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# DOES PRODUCT DIFFERENTIATION STRATEGY INFLUENCE OUTPUT: AN ASSESSMENT OF FOOD, BEVERAGE AND TOBACCO MANUFACTURING FIRMS IN SOUTH-EAST, NIGERIA

<sup>1</sup> MBAH, Paulinus Chigozie, <sup>2</sup>EKECHUKWU, Chijioke, <sup>3</sup>EDE, Titus Eguji, <sup>4</sup>UGORJI, Onyedikachi Susan, <sup>5</sup>EGBUDU, Peter Chukwu

<sup>1</sup> Department of Business Administration, Faculty of Management Sciences, Enugu State University of Science and Technology, Enugu, Nigeria

<sup>2</sup> Department of Banking and Finance, Faculty of Management Sciences, Enugu State University of Science and Technology, Enugu, Nigeria

<sup>3</sup> Department of Sociology & Anthropology, Faculty of Social Sciences, Enugu State University of Science and Technology, Enugu, Nigeria

<sup>4</sup> Alex Ekwueme Federal University, Ndufu Alike

<sup>5</sup> Department of Business Administration, Faculty of Management Sciences, Enugu State University of Science and Technology, Enugu, Nigeria

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#### **ABSTRACT**

Firms are persistent rivals upon strengthening consumers' loyalty as each seek means of maintaining superior qualities of commodities. This prompted this study with an inquiry on whether product differentiation strategy influence output with food, beverage and tobacco firms within the South East of Nigeria as case study. Survey approach was adopted to source for data through personal interview and by administering questionnaire to management and staff of the firms. Data was presented and analyzed by mean score (3.0 and above agreed while below 3.0 disagreed) and standard deviation using Sprint Likert Scale. The hypotheses were analyzed using

F-statistics (ANOVA) tool. Results revealed that product differentiation strategy has positive effect on the number of purchases of manufacturing firms; the quantity of products produced and the improved level of production of the firms. It therefore recommends that organization should underline their products' unique attributes, features and value propositions to differentiate themselves from other competitors for the convenience of their customers.

#### 1. Introduction

Product differentiation strategy can be referred to as provision of different and superior quality of commodity/commodities by firm(s) that improve(s) consumers utility and as well strengthen consumers' loyalty. This, as demand is expected to increase, could lead to rise in profit and improvements in firm's performance. While cost strategy concerns principally on reducing production and distribution costs in order to widen profit margin, production differentiation accentuates individual aptitudes and distinctive proficiencies in comparison with the capabilities of rivals (Porter, 1998). Given the present-day circumstances of globalization, it therefore appears that firms could principally survive international competition when they tend to adopt particularly product differentiation strategy thereby establishing sustainable and competitive advantageous position in the global market.

With quite a lot of reports on the successes and failures of businesses across the globe particularly in a typical developing economy like Nigeria, it becomes pertinent to carry out an intensive and extensive inquiry on the strategy that could be leveraged on to ensure success. Consequently, this study attempts to make a case for product differentiation strategy by assessing its influence on the output of food, beverage and tobacco manufacturing firms in South-East Nigeria. This is apt particularly as most of indigenous firms operating in developing economies are aspiring to compete favourable with the multinationals. This implies that they (indigenous firms) are expected to adopt some unique production and marketing approach to be able to stand out with uncommon products in competition in the global sphere (Aashish, 2019; Anowor, Ukwueni, Ezekwem & Ibiam, 2013).

Product differentiation according to Williams (2019) offers consumers bases to demand for a particular firm's brands of products repeatedly and this increases the recall value of the firm's products, brand loyalty and subsequently builds up brand equity. In line with the above, production differentiation can be expressed typically as a marketing strategy that firms adopted to singularize its products or services from that of rivals. Product differentiation can be said to be successful when consumers are able to identify and communicate the exceptional qualities of a firm's products and/or services while highlighting the individual differences between the said products and/or services (Kopp, 2019; Anowor, Uwakwe & Chikwendu, 2019). Specifically, a firm's product may be highly differentiated on some features different from that of its rivals; more so, some differentiate their products based on performance with basis on power and professional credibility, while others differentiate their products to avert catastrophic competition (See: Adinan and Abukari, 2013; Onodugo, Nwonye, Anowor & Ofoegbu, 2019). This is in line with focusing on product value and

highlighting cost savings and durability of certain product in comparison with others (See also: Onodugo, Anowor, Ifedior & Aliyu, 2019; Luanne, 2019). Differentiation offers customization options on firm's product, as pointed by Acevedo (2017) as such set the firm's product apart from the offerings of generic competitors, put firm's product in convenient position as a differentiation strategy and offers their product by providing highest consumer value and features that are higher than what the rivals can offer.

Nigeria is endowed with marketing potentials given her sizable human and physical resources yet the results of output, turnover, revenue and profit of her firms are dismay performance possibly owing to uncoordinated actions with scrawny headway in the real sector. Whereas their counterpart in more developed countries as observed by Otokiti (2007) are on the positive trend. Possibly, firms particularly food, tobacco and beverage producing firms in the developing countries could tap into workable strategy that can ensure positive outcome hence a call for actionable research. Perception of satisfactory images of firms induce consumers to demand for their products and obliged sales representative defend the prices of their products and stimulate consumers towards demanding more product (Kotler & Singh, 1981). Against these backdrops, the study attempt to evaluate the effect of product differentiation strategy on the output of food, beverage and tobacco manufacturing firms in Southeastern Nigeria.

# 2. Brief Review of Literature

The relevance of a product is its immediate use. Therefore, a product must be functionally able to efficiently serve the purpose for which it was produced (Bennett, 2019). Production positioning is the process marketers use to determine how to best communicate their products' attributes to their target customer based on their needs, available communication channels, carefully crafted key messages and competitive pressures (Leigh, 2019; Agbarakwe, Anowor, & Ikue, 2018). Three of Porter's generic strategy are: differentiation, cost leadership and focus. A firm purses a differentiation strategy when it attempts to become unique in the industry by offering those products which her customers value. There are specific areas where a firm can differentiate her products such as the quality, reliability, price, looks, brand image, location, promotion and marketing, distribution channels, and post-sale support (Hart, 2019). Product differentiation is very imperative to survival of firms because persistent competition has drawn a kind of thick line among different players in the market. This has therefore made it necessary for firms to make their customers understand what each can offer differently (Pahwa, 2019).

Adopting a descriptive research design to investigate the effect of product differentiation on profitability in petroleum industry in Ghana, Adinan and Abukari (2013) found that differentiation is not profitable in for the industry rather other factors could be responsible for that. The study therefore recommended that the firms within the industry make concerted effort to improve upon existing product and also create awareness on their products.

Rukia, Elegwa, John and Waiganjo (2015) anchoring on Porter's competitive business strategy typology adopted descriptive and explanatory research design

to analyze the effect of differentiation strategy on the performance of manufacturing firms in Nairobi Kenya. Result showed there is a positive relationship between product differentiation strategy and firms' performance. They concluded that manufacturing firms interested in enhancing their performance and staying ahead of co-competitors should pursue differentiation strategy. The study further recommended that cluster analysis should be done to ascertain which firm should adopt differentiation strategy, low cost strategy, focus, mixed strategy or stuck in the middle.

Analyzing the influence of product differentiation in achieving competitive advantage of a firm (EABL) in Kenya, Maina and Wairimu (2016) employed a semi-structured questionnaire to collect primary data; the result of the regression analysis showed that there has been product differentiation strategy in EABL where observable characteristics of a product that are relevant to consumers' preferences and choice processes are met. They recommended that strategic leadership of an organization should consider adopting product differentiation as they are the most dominant generic strategy adopted by related organizations.

#### 3. Data

The data collected consists of human population of registered and classified food, beverage and tobacco manufacturing firms operating within South-East geographical region of Nigeria. Summation of data from these manufacturing showed there is a total of Nine Thousand Three Hundred and Thirteen (9313) employees. These firms are certified by National Agency for Food and Drug Administration and Control (NAFDAC), Standard Organization of Nigeria (SON), and Consumer Protection Council (CPC). They also have high strength and operate on high ethical standards.

Survey approach was adopted to source for data through personal interview and by administering questionnaire to management and staff of the firms.

A sample size of 975 was chosen out of the total population (9313) after applying the Freund and William's formula for the determination of adequate sample size. Out of which 801 questionnaires were accurately filled and returned. This figure (801) represents 82% response rate. The validity of the instrument was tested using content analysis and the result was good (79.8%). The reliability was tested using the Pearson correlation coefficient (r). It gave a reliability co-efficient of 0.84 which was also good. Data was presented and analyzed by mean score (3.0 and above agreed while below 3.0 disagreed) and standard deviation using Sprint Likert Scale. The hypotheses were analyzed using F-statistics (ANOVA) tool.

# **Data Presentation and Analysis**

Research question one. What is the effect of offering higher customer value on the number of customer purchases?

Table 1: Responses to research question one: on the effect of offering

higher customer value on the number of customer purchases.

| nigher customer value on the number of customer purchases. |     |     |     |     |     |                         |              |     |         |
|--|-----|-----|-----|-----|-----|-------------------------|--------------|-----|---------|
|  | 5   | 4   | 3   | 2   | 1   | $\sum \mathbf{F}$       | -            | SD  | Decisio |
|  | SA  | A   | N   | DA  | SD  | $\overline{\mathbf{X}}$ | $\mathbf{X}$ |     | n       |
| Meeting unique requirement                                 | 120 | 161 | 393 | 354 | 60  | 253                     | 3.2          | 0.4 | Agree   |
| in our firms make a repeated                               | 24  | 2   | 131 | 177 | 60  | 9                       |              | 9   |         |
| purchase.  |     | 403 |     |     |     | 801                     |              |     |         |
|  |     |     |     |     |     |                         |              |     |         |
| The level of inventory                                     | 130 | 162 | 390 | 350 | 64  | 255                     | 3.2          | 0.3 | Agree   |
| management in our firms                                    | 26  | 4   | 130 | 175 | 64  | 8                       |              | 6   |         |
| creates wealth.  |     | 406 |     |     |     | 801                     |              |     |         |
|  |     |     |     |     |     |                         |              |     |         |
| Quality manufacturing                                      | 110 | 700 | 501 | 204 | 7   | 251                     | 3.1          | 0.3 | Agree   |
| answers for its potential                                  | 0   | 175 | 167 | 102 | 7   | 2                       |              | 2   |         |
| customers for our firm.                                    | 220 |     |     |     |     | 801                     |              |     |         |
|  |     |     |     |     | - 4 |                         |              |     |         |
| Attention on product                                       | 156 | 312 | 492 | 370 | 61  | 280                     | 3.5          | 0.4 | Agree   |
| expertise offers better                                    | 5   | 78  | 164 | 185 | 61  | 0                       |              | 0   |         |
| quality than our competitors.                              | 313 |     |     |     |     | 801                     |              |     |         |
|  |     |     |     |     |     |                         |              |     |         |
| The level of our delivery                                  | 790 | 956 | 501 | 186 | 144 | 257                     | 3.2          | 0.3 | Agree   |
| performance showcases our                                  | 158 | 239 | 167 | 93  | 144 | 7                       |              | 1   |         |
| unique strategy in service.                                |     |     |     |     |     | 801                     |              |     |         |
| Total grand mean and                                       |     |     |     |     |     |                         | 3.2          | 0.3 |         |
| standard deviation   |     |     |     |     |     |                         |              | 8   |         |

Source: Field Survey, 2019

From the table, it showed that meeting unique requirement in the firms makes repeated purchases with mean score of 3.2 and standard deviation of 0.49. The level of inventory management in the firms creates wealth with mean score of 3.2 and standard deviation of 0.36. Quality manufacturing answers for its potential customers for the firms with mean score of 3.1 and standard deviation of 0.32. Attention on product expertise offers better quality than the competitors with mean score of 3.5 and 0.40. The level of delivery performance showcases the firms' unique strategy in service with a mean score of 3.2 and standard deviation of 0.31.

Research Question Two. What is the effect of offering customization options on the quantity of products produced?

Table 2: Responses to research question two on the effect of offering

customization options on the quantity of products produced.

|    | customization options on the quantity of products produced.   |             |             |            |            |          |             |              |      |          |
|----|---|-------------|-------------|------------|------------|----------|-------------|--------------|------|----------|
|    |   | 5           | 4           | 3          | 2          | 1        | $\sum$ FX   | -            | SD   | Decision |
|    |   | SA          | A           | N          | DA         | SD       | _           | $\mathbf{X}$ |      |          |
| 6  | Customization attracts for more products in our firm which increases production.  | 1840<br>368 | 104<br>26   | 510<br>170 | 370<br>185 | 52<br>52 | 2876<br>801 | 3.6          | 0.46 | Agree    |
| 7  | Product customization creates opportunity for different business enjoyment of higher percentage revenue.                | 995<br>199  | 948<br>237  | 378<br>126 | 368<br>184 | 55<br>55 | 2744<br>801 | 3.4          | 1.08 | Agree    |
| 8  | The changing products create chances of matching local market conditions.   | 385<br>77   | 1308<br>327 | 489<br>163 | 354<br>177 | 57<br>57 | 2593<br>801 | 3.2          | 1.06 | Agree    |
| 9  | Product customization is<br>the best instruments to<br>understand what the<br>customer want and it<br>increases output. | 370<br>74   | 1652<br>413 | 312<br>104 | 429<br>143 | 67<br>67 | 2830<br>801 | 3.5          | 0.38 | Agree    |
| 10 | The free publicity through offering customization options increases the volume of sales.                                | 360<br>72   | 1632<br>408 | 309<br>103 | 294<br>147 | 71<br>71 | 2659<br>801 | 3.3          | 0.41 | Agree    |
|    | Total grand mean and standard deviation   |             |             |            |            |          |             | 3.4          | 0.68 |          |
|    | stanuaru utvianon   |             |             |            |            |          |             |              |      |          |

Source: Field Survey, 2019

From the table, it showed that customization attracts more products to the firm which increases production with mean score of 3.6 and standard deviation of 0.46. Product customization creates opportunity for different business enjoyment of higher percentage revenue with 3.4 agrees of mean score and standard deviation of 1.08. The changing products create chances of matching local market conditions with 3.2 mean score and 1.06 standard deviation. 3.5 agree mean average supports that Product customization is the best instruments to understand what the customer want and it increases output with standard deviation of 0.38. The free publicity through offering customization options increases the volume of sales with mean score of 3.3 and standard deviation of 0.41.

Research Question Three. What is the effect of positioning for customers' convenience on the improved level of production?

Table 3: Responses to Research Question Three: on the effect of positioning for customers' convenience on the improved level of production.

|    | produc  |             |             |            |            |            |             |        | ~~~  |          |
|----|---|-------------|-------------|------------|------------|------------|-------------|--------|------|----------|
|    |   | 5<br>SA     | 4<br>A      | 3<br>N     | 2<br>DA    | 1<br>SD    | ∑FX         | -<br>X | SD   | Decision |
| 11 | The products and services are close to our customers when needed which increases more output. | 1105<br>221 | 984<br>246  | 375<br>125 | 178<br>89  | 120<br>120 | 2762<br>801 | 3.5    | 0.36 | Agree    |
| 12 | Our goods and services are portable which compels customers to patronize more.                | 1430<br>286 | 716<br>179  | 366<br>122 | 298<br>149 | 65<br>65   | 2875<br>801 | 3.6    | 0.45 | Agree    |
| 13 | The time-<br>saving for our<br>customers<br>increases the<br>number sales.                    | 980<br>196  | 1060<br>265 | 369<br>123 | 172<br>86  | 131<br>131 | 2712<br>801 | 3.4    | 0.45 | Agree    |
| 14 | The effective use or our product attracts more buyers.  | 1150<br>230 | 1020<br>255 | 318<br>106 | 332<br>166 | 44<br>44   | 2864<br>801 | 3.6    | 0.17 | Agree    |
| 15 | The beautiful packaging of our product brings in close customers.                             | 430<br>86   | 1500<br>375 | 390<br>130 | 316<br>158 | 52<br>52   | 2688<br>801 | 3.4    | 0.17 | Agree    |
|    | Total grand<br>mean and<br>standard<br>deviation  |             |             |            |            |            |             | 4.5    | 0.32 |          |

Source: Field Survey, 2019

From the table, it showed that the products and services are close to firms' customers when needed which increases more output with mean score of 3.5 and standard deviation of 0.36. Goods and services are portable which compels customers to patronize more with 3.6 agree of mean score and standard deviation of 0.45. The time-saving for firms' customers increases the number sales with 3.4 mean score and 0.45 standard deviation. Mean average of 3.6 supports that the effective use or our product attracts more buyers with standard deviation of 0.17. The beautiful packaging of our product brings in close customers with mean score of 3.4 and standard deviation of 0.17.

# **Test of Hypotheses**

Hypothesis One: Offering of higher customer value has positive effect on the number of purchases of food, beverage and tobacco manufacturing firms in the South East of Nigeria.

Table 4: Z – test on Offering of higher customer value has positive effect on the number of purchases of food, beverage and tobacco manufacturing firms in South East, Nigeria

|                       |               | Offering of higher customer  |
|-----------------------|---------------|------------------------------|
|                       |               | value has positive effect on |
|                       |               | the number of purchases of   |
|                       |               | food, beverage and tobacco   |
|                       |               | manufacturing firms in South |
|                       |               | East, Nigeria.               |
| N                     |               | 801                          |
| Normal Parameters     | Mean          | 3.3892                       |
|                       | Std Deviation | 1.282                        |
| Most Extreme          | Absolute      | 0.311                        |
| Most Extreme          | Positive      | 0.311                        |
| Differences           | Negative      | -0.214                       |
| Kolmogorov-Smirnon Z  |               | 13.143                       |
| Asymp. Sig.(2-tailed) |               | 0.000                        |

- a. Test distribution is Normal
- b. Calculated from data

### **Decision Rule**

If the calculated Z-value is greater than the critical Z-value (i.e  $Z_{cal} > Z_{critical}$ ), reject the null hypothesis and accept the alternative hypothesis accordingly.

#### Result

With Kolmogorov-Smirnon Z – value of 13.143 and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed

This affirms the assertion most of the respondents that Offering of higher customer value has positive effect on the number of purchases of food, beverage and tobacco manufacturing firms in the South East of Nigeria.

#### Decision

Comparing the calculated Z- value of 13.143 against the critical Z- value of 2.18 (2-tailed test at 95% level of confidence) the null hypothesis was rejected. Thus, the alternative hypothesis was accepted which states that Offering of

higher customer value has positive effect on the number of purchases of food, beverage and tobacco manufacturing firms in the South East of Nigeria.

Hypothesis Two: Customization options have positive effect on the quantity of products produced of food, beverage and tobacco manufacturing firms in the South East of Nigeria.

Table 5: Z – test on Customization options have positive effect on the quantity of products produced of food, beverage and tobacco manufacturing firms the South East of Nigeria.

|                       |               | Customization options have positive effect on the quantity of products produced of food, beverage and tobacco manufacturing firms |
|-----------------------|---------------|---|
| N                     |               | 801   |
| Normal Parameters     | Mean          | 3.387   |
|                       | Std Deviation | 1.226   |
| Most Extreme          | Absolute      | 0.287   |
| Most Extreme          | Positive      | 0.287   |
| Differences           | Negative      | -0.202  |
| Kolmogorov-Smirnon Z  | _             | 14.526  |
| Asymp. Sig.(2-tailed) |               | 0.000   |

- a. Test distribution: Normal
- b. Computed from research data

#### **Decision Rule**

If the calculated Z-value is greater than the critical Z-value (i.e  $Z_{cal} > Z_{critical}$ ), reject the null hypothesis and accept the alternative hypothesis accordingly.

#### Result

With Kolmogorov-Smirnon Z – value of 14.526 and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed.

This affirms the assertion of most of the respondents that customization options have positive effect on the quantity of products produced of food, beverage and tobacco manufacturing firms in the South East of Nigeria.

#### **Decision**

Comparing the calculated Z- value of 14.526 against the critical Z- value of 2.18 (2-tailed test at 95% level of confidence) the null hypothesis was rejected. Thus, the alternative hypothesis was accepted which states that customization options have positive effect on the quantity of products produced of food, beverage and tobacco manufacturing firms in the South East of Nigeria.

Hypothesis Three: Positioning for customers' convenience has positive effect on the improved level of production of food, beverage and tobacco manufacturing firms in the South East of Nigeria

Table 6: Z – test on positioning for customers' convenience has positive effect on the improved level of production of food, beverage and tobacco manufacturing firms in the South East of Nigeria

| manufacturing firms in the South East of Nigeria |               |                                 |  |  |  |  |
|--|---------------|---------------------------------|--|--|--|--|
|  |               | Positioning for customers'      |  |  |  |  |
|  |               | convenience has positive        |  |  |  |  |
|  |               | effect on the improved level of |  |  |  |  |
|  |               | production of food, beverage    |  |  |  |  |
|  |               | and tobacco manufacturing       |  |  |  |  |
|  |               | firms.                          |  |  |  |  |
|  |               |                                 |  |  |  |  |
| N  |               | 801                             |  |  |  |  |
| Normal Parameters                                | Mean          | 3.471                           |  |  |  |  |
|  | Std Deviation | 1.353                           |  |  |  |  |
| Most Extreme                                     | Absolute      | 0.299                           |  |  |  |  |
| Most Extreme                                     | Positive      | 0.299                           |  |  |  |  |
| Differences                                      | Negative      | -0.215                          |  |  |  |  |
| Kolmogorov-Smirnon Z                             |               | 22.429                          |  |  |  |  |
| Asymp. Sig.(2-tailed)                            |               | 0.000                           |  |  |  |  |

- c. Test distribution: Normal
  - d. Computed from research data

#### **Decision Rule**

If the calculated Z-value is greater than the critical Z-value (i.e  $Z_{cal} > Z_{critical}$ ), reject the null hypothesis and accept the alternative hypothesis accordingly.

#### Result

With Kolmogorov-Smirnon Z – value of 22.429 and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed.

This affirms the assertion of most of the respondents that positioning for customers' convenience has positive effect on the improved level of production of food, beverage and tobacco manufacturing firms in the South East of Nigeria.

#### Decision

Comparing the calculated Z- value of 22.429 against the critical Z- value of 2.18 (2-tailed test at 95% level of confidence) the null hypothesis was rejected. Thus, the alternative hypothesis was accepted which states that positioning for customers' convenience has positive effect on the improved level of production of food, beverage and tobacco manufacturing firms in the South East of Nigeria.

# 4. Discussion of Findings

From the result of hypothesis one, comparing the calculated Z- value of 13.143 against the critical Z- value of 2.18 (2-tailed test at 95% level of confidence) the null hypothesis was rejected. Thus, offering of higher customer value has positive effect on the number of purchases of food, beverage and tobacco manufacturing firms in the South East of Nigeria. In support of the hypothesis, Adinan and Abukari (2013) asset that product differentiation is pervasive in

markets. It is at the heart of structural empiricism and it smooth jagged behavior that cause paradoxical outcomes in several theoretical models.

From the result of hypothesis two, comparing the calculated Z- value of 14.526 against the critical Z- value of 2.18 (2-tailed test at 95% level of confidence) the null hypothesis was rejected. Thus, the alternative hypothesis was accepted which states that customization options have positive effect on the quantity of products produced of food, beverage and tobacco manufacturing firms. In line with the hypothesis, differentiation is one of the strategies that firms employ in an attempt to gain a competitive advantage through enhancing the remarked value of their commodities vis-à-vis the commodities of rival firms (Achayo, 2018).

From the result hypothesis, comparing the calculated Z- value of 22.429 against the critical Z- value of 2.18 (2-tailed test at 95% level of confidence) the null hypothesis was rejected. Thus, the alternative hypothesis was accepted which states that positioning for customers' convenience has positive effect on the improved level of production of food, beverage and tobacco manufacturing firms. In line with hypothesis, brand positioning seeks to draw closer relationship or intimacy between the firm and the target segment in order to deliver superior value to satisfy the customers and gain their loyalty (Keller; 2009).

#### 5. Conclusion.

The study concluded that product differentiation strategy has positive effect on the number of purchases of manufacturing firms; the quantity of products produced and the improved level of production of the firms. Product differentiation strategies are the well-thought out and purposeful set of actions you take to highlight aspects of your product or service that are unique and most relevant to your customer. Manufacturing firms that use a product differentiation strategy that focuses on the cost value of the product versus other similar products on the market, it creates a perceived value among consumers and potential customers. A strategy that focuses on value highlights the cost savings or durability of a product in comparison to other products. The product differentiation strategy also allows business to compete in areas other than price.

#### 6. Recommendations

The following recommendation are proffered as a result of major findings of this study:

- 1. Offering higher customer value should be encouraging to help firm to develop product differentiation strategies according to the actual needs of customers thereby increasing customer loyalty and satisfaction. This implies that an increase in product differentiation strategies through specific product attributes relevant to the competitors and variety of product to match the need of various customers would result to increase in performance.
- 2. Organization should provide customization to allow customer design certain features of a product that while keep costs closer to that of mass-

- produced products for its flexibility that will allows the client to mix and match options to create a semi-custom final product.
- 3. Organization should underline their products' unique attributes, features and value propositions to differentiate themselves from other competitors for the convenience of their customers.

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