

# **Innovative Service Delivery and Competitive Advantage of Deposit Money Banks in Port Harcourt, Nigeria**

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**ABSTRACT:** *Excellent service delivery is important for any firm to establish a strong position in its industry. This study examined the relationship between innovative service delivery and competitive advantage of deposit money banks in Port Harcourt. Its specific objectives were to examine the relationship between each of the dimensions of innovative service delivery (process innovation and customer interaction) and competitive advantage of deposit money banks in Port Harcourt. The population of the study consisted of sixteen (16) deposit money banks in Port Harcourt. Data conveniently collected from 112 senior staff of the banks studied at the ratio of 7 staff per bank. The hypotheses were tested using Spearman Rank Order Correlation Coefficient for the acceptance or rejection of the two hypotheses stated in the study. The findings showed a strong, positive and statistically significant relationship between innovative service delivery (process innovation and customer interaction) and competitive advantage (customer value) of deposit money banks in Port Harcourt. Therefore, the study concluded that innovative service delivery has a significant relationship with competitive advantage of deposit money banks in Port Harcourt and thus recommends that service firms especially the deposit money banks should endeavour to always integrate new methods that would help boost the ways through which customers can be attended to, thereby, aiding them to gain a competitive advantage over their competitors.*

**KEYWORDS:** innovative service delivery, competitive advantage, process innovation, customer interaction, customer value

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## **INTRODUCTION**

Flourishing service firms try to win through innovation as service design and its delivery are not protected by patent or copyright. The competitiveness of service firms lies in their ability to acquire, absorb, and apply new information to changes in clients' needs and frustrations, clients'

service priorities, competitors' service offerings, and the technologies available to support service delivery. Innovation is all about the process of identifying unfulfilled needs and designing services for customers. Innovative banking services could simply be by offering services you already provide in a novel fashion. It could also be modifying an existing service or its delivery or designing a new service offering (Dorothy, 2019).

Innovative service delivery introduces something fresh into the way and timing of placement of the specific and collective processes of servicing consumers (Barcet, 2010). The innovative process can be premeditated, intentional, or unintentional, such that it emerges through an interactive learning process initiated by any involved parties (Gallouj & Savona, 2009). Service innovation can be viewed as an internally and/or externally oriented interaction process (Sunbo & Gallouj, 2000). Service innovation can also be viewed as an internal interaction process, i.e., a collective process in which both employees and managers play a part at an informal or formal level. Service firms treat their innovative activities as differentiated unsystematic patterns and most of the times, in contrast to the manufacturing industry; little attention is paid to formalized or systematic structures (Sunbo & Gallouj, 2000).

The concept of competitive advantage analyses the economics of company activity, mainly focusing on its ability to generate a much greater return on invested capital and to link the company's strategy with the main financial markets over an extended period of time (Radostina, (2019). Competitive advantage exists when the enterprise owns and develops a combination of specific characteristics that allows it to overtake its competitors and be more competitive. An effective competitive strategy must be in place in order to carry out these activities and to ensure that the company has an advantage compared to its competitors. A competitive strategy is a summary of the vision that a firm perceives against its competitors. Dimitrova (2014) notes that competitive advantage is central to the process of shaping and developing the competitiveness of an enterprise.

Conceptualizing innovative service delivery for competitive advantage has gained wider attention and interest from many scholars and this growing attention is based on the role that innovating for service plays in achieving competitive advantage. Joshua (2013) examines the application of innovation strategies for creating a sustainable competitive advantage at the National Bank of Kenya. Also, Elke, Khuzaini and Marsudi (2021) examined the impact of service innovation competitive advantage on customer success in the clinic. Similarly, Neni and Otong (2019) evaluated the impact of service quality and service innovations on competitive advantage in retailing, in Indonesia. Ibrahim (2014) also studied service innovation and competitive advantage. Zike and Dudi (2021) examined the relationship between service innovation and innovation capability that affects customer satisfaction mediated by service quality in the public sector, while Cyril, Yiltsen, Samuel, Meshach and Reuel (2019) studied the innovative service delivery and competitive advantage of small-scale hotels in Nigeria through the moderating role of opportunity connectedness. Previous studies have not extensively discussed the innovations in service delivery and competitive advantage of deposit money banks in Port Harcourt. This study aims to bridge

this gap in literature by ascertaining the relationship between innovative service delivery and competitive advantage of deposit money banks in Port Harcourt.

### **Statement of the Problem**

For firms to succeed in the long run, they must battle effectively and outsmart their competitors in a dynamic environment. To accomplish this, firms, especially those in the banking industry, must discover ways to create and add value to their customers. Despite the fact that most customers desire to be satisfied regularly, it is still visible that banks in Nigeria are still struggling in devising an enduring means through which they can fulfil the yearnings of their teeming customers. For instance, it has been observed that many banks lack adequate manpower to help facilitate delivery process in their customer service counters. It has become clear that more employees are needed to attend to customers' needs on the banking floor. On this premise, this study examines the relationship between innovative service delivery and competitive advantage of deposit money banks in Port Harcourt.

### **Purpose of the Study**

The aim of the study is to examine the relationship between innovative service delivery (whose dimensions are process innovation and customer interaction) competitive advantage (measured by customer value) of deposit money banks in Port Harcourt. Thus, the specific objectives are to:

- i. Examine the relationship between process innovation (PI) and customer value of deposit money banks in Port Harcourt.
- ii. Evaluate the relationship between customer interaction and customer value of deposit money banks in Port Harcourt.

### **Research Questions**

Arising from the above research objectives, the study aims to answer the following research questions:

- i. What is the nature of the relationship between process innovation and customer value of deposit money banks in Port Harcourt?
- ii. What is the nature of the relationship between customer interaction and customer value of deposit money banks in Port Harcourt?

### **Research Hypotheses**

Based on the specific objectives, the following null hypotheses were formulated.

**H<sub>01</sub>:** There is no significant relationship between process innovation and customer value of deposit money banks in Port Harcourt.

**H<sub>02</sub>:** There is no significant relationship between customer interaction and customer value of deposit money banks in Port Harcourt.

## **LITERATURE REVIEW**

### **Innovative Service Delivery**

Service innovation can be viewed as an external process that mainly focuses on interaction with both clients and potential clients, where the final goal is to create high quality client value. Service innovation is a radically or incrementally changed service concept, client interaction channel, service delivery system or technological concept that individually, but most likely in combination, leads to increased value creation for either or both the internal and external clients. It requires the application of specialized knowledge and skills and the management of inter-functional coordination (Van ark, 2003). Research by Hirunyawipada and Beyerlein (2010) suggests that service innovation requires the input of multidisciplinary and cross-functional sources of knowledge in order to have performance benefits. According to Ho (2009) and Stonehouse and Pemberton (1999), a conducive environment that facilitates formal learning comprises of formal variables such as organic formal structure and effective inter-functional coordination. Service innovation has attracted much attention with both academic and practitioners. Traditional services sectors such as the health care sector, the hotel industry, and the financial and technological sectors have all sought out service innovation methods as a way of increasing value added for their clients and to increase their competitiveness. In this study, process innovation and customer interaction are adopted as dimensions of innovative service delivery.

### **Process Innovation (PI)**

Process innovation refers to the implementation of a fresh or substantially enhanced production process, distribution approach, or supportive activity for goods or services. Process innovations must be novel and beneficial to a firm, but they do not necessarily need to be previously unseen in the market. The innovation could have been originally developed by the enterprise using it or by other enterprises. Innovations in the processes of service delivery initiate significant advantages. As a result, companies innovate in cost, quality, answer time and service flexibility, as well as, through changes in activities, staff and customer participation in the service (Ayneto, 2010). Process innovation is the execution of a production method, or significant changes in specific procedures, equipment and / or software, in order to diminish production and distribution costs, get better quality, production or distribution of fresh or improved products, to increase the efficiency or flexibility of a productive activity or supply activity and to shrink the risks to the environment (Maier, *et al.*, 2014b; Maier, *et al.*, 2014a; Maier, *et al.*, 2015). Process innovation involves a business process approaching the use of innovation in the key processes of an enterprise and helping to trim down costs or time to create a good or service (Maier, 2014a).

### **Customer Interaction (CI)**

With increased globalization, direct competition between foreign and local brands and a more knowledgeable customer base that conveniently compare offerings of competing brands have intensified competition in today's marketplace. This scenario is more acute in the service sector where product differentiation does not come easily, but depends on a surplus of factors including the service-scape, service expertise, service encounter quality, employee-customer interactions, relationship bonds and so on. To sustain their customers base, and also to gain new clients at little or no cost, brands rely on voluntary extra-role behaviours of customers-behaviours that are not

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required for the perfection of service deliveries, but which are beneficial to brands. Magno, Cassia, and Bruni (2017) observe that service brands now solicit for favourable reviews and affirmative word-of-mouth (WoM) from customers, based on the realization that their success is dependent on their reputation, as testified by customers. Thus, deploying appropriate strategies to elicit positive WoM and other customer behaviours that portray the brand in good light has become a choice tactics of managers (Baka, 2016; Tsao, Hsieh, Shih & Lin, 2015). To this end, in addition to engaging the orthodox approach of public relations and refuting negative comments (Gössling, Hall & Andersson, 2016), brands are increasingly resorting to manipulative strategies such as writing favourable fake reviews (Anderson & Simester, 2014), offering incentives to customers to write positive reviews or make favourable remarks about them (Cheng & Loi, 2014) and hiring consultants to sell them (Sparks, Perkins & Buckley, 2016; Filieri & McLeay, 2015).

### **Competitive Advantage (CA)**

Sultan and Mason (2010) posit that the sustainability of any established business is acquired through competitive advantage. Upon the formulation of business strategies, it is necessary to fashion values to customers. The acquisition and development of competitive advantages can be defined as the biggest challenge faced by small and medium-sized enterprises (SMEs) in this super-competitive and dynamically changing business environment (Radostina, 2019). According to Kyurova (2014), a winning strategy for small businesses is the development and introduction of latest products for the market or improvements in existing ones. The realization of such products is bound on the one hand with more complete satisfaction of ever-increasing consumer needs and, on the other hand, achieving a competitive advantage (Wang, 2014). In practical terms, a company has a competitive advantage if it offers customers something that is different compared to what the competitors are offerings, and this difference is beneficial to customers. Situations in which the company can do something that competing companies cannot do or owns something that the competitors do not have, but customers want are examples of having a competitive advantage (Barney, 2006).

Competitive advantage is also obtained when a firm develops or acquires a set of attributes that allows it to outperform its competitors (Wang, 2014). In other words, competitive advantage is revealed when activities of a given firm are more profitable than those of its market competitors or when it outperforms them as regards other significant results of activities (Huff et al., 2009), including, for example, the share in the market, product quality or technological advancement.

### **Customer Value**

The term value shows up in several very different contexts. For example, an increasingly common perspective on managing organizations argues that creating and delivering superior customer value to high-value customers will increase the value of an organization (Slywotzky, 1996). The latter two value concepts consider value from the perspective of an organization. A high-value customer quantifies the monetary worth of individual customers to the organization, whereas value of an organization quantifies an organization's worth to the owners. Customer value, on the other hand, takes the perspective of an organization's customers, considering what they want and the believe that they get from buying and using a seller's product. This study adopts the consumer directed

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concept of customer value. Value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given. Value in business is the perceived worth in monetary units of the set of economic, technical, service and social benefits received by a customer in exchange for the price paid for a product, taking into consideration the available suppliers' offerings and prices (Anderson, Jain & Chintagunta, 1993). Customer value means the emotional bond established between a customer and a producer after the customer has used a salient product or service produced by that supplier and found the product to provide an added value (Butz & Goodstein, 1996). Customer value is the difference between the values the customer gains from owning and using a product and the cost of obtaining the product. On the other hand, we may understand that the total customer value is the total sum of product value, services value, personnel value and image value. Besides these monetary, time, physic and energy costs are the total costs of a buyer.

### **Innovative Service Delivery and Competitive Advantage**

Studies have found that innovation has a positive impact on hotels firm value, future sales (Nicolau & SantaMaría, 2013) and also competitive advantage (Jacob, 2010) even though these benefits may only be realized at the medium- and long-term levels (Campo et al., 2014). In addition, even a small increase in hotel service, innovation can also have wide implications for the economy considering that the global hospitality industry, which includes hotels, accounts for about 266 million jobs worldwide. Innovativeness in the service industry embraces a wide spectrum of multiple activities. These activities include supportive leadership, improved services and safety, new technologies, new strategy development, communication technologies interaction and a new friendly environment. Service innovativeness and superior quality are regarded as key to competitive performance (John & Storey, 1998). Slater and Narver (1995) observe innovativeness in the service industry as a value-creating activity that stimulates market orientation and enhances business performance. Kirca et al. (2005) argue that both client loyalty and perceived quality of products stimulate innovativeness, which in turn enhances formal performance. Tajeddini and Trueman (2012) found an affirmative relationship between client orientation, innovation and business performance. Furthermore, in a study of hotel managers in the Alpine hospitality industry, Grisseman et al. (2013) found that innovation management and client orientation are key factors in enhancing the business performance of hotels.

### **Process Innovation and Customer Value**

The aim of process innovations is to create competitive advantages through supporting strategies that reduce manufacturing or operational costs (Davenport, 1993). Damanpour, Walker and Avellaneda (2009) found that this type of innovation is characterized by its focus on the inside of an organization and how it seeks to improve the efficiency and effectiveness of operational and administrative processes. A compendium of the literature by Suárez-Barraza (2013) identifies the main results that stem from process innovations: thus, (i) they reduce operational costs; (ii) they serve as a method for understanding the work that is done (how input becomes output); (iii) they are a mechanism for locating, solving and preventing problems or errors in the work and improve the areas of the company; (iv) they decrease the time spent on processes; (v) they permit work to be measured more effectively and systematically; (vi) they permit the company to advance its

customer services; (vii) they offer a systemic and transversal view of the company; and (viii) they progress teamwork and the integration of different areas of the company (McNulty & Ferlie, 2004; Edmonson, Bohner & Pisano, 2010; Ayhan, Öztemel, Aydin, & Yue, 2013).

### Customer Interaction and Customer Value

The interaction between the provider and the customer has traditionally been a way for managers to build customer loyalty and relationships, by managing the service environment, improving service quality and creating customer satisfaction (Barsky & Labagh, 1992; Bitner, 1992). Customer interaction has also been identified as a success factor for both innovation performance of services and innovation performance of tangible products (Carbonell, Rodríguez-Escudero & Pujari, 2009; Chen, Tsou & Ching, 2011; Homburg & Kuehnl, 2014). In view of the literature reviewed, a conceptual framework which captures the dimensions and measure of the independent and dependent variables respectively of the study is as shown below in figure 1.

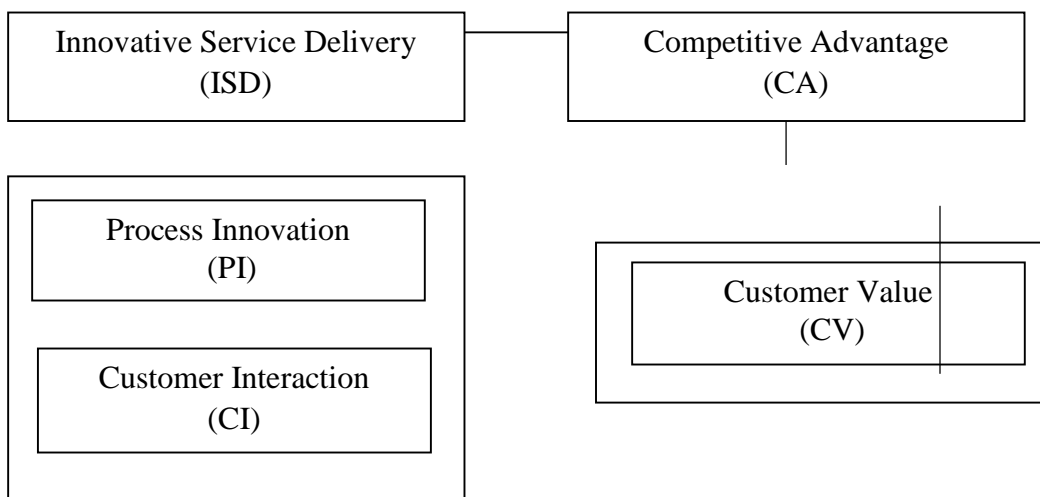


Fig. 1 Conceptual framework of innovative service delivery and competitive advantage of deposit money banks in Port Harcourt, Nigeria.

**Source:** Adapted from Dorothy (2019).

## METHODOLOGY

This study was quasi or non-experimental in nature. Primary data were collected using structured questionnaire. The study adopted cross sectional survey and descriptive research methods which are part of the non-experimental research whereby the researchers were not in control of the respondents. The population of the study consisted of sixteen (16) deposit money banks in Port Harcourt. Using a non-probability sampling method, the researchers conveniently surveyed seven (7) senior staff from each of the banks making it a total of 112 respondents. The Spearman Rank Correlation Coefficient was used to test the hypotheses using the SPSS version 23.

**Data Presentation and Analysis****Table 1 Questionnaire Distribution and Retrieval**

Pattern	Frequency	(%)
Copies of questionnaire retrieved and analysed	97	87
Copies of questionnaire not retrieved	15	13
<b>Total</b>	<b>112</b>	<b>100</b>

**Source: Field Survey Data, 2022**

Table 1 above shows that a total of 112 copies of questionnaire were distributed to the respondents. Ninety-seven (97) copies of questionnaire representing 87% were retrieved and found useful for analysis. Fifteen (15) copies of questionnaire representing 13% were not retrieved and therefore not used in the analysis.

**DATA ANALYSIS AND RESULTS**

The analysis was carried out on bi-directional relationship between the latent variables and the manifest variables of the study. The Spearman's Rank-Order correlation coefficients was used to test the research hypotheses at 95% confidence interval and 0.05% level of significance was adopted as the criterion for decision making for the probability of either accepting the null hypotheses at  $P > 0.05$  or rejecting the null hypotheses at  $P < 0.05$ .

**Table 2 Correlations Analysis of Process Innovation and Customer Value**

		Process Innovation (PI)	Customer Value (CV)
Spearman's rho	Correlation Coefficient	1.000	.748**
	Process Innovation (PI) Sig. (2-tailed)	.	.000
	N	27	27
	Correlation Coefficient	.748**	1.000
	Customer Value (CV) Sig. (2-tailed)	.000	.
	N	27	27

\*\* . Correlation is significant at the 0.05 level (2-tailed).

**Source: Field Survey Data, 2022, SPSS 23 Output**

Table 2 shows the statistical result of the test of the relationship between process innovation and customer value as 0.748. The Pv of 0.000 is below the 0.05 significance level indicating a significant relationship. Therefore, based on the empirical result, the null hypothesis is hereby rejected and the alternate accepted. Thus, there is a significant relationship between process innovation and customer value of deposit money banks in Port Harcourt, Nigeria.

**Table 3 Correlations Analysis on Customer Interaction and Customer Value**



			Customer Interaction (CI)	Customer Value (CV)
Spearman's rho	Customer Interaction (CI)	Correlation Coefficient	1.000	.817**
		Sig. (2-tailed)	.	.000
	Customer Value (CV)	N	128	128
		Correlation Coefficient	.817**	1.000
	Sig. (2-tailed)	.000	.	
	N	128	128	

\*\* . Correlation is significant at the 0.05 level (2-tailed).

**Source: Field Survey Data, 2022, SPSS 23 Output**

Table 3 above shows the statistical result of the test of the relationship between customer interaction and customer value 0.817. The Pv of 0.000 is below the 0.05 level of significance indicating a significant relationship. Therefore, based on the empirical result, the null hypothesis is hereby rejected and the alternate accepted. Thus, there is a significant relationship between customer interaction and customer value of deposit money banks in Port Harcourt, Nigeria

## DISCUSSION OF FINDINGS

The findings of this study have shown that there exists a significant and positive correlation between the variables under study since their correlations (rho) from the SPSS v23 Output Tables 2 and 3 were \*0.748 and \*0.817. Both cases also showed the nature of relationship (positive) between have positive process innovation and customer interaction with customer value, thereby answering the research questions.

From the result, it was also apparent that all the dimensions of innovative service delivery had a significant positive correlation with the measure of competitive of deposit money banks in Port Harcourt, as their respective probability values of 000 were below the threshold of .05 level of significance. The result of the first test of hypothesis indicates that process innovation had significant positive correlation with customer value. This supports the findings of McNulty and Ferlie (2004); Edmonson, Bohner and Pisano (2010); Ayhan, Öztemel, Aydin and Yue (2013) that process innovation enhances customer services. The result of the second test of hypothesis indicates that customer interaction has significant positive correlation with customer value which is in line with the findings of some scholars when they argued customer interaction has also been identified as a success factor for both innovation performance of services and innovation performance of tangible products (Carbonell, Rodríguez-Escudero & Pujari, 2009; Chen, Tsou & Ching, 2011; Homburg & Kuehnl, 2014).

## CONCLUSION AND RECOMMENDATIONS

This study has shown that the innovation that occurs in the service sector has great impact in the way customers are attended to. It is therefore obvious that innovation in service delivery has affirmative effect on competitive advantage of deposit money banks in Port Harcourt and should be given the appropriate attention.

Drawing from the conclusion, the following recommendations were made:

- i. That service firms and, especially the deposit money banks, should endeavour to always integrate new ways and methods that would help boost the way through which customers can be attended to, thereby, aiding them to achieve competitive advantage.
- ii. Customer interaction should be taken seriously as customers easily get reactive on every bad service delivery which could very easily affect their business negatively.

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