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Influence Of Product Quality And Price Competitiveness On Repeat PATRONAGE SMEs In The North East Of Nigeria

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ABSTRACT

This paper is devoted to determine the influence of products quality and price competitiveness on repeat patronage of goods and beverage exporting SMES in North-East Nigeria. Delta were obtained from 244 entrepreneurs in the North-East region of Nigeria. Cluster sampling method was used to determine the sample size since the target population is heterogeneous. Stratified random sampling technique was used to select the respondents for the study. A structured on a 4 point modified IKert scale. The person Product moment correlation was used for data analysis. The findings revealed that there is positive and significant relationship between product quality and repeat patronage of food and beverage exporting SMES in North-East region of Nigeria. The study also found a positive and significant relationship between price competitiveness and repeat patronage of food and beverage exporting SMES in North-East region of Nigeria. From the above findings, it was concluded that product quality and price competitiveness have a positive and significant influence on repeat patronage of food and beverage exporting SMES in Nort-East Nigeria, based on the endings and conclusion, it was recommended that Nigerian SMES particularly those exporting food and beverage products should improve their product quality and price competitiveness as it would enhance repeat patronage among international customers.

KEYWORDS

Product quality, price competitiveness, consumer patronage, repeats patronage, food and beverage products, exporting SMES.

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INTRODUCTION

The food and beverage industry is one of the fastest growing industries in Nigeria. The industry is highly competitive due to the large number of small and medium scale firms producing and marking food and beverage products. A significant number of SMEs have also expanded their business operations to the international market by exporting food and beverage products to other neighbouring countries. This has intensified competition from other international food and beverage firms. Given the intensified competition Nigerian SMES faced in the international market, many entrepreneurs exporting foods and beverage products are know faced with the intention to ensure repeat patronage. Repeat patronage is a decision to re-buy or re-patronize a preferred product or service in the future (Virgo &. Lush, 2010). It is the likelihood of a customers returning for a firms product or service in the near future. The decision to re-patronize a company's products or services is a function of the satisfaction customers derived from using the products. Customers satisfaction guarantees re-patronize from a firm. Kotler, in Roxanne, warokka & listyawati (2014) stated that satisfaction customers are less likely to switch to a competitor as they will continue to re-patronize product or service that gives them satisfaction. Repeat patronage helps to boost sales and profit margin of a firm. According to sharp & sharp (2008), repeat patronage can make the organisation achieve market share growth and increase its revenue. Product quality is the ability of a product to fulfilling customers needs and expectations (vaklifard & khozein, 2012). In a product fulfils the customers expectations, the customer will be pleased and consider that the product is of acceptable or even high quality if his or her expectations are not.

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Fulfilled, the customer will consider that the product is of low quality (vaklifard & khozein, 2012). Product quality has become a major strategic tool for competition. A commitment to qualify is central to the sidles process as it encourages repeat patronage. If customers are satisfied with the received performance or goods and services, they are likely to become loyal and will repurchase the same set or goods and services for their future consumption (emir & kozaki, 2011). Apart from product quality price competitiveness is also an important strategic tool to facilitate repeat patronage. Price competitiveness is defined as the advantage in price, which may enable a firm to secure sales of its products in forensic markets at the expense of its competitors (Drabek & olechowski, 2010). The advantage will not necessarily guarantee the sales but it will represent favourable incentive provided to foreign importers to purchase the exporting country or industry products (Drabek & olechowski, 2010). Griffin (2012) stated that customers use the existing prices as a guide to what is normal or considered a good deal. A supplier or company that enjoys a competitive advantage in price will positively influence customers to re-patronize their produces and services in the future. When a firm produces poor quality products and inappropriate pricing, it will paper examines the influence of product quality and price competitiveness on repeat patronage or food and beverage exporting SMES in North-East region of Nigeria.

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Small and medium scale enterprises: An Overview

The definition of SME is numerous and it varies from country to country depending on the level of development. For instance, what is considered as small scale enterprise in developed countries like United States, United kingdom, Germany and France , may be considered as medium scale enterprise in a developing country like Nigeria. Even within the same country, the definition changes overtime depending on the rate or inflation. Therefore, there is no generally accepted definition of SMES as every country defines SMES based on their level of development. However, there are some. Common indexes of the definition such as number of employees, value of assets and turnover (Charles, 2015). For example, Egypt considers SMES as having more than 5 and fewer than 50 employees; Vietnam considers SMES to have between 10 and 300 employees; world Bank considers SMES as those businesses with maximum employees of 300, $15 million in annual revenue and $15 million in assets; and the inter-American development Bank describes SMES as as having a maximum of 100 employees and less than $3 million in revenue (Dahlberg in Charles, 2015).

Small and medium sized enterprises (SMES) make up a significant proportion of businesses within any nation and play a major role in domestic development (Okpara, in junaidu, 2012) According to Ghandi & A Nissan (2014), small and medium enterprises act as as catalysts in the economic development of the developed and developing countries. In the case of Nigeria, well-managed and healthy SMES constitute significant sources of employment opportunities and wealth creation (Etuk, Etuk & Baghebo, 2014). SMES are responsible for driving innovation and competition in many economies (Ghandi & Amissah, 2014). They are regarded as the bedrock of industrialisation. Because a number of them possess extensive knowledge of resources, as well as demand and supply trends, they constitute the chief supplier of input to larger firms. They absolve as the main customers to the larger firms; provide all sorts of product ranging from rooting, recreation, entertainment, healthcare, education, and so forth. They help in economic development through industrial disposal and production of primary and intermediate product they can also supply the material needs of the larger enterprises.

Product quality

Product quality is interpreted differently by different people. Consumers may on the specification quality of a product/service, or how it compares to competitors in the market place.

Producers might measures the conformance quality, or degree to which the product service as produced correctly. Support personnel may measure quality in the degree that a products reliable, maintainable, or sustainable (Wikipedia, 2014). Although some of the attributes of quality must be measured objectively, quality must be measured in terms or buyers perception (kotler et.al, in Aguekum, Haifeng & Agyeiwaa, 2015). Consumers purchase a product or service on the basis of satisfying their recognised needs (Palmer, in Aguekum, Haifeng & Agyeiwaa, 2015). The choice of this product to satisfy particular needs depends on the perception or the consumer about the product quality capable of the satisfying that needs. Many business managers get wrapped up in the technical details involved producing a product, but most customers or consumers think about product in terms of the quality and the total satisfaction it provides (perrault et a in Aguekum, Haifeng & Agyeiwaa, 2015). Maniac (2011) stated that quality of a product is best determined by the customer who uses the product. It is based upon that person's

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evaluation or visors her entire customers experience. Therefore, managers cannot boast of having the quality product on the market since quality based on buyers perception (Aguekum auren & Agyeiwaa, 2015).

There are processes which must be followed logically to improve the quality or a company's products. It includes fixing product specifications, preparing product design, procuring suitable raw materials, preparation for manufacture, and post manufacturing until it gets into the hands of the customer (Guyana National Bureau of standards (GNBS). Wikipedia (2014) outlined five aspects to ensure product quality. These include: producing something (Product), confirming that the product has been produced correctly, controlling the process to ensure that the outcome are predictable (quality control), directing an organisation so that it optimizes its performance through analysis and improvement (quality management), and obtaining confidence that the product will be satisfactory (quality assurance) (Wikipedia, 2014) Product quality is obviously the business of everyone within a company; that is, the salesmen, designers, purchasing, stores and methods staff, plant engineers, tool personnel, production planning and production staff, operators, inspection and testing staff, packaging, and even dispatch should an interest in maintaining quality. Therefore, it's important to ensure the everyone is quality conscious and that they all work together on matters related to quality. The entrepreneur process of producing the product must be established and streamlined (Guyana National Bureau of standards (GNBS)).

Price competitiveness

Price is the monetary value attached to a company's product (Grove & vettas, 2010), and is the only revenue generating element amongst the four PS, the rest being cost centres (Mc Guigan et al, in moto et al, 2014). Most companies fix the prices for their products based on their manufacturing cost, market place, competition, market condition, and quality of product (Mc Guigan et al, in Moto et al, 2014). Therefore, the concept of price is considered to be more objectives and less likely to vary from one exporter to another (Drabek & Olechowski, 2010).

Price competitiveness is a macroeconomic term expressed in one indicator, the real effective exchange rate (REER) (Peters, 2010). Drabek & Olechowski (2010) defined price competitiveness as the advantage in price, which may enable a country or firm to secure sales of its products in foreign markets at the expense of its competitors. Competitiveness measured on the basis of price becomes meaningful only under conditions of market imperfections arising from product differentiation (Enoch in Drabek & Olechowski, 2010). Price competitiveness has been measured in the literature on the basis of price comparisons or comparisons based on costs. In international trade, price competitiveness is measured in terms of differences in relative export prices that is, differences between export prices of CPES and (world market) prices of their competitors. Styliani & Olegs (2014) stated that relative price measures based on costs and price indices or the broad economy (namely the consumer price index, unit labour costs in the total economy and GDP deflator indices) have a somewhat higher marginal.

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Effect on exports of both goods and services as compared to those based on manufacturing only (unit labor in manufacturing and producer price index).

Repeat patronage.

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Repeat patronage is a customers decision to buy a product again based on his or her positive past experiences of using the product (Ehrenberg, 2008). Similarly, cargo & lurch (2010) defined repeat patronage as a decision to re-buy or re-patronize a preferred product or service in the future. Repeat patronage occurs when customers are satisfied with the product earlier purchase. According to Mc Dougall and levesque, in servais & Jensen, (2012), satisfaction increases customers are inclined towards repeat patronage. This satisfaction is determined based on his or her past experiences with the products. A customer that is satisfied with the products previously purchased will likely re-patronize the same set of products in the future (Wright, et al, 1998).

In the literature, the concept of repeat patronage is often liked to customer loyalty. The two concept move in one direction when discussing the relationship between the customers relative attitude toward an entity and repeat patronage. Jacob & kyner in too, & seo (2013) argued that customer loyalty is a customers repeat purchase behaviour followed by a favourable attitude. The role of relative attitude is crucial because a positive previous attitude is required for re-patronize to be considered true loyalty (Dick and Basu in servais & Jensen, 2012). True customer loyalty includes both repeat patronage and an affective appraisal of the supplier (servais & Jensen, 2012).

Product Quality and Repeat patronage

Product quality is one of the most important marketing elements that facilite repeat patronage. According to fajgelbaum, Grossman, & Helpman (2011), individuals consume varying quantities of a homogenous good and a discrete choice of a product. Consumers choose amongst different quality option for the good and from a set of distinctive products at each quality level that have idiosyncratic appeal (fajgelbaum, et al, 2011). Each consumer buys the good that offers him the highest utility, considering the price and characteristics of all available products. Product quality is a source of competition. Hummels & klenow (2005) stated that a country or firm that offer high quality in the market stand a better chance of increasing customer patronage and repeat patronage intention than its competitors. In the international market, customers are willing to patronage and re-patronize a country's product that is or high quality and do away with those that offer low quality product (Hallak, 2006).

The production of high quality products influences other key aspects of a company's economic performance, such growth and development, export success, and employment and wages. However, not all countries are able to manufacture high quality (cino & Ogliari, 2015). Product quality varies markedly both across countries and across industries (feenstra & Romails in & Ogliari, 2015). Factors that determine this variation include: the large differences in Economic development and factor endowment that exist across countries, technology, cross country difference in financial frictions and financial vulnerability (crino & Ogliari, 2015).

A country's income is a strung factor that determined the quality of their products as well as a port success. When rich and poor countries export goods in the same product category, near countries sell goods with higher unit values (Schmitt, in Fajgelbaum, et al, 2011). Agelbaum, et al (2011) predicted that richer countries will be net exporters of higher luxury for example, the country with higher per capita income exports the luxury good default good happens to be capital intensive (Markusen, in Fajgelbaum, Grossman, & Helpman, 2011). Flam & Helpman in Fajgelbaum, Grossman, & Helpman (2011) gave reasons for this According to them; the pattern of trade follows from an assumption that richer countries have technical superiority in producing higher quality goods. However, if countries are of equal size and the income distribution in one first order stochastically dominates that in the other, then the richer country produces and exports the higher quality goods whereas the poorer country produces and export the lower quality goods (Fajgelbaum, Grossman, & Helpman, 2011). According to " New Trade Theory", product differentiation in open economies is the most important of trade between countries with similar economies (Krugman, in Athanasoglou & Bardake, Grossman & Helpman, in Athanasoglou & Bardake (2008) stated that a country's rave advantage is based not only on product variety but also on country product quality (vertical rust differentiation). Consumers preferences for product variants imply a preference for demand subject to horizontal product differentiation. This approach of high horizontal differentiation can describe not only final goods but intermediate inputs as well. Both horizontal and vertical differentiation can reflect either past investment choices in physical, human knowledge capital (Thirlwall, in Athanasoglou & Bardake, 2008) or technical improvements in teens or moving up the quality ladder, thus influencing the extent of sectoral vertical differentiation (Athanasoglou & Bardake, 2008).

A firm exporting products to other neighbouring countries must offer products with high quality in order to competed favourably in the international market. International customers choose products amongst different quality options. Varieties are distinguished by their quality level and by other attributes that affects consumers idiosyncratic valuations (Fajgelbaum, Grossman, & Helpman, 2011). Therefore, SMES exporting food and beverage products must orders high quality product to build customer trust and relationship. Hallak & sivadasan (2009) succinctly stated that when a firm is able to establish customer trust based on the quality of their products it will lead to repeat patronage and this will consequently improve their country's economic performance. In the light of this, we proposed our first hypothesis.

H1: there is no positive and significant relationship between products quality and repeat patronage of food and beverage exporting SMES in North-East region of Nigeria.

Price competitiveness and Repeat patronage

The international open markets invite producers from different countries to compete against each other to sell their products to international customers (Peters, 2010). The idea of price competitiveness refers to a relative success of selling on international market (Peters, 2010). The very idea of competition necessary requires the success indicator to show a performance relative to other economies. When the idea of price competitiveness as determinant for export flows was created by bakasan (1962), he set a success indicator that fulfills this requirement: increasing ones national share of world export volume" (European Commission in Peters, 2010). In contrast, lipschitz & McDonald in Peters (2010) posited that tradable goods and services of one country do not only compete with foreign goods once exported, but do also compete on domestic markets with imported goods and services. Therefore, they prefer to replace export volumes with total sales volumes of tradable goods and services.

Export processing (domestic and competitors) have a strong effect on exports in the long run while their short run impact is moderate (Athanasoglou & Bardake, 2008). According to them, long run export price elasticity is higher compared with those of unit labor costs. Thus, Athanasoglou & Bardake argued that border price or income definitions generate higher estimate of long fun elasticity. Regarding export prices, one possible explanation for the above behaviour is that exporters base their decisions making to export on prices rather than on costs. Another is that predetermined by firms (mainly the oligopolistic ones) takes into account " standard cost (a long run variable) rather than actual and a variable mark up homogeneity of prices is accepted in the.

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Long run when they're measured by unit labor costs and in the short run by export price the elasticity or the respective measures of competitiveness is close to unity (Athanasoglou Bardake, 2008).

Considering competors prices is very important to gain a competitive advantage in price. Grve vettas (2010) stated that international customers are more likely to patronage and re-patronize the country or industry's products whose prices are relatively cheaper than their competitors. Therefore, it is highly necessary for local companies to consider the prices of their international competitors while seeing the prices for their exported products. Although gaining compare advantage in price will not necessarily guarantee the sales but it will represent favourable incentive provided to foreign importers to purchase the exporting country's product (Draber Olechowski, 2010). If gaining competitive advantage in price will represent a favourable incentive provided to foreign importers to purchase the exporting country's product as alleged by Drabek Olechowski (2010), then it is assured that price competitiveness will facilitate repeat patronage of exporting SMES in Nigeria. Based on this assumption, the second hypothesis is proposed:

H2: there is no positive and significant relationship between price competitiveness and repeat patronage of food and beverage SMES in North-East region of Nigeria.

The conceptual framework of the study was developed based on the two formulated hypothesis.

METHODOLOGY

The cross sectional survey was adopted in this study. The target population of the study consisted of all the SMES in the North-East region of Nigeria that export food and beverage products to other neighbouring countries. The sample consisted of entrepreneurs of the exporting SMES in the North-East region of Nigeria. A sample of 273 entrepreneurs was drawn from six states in the. Clusters sampling method was used to determine the sample size. Clusters sampling is ideal because the Target population is heterogeneous. Stratified random sampling techniques was used to select the respondents for the study. A four (4) points likely type scale questionnaire which ranges from strongly Agree, Agree Disagree to strongly Disagree, was used to generate data from the respondents. The opinions of some research experts were sought to determine the validity of the research instrument, while the cronbach's alpha was used to determine the reliability of the instrument. Two hundred and eighty three (283) copies of questionnaire were administered to the respondents from six states and 244 copies were retrieved. The date collected from the respondents was statistically analysed using Pearsons product Moment correlation (r). A computer software programme known as SPSS (Statistical package for social sciences) Windows 19.0 version was used to correlate the data on the study variables.

CONCLUSION

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Given the controversy among scholars and researchers regarding the exact influence of product quality and price competitiveness on repeat patronage, the empirical results of this study succinctly demonstrate that, within Nigerian context, product quality was found to have a positive and significant relationship to repeat patronage of food and beverage exporting SMES. The study also found a positive and significant relationship between price competitiveness and repeat patronage or food and beverage exporting SMES in North-East Nigeria. Based on this results, it was concluded that product quality and price competitiveness have a positive and significant influence on repeat patronage of food and beverage exporting SMES in North-East region or Nigeria.

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