# THE SURVIVAL OF NIGERIAN COMMERCIAL BANKS IN THE 21ST CENTURY: A CUSTOMER SERVICE APPROACH

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## Introduction

A suitable and well functioning financial system is a necessary condition for sustained economic development. The banking system as a virtually important economic institution is deeply influenced and in turn influences socio-political and economic reforms in our society. The Nigerian banking sector has witnessed dramatic changes in the last few years. Since the introduction of structural Adjustment Programme (SAP) in 1986, the industry remains one of the most dynamic in the country as there is always one or series of developments ranging from distress, revival, new entrance competition, technological re-engineering, re-positioning, regulations, mergers etc. over time. This changing phenomenon has poised challenges to and provided opportunities for the banking industry in Nigeria in its quest to stay afloat, the most challenging being commercial banking sub-sector.

The history of competition in the banking industry in Nigeria is very recent. The industry before the advent of Structural Adjustment Programme (SAP) had continued to enjoy an era of quiet growth and armchair banking business. Competition was thus relatively low with less challenges glittering in the face of bankers. Regulatory measures were equally not stringent. However, with the introduction of SAP in 1986, the industry has been faced with serious competition, numerous challenges, opportunities to exploit and environmental threats to survival. The philosophy behind SAP was economic deregulation in contrast to economic control aimed at giving a new focus to the economy towards a free market in which financial and intermediate role of banks is most crucial and critical. The banking and financial institutions were therefore, expected to play the crucial roles of ensuring efficient allocation of resources to productive sectors of the economy and encourage direct local production, reduce excess liquidity in the financial system and mitigate inflation and also establish the Naira exchange rate at a realistic and credible level.

The policies therefore, gave rise to a phenomenal growth in the number of banks with new banks being licensed by the Central Bank almost without control. Thus, in six years (1985 – 1991), banks grew by almost 200%: 66 commercial banks and 53 merchant banks in 1991 as against 28 commercial banks and 12 merchant banks in 1985. Out of this scenario of rapid growth in number of banks came intense and fierce competition, especially for funds. Banks now compete vigorously and scramble actively for deposits with such an unprecedented energy that has not been witnessed in the economy before. The reason for this is that without adequate deposits, the banks cannot lend and without lending, the creation of income yielding asset base will be impossible thus leading to the collapse of business. For the purpose of effective competition, various tools have been employed by banks. Innovation, computerization, evolution of new products, repackaging of existing products has been emphasized. In addition, there has been increased emphasis on corporate services like equipment leasing, loan syndication, export promotions and business advisory services.

In many cases, there has been serious attention on the quality of staff and massive media advertisements with intensified marketing and public relations efforts. Some of the big banks have floated subsidiary companies to carry out specialized functions. The import of all these is captured in the crave to satisfy the customer by providing efficient and effective customer services in order to obtain and retain customers for the purpose of continued business gains.

The paper is in four parts. Firstly, a review of customer services concepts and some basic customer service skills that are consequential. Secondly, superlative customer service in the banking industry shall be addressed. Thirdly, the emerging paradigm for the 21st century shall be presented and finally recommendations and conclusion will be drawn.

## Customer Service: An Overview

According to Pierson (2001), customer service can be defined as "giving customers what they want". Furthermore, Pierson defines good service as "customer – defined or customer confirmed satisfaction with the process and results of a formal or informal business interface. It involves doing the right thing right, the first time, on time, all the times". This definition means that superlative customer service is synonymous with Total Quality Management (TQM )

Vicki Gerson (1999) in a review of Banking came out with definition of customer service to mean "exceeding customer's expectations through the integration of location based delivery channels (physical banking centres) with electronic or virtual access possibilities – automated trading machines voice response units and web banking systems all of which must have the same delivery standard".

Kent Stockler (2000) sees customer services as doing things that make customers feel positive towards the organization. He says that there are two sides to customer service – people aspect and the machine aspect. According to Stockler, customer service refers to things such as courtesy, calling people by name and returning phone calls. Stockler presumes that when a customer comes to a bank with a retirement cheque, he or she wants advice on what to do with it. He notes that bank managers have to think; would the employees in my bank scare the customer away?

In the area of machines, Stockler indicates that customer service is determined by accuracy;–that statements are right; timeliness;-that bank statements arrive on time; and accessibilities; – getting money at the airport or club on Sunday evening. Right now, Stockler believes that banks are not doing well in customer service, they have a long way to go.

Olushola (2001) agrees with the Stockler's definition of customer service. To him customer service is "meeting and exceeding customers expectation through understanding the customer and delivering customer satisfaction".

How banks have defined customer service has changed throughout the years. To Abolo (1998) there used to be codified elements of customer service which included smiling at the customer using their names, and thanking them for their business. These points still hold true in modern banking practice.

Conclusively customer service is that which is defined and confirmed by the customer to which such service is intended to satisfy.

## The Purpose of Customer Service in Banks

Pierson (2001) succinctly captures the purpose of customer service in "bonding relationships for customer retention". Here superlative customer service is seen as the key to customer retention.

Similarly, Olusola (2001) captures the essence of customer retention to the bank in what he called the "service profit link". He opines that it costs less to retain, relate, consult and minister to existing customers than to acquire, sell and transact new deeds to new customers.

In his service profit link, there is a relationship between customer retention and organizational profit which is premised on customer satisfaction that is a function of both internal and external service quality borne out of employee satisfaction and retention as shown in the diagram below:

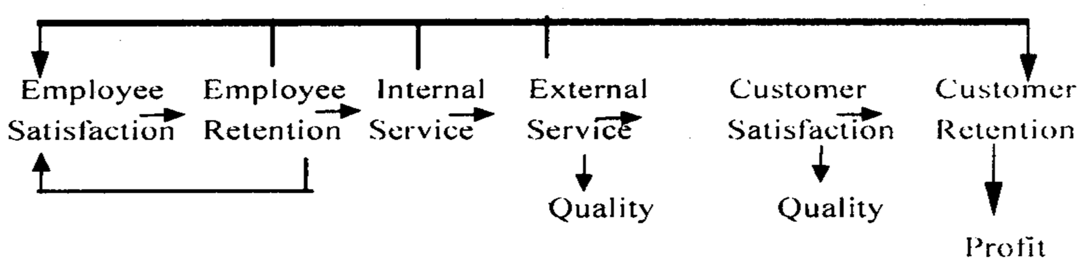


**Figure 1: Service Profit Link**

**Source:** Olushola A. (2001) A paper presented on Customer Service excellence at NNB PLC Seminar Abuja.

Previous studies in this area of customer service tend to admit that customer service is the key to customer retention which enhances and determines the profitability of a bank. Moreover, it is also principal in customer acquisition which guarantees corporate existence of a bank .

## Basic Customer Service Skills

According to Dolf Madi (2000), excellent customer service skills can be displayed in achieving the 6-points expectation of the customer per time.

*I'm the Customer*

- Greet me and make me feel comfortable
- Value and let me know that you think I'm important
- Ask how you can help me
- Listen to me and understand my needs
- Help me to get what I want or solve my problem
- Invite me back and let me know that I'm welcome

*That's all I want*

The attainment of the above according to Dolf Madi is superlative customer service.

Arguing on the same path Pierson (2001) is of the view that customer service skills portends attainment of excellence in the following areas;

(a) Active listening – which includes comfortable eye contact, nodding positively, leaning forward, demonstrating empathy, submerging anger/irritation and avoiding interrupting customers.

(b) Discovering/probing which involves asking open-ended and appropriate follow up questions to uncover unique problems or needs of each individual customer.

(c) Confirming – which involves summarizing the information provided by the customer, interpreting and requesting customer's verification. This enhances full understanding of the customer's situation, demonstrates his importance and this enhances closeness with the customer.

(d) Being helpful – permanently incorporating offers of help as part of various greeting format and non-verbal communication.

(e) Problem resolution – always seeking to resolve signs of customer non-satisfaction by contacting responsibility areas, providing feedback to the bank on the problem and ensuring resolution against future occurrence.

(f) Objection handling – This involves ability to effectively emphasize, confirm nature of problem and respond specifically and convincingly.

(g) Positive communication – Rephrasing negative sentences of non-performance into positive sentences of performance.

## Why Customers Switch

According to Dolf Madi (2000), "customers do not forgive, forget or ignore non-chalant attitude and negative behaviour but can forgive and even forget all other sources of service inconvenience such as equipment breakdown etc". This means that customers are mostly turned off by poor customer service provision.

Similarly, Olushola (2001) in a tabular presentation in form of bar chart summarizes the reasons why customers switch to other banks. This is as presented below:

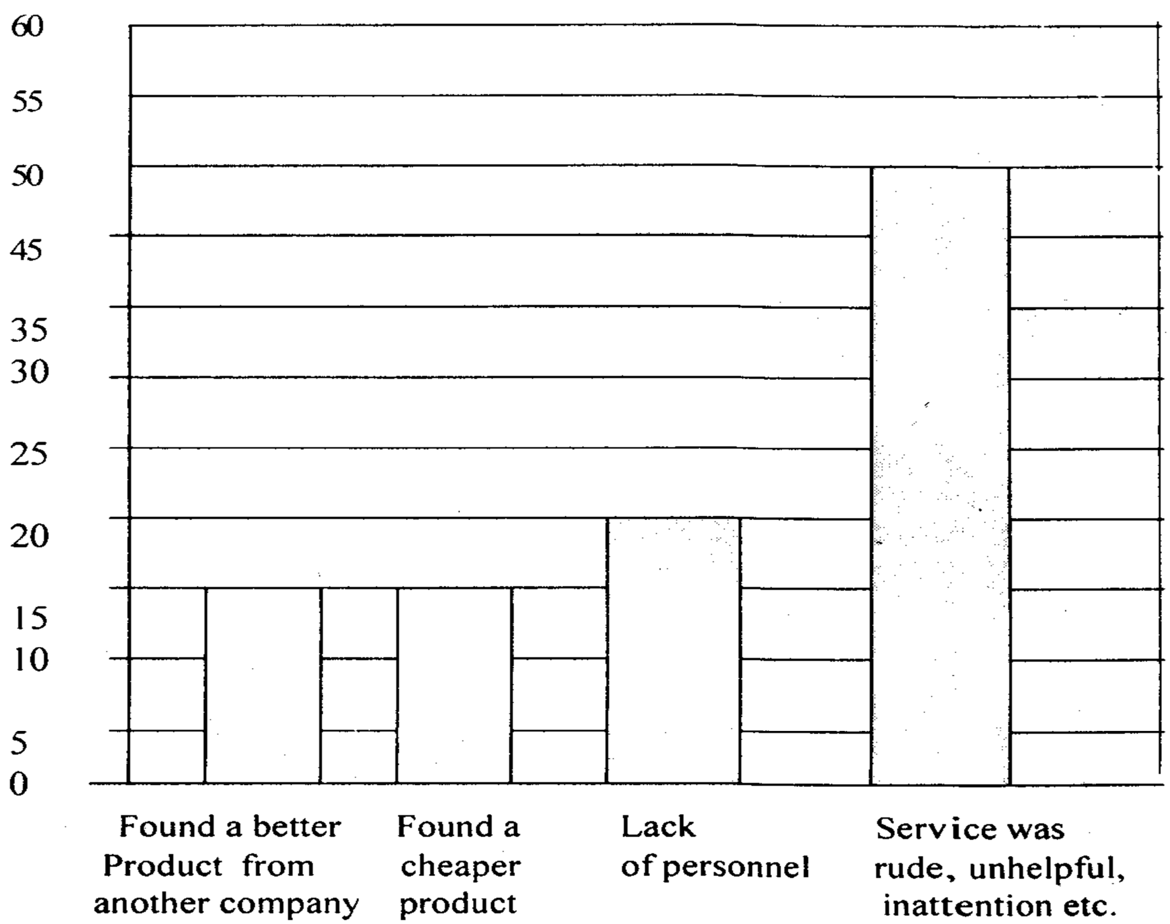


**Figure II: Why Customers Switch**

**Source:** Olushola (2001) A paper presented at NNB PLC Seminar Abuja.

There is no doubt that any reason may account for customers switch from bank to bank such as locational factors, loan factors, etc.

The major reason why customers change their banks is primarily due to poor service provision of the bank. It must be mentioned here as a reminder that the worst thing ever that can happen to any bank is a situation where all its customers switch to other banks as such the bank will not continue to survive.

**Quality Customer Service in the Banking Industry**

Different models have been developed over the years aimed at describing the nature of desirable customer service. Dolf Madi (2000) in attempt to present desirable customer service proposed two models namely, the "RATER" model and the "HELP" model of superlative customer service.

**(i) The RATER Model:**

This model depicts 6 elements of superlative customer services for banks. These include:

(a) Reliability – The ability to provide your service promise accurately and dependably.
(b) Assurance – The knowledge and courtesy of staff, and ability to convey trust and confidence.
(c) Tangibility – The physical facilities and equipment, and appearance of staff.
(d) Empąthy – The degree of caring and individual attention.
(e) Responsiveness – The willingness to assist customers and provide prompt services.

**(ii) The HELP Model**

Perhaps, a more particularistic approach to superlative customer service is the HELP model which is an alronym derived from oear Emphatic, Look for alternatives and Provide.

These four key words form the idea in this model:

(a) Hear

- Listen actively to each and every customer
- Ask open ended questions to find out what the customer wants and needs.

(b) Empathise:

- Share and show sincere and appropriate concern
- Paraphrasing the interaction, demonstrates your understanding of the customers concern to avoid off target responses.
- This is a trust building factor.

(c) Look for alternatives

- Active participation and involvement of the customer in discussing options is the key to customer oriented service and customer delight.
- A take or leave approach is wrong.

(d) Provide:

- Accept personal responsibility to help
- Use the "I" message signifying personal commitment and active response – from words to deeds of action.

Gerson *et al* (2001) agreed with Dolf Madi's two models of quality customer service in items of participatory customer service. He proposed the Burger King approach to customer service and also goes a step further to include other elements such as thanking the customer for doing business every time; there one sending a letter or thank you note to the customer after every new relationship, giving something back (friendly or helpful message etc.). smiling each time there is contact, rewarding good customers and reaching out to customers and keeping an update of development in their businesses .

## Changes for the 21st Century: The Paradigm

Today, success is increasingly through service excellence. This is not only for commercial banks but also for all other service providing outfits both large and small. Global quality competition has increased the standards of service excellence and customer expectations for satisfaction. Standards of excellence therefore, continue to grow higher and higher. The challenges for success and competitive survival are increasingly enormous on the global financial sector at large and the Nigerian commercial banks in particular. These changes have placed the customer above every bank and its competitors.

To Olushola (2001), "today's reality has placed the customer above the chief executive of a bank while the competitors are placed slightly above the chief executive". This idea is captured in what he calls "the service paradigm". An advanced level of this concept or paradigm incorporates the bank's customer's customers at the top of the banks organization hierarchy followed by the competitors of the bank's customers before the customer himself, while the bank and its competitors remain at the lowest ebb of the ladder respectively.

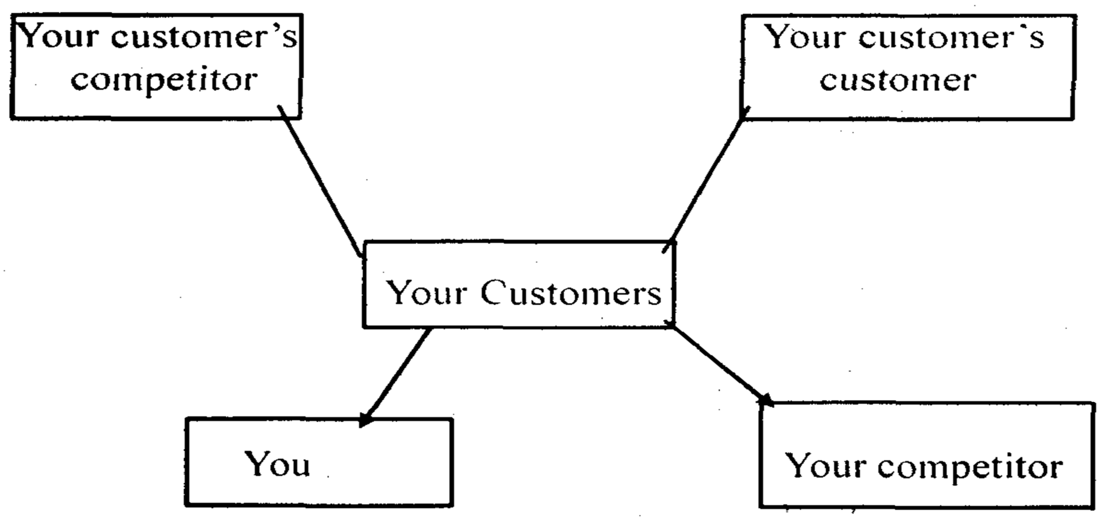


**Figure III: The Service Paradigm**
**Source:** H. Pierson (2001): *Banking Operations*

It is clearly in agreement therefore that with global changes taking place, the customer is becoming increasingly important in organizations corporate existence hence all banks and service providers should strive to provide excellent services that are capable of attracting and retaining customers. In Nigerian banking industry, notable customer service champions are Guaranty Trust Bank PLC, Zenith Nigeria PLC and CitiBank Nigeria PLC.

## Recommendations

The following recommendations are imperative:

Customer service training and culture should be upheld and esteemed highly by all banks at all levels. There should be intensified customer services training programmes, rules and infrastructures in banks that are favourably disposed and directed at ensuring customers' comfort and welfare in the banks.

The customer service delivery standards of Nigerian commercial banks should be such that the customer will be able to rate it as exceptionally high in the overall service packaging and delivery and give room for the customer to report dissatisfaction. Customers complaints should be seen as opportunities to learn and prevent service failures from recurring. This should be the perception of all bankers.

A complete re-orientation and concentration on delivering quality customer service will guarantee total success of the banks' overall quality programme.

Banks should shift from interest income to free-based activities. This trend requires a thorough understanding and application of marketing concept in all activities. This means identifying the customers needs and preferences and effectively developing business activities geared towards profitably meeting these needs to customers' satisfaction.

In this direction, banks should set up, where it does not exist, marketing departments with high caliber marketing personnel. The staff should continuously carryout market research to identify customer needs and preferences and turn these into products.

Finally, the banks should strive to monitor and measure the degree of customer satisfaction or dissatisfaction with service delivery on a continuous basis. This way, the banks will be able to see areas requiring improvements thereby facilitating the much-desired satisfactory delivery of bank services.

## Conclusion

The 21st century has ushered in a different operational environment from that of which was obtained before the 1990s for the Nigerian commercial banking sub-sector. The environment is characterized by high customer sophistication and complexity, high level of customer awareness and knowledge of their rights as customers and numerous options for the customer as regards choice of bankers. There is also high degree of competition among commercial banks clamouring all to win customers and maintain markets share in the industry's market. Thus, the customer has become the main factor guiding all commercial banks' operations as no commercial bank in Nigeria and beyond can stand without customers.

To attract and retain these customers, qualitative customer service delivery is found to be the key. It is therefore, impossible for any Nigerian commercial bank to survive in this age if it cannot provide qualitative customer service to its customers.

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