BUILDING CUSTOMER BRAND LOYALTY THROUGH PRODUCT DIFFERENTIATION IN A COMPETITIVE MARKETING ENVIRONMENT: A CASE OF MULTINATIONAL ORGANIZATION IN NIGERIA

Abstract

The survey focused on building consumer brand preference through product differentiation in the food and beverage industry a case of multinational organization in the south western part of Nigeria. The paper attempted to determine the attitude of consumers towards product differentiation. It also looked into the effects of product differentiation strategy on consumer purchase decision and the identification of the relationship existing between product differentiation and brand loyalty. A multistage sampling technique was used to select 120 respondents who were gainfully employed and categorized as decision makers. Both primary and secondary data were the sources of information collected for the study. A structured Questionnaire was used in the collection of the data, while likert scale was used to measure the variables of the study. Regression analysis along with spearman’s rank correlation analysis was employed in finding out the relationships existing between variables while Kolmogrov Smirnov goodness of fit test was used to test hypotheses of the study.

The results showed that the factors of consumer purchase decision such as product image, product positioning and brand loyalty have positive relationship with product differentiation. Results of regression analysis showed that there is a 0.989 change for every unit change in product differentiation. Spearman’s rank correlation coefficient (rₛ = 0.875) also showed a positive relationship between brand loyalty and product differentiation. It was also revealed that 95.06 percent of brand preference is explained by product differentiation. The study concluded that product differentiation has a significant relationship with consumer brand preference.

Key words: brand loyalty, differentiation, image, positioning, strategy.
ИЗГРАЂЊА ПОТРОШАЧКОГ БРЕНДА КРОЗ ДИФЕРЕНЦИЈАЦИЈУ ПРОИЗВОДА У КОНКУРЕНТНОМ ОКРУЖЕЊУ: СЛУЧАЈ МУЛТИНАЦИОНАЛНИХ ОРГАНИЗАЦИЈА У НИГЕРИЈИ

Апстракт

Истраживање је фокусирано на изградњу преференција потрошача бренда кроз диференцијацију производа у индустрији хране и пића случај мултинационалних организација у југозападном делу Нигерије. У раду је покушано да се утврди став потрошача према производу диференцијације. То је такође гладао у ефекти стратегије диференцирања производа на одлуку куповине и идентификацију однос који постоји између диференцијације производа и бренд лојалност. Вишестепени узорковани техника је коришћена за избор 120 испитаника који су радном односу и категоризују као донозоди одлука. Примарног и секундарног подаци су извори информација прикупљених за студије. Структурисани упитник је коришћен у прикупљању података, док је Ликурове скала је коришћена за мерење промена у промени производа. Регресиона анализа заједно са корелацијом ранга Спирманови анализи био је запослен да сазнаје однос који постоји између промене производа од Ранга Спирманов беноу и диференцијације производа. Резултати су показали да су фактори одлуке куповине као што су слика производа, производа и позиционирање марке имају позитиван однос са диференцирањем производа. Резултати регресионе анализе су показали да постоји промена 0,989 за сваку јединицу промену у диференцирању производа. Спирманови коефицијент корелације ранга (РС = 0,875), такође су показали позитиван однос између марке производа и марке диференцирање производа. Такође је откривено да је 95,06 одсто бренда преференција објаснио је диференцирање производа. Студија закључује да диференцирање производа има значајну предност потрошача однос са брендом.

Кључне речи: марке, диференцијација, имиџ, позиционирање, стратегије,

1. Introduction

One of the fall-outs of the advancement in technology is the level of awareness of human being all around the globe, particularly in the arena of product brands. Information flows like a stream of clean water just behind every home; widening the knowledge of every consumer in all areas of human endeavour inclusive of marketing. Today, globalization has made marketing activities to assume new dimensions with players becoming more and more sophisticated.

Bovee, Courtland, and Williams (1998) viewed marketing as a war and the market place is the battlefield. With this view, Graves (1997) posited that the essence of both corporate and marketing strategies is finding an advantage over competitors. This view
expresses that competition is the central issue in today’s marketing environment, it means marketing environment is now being saturated by high level of awareness, and the ease by which information is available and disseminated across the globe has brought about a radical change in the marketing operation. Palmer (2000) viewed this change that customers are becoming increasingly diverse in their needs and aspirations, and less inclined to accept just any product. As a result Kotler (2001) saw that most firms find themselves in markets, which are becoming more fragmented in terms of the needs that customers seek to satisfy. Palmer (2000) put this market situation as where each buyer should be seen to have a unique set of needs in which the individual seeks to satisfy himself. Therefore, it is the task of the firms to tailor their product offerings to meet the needs of each of their customers, by producing satisfier.

Proctor (1990) in his work put it that product differentiation is a marketing strategy that seeks to create a difference in people’s minds between a marketer’s brand and rival brands that are serving the same mass market. In this premise, firms are strongly searching for an aspect where they would have a competitive advantage. In the quest for differential advantage firms were able to realize that an organization can benefit a lot by producing a strongly differentiated product or service from that of the competitor. In the attempt to build consumer patronage through product differentiation, the study addressed the following questions: what is the attitude of the consumers towards differentiation strategy? Will the strategy affect consumer purchase decision? Is there any existing relationship between product differentiation and product brand loyalty?

In the quest for the answers to these questions, the study was guided by the following objectives:

(a) to determine the effect of product differentiation on consumer purchase decision.
(b) to determine the effect of product differentiation on customer brand loyalty.
(c) to determine the general attitudes of consumers towards product differentiation.

In order to guide the execution of the research study the research postulated the following hypotheses:

Ha: Product differentiation has no significant effect on consumer purchase decisions.
Ho: A significant relationship exists between product differentiation and consumer purchase decisions.

Ha: Product differentiation has no significant relationship with brand loyalty.
Ho: product differentiation has significant relationship with brand loyalty.

2. Theoretical Framework For Analysis

2.1. Product Differentiation

A good knowledge of consumer goods and markets is primal to a better understanding of what influences the consumers in their purchase decisions. Consumer goods, in the view of various authors are bought for personal satisfaction (Zikmund et al, 1997). However, in the process of acquiring such consumer products, Palmer (2000)
observed that customers are becoming increasingly diverse in their needs and aspirations, and less inclined to accept just any product offering. In today’s economy the consumers are much more interested in the value of what they buy. They want to have something of value for their hard-earned money. This was explained by proctor (1995) he emphasized that product differentiation has a great role to play, he called this “Value chain” of a firm.

Paliwoda and Thomas (2002) saw that a firm has a series of functions and they saw value chain as a system of interdependent activities. According to them, value is the amount buyers are willing to pay for what a firm provides them. Therefore creating value for buyers, rather than cost is used to explain how companies, which offer value are able to charge a premium for this and differentiate themselves from competition. Value activities are the physically and technologically distinct activities a firm performs. Hence, the value activities are the building blocks of competitive advantage by which a firm creates a product valuable to its buyers. The economics of each value activity, as well as its performance, determine it’s contribution to buyers needs and enhance differentiation.

Paliwoda and Thomas (2002) further observed that in management there is nothing as “perfect knowledge” of any market situation nor is there ever any such thing as “perfect competition” where all companies activities in a market are equal. This means that strategy is not only to search for the best way to cope but also strategically position themselves against competitors in the various industries.

In the same vein, Thompson (1998) stated that strategy is really about thinking and creatively finding new positions and new opportunities for added value. Zikmund and D’Amico (1997) viewed that strategy entails commitment to certain courses of action and allocation of the resources necessary to achieve the identified goals. To this group of writers marketing strategy consist of a plan that identifies the basic goals and objectives to be pursued and how they will be achieved within an assignable time. In this premise value differentiation as a marketing strategy has relationship with product differentiation. Differentiation was viewed by Kotler (2000) as an act of designing a set of meaningful differences among products in order to distinguish the company offerings from competitors’ offerings. Therefore product differentiation strategy is a marketing plan that makes a firm’s product either tangible or intangible to stand out over and above rivals in terms of quality, and in all other value attributes and features in consumer’s perception, Ma (2004) was not left out, in the arguments, in her own view product differentiation used to give products unique identities to distinguish them from their competitors, particularly between competitor’s in the same market of the industry. Palmer (2002) believes that in order to reduce dependence on market forces, many firms have sought to differentiate their products. According to him, firms seek to achieve superior performance by adding value to products, which may be in form of better quality, offering new products which are novel to the competitors, improving the existing products, and making the product more accessible to the customers.

Sharing similar view, Thompson and Strickland (1996) noted that differentiation strategies became an attractive approach whenever buyer’s need and preference are too diverse to be fully satisfied by a standard product. Furthermore they emphasized that for a company to be successful with a differentiation strategy, such company has to study buyers’ needs and behaviors carefully to learn what buyers
Consider salient, and what they are willing to offer for it. Thus, the company has to incorporate one or several attributes or features with buyer appeal into its product and service offering enough to set offering visibly and distinctively identify the product from the competitors. Culled from the opinion of these writers, competitive advantage results once a sufficient number of buyers become strongly attached to the differentiated attributes and features; hence the stronger the buyer appeals of the differentiated features, the stronger the company’s competitive advantage.

Katz (1998) opined that when brand differentiation arises from physical differences in the products across firms a consumer who is sensitive to physical quality differences is likely to be sensitive to brand differences as well. In markets where brand differentiation stems from reputation effects, this positive correlation may arise when high quality characteristic such as reliability are difficult to observe before purchase. In fact product differentiation strategy is good but can only work for as long as it takes competitors to catch up. Sometimes a company can project its differentiation strategy by patenting its products. In other words for a differentiation strategy to be sustainable a company must continually invest in new product development and anticipates future trends.

In summary, product differentiation has been viewed as a good strategy when a firm defines the market as all actual and potential buyers of brands in a product category and offers them a common marketing mix. A firm that applies product differentiation strategy seeks to create a difference in peoples’ minds between the firm’s brand and rival brands that are serving the same market segment. Moreover if the features chosen to differentiate the brand are important and believable to the people in the market segment the product differentiation will certainly enhance customer patronage.

It is important to note that the epitome of product differentiation is branding, where the product is given an ‘image’ for it to sell itself at the point of purchase. Gravens (1997) specifies branding in his own view as the firm’s strategy to make its products different from its competitors in such a way that customers can be convinced that they are superior. This thought is achievable by making the augmented value more meaningful to have a psychological effect on the customers.

### 2.2. Consumer Brand Preference

A brand can be regarded as a name, term, symbol or design or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors. Similarly Dibb (1997) was of the opinion that a brand is a name, term, symbol or any other feature to differentiate one seller’s good or service as distinct from those of other sellers. Doyle (1993) describes brands as the very heart of marketing. He further stated that when a firm creates a strong brand, that company attracts customer preference and builds a wall of difference against competition. Therefore to borrow a leave from the previous discussion one can positively say that branding strategy provides consumers the opportunity to recognize the qualities of various brands in the product category. Through the process of brand switching due to perceived inability of some brands to satisfactorily actualize the brand promises (in terms of quality, time utility, place utility and added value) communicated to them in advertisement which makes consumers to switch brand and some times to substitutes. The proliferation of brands in today’s economy has made the consumers to
be rational buyers, they make purchase decisions from time to time and stick to any brand that maximizes their satisfaction not only today but even in the future time. Realizing this, companies have no option than to ensure that, their brands are positioned in the mind of consumers in order to have a competitive advantage over their competitors.

Undoubtedly, any company that succeeds in doing this will obviously enjoy consumer brand preference. Frain (1999) asserted that sale takes place in the mind of buyer and any product and brand effort that does not begin and end with the satisfaction of the user is purely production oriented and not market oriented. Garnering true brand loyalty may require developing a relationship with customers that is more than product-based. In a market place where products and services are difficult to differentiate, customers may need an additional point of contact with a company to develop the commitment needed for true brand loyalty. One point of contact that may fulfill this requirement is through company ownership that is ownership of stock by the individual customer. Vogelheim, Schoenbachler, Gordon, and Gordon (2001) report anecdotal evidence that CEOs and CFOs of publicly traded companies believe that one advantage to individual tends to be brand loyalty to the products and services produced by companies in which they own stock. The customer who owns stock in a particular company does so because he/she believes in its potential for growth, strong management, and/or products and services. In order to be consistent in behavior, the investor is likely to use the products and services of firms in which he/she owns stock. This unique relationship between shareholder and company may be a viable contact point for firms to build brand loyalty. In contrast such effort does not bear fruit in the mind of consumers no matter the degree of advertising campaign. Apparently speaking it is the value a customer attached to a brand that will influence his decision to buy or not whether presently or in the future time. If positive, the satisfied customer will continue to patronize the satisfied product brand and build up brand loyalty and retention.

Dibb (1997) explained that brand loyalty is a strongly motivated and long standing decision to purchase a product or service which has been built over a period of time due to customer satisfaction but much of the research on brand loyalty has been developed from the marketer’s view and focused on the value of customer loyalty to the firm and how loyalty should be managed, less work has been done on the customer side asking why and how customers become loyal and remain loyal to brands (Schultz and Bailey (2000). Whereas brand loyalty is a direct result of the degree of confidence consumers have of the product in meeting up with their needs. May be that is the main reason why products that satisfied customers needs, continue to be highly patronized, they create a strong attachment to the brand, and the brand build a strong good will as it enhances company’s profitability and future sustainability. Obviously, whenever consumers are fully satisfied by a particular brand due to added value benefits it becomes apparent that consumer brand loyalty will be established. As a result consumers will be ready even to pay premium price because the cost of trying or sampling other brands in the exercise will eventually lead to disappointment. This is considered higher by consumer in the value benefit analysis than the premium which guarantees maximum value benefit. This concept was noted by Szenderski (2000) when he stated that to deliver the entire promise is more important than getting the customers attention. Therefore enduring brands must ensure that they do not only gain strength by
providing real, tangible value but also build on what took them to the top in consumers mind or value benefits, apparently the customers will turn to be advocates.

3. Methodology

The survey was conducted in Southern part of Nigeria, it focused on building consumer brand preference through product differentiation strategy. The study employed the multistage sampling technique. That is selecting three states in the Southwestern Nigeria, namely Ogun State, Osun State, and Lagos State; one local government institution in each area was randomly selected and forty respondents were purposely selected in each local government institution who were classified as consumer decision makers.

In order to achieve the study objectives a structured research instrument using Likert scale to give freedom for the respondents to give their opinion on various statements measuring the variables of the study like brand loyalty, purchase decision, product positioning among others. The information gathered through questionnaire was tabulated and analyzed using statistical parameters such as regression analysis. Kolmogorov Smirnov (K-S) goodness of fit test was used to test the research hypotheses in order to determine the degree of correlation between the variables of interest.

4. Results And Discussion

4.1. Product differentiation enhances consumer perceived image of a product

The results of Spearman’s rank correlation coefficient in Table 1 on whether product differentiation enhances consumer perceived image of the product show a strong positive correlation between product differentiation and the image of the product. The result also revealed that the more a product is differentiated in a more meaningful way to consumers the higher the perception of the consumers on the product image. This further revealed that the coefficient of determination shows that any meaningful differentiation that is carried out in a product will explain about 53% increase in the image of product while other factors account for (47%). Culled from the results it means that product differentiation and consumers rating of product image are highly correlated.

Table 1: Distribution of the Respondents as to consumer perceived product image

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
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<tbody>
<tr>
<td>Strongly</td>
<td>46</td>
<td>53</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Agree</td>
<td>50</td>
<td>49</td>
<td>1</td>
<td>2</td>
<td>-1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>8</td>
<td>4</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Undecided</td>
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<td>0</td>
<td>3</td>
<td>4.5</td>
<td>-1.5</td>
<td>2.25</td>
<td></td>
</tr>
<tr>
<td>Disagree</td>
<td>1</td>
<td>0</td>
<td>5</td>
<td>4.5</td>
<td>0.5</td>
<td>0.25</td>
<td></td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>1</td>
<td>0</td>
<td>5</td>
<td>4.5</td>
<td>0.5</td>
<td>0.25</td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey 2009
\[ \sum d = \sum d^2 = 5.5 \]
\[ r_s^2 = 1 - \frac{6 \sum d^2}{n(n^2-1)} \]
\[ \frac{6(5.5)}{5(5^2-1)} \]
\[ = 1-\frac{33}{120} = 1-0.275 \]
\[ = 0.275 \]

Coefficient of determination \( r_s^2 \) is calculated as the proportion of the total variation that is explained by the regression line. The formula is:

\[ r_s^2 = \frac{\text{Explained variation}}{\text{Total variation}} \times 100 \]

\[ r_s^2 = 0.725^2 \times 100 \]
\[ = 52.6\% \]

Similarly, product positioning enhances consumer purchase decision. The result in Table 2 shows that the slope of 0.989 in the regression line is the amount of change that any unit change can create a strategic position for the product through differentiation. This means that while creating a unique position for the product in the minds of the customers, product differentiation enhances the image at the rate of 0.989 per calculated unit of differentiation. It apparently in every unit change in product differentiation, there is a 0.989 increased in product image in the minds of the consumers.

**Table 2: Distribution of the Respondents on product positioning in the mind of consumers**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Creating a unique position by differentiation x</th>
<th>Enhances product Y</th>
<th>Xy</th>
<th>X^2</th>
<th>Y^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>48</td>
<td>53</td>
<td>2544</td>
<td>2304</td>
<td>2809</td>
</tr>
<tr>
<td>Agree</td>
<td>54</td>
<td>49</td>
<td>2646</td>
<td>2916</td>
<td>2401</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>8</td>
<td>32</td>
<td>16</td>
<td>64</td>
</tr>
<tr>
<td>Neutral Disagree</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

\[ \sum X = 110 \quad \sum Y = 110 \quad \sum XY = 5222 \quad \sum X^2 = 5252 \quad \sum Y^2 = 5274 \]

Source – survey 2009

\[ Y = a + bx \]
\[ b = \frac{(\sum Y)(\sum X^2) - (\sum X)(\sum XY)}{n(\sum X^2) - (\sum X)^2} \]
\[ = \frac{(110)(5252) - (110)(5222)}{26110 - 12100} \]
\[ = 0.233 \]

\[ a = \frac{\sum Y - b \sum X}{n} \]
\[ = \frac{110 - 0.233 \times 110}{26} \]
\[ = 2.64 \]
\[
26260 - 12100 = 0.989
\]

\[
Y = a + bx = 0.233 + 0.989x.
\]

Furthermore, the spearman’s rank correlation coefficient to determine the direction and strength of the relationship between creating a unique position for the product through differentiation and the increase in the image of the product as shown in table 3 revealed a very strong positive relationship between the independent variable and the dependent variable. Thus, the coefficient of determination of \( r_s^2 \) 68.06% means that product strategic positioning is explained through product differentiation by creating a unique image for the differentiated product which directly enhanced image of the product. Apparently, the simple implication of this is that marketers can improve on the competitive position by 68.0% with each unit variation in its differentiation since it creates a unique and strategic position for the product in relation to its rivals.

**Table 3: Distribution of the respondents on product differentiation in the minds of consumers**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Create Unique position</th>
<th>Product image</th>
<th>Ranks x</th>
<th>Ranks y</th>
<th>d=x-Y</th>
<th>d^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>48</td>
<td>53</td>
<td>2</td>
<td>1</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>Agree</td>
<td>54</td>
<td>49</td>
<td>1</td>
<td>2</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
<td>8</td>
<td>3.5</td>
<td>3</td>
<td>-0.5</td>
<td>0.25</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>0</td>
<td>3.5</td>
<td>4.5</td>
<td>-0.5</td>
<td>0.25</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>4.5</td>
<td>-0.5</td>
<td>0.25</td>
</tr>
</tbody>
</table>

\[
\sum d - 0 = 3.5
\]

\[
\sum d^2 = 3.5
\]

Survey 2009

\[
r_s^2 = 1 - \frac{6 \sum d^2}{n(n^2 - 1)} = 1 - \frac{16(3.5)}{5(25-1)} = 0.825
\]

Coefficient of determination \( r_s^2 \)

\[
r_s^2 = \frac{Explained \ variation}{Total \ Variation} \times 100
\]

\[
r_s^2 = 0.825^2 \times 100 = 68.06%
\]

**Consumer Brand Selection**

Brand loyalty is another factor of product differentiation in which customer patronage is enhanced. The results in tables 4 and 5 show that a unit change in the physical quality of a brand has a positive correlation in consumer brand selection or preference. The spearman’s rank correlation coefficient \( r_s^2 = 0.975 \). Shows a very strong positive correlation between creating a unique position for product in the mind of consumers through physical differentiation and brand selection. Furthermore, the coefficient of determination \( r_s^2 = 95.06 \) indicate that 95.06% of brand selection can be explained by product differentiation, especially in creating a unique strategic position for the product in consumers mind. It means that any unit increase in physical quality of
brand will influence consumer brand selection by as much as 95.06%. Apparently, marketers must ensure that product differentiation is meaningful and purposeful in terms of physical quality in order to positively sway consumer brand selection.

**Table 4: Distribution of respondents on product differentiation and brand loyalty**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Product Image Enhancement</th>
<th>Brand Loyalty</th>
<th>Ranked Values X</th>
<th>Ranked Values Y</th>
<th>d –x-y</th>
<th>d²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>53</td>
<td>24</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
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<td>Agree</td>
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<td>58</td>
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<td>1</td>
<td>-1</td>
<td>1</td>
</tr>
<tr>
<td>Neutral</td>
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<td>13</td>
<td>3</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Disagree</td>
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<td>12</td>
<td>4.5</td>
<td>5</td>
<td>0.5</td>
<td>0.25</td>
</tr>
<tr>
<td>Strongly Disagree</td>
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<td>3</td>
<td>4.5</td>
<td>5</td>
<td>0.5</td>
<td>0.25</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>110</td>
<td>15</td>
<td>15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source - Survey 2009

\[
\hat{r}_s^2 = 1 - \frac{6 \sum d^2}{n(n^2 - 1)} = 1 - \frac{6(2.5)}{5(25-1)} = 0.875
\]

\[
\frac{6 \sum d^2}{n(n^2 - 1)} = \frac{6(2.5)}{5(25-1)} = 6(2.5) = 0.875
\]

\[
\hat{r}_s^2 = \frac{0.875^2 \times 100}{1} = 0.7656
\]

\[
= 76.56\%
\]

**Table 5: Physical quality, brands and customer brand selection**

<table>
<thead>
<tr>
<th>Scale</th>
<th>Differentiation creates a unique Place for product</th>
<th>Physical quality affects brand selection</th>
<th>Rank Values of x</th>
<th>Rank Values of Y</th>
<th>d –x-y</th>
<th>d²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>48</td>
<td>31</td>
<td>2</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Agree</td>
<td>54</td>
<td>55</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
<td>15</td>
<td>3.5</td>
<td>3</td>
<td>-0.5</td>
<td>0.25</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>7</td>
<td>3.5</td>
<td>4</td>
<td>0.5</td>
<td>0.25</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>110</td>
<td>110</td>
<td>15</td>
<td>15</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source - Survey 2009

\[
\hat{r}_s^2 = 1 - \frac{6 \sum d^2}{n(n^2 - 1)} = 1 - \frac{6(0.5)}{5(25-1)} = 0.975
\]

\[
\frac{6 \sum d^2}{n(n^2 - 1)} = \frac{6(0.5)}{5(25-1)} = \frac{6(0.5)}{5(25-1)} = 6(0.5) = 0.975
\]

\[
\hat{r}_s^2 = 0.975^2 \times 100/1 = 95.06\%
\]

**4.2. Test of Hypotheses**

**4.2.1. Hypothesis i:**

This states that a “product differentiation has no effect on consumer purchase decision”. Results in Table 6 showed that there is a positive significant relationship between product differentiation and consumer purchase decision. For the calculated value (0.47) is greater than the table value (0.13) at 0.05 level of significance.
4.2. Test of Hypotheses

4.2.1 Hypothesis i: This states that “a product differentiation has no effect on consumer purchase decision.” Results in Table 6 showed that there is a positive significant relationship between product differentiation and consumer purchase decision. For the calculated value (0.47) is greater than the table value (0.13) at 0.05 level of significance.

Table 6: Result of K-S test for the effect of product differentiation on consumer purchase decisions.

<table>
<thead>
<tr>
<th>Scale</th>
<th>Differentiation necessary (observed)</th>
<th>Observed proportion 2</th>
<th>Observed proportion cum 3</th>
<th>Ho proportion 4</th>
<th>Ho proportion cum 5</th>
<th>Absolute difference 3.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>46</td>
<td>0.42</td>
<td>0.42</td>
<td>0.20</td>
<td>0.20</td>
<td>0.22</td>
</tr>
<tr>
<td>Agree</td>
<td>50</td>
<td>0.45</td>
<td>0.87</td>
<td>0.20</td>
<td>0.40</td>
<td>0.47</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
<td>0.04</td>
<td>0.91</td>
<td>0.20</td>
<td>0.60</td>
<td>0.1</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>0.08</td>
<td>0.99</td>
<td>0.20</td>
<td>0.80</td>
<td>0.19</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>1</td>
<td>0.01</td>
<td>1.00</td>
<td>0.20</td>
<td>1.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source - Survey 2009

Calculated value O = 0.47

t. value at 0.05 level of significance

\[
D = \frac{1.36}{\sqrt{110}} = 0.13
\]

4.2.1 Hypothesis ii: This states that “there is no significant consumer attitude towards product differentiation.” The results in Table 7 showed that there is meaningful positive consumer attitude towards product differentiation as the calculated value (0.38) is greater than the table value (0.13) at 0.05 level of significance.

Table 7: Result of K-S test for consumer attitude towards product differentiation

<table>
<thead>
<tr>
<th>Scale</th>
<th>Consumer attitude to quality differences</th>
<th>Observed proportion 2</th>
<th>Observed proportion cum 3</th>
<th>Ho proportion 4</th>
<th>Ho proportion cum 5</th>
<th>Absolute difference 3.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>31</td>
<td>0.28</td>
<td>0.28</td>
<td>0.20</td>
<td>0.20</td>
<td>0.08</td>
</tr>
<tr>
<td>Agree</td>
<td>55</td>
<td>0.50</td>
<td>0.78</td>
<td>0.20</td>
<td>0.40</td>
<td>0.38</td>
</tr>
<tr>
<td>Undecided</td>
<td>15</td>
<td>0.14</td>
<td>0.92</td>
<td>0.20</td>
<td>0.60</td>
<td>0.32</td>
</tr>
<tr>
<td>Disagree</td>
<td>7</td>
<td>0.06</td>
<td>0.98</td>
<td>0.20</td>
<td>0.80</td>
<td>0.18</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>2</td>
<td>0.02</td>
<td>1.00</td>
<td>0.20</td>
<td>1.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source - Survey 2009

Calculated value (observed) = 0.38
Table value at 0.05 level of significance = 0.13
4.2.2 Hypothesis iii: This states that “Product differentiation has a significant relationship with brand loyalty”. The results revealed that product differentiation has a significant relationship with brand loyalty as the value of 0.35 is greater than the table value (0.13) at 0.05 level of significance.

Table 8: Result of K-S test for product differentiation and brand loyalty.

<table>
<thead>
<tr>
<th>Scales</th>
<th>Differentiation leads to brand loyalty (observed)</th>
<th>Observed proportion 2</th>
<th>Observed proportion 3</th>
<th>Ho proportion 4</th>
<th>Ho proportion Cum 5</th>
<th>Absolute difference (3-5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>24</td>
<td>0.22</td>
<td>0.22</td>
<td>0.20</td>
<td>0.20</td>
<td>0.02</td>
</tr>
<tr>
<td>Agree</td>
<td>58</td>
<td>0.53</td>
<td>0.75</td>
<td>0.20</td>
<td>0.40</td>
<td>0.35</td>
</tr>
<tr>
<td>Undecided</td>
<td>13</td>
<td>0.12</td>
<td>0.87</td>
<td>0.20</td>
<td>0.60</td>
<td>0.27</td>
</tr>
<tr>
<td>Disagree</td>
<td>12</td>
<td>0.11</td>
<td>0.98</td>
<td>0.20</td>
<td>0.80</td>
<td>0.18</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>03</td>
<td>0.02</td>
<td>1.00</td>
<td>0.20</td>
<td>1.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Source - Survey 2009
Calculation value of observed = 0.35
Table value = 0.13

5. CONCLUSION AND RECOMMENDATIONS

The results from this empirical research study show that product differentiation has a very significant effect on consumer purchase decision. Thus it is a veritable tool to combat competition, especially in fast moving consumer goods. Further, the result revealed that product differentiation enhances the consumers’ perceived image of the product and it plays a vital role in building consumer product loyalty and patronage. Through differentiation the survey concluded that a product could be well positioned in the mind of consumers. Hence it will be easier for the firm to combat competition and above all the product would sell itself.

The physical quality of the product can positively differentiates a product in the eyes of consumers and similarly promote itself. The survey pointed out that physical quality differences in brand, strongly affect consumers’ brand selection particularly at the market place. In furtherance the survey concluded that consumers have a strong positive attitude towards product differentiation. It is also germane to further conclude that the brand awareness and brand promise accompany by heavy cost of differentiation will certainly lead to brand equity, which is a great asset of the firm. Culled from the results and conclusions of the study, product differentiation is essential when the product is at maturity stage of its life cycle or when competition seems to swallow up a particular brand. Even when a product is performing well in the market, product differentiation will further help it to carve out a market niche for it, as it will eventually sway users of other brands through brand switching. Firms that have full resources should try product differentiation for it will help such firm to develop a core competence. Since consumers seemed to be sensitive to physical quality differences between brands, marketers should, ensure that brand promise is always fulfilled above the expectation of consumers in order to guarantee their continued brand loyalty. It is primal that marketers must ensure
post-purchase follow ups in order to monitor the level of consumer satisfaction from time to time and to ascertain that any change in consumer taste or needs will hinder the organisational growth.

References

16. Thompson, J. (2002); “Competence and Strategic Paradox”, Management Decision Vol. 36, No. 4 pp 247-284