RESEARCH ARTICLE

Bank Consolidation in Nigeria: Marketing Implications and Challenges for the Surviving Banks

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Abstract

The purpose of this paper is to explore the marketing implications of the Nigerian bank consolidation with a view to theorizing the marketing challenges which Third World countries wishing to embark on the same exercise should watch out for. The research used secondary data sources to expose the status of marketing in the pre-consolidation era and goes further to put forward the marketing implications and challenges of the exercise**.** Delivery of quality services, repositioning of brand identities and branch expansion were found as the leading challenges of the Nigerian bank consolidation. Other Third World economies wishing to undertake bank consolidation was advised to consider certain structural variables evident in their countries before embarking on such reforms.

Keywords: Banks; consolidation; marketing; banking industry; Nigerian; mergers; acquisitions.

1. Introduction

The Nigerian banking industry has witnessed and is still witnessing revolutionary metamorphosis in recent years as a result of the restructuring programmes channeled towards resolving the existing problems of the industry by the apex bank. The most recent championed epitome is the recapitalization exercise which has shaped the structure of the Nigerian banking industry significantly. According to Adegbaju and Olokoyo [1], the banking sector reforms and recapitalization resulted from deliberate policy response to correct perceived or impending banking sector crises and subsequent failures. A banking crisis can be triggered by weakness in banking system characterized by persistent illiquidity, insolvency, undercapitalization, high level of non-performing loans and weak corporate governance, among others they added. Similarly, Uchendu [2] submitted that the reforms in the banking sector proceeded against the backdrop of banking crisis due to highly undercapitalization deposit taking banks; weakness in the regulatory and supervisory framework; weak management practices; and the tolerance of deficiencies in the corporate governance behaviour of banks. The primary objective of the reforms therefore is to guarantee an efficient and sound financial system by equilibrating the competitive muscles of the existing weak banks through mergers and acquisitions [3-8].

By far, the most widely pursued corporate strategies are those designed to achieve growth in sales, assets, profits or some combination. Companies that do business in expanding industries must grow to survive. Continuing growth involves increasing sales and a chance to take advantage of the experience curve to reduce the per-unit cost of products sold, thereby increasing profits. A company can grow internally by expanding its operations both globally and domestically or it can grow externally through mergers, acquisitions and strategic alliance [9].

The consolidation of banks has been the major policy instrument being adopted in correcting deficiencies in the financial sector as well as accelerating the rate of growth in the sector. The economic rationale for domestic consolidation is indisputable. An early view of consolidation in banking was that it makes banking more cost efficient because larger banks can eliminate excess capacity in areas like data processing, personnel, marketing, or overlapping branch networks. Cost efficiency also could increase if more efficient banks acquired less efficient ones. Though studies on efficiency in banking raised doubts about the extent of overcapacity, they did point to considerable potential for improvement in cost efficiency through mergers. Consolidation is viewed as the reduction in the number of banks and other deposit taking institutions with a simultaneous increase in size and concentration of the consolidation entities in the sector [5].

The consolidation reform is consistently predicted to engender some positive changes in the Nigerian banking industry. In line with this argument, Asikhia [3] comments as follows, “This new policy has the intention of repositioning the Nigerian banking industry for the development challenges of the 21st century. It hopes to place the industry in a better stead to compete at the global level, more so that national barriers have been dismantled by Information and Communication Technology (ICT). It also hopes to equip the Nigeria banking industry to finance the key sectors that will foster growth in the economy, reduce unbridled competition among banks and over dependence on government and interbank funds”. Kwan [10] and Oyewole [11] further reported that bank recapitalization will allow for emergence of mega banks that enjoy hidden subsidy referred to as ‘too-big-to-fail” subsidy due to the market’s perception of an illusion of government backing of a mega bank in times of crisis. “Experts equally predict a change from the usual banking method to retail banking by most banks. In the past, banks have not found this segment of the market profitable and one doubts if things would change significantly, unless banks are able to deliver retail banking services in a very efficient manner, with technology playing a major role, they may not be able to keep their customers” [3].

Although the consolidation programme sounded attractive at the onset, experts have argued that the exercise is policy induced rather than market-driven and as such may encounter difficulties in realizing the anticipated goals. According to Somoye [5], the Government policy-promoted bank consolidation rather than market mechanism has been the process adopted by most developing or emerging economies and the time lag of the bank consolidation varies from nation to nation and as such. “There are for instance, high degree of suspicions among the antagonists that the consolidation policy lacks critical consideration of the realties on ground, and that the authorities may have adopted it to disempower certain group of bank owners who were recently linked to various forms of economic crimes and financial improprieties” [6, 12]. A great concern for the consolidation exercise, despite its good intents, has been the level of controversy it generated since the CBN announced it in July 2004. In the remarks of Akpan [13], maximizing returns and optimizing profitability became the challenge for banks immediately after the consolidation exercise where banks were required to significantly increase their level of returns and at the same time manage costs, to realize this, banks will have to offer innovative products and services to the marketplace including new ways of delivering them. As with the general economic reforms that are concurrently taking place in the country, however, most of the arguments centered more on the structure and the implementation mechanism, and not on the desirability of the exercise [14].

However, the objective of this paper therefore is to assess the marketing implications that confronted the Nigerian banks that survived the policy-induced consolidation reform, with a view to theorizing the marketing challenges that Third World countries hoping to embark on the same reform will have to watch out for. The study is significant because a preliminary investigation reveals that limited literature abound in this area. Therefore, it adds to the replete literature on bank consolidation. The rest of the paper is structured as follows: the status of marketing in the Nigerian banking industry before consolidation; post-consolidation structure of the Nigerian banking industry and its marketing implications; marketing challenges of the consolidation reform; and finally, conclusion.

2. The status of marketing in the Nigerian banking industry before consolidation

Judging by the structural effects that characterized the pre-consolidation phase in the history of Nigerian banking, one can safely infer that that era was typically typified by lack of marketing orientation. According to Ezeoha [6], in the country's history of banking, 1892–1952 represents an era of free banking, considering that there was no legal framework for banking within the period. Even though he further maintained that since the commencement of conventional banking in 1952, the country has recorded reasonable degree of growth in the size and structure of banks, the distress and failures that subsequently befell Nigerian banks shows that the banks were not market-focused. For instance, Umar [4] submitted, “between 1994 and 2003, a space of nine years, no fewer than 36 banks in the country closed shops due to insolvency. He further held that in 1995 four banks were closed down. But 1998 may go down well in history as the saddest year for the banking industry as 26 banks closed shops that year. Three terminally ill banks also closed shops in 2000. In 2002 and 2003 at least a bank collapsed. The failed banks had two things in common – small size and unethical practices. Of the 89 banks that were in existence as at

July 2004, when the banking sector reforms were announced, no fewer than 11 banks were in distress. According to the CBN, between 69 and 79 of the banks were marginal or fringe players".

Equally, the inept regulatory framework that engendered indiscriminate issuance of bank licenses led to unhealthy competition which in turn gave birth to unethical marketing practices. In his comment, Soludo [12] as cited in Adegbaju and Olokoyo [1] said that low capitalization of the banks has made them less able to finance the economy, and more prone to unethical and unprofessional practices. These include poor loan quality of up to 21 per cent of shareholders' funds compared with 1–2 percent in Europe and America; overtrading, abandoning the true function of banking to focus on quick profit ventures such as trading in forex and tilting their funding support in favour of import-export trade instead of manufacturing; reliance on unstable public sector funds for their deposit base; forcing their female marketing staff into unwholesome conduct to meet unjustifiable targets in deposit mobilization; and high cost of funds. Similarly, the small size of most of the banks, each with expensive headquarters, separate investments in software and hardware, heavy fixed cost and operating expenses, and with bunching of branches in few commercial centers led to high average costs for the industry [15, 16]. This, in turn, had implications for the cost of intermediation and the spread between deposit and lending rates. It also put undue pressure on banks to engage in sharp practices as a means of survival. "In essence, some of the banks were not engaging in strict banking business in terms of financial intermediation. They were merely traders trading in foreign exchange, in government treasury bills and sometimes, in direct importation of goods through shell companies" [16].

According to Aliyu [17], the major problems identified with Nigerian banks in the pre-consolidation period include:

1. Weak corporate governance, evidenced by high turnover in the Board and management staff, inaccurate reporting and non-compliance with regulatory requirements, falling ethics and de-marketing of other banks in the industry;
2. Late or non-publication of annual accounts that obviates the impact of market discipline in ensuring banking soundness;
3. Gross insider abuses, resulting in huge non-performing insider related credits;
4. Insolvency, as evidenced by negative capital adequacy ratios and shareholders' funds that had been completely eroded by operating losses;
5. Weak capital base, even for those banks that have met the minimum capital requirement, which then stood at N1.0 billion or US$7.53 million for existing banks and N2.0 billion or US$15.06 million for new banks, and compared with the RM2.0 billion or US$526.4 million in Malaysia.
6. Over-dependency on public sector deposits, and neglect of small and medium class savers.

The foregoing factors have a number of marketing implications. First, in a situation where there is shaky corporate governance, gross insider abuses and non-compliance with regulatory requirements, satisfaction of the consumers which is the hub of bank marketing will definitely be traded for unethical business practices. Second, mismatching of funds equally made banks unreliable sources of revenue for practicing and potential marketers. Third, the existence of these problems betrayed public confidence in banks and subsequently stunted the growth of the existing banks. Again, the weak operating capital base of the existing banks means that the intermediation role of Nigerian banks is hampered and this is capable of strangulating any meaningful marketing plan. Services wise, the weak operating capital base also militated seriously against the adoption of efficient processes and deployment of quality human resources that will boost services encounters and guarantee competitive advantage. The low capital base of banks equally means that banks lacked the resources to expand their network across the country and as such retail banking was not invoke. Yet, in the face of these internal improprieties that characterized Nigerian banks, price discrimination will be very difficult to curtail. Finally, with the low operating capital base in the pre-consolidation period, it is clear that Nigerian banks fell short of the capacity to compete effectively and efficiently in the global financial market. Again, the share of the industry's market during the pre-consolidation epoch was controlled by few banks. Accordingly, Umar [4] and Lemo [8] noted that the top ten (10) banks were found to control more than 50% of the aggregate assets; more than 51% of the aggregate deposit liabilities and more than 45% of the aggregate credits. This singular feature made competition skewed among the players in the banking industry. The marketing implication of this is that the few big players can do anything and get out with it since competition was not equilibrated. Unlike in a pure competitive model, in skewed competitive situation, minimal or no marketing effort is required because supply will definitely lag demand.

Table 1: Post-consolidation banks, their capital base, number of branches and the merged institutions.

S. No.	Name of bank	Capital base (₦ Billion)	No. of domestic branches	Constituent institutions
1	Access Bank	28	118	Access Bank, Capital Bank Int'l and Marina Bank`
2	Afribank	29	262	Afribank and Afribank Int'l (Merchant)
3	Diamond Bank	33.25	250	Diamond Bank and Lion Bank
4	Ecobank	Over 25	209	Ecobank
5	Equitorial Trust Bank	26.5	92	Equatorial Trust Bank & Devcom Bank
6	First City Monument Bank	30	145	FCMB, Cop. Development Bank & NAMB Limited
7	Fidelity Bank	29	112	Fidelity Bank, FSB International Bank & Manny Bank
8	First Bank	44..62	478	First Bank of Nigeria, FBN Merchant Bankers, & MBC International Bank
9	First Inland Bank	28	151	First Atlantic Bank, Inland Bank, IMB International Bank & NUB International Bank.
10	Guaranty Trust Bank	34	154	Guaranty Trust Bank
11	Stanbic IBTC Bank	35	61	IBTC, Chartered Bank & Regent Bank
12	Intercontinental Bank	51.7	292	Intercontinental Bank, Equity Bank, Global and Gateway Bank
13	Citibank	25	13	Nigerian International Bank (City Group)
14	Oceanic Bank	31.1	345	Oceanic Bank & International Trust Bank
15	Platinum Habib Bank	26	123	Platinum Bank & Habib Bank
16	Skye Bank	37	226	Prudent Bank, EIB International, Cooperative Bank, Bond Bank & Reliance Bank
17	Spring Bank	Over 25	191	Citizens International Bank, Guardian Express Bank, ACB International Bank, Omegabank, Fountain Trust Bank & Trans International Bank.
18	Standard Chartered Bank	26	14	Standard Chartered Bank
19	Sterling Bank	25	101	Magnum Trust Bank, NAL Bank, Indo-Nigeria Bank & Trust Bank of Africa
20	United Bank for Africa	50	619	United Bank of Africa & Standard Trust Bank
21	Union Bank	58	383	Union Bank, Union Merchant Bank, Universal Trust Bank & Broad Bank
22	Unity Bank	30	204	Intercity Bank, First Interstate Bank, Tropical Commercial Bank, Pacific Bank, Centre Point Bank, NNB International Bank, Bank of the North, Societe Bancaire & New Africa Bank
23	Wema Bank	26.2	150	Wema & National Bank
24	Zenith Bank	38	321	Zenith Bank
Totals	24	Over 791.37	5014	-

Source: Central Bank of Nigeria's reports on merged banks (2006).

3. Post-consolidation structure of the Nigerian banking industry and its marketing implications

The consolidation proposal which represents the latest attempt by the CBN to tackle the problem of bank distress and failure and restore investors' confidence through building an industry that is strong, safe and sound has altered grossly the structure of the Nigerian banking system. First, the number of banks shrank from 89 to 25 and currently 24 just as there was an increase in minimum capital base from ₦2 billion as at July 2004 when the then CBN governor presented the consolidation proposal to ₦ 25 billion as at December ending 2005 that marked the expiration of the date which banks were given to meet the ₦25 billion minimum capital requirements. Table 1 shows the list of banks that survived the test of the exercise and their capital base as well as the merged institutions and the number of branches. The number of bank branches has increased significantly from 3,300 as at July, 2004 [6] to 5014 branches as at December 2009 as can be seen from table 1. This represents 34% increase. The proliferation in the number of bank branches is due mainly from the increase in the minimum capital requirement which the apex bank mandated banks to have and the need to meet the demands of the current market. The aggregate capital base of the banks which stood at N384 billion before consolidation [18] has notched to over 791.37 billion after the consolidation as can be seen from the table.

In terms of assets, the total asset of all the 89 banks operating in Nigeria in 2004 prior to the consolidation was N3, 753.28billon (US$28.25billion) and rose to N6400.78billion (US$49.88billon) indicating a growth rate of 70.54.16 per cent within one year after consolidation. The asset size of an average bank which was N42.172billion (US$0.3174 billion) grew geometrically to N267.482billion (US$2.0856billion) within a year after the consolidation exercise, a growth rate of 534.27 percent. This was an impressive performance [5].

In many banks, the changes in placements have resulted into serious job cuts and rationalization in both consolidated and non-consolidated banks. This only serves to make bankers regard their jobs as unstable. Job cuts are continuous in the banking sector and this has the tendency to make employees less committed to their jobs and as well accentuate the already worsen labour turnover in the sector [19]. For instance, the thirteen non-consolidated banks were dissolved and their operating licenses withdrawn. The implication here is that all their employees had lost their jobs. The number of those who lost their job as a result of the consolidation of banks was put at 45,000 employees involving all categories and cadres. This may be considered high in an economy in which labour market is saturated and graduate unemployment situation has remained very critical [19, 20] as cited in Okafor [18]. These structural changes occasioned by the consolidation reform have some marketing implications.

First, the increase in the minimum capital requirement from the former ₦2 billion to ₦25 billion means that the ambience for operational economies of scale have been created. When firms enjoy economies of scale in their production process, they are likely to operate at lower cost which in turn translates to low retail prices leading to more patronages that indicate increase in the pace of marketing activities. This efficiency argument was clearly illustrated by the then CBN governor, Soludo [12] when he stated that the small size of most of our banks, each with expensive headquarters, separate investment in software and hardware, heavy fixed cost and operating expenses, and with bunching of branches in few commercial centers — lead to very high average cost for the industry. This in turn has implications for the cost of intermediation, the spread between deposit and lending rates, and puts undue pressures on banks to engage in sharp practices as means of survival.

The raised minimum capital base equally helped to equilibrate competition among the banks that survived the heat of the exercise and this went a long way in putting an end to the de-marketing powers and advantages formerly enjoyed by the few top leading banks during the pre-consolidation eon. The upsurge in the number of bank branches indicates a shift from the conventional banking practices to retail banking. This became the case because consumers of banking services are gradually loosing the taste of carrying money about and as such prefers those banks that have a wide network that will enable them transact their businesses anywhere in the country.

The consolidation exercise has equally dealt a terrible blow on employees' working conditions. Nowadays, it is not uncommon to find bank managers who are compelled by their respective banks to involve in marketing for their banks. Conventionally, this ought to be outside their job description, but because of the accompanying unemployment scourge of the consolidation reform, which has further fuelled employment crises in Nigeria, these managers who have no other choice are now overstretched to even perform duties not found in their job description. The most nauseating aspect of this is that most of these managers are not trained marketers and as such may not do the job the way it ought to be done. This apart from affecting the way marketing practices are being carried out have equally posed a serious concern for most managers as to how to adjust to the marketing job. All these mean that the execution of marketing programmes is now fraught with difficulties and inefficiencies.

4. Marketing challenges of the consolidation reform

4.1. Product challenges

A product consists of the tangible or intangible benefits that a buyer receives in exchange for money or other forms of trade, as in the case of bartering. It is anything that can be offered to a market to satisfy a want or need [21]. The import of this is that product is anything capable of satisfying human wants and this can be broadly categorized into physical goods (tangible) and services (intangible). Because banking activities are intangible, we classify it as services. Just as physical good are capable of offering satisfaction to consumers, services are equally capable of offering satisfaction even though they are mere experiences or encounters. The production of product (be it goods or services), takes place in the context of certain controllable and uncontrollable environmental factors and as such, are both subject to the influence of those factors. For instance, just as government policies impact either positively or negatively in the marketing of tangible products, marketing of intangible products can equally be affected by government policies. It is on this note that the product challenges of the consolidation reform come handy.

First, the consolidation reform has heightened the competitive pace of the surviving banks. The consolidation of banks is likely to attract a significant level of foreign banks entrance into Nigeria which will become a feature in the industry over time. This will further intensify the competitive tempo of the operating banks. This implies that the quality of services which Nigerian banks are expected to render to their customers must improve if they are to retain their customers. According to Akpan [13], to maximize returns and optimize profitability amidst the competitive challenges occasioned by the consolidation programme, banks will have to offer innovative products and services to the marketplace including new ways of delivering them. Corroborating this, Soludo [22] affirmed that the competitive terrain of the Nigerian banking environment calls for filling crucial gaps in the resources and capabilities stock and allocations for the banks to develop effective banking services.

Second, in achieving the objective of consolidation, quite a number of risk factors were involved both during and after the consolidation which have implications for industrial relations in the banking sector. The human risk factors included; downplaying of employees welfare in merger and acquisition, dealing with employee resistance to change under the new reality, loss of job commitment, redundancy, and employee turnover with concomitant loss of key talents, treating human capital as cost, imbalance pay setting and post merger fits [23-25]. The implication of the foregoing which is in contradiction to the formally held view is that the quality of services rendered to customers will be at stake. Employees who are battered by job insecurity cannot be expected to remain committed to the quality of services rendered to the customers. Since simultaneity is one of the basic features of services and the role of employees are very significant, the face to face interaction which is a basic element in the service production process has been seriously threatened by the challenges of the consolidation reform. According to Adeyemi [26], once two or more banks begin to talk about merger or acquisition, the staff of the affected institutions become jittery about job security which invariably affect their productivity.

Another product element challenge which the surviving banks have to battle with is the issue of branding. *In this post-consolidation era, competition in the Nigerian banking industry will be at its peak. The monopoly, which the big banks used to enjoy, will be broken. It is a totally fresh start and the stakes are high, from the point of view of the mega banking. Serious efforts will be directed towards consolidating the new status and synergizing the relationship, in the case of mergers. All of these present a good business opportunity for branding. However, as earlier hinted, the challenges of creating effective brands in the post N25 billion era vary, according to the recapitalization strategy deployed by the banks. The challenge is made even more enormous because a new* *corporate identity and image have to be projected from scratch to members of the public. This requires a great deal of discipline, consistency, deliberate effort and processed thought to create an effective brand* [27].

Finally, in respect of the surviving banks that achieved the ₦25 billion recapitalization through a public offer, initial public offer, rights issue or private placement, the major branding challenge is that of consolidating the banks through strategic image enhancement machineries and brand projection via advertising.

4.2. Pricing challenges

Price is the amount of money needed to acquire something. It is the cost of owning something, whether product or service. On the other hand, pricing refers to the process of determining the price at which a product or service will sell. Going by the definition of consolidation, it is an exercise the gives birth to an entirely new business entity. Given that consolidation is effected through mergers and acquisitions, a major pricing challenge that arose was how to determine the valuing rate and method of the shares of each merger candidates to ensure equity in shares valuation. Due to the limited timeframe given to the banks by the CBN to meet the minimum capital base, there were many reported cases of hurriedly and unfriendly takeovers. According to Bello [28], "it is apparent from the structure of the twenty-five banks that scaled the hurdle that acquisitions and takeovers were consummated, rather than the mergers and acquisitions the CBN would want us to believe. In fact there are credible evidences that some are even "hostile takeovers". Most of the banks were of un-equaled asset base, liquidity, branch spread, information and technology capability". Given these internal structural discrepancies, it is obvious that the prices at which the shares of the merging banks were valued were likely to be inequitable.

The banking industry is now oligopolistic in structure leading to the existence of few strong participants that will definitely refute the entry of new players. This has made the pricing of banking services skew in favour of the banks at the expense of the customers thereby degenerating into a sellers' market. This can not be contested because recent observations have not even shown that the charges of Nigerian banks are commensurate with the quality of services they render. For instance, users of United Bank for Africa (UBA)'s ATM complain that the bank charge them monthly irrespective of whether they made withdrawals through the ATM or not. Related cases of other pricing improprieties are still reported of other banks in the industry. These are blunders that cannot be excused in a pure competitive set-up. The consequential effects of these indiscriminate charges by banks are high rate of customer turnover and this has resulted in many dormant accounts. This racket has equally challenged banks to embrace the "Know Your Customer (KYC)" orientation as recently directed by the CBN.

Before the consolidation, evidences show that some of the banks were not quoted in the Nigeria Stock Exchange. As a result of this, determination of the prices at which their shares will sell equally posed a major challenge more especially as what was consummated by banks was acquisitions and takeovers as opposed to the mergers and acquisitions initially proposed by the apex bank. There is no doubt therefore that prices of shares were haphazardly fixed, thus leading to overvalued and undervalued shares. The struggle to raise finances to meet the minimum capital base equally made the stock market to be flooded with a lot of issues which in turn led to the fall in the prices of shares more especially as the consolidation reform was implemented in the era of the global financial crises that led to crash in the prices of shares.

Finally, the consolidation of banks is likely to attract a significant level of foreign banks entrance into Nigeria which will become a feature in the industry over time. This will bring about more confidence by the international community of the banking sector thereby attracting more foreign investment into the country. As the level of financial intermediation increases, interest rate is likely to fall and increase lending to the real sector that will generate employment and booster growth, thus contributing to increase in the pace of marketing activities.

4.3. Place challenges

Place marketing decisions deals mainly in making products widely available in the market. It concentrates more on how to reach and service customers at the right place, time, quality, quantity and condition. In a nut shell, it centers on customers' services. Already established is the fact that the role of customer service is to provide 'time and place utility' in the transfer of goods and services between buyers and sellers. Put another way, there is no value in a product or service until it is in the hands of the customer or consumer. It follows that making the product or service 'available' is what, in essence, the place function of the business is all about.

The consolidation proposal no doubt, created some place mix marketing challenges. One of these is the branch network challenge. Given the changing tastes and preferences of the consumers and the competitive profile that characterized the post-consolidation era, the surviving banks had no choice than to expand their branch network as wide as possible to meet the new challenges of the emerging market. According to Asikhia [29] as cited in Asikhia [3], "customers say the banks of their choice are those with national presence whose network are nationwide such that withdrawal and deposits could be made anywhere in the country, as most Nigerians are gradually losing the desire to carry cash around. This also explains the reason most customers prefer banks with efficient online banking facilities, most of the banks that have these facilities would attract quite a sizable number of customers, which means if customers all come at the same time queuing is inevitable yet customers say they do not like to queue". This even complicated matters the more. Similarly, Kwan [10] further reported that the lesson from bank recapitalization is that it often results in fewer banking institutions and more branches, which are likely to thrive if the loyalty of the customers to their respective banks is assured given different options that are likely to be available in different localities.

The impact of technology is now being felt with the new channels as opposed to the traditional brick-and-mortar. These channels include Automated Teller Machines (ATM), Internet, Point of Sale Terminal (POS), mobile phones, etc. Using these channels effectively to deliver additional products and services and managing their assets of service delivery to their retail customers may be a challenge [3].

Finally, present customers possess a higher level of education, are more discriminating in their purchases, and are more willing to try new products and services. Customer traits are constantly changing. Banks that fail to keep abreast with such changing customer demands are missing sales opportunity. To be successful, a business person must adapt to the needs and wants of customers, including staying open at hours which suit customers and offering the kind of goods and services that will attract them.

4.4. Promotion challenges

As noted earlier, going by the definition of consolidation, it is an exercise the gives birth to an entirely new business entity. As was equally mentioned earlier, the birth of a new company poses the challenge of positioning the new entity in the minds of the consumers. Since the pre-consolidation period was characterized by myriad irregularities which led to the loss of public confidence in the industry, the new industrial players that emerged had to grapple with the problem of repositioning itself favourably in the minds of the consumers in order to restore the already betrayed confidence. With regards to branch implications, the new entities that survived the dust of the consolidation exercise will need to deal with brand-related issued such as:

- ✓ Changing of name if two or more banks come together and decide not to adopt any of the participating bank names.
- ✓ Dropping the logos which were formally used by each of these banks and adopting another one.
- ✓ Evolving new brand culture for the emerging banks after consolidation.
- ✓ To achieve the aforesaid, the brand message of the consolidated banks had to also be changed.

For the banks that were not formerly quoted that wishes to embark on initial public offer, it became relatable that promotional campaigns be instigated to get the consumers become aware of their offers. This implies heavy investment in awareness creation advertisement campaigns. Printing of catalogues (prospectus) which is a document of notice issued by the company when inviting the members of the public to subscribe its shares or debentures in which it publishes information about itself and the terms and conditions for the purchases of such securities equally became inevitable. Promotional campaigns were equally highly needed to inform the general public about the prices at which the shares were selling per unit and to project the offerings of banks favourably in the minds of the investing public. With increasing consumerism and public awareness of social responsibilities, banks equally needed to employ public relations tools to let the general public in on their programmes for the society where they are operating.

Banks have likewise been compelled by the attendant confrontations of the consolidation reform to embark on many sales promotional activities to attract and retain customers. The Guaranty Trust Bank “i-think” Promo [29], the First Bank “Golden Promo” running from June 2010 to May 2011 [30], the Skye Bank “Western Union Promo” running from October 15, 2010 to November 15 [31], the Wema Bank Promo running between September 24, 2010 to October 31, 2010, the “Naija Diamonds” promo powered by Diamond Bank [32], the AfriBank saver’s Promo, to mention a few, are current examples of sales promotional campaign in the Nigerian banking industry. Equally, banks have been calling on both old and new customers to open savings account with a specified amount of money or maintain existing accounts to a particular savings ceiling to qualify for draws that will make them instant millionaires, become proud owners of brand new automobiles or win an all-expense-paid trips to Europe or America.

The place of ICT in the bank which has changed as a result of the reform demands the use of various points of purchase materials and window display promotional materials to guide customers on how to accomplish their transactions. Also, given that when new technology is invented, training becomes the first casualty, the need to train marketing staff on the use of the various innovative means such as Internet, contact managers, database technologies and websites to scout, attract, retain and keep the name of the company alive in the memory of the customers became readily pertinent. In this age of incredible complexity, vicious competition, and escalating challenges, the bank marketing job has not gotten any easier, but digital age communication tools which can help bank marketers master the complexity, overcome the competition and make more sales need to be made known to them.

4.5. People challenges

For most services especially the banking epitome, people are a vital element of the marketing mix. This is attributed to the high-contact nature of such services as noted by Lovelock and Wright [33]. The interaction between staff and customers can be the essential turning point between any decision making process. It is at the point of contact between the representatives of organizations (employees) and the customers better described as the “moment of truth” in services marketing parlance that determines the success or otherwise of the service encounter. This in turn implies that people are very vital in service production. This might be the reason Lovelock and Wright [33] noted that the difference between service businesses often lies in the quality of employees serving the customers. The type of customers who patronize a particular service business helps to define the nature of the service experience and as such; people become part of the product in many services they further added. This therefore means that managing service encounters can be challenging especially when there are structural changes in the operations of an enterprise. No doubt, the Nigerian consolidation reform has its accompanying people marketing mix challenges.

Okafor [18] once stated: “The period of consolidation in the banking sub-sector in Nigeria (July 2004 – December 2005) was a period of change that created anxiety and concerns for employees in the banks. This is because on the long run they are at the receiving end. To many employees, the news of consolidation of banking sub-sector to the tune of N25billion may have been greeted with apprehension”. Further, some banks that went to Stock Exchange to source funds, relegated the welfare and working conditions of workers to the background, while gearing all its efforts towards attracting any available funds they could muster to meet the target and deadline [18, 34, 16]. The implication of the literature is that the consolidation reform proposal engendered job insecurity. Just as was noted earlier, it is not possible for an employee who is battered by job insecurity to give his or her best to its employer. It follows therefore that service encounters will be deeply affected and this is capable of marring the organization’s overall productivity and profitability.

Another people marketing challenge on consolidation that confronted the consolidated banks according to Okafor [18] is the issue of employees’ remuneration, staff harmonization and placement. He further held that reports on banks in the post-consolidation period showed that management and workers union on several occasions spoilt for war wage reviews. Yet the time expended on ratifying this issue would have been utilized in executing other meaningful managerial tasks. Similarly, in many banks the changes in placements have resulted into serious job cuts and rationalization in both consolidated and nonconsolidated banks. This only serves to make bankers regard their jobs as unstable. Job cuts are continuous in the banking sector and this has the tendency to make employees less committed to their jobs and as well accentuate the already worsen labour turnover in the sector [19].

Another issue that challenged the merged banks which has people marketing implications is the unfriendly climate of industrial relations that befell the banking sector. Reacting to this issue, Olaosebikan [34] as cited in Okafor [18] stated: "The employer-employee relations in the banking industry has been the worst...banks attracted people into their organizations with fat salaries only to destroy and ravage their intellect. First class graduates were turned into zombie by these banks within a few years of employment. The bank made them embrace unsustainable and expensive life style and believed that the only thing that mattered was money. The staff were used and dumped at will without a care for them and the families they supported. Once a woman in their employment was married, she was as good as having lost her job. Even now most of the employees come to work each day unsure if they still had a job".

Loss of job commitment and wage disparity is yet another human resource challenge that characterized the post-consolidation epoch. Akpan [13] reported: "The inability of the management to harmonize pay structure between these employees has breached industrial peace. The employees affected by the wage reduction were found to have reduced their productivity because they found themselves carrying out similar job description with new employees from acquired bank who had negotiated their pay through individual bargaining". On the overall, these people challenges that subsequently confronted the merged banks means that managing service encounters, especially those between customers and service employees which is a challenging task has been further complicated. Hence, amidst these human resource confrontations, management of service encounters will become harder than ever before for Nigerian banks and this has a negative implication for productivity and profitability for the merged banks since people are a vital element in any service-oriented enterprise.

4.6. Process challenges

"Creating and delivering product elements to customers requires the design and implementation of effective processes. A process describes the method and sequence in which service operating systems work. Badly designed processes are likely to annoy customers because of slow, bureaucratic, and ineffective service delivery. Similarly, poor processes make it difficult for front-line staff to do their jobs well, result in low productivity, and increase the likelihood of service failures" [33]. In spite of the nugget success coming out of the consolidation of banks, several challenges in the area of integration, lending, survival and future of the various mergers are parts of the technical and professional challenges in the sector. In the areas of integration, banks are finding it quite difficult to integrate disparate cultures, information technology processes and systems and staff harmonization. Many banks that merged in the area of integration are spurious. Banks that came out of the consolidation programme as a result of mergers are particularly finding it difficult to achieve seamless integration of their various identities. Several banks in the post-consolidation era are in this dilemma and are yet to solve this problem successfully. The implication of this is that transactions cannot be done online real-time and customers have been subjected to delays, sometimes outright denials when making transactions [35].

Another process mix marketing challenge of the consolidation exercise is the need for the merged banks to move from the conventional banking system to retail banking. This has been largely supported by experts. For instance, Asikhia [3] noted that experts presently predict a change from the usual banking method to retail banking by most banks. In the past, banks have not found this segment of the market profitable and one doubts if things would change significantly, unless banks are able to deliver retail banking services in a very efficient manner, with technology playing a major role, they may not be able to keep their customers. The import of the literature is that the traditional frontiers of the banking system have been transcended and given that the competitive pace of the business environment has been equilibrated, the banks that survived the pressure of the consolidation exercise cannot afford to continue to operate the conventional banking processes. So adapting to this change itself is a challenge that the surviving banks stands to confront.

The present state of technology and the changing dictates of consumers' needs and wants demand an accompanying change in the delivery process of banking services, a situation that has compelled banks to adopt different IT packages in accomplishing their banking operations. It is a well-known fact that different banks employ different banking applications software to gain competitive edge. The challenge here is that some of these ICT packages are not compatible and banks have already incurred huge costs in the acquisition of these technologies. This, therefore, increases the cost of consolidation as the entire bank has to work with less than one IT platform [24].

To merge or acquire an institution is one thing, but to get the institutions involved to work harmoniously is another. The post consolidation integration will pose more challenges in a consolidation case involving more than two institutions. The new organization may lack flexibility in responding quickly to changing market situation due to the large size. Additionally, every organization has its own corporate culture. When two or more organizations come together to form one company, there is bound to be culture conflicts. Such conflicts would be more where the style of management of the organizations differs. Thus, the integration of the operations, processes, procedures, people and products to let the consuming public see the emerging entity as one group is a daunting challenge which the consolidated banks have to contend with [24].

The import of the literatures is that given the differences in the operational structures and processes of the banks which formerly operated as separate entities before their subsequent mergers, getting the newly integrated players to work harmoniously is a major process marketing challenge for the consolidated Nigerian banks. This arises from the fact that resolving structural and cultural organizational differences is not an easy tide to stem since each employer of the merged institutions will always prefer his or her own system of getting things done to a strange modus operandi.

4.7. Physical evidence challenges

Because of the intangible nature of a service this subsequently means that potential customers are unable to judge that service before it is consumed. An important element of marketing planning is therefore to reduce this level of risk by offering tangible evidence of the nature of the service [36].The 2004 Bank Consolidation and Reform Programme, which had by 2006 seen the depletion of banks operating in Nigeria from 89 to 24 equally confronted some problems in this respect. Given that the consolidation reform is expected to drive down cost and improve the efficiency of the surviving banks while at the same time confronting varying cultural and structural discrepancies of these merged institutions, the need to invest in infrastructures that will assist in repositioning the new entities has been largely supported by authors.

Accordingly, Asikhia [3] reflected, "achieving economies of scale, responding to customers emerging banking patterns and information needs in this dispensation cannot be overemphasized. Hence the need for banks to deploy assets or capabilities to match the prevailing needs of technology and other vital variables of the marketplace becomes inevitable". Corroborating Soludo [22], he further affirms that the competitive terrain of the Nigerian banking environment calls for filling crucial gaps in the resources and capabilities stock and allocations for the banks to develop effective banking services, structure transactions and drive down costs in the unveiling technology and regulations. More so, certain that several banking services delivery channels have gone virtual in counteraction of the formally extant traditional "brick and mortar" approaches as a result of technical dynamisms coupled with the recent bank mergers, the need to deploy new physical channels to reposition the newly merged banks in the minds of the customers is also challenging. This is so because the acquisition of these resources can be very costly.

5. Conclusion

This paper attempted an exposition of the marketing implications and challenges of the recent Nigerian bank consolidation. It was argued that the increase in minimum capital base from ₦2 million to ₦25 million among other things triggered an increase in the number of bank branches which led to retail banking; delimited the de-marketing powers and advantages formerly enjoyed by the few top leading banks during the pre-consolidation phase; and enhanced the operating efficiencies of the emerging banks which translated to low cost of intermediation (low retail prices) which in itself remains an expediting factor in the exchange process that is the heart of marketing. The leading marketing challenges that ensued from the consolidation reform among others include the need to- fabricate and deliver quality services; reposition corporate identities of the emerging banks; determine the shares valuation formula for the merger candidates; expansion of bank branches; service encounters management; job insecurity; loss of job commitment and structural and cultural discrepancies. Most of these challenges were equally occasioned by the fact that the reform was policy rather than market driven. Against these backdrop challenges, it is advisable that other Third World countries wishing to embark on a similar exercise should preconceive these challenges and device ways of coping with it. A very wise decision will be a consolidation exercise that is market-driven rather than policy-induced. This implies that it will make a great difference if such countries consider such environmental realities as level of technological development, financial conditions of the industry, level of competition, industry size and structure of the industry before embarking on such programme. For the fact that some countries have successfully applied consolidation in restoring the slump in their banking system does not actually mean that emerging economies should jump into such reforms because at least there are structural discrepancies that can daunt the success of such reforms if the market realities on ground in the latter economies are not thoroughly considered.

Competing Interests

The author has no competing interests.

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