NATIONAL INNOVATION AND RESEARCH ACADEMIA
International Journal of Business and Economics
ISSN: 2713-4695. Volume 8, Issue 1. Pages 16 - 24. January, 2020
Double Blind Peer Reviewed International Research Journal
editornirajournals@gmail.com

Marketing Innovation Capability and Competitiveness of Nigerian Quoted Banks

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Abstract: *Given the intense competition in the Nigerian banking sector as a result of globalization and rapid change in technology, especially after the banking reform of year 2005, many Nigerian banks have resorted to using marketing innovations to face these challenges. This study therefore aims to establish the effect of marketing innovation capability on competitiveness of these Quoted Banks. The study which is grounded on the resource based theory and dynamic capability theory used cross section survey method to administer questionnaires on 244 respondents. Structural Equation Modeling (SEM) was used to analyze relationships and determine the effects of marketing innovation capability on firm competitiveness. Study outcome reveals that marketing innovation capability had positive and significant effect on product competitiveness and sales growth, which were used as measures of competitiveness. The study recommends that banks should emphasize more on marketing innovation capabilities with complementary investment in human capital development, and firm restructuring.*

Key words: *Marketing innovation capability, competitiveness, Nigerian banks*

INTRODUCTION

Today's business environment is vastly defined by globalization of markets, rapid technological change, increasing customer awareness and demands. This has resulted in competition among firms becoming fiercer than ever. One of the industrial sectors affected by these environmental forces, in Nigeria, is the banking industry, which is experiencing some turbulence, following the banking reform of 2005.

Nigerian banking industry is seen as one of the most dynamic and competitive industries in the Country which has experienced rapid transformation in recent decade, shifting from transactional and customer service oriented industry to an increasingly aggressive environment in which competition for revenue is top priority (Adelola ,2016). This challenge has forced banks to take marketing of their products very serious, not only focusing on customers' satisfaction, but being sensitive to customers' needs.

Marketing of banking services is necessary because of the intense competition in the industry, and the need to mop up the excess liquidity in the economy; coupled with the need to attract customers who may need loans or make deposits (Ikpefan,2013). Looking at the importance of Marketing in the banking sector, the author noted how Marketing has greatly impacted on the Nigerian banking system as banks utilize its capability in dealing with competition nationally and internationally, and in creating product awareness. In the same vein, Okonkwo (2004) recognized the contribution of marketing towards the overall development of the entire Nigerian Banking system, and promotion of banks image, which is necessary for gaining and sustaining market share.

In a post-consolidation analysis carried out by Iloh, Ani and Chioke (2014) on the Nigerian banking sector, it was reported that nine of the major banks were found to be non- performing, based on the Central Bank of Nigeria (CBN) assessments of their portfolio and capital base. The situation was so bad that it necessitated the intervention of CBN; in injecting billions of Naira to save them from collapse. Looking at these scenarios, Ikpefan (2013) believes that the distress in the financial system and the poor performance of some banks indicates there is a marketing problem in the system.

This study investigated the effect of marketing innovation capability on firm competitiveness. Many scholars view Marketing capability as a critical factor in achieving high performance (Dwyer et al., 2009); for increasing revenue and ensuring competitive advantage (Dutta, Narasimhan & Rajiv, 1999). Basically the development of marketing innovation capability enables a firm to make innovation changes and improvements in its marketing mix variables – on product design, packaging, promotion, and pricing strategies.

Marketing is customer oriented and aims to identify customer's needs and satisfying them. Generally, firms marketing objective is not only to maximize the consumption of their products and services, but also to maximize the satisfaction their customers derive from their products and services. To achieve this requires innovation. It calls for marketing innovation. The development of this marketing innovation capability and its effect on competitive performance of Nigerian Quoted banks is the focus of this study.

LITERATURE REVIEW

This study was anchored on the resource based theory and dynamic capability theory. The resource base theory suggests that a firm gains competitive advantage by having distinctive resources or capabilities which are valuable, inimitable and rare (Barney, 1991). The Dynamic capability theory, on its own looks at how firms achieve and sustain competitiveness based on the processes that take place in a firm, to address the dynamism and volatility in the business environment. Thus, firms develop ability to integrate, build and reconfigure their resources into complementary assets, thereby enhancing their competitiveness (Teece, Pisano & Shuen, 1997).

Marketing Innovation capability

Marketing innovation capability, as used in this study refers to the ability of a firm to develop a set of capabilities required in the innovative marketing of its products or services. It entails manipulating the marketing mix variables to influence customer's buying preference. The OECD (2005) definition looks at Marketing innovation capability as "the implementation of a new or significantly-improved marketing method, involving significant changes in product design or packaging, product placement, product promotion or pricing." This definition highlights the innovation in marketing mix variables - Product, Price, Promotion, and Place. The purpose of marketing innovation is to satisfy customers' needs, repositioning of products, and increasing sales (OECD ,2005).

Marketing innovation has also been defined as the capacity to re-configure the existing industry model in ways that create new value for customers, by undermine competitors, in order to produce new wealth for all stakeholders (Hanvanach, Droge &Calatone, 2003); and thus any market innovation has to be directed at meeting the demands and satisfaction of the customers. In similar manner, Yam et al. (2010) view Marketing capability as a firm's ability to publicize and sell products, based on the knowledge of customers' needs, and the competitive environment.

Generally speaking, the logic behind marketing innovation is to enhance sales growth by shifting consumer demand from elastic to more inelastic market segments through the delivery of better value (actual or perceived) to the consumers (Hurley &Hult,1998, and cited by Nwankpa, 2017).

Banks belong to the financial service sector, noted for its highly competitive environment. it is therefore expected that banks develop new products that satisfy their customers, This calls for marketing innovation, in order to ensure that customer needs are met, even in better ways than competitors.

Marketing innovation, according to some scholars like Vorhies and Harker (2000); Weerawardena, (2003) includes marketing activities like market research, price-setting, market segmentation, advertising, promotions, retailing, and use of marketing information systems. But Tan & Sousa (2015) see marketing capability as being composed of four capabilities: product capability, pricing capability, distribution capability and communication capability. Thus a firm that is able to develop these marketing capabilities will ultimately achieve competitive advantage, that is difficult for competitors to imitate.

Marketers have in recent times,, embraced the use of New media in their marketing innovation strategies. A study by Adelola (2016) on the application of new media, in the marketing strategies of Nigerian banks observed how many banks have increased their spending on new media marketing. In this regard, Abubakar (2018) noted some of these spending on new media technologies: "Chat Business", First bank's whatsapp business platform, "FlashKey", a Fidelity Bank's Android Keyboard App; "ADA", a Diamond Bank's App that is accessed via Facebook. Other banks have similar technologies. For instance, Wema bank has "ALAT , which is a digital bank. UBA has "LEO" which works on Facebook. With these technologies, bank customers can open a new bank account, check their account balance, buy airtime, make funds transfer, pay their bills and even do stock trading via the social network.

Firm Competitiveness

Firm competitiveness has been defined in several ways. Porter (1985) sees it in terms of a firm being able to successfully compete, while Lall (2001) looks at it as a firm's ability to outperform others in terms of profitability, sales, or market share. Selcuk (2006) sees good financial performance as a hallmark of all competitive firms, while Buckley, Pass and

Prescott (1988) see long run profitability as a sign of a firm's competitive ability.

Some Financial indicators used in measuring firm competitiveness, according to (Panagiotis, & Konstantinos, (2015), include Return on Sales (ROS); Return on Assets (ROA) and Turnover. Another measure of firm Competitiveness is growth rate; and this is in terms of sales and revenues. The non-financial indicators of competitiveness include market indicators like market share and market share growth of the firm, product range, and customer satisfaction.

Firm competitiveness has been linked with growth in productivity, thus having high productivity may indicate higher competitiveness (Momaya & Ambastha, 2004). In this study, two measures of firm competitiveness were used: Sales Growth and Product competitiveness, which are based on measurement Scales developed by Yam, Lo, Tang and Lau, (2010).

Sales Growth: Sales growth measures the annual growth rate of a firm for the preceding three years. In fact, the sales growth rate is an indicator of both the sales of new and existing products from new and existing customers. The emphasis is on how well a firm attracts new or existing customers to buy additional products from them.

Product Competitiveness: This relates to the competitiveness of a firm's new products. Product competitiveness is a non-financial measure, thus a concept that comprises many aspects such as quality level, cost, market competitiveness, uniqueness of product, uniqueness of the process technology etc. (Yam *et al*., 2010).

Related studies

There have been some earlier related studies in this area, especially in the Nigerian banking sector. A study by Ikpefan (2013) on money deposit banks demonstrated the existence of significant relationship between marketing and customers' satisfaction. Also, Wazis, Temitope and Usmana (2016) conducted a case study on Fidelity bank, and administered questionnaire on 200 bankers and customers in Maidugiri, Nigeria. The study concluded that there is a significant positive relationship between marketing strategies and bank profitability.

In terms of innovation in the use of New media as a strategic marketing tool, Adelola (2016) observed that there have been improvements in the adoption of new media by many organizations, coupled with an increased spending on new media technologies. A similar conclusion was reached by Salisu ,Abu-Bakr, and Abdul Rani(2017) who investigated the influence of marketing capability on the performance of manufacturing and service firms in Kano, Nigeria. The study established that marketing capability has a significant positive relationship with firm performance.

In Thailand, Ngamsutti & Ussahawanitchakit (2016) examined the link between marketing innovation capability and marketing performance of 187 electrical and electronic appliances businesses and concluded that marketing innovation capability has a positive effect on marketing performance. Also, in Greece, Karagouni & Papadopoulos (2007) confirmed marketing capabilities to be the most powerful of all firm's Technological innovation's capabilities and one that safeguards sales growth and product competitiveness.

Research Hypotheses

From the review of literature and concepts, the following Null hypotheses were formulated:

H_{01}- There is no significant relationship between a company's marketing innovation capability and Product competitiveness

H_{02}- There is no significant relationship between a company's marketing innovation capability and Sales Growth.

METHODOLOGY

The study used structured self- completing questionnaire in conducting a cross sectional survey on 244 respondents, who are regional managers, branch managers and operational mangers of the quoted banks under study. The sample was drawn from all the Sixteen (16) Quoted banks, operating in the South- South Region of Nigeria, using stratified sampling technique to determine sample size proportions. Data was collected using a five (5) point Likert scale questionnaire. Descriptive analysis was carried out on each of the study variables, using frequency tables, and percentages in analyzing and presentation of data. Inferential statistics was carried out using Structural Equation modeling (SEM), to test the hypotheses formulated. The analyses were carried out on the Statistical Package for Social Sciences (SPSS) version 22 software program and on IBM Amos program, Version 21 program.

Before conducting the hypotheses testing, a thorough measurement analysis was conducted to verify the survey instruments. The reliability was tested using a pilot test on some Quoted banks. A total of 45 copies of questionnaires were pre- tested and the Cronbach's Alpha value of every variable was greater than 0.7, the suggested threshold value for acceptable reliability (Nunnaly, 1979).

Exploratory Factor Analysis (EFA) carried out was based on Principal Component Analysis method, ensuring that the Eigen value of each factor was above 1 and the factor loadings were above 0.3 , which Brown (2006) considered acceptable. Measurement model was constructed for each of the constructs, and the model fit results are within allowable limits.

The relationships between Marketing Innovation capability and firm competitiveness were analyzed with the aid of structural equation modeling, using AMOS 7.0. In analyzing the model, the results from the maximum likelihood estimation and standardized regression weighting were used for interpretation. Multiple indices of fit were used to specify the overall model fit, using CFI, GFI, NFI, RMSEA and Cmin/df . The research hypotheses were tested based on the significant level of p-value in each model.

STRUCTURAL MODEL

A structural model was constructed to examine the relationship between the innovation capabilities and firm competitiveness. The results are shown on Table IA below.

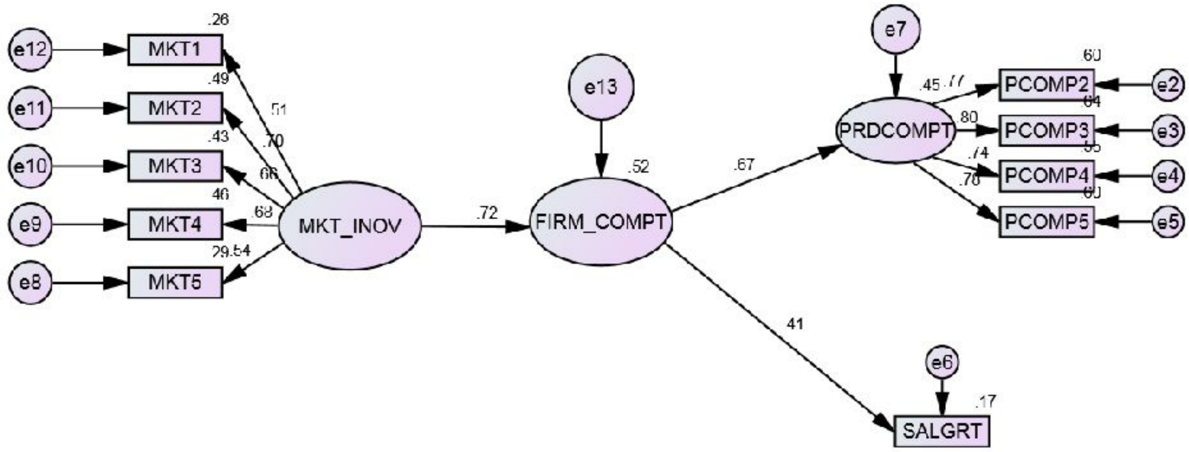

Table 1A: Structural Model used in investigating the relationship between Marketing Innovation Capability and Firm Competitiveness (Using Product competitiveness and sales Growth as measures)

The relationship between Marketing Innovation capability, and firm Competitiveness was investigated using the structural model shown on Fig 1A.above. The model fit yielded a CMIN/DF of 1.120 < 3; CFI of 0.980 > 0.95; GFI of 0.963>0.900; RMSEA of 0.042<0.08, p-value= 0.053>0.050. These indicate that the multiple indices are within acceptable levels as recommended by Hair et al(2010) and Bryme (2002) and the model was considered to have a good model fit.

Table 1.2 Hypotheses testing

MODEL	Variable	Standardized Regression weight	Squared Multiple correlation (R^2)	Critical Ratio	p-value	Decision
I	Marketing Innovation & Product Competitiveness	0.499	24.9%	5.276	0.000	H1 not supported
II	Marketing innovation &Sales Growth	0.317	10.0%	4.055	0.000	H2 not supported

The results of hypothesis testing depicted on the Table 1.2 above shows that in Model I, which investigated the relationship between marketing Innovation Capability and Firm competitiveness,(using product competitiveness as a measure), the parameter estimates are as follows: (β = 0.499, R^2=24.9%; p= 0.000<0.05) which shows that marketing innovation capability has a significant effect on firm competitiveness (in terms of product competitiveness) With the value of the critical ratio greater than the standard value (5.276> 1.980) and probability value smaller than alpha standard = 0.05 (0.000 < 0.05), therefore, these empirical results do not support the Null hypothesis one (H01) which states that marketing innovation capability has no significant relationship with firm competitiveness (in terms of product competitiveness). Therefore, this study concludes that Marketing innovation capability has a positive and significant effect on firm competitiveness (in terms of product competitiveness).

In model II, the model parameter estimates for the relationship between marketing innovation capability and firm competitiveness, as indicated by Sales growth is as follows: (β = 0.317, R^2=10.0%; p= 0.000<0.05). This means that marketing innovation capability has a significant and positive effect on firm competitive, in terms of Sales Growth.

Discussion

The analyses carried out above have demonstrated that a positive and significant relationship exists between marketing innovation capability and firm competitiveness. This research outcome agrees with earlier findings on innovation studies. The Kiveu (2017) study reported that marketing innovation has positive and significant effect on Manufacturing SMEs competitiveness in Nairobi, Kenya, and suggested that SMEs should implement marketing innovation, to enhance their competitiveness in terms of profit and sales.

Other studies with similar findings include that of John and Davis (2000) which concluded that marketing innovations increases sales by increasing the demand for the product, leading to increasing profits. Razavi et.al (2016) made a similar conclusion when they tried to establish the existence of correlation between Technological Innovation Capabilities (TICs) and the competitive performance of Iranian ICT firms. They reported that marketing innovation proved to be the most powerful of all the variables and the one that safeguards sales growth and product competitiveness. A related study by Mahmod, Ibrahim, & Rodina (2010) on Jordanian banks confirmed that Marketing capabilities significantly influences the innovation capabilities and performance, and asserts that when organizations have better marketing capabilities in terms of customer relationship management, market analysis, product differentiation and customer service, it tends to enhance their innovation and business performance. Other empirical Studies by Yam et al. (2010) and Lau et al. (2010) show marketing capability as one of the most influential factors that influence firm competitiveness.

CONCLUSION AND RECOMMENDATIONS

Looking at the results of many analyses carried out in testing the two hypotheses, the study concludes that marketing innovation capability being developed by Nigerian Quoted banks had statistically significant and positive effects on their competitiveness, in terms of sales growth and product competitiveness. Looking at the impacts, marketing innovation capability has greater impact on product competitiveness than on sales Growth.

Based on these findings in this study, the study recommends that these Quoted banks should emphasize the development of Marketing innovation capability, in their quest to remain competitive, as it guarantees sales Growth and product competitiveness. To have the desired impact on firm competitiveness, the study also recommends these banks to carry out complementary investment in human capital development, and firm restructuring.

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