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Customers Bargaining Power and its Impingements on Market Share of Firms' in the Nigerian Beverage Industry

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Abstract—*This study investigates the impingement of customers bargaining power on the market share of beverages firms in Nigeria. Across-sectional survey design method was adopted with self-administered questionnaires that wereused to gather data from respondents who were management and non management staff of three selected beverages companies in Oyo and Ogun states Nigeria. Sample size of four hundred and seventy-one respondents was drawn from the population. Having tested the formulated hypothesis using person product moment correlation at 0.05 significance level, the finding revealed that there is a significant positive relationship between customers bargaining power and the market share of beverages firms in Nigeria. Informed by this finding, the study recommended that Nigerian beverages firms need to be committed to maintaining a cordial relationship with their customers and avoid possible conflict in both short and long-run. The firms also need to professionally maintain the synergy between itself and the customers so as to enjoy competitive advantage over other rivals.*

Keywords—*Customers Bargaining Power, Market Share, Competitive Advantage, Beverage Industry*

I. INTRODUCTION

The major task of business is the creating and developing of customers. A business can exist only because of its customers. Customers are the people who pay money to acquire or buy an organization's products in the form of goods and services. Monitoring the customer's behaviour is a prerequisite for the business success. A consumer is the one who will ultimately use the company's products and services. Organizations may have different kinds of customers. They are: Individual, Households, Industries, Other commercial establishments, Governments and Other institutions. In accordance with the view of Drucker (2011) the objective of business is to create and retain customers. In the view of Vonhippel (2015) many organizations have well defined organized systems in keeping up with their customers they establish formal contacts asking them for feedback about the quality of their products and services. Vonhippel (2015)

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further maintains that in some industries, as much as 80 percent of all important innovation has originated with users. It is management responsibility to see that the interest of consumers is protected 'the customers is always right'' has proved to be good policy for initiating sales and keeping the customers.

If an organization depends on a single customer it is often much difficulty and risky task and these may place the organization in a poor bargaining position, apart from the risk of losing business which may result in the winding up of business by the customer or due to the customers switching over to the competitors of the organization. The strategic choice of the customer segments should be made by considering a number of factors including the relative profitability, dependability, and stability of demand, growth prospects and the extent of competition. Firms should know about who are their customers, expectations and buying patterns (Lan &Chris, 2003). Customers are said to be more satisfied if their suppliers are able to meet and fulfill their orders within the required time (Widing, 2003). The desire to satisfy the customers according to (Wang, 2007) makes the supply chain members to keep buffer (safety) stocks. The organization also enters into long-term relationships (which require trust and commitment) with their suppliers to secure sustainability in supplies.

Wang (2007) avers that customers are more satisfied if the time taken to deliver their products is less than the time they are willing to wait once they have placed an order. Flexibility is paramount in meeting the delivery deadlines (Gunasekara, Patel &Tritiroglu, 2001) and therefore information sharing is required to enable the members of the supply chain to meet specified delivery dates by the customers (Ellram, 1999). A study carried out by Yin-mei (2013) shows that effective customer delivery influences customer satisfaction and service quality. Zerbini, Caru and Cugini (2007) assert that customer satisfaction is one of a firm's milestones towards profitability.

The main focus of companies today is to satisfy the customer which has an impact on the competitiveness of an enterprise (Rad, 2008). Customers' expectations according to (Howgego, 2002) are largely dependent on the flexibility of the supply chain partners. Every firm needs customers therefore, companies marketing plan should be able to attract and keep customers with products that meet customers'/consumers' needs. It is always important to consider customers' and competitors' responsiveness to the changes. An organization must match the changing needs of customers because of new or improved products in today constantly changing business environment. The basic reason for the very existence of any business is making profits and profits are created by customer. Hence knowledge about the customer's needs and fulfilling these needs is an organization's primary concern; an organization must continuously in terms of any changes in customers' needs.

In Nigeria, Firms in the beverages industry are facing intense customers' services pressures than before. (Smith, Bolton, & Wagner,1999). This is to say that, the organization's response can have the potentials either to restore customer satisfaction and reinforce loyalty or inflict more lasting damage on the organization's image. (Smith *et al.*, 1999). The increasing competition in the Nigerian beverages industry is making more and more customers to gain additional bargaining powers because there are varieties; and they have choice and options to buy from whosoever companies they intend. The customers do evaluate service encounters on three dimensions example: outcome (benefits customers receive as a result of the encounter), procedure (organization's policies and methods that guide the encounter), and interaction (quality of the interpersonal treatment and communication during the encounter) (Smith et al., 1999). Customers' responsiveness is an important managerial task in organizations today. These factors can have a

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direct impact on the business operations and success because the today's market share of firms in a fierce industry depends largely on how customers react (Homburg, Grozdanovic & Klarmann, 2007). Businesses needs customers, therefore a firm's marketing plan should be able to attract and retain customers with products that meet their wants and needs and good customer service (Homburg et al., 2007; Simsek, Veiga, and Lumbatkin, 2007; Pehrsson, 2008). Going by the above, it therefore became imperative for a study to unravel the effect of bargaining power of customers on firms' market share in the Nigerian beverages industry. Hence, it is hypothesized that:

H_A: bargaining power of customers has significant positive relationship with firms' market share in the Nigerian beverages industry

II. REVIEW OF LITERATURE

2.1 Industry Analysis: Analyzing the Environment

Wheelen and Hunger (2010) opine that Corporation scanning of the environment includes analyses of all the relevant elements of the task environment, an examination of important stakeholders groups, such as suppliers and customers, in a particular business's task environment is part of industry analysis. In the view of porter's approach to industry analysis cited in Wheelen and Hunger (2010) 'the level of this intensity is determined by basic competitive forces'' he contends, 'determines the ultimate profit potential in the industry, where profit to potential is measured in terms of long –run return on invested capital.'' In carefully scanning its industry, organizations must assess the importance to its success of each of five forces: threat of new entrants, rivalry among existing firms, threat of substitute products or services, bargaining power of buyers, and bargaining power of suppliers. The stronger each of these forces, the more limited companies are in their ability to raise prices and earn greater profits.

Wheelen and Hunger (2010) maintain that a high force can be regarded as a threat because it is likely to reduce profits. A low force, in contrast, can be viewed as an opportunity because it may allow the company to earn greater profits. In short run, these forces act as constraints on a company's activities. In long –run, however, it may be possible for a company, through its choice of strategy, to change the strength of one or more of the forces to the company's advantage.

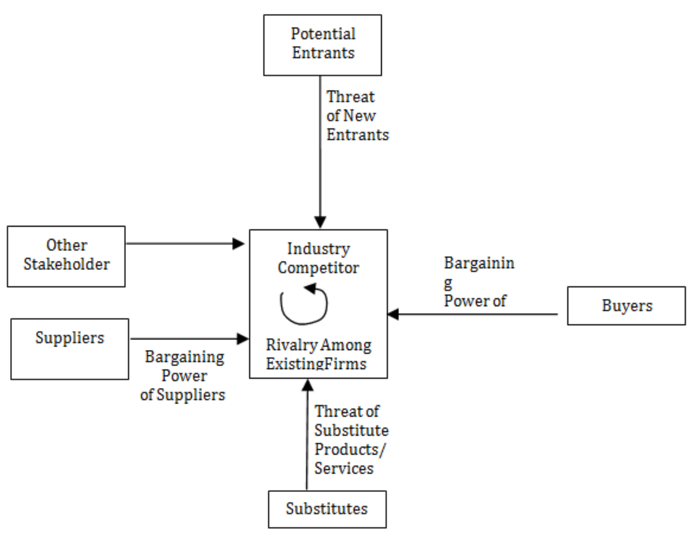

Fig.1: Industry Analysis: Analyzing the Task Environment

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Source: Wheelen& Hunger (2010), *Strategic Management and Business Policy: Achieving Sustainability 12th edition*.USA: New Jersey Prentice Hall.

The Threat of New Entrants

New entrants to industry typically bring to it new capacity, a desire to gain market share, and substantial resources, they are, therefore, threats to an established corporation. The threat depends on the presence of entry barriers and reaction that can be expected from existing competitors.

Rivalry among Existing Firms

In most industries, corporations are mutually dependent. A competitive move by one firm can be expected to have a noticeable effect on its competitors and thus may cause retaliation. In view of Porter cited in Wheelen and Hunger (2010) intense rivalry is related to the presence of several factors, Including: numbers of competitors, rate of industries growth, product or service characteristics, amount of fixed cost, capacity and diversity of rivals.

Threat of Substitute Products and Services

A substitute product is a product that appears to be different but can satisfy the same need as another product. Sometimes a difficult task, the identification of possible products or services means searching for products or service that can perform the same function, even though they have a different appearance and may not appear to be easily substitutable.

Bargaining Power of Buyers

Buyers affect an industry through their ability to force down the price, bargain for higher quality or more services, and play competitors against each other.

Bargaining Power of Suppliers

Suppliers can affect an industry through their ability to raise price or reduce the quality of purchased goods and service. A supplier is powerful if the suppliers industry is dominated by a few companies, but sells to many. A higher supplier bargaining power constitutes a positive feature for the existing firms or new entrant of an industry. A low supplier bargaining power prevents a firm from passing on its cost increase to the buyers to make the buyers accept a lower quality of product and service at a high price

2.2. Concept of Market Share

Market share is the percentage of a market (defined in terms of either units or revenue) accounted for by a specific entity (Farris, Neil, Phillip, &David,2010). Market shares command the attention of business managers as key indices for measuring the performance of a product or brand in the marketplace. Many individuals in business indeed keep a close watch over day-by-day changes in market shares, so much so that market-share movement to them is almost synonymous to market information (Cooper & Nakanishi 2008). Marketers need to be able to translate and incorporate

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sales targets into market share because this will demonstrate whether forecasts are to be attained by growing with the market or by capturing share from competitors. The latter will almost always be more difficult to achieve. Market share is closely monitored for signs of change in the competitive landscape, and it frequently drives strategic or tactical action (Armstrong, Kesten,& Greene, 2007). Increasing market share is one of the most important objectives of business. The main advantage of using market share as a measure of business performance is that it is less dependent upon macro environmental variables such as the state of the economy or changes in tax policy (Grünberg, 2004). Gaining market share can be a means of obtaining profits. While one cannot develop precise prescriptions for gaining market share in complex and dynamic Environments, a stylized model can provide a reference point for evaluating what to do in more complex situations .In the last ten years, it has become something of a dogma in the theory and practice of strategic management at least in popular simplifications of it, that maximizing one's market share is always to maximize one's profits. In this era of intense competition, both world-wide and domestic, business firms of all sizes and varieties have become more and more concerned with the market-share figures they achieve in the marketplace (Cooper & Nakanishi, 2008)

2.3. Theoretical Anchor: Porter's Five Forces Theory

This theory anchored on Porter's Theory (Porter, 2008). The justification of adopting this theory is strengthened by the obvious fact that the theory made a theoretical exposition of the bargaining power of customers which is the most significant dimension of the variable of this study. Porter's 5 forces theory shows the competitive environment of a firm. It is a strategic watch to avoid putting the competitive edge at risk and ensure the long-term profitability of products. For the company, this vision is quite important because it allows the firm to orientate its innovations in terms of choice of strategies and investments. The profitability of businesses within the industry sector depends on the following forces.

III. METHODS

This study adopted a descriptive survey method. The study domiciled its activity in Oyo and Ogun States, Nigeria. The target population of the study includes the management staff and non management staff of the selected beverage firms which are: Nigerian Bottling Company,Asejire, Ibadan Oyo State; Rite Foods Ltd, Ososa, Ijebu Ogun State;and 7up Plc, Oluyole, Ibadan Oyo State.These manufacturing firms are purposively selected because they have sizeable workforce and due to their relatively thriving performance in the Nigerian beverages industry. The total population of staff of the selected firms was 1042. Sample size of 471 was drawn using Cochran statistics formula. Convenience sampling technique was adopted to select the respondents from the population. A well-structured close-ended questionnaire was used for the data collection. The 5-point likert scale with: SA – Strongly Agree, A – Agree, U – Uncertain, D – Disagree, SD – Strongly Disagree was used to develop the answer options for the questionnaire. Descriptive statistics were used to analyze the responses of respondents while formulated hypothesis was tested with product moment correlation coefficient.

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IV. RESULTS AND DISCUSSION

During the course of the study, four hundred and seventy one (471) copies of the questionnaires were distributed to the respondents distributed among the firms and four hundred and sixty eight (468) were returned and were validly filled. The average return rate yielded 99.4%. This is acceptable and justifies the use of the data for further analysis.

Table 1: The relationship between the bargaining power of customers and firms' market share

Items	**SD (1) No.(%)**	**D(2) No.(%)**	**U(3) No. (%)**	**A(4) No.(%)**	**SA(5) No. (%)**	**Total**	**Mean**	**S.D**
Organizations achieve high market share through product development.	52 (11.1%)	36 (7.7%)	2 (0.4%)	159 (34.0%)	219 (46.8%)	468 (100%)	**3.97**	**1.77**
The organization increases market share through innovation and by strengthening customer relationship.	45 (9.6%)	54 (11.6%)	0 (0%)	147 (31.4%)	222 (47.4%)	468 (100%)	**3.95**	**1.76**
Changes in market share often have a large impact on the performance of the organization.	61 (13.0%)	40 (8.5%)	4 (0.8%)	201 (42.9%)	162 (34.6%)	468 (100%)	**3.77**	**1.66**
Customers expand market share using the bargaining power in their possession.	22 (4.7%)	39 (8.3%)	0 (0%)	222 (47.4%)	185 (39.6%)	468 (100%)	**4.08**	**1.82**
The company products affect the customers' needs.	58 (12.4%)	39 (8.3%)	5 (1.1%)	199 (42.5%)	167 (35.7%)	468 (100%)	**3.81**	**1.80**
TOTAL	238 (10.2%)	208 (8.8%)	11 (0.5%)	928 (39.7%)	955 (40.8%)	2340 (100%)	**3.92**	**1.75**

Source: Fieldwork, 2019.

The statistical information in table 1 shows that 446(19.0%) of the respondents fall into the disagreement category, 1517(80.5%) fall into the agreement category while 11(0.5%) fall into the undecided category. This entails that on the average (3.92+1.75), respondents assert that there is a positive relationship between bargaining of customer and firm's market share.

The illustration below is the restatement of the hypothesis.

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H_O: There is no significant positive relationship between the bargaining power of customer and firm's market share.

H_A: There is a significant positive relationship between the bargaining power of customer and firm's market share.

Table 2: Correlation

		Customers Bargaining Powers	Market Share
Customers Power	Pearson Correlation	1	.661
	Sig. (2-tailed)		.003
	N	468	468
Market Share	Pearson Correlation	.661	1
	Sig. (2-tailed)	.003	
	N	468	468

Source: Analysis of Field Data 2019

The Pearson correlation analysis was carried out to ascertain the relationship between bargaining power of customers and firm's market share. The Pearson correlation table yielded a correlation coefficient of 0.661. This practically entails that there exists a positive correlation between bargaining power of customers and firm's market share at the magnitude of 66.1%. The probability values associated with the correlation analysis shows that the probability values at 2 tailed tests yielded p = 0.003. Since the p = 0.003 is less than 0.05, we are compelled to accept the alternative hypothesis that there is a significant positive relationship between bargaining power of customers and firms competitive advantage.

The hypothesis was focused on testing if there is a positive relationship between the bargaining power of customers and firms' market share. Having seen from the analysis, the Pearson correlation coefficient technique was adopted and it was discovered that there is a significant positive relationship between bargaining power of customers and firms' market share. This clearly shows that the bargaining power of customers rises and falls with firms' market share. This study is in line with the Porter's (2008)hypothesis which advocates that the generic competitive forces significantly affect firms' performance. This is also in line with the findings of Emad, Fatima and Essia (2013) though it negates the submissions of Michael (2010), Henry (2009) and Joseph,Jude, and Sandra(2011) who had different findings to this. Their studies tilted towards justifying that the bargaining power of customers significantly affects firms' performance.

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V. CONCLUSION

Findings from the study revealed that bargaining powers of customers affect the performance of the market share of beverages firms in Nigeria. The conclusion to be drawn from this finding is that the performance of businesses is highly tied to Porters forces i.e. bargaining power of suppliers, bargaining power of competitors, bargaining power of customers. In lieu of this, it is important that beverage firms in Nigeria should be committed in maintaining a cordial relationship with their customers and avoid possible conflict in short and long-run. This can be sustained through the fixation of periodic meeting between the firms and customers. This can be achieved through the advancement of blue ocean strategy. Further, the synergy between customers bargaining power and firms competitive advantage should be professionally maintained. This is because the customers are the heart of the business existence. Away from the customers' affairs, it is important that the firms need to be strategic in harnessing the policies of the government even when it appears harsh. They should always look beyond the harsh government policies and eke out an opportunity for any given government policy.

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