DIVERSIFICATION STRATEGY AND ORGANIZATION MARKET SHARE IN THE NIGERIAN MANUFACTURING INDUSTRY

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Abstract

Most firms in the manufacturing industry jostle for sales and customer's patronage so as to maintain positive market position or to remain in a vintage market position in an industry. The reason for this is that most firms operate in a stiff competitive business environment especially in the manufacturing industry. This study is aimed therefore to examine how manufacturing firms can make use of diversification strategy to increase their market share. This study has made used of survey research, the questionnaire was the research instrument used. ANOVA and correlation were used as statistical tools of analysis. The findings revealed that diversification has a positive impact on manufacturing firm's market share and market position. The study concluded that diversification enables firms to expand their operation by adding markets and products to existing businesses. The study then recommended the use of diversification as a strategy to firms that intend to increase their market share.

Keywords: Diversification, Market-Share, Market Position, Strategy, Firm, Profitability Sales Volume

1.0 Introduction

Most manufacturing firms operating in Nigeria started as single product firms. They were producing a single brand of products. For example, Coca-Cola Plc. was producing only carbonated soft drinks, De-United Ltd was producing only Indomie noodles, May and Baker was producing only drugs. This is as a result of little or no competition. As the economy grows, economic activities expanded. Most manufacturing firms faced stiff competition especially from foreign investors that came into the country. The discovery of oil and end of the civil war in the 70's further accelerated industrialization and there was a boom in economic activities in the country.

This industrial revolution further promoted stiff competition in the manufacturing industry. The incursion of the multinational firms during and after the colonial era was the height of competition in the manufacturing sector in Nigeria.The above scenario makes manufacturing firms to jostle for sales, customers and at the end, market share. Companies such as Nigeria Bottling Company Plc. and Seven-Up Plc. became competitors. Unilever Plc, Cadbury Plc. and Nestle Plc. also became stiff competitors in fighting for market share. Companies jostle for market leadership, followership positions and even as niches as the case may be.

To be able to pursue healthy rivalry and competitiveness, most manufacturing firms began to diversify their operations so as to increase their market share and to be competitive in the industry. Most manufacturing firms began the process of aligning with their goals and objectives, context and content. This has enabled them to scan for information which has revealed a lot of opportunities to the firms for strategic growth, profitability, and expansion of which their best option is diversification. One of the priority and key focus of a biased organisation is how to increase its market share and expand its operating activities. Market share is a key indicator of competitiveness amongst firms particularly in the same industry (Hitt, Hoskisson & Ireland, 2001). Research has also indicated that market share is a desired asset among firms because most firms are concerned with a large share of the market so as to remain competitive in the industry. This study therefore, examined how manufacturing firms can make use of diversification as a strategic tool to increase their market share.

This study was conducted to solve the under listed problems identified in most organizations about their market shares and market positions in the manufacturing industry. Most manufacturing firms are single or one brand company, most of them have even remained so despite stiff competition in the manufacturing industry, for example, De-United Plc, Lafarge Cement and Nexans Nigeria. This has led most of them to fold up, less competitive and in most instances, remain dormant. These firms have remains in this position because they have refused to diversify their operations. Their inability to diversify has greatly reduced their market share. Diversification of operations would enable manufacturing firms to increase their market share and does assist them to be competitive. However, most manufacturing firms are not diversifying and this have greatly reduced their market share in the industry (Fluck & Lynch,1999).

In the same vein, the inability of most manufacturing firms to diversify their operations especially in the midst of stiff competition has also greatly affected their market position. A very competitive firm can actually maintain market leadership, be a challenger, followers or even as niche as the case may be. Kotler and Armstrong

(2006) defined market leader, as the firm in an industry with the largest market share; market challenger, as the runner-up firm that is fighting hard to increase its market share; market follower, as a runner-up firms that wants to hold its share in an industry without rocking the boat; and niches, as firms that the other firms in an industry overlook or ignore. What is worrisome today is that most manufacturing firms are not diversifying their operations. This has made them lose their market share position in the industry (Hitt, Hoskisson & Ireland 2001, 2007). The main purpose of this study is to examine how diversification strategy is used by Nigerian manufacturing firms to increase their market share in the industry.

Other specific objective of this study is to investigate how diversification strategy can affect a Nigerian manufacturing firm market position in the industry. The research questions for this study are:

- To what extent are Nigerian manufacturing firms making use of diversification strategy to increase their market share?
- Are Nigerian manufacturing firms making use of diversification strategy to maintain or improve their market position in the industry?

For the purpose of this study, the following hypotheses are tested. The hypotheses are stated in the null statement.

(I) There is no significant relationship between diversification strategy and firm's market share.
(ii) There is no significant relationship between diversification and firm's market position in the industry.

2.0 Literature Review

Increasing market share is one of the most important objectives of business especially in a competitive market (Fadipe, 2009). Market share is a strong indicator of firms or organizations competitiveness in the industry. A firm's market share and market position is an indicator of how well the firm is doing against competitors. It is used not only to judge the total market growth or decline but to monitor the trends of customers' acceptance or rejection of their products against competitors' products in the market and the industry (Oyefesobi, 2013). It should be noted that sales growth or market share growth that occur as a result of primary demand of firms' products are less costly and more profitable than what is gained or achieved through capturing market share from competitors. To this extent, losses in market share will definitely pose a long-term danger to an organization; this may, however require strategic approach one of which is diversification.

Diversification is a corporate strategy of a company that intends to increase profit by increasing sales Nalk (2011). It seeks to increase profitability through greater market sales volume obtained from new products and new market either within the industry or outside the industry (Ami & Livnat, 1988). Faulkenberry (2011) define diversification as a portfolio strategy combining a variety of assets to reduce the overall risk of an investment portfolio. Kotler and Armstrong (2006) says diversification is a strategy for a firm growth through starting up of acquiring businesses outside the company's current products or markets. Diversification is part of the four main growth strategies as defined by Ansoff diversification matrix below.

Fig 1: Ansoff Diversification Strategy Matrix

Market Penetration	Product Development
Market Development	Diversification

Source: Kotler & Armstrong (2006) principles of marketing. Pp41

Ansoff (1965) pointed out that a diversification strategy stands apart from the other three strategies. The first three strategies are usually pursued with the same technical, financial and marketing resources used for the original product line, whereas diversification usually requires a company to acquire new skills, new techniques, and new facilities. Diversification strategy is used to expand firm's operations by adding markets, products, services, or stages of production to the existing business (Calva & Chabda, 2007). The organization needs to enter lines or businesses that are different from current operations. Thompson, Strickland and Gamble (2010) identified four instances in which a company becomes a candidate for diversifying.

(i) When a firm identifies opportunities for expanding into industries whose technologies and products complement its present business.
(ii) When a firm can leverage existing competencies and capabilities by expanding into a business where these same resources are key success factors and valuable comparative assets.
(iii) When diversifying into closely related businesses open new avenues for reducing cost.
(iv) When a company has a powerful and well-known brand name that can be transferred to the products of other businesses.

When an organization decides to diversify, the first criteria and big decision to be made is whether to diversify into related businesses, unrelated business and mixture

of both related and unrelated businesses. Thompson, Strickland and Gamble (2010) opined that related businesses are those whose value chains possess competitively valuable cross-business relationship that present opportunities for businesses to perform better under the same corporate umbrella than they could be operating as stand alone entities; Luxenber and Stan (2004) are of the opinion that companies can achieve synergy in diversification by combining firms with complementary marketing, financial, operating or management efforts. Strategic fit could be achieved by the combination of operating units to improve overall efficiency. Markides (2004) concluded that related diversification strategy will appeal to a firm from several angles:

- The company will achieve lower cost
- The company will create a powerful brand name.
- The company will achieve stronger competitive capabilities and still spread investor risk or a broad business base.
- Relatedness diversification will provide a sharper focus for managing diversification and a useful degree of strategic unity across the company's various business activities.

The strong arguments propounded for diversifying into related business had been negated by the proponents of diversification into unrelated businesses or conglomerate diversification. Amit and Livant (1998) says conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its present line of business. The primary purpose of diversification is to improve the profitability of the acquiring firm with little if any concern given to achieving marketing or production synergy. However, synergy may be achieved through the application of management expertise or financial resources. In most instances, organisations make use of diversification strategy because their present line of business can no more expand. Findings an alternative investment opportunity requires the firm to consider alternatives in other types of business (Graham, Micheal & Jack, 2002).

Firms may also pursue an unrelated diversification strategy as a means of increasing the firm's growth rate and market share. Growth in sales may move the firm to assume a different market position as the case may be. Growth in sales may also make the company be more attractive to investors and give the executive more power and prestige. Unrelated diversification will be effective if the new area has growth opportunities greater than those available in the existing line of business. This will enable the firms to achieve growth in sales and invariably achieve increment in market share i.e. in the industry and to firm in totality. There is nothing stopping a company from diversifying into related and unrelated businesses at the same time.

(Ireland & Hoskisson, 2007). In actual practice, there are different reasons why organisation diversifies. Some diversified companies are really dominant in the industry where one major “core” business accounts for 50-80 percent of total revenues and a collection of small related or unrelated business accounts for the reminder (Montgomery, 1994). Some diversified companies are narrowly diversified around a few (two-five) related and unrelated businesses.While others adopt mixture diversification strategy, for example, Dangote Group of companies and Honeywell Group of companies. Lamont and Geiger (2004) averred that a number of multi-business enterprises have diversified unto related area but have a collection of related businesses within each area thus given them a business portfolio consisting of several unrelated groups of related businesses This suggests that there is ample room for companies to come up with their diversification strategies to incorporate elements of both related and unrelated diversification that may suit their own risk preferences and strategic vision.

Empirical Framework

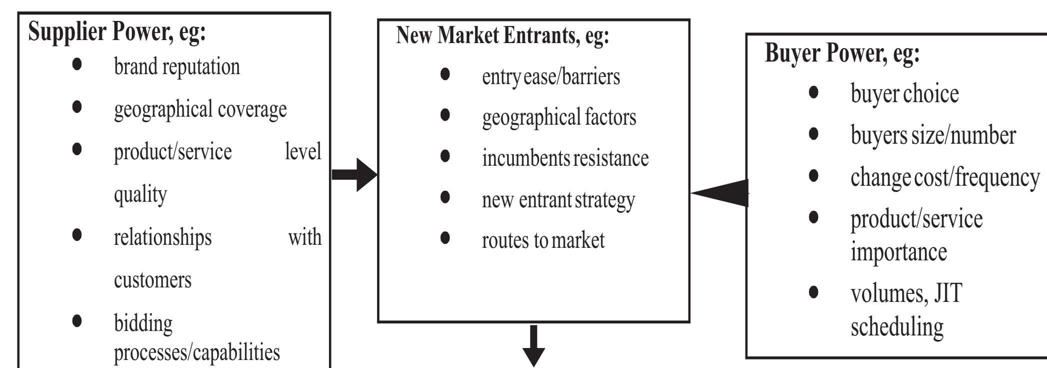
The aspect of organization market share is one of organization strategic plan. It means how a firm can increase sales, assets, and profit in an industry. It is about the position of a firm in an industry concerning the percentage of the sales it controls or has a share in that industry. The issue of market share is centered on competitive marketing strategy. Kotler (1980, 2004) opined that market share structure is based on the market position of the firm in an industry which can be divided into four market positions of (1) Market Leader (2) Market Challenger (3) Market follower and (4) Niches. This market position in an industry is as a result of a growth which Penrose (1959) described as an increase in size or an improvement in quality or as a result of a process in development in which an interacting series of internal challenges leads to increase in size accompanied by changes in the characteristics objects. Olomi (2004) says that when a number of products produced by the business increases, it means invariably that the market share of the firm is also increasing. One significant fact about market share position of a firm is that it gives them a 'market power' which Shepherd (1970) says is the ability of a market participant or group participant to influence price, quality, and the nature of product in the marketplace. Montgomery (1985) submit that diversification is a defensive move which will make a firm to enter new markets to avoid unattractive conditions or limited potential in their markets, thus moving from weakness to strength. Luxember & Stan (2004) are of the opinion that companies can achieve synergy in diversification by combing firms with complementary marketing, financial, operating or management efforts. Strategic fit could be achieved in operation by the combination of operating units to improve overall efficiency (Oyefesobi, 2013). Companies diversify for a host of reasons. It's a survival strategy (Absanto & Nnko, 2013).

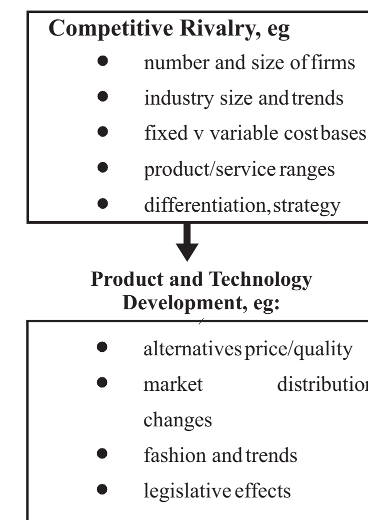
The potential benefits from diversification especially relatedness are that its drive firms efforts and solve the problem associated with assets redevelopment so that resources can be shared and the necessary synergy can be achieved (Ansoff, 1965; Biggadike, 1976; Chandler, 1962; Buono & Bowditch, 2009). Attaining some of the benefits of diversification requires cooperation combining varieties components of the firm, Management of the firm and various stakeholders (Oyefesobi, 2013). Diversification is a cooperate strategy of a company that intends to increase profit by increasing sales volume (Nalk, 2011) thus; increasing such firm market share so as to be able to achieve competitiveness in the industry.

Theoretical Framework

The Theoretical Framework of this study is anchored on Michael E. Porter's five competitive forces that shape competitiveness and market share dominance in an industry. These five forces model is centered on how a company can be competitive and attain market share leadership in an industry. Porter, is of the belief that two things determine the company's profitability, competitiveness and market share position; the industry in which it competes and its strategic position in the industry. Some industries have an inherently low market share and low-profit potential while others have high market share potential and highly profitable. The most profitable companies and with high market share have a strong competitive position in a highly profitable industry. The poorest and with low market shares have weak positions in weak industries. The Porters five forces tools is a simple but powerful tool for understanding where power lies in a business situation. This tool helps us to understand both the strength of our current competitive position and the strength of a position we are considering moving into.

Fig 2: Porter's Five Forces of Competitive Position.





Source: Chapman A. (2005), based on Michael Porter's Five Forces Competition Position model. www.businessballs.com.

3.0 Methods and Materials

The survey research was used in conducting this study. A Survey design was used because the four organizations selected were located in different locations in Ogun and Lagos States. Also, the questionnaire was the research instrument used for data collection from the field. The population for this study consisted of selected manufacturing industry operating in Lagos and Ogun States. The number of selected firms are twelve from which four were chosen as the sample size. The four chosen are Nigerian Bottling Company, May and Baker, United Africa Company and Lafarge WAPCO PLC. These companies were chosen based on their levels of diversification which are related, unrelated and mixture diversification strategy. Also, two sub-section of the manufacturing industry is the focus of this study. These are the consumable goods and industrial goods sub-sector.

Two hundred respondents were selected for this study. These are top management and middle-level management staff of those organizations. 50 respondents were selected from each of the four organizations. The 50 respondents represent 80.6%, 90.9%, 68.5% and 96.2% for NBC, M&B, UAC and Lafarge WAPCO respectively. The 200 sample size selected is also in conformity with Yamane ($n = {}^{N}+Ne^{2}$). The selected 50 samples from each firm were based on the premise that, diversification is a corporate strategy embarked upon by most firms so as to be competitive in an industry. The decisions for diversification are usually taken by top management and

implementation done by middle management. The research instrument used to collect data for this study is the questionnaire. The questionnaire for this study was structured in the following way. First, it was divided into two parts. The first part was made up of the respondents Bio-data. This was designed to elicit personal information about the respondents. The second part was made up of Questions designed to get the degree of the respondents' opinions on questions on the questionnaire. The validity and reliability of the research instrument were done through content validity and the Cronbach's coefficient alpha. The data collected for this study was described and interpreted through two inferential statistical tools of ANOVA and correlation coefficient. The SPSS computer software was used for the analysis. Two hypotheses were tested as stated below. The results of the hypotheses tested are as discussed below.

4.0 Results and Discussion

Hypothesis 1: There is no significant relationship between firm's diversification strategy and market share.

Objective 1: To evaluate the relationship between firm's diversification strategy and market share in the manufacturing industry.

Fig 3.1**: Inferential Analysis Using ANOVA**

		Sum of Squares	Df	Mean Square	F	Sig. V
Hypothesis 1	Between groups	4,934	3	1,645	1,474	0.02
	Within groups	215,209	193	1,115		
	Total	**220,142**	**196**			

Source: Field Survey, 2013

For hypothesis 1, there is no significant difference between the mean score of responses from the different groups, because the calculated value of 0.02 is less than the table value of 0.05 for ANOVA, that is (P<0.5). This implies that the hypothesis which states that Diversification has no positive effect on firm's market share in the manufacturing industry is rejected. This means that manufacturing firms can make

use of diversification strategy to increase their market share.

Hypothesis II: There is no significant relationship between diversification strategy and firm's market position in the manufacturing industry.

Objective: To investigate how diversification strategy can affect firms market position in the manufacturing industry.

Fig 3.2 Inferential Analysis Using ANOVA

		Sum of Squares	Df	Mean Square	F	Sig. V
Hypothesis 1	Between groups	3,259	3	1,086	0.435	0.04
	Within groups	202,185	174	1,162		
	Total	**205,444**	**177**			

Source: Field Survey, 2013

For hypothesis II, there is no significant difference between the mean score of responses from the different groups because the calculated value of 0.04 is less than the table value of 0.05 for ANOVA, that is (P<0.5). This indicates that the hypothesis which states that manufacturing firms cannot make use of diversification strategy to achieve or maintain good market position is not accepted. This means that manufacturing firms can make use of diversification to achieve a good market position in the manufacturing industry. Second Inferential Analysis Using Correlation Coefficient Analysis on Research Questions.

Fig 3.3: First research question says, does diversification facilitates increase in market share.

	Mean	Std	Correlation	P. Val
Diversification and Firms Market Share	1.645 4.78	1.18696 2.147	0.84	0.642

Source: Field Survey, 2013

This table shows the mean and standard deviation of the relationship between diversification strategy and market share. While the correlation is 0.84 and the probability value is 0.624. This shows that there is a strong positive relationship between diversification strategy and market share based on correlation value of 0.84 and P. values of 0.624.

Second Research Question says, does diversification affect market position of manufacturing firms.

	Mean	Std	Correlation	P. Val
Diversification and Firms Market Share	1.086 6.24	1.077536 0.936	0.78	0.72

Source: Field Survey, 2013

From the table above, the correlation of the relationship between diversification and market position is 0.78, the standard deviation is 0.936 and the probability value is 0.72. This shows that there is a strong positive relationship between diversification and firm's market position in the manufacturing industry based on correlation value of 0.78 and P. value of 0.72.

The first hypothesis of this study indicates that manufacturing firms can make use of diversification strategy to achieved good market share in the industry. This could be to achieve market leadership, market followership or market challenger. This finding corroborates the work of Amit and Livnat (1998), Faulkenbury (2011); and Lamont and Geiger (2004), that diversification strategy is a veritable tool for firms to expand their market share and obtain good market share opportunity in an industry. Findings from this study from hypothesis two also show that manufacturing firms can make use of diversification strategy to achieve a good market position in an industry especially in a competitive business environment as postulated by Fadipe (2009), Luxemburg and Stan (2004); and Nalk (2011).

Furthermore, this study has shown that there is a positive relationship between diversification strategy and firm market position and market share in the manufacturing industry where firms can diversify to seek to increase profitability through better sales volume which can be obtained from new product and new market. The findings of this study are supported by many single product firms in Nigeria for example; Nigerian Bottling Company Plc, started with a single product of carbonated soft drinks, but has diversified into production of table water, fruit juice, and other allied products. Similarly, May and Baker Pharmaceutical Plc was essentially a drug manufacturing firm but today has diversified unrelatedly into the production of foods especially noodles and other allied products. In the same vein, Dangote Group of Companies an indigenous firm has gone into mixture diversification producing various items from petroleum products to food product items and construction materials.

These three companies have continued to have and maintain good market share and good market positioning in their respective industries. Thus; becoming a market leader or a market follower as the case may be.

5.0 Conclusion and Recommendations

This study has reviewed and shown the importance of diversification as a strategic tool which firms can use to increase their market share and to maintain or achieve a vintage market position in the manufacturing industry. This study was specifically focused on the manufacturing industry. It has been seen that manufacturing firms need to add to their present operations and by implication capacities so that they can be able to expand their production facilities and inevitable increase their product range and brands. This will enable such firms to increase their market share and it will also enable them to achieve or and maintain good market position in the industry. This study, therefore, recommends that Manufacturing firms should engage on diversification strategy. This could be related, unrelated or mixture as the situation demands. Firms should always aim to increase their market share in the industry. This will enable them to be competitive in such industry. Achieving and maintaining vintage market position is very important to firms. This will enable them to be strategically positioned in the industry. This will also enable such firms to be positioned to counter any strategic move by competitors.

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APPLICATION OF GAP ANALYSIS MODEL TO SERVICE AND DELIVERY SYSTEM OF DUAL PURPOSE KEROSENE IN OSUN STATE, NIGERIA

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Abstract

Service delivery is a component of business that defines the interaction between providers and customers. Today, customers are looking for an alternative as a substitute to replace Dual Purpose Kerosene due to poor delivery and satisfaction derived from the product. Therefore, the study was conducted to apply Gap analysis model to Service and Product Delivery of Petroleum Product using major marketers of petroleum products in Osun State as a case study. The model was employed to reveal the gap between the performance of the organization in term of service and delivery of the product and the actual satisfaction derived by the customers in Osun state. The primary objective of this study is to examine the extent of customers' satisfaction or dissatisfaction for the product in Osun state. The Survey method was used to collect primary data through the administration of questionnaires on 395 respondents. Gap analysis model was used to analyze the formulated hypothesis. The finding revealed overall mean differences of DPK product delivery and satisfaction below average. The willingness to provide prompt service delivery to the customer at the right price, right time and right quantity fell below expectation. The study recommended that management needs to perceive critical gaps between expectations and actual performance and enhance customers' satisfaction through SERVQUAL components.

Keywords: Service delivery, Gap Analysis, SERVQUAL components and customer satisfaction.

1.0 Introduction

The ability of firms to bridge the gap between customers' expectation and actual satisfaction depends solemnly on effective chain distribution system and quality of the product. In the recent years, effective service delivery has taken a very high place in the management of customer relationship management today. Dall, Michael, Bailine & Adam (2004) state that the quality of customer service delivery has decreased in recent years, and this can be attributed to lack of effective chain distribution system. The distribution system is concerned with the positioning of resources at the right time, in the place, at the right cost and at the quantity (Alan, Croucher & Peter, 2010).