

Does Product Quality Influence the Market Share Index of Telecom Firms? Empirical Evidence from Nigeria

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Abstract:

Many of the researchers and authors use to believe that it is the external environment that exerts pressure on the performance of a given company in any given market, rather it was easy to believe because most of the researcher use to assume all the companies in a given market at the same level and the same belief continues even for the industry. This present study analyzes the impact of product and quality differentiation on the market-cap. of the respective telecom companies in Nigeria. This is a primary data based study and the respective respondents are the employees from managerial level of the selected companies. Descriptive statistics and Z-test is used to evaluate the data. SPSS Ver. 20.0 is used for analysis.

Keywords: Differentiation Strategy, Product, Quality, Telecom.

I. Introduction

In the present scenario, corporate sector is facing a number of challenges from the various forces of environment, it is not so that the respective companies are not capable enough to face the competition but then again there are certain strategic issues which are needed to take care of. In this competitive world the companies are looking forward to all the ways and means to increase their

sustainability in the market, this is because of the reason that only appropriate strategic framework can save the day. Strategic formats of the corporate sector have always remained the primary choice of the critics and the researchers. **Porter (2008)** As per the rules of the economics, any of the given competitive market cannot remain idle rather the dynamics of the same stimulates the participants to derive appropriate strategy to remain in the market for a longer period of time. **Peters et al (2013).**

Many of the researchers and authors use to believe that it is the external environment that exerts pressure on the performance of a given company in any given market, rather it was easy to believe because most of the researcher use to assume all the companies in a given market at the same level and the same belief continues even for the industry. But the researchers of new millennium i.e. **Barney (2012); Chandler (2009)** and some other broke this myth and stated that all the companies, even if they are producing the same product or offering the same service, are different on the basis of their resources. Any of the given competitor use to save its cost by taking care of its resources and this saving can provide a competitive edge to the company in a competitive environment. Some of the authors also believed that only cost saving is not enough there should be some changes in the economy of scale and state of technology in a given company, as all of them are having collective effect on the success of the company in a given market. There are solid proofs from the market that whichever company did not made efforts to change according the demand of different variables like market forces, integration, structure, etc. the survival of the same was hard to forecast.

Then on the other hand many of the companies are producing multiple products as these variable product lines can provide a competitive edge to the company over the others then on the other hand touching the economy of scale, making changes in the state of technology and making efforts to save the cost can also bring about certain changes in the present state of the company.

For any of the given companies, available resources are the base of firms efficiency and parameters of firm's capabilities in open market. Now at the second level particular companies in a given industry can be differentiated on the basis of the resources they are having. Here it is important to mention that the company which is having better resources will show better performance in the

market and will be able to meet the competition for a longer period of time. **Montgomery et al, (2008)**.

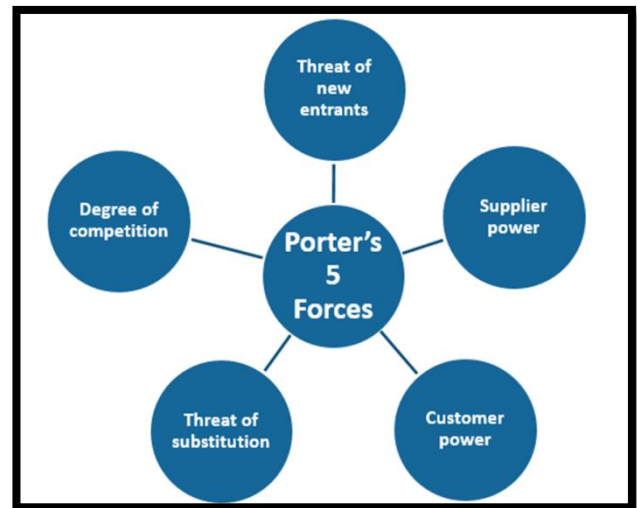


Figure 1: Porter 5 Force Model

There are a number of companies which are in the practice of producing such product and services which are not easy to produce or replicate for the other companies at the same level, such different product and services are having a competitive edge in a given market. Even such type of companies also requires strategic formulation to remain visible in a given market. **Jegak et al (2009)**. Any of a given company can avail a premium position in the market but it is important that the strategic formulation is different; products and services are of industry standards and may be better than the competitors.

There are a number of examples where the respective business strategies are having a direct impact on the competitive position of the company in a given market. On the other hand it has also been observed that the performance of the company has also increased. **Sandberg, (2006)**. There are a number of researchers and many concerned people who are measuring the strategic performance of the respective companies at different level and even they are in the practice of comparing the same with the prevailing practices in a given market. **White et al (2008)**. This is a well-known fact that the generic

strategies are easier to exercise and even to compare with the existing competitors. Though, best practices of the industry can be considered as a benchmark for the respective newcomers in the market. The literary for of the same can also be observed as an excellent document for the purpose of reference.

There arises a point that, what is the real parameter of the strategic formulation of a company? The answer is 'customer' whatever product or services are given preference by the buyer are considered better from the respective competitors. Here the value or the availability of the same is not considered for the purpose of comparison. **Johnson et al (2008)**. Differentiation and diversification are the two points where any of the given companies can achieve a competitive edge over the competitors and gain respective edge in a given market. Product, Place, Price and promotion are the traditional components of marketing but then again in the present scenario also they are justified. Now, many of the companies are concentrating on only one or two of these components and ought to achieve and edge in the market.



Figure 2: Four Ps' of Marketing Mix

At times, these kinds of strategies are successful but not always. Not even the researchers but also the customer are in the practice of comparing the performance of the companies at the level of product or service differentiation, variation in the

channels of distribution and even the brand image of the respective company. **Kotler et al (2014)**. The respective mix of 4 Ps' is not same for all the given companies, rather there is some amount of difference in the same on account of product and services. Like in case of retail sector promotion, competitive product and value addition is the core competency and in case of services customer satisfaction, physical presence and value offering is important. **Moore et al (2013)**.

There is a tough competition between the telecom companies all over the world and Nigeria is no exception to the same, as far as the telecom network of Nigeria is concerned, the competing companies can be listed as:

- MTN
- GLO
- 9 MOBILE
- AIRTEL.

From the above listed companies MTN is generally considered as the leading company on the basis of its services and out of the box marketing initiatives. It is not so that only MTL is thriving for excellence, the other competitive companies are also making customary changes in their service related offerings. Airtel and GLO are facing the competition by cutting down the prices of their respective products and also offering new products to attract new set of customers. As a matter of fact the government agencies had permitted only four companies to share the telecom network in the country, the respective companies are MTN, 9 MOBILE, AIRTEL and GLO. Presently the telecom sector in the country is growing and this is the proof that the customers are somewhat satisfied with the respective products and services of the companies.

Now, customer satisfaction is one dimension, on the other hand the respective companies are facing fierce competition with each other, apparently there are some restrictions from the side of governing agencies like rationing of prices, control measures

for foreign currency and even the free market operation for the telecom players. It is not so that the companies are not benefitted from these measures, they had taken certain measures to mold these policies in their favor. Then on the other hand terrorism is one major issue in Nigeria, the terrorist use to attack the telecom related infrastructure and such attacks use to present hurdle in the smooth functioning of the respective companies. This present study will assimilate the related market issues and other problem of telecom sector of Nigeria and try to focus on the reducing market for the same.

II. REVIEW OF LITERATURE

Strategic Formats of Corporate sector

Podolny et al (2001) stated that for any given company is the duplicity of the respective strategies i.e. any of the marketing strategy cannot work forever, in favor of a single company. Author means that there is always a threat that the competitors can copy the respective strategy and play with the same in a better format.

Porter (1980) gave the 5-Force model of strategic formulation and also stated that any of the firms should have a plan to face the tough situations of a given market and the respective success of the plan depends on the efficiency of the firm to add value to the customers in one of the other sense. This will certainly widen the scope of the firm in a given market and elongate the survival of the firm in a given market.

Eng (1994) stated that generic studies may work for a shorter period of time, but of stay longer in a given market the company may require a specific strategy and as a matter of fact this strategy should be according the present needs of the market. Also the corporate strategy can be related to product, service, promotion, distribution channels and any other selected component.

Allens et al (2006) stated that any of the given form in a market can differentiate itself from the respective customer by providing a different and value added product or service to the customers. It is not so that every time the company is required to change the product line, rather small changes in the existing product or service may add value to the customer.

Murphy (2011) stated that providing something new to the customer is beneficial for the companies but then again there are certain issues which are to be kept in mind, like present state of competition in the market, form of similar products and services in the market and even the strategic frameworks present in a given market. After the assessment of the same a firm can fact the related issues and attract more and more customers.

Bacanu (2010) stated that only the application of differentiation strategy is not enough, rather it is also very important that the firm keeps on reminding the customers that they are getting something new by the virtue of the company and their loyalty will be rewarded on one or the other way. Then on the other hand this phenomenon will also help the firm to maintain the cost of respective product or service in a given market.

Yam et al (2008) said that before applying any strategy related to differentiation, it is very important for the firm to conduct SWOT analysis of its own and then on the basis of results of the same, respective strategy may be implemented. This is important because any of the strategy is based on strength of the firm and related market opportunities.

Porter (2008) also stated that a properly derived strategy is liable to gain market success for the respective firm in a given market; on the other hand it is also important that there should be a particular element of futuristic precautions so that the same strategy may work for the firm for a longer period of time. Then at the second level, assessment of cost is also very important, as

because the firm cannot reduce the cost of its products or services in a given market and the application of a particular strategy may incur some cost.

Hypothesis of the Study

H₀: Distinctive product-quality would negatively affect the market share of telecommunication firms in Nigeria

H₁: Distinctive product-quality would positively affect the market share of telecommunication firms in Nigeria

Methodology

Sources of Data

Every research study is based on the pillars of available data and data can be primary data or secondary data. In this present study also both type of data is used, secondary data is used to get a better insight of the selected area of study and the primary data is used to normalize the present market situation with the respective results of the study.

Secondary Data

As stated above the secondary is used to gather related information about the selected topic, so that the researcher and any other person who is referring the study can get a clear insight of the same. In this present study many of the national and international research papers are referred in order to know about the present market trends, then some of the government reports and yearly publication from the side of respective telecom companies are also referred.

Primary Data

Primary data is the first hand data collected from the selected respondents, in this present study the respondents are the employees from middle level management of selected telecom companies, as a matter of fact there are around 1000 such employees in the selected companies and the researcher selected 400 (40%) of the total population as a sample.

Sampling Area

The area of sampling are the South-East states of Nigeria, this area is chosen because many of the

regional offices of the telecom companies are situated here and even the NCC headquarter is also situated here.

Sampling Technique

In this present study is based on probability sampling this is because of the reason that it was not possible to differentiate among the respective employees of the selected firms and absenteeism or reluctant behavior of the respondents cannot be avoided.

Sample Size

Sample size in the present study is 400 respondents; this sample size is taken on the assumption that there are about 1000 total respondents and 40% of the same is selected based on the reference from a number of national and international research papers in the same area.

Statistical Tools Used

Z-test and descriptive statistics is used in this present study.

Data Analysis and Presentation

Demographic Distribution of the respondents

		Frequency	%
Gender	Male	232	58
	Female	168	42
	Total	400	100
Age	25-35	81	20.25
	36-45	157	39.25
	46-55	99	24.75
	56 and above	63	15.75
	Total	400	100
Marital Status	Married	159	39.75
	Single	241	60.25
	Total	400	100
Designation	Executive	107	26.75
	Manager	68	17
	Sr. Manager	225	56.25
	Total	400	100
Experience at	Less than 5 years	103	25.75

Managerial Level	6-10 years	185	46.25
	more than 10 years	112	28
	Total	400	100

Interpretation

As can be seen from the above table of demographic factors, there are 232 (58%) of male respondents and 168 (42%) of female respondents in the all the selected companies, then as far as age is concerned minimum age is up to 35 years and 81 (20.25%) of the respondents belong to the

same and the maximum age limit is 56 and above, 63 (15.75%) respondents belong to the same. There are 159 (39.75%) married and 241(60.25%) single respondents. Then as far as designation is concerned there are 107 (26.75%) respondents from executive level, 68 (17%) managers and 225(56.25%) Sr. Managers. Minimum experience of the respondents is 5 years or less and 103(25.75%) respondents belong to the same category, then the maximum years of experience is 10 years or more and 112 (28%) of the employees belong to the same.

Results of Z-test

Single-Sample results (Descriptive)

	N	Mean	Std. Deviation	Std. Error Mean
Decisions on Product quality & market share	400	43.751	23.004	4.221

Single Sample Test values

	Test Value = 0					
	Z	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Decisions on Product quality & market share	20.443	398	.043	42.7420000	34.2219	51.30217

As can be seen from the above table of Z-test results that the differentiated product and quality use to exert the market share in one or the other manner like the test values are ($z = 20.443 > \text{at } p < 0.05$) and this sufficient to reject the null hypothesis and accept the alternate hypothesis.

III. Conclusion

As discussed in the introduction part of this present study and even stated in the literature review part, differentiation can be viewed as the success tool for respective firms but the results are positive only if the same is used with precautionary measures. This is a well-known fact that the loyalty of the customer is generally based on the respective prices of the offered product or

service and if the price is comparatively less along with all other facilities the loyalty of the customer will certainly shift to other provider of telecom services.

This present study proves the point and state that different types of differentiation in the product or service related to product or services of telecom sector are able to attract new customers to the service but then again at a later stage only the quality and the differentiated products will be able to retain the customers.

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