

Service Differentiation Strategies as A Correlate With Customer Base of Keystone Bank Plc

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DOI 10.56201/ijebm.v10.no11.2024.pg190.207

Abstract

This study investigates the relationship between service differentiation strategies and customer base of Keystone Bank PLC in Nigeria. Service differentiation, encompassing market differentiation and process differentiation, is crucial for banks to stand out in a competitive market. The research aims to determine the extent to which these strategies contribute to customer acquisition and retention. Through a descriptive survey design, data was collected from employees at Keystone Bank PLC. Correlation analysis using Pearson Product Moment Correlation was used to measure the strength and the direction of the relationship between the variables under investigation. The findings indicate a positive correlation between service differentiation strategies and customer base expansion. The bank's focus on market segmentation, innovative product offerings, and effective customer service has positively influenced its customer base. The study concludes that by continuing to prioritize service differentiation, Keystone Bank PLC can further solidify its position in the Nigerian banking market and achieve sustainable growth.

Introduction

Service differentiation strategies have become a crucial aspect for businesses, particularly in the banking sector, where customer choice and loyalty are vital for sustaining competitive advantage. In the case of Keystone Bank PLC, a prominent financial institution in Nigeria, the adoption and implementation of effective service differentiation strategies are essential in distinguishing the bank from its competitors in a saturated market. The banking industry, both globally and within Nigeria, has become highly competitive, with financial institutions striving to provide unique services to attract and retain customers. Keystone Bank, as one of the significant players in the Nigerian banking landscape, needs to focus on service differentiation to maintain its relevance and expand its customer base.

Service differentiation refers to a strategy where a company offers unique features or characteristics that distinguish its products or services from those of its competitors (Porter, 1980). In the banking sector, this could include innovative banking services, enhanced customer service, personalized banking solutions, or leveraging technology to offer better convenience. Service differentiation strategies are essential for banks to not only attract new customers but also to retain the existing ones in a dynamic and rapidly evolving market.

Keystone Bank's strategic focus on enhancing customer experience and improving service offerings can lead to increased customer satisfaction, loyalty, and ultimately, an expanded customer base. This aligns with the findings of various scholars, such as Zeithaml et al. (2006), who argue that service differentiation positively impacts customer satisfaction and loyalty, which are crucial drivers for business growth. By offering differentiated services, banks like Keystone can cater to diverse customer needs, whether they are individuals, small and medium enterprises (SMEs), or corporate clients.

The ability of Keystone Bank to effectively implement service differentiation strategies will be a key determinant in its competitiveness. Studies have shown that banks that differentiate themselves through superior service offerings tend to experience higher levels of customer satisfaction and retention (Lovelock & Wirtz, 2011). Furthermore, the Nigerian banking sector has witnessed significant changes due to technological advancements and regulatory reforms, necessitating banks to adopt innovative service delivery models (Akinbola, 2014).

This study seeks to examine how Keystone Bank PLC has employed service differentiation strategies and the impact of these strategies on the bank's customer base. Understanding these dynamics will provide insights into how banks in Nigeria can tailor their service offerings to better meet customer expectations and improve overall business performance.

Statement of the Problem

The banking sector in Nigeria is highly competitive, with financial institutions continuously striving to attract and retain customers amidst numerous service offerings and evolving customer preferences. Keystone Bank PLC, as one of the prominent players in this sector, faces the challenge of differentiating itself to maintain a competitive edge in a dynamic environment. The purpose of this study is to explore the impact of service differentiation strategies on the customer base of Keystone Bank PLC, Nigeria. The study aims to assess how the bank's approach to service innovation, customer service, and technological advancements influences customer acquisition, retention, and overall satisfaction.

Service differentiation, which involves offering unique and distinct services that set a company apart from competitors, is increasingly becoming a crucial strategy for success in the banking industry (Porter, 1980). As banks adopt different forms of service differentiation, such as personalized banking, enhanced customer experience, and advanced technological solutions, understanding the influence of these strategies on customer loyalty and market share becomes critical. Previous research suggests that effective service differentiation positively influences customer satisfaction, which, in turn, impacts customer retention and business growth (Lovelock & Wirtz, 2011; Zeithaml et al., 2006).

Keystone Bank's commitment to providing innovative and customer-centric services, coupled with its utilization of technology for seamless banking experiences, presents an opportunity to investigate how these strategies contribute to expanding its customer base. This study will examine various service differentiation initiatives employed by Keystone Bank and determine their effectiveness in fostering customer loyalty and attracting new clients. Additionally, the research

will explore whether these strategies can enable the bank to navigate the challenges of the Nigerian banking environment, characterized by regulatory changes and the increasing role of digital banking (Akinbola, 2014).

The findings of this study will provide valuable insights into how service differentiation can influence customer base expansion in the Nigerian banking sector. By understanding the relationship between service differentiation and customer satisfaction, other financial institutions can adopt best practices to enhance their own service offerings and achieve sustainable growth.

Objectives of the Study

The general objective of the study was to determine the impact of service differentiation strategies on organizational performance in commercial banks in Nigeria. Other specific objectives include;

1. To assess whether there is a significant relationship between Market Differentiation strategy and increased customer base of Keystone bank Plc
2. To evaluate whether Process Differentiation strategy has a significant effect on customer base of Keystone bank Plc

Research Questions

1. Is there a significant relationship between Market Differentiation strategy and increased customer base of Keystone bank Plc?
2. How does Process Differentiation strategy result in Keystone bank Plc customer base ?

Research Hypotheses

1. Ho:There is no significant relationship between Market Differentiation strategy and increased customer base of Keystone bank Plc
2. Ho:Process Differentiation strategy does not result in increased customer base of Keystone bank Plc

Literature Reviewed

Conceptual Review

Differentiation Strategy

Differentiation strategy provides competitive edge through unique company offers in various dimensions which customers appreciate through premium pricing (Putra & Suhato, 2018). According to Ogot (2014), mature companies with industries which are undergoing technological changes differentiate making them become low cost. This is achieved by strategic deployment of technology that sets such firms above their competitors thereby distinguishing them. Banks

differentiate through their financial service offerings by designing new products and processes that increase customers' satisfaction thereby creating customers' loyalty.

In this strategy, a firm seeks to be unique in its industry along some dimension that is widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important and uniquely position itself to meet those needs. Differentiation can be on the product, delivery system, marketing approach, technology, and customer service among other factors. It requires that the differentiator seeks ways of differentiating that lead to price premium greater than the cost of differentiating otherwise the premium price would be nullified by a markedly inferior cost position. A firm must be unique or be perceived as unique at something if it is to expect a premium price (Porter, 1998). Unlike cost leadership, there can be more than one successful differentiation strategy in an industry. The firm practicing differentiation strategy concentrates on creating a highly valued product line and marketing program so that it comes across as the class leader in the industry (Kotter and Armstrong, 2001)

According to Hill and Jones 2001, differentiation can be achieved in three principle ways namely innovation, quality and responsiveness to customers. A differentiating company may sometimes seek to differentiate itself along as many dimensions as possible. Generally, the differentiator chooses to segment its market into many niches, offer products designed for each market niches and decides to be a broader differentiator. The company might choose to serve the niches(s) where it has specific differentiating advantage.

Companies tend to add value to their products and services through differentiating products and lowering costs coupled with more competitive efforts to improve linkages between the various activities/functions that contribute to the creation and delivery of products and services (Beer, 1987). Johnson and Scholes (2002) intimate that differentiation strategy seeks to provide products or services unique or different from those of competitors in terms of dimensions widely valued by buyers. The aim is to achieve high market share than competitors by offering better products or service at the same or premium price. Karanja (2002) found that real estate firms popularly applied focus differentiation strategy to gain competitive advantage.

Differentiation provides insulation against competitive rivalry because of brand loyalty resulting in lower sensitivity to price. The resulting loyalty and the need for a competitor to overcome uniqueness provide entry barriers. It also provides higher margins with which to counter supplier power and mitigates buyer power since they lack alternatives and are hence less price sensitive. The firm is also better placed against substitutes than its competitors due to the perceived uniqueness. Kombo (1997) found that firms in the motor vehicle industry adjusted their variables substantially to survive in the changing environment by introducing e.g. new technologies, product development, differentiated products segments and targeted their customers more while improving on customer service. Muturi (2000) noted that there was effort by East Africa Breweries Ltd to differentiate the company's products in view of the threats posed by increased liberalisation.

Service Differentiation

Service differentiation involves rendering service that is perceived unique thus making it more attractive to a particular target market as compared to others. Service differentiation highlights the differences between products or services offered by an organization as compared to competitors in order to demonstrate the unique aspects of firm's product and create a sense of value which improves the performance of the firm (Allen, Chandrasekaran, & Basuroy, 2018). The Service differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through quality, features, or after-sale support and service.

Service quality can be a confusing concept, partly because people view service quality in relation to differing criteria based on their individual roles in the production marketing chain. In addition, the meaning of quality has evolved as the quality profession has grown and matured. Neither consultants nor business professionals agree on a universal definition. A study that asked managers of 86 firms in the eastern United States to define quality; several dozen of different responses such as: perfection, consistency, eliminating waste, speed of delivery, compliance with policies and procedures, providing a good usable product, doing it right the first time, delighting or pleasing customers, and total customer service and satisfaction were obtained (Tamini and Sebastianelli, 1996). Thus, it is important to understand the various perspectives from which quality is viewed in order to fully appreciate the role it plays in the many parts of a business

Customer Base in the Banking Sector of Nigeria

The customer base in the banking sector is a critical determinant of the long-term success and profitability of financial institutions. The Nigerian banking sector, in particular, has undergone significant transformation over the past few decades, influenced by regulatory changes, technological advancements, and evolving customer expectations. Understanding how banks in Nigeria can expand and retain their customer base is essential for maintaining a competitive edge in an increasingly crowded market.

Customer Acquisition and Retention

Customer acquisition and retention are central to the growth of any financial institution, including those in Nigeria. The Nigerian banking industry is highly competitive, with a variety of banks offering similar financial products and services. As such, acquiring new customers has become a focal point for banks, and a critical factor in this process is the quality of customer service. Research by Ojo (2010) emphasizes the importance of customer satisfaction in both attracting new customers and retaining existing ones. Banks in Nigeria have invested in customer-friendly services, such as mobile banking, to improve customer acquisition and retention rates. Studies have shown that banks offering superior customer service and innovative financial products experience higher customer loyalty and satisfaction (Akinbola, 2014).

Customer retention strategies in the Nigerian banking sector focus on enhancing the overall customer experience, which includes personalized banking services, responsive customer care, and leveraging technology for convenience (Ademola & Ajibola, 2018). Digital platforms, such

as mobile banking and online banking services, have revolutionized how customers interact with banks. These digital channels enable customers to access banking services 24/7, thus improving customer satisfaction and loyalty (Olokundun et al., 2018). Therefore, banks in Nigeria that effectively utilize these technologies are likely to see an increase in their customer base, as they cater to the growing demand for convenience and accessibility.

Role of Technology in Expanding Customer Base

Technology plays a crucial role in transforming the banking sector in Nigeria, and its influence on expanding a bank's customer base cannot be overstated. The rise of digital banking has significantly impacted customer acquisition and retention, as more Nigerians embrace online banking services due to their convenience and accessibility (Oluwaseun & Akinmoladun, 2017). The implementation of mobile banking applications and Internet banking has enhanced the customer experience by providing seamless, easy-to-use platforms for managing finances. According to Babalola (2014), banks that adopt cutting-edge technology are more likely to appeal to the tech-savvy, younger generation of customers, which is an increasingly important demographic in Nigeria.

Furthermore, the introduction of mobile money services has allowed financial institutions to reach unbanked and underbanked populations, particularly in rural areas, where traditional banking infrastructure is limited. According to Agwu (2014), mobile money services have played a vital role in improving financial inclusion in Nigeria by enabling individuals to access banking services without the need to visit a physical branch. This technological shift has broadened the customer base of many Nigerian banks, particularly those with an emphasis on financial inclusion.

Service Differentiation and Customer Base Growth

Banks in Nigeria are increasingly adopting service differentiation strategies to attract and retain customers. Service differentiation refers to the unique attributes and features of a bank's offerings that distinguish it from competitors (Porter, 1980). In the Nigerian context, service differentiation may include personalized banking, enhanced customer service, the introduction of loyalty programs, or the development of niche banking services targeting specific customer segments. According to Zeithaml et al. (2006), service differentiation can significantly enhance customer loyalty, as it offers customers distinct and customized services that cater to their needs and preferences.

The growth of the Nigerian banking sector's customer base can also be attributed to these innovative service differentiation strategies. For instance, Zenith Bank, First Bank, and other leading Nigerian banks have implemented unique strategies to attract high-net-worth individuals and corporate clients by offering tailored products such as wealth management services, business banking, and investment solutions (Olokundun et al., 2018). This focus on targeting specific customer segments helps banks expand their customer base by addressing the diverse needs of their clientele.

Regulatory Environment and Its Impact on Customer Base

The regulatory environment in Nigeria plays an essential role in shaping the customer base of banks. The Central Bank of Nigeria (CBN) has implemented several policies aimed at improving the stability and growth of the banking sector. For example, the mandatory bank verification number (BVN) policy, introduced in 2014, was aimed at reducing fraud and ensuring a more secure banking system. However, these regulatory measures have also had an impact on customer acquisition, as the process of obtaining a BVN has led to a reduction in the number of customers opening new accounts initially. On the other hand, these regulations have built trust and security, which ultimately contribute to customer retention and long-term loyalty (Akinbola, 2014).

The Nigerian banking industry is also affected by periodic reforms and interventions from the CBN, such as capital requirements, interest rate policies, and the enforcement of financial inclusion initiatives. These regulations can either enhance or limit the ability of banks to expand their customer base, depending on how effectively they navigate and adapt to the regulatory landscape (Adeyemi, 2016). The impact of these regulatory factors underscores the need for Nigerian banks to be adaptable and proactive in maintaining and growing their customer base.

Theoretical Framework

Porter's Theory of Competitive Advantage

Porter developed generic strategy model with three different approaches (Porter, 1985). The Porter's theory of competitive advantage highlights cost leadership, differentiation and focus as the three basic choices that firms have adopted to dominate corporate and business competitive strategy for the last 40 years (Murutu, Misoi & Okumu, 2019). The theory provides an explanation on how organizations can use different strategies to enable them gain competitive advantage over their peers thus increase their performance.

According to this model, a company can choose how it wants to compete, based on the match between its type of competitive advantage and the target market pursued, as the key determinants of choice (Akan, Allen, Helms, & Sprawls, 2006). Porter (1985) argued that generic strategy model remains one of the most distinguished theories in the strategic management literature. A business can enhance customer satisfaction either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. Any organization that fails to make a strategic decision to opt for one of these strategies as a means of enhancing customer satisfaction is in danger of being outplayed by its rivals.

In the context of this study, Porter theory (1985) brings out the link between product variety characteristics, product quality, user convenience, product marketing differentiation and performance of Commercial Banks in Nigeria. Given the fact that the banking sector is a competitive industry where customers have specific needs Porter, (1985) theory is appropriate for the study. Porter theory (1985) indicates that differentiation involves developing a product or

service that offers unique attributes that are valued by the customers in that the customer perceives them to be better than or different from those of competitors. Therefore bank need to differentiate itself in terms of service cost, marketing and process. This gives them a competitive edge over other banks and is likely to improve their performance in a concentrated market.

Some Scholars have since developed theory to counter Porter's view, suggesting that low cost and differentiation may actually be independent dimensions that should be vigorously pursued simultaneously (Hill, 1998; Murray, 1988).

Empirical Review

Alamdari and Fagan (2005) carried a model-based study, by discussing the effectiveness of the low-cost model and the effect on the profitability of banks. The result revealed that bank with the lowest costs would earn the highest profits in the event when the competing products are essentially undifferentiated, and selling at a standard market price. Companies following this strategy place emphasis on cost reduction in every activity in the value chain. They however found that the company's focus on reducing costs, even sometimes at the expense of other vital factors, may become so dominant that the company loses vision of why it embarked on one such strategy in the first place.

A study on Ghana by Mathisen and Buchs (2005) used the Panzar–Rosse framework in determining the degree of competition in the Ghanaian banking sector. In their study, two reduced-form revenue equations are estimated; one for total (including interest) revenue scaled using total assets and the other for unscaled total (including interest) revenue. The explanatory variables used for this study are the three dimensional vector of factor prices; namely the ratio of personnel expenses over total loans and deposits, the ratio of interest expense over total deposits, and the ratio of other operating and administrative expenses over fixed assets. Basheer Abbas Al-alak, Saeed, Tarabieh (2011) examines the relationship between customer orientation, innovation differentiation, market differentiation and organizational performance in the banking industry in Jordan. The findings show that customer orientation contributes positively to organizational performance by providing innovation differentiation and market differentiation. Another finding of this study is that the impact of innovation differentiation on organizational performance is greater than market differentiation. In addition, doing both innovation differentiation and market differentiation simultaneously achieves greater competitive advantage that leads to best results in organizational performance. Diris, Iyiola & Ibidunni, (2013) carried out a study on product differentiation as a tool of competitive advantage and optimal organizational performance focusing on Unilever Nigeria plc). The result of the Regression analysis indicated that product differentiation as a tool of competitive advantage has a positive and significant influence on organizational performance of manufacturing companies in Nigeria. Seem (2011) investigated the extent to which banks achieve sustainable competitive advantage through product differentiation focusing on credit cards Issuers and found that banks need to recognize visa and master credit cards and identify its appropriate market force.

Research Gap

The concept of service differentiation and its influence on customer base expansion has been widely studied in the context of global and developed economies. However, there is a noticeable gap in the existing literature when it comes to understanding the specific impact of service differentiation strategies on customer bases within the Nigerian banking sector, particularly in the case of Keystone Bank PLC. While existing studies have explored the importance of service differentiation in the banking industry (Lovelock & Wirtz, 2011; Zeithaml et al., 2006), the focus on the Nigerian market, especially with respect to the era of mobile banking.

Methodology

This research adopted a descriptive survey research design. The study covered Keystone bank in Nigeria but the study focused on Keystone bank Edo State which formed the population of the study. The study population comprised of General Managers, financial managers, marketing and research managers, credit analysts, operation managers, internal auditor, Human resources managers, Information technology support supervisors and cards & mobile banking supervisors making a total of 200 officers. Internal consistency and reliability for the Likert scale administered questionnaire had the value of 0.88 for Cronbach's alpha which is above the recommended limit of 0.7. Inferential statistics using Pearson Product Moment Correlation analysis was carried out to establish the extent to which service differentiation correlate with organizational performance in the bank. The study establish the statistical significance of the relationship between service differentiation and customer base at 5% level of significance.

Model of the study

Service Differentiation Strategy (SDS) being the independent variable for the study was measured using Market Differentiation strategy (MDS), and Process Differentiation strategy (PDS).

On the other hand, customer base was the dependent variable

Mathematically, customer base is a function of service differentiation strategy,

$$CB = f(SDS)$$

$$CB = MDS, PDS,$$

$$\text{Therefore, } CB = f(MDS, PDS)$$

The multiple regression equations for hypotheses are:

$$Y = a_0 + \beta_1 x_1 + \beta_2 x_2 + e$$

$$CB = a_0 + \beta_1 x_1 \text{ MDS} + \beta_2 \text{ PDS} + e$$

a_0 = intercept on the Y axis

β_i = Rate of change in organizational performance due to service differentiation

e = Error term

Hypothesis one

There is no significant relationship between Market Differentiation strategy and increased customer base of Keystone bank Plc

Hypothesis two

Process Differentiation strategy does not result in increased customer base of Keystone bank Plc

Data Presentation, Interpretation and Analysis

Descriptive Analysis, Interpretation and Discussion Respondents' Responses

The responses are based on a four point Likert scale coded with numerical values for ease of analysis. The values assigned are 4 for strongly agreed (SA), 3 for agreed (A), 2 for disagreed (D), and 1 strongly disagreed (SD). Results are interpreted using descriptive statistics such as percentages, means and standard deviations. The mean of the responses using a width of class interval are interpreted as follows:

3.50-4.00 implied strongly agreed,

2.50-3.49 implied agreed,

1.50-2.49 implied disagreed,

0.50-1.49 implied strongly disagreed.

A standard deviation of more than 1 indicates that the responses are widely distributed or no consensus, and less than 1 indicates consensus on responses obtained.

: Descriptive analysis of responses on Market Differentiation strategy

| Market Differentiation strategy | Level of Agreement (%) (n=108) | | | | Average | |
|---|--------------------------------|-----|-----|-----|---------|--------|
| | SA | A | D | SD | Mean | SD |
| Marketing improve bank sales | 67% | 14% | 17% | 2% | 3.02 | 1.738 |
| Bank brands communications boost product awareness. | 77% | 16% | 5% | 2% | 3.21 | 0.619 |
| Segmented/regional marketing has been adopted by the bank | 91% | 5% | 4% | 0% | 3.17 | 0.989 |
| Bank is heavily on both electronic and print marketing promotions | 7% | 18% | 33% | 42% | 1.57 | 0.568 |
| Grand Mean | | | | | 2.74225 | 0.9785 |

Source: Field Survey Data (2023)

Table 4.8 shows that 81 percent of the respondents agreed that marketing improve bank sales, while 19 percent disagreed with the statement ($M = 3.02, 1.738$); 93 percent of the respondents agreed that bank brands communications boost product awareness, while 7 percent disagreed with the statement ($M = 3.21, 0.619$); 96 percent of the respondents agreed that segmented/regional marketing has been adopted by the bank, while 4 percent disagreed with the statement ($M = 3.17, 0.989$); 25 percent of the respondents agreed that bank is heavily on both electronic and print marketing promotions, while 75 percent disagreed with the statement ($M = 1.57, 0.568$).

The result of the descriptive statistics on Market Differentiation strategy shows that all the respondents have similar opinions about the subject matter. The grand mean for level of Market Differentiation strategy is 2.74 which indicate that on average, the respondents agreed with most of the statements on the high scale as it relates to level of Market Differentiation strategy as an appropriate measure of Service Differentiation Strategy. The overall standard deviation of 0.979 implies that the responses were clustered around the mean, because the standard deviations for all the statements were less than 1.

Table 4.9: Descriptive analysis of responses on and Process Differentiation strategy

| Process Differentiation strategy | Level of Agreement (%) (n=108) | | | | Average | |
|---|--------------------------------|-----|-----|-----|---------|--------|
| | SA | A | D | SD | Mean | SD |
| Bank segmentation influence bank competitiveness | 76% | 24% | 0% | 0% | 3.77 | 0.738 |
| Banks apply the technology-market positioning portfolio increasing bank performance | 51% | 23% | 15% | 11% | 3.01 | 0.119 |
| Marketing lead to designing of customized financial product that meet customer expectations | 62% | 14% | 21% | 3% | 3.33 | 0.989 |
| Use of high skilled human resource | 45% | 33% | 13% | 9% | 3.57 | 0.868 |
| Grand Mean | | | | | 3.42 | 0.6785 |

Source: Field Survey Data (2023)

Table 4.9 shows that 100 percent of the respondents agreed that bank segmentation influence bank competitiveness, while 4 percent disagreed with the statement ($M = 3.77, 0.738$); 74 percent of the respondents agreed that Keystone bank apply the technology-market positioning portfolio increasing bank performance, while 4 percent disagreed with the statement ($M = 3.01, 0.119$); 76 percent of the respondents agreed that marketing lead to designing of customized financial product that meet customer expectations, while 4 percent disagreed with the statement ($M = 3.33, 0.989$); 78 percent of the respondents agreed that the bank use of high skilled human resource, while 4 percent disagreed with the statement ($M = 3.17, 0.989$).

The result of the descriptive statistics on Process Differentiation strategy shows that all the respondents have similar opinions about the subject matter. The grand mean for level of Process Differentiation strategy is 3.42 which indicate that on average, the respondents agreed with most

of the statements on the high scale as it relates to level of Process Differentiation strategy as an appropriate measure of Service Differentiation Strategy. The overall standard deviation of 0.6785 implies that the responses were clustered around the mean, because the standard deviations for all the statements were less than 1.

Descriptive analysis of responses on Customer Base

| Customer Base | Level of Agreement (%) (n=108) | | | | Average | |
|--|--------------------------------|-----|-----|-----|---------|--------|
| | SA | A | D | SD | Mean | SD |
| There is employee growth due to career and education advancement | 23% | 33% | 23% | 21% | 1.77 | 1.738 |
| Members' loyalty has increased due to satisfaction with our products | 22% | 31% | 46% | 1% | 1.71 | 0.119 |
| Our employee turnover has reduced due to motivation | 56% | 41% | 3% | 0% | 3.63 | 1.489 |
| Bank segmentation influence bank competitiveness | 19% | 16% | 36% | 29% | 1.87 | 0.268 |
| Grand Mean | | | | | 2.245 | 0.9035 |

Source: Field Survey Data (2023)

Table 4.11 shows that 56 percent of the respondents agreed that There is employee growth due to career and education advancement, while 44 percent disagreed with the statement (M = 3.87, 0.868); 53 percent of the respondents agreed that Members' loyalty has increased due to satisfaction with our products, while 47 percent disagreed with the statement (M = 3.87, 0.868); 97 percent of the respondents agreed that their employee turnover has reduced due to motivation, while 3 percent disagreed with the statement (M = 3.87, 0.868); 35 percent of the respondents agreed that Bank segmentation influence bank competitiveness, while 65 percent disagreed with the statement (M = 3.87, 0.868).

The result of the descriptive statistics on customer base shows that all the respondents have similar opinions about the subject matter. The grand mean for level of customer base is 2.245 which indicate that on average, the respondents agreed with most of the statements on the high scale as it relates to level of customer base as an appropriate measure of organizational performance. The overall standard deviation of 0.9035 implies that the responses were clustered around the mean, because the standard deviations for all the statements were less than 1.

Hypotheses Testing

Correlation and regression analyses were used to test the stated hypotheses at 0.05 level of significance.

Hypothesis one

There is no significant relationship between Market Differentiation strategy and increased customer base of Keystone bank Plc

Hypothesis two

Process Differentiation strategy does not result in increased customer base of Keystone bank Plc

Correlation analysis was used to test this hypothesis.

$$CB = a_0 + \beta_1 \times MDS + \beta_2 \times PDS + e$$

Independent Variables (X1,X2) = Service differentiation strategy

Dependent Variable (Y) = Customer base

Hypothesis one

Correlations

| | | Market Differentiation strategy | Customer base |
|---------------------------------|---------------------|---------------------------------|---------------|
| Market Differentiation strategy | Pearson Correlation | 1 | .706 |
| | Sig. (2-Tailed) | | .000 |
| | N | 108 | 108 |
| Customer base | Pearson Correlation | .706 | 1 |
| | Sig. (2-Tailed) | .000 | |
| | N | 108 | 108 |

The Pearson Product Moment correlation result above shows that there is a very high significant positive relationship between Market Differentiation strategy and increased customer base ($r = 0.706$). This relationship is statistically significant because the generated p-value for the result (0.000) is less than the level of significant (0.05) used for the study.

Decision

Null hypothesis is rejected while the alternative hypothesis is accepted. This infers that there is a positive significant relationship between Market Differentiation strategy and increased customer base

Hypothesis two

H0: Process Differentiation strategy does not result in increased customer base of Keystone bank Plc

Correlations

| | | Process Differentiation | Customer base |
|---------------------|--|-------------------------|---------------|
| Pearson Correlation | | 1 | .897 |

| | | | |
|-----------------|---------------------|------|------|
| Process | Sig. (2-Tailed) | | .000 |
| Differentiation | N | 108 | 108 |
| | Pearson Correlation | .897 | 1 |
| Customer base. | Sig. (2-Tailed) | .000 | |
| | N | 108 | 108 |

The Pearson Product Moment correlation result above shows that there is a very high significant positive relationship between process differentiation strategy and quality bank products ($r = 0.897$). This relationship is statistically significant because the generated p-value for the result (0.000) is less than the level of significant (0.05) used for the study.

Decision

Null hypothesis is rejected while the alternative hypothesis is accepted. This infers that process differentiation strategy results in increased customer base of Keystone bank.

Discussion of Findings

The result of the first hypothesis showed that there is a significant relationship between Market Differentiation strategy and increased customer base ($r = 0.706$, $p\text{-value} < 0.05$). This result is in accordance with the findings of Basheer Abbas Al-alak, Saeed, Tarabieh (2011) who realized that customer orientation contributes positively to organizational performance by providing innovation differentiation and market differentiation, concluding that the the impact of innovation differentiation on organizational performance is greater than market differentiation.

The second hypothesis result revealed that Process Differentiation strategy results in customer base ($r = 0.897$, $p\text{-value} > 0.05$). The result is in accordance with Diris, Iyiola & Ibidunni, (2013) and Seem (2011) who stated that product differentiation as a tool of competitive advantage has a positive and significant influence on customer base of Keystone bank Plc.

Conclusions

From the research findings, Keystone bank generally applied differentiation strategy as a means of gaining competitive advantage. The bank offered specialised services to a target market from whom they would benefit from premium pricing while still offering other products to the mass market. They also used other factors to differentiate themselves such as customer service and technology. However, with the coming of government regulations, the banks have had to come up with other ways of survival including increased advertising, offering mass market products and product development to target new markets, for example the mortgage and unsecured loan facilities. The aim of introducing new product range is to widen the market base so as to maximise on profits.

From the findings of the study, it was noted that there was increased emphasis on customer service. This is because the banks are striving to maintain their customer base to avoid losing their

customers to other banks, since products offered are more or less similar across the board. Competition in the industry is intensive and hence the banks have to have strategies which will offer them a competitive advantage.

From the research findings, it can be concluded that while banks still practice differentiation, this strategy has been affected by the introduction of controls in the industry and hence reduction in revenue.

5.3 RECOMMENDATIONS

Based on the summary and conclusion of the study, the following are recommended;

1. Keystone bank range of products should be of 1st class innovation. The bank should aim at enabling customer's access their bank accounts online. As concerns the level of satisfaction, it is determined by a bank range of products, and should maintain a wide range of products. Therefore, therefore Keystone bank should aim at market and process differentiation to enhance customer base which lead to increased performance.
2. Keystone bank should always aim to maintain a strong reputation in the market which will make the bank stand out. To be competitive and to command a higher market share, Keystone bank must undertake rapid innovations in their service quality which is a factor for performance

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