promotion).

Nnabuko (1998:3) seems to have captured the very essence of marketing strategy when she opined that organizations do employ the marketing process to convert unfulfilled market needs into profitable business opportunities. Obviously, these unfulfilled needs are a fall out of the dynamic nature of the market. She went further to assert that this convertibility nature of marketing, was especially manifested during the Structural Adjustment Programme (SAP), when some new toilet tissue manufacturing firms exploited the opportunity that emerged in the industry to produce various sizes and qualities to meet each market segment's needs (market segmentation strategy or target marketing).

A marketing strategy could be likened to a building plan without which the builder will end up arriving at the wrong building at a very high cost both in terms of time and money. The application of marketing strategy is not all about making a "Sale" or profit but about satisfying customers, and winning their loyalty. Leboeuf (1987:11) captured an intriguing story that underscored this point:

*"Some years ago after the publication of my first book, Working Smart, I was hired as a spokesman to do a series of radio and television*

*commercials for Pacific Northwest Bell Telephone Company. Wanting to look my best, I went shopping for a new suit at a suburban New Orleans Clothiers near my home. As I walked into Porter – Stevens, Men’s-Women’s wear, I had the good fortune to meet Fred Aubert, a clothing salesman. I introduced myself, told Fred what I was looking for, and asked for his help. He was so helpful that I have been his loyal customer ever since. The first thing Fred did was to listen to me. He asked questions about the commercial and requested a copy of my book so he could get a good idea of the type of image that I would want to project on camera. After learning more about what I needed for this particular project, he recommended a beautiful navy-blue pin stripped suit, which he custom fitted to my measurements. I bought the suit and thought I was all set for the commercial. But then I received word that the set for the commercial would be a dark background and that a dark suit was out of the question. So I went back to Fred looking for a Gray suit. He offered to take back the blue one, but it looked so good that I wasn’t about to part with it. There were plenty of Gray suits in stock but none of them seemed to fill the bill. But instead of trying to sell me one of them, Fred recommended that I try one of his competitors, where I found just the right suit. That may have cost Fred a sale, but by helping me solve my problem, he earned my loyalty.”*

A marketing strategy should be customer/market oriented not producer/seller oriented and it should be geared towards winning a customer not marketing a sale. Marketing strategy is of a long term nature and its benefits subsist for a long time to come. It affords an organization, sustainable customership and reduces customer dissatisfaction and or cognitive dissonance. A good marketing strategy must therefore be a product of intensive marketing research.

## **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain Marketing Strategies and its concepts
- identify types of Marketing Strategies
- determine appropriate Marketing Strategy for specific industry

## **3.0 MAIN CONTENT**

### **3.1 Concept of Marketing Strategy**

To better get a grasp of the subject matter of Marketing Strategy, it is pertinent that the two words inherent in it are first considered in isolation, that is marketing and strategy.

There are varying definitions of marketing all re-emphasizing the subsisting controversy, as to what marketing really is. However, in all modern and widely acceptable definition of marketing, one thing is common; that the main focus of the marketing function is consumer/customer satisfaction at a profit; leading to the triple C vision of modern marketing, namely, consumer orientation, consumer satisfaction and consumer sovereignty. However, more recent marketing management philosophies now encompasses assurance of society's welfare (social marketing) and environmental friendliness (green/environmental marketing) as part and parcel of the marketing function. Given the above, marketing is here defined as *"The performance of all individual and organizational activities that are targeted at the anticipation of consumer's and society's needs, provision of goods and services and the facilitation of exchanges for customer and society's satisfaction at a profit to the organization."*

This definition underscores the fact that while the profit motive is important to the life of an organization, only those organizations that best satisfies customers and the society would make profit in the long run.

### **Strategy**

On the other hand, has been defined as the planning and adjustment of efforts in order to achieve a predetermined goal. This goal of course is the attainment of optimum customer satisfaction and society's welfare which is the primary objective of modern marketing. Agbonifoh et al (2007:271) defined strategy as a road map that specifies the direction of an organization's decisions.

### **Marketing strategy defined**

Marketing strategy is defined here as "the strategic planning and adjustment of marketing efforts in order to achieve customer satisfaction and society's welfare at a profit to the organization." A marketing strategy should be proactive not reactive in order to enable the organization take advantage of anticipated opportunities in the market place. For instance, the ban on motorcycle (Okada/Inaga) as a means of transportation brought about a wind of change in the business and marketing environment in some States in Nigeria. Companies who had a functional marketing strategy took advantage of it to import tricycles (Keke), and are telling the success story. Marketing strategy ha equally been defined as a "process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales (not necessarily in the short run) and achieve a sustainable competitive advantage (UK/Australian Business Guide, 2010). It should be centered

around the key concept that customer satisfaction is the main goal (Baker, 2008:3).

This definition goes a long way to buttress the point that marketing strategy should be market oriented and that is the only way it can ensure sustainable competitive advantage.

A marketing strategy revolves around the four main decision areas in marketing management namely product, price, promotion and place (marketing mix). For, it is the efforts of marketers on these that need to be planned and adjusted until marketing and corporate goals are achieved.

### 3.2 Types of Marketing Strategies

The classifications of marketing strategy could be as many as there are authorities in the field. For our purpose, efforts at categorization will be narrowed down to competition based strategies and marketing mix based strategies.

#### Competition Based Strategies

Among the competition based strategies are market leader, market challenger, market follower and market nicher strategies.

1. **Market Leader:** The market leader in any industry is that company that presently enjoys the largest share of the industries market and therefore strives to maintain it or at best increase its share of the market by subduing or frustrating competition, (e.g. MTN, NBC, NB, PLC in Nigeria). Some of the strategies that could be adopted by a market leader are:
  - i. **Expansion Strategy:** Diversifying its market and product categories.
  - ii. **Innovation Strategy:** constant and valuable improvement on its existing offers and methods of product/service delivery in order to add value.
  - iii. **Defensive Strategy:** This has a military connotation and entails the leader being satisfied with maintaining the status quo, this is however very dangerous. The market leader must lead in the development of new business; new ideas and new customer value. He must have a customer proposition that offers superior solution to customers' problems and differentiated products (Koltinikov, 2010:1).

2. **Market Challenger:** A market challenger is one who presently occupies the second largest share of an industry's market but is desirous of over taking the market leader (e.g. 7up Bottling Company). Among the options available to the market challenger are:
  - i. **Frontal Attack:** Competing with the leader head on by doing whatever the leader is doing or better still trying to surpass it in terms of product offering, innovation, price, promotion and distribution strategies. This sometimes leads to a price war like the one that existed between Nigerian Bottling Company and 7up Bottling Company some few years back. A price war though advantageous to consumers, it very detrimental to both the leader and the challenger. For a market challenger to adopt a frontal attack approach, it must be sure that has the technological propriety, financial power and manpower to equal that of the leader.
  - ii. **Rear Attack:** Here, the market challenger tries to identify areas of weakness of the market leader and then capitalizes on it to take over the leadership of the market. This entails a serious application of the outcome of a firm's SWOT analysis, marketing research and environmental scanning.
  - iii. **Guerrilla Warfare:** Here, the market challenger pulls a stunt or surprise that will throw the leader off balance. The use of this tactics entails strategic thinking and proactiveness. A market challenger anticipates an action that a leader wants to take and beats him to it with better action. For instance, a challenger firm may closely monitor a leader's innovation process and then launches the innovation before the leader does.
4. **Market Follower:** Market followers are more comfortable with maintaining the status quo and they simply apply tactics that will ensure same, what we might call follow the leader strategies.
5. **Market Nicher:** Is one that decides to carve out a nich for itself instead of joining in the intense competition. A nicher discovers a smaller segment of the market to serve and does everything to protect and satisfy it. A nicher can carve out a geographical nich (e.g. Owerri Market), customer type nich (small users), Demographic nich (Men's market etc).

The truth is that a market nicher is not interested in the total market but in a small segment where he will be king. (A big fish in a small Ocean).

Other authorities may prefer to use the terms prospector, analyzer, defender and reactor to refer to the four competitions based marketing strategies (Miles, 2003).

### **Marketing mix based strategies**

The second way of classifying marketing strategies is to put them under the mix elements. There are four traditional elements of the marketing mix most often referred to as the four P's of marketing, for the obvious fact that all begins with the letter P. They include Product, price, Place and Promotion.

The marketing mix elements are marketing variables that are at the disposal of the marketer for the satisfaction of the needs/wants of his target market. They are variables in the sense that the marketer could keep changing them until the whole meets with the expectations of the customer/market and by extension satisfies them (customers). In reality, different target markets may require different mix elements. This makes market segmentation strategy a very important one except where they marketer is doing mass marketing.

A support for blending or managing the mix elements in line with individual customer groups requirements or expectations is encapsulated in Cannon (1996:270) assertion that successful mix management depends on the fit between management controllable resources (mix elements) and the needs of specific customer groups and that a mix created without targeting or focusing on a market segment has no value. He went further to state that the mix elements are designed to:

1. Create a combination meeting customer needs
2. Achieve competitive advantage
3. Stratify legal requirements

In furtherance of the idea of ensuring that the mix elements fall in line with customer needs, Driver (1990) as contained in Cannon (1996:270) opined that any conception of marketing in terms of the four P's which largely excludes competitive and legal considerations, has tended to isolate marketing from a context which is a matter of practical and public importance.

On the final belief of Kotelnikov (2010:1) that marketing strategies are generally concerned with the four P's; Product strategies, pricing strategies, promotional strategies and placement strategies and that the focus of marking strategies must be the objectives to be achieved not the process of planning itself, this chapter goes further to explore the marketing mix based strategies.

**Product related strategies**

A product is anything that is capable of satisfying human want/needs. It may not be for immediate consumption (finished product) but for further production (Raw material). The use of the word “anything” may sound high handed to casual observers but the truth is that no matter what it is, once it is capable of satisfying a given human want/need, it constitutes a product. For instance, cow dung is sold at a high price by the Slaughter Managers Off Egbu Road, Owerri. This cow dung satisfies the need of flowerist and horticulturist. Again, cocaine might be a banned drug but its use in the manufacture of health maintaining drugs makes it legally capable of satisfying human wants/needs.

A product might be an idea, place, man, and good or service which possess utility (i.e. ability to satisfy human wants/needs). Onah and Thomas (2004:189) believe that product policy decisions are central to any company’s competitive advantage and therefore central to its marketing efforts. They went further to say that product decisions determine the pattern of marketing operations, sales and advertising strategies and distribution channel policies. Products are broadly categorized into goods (physical/tangibles) and services (intangibles).

Goods are further classified as consumer goods e.g. convenience goods, shopping goods and specialty goods and industrial goods i.e. raw materials, installations, standardization, branding and rebranding.

**Innovation strategy**

An innovation is not just a new product but one that others new and improved value to customers. An innovation becomes necessary when an existing product no longer meets with the acceptance of the market place. To be successful, innovation must not be viewed from the eyes of the organization but that of the customers/consumers. Therefore, it should be market oriented (i.e. it must be seen by the consumer to have added value to him).

Lack of market orientation has been a principal reason for failure of most innovative ideas. Organizations have gone ahead to commercialize without first test marketing because they have considered value from their own view rather than from the point of the market or marketer who incidentally has contact with the market and therefore understands it better. Customer value most times is perceived and not real, therefore, there is great need for effective perception management for there to be a successful innovation.

Some authorities have concluded that competitiveness is not simply based on cutting costs and that new growth and increased market share comes from product innovation. They went further to posit that innovation I manufacturing means looking at new ways of doing things and that it must adapt based on public (customer) demand.

It is also their strong belief that producer innovation is futuristic and therefore is concerned with future trends in competition and market share (about the next product, the next product launch) and that it will need to address new features due to new customer needs.

Innovation might necessarily be an entirely novel product and in which case requiring a complete change in consumer consumption pattern/behavior. The most popular classification of innovation of marketing scholars, are as follows:

- (a) **Customer Innovation:** Mild review in the features of old existing products in order to take case of certain customer/market characteristics. For instance, a change in the colour of a product or its package is a continuous innovation since it takes case of the colour psychology of consumers. Daye, Van Auken and Asacker (2008:1) identified colour as a critical element in developing a product and that colour and not enhances the appearance of the item but also influences consumer behavior toward being favourable disposed to a firm's product. A change in the colour of a firms product might become imperative because the effect and consumer perception for colour differ from culture to culture e.g. white is death in China but purple means the same thing in Brazil. Yellow in sacred to the Chinese but signifies sadness in Greece and jealousy in France (Daye, Van Auken and Asacker, 2008:1).
- (b) **Dynamically Continuous Innovation:** This is one that requires a greater review in the old existing product more than the continuous innovation and therefore requires a change in consumer mode or pattern of consumption. For instance, a change from manual clipper to electric clipper or manual typewriter to electric typewriter.
- (c) **Discontinuous Innovation:** Is a novel product requiring a complete change in consumer behavior e.g. the invention of air transportation.

### **Positioning/Repositioning**

Positioning entails determining the favourable place and space a company's product or brand occupies in the minds of consumers while

repositioning entails changing the place and space a company's product or brand occupies in the mind of consumers.

Positioning and repositioning strategies are very critical and important to the success of a company's marketing programme in that they try to create uniqueness about the product and therefore make consumers to assume a positive perception towards the product.

In the words of Anyanwu (2006), positioning in marketing seeks to place products in the minds of prospective buyers to enable repeat purchase and guarantee savings in promotional expenditure. A firm determines how its product is perceived by the market and then ahead to position the product in that direction. For instance, the Toyota Prius brand reinforces the consumer perception of a progressive and environmental friendly product, Hyundai reinforces frugality, Mercedesz reinforces success and status.

## **BRANDING/REBRANDING**

Branding has been described as a very importance aspect of every product's strategy. Branding refers to the imaginative process of creating a unique relevant and harmonious name, term, sign, symbol or its combination in order to identify a company's product and to differentiate it from those of competitors (Okpara, 2002:160) while rebranding gives a definite idea that a product has reached its maturity or is loosing grip in the market and therefore requires a change of these identified factors (i.e. name, etc). The branding strategy improves market positioning, market share and market size of a company, serves as a guarantee of consistency in quality and standard, aids advertisement, forestalls product brand piracy and is used to gain differential advantage over competitors.

Kotelnikov (2010:1) sees differentiation as a key to successful marketing. In his words, "if consumers don't perceive your brands as being different (unique selling proposition) from those offered by the competition, you won't win the marketing war. The battle for consumer minds is a battle of perception, not product." Branding ensures differentiation which leads to positive perception.

A company can either adopt the manufacturers branding strategy, private branding strategy or Generic branding strategy. In the words of Anyanwu (2003:20), these categories of brands are derived based on the nature of decisions faced by producers of goods when choosing a branding option. He went further to say that generally; producers are faced with such decisions as to:

- Market products exclusively under manufacturers' brand name.
- Market products solely under a distributors' brand name lie Taiwanese manufacturers do (Adirika, et al, 1997).

Under the manufacturer's branding strategy, two options exists namely; the family branding option, where a firm uses one brand name for all or a good number of its products like Sony TV, Sony Radio, Sony Fan, Sony VCD, etc. In Nigeria Adebawale Electronics (AEI) produces a wide range of electronics using the brand name DEBO (Adirika, et al, 1997). According to Aake (200:24) one merit associated with the use of a family brand is that it enables any outlay in advertising and promotions to benefit each product in the family hence minimizing the promotional expenditure.

Agbonifoh, Ogwo, Nnolim and Nkamnebe (2007:316) suggest that the family brand should be used only when the products are of comparable quality, so as to avoid damaging any of the product's image and leading to sales difficulty.

On the other hand, a firm may adopt different names for its products which are even related, and this is the individual branding strategy (Adirika, et al, 1997). For instance, Unilever Nig. Plc produces Omo, Surf and PZ Industries Plc produces Elephant and Drum detergents.

However, when a producer uses that brand name of distributors or dealers, it is called private branding option while the use of the universal name of a good by a producer as a brand is called generic branding strategy, for example Dog food, Egg yoke, paper, etc.

### **Standardization/customization**

Another set of product related strategies are standardization and customization. Standardization refers to a situation where a firm offers the same product without any modifications to its various market segment or customer group. This has the disadvantage of likely not ensuring customer satisfaction in all the markets. Given the varying characteristics of customer groups, there is no way the same product will meet their needs.

Customization is a more appropriate strategy in modern marketing. Here, products are tailored to suit individual customers or customer groups. There is better assurance of customer value delivery and satisfaction with the adoption of customization.

### **Price related strategies**

Price has been described as the only revenue yielding element of the marketing mix. In the words of Ogbuji and Okeke (2008:116), of all the elements of marketing strategy, price is the most intriguing. It is at the heart of industrial marketing strategy. They went further to say that pricing (process of fixing price) is very much like play draught in that in both cases, one makes moves in the absence of complete information based on expectation regarding competitive responses.

The Internet Centre for Management and Business Administration (ICMBA), Inc. (2007:1) sees pricing as an important strategic issue because it is related to product positioning and they went further to say that pricing affects other marketing mix elements such as product features, channel decisions and promotion. In determining the pricing strategy, they advised that the following steps may be followed; develop marketing strategy, make marketing mix decisions, estimate demand curve, calculate cost, understand environmental factors, set pricing objectives and then determine price.

The price related strategies to be discussed here penetration, skimming, and price discriminating and standard pricing. We shall proceed to discuss all of them.

#### **Penetration strategy**

This is a pricing strategy for new products in a given market. In this strategy, the marketer sets an initial low price on his product in order to enter the market and maximize sales turnover. The marketer may then gradually increase the price.

ICMBA (2007:2) suggests that this strategy is most appropriate when demand is expected to be highly elastic; that is, customers are price sensitive and the quantity demanded will increase significantly as price decreases, large decreases in cost are expected as cumulative volume increases; the product is of the nature of something that can gain mass appeal fairly quickly and there is a threat of impending competition.

#### **Skimming pricing strategy**

In this case, the marketer fixes an initial high price on the new product and eventually lower it a bit in due cause.

It attempt to “skim the cream” off the top of the market by setting a high price and selling to those customers who are less price sensitive. It is

used to pursue the objective of profit margin maximization (ICMBA, 2007)

They further suggested that this strategy should be adopted when:

1. Demand is expected to be inelastic, that is, the customers are not highly price sensitive.
2. Large cost savings are not expected at high volumes or it is difficult to predict the cost savings that would be achieved at high volumes.
3. The company does not have the resources to finance the large capital expenditure necessary for high volume production with initial low profit margins.

### **Price discrimination/standard price**

In price discrimination, products sell their products to different customers at different prices according to the customer ability to pay. It is sometimes referred to as status pricing while standard pricing entails a situation whereby producers sell their products at the same price to all customer groups.

### **Place related strategies**

Place is considered a very importance element of the marketing strategy because it ensure that goods that are produced, eventually get to the final consumers or buyers. The fact that the end of production is consumption and without which profit objective cannot be achieved, underscores the importance of the place element. This element entails storage, transportation, warehousing, inventory management, etc.

The strategies to be discussed under here are selective distribution, intensive distribution and exclusive distribution strategies.

### **Selective distribution strategy**

Here, the marketer uses very few intermediate (retailers, wholesalers, etc.) in the distribution of his products. This has the advantage of cutting cost and controlling market prices but is only advisable in a situation where the firm's market is not so widespread or is not a national market. This strategy equally enables easy control of the distribution network by the company. A firm should adopt this strategy is it desires a large geographical spread and consumers are willing to shop around.

**Intensive distribution strategy**

This entails the act and process of a company using all available intermediaries to distribute its products. Though this strategy sometimes leads to the loss of control of the distribution channel on the part of the firm however, it has the advantage of wider reach and greater sales turnover. It also does not give room for any middleman to become monopolistic. This type of strategy is normally more appropriate for convenience goods that have low prices and most times bought on impulse e.g. chewing gum and chocolate.

**Exclusive distribution strategy**

In exclusive distribution, the marketer uses only one type of intermediary who is given the license to distribute the firms' product to other intermediaries. In some cases, the exclusive distributor ends up being more powerful and having greater control on the distribution channel than the producers and can therefore begin to exhibit monopolistic tendencies.

One major advantage of this strategy however, is that it relieves the producer the burden and cost of distribution of its products and therefore gives ample time for them to concentrate on other mix elements.

Again, most exclusive distributors have the financial power to sponsor production thereby sharing the business risk with the producers. The strategy is more often than not used for high priced items like motor vehicles, tractors, etc.

**Promotion related strategies**

Promotion is the communication arm of marketing, without which the buyers or consumers may never know of the need satisfying offerings or value delivering products of markets and their firms. The major objective of promotion is to inform, educate and persuade current and potential consumers and of the three, persuasion is the most important in that it encompasses elements of information and education.

The importance of promotion is made more manifest in an imperfect market situation just as we have the real world due to the need for differentiation. Advertising, sales promotion, personal selling, publicity and public relations as well as direct marketing, constitutes the basic elements of promotion in marketing and each could be used in isolation or as an integrated whole (integrated promotional strategy). However, it must be pointed out that an integrated approach in promotion is more apt than the isolated use of any of these elements.

However, in choosing the mix of promotional elements to use, one must consider the following factors namely, amount of money available, nature of the market concentration of market, nature of the product and stage of the product in the life cycle.

Two strategies in promotion will be discussed here namely push and pull strategy. These strategies are both applicable in promotion and in distribution.

### **Push/pull strategy**

In the words of Cannon (1996:320) effectively moving a product through the channels and managing the various flows of information, title, etc., is a combination of push and pull strategies. According to him, the push is the manufacturer's or first – level intermediaries efforts to persuade other channel members to stock or promote the product while the pull is the pressure exercised by customers on the trader to stock the item.

As is consistent with the marketing concept, the pull strategy should best guide the promotion focus of the firm since it best describes the need of the market and their demand level to avoid excess stocking and production of goods.

In the push strategy, promotional efforts are targeted at the intermediaries who in turn push it down to the market while in the use of the pull strategy, promotional efforts are targeted at the market who now makes demand on the intermediaries.

### **SELF-ASSESSMENT EXERCISE**

Identify and explain the two pricing strategies for new products

## **4.0 CONCLUSION**

Organizations who understand that every market or economic situation calls for a different marketing approach and focus are most likely to take profitable advantage of the dynamic nature of the marketing environment than those who try to resist change. The latter are most likely to be swallowed up in the ensuing intense battle for the “soul” of the market place (physical) and space (internet).

## 5.0 SUMMARY

The existence of Marketing Strategy is not only a recognition of the importance of changes in the business and economic environment but most especially, of the fact that customer needs and wants and by extension, ways of satisfying them (which of course is the principal focus of the marketing function) must continue to change.

## 6.0 TUTOR-MARKED ASSIGNMENT

Identify and explain the competition based strategies you know

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## **UNIT 3     PRICING, PROFITABILITY AND DECISION MAKING**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Pricing, Profitability and Decision making
  - 3.2 Meaning of Pricing
  - 3.3 Importance of Price
  - 3.4 Determinants of Price
  - 3.5 Pricing Objectives
  - 3.6 Pricing Methods
  - 3.7 Profitability Defined
  - 3.8 Types of Profits
  - 3.9 Decision-Making
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Readings

### **1.0 INTRODUCTION**

Pricing, Profitability and Decision-making are critical areas of any organization especially in the financial services sector. This unit exposes the students to the rudiments of these critical areas and equally shows how they are interrelated.

### **2.0 OBJECTIVES**

At the end of this unit, you should be able to:

- explain the meaning and nature of pricing, profitability and decision-making.
- identify and discuss the importance and determinants of pricing.
  - a. outline the pricing objectives and methods
  - b. explain the pricing policies
  - c. identify types of profits.

### 3.0 MAIN CONTENT

#### 3.1 Pricing, Profitability and Decision-making

#### 3.2 Meaning of Pricing

Pricing is the systematic and conscious process of determining the price of a given product. It is therefore, the process of fixing a price. Price on the other hand is the monetary value of a product below which the product cannot be exchange.

In the words of Okpara (2000), pricing is one of the most important functions of a manager. According to hi, “Even in the hackaged notion of pure competition, where the market forces determine an equilibrium price and consequently forces firms to be mere price takers, pricing is still somewhat worthy. Any attempt at pricing even slightly higher or lower than the equilibrium price, attracts either loss of sales or profit.

#### 3.3 Importance of Price

Importance of price, which is a product of the pricing process, cannot be over emphasized. They are hereby listed here all variously captured by Agbonifoh et al (2007) and Okpara (2000).

- i) Price helps in the allocation of scarce resources within the economy and also at the micro level.
- ii) Price is a determinant of quality of products demand.
  - a. Price provides value/quality variation among products.
  - b. Price determines the level of profitability of every business venture.
  - c. Price has an impact on the total revenue of a firm.
  - d. Price determines the purchasing power of consumers and by extension his standard of living.
  - e. Price ascribes status symbol or prestige on a buyer.

#### 3.4 Determinants of Price

A lot of factors guide the pricing process to the eventual arrival on the eventual price of a product. In this sub-unit, we shall identify and briefly explain these factors.

- a) **Cost of production:** This is a major determinant of the price of a product. The profit motive of an organization requires that the price of the product must be such as to generate enough revenue to recoup the cost of production which includes both fixed and variable cost.

- b) **Ability and willingness of customers to pay:** According to Agbonifoh et al (2007), customers purchasing power is a consideration for fixing prices of products. This is to ensure that adequate sales are made. This ability and willingness to pay is called effective demand for the product.
- c) **Competition:** This is defined by the number and nature of different sellers or producers, selling similar or related products in a given market. The stiffer the competition in a given market, the lesser the price at which a particular product is sold.
- d) **Government Regulation:** government equally regulates the prices of products in the market through legislations or physical measures. Government at various levels can institute such things as price ceiling, price floor. Petroleum product pricing in Nigeria is a good example of government regulation of prices.
- e) **Market Intermediaries:** These contribute to the determination of the price of products which they stock through.

### 3.5 Pricing Objectives

For every organization, there is a target for pricing a particular price to its product. These targets are called the pricing objectives and they are hereunder listed as captured by Agbonifoh et al (2007).

- a) To maximize or optimize profit.
- b) To ensure a satisfactory rate of return on investment.
- c) To maintain or increase market share
- d) To destroy or prevent competition
- e) To maintain or increase sales turnover
- f) To recover early cash
- g) To maintain or improve customer welfare
- h) To stabilize prices
- i) To stimulate sales promotion

### 3.6 Pricing Methods

Agbonifoh, et al (2007) equally identified the following pricing methods.

- a) **Makeup Pricing:** In this method, a seller adds a certain percentage of the cost of the product as his profit margin or makeup to arrive at the selling price.
- b) **Cost – Plus Pricing:** This is related to the make-up pricing method. In this method, the selling price is the total of all the cost of labour and materials plus the addition representing the profit.
- c) **Variable Cost Pricing:** According to Agbonifoh et al (2007), under this method, a firm which for reasons of low or lesser

demand or for any other reason, is unable to make profits may decide to fix any price provided, it is greater than its average variable cost.

- d) **Target Pricing:** This is a pricing method that is billed to achieve a particular target established by a firm. The target may a given percentage of return on investment (ROI).
- e) **Haggling:** This is a form of negotiation between a seller and buyer who makes offers and counter offers until a mutually accepted by is arrived at for the product.
- f) **Imitational Pricing:** In an oligopolistic market, a dominant or leading firm may play the role of price – leader by virtue of its influence, financial power and reputation. Other smaller or less influential firms, in their desire not to rock the competitive boat by precipitating a price war, may simply follow or imitate the leader in pricing their products.
- g) **Industry average pricing:** In this case, the firm conforms to the going-rate or customary price in the industry.

### 3.7 Profitability Defined

Originally, the basic objective of every going concern is to maximize profit. Therefore, before any business venture is embarked upon, a feasibility study is usually carried out to ascertain its level of profitability. Profitability therefore is the ability of a business venture to make profit. Onuoha (2000) believes that profit is the outcome of doing business efficiently and that profit expectation is the incentive that encourages private business enterprise.

Profit is the excess of income over expenditure in business operation. When a firm has an excess of expenditure over income, then there is a loss. On the other hand, if both income equates expenditure, then the business venture will be said to have broken even.

### 3.8 Types of Profit

Profit can simply be classified into Net profit and Gross profit.

- a. **Net Profit:** This is profit after all expenditure has been deducted included taxation.
- b. **Gross Profit:** This is profit before taxation.

### 3.9 Decision Making

Udensi (2000) posits that decision making is the process of choosing a course of action among alternatives. He infers that decision-making is a

challenging managerial function due to the following imperatives that are inherent in decision making namely:

- 1) Rationality
- 2) Profit and
- 3) Risk

He went further to identify the stages in the decision making process as follows:

- i) Recognizing and defining the situation
- ii) Developing alternative courses of action
- iii) Evaluating alternative
- iv) Selecting best alternative
- v) Implementing the chosen alternative
- vi) Follow-up

Furthermore, decisions can be carried out under the following conditions namely:

- a) Certainty
- b) Risk
- c) Uncertainty

### **SELF-ASSESSMENT EXERCISE**

What are the determinants of price?

## **4.0 CONCLUSION**

Pricing, profitability and decision-making has been identified as critical areas that determine the success or failure of a business organization, firms in the financial service sector inclusive. Care therefore should be taken when carrying out these functions.

## **5.0 SUMMARY**

This unit explored the concept, types and nature of three key functioning of the financial service firms namely, pricing functions, profit and decision-making functions.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Identify and explain the stage of the decision making process.

The stages of the decision-making process are:

## **7.0 REFERENCES/FURTHER READINGS**

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## **UNIT 4      FINANCIAL SERVICES FOR AGRICULTURAL MARKETING**

### **CONTENTS**

- 1.0    Introduction
- 2.0    Objectives
- 3.0    Main Content
  - 3.1    Financial Services for Agricultural Marketing
  - 3.2    Concept of Finance and Agricultural Marketing Financing
  - 3.3    Agricultural Marketing Financing Task
  - 3.4    Agricultural Marketing Financing Process
  - 3.5    Sources of Finance for Agricultural Marketing
  - 3.6    Eligibility Agricultural Loans
- 4.0    Conclusion
- 5.0    Summary
- 6.0    Tutor-Marked Assignment
- 7.0    References/Further Readings

### **1.0    INTRODUCTION**

Finance is considered as the lifeblood of every organization or business because without it, no organization would be established or survive. In this same vein, marketing is the heart of every business because it generates finance and profits for it to ensure sustainability through customer satisfaction and improvement in society and environmental welfare. The above statements underscore the very critical importance of finance in every organization and agricultural marketing financing is, therefore, no exception. The importance of finance and financing indeed cannot be over-emphasized.

#### **2.0 Objectives:**

At the end of this unit, you should be able to:

- explain the meaning and concept of finance
- define agricultural marketing financing
- identify and explain the three areas of agricultural marketing financing
- outline the agricultural marketing financing tasks
- illustrate the agricultural marketing financing process
- identify and explain financing options available to the agricultural marketing practitioner.

### 3.0 MAIN CONTENT

#### 3.1 Financial Services for Agricultural Marketing

#### 3.2 Concept of Finance and Agricultural Marketing Financing

The Oxford Advanced Learners Dictionary (1998:435) defines finance as money used or needed to support an activity or project and financing as the provision or management of money needed for a project or activity. This entails that financing has to do with money or money worth provided for the purpose of establishing and operating a business venture, agricultural business and its related activity inclusive.

Agricultural marketing financing is therefore defined as the planning, identification, provision and management of the money or fund requirements for the production, processing and marketing of agricultural and agro-allied commodities. This definition encompasses three key areas:

- a. **Financial Planning:** Identification of funding areas and determination of the amount of funds required to perform each key task in agricultural marketing.
- b. **Financial Provisions:** This entails the identification of the various sources of finance and the acquisition of the needed funds in order to finance the key areas of agricultural marketing.
- c. **Financial Management:** Deals with the effective application of the acquired funds to perform the key task of agricultural marketing as well as the monitoring of such tasks.

#### 3.3 Agricultural Marketing Financing Task

The task in agricultural marketing requiring funding is broadly categorized into three namely: Provision of agricultural commodities, Processing and Distribution. We shall proceed to explain.

##### 1. Agricultural Production

This ranges from the determination of the demand requirements of the agricultural consumers to the actual production and harvesting of agricultural commodities. In the opinion of the layman, agricultural marketing begins after production of agricultural commodities but this is falsehood and if followed by the agriculturist, may lead to the failure of the agricultural venture through commodities rejection by the market, over production or under production. These may result to the following problems namely:

- i. Wastages due to excess production
- ii. Poor prices due to excess supply over demand
- iii. Poor revenue due to (ii) above
- iv. Out of stock syndrome and consumer disaffection due to excess demand over supply.

All these problems if allowed to persist will eventually spell disaster or even death for the agricultural business. A look at some of the activities under agricultural production requiring financing will be apt at this junction.

- (a) **Marketing Research:** This is the systematic and objective search, gathering and analysis of data relating to the production and sale of agricultural products. It helps to determine demand level, product requirements by the market, price and likely profit level for the agricultural venture. Money is required to fund this activity.
- (b) Provision of Seedlings and Agricultural implements/machinery and other materials like fertilizer, tractors, hoes, cutlasses, fishponds etc. Some of these could be bought outrightly or leased for a period. To hire or lease is also an agricultural financing decision.
- (c) Acquisition and clearing of land for agriculture.
- (d) Hiring of labour and agricultural extension workers.
- (e) Weeding and maintenance of the farmland.
- (f) Provision of security.
- (g) **Processing of Agricultural Commodities:** Here money is needed for provision, maintenance and operation of storage facilities like barns, warehouses, silos, cold rooms, refrigerators, dryer, etc.
- (h) **Agricultural Commodities Distribution:** This includes transportation and distribution of farm suppliers to the farms and the subsequent distribution activities that ensure that agricultural commodities and agro allied products get to final consumer or buyers.

### 3.4 Agricultural Marketing Financing Process

The process of agricultural marketing financing begins with the identification of the financial needs/task of an agricultural business, followed by the determination of the available sources of finance mainly personal sources, bank sources and finally government sources. Thereafter, the agricultural marketer would then have to evaluate the various alternative sources in order to determine and choose the best alternative. In evaluating the options available, care must be taken to consider the cost, accessibility, conditions, requirements and volume of

fund of each source. This will help the marketer to choose the best among the alternatives. After having made a choice, then follows the stage of meeting the conditions and requirements of the source, acquisition of the fund and application of the fund to specific agricultural marketing tasks. Finally, is the monitoring and financial control stage. This process is represented in Fig 1 below.

### **Agricultural marketing financing process**

Financial Needs Identification  
Agricultural Marketing Tasks  
Sources of Finance  
Evaluation of Sources  
Choice of an Option  
Meeting Source Requirements  
Acquisition and Application of Funds  
Financial Monitoring/controlling

**Source:** Ogbuji, C.N. (2010)

### **3.5 Sources of Finance for Agricultural Marketing**

As had earlier been alluded in the preceding section, the sources of finance for agricultural marketing are broadly divided into three namely Personal sources; Bank/External sources and Government sources.

- 1. Personal/Internal Sources:** Onuoha (1996) identified the personal and internal sources as follows, personal savings and retained earnings.
  - a. Personal Savings:** Here the marketer or farmer may fund the business establishment and operation through money he has been able to save from his personal income. This he could do by opening up a savings account or involving himself in a thrift and savings arrangement called ISUSU in Ibo land. Family savings and inheritance could also be employed to fund agricultural marketing.

However, the point must be made that this source, as easily accessible as it may be, can only be used in a small holding farm and probably not for commercial agriculture. According to Onuoha (1996), as a result of low per capita income in Nigeria and high inflation rate, there is a high propensity to consumer all of a given income. As such, personal savings may have to be supplemented with other sources of finance to attain the desired level of fund for a business venture.

- b. **Retained Earnings:** This entails a farmer or a farm/agricultural holding setting aside a certain percentage of its profit in previous years which is ploughed back into the current year's agricultural marketing operation. Retained earnings are considered to be corporate savings and as observed by Onuoha (1987:10) and (1996:87) are aimed at meeting financial contingencies to finance capital improvements and to finance expansion and diversification which invariably increase profit.
2. **Bank/External Sources:** These sources include; trade credits, hire purchase arrangements, leasing and all the bank credit facilities available in the various banks in the country, which the agricultural marketer may avail himself of. Brief explanation of these will be quite pertinent at this junction.
- a. **Trade Credits:** This entails the acquisition of agricultural facilities and materials without a down or immediate payment for them. It is an easy and flexible way of financing agricultural marketing but its accessibility depends on the credit worthiness of the farm holding and the creditor's perception of the agricultural marketer's ability to pay. In this arrangement, the agricultural marketer or farmer is seen as the debtor while the other willing to sell on credit is the creditor.

Onuoha (1996:89) however points out that trade credits are not without their attendant costs. The creditors in order to get compensation for their capital being tied down over a period of time include the cost of credit in their selling prices or offer a cash discount for prompt payment. The cash discount therefore represents the cost.

- b. **Hire Purchase Agreement:** This is an arrangement whereby an agricultural marketer is allowed to finance the purchase of an equipment, material or facility by paying for the total cost of the item purchased in a given number of installments, normally three (3). Farmers or agriculturists would not tie down all or a greater portion of their available funds in just one single operation. The process is such that at the point of acquisition of the item, the agricultural marketer is expected to pay the first installment and an agreement will be reached between the parties involved as to when the other subsequent installments will be paid. However, until the full payment of the purchase sum, ownership is not transferred and if the farmer fails to pay any of the installments as at when due, the seller is free to reclaim his property.

In a higher purchase agreement, the agricultural marketer is called the hiree while the seller is called hirer.

Onuoha (1996) notes that because interest rates are added to the cost of hire purchased equipment, hire purchase is therefore expensive but that firms that obtain assets through hire purchase are entitled to capital allowances and the interest paid are also tax deductible expenses.

**Leasing:** This is one of the most commonly used options in industrial marketing in which agricultural marketing is subsumed or greatly related to. It refers to acquiring equipment on the periodic payment of an agreed sum known as rent or royalty. Leasing is normally used in the temporary acquisition of heavy equipments. The agricultural marketer may therefore adopt this option in the acquisition of such equipments like tractors, combined harvesters, sowers, cold room, cooling vans etc.

Ekeke (2009:76) considers the adopting of the leasing option more appropriate for heavy equipments which purchase might be a threat to the working capital of a business venture. He identified two major types of leasing arrangement as the net lease; where the leasee (the party acquiring the equipment) pays for maintenance, taxes, insurance and other specific expenses, and the maintenance lease where the lessor (owner of the property maintains the asset and pays the insurance).

### **Bank sources**

Commercial Banks and other financial institutions in Nigeria offer different financing options to agriculturists and agricultural marketers. In this section, our attempts will be to explore these facilities as offered by two of the banks in Nigeria with a diversified branch network and with rural and semi-urban presence basically because that is where most of our farm holding and agricultural producers are located. These banks are First Bank of Nigeria Plc and Standard Bank or Stanbic IBTC Bank.

### **Standard/Stanbic IBTC Bank**

This bank recognizes the fact that agricultural production and marketing are characterized by strong cyclical trends and therefore offers structured advances and loans which take the effects of these cycles into account. The loans are offered to fund such areas like land, implements, equipments, and operating expenses.

The products/services offered by this bank for agricultural marketing financing include: Agricultural business current account, Overdrafts, Agricultural business revolving credit plan, Medium-Term loan, Agricultural production loan, Asset finance, Savings and investment

solutions, Soft commodity trading, Structured trade finance, Insurance and wealth creation. The description of these products are as contained in the Stanbic IBTC Agricultural Bank Portal ([www.stanbicibtcagriculturalbanking.com](http://www.stanbicibtcagriculturalbanking.com))

Before going down to explain these products, it is pertinent to point out here that Standard Bank is over 140 years in the financing of agricultural production and marketing with its specific areas as:

- i. The manufacturing and distribution of farm supplies (seed, fertilizer, agricultural equipments etc).
- ii. Production operation on the farm (primary agriculture), and
- iii. The storage, processing and distribution of farm commodities (the value added to primary agricultural production).

**a. Agricultural Business Current Account**

An agricultural business account is simple to use and allows you to manage your finances without visiting a branch once opened. You can do your banking through the Internet and the bank's Auto Bank network.

- i. It gives you the most flexibility and convenience for all your banking transactions.
- ii. It is your key to simplifying your banking and opens doors to other agricultural banking products.
- iii. A cheque book is an integral part of your agricultural business current account, with most packages offering guaranteed cheques. As a leader in online business banking, the bank offers you free access to Internet banking with a Business Auto Bank card.

**b. Overdraft**

This is a method of agricultural marketing financing that is exclusively reserved for farmers or agriculturists that operate current accounts with the bank. They are allowed to draw money in excess of what balance they have in these accounts and interest is chargeable only on the amount of the overdraft.

For instance, a farmer with an account balance of Two Hundred and Fifty Thousand Naira (₦250,000) may be allowed to draw a total of Four Hundred Thousand (₦400,000). The excess amount of One Hundred and Fifty Thousand Naira (₦150,000) constitutes the overdraft and on it will the interest be charged.

**c. Business Revolving Credit Plan**

A Business Revolving Credit Plan gives you a line of credit within the agreed limit for additional working capital or asset finance. It is paid off over two to five years like an overdraft. You pay interest on what you use since you don't have to use the whole account at once. Once you have repaid 25% of the loan, you can withdraw funds up to the original limit, without affecting your monthly repayments.

1. The loan can be linked to your business account, so you can transfer funds electronically.
2. You can withdraw up to the original amount without having to reapply, as long as you have repaid 25% of what you owe on the original amount.
3. It enables easy cash flow planning because of fixed monthly payments.

**d. Medium-Term Loan**

A medium-Term Loan (MTL), which can be paid off in monthly, bi-monthly, quarterly, bi-annual or annual installments over 2 to 10 years is suitable for capital expenses such as fixed assets and land.

- i. Interest is linked to prime rate
- ii. The amount of the loan, the interest rate and your repayment plan depend on how much security you have and the value of the assets you want to buy.
- iii. You can agree to a repayment plan that suits your business cash flow based on seasonality.
- iv. The bank will not ask for repayments earlier than the terms agreed to, provided their terms and conditions are being met.

**e. Agricultural Production Loan (APL)**

Is short-term credit that lets you pay for your agricultural inputs costs. This product is suitable for grain farmers cultivating on either dry land or on an irrigation basis. Loans are provided to individual farmers, groups and legal entities in the agricultural sector, including commercial farmers and agri-businesses. Inputs costs that qualify for production credit include:

- i) Seed and fertilizer
- ii) Fuel, oil and lubricants
- iii) Herbicides and pesticides
- iv) Repairs and maintenance
- v) Crop insurance premiums

Loans are granted for between 6 and 24 months with repayment needed at the end of the term.

**f. Asset Finance**

Vehicle and asset finance is the idea way to finance all your farming vehicle and implement needs. The bank has a wide range of package to suit your business cash flow and tax requirements. Types of vehicles and assets they finance include:

- a. Tractors
- b. Harvesters
- c. Center Pivots
- d. Solar Panels.

**g. Soft Commodity Trading**

Fluctuation in agricultural commodity prices creates substantial risk for producers, processors and traders in managing revenue and the cost of future production and consumption. Prices are influenced by a number of external factors, including variation in domestic supply and demand, international prices, exchange rates, and climatic, economic and political conditions.

The agricultural commodity teams of Stanbic IBTC develop solutions for agricultural marketers to manage these risks from price management tools and finance to a range of service and products in the marketing commodities.

Soft commodity trading consists of derivative brokering (the provision of derivative trade services for your account). Market Risk solution provider (the provision of over the counter trade services for clients of your own account), physical brokering (the provision of a physical brokering service for a fee) buying and selling (buying of spot commodity and simultaneous forward sale) and physical position taking (forward buy/sell with anticipation of basic price improvement).

**h. Structured Trade Finance**

In the words of Standard Bank (2010) world trade volumes are outpacing the growth rate of the global economy causing businesses to increasingly participate in cross-border trade. The extensive network of the bank across Africa and emerging markets globally, is uniquely positioned to provide financial solutions throughout the commodity-related trade value chain, facilitating trade flows between Africa and the rest of the world.

Structured trade is composed of:

- Back-to-back payment instruments
- Discounting/refinancing of payment instruments
- Discounting of receivable, invoices, and contracts
- Pre-shipment financing
- Post-shipment financing
- Inventory financing
- Tradable silo certificate financing
- Untradable silo certificate/warehouse receipt financing
- Tolling
- Collateral monitored structures
- Collateral managed structured

**i. Insurance**

**Rainfall index**

Cover is offered against uncontrollable loss of average revenue income from the crop in the insured region caused by too little rain (excludes crops being irrigated) or too much rain.

**Crop insurance**

The bank has expanded its crop insurance offering to include all crops. Fruit and vegetable farmers can now insure their crops against loss or damage caused by rain, wind, fire, and while in transit and against riot damage. Any farmer who grows crops on an area of 50 hectares or more is eligible for crop insurance. This cover is offered to small-and large-scale farmers, from a single type of crop to a number of different types of crops.

**j. Alliance for Green Revolution in Africa (AGRA) Partnership**

Presently, there is an existing partnership between AGRA and Standard Bank to help finance agricultural marketing in Africa. Though the fund is not yet accessible by farmers in Nigeria, one hopes that sooner than later it will reach us. It is a very viable and dependable source of agricultural marketing financing. For now, the fund is operational in Ghana, Mozambique, Tanzania and Uganda.

AGRA-Stanbic partnership funding extends loans to small holder farmers and small and medium scale agribusiness previously considered too risky for lending. In this set up, AGRA and other partners provided

US\$10 million loan guarantee fund while Standard bank provided US\$100 million for lending for three (3) years.

### **First Bank Nigeria Plc**

This bank lays claim to its history being rich with testimonies of strong commitment to agricultural marketing financing from the early days of currency distribution in support of produce trade between West Africa and Europe to its present status as a financial supermarket.

The bank believes that its unique strength in Agricultural marketing financing lies in the following characteristics:

- A large network of branches appropriately positioned for easy access to agricultural enterprises in urban, sub-urban and rural areas.
- A dedicated team of agricultural professionals specializing in various agricultural disciplines.
- A suite of sector/customer friendly agricultural financing products.
- A large base of existing agricultural and agro-allied clientele across Nigeria.
- Professorial chairs endowed in some Nigerian Universities in support of research in Agriculture and veterinary medicine.

Having stated the above, let us now take a look at some of the products available at First Bank for Agricultural marketing financing, as contained in the First Bank portal.

#### **a. Farm Settlement Scheme**

This is a community settlement for young Nigerian desirous of a career in agriculture. These youths are made to work together on individual farm projects in all the states of the Federation. It is a public-private partnership in agricultural marketing where the government provides the infrastructure, the bank provides the working capital and the youth provides their skills and manpower.

According to First Bank, the programme is expected to achieve the following objectives:

- Complement governments effort to create employment
- Engender national food security
- Inculcate and stimulate pride in the agricultural profession among young Nigerians

- Create a new generation of economic actors and employers of labour and contributors to rural development.

**b. Guaranteed Fund Credit (GFC)**

This fund makes available agricultural marketing credit facility to the tune of One Million Naira (₦1,000,000) even when the farmer can only provide 25% security cover for the loan. However, farmers with collateral can access up to N10 million under this scheme.

Interestingly, the scheme affords the farmers and agriculturists the opportunity of refund of up to 40% of interest paid on credit facilities due to a draw back programme sponsored by the essence from the Agricultural Credit Guarantee Scheme of the Central Bank of Nigeria.

**c. Multi-Channels Agricultural Financing Scheme (Multi-CAFS)**

This is specifically designed for salaried workers involved in agriculture and farming. It helps to ease their cash flow problems in order to help keep their farms in business while they get on with the business of their regular jobs.

Credit facilities granted under this programme can be repaid from the monthly salary, the farm operation and any other income generating activity of the farmer. This means however, that the part time farmer must have his salary account domiciled with First Bank.

**d. Agricultural Credit to School (FACTS)**

This is a facility aimed at commercializing school farm projects/business in secondary and tertiary institutions that have agricultural science programme, demonstration/pilot farms, bakeries or related projects. It provides an avenue for schools to diversify their funding sources and stimulates interest in agribusiness and the agricultural profession among youths.

First Bank Agricultural Credit to School (FACTS) provides working capital loans to secondary schools and tertiary institutions with agricultural and agro-allied projects.

**e. National Agro Dealer Scheme (NADS)-Plus**

This product is designed to provide credit facilities to agro-dealers, merchants and suppliers of agricultural inputs who will participate in the Federal Government's agro input purchasing power support programme.

The support programme is coming in the wake of the government's deregulation of and withdrawal from direct procurement and distribution of agricultural inputs. In order to enhance access and ensure affordability, government is complementing the National agro Dealer Scheme with the purchasing power support (subsidy) to facilitate the off-take of inputs by farmers. This scheme provides an avenue of assist in effective administration of agricultural input subsidy.

**f. GSM 102**

The GSM 102 is an export credit guarantee programme. The purpose is to encourage US exporters and banks to extend credit to approved foreign buyers of agricultural produce and inputs through approved banks.

The programme underwrites credit extended by the private banking sector in the United States of First Bank using dollar-denominated irrevocable letters of credit under this arrangement. First Bank guarantees payments to the US Bank which in turn refinances the US exporters. A credit limit of \$20 million is available for use by valued and tested customers.

With the lower yield of primary agric produce and lingering crises in neighbouring African countries, this facility provides a window for sourcing inputs to meet livestock and agro-industrial processing needs at a single digit interest rate.

**g. Commercial Agricultural Credit Scheme**

The Commercial Agricultural Credit Scheme is established by the Central Bank of Nigeria and the Federal Ministry of Agriculture and Water Resources as a strategic response to the lingering food and energy crisis worsened by global financial meltdown. The fund is sourced from a N200 Billion Federal Government of Nigeria Bond structured into 3,5 and 10 years tenor, with the same status as any other Federal Government Bonds, and it is secured against the assets of the criteria, First Bank is selected as a participating Bank to disburse the fund to eligible medium and large scale integrated and non-integrated agricultural projects.

The scheme is aimed at:

- Fast-tracking the development of the agricultural sector by providing facilities to large scale enterprises at a single digit interest rate of 9% in order to enhance national food security,

- increase food supply and affect agricultural produce and product prices, thereby promoting low food inflation.
- Facilities under the scheme enjoy a maximum tenor of five (5) years and can take the form of term loans or overdrafts, targeted at the establishment and operation of new enterprise and expansion of existing business.

### **Other External Sources of Finance**

The following are some of the other sources of agricultural marketing financing open to farmers and agriculturist:

#### **a. Farmers Cooperative Savings and Loans Society**

Small holding farmer groups can establish a savings and loans society. There is presently a law guiding the establishment of such in the country. Again farmers who are salaried workers may equally wish to join already established societies in their various work places. For instance, part time farmers and agriculturist in the University system may avail themselves of the Academic Staff Union of Universities Cooperative Society. In the University of Port Harcourt, it is called Unique Choba Amiable Investment and Credit Society Limited.

The working of the society is such that members decide on what percentage of their salary or how much they are willing to save at the end of the month and these members are allowed to withdraw three (3) times the amount of money in their account at any point in time without actually depleting their account balance. The loan interest is deducted installmentally. Many of the lecturers in UNIPORT who are into afribusiness have succeeded in financing such businesses through this credit facility.

#### **b. Government sources**

Government at Federal, State and Local levels have at one time or the other tried to finance agricultural marketing in their bid to diversify the revenue sources of government and end the years of our dependence on oil revenue. Unfortunately, most of these attempts have failed to yield the desired fruit, due mostly to government insincerity and lack of focus and objectivity. From the Operation Feed the Nation of the then Military Head of State, General Olusegun Obasanjo to the Shagari's Green revolution, these programmes have often been bedeviled by the cankerworm of corruption, ethnicity, insincerity, poor articulation and targeting leading to their eventual collapse without achievement of objectives.

Other government sponsored agricultural financing programmes that have failed in the past include: School to land project, establishment of the Directorate of Good, Roads and Rural Infrastructure (DFRRI), establishment of National Fertilizer Company of Nigeria (NAFCON), Commodity Boards and the various marketing boards at the Federal and State levels, People's Bank and Nigerian Agricultural and Rural Bank (NACB).

In this discourse however, we shall not bother ourselves with these failed attempt for they can no longer do the farmer or agricultural marketer any good but shall concentrate efforts in exploring current directions of government in financing agricultural marketing.

It may be pertinent to point out at this juncture that government financial assistance to agriculturist and farmers are administered by selected commercial banks and sometimes through cooperative societies. It is therefore imperative that farmers should avail themselves of membership of genuine farmers cooperative societies.

Generally, government has done the following in recent times towards financing agricultural marketing in Nigeria:

- a. Release of N500 billion Agricultural Fund through the Central Bank of Nigeria (CBN) to be disbursed by designated commercial banks.
- b. Establishment of the Agricultural Credit Guarantee Scheme of the Central Bank which enables farmers to enjoy a refund of up to 40% of interest paid on credit facilities under the interest Draw Back programme sponsored by the FGN.
- c. Provision of infrastructure in its Public-private partnership with some commercial banks in the farm settlement scheme. This is done by State governments.
- d. Encouragement and granting of incentives to banks that finance agriculture.
- e. Working through the Federal and State Ministries of Agriculture to establish programmes that will ease the funding problems of farmers.
- f. Establishment of Federal and State Universities and Colleges of Agriculture as well as agricultural research institutes that constantly carry out researches on better but cheaper ways of agribusiness.

Some of these institutions also offer free agribusiness extension services to farmers living around them and also lease out their farmlands and equipments to these farmers at lower cost. In fact, they bring modern system and techniques of farming closer to the doorsteps of the farmers.

### **3.6 Eligibility Agricultural Loans**

To round up this unit, let us consider the issue of eligibility for agricultural loans by commercial banks. We shall in doing this adopt the Standard Bank model which we believe is not alien to other commercial banks in Nigeria offering agricultural loans.

#### **Collateral/security for loans**

Standard Bank believes that lending for the agricultural market is more than just security lending. Security is however needed and has a direct impact on the price of finance, other issues that are considered prior to granting the loan are commercial viability and risk around cash flow.

#### **Information required**

This depends on the type of loan and what type of agribusiness you do. At Standard Bank, a primary producer might be asked to supply information on confirmation of historic production, financial information and cash flow forecast.

#### **Possible applicants**

Any legal person/entity who is able to meet the banks criteria for granting loans.

#### **Volume of loans possible**

Commercial Banks will always prefer to have the farmer make equity contributions towards the financing of their agricultural marketing. 100% coverage by the banks is mostly not obtainable.

### **SELF-ASSESSMENT EXERCISE**

Outline four sources of finance for agricultural marketing

### **4.0 CONCLUSION**

Agricultural marketing loans granted by banks generally cover activities under production, processing and marketing which comprise but not limited to input supplies, primary production, storage, logistics, processing and distribution.

## **5.0 SUMMARY**

This unit covered financial planning, financial provision and financial management with respect to agricultural marketing

## **6.0 TUTOR-MARKED ASSIGNMENT**

Identify and explain five First bank agricultural marketing financing services

## **7.0 REFERENCES/FURTHER READINGS**

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