Product Differentiation and Customer Brand Loyalty in Selected Soap/Detergent Firms in Anambra State

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Abstract

This study sought to ascertain the relationship existing between product differentiation and customer loyalty of selected soap/detergent products customers in Anambra State. The study was anchored on the Resource-Based Theory and Differentiation Theory. A correlation survey design was adopted for the study. The customers of various commonly used soap/detergent products in Anambra State constituted the population of the study which was 2401 and the sample size was 331 arrived through the application of Krejcie and Morgan sample size determination formula. Data were gathered through a structured questionnaire and analyzed using mean ratings, on a threshold of 5-point Likert-scale and correlation analysis to test the relationship existing between the variables of the study. Findings depicted a very high statistical relationship (r = 961, probability value < .05) between product quality and customer preference of selected soap/detergent products customers in Anambra State. Hence, it was concluded that increased deployment of a product differentiation strategy increases customer loyalty of the product. The recommendations were that the quality of products should be one of the most important strategies used by detergent/soap products in differentiation their products and that companies in a highly competitive market such as the soap/detergent market should also build-in quantity while assuring quality as the too go together.
Onwuchekwa Faith Chidi; Ifeanyi, Titus Tochukwu; Ekweli, Chinyere Esther-
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Key words: Product Differentiation, Product Quality, Customer Loyalty and Customer Preference

INTRODUCTION

The business environment is highly volatile and competitive. Therefore, firms that stand the taste of time are firms that have carefully mapped out different strategies that will make their products and or services unique in such a way that their customers are loyal to them. The strategy that makes products and or services of an organization to be unique is called differentiation strategy. Chege (2018) avers that differentiation in business refers to the art of marketing a particular product or service in a way that makes it stand out against others. Differentiation strategies are based on providing customers with unique products (Pearce & Robinson, 2015). Part of the whole gamut of differentiation strategies is product differentiation.

Edward Chamberlin introduced the concept of product differentiation in 1933. It is distinguishing a production or service from those of other manufacturers or service providers, making it more attractive to a particular target market. It is a strategy employed to gain a competitive advantage over competitors through various strategies such as price promotion, store image, distribution intensity, packaging, product quality, and customer personality. Product differentiation simply means offering customers something they value, that competitors do not or cannot offer. Since customers are responsive to differentiated products/services, it is therefore important to design products/services appropriately from the customer’s perspective (Pehrsson, 2012).

Managers of the modern-day era are usually concerned with achieving effective differentiation, by providing some features, physical attributes, or substantive differences between their products and all other alternatives. This strategy is mostly used in a monopolistic competitive market characterized by homogenous and highly substitute but differentiated goods. Customers can easily switch from one substitute product to another. Product differentiation, therefore, generates superior profitability for the reason that it
Product Differentiation and Customer Brand Loyalty in Selected Soap/Detergent Firms in Anambra State

provides insulation against competitive rivalry because of brand loyalty by evaluation and resulting in lower sensitivity to price. Buttressing this point, Beynon (2015) opines that differentiation insulates loyalty by customers and gives lower sensitivity to price.

Brand Loyalty is an intensely taken commitment to repurchase or re-patronize a favored product/service constantly over time, despite situational immensity and marketing efforts that might have the prominent reason for switching behaviour. It is the customers’ emotionally charged decision to purchase a specific brand again and again (Daniel, Kannan & Kumaran, 2015). Therefore, businesses that want to create a sustained advantage over others strive to make their customers loyal to their brand. By customer loyalty, this means instilling an attitude in customers, leading them to repurchase, increase spending as well as be an advocate on the supplier’s behalf. This goes beyond merely satisfying customers. It could be achieved by creating differentiated experiences and offerings that customers prefer and value.

The ever increasing competition and a quest for market share among producers of homogenous products such as the soap and detergent market have forced managers to strategically devise ways and methods of gaining competitive advantage and creating customer loyalty. This propels high need for firms to differentiate their products to create and sustain customers’ attention. Also, pressures on customer’s disposable income as well as their demand for additional value, have compelled soap/detergent producing firms to continuously strive to differentiate their products through various means and keeping their prices in check. In such an industry characterized by product/services of homogenous nature, differentiation is largely the determinant of profit through customer loyalty. Managers could stand the risk of losing out to competitors if they do not employ every means possible to differentiate their product by activating their strategic resource and unique production technique that ensure a high-quality product that will keep customers attention and make them loyal to the product(s). It is against this backdrop that the study looks at the role of product quality in the determination of customer preference of major soap and detergent products in Anambra State such as sunlight detergent, Omo washing powder, Key and Lux soaps, Ariel detergent, kiln, Bonus and WAW detergent. These ranges of products were
selected because of their wide acceptance rate and usage in many homes in the State.

The main objective of the study is to ascertain the relationship existing between product differentiation and customer loyalty of selected soap/detergent products customers in Anambra State. The specific objective is to examine the nature of relationship between product quality and customer preference of selected soap/detergent products in Anambra State. The hypothetical statement governing this study is that there is a significant relationship between product quality and customer preference of selected soap/detergent products in Anambra State.

**REVIEW OF RELATED LITERATURE**

**Product Differentiation**

Product differentiation is a marketing strategy that businesses use to distinguish a product from similar offerings on the market. The whole essence of differentiating a product from another is to make it unique. To ensure that the customer can tell the difference between product A and product B. Narteh and Kuada (2014) assert that differentiation makes for uniqueness in ways that are valuable to customers. By this act of differentiation, companies intend to improve the value of their product over the value of related products in the market. It is a competitive business strategy whereby firms attempt to gain a competitive advantage by increasing the perceived value of their products and services relative to the perceived value of other firm's products and services (Rahman, 2011).

Differentiated product has some values it creates for both customers and the company. Laying credence to this assertion, Murphy (2007) states that successful differentiation has three aspects: commanding a premium price for a product, increasing sales because of additional buyers won over by the differentiating features and gaining buyer loyalty to its brand. Economically valuable bases of product differentiation can enable a business to increase its revenues, neutralize threats and exploit opportunities (Carpenter & Moore, 2016). To the customers, they get more value for their money and are left better satisfied with the product. Superior value is created because the product is of higher quality, is technically superior in
some way, comes with superior service, or has a special appeal in some perceived way. In effect, differentiation builds competitive advantage by making customers more loyal - and less price-sensitive to a given business product/service (Chege, 2018).

There are varying degrees of strategies companies can adopt to differentiate their product from that of others. Hernant, Mikael and Thomas (2011) opine that some of the differentiation strategies adopted by organizations to foster sales performance revolve around the interplay of various elements of the retail mix. These include: offering quality products, wide selection, assortment, strategic positioning, after-sales service, quality service, convenient location, parking space, attractive design and layout, conducive atmosphere, sales incentives, convenient operating hours, own branding/value addition and a one-stop-shop.

Customer Brand Loyalty
In the field of consumer behavior, the terms 'Customer satisfaction' and 'Customer loyalty' are of paramount importance. Loyal customers who engage themselves in repeat purchase behavior with a particular brand are bedrocks of any business. Earlier, 'Customer satisfaction' was considered to be the only factor responsible for repeat purchase behavior of customers. Later, it was found that although customer satisfaction is a necessary factor for repeat purchase behaviour, it is not sufficient for the brand to have only satisfied customers. In the long run, Deming (1986) argued that it is not sufficient for a business to have merely satisfied customers. Further, Jones (1996) proposed that merely satisfying customers that have the freedom to make choices are not enough to keep them loyal. Selnes (2013) suggests that a person who is satisfied with the focal product or service may evaluate its performance and compare it with other competitive products or services. While having a satisfied customer base is a laudable goal that is not to be questioned, its impact on loyalty and performance outcomes is not as obvious (Kumar, Pozza & Ganesh, 2013). Hence, in addition to 'Customer satisfaction', 'Customer loyalty' was given a lot of focus in the field of post-purchase behaviour of customers.

Most companies use marketing-performance measures such as brand loyalty, market share, price premium, and customer lifetime
value, to determine their success or failure (Kotler & Keller 2012). An important marketing objective by which a firm obtains a sustainable competitive advantage is to create and harness customer loyalty for its brands (Muthukrishnan, 2015). Loyal customers are assets of any business. Despite situational influences or marketing efforts that can cause switching behaviour, a loyal customer is committed to the idea of repurchasing the same brand (Lee, Moon, Kim, & Yi, 2015). Hence, achieving a loyal customer is the ultimate goal for any brand.

Repeated purchasing behaviour was originally associated with brand loyalty (Shang, Chen & Liao, 2006). Since repeat purchase connotes temporary acceptance, therefore this concept was further broadened by including attitudinal and behavioural loyalty. While behavioural loyalty refers to consumers’ repeated purchased behaviour for the same brand, attitudinal loyalty refers to consumers' commitment to purchasing a brand because of the values associated with it (Chaudhuri & Holbrook, 2001). This value is determined by the customer's perspective because what holds value for one customer may mean nothing to another. Although most customers would prefer a product that has better quality to others when put to use.

A successful product differentiation strategy creates brand loyalty among customers. The same strategy that gains market share through perceived quality or cost savings may create loyalty from consumers. The company must continue to deliver quality or value to consumers to maintain customer loyalty. In a competitive market, when a product doesn't maintain quality, customers may turn to a competitor.

Relationship between Product Differentiation and Customer Loyalty
A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it and still keep their customers loyal. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product and create a group of customers that are willing to become ambassadors for the company by advertising and telling others about
the products or services. When using a differentiation strategy, a company focuses its efforts on providing a unique product or service. Since the product or service is unique; this strategy provides high customer loyalty. This is because the strategy fulfills a customer need and involves tailoring the product or service to the customer and creates more value for the customer.

Differentiation consists in differentiating the product or service offered by the firm, in other words, creating something that is perceived industry-wide as being unique. It may be achieved in various ways, for example through design, brand image, technology, features, customer service, and dealer network. Bases of differentiation may be sorted into three categories. Firstly, to implement differentiation, a firm may focus directly on product (or service) attributes, i.e. product features, product complexity, the timing of product introduction, or location. Secondly, a firm may focus on the relationship between itself and its customers, for example through product customization, consumer marketing, and product reputation. Finally, differentiation may be implemented by focusing on the linkage within or between firms, which includes linkage within functions of a firm, linkage with other firms, product mix, distribution channels, and service support. Ideally, the firm should differentiate itself along several dimensions (Porter, 2004; Rothaermel, 2015).

Differentiation leads to greater market share, provided that the product appeals to customers. This implies that a firm must identify and pursue customer preferences if it wishes to gain increased market shares through differentiation. More specifically, when customer preferences are favorable, differentiation allows a firm to expand its market shares via decreased price elasticity of demand (Porter, 2004; Valipour, Birjandi & Honarbakhsh, 2012). Finally, the firm that has differentiated itself to achieve customer loyalty should be better positioned than its competitors.

Quality of a Product and Customers Preference
The quality of a product conceptually has two perspectives. One is objective and the other is perceived quality (Brunso, Bredahl, Grunert & Scholderer, 2005). Objective quality refers to measurable aspects such as product features, product performance, durability, and quality.
controls, while; perceived quality is consumer’s aesthetic perception of brand image (Pauwels, & Desotes, 2012).

Asides perceived quality, components of objective quality are more likely to make a customer prefer a particular product to another. This is because consumers would prefer a more satisfying product that fits their pocket while delivering a promise of good quality. That is, containing features like elegant design, perfume input, and colour guard technology.

![Conceptual Framework](image_url)

**Fig. 1: Conceptual Framework**

Figure 1 shows the interconnectivity of the variables. Product differentiation leads to customer loyalty as depicted by the direction of the arrow. Product differentiation was measured using product quality, while customer loyalty was measured using customer preference.

**Theoretical Framework**

This work is anchored on the Resource-Based Theory and Differentiation Theory. The resource-based theory was propounded by Penrose (1959) which posits that organization is a collection of unique resource and capabilities which provides the basis for its strategy and form the primary sources of its return. It holds that organizations that own strategic resources have an important competitive advantage over organizations that do not. Some resources, such as cash and trucks are not considered to be strategic resources because an organization's competitors can readily acquire them. Instead, a resource is strategic to the extent that it is valuable, rare, difficult to initiate and non-substitutable. These four characteristics define a strategic resource.
Accordingly to this study, when the manufacturers of soap/detergent produce products that are unique through using rare and difficult to imitate or substitute features and quality, such companies create customers that would be loyal and prefer their products over those of others.

Differentiation theory, on the other hand, states that the ability of a firm to maintain its competitive advantage depends on how it manipulates other variables, in line with the variety and immutability of its organizational strength and weakness. Porter (1990) identifies some of the differentiation strategies adopted by firms to include: product differentiation which covers quality, selection, assortment, positioning and variety; physical differentiation; which covers location, space, design and display/layout and store atmosphere and service differentiation which involves after-sales service, retailers own brands, service quality, distribution channel, incentive programmes, and opening homes.

The differentiation theory is relevant to this study as it focuses directly on exploring the objective and perceived quality of a product as a differentiation strategy to ensure customers’ interest and preference which proves customer loyalty to that particular product.

**Empirical Review**

Kavale, Mugambi and Namusonge (2016) assessed the effects of product differentiation strategy on corporate growth of Microfinance Institutions (MFIs) in Kenya. Descriptive and quantitative research designs were employed by the study. The target population was 57 firms and the sample size was 32 firms. Questionnaire was the primary instrument for data collection. The study used Simple regression for data analysis and found that product differentiation strategy has significant effects on corporate growth in MFIs in Kenya.

Nolega, Oloko, Sakataka and Oteki (2015) sought to analyze product differentiation and its effects on a firm’s performance using the Kenya Seed Company as the case study. Simple random sampling was used in selecting customers and KSC staff while purposive sampling was used in selecting agents. Data were analyzed using correlations analysis. It was seen from the analysis that customer's trend has grown tremendously over the last 15 years which is reflected by the growth in the agent's base too. ASK shows provide the
most important marketing strategy for KSC. The research recommends that KSC increase market penetration by increasing agents and enhancing field days in the remote ASAL and highland areas which still plant indigenous maize seeds.

Tariq, Nimra and Tariq (2015) examined how satisfaction, brand image, price, packaging, and perceived quality influence brand loyalty. A self-administered questionnaire through mall intercept method was used for survey purposes. Valid sample size was 300 comprising all adults and both genders. A multiple step procedure was adopted which is inclusive of identifying outliers, ascertaining normality of the data, reliability analysis, validity analyses, CFA for all the constructs through structural equation modeling (SEM), and testing the overall model through SEM. It was revealed from the analysis that price was the strongest predictor of brand loyalty followed by packaging and satisfaction. Company image and perceived quality had no relationships with brand loyalty.

Khan, Salman, Nadeem and Rizwan (2016) assessed the impact of product and service quality on brand loyalty. The study investigated the behavioral and attitudinal brand loyalty for quick service fast food restaurants. Data were collected based on 100 sample respondents. Regression and correlation analysis were conducted. Results indicated that there is a positive relationship between product, service quality, and attitude base loyalty and find a positive relationship between product, service quality, and behavior base brand loyalty.

Ngari and Bichanga (2017) carried out a study to establish the effect of competitive strategies on customer satisfaction among commercial banks in Kenya. A descriptive research design was adopted for the study. The study population consisted of 42 commercial banks with a sample size of 126 respondents which included management staff and bank customers selected purposively. Data was analyzed using descriptive statistics, multiple regression analysis and content analysis. The findings revealed that the two competitive strategies studied that included; market focus strategy and differentiation strategy were adopted by majority of the commercial banks in Kenya to enhance customer satisfaction.
Chege (2018) analyzed the effectiveness of differentiation strategy on business performance of Kenyan Betting Companies. The study used a survey research design and targeted 90 employees in the various 7 betting business. Data were collected using questionnaires. Descriptive statistics was used to analyze the data. Chi square was computed in determining the interdependency of variables. The studies indicated that differentiation strategy on business performance were significant (p ≤ .05).

**Gap in Knowledge**

Kavale, Mugambi and Namusonge (2016) assessed the effects of product differentiation strategy on corporate growth of Microfinance Institutions (MFIs) in Kenya. This work was not in Nigeria and thus different from the present study. Nolega, Oloko, Sakataka and Oteki (2015) who sought to analyze product differentiation and its effects on a firm’s performance also in Kenya is different from this work in that it is in another African country and it is four years behind time. Also, the work of Tariq, Nimra and Tariq (2015) that examined how satisfaction, brand image, price, packaging, and perceived quality influence brand loyalty is four years behind time from the present work. Khan, Salman, Nadeem and Rizwan (2016) that assessed the impact of product and service quality on brand loyalty used a different organization (Quick Service Restaurants) as the scope in a different environment (food sector). All these are the gaps this study seeks to feel.

**METHODOLOGY**

The study adopted a correlation survey design. The customers of various commonly used soap/detergent products (sunlight detergent, Ariel, canoe, Sokline and Mama Gold. Other are Bonus, Miss Bombo, Omo, Sunlight and WAW) in Anambra State constitute the population of the study and they are 2401. These ranges from laundry service operators, different detergent purchasers at shopping malls, key distributors of detergent products and some other ‘individuals’ respondents. The sample size of the study is 331 arrived through the application of Krejcie and Morgan (1970) sample size determination formula. Primary source of data was adopted. It was done through the
Onwuchekwa Faith Chidi; Ifeanyi, Titus Tochukwu; Ekweli, Chinyere Esther-
Product Differentiation and Customer Brand Loyalty in Selected Soap/Detergent Firms in Anambra State

use of a structured questionnaire tested for consistency using Cronbach Alpha and the result obtained was .892. From the three hundred and fifty (331) copies of questionnaires administered, sixty-six (66) were not accounted for and two hundred and sixty-five (265) which represent 80% response rate, were used for the analysis. Data were analyzed using mean ratings, on a threshold of 5-point Likert-scale and simple regression analysis to test the relationship existing between the variables of the study.

Table 1: Distribution of responses for objective one

<table>
<thead>
<tr>
<th>S/N</th>
<th>Questionnaire Items</th>
<th>SA (5)</th>
<th>A (4)</th>
<th>UD (3)</th>
<th>D (2)</th>
<th>SD (1)</th>
<th>Mean X</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>I buy products because they are assumed better in quality than the rest.</td>
<td>137</td>
<td>56</td>
<td>-</td>
<td>72</td>
<td>-</td>
<td>3.97</td>
<td>Accept</td>
</tr>
<tr>
<td>2</td>
<td>I consider price and quantity first before quality while buying detergents or soap.</td>
<td>40</td>
<td>98</td>
<td>-</td>
<td>101</td>
<td>26</td>
<td>3.09</td>
<td>Accept</td>
</tr>
<tr>
<td>3</td>
<td>I repurchase detergents or soap that served me well in terms of quality.</td>
<td>141</td>
<td>90</td>
<td>-</td>
<td>34</td>
<td>-</td>
<td>3.90</td>
<td>Accept</td>
</tr>
<tr>
<td>4</td>
<td>The quality of detergents or soap does not play any role in determining my choice.</td>
<td>28</td>
<td>49</td>
<td>11</td>
<td>59</td>
<td>118</td>
<td>2.28</td>
<td>Reject</td>
</tr>
</tbody>
</table>

**Customer’s loyalty (customers preference)**

<table>
<thead>
<tr>
<th>S/N</th>
<th>Questionnaire Items</th>
<th>SA (5)</th>
<th>A (4)</th>
<th>UD (3)</th>
<th>D (2)</th>
<th>SD (1)</th>
<th>Mean X</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>I prefer detergents or soap with superior quality.</td>
<td>67</td>
<td>112</td>
<td>-</td>
<td>86</td>
<td>-</td>
<td>3.60</td>
<td>Accept</td>
</tr>
<tr>
<td>6</td>
<td>I like detergents or soap that are cheaper more than the ones that are better in quality.</td>
<td>56</td>
<td>43</td>
<td>-</td>
<td>76</td>
<td>90</td>
<td>2.62</td>
<td>Reject</td>
</tr>
<tr>
<td>7</td>
<td>Quantity comes first for me before quality while choosing which detergents or soap to purchase.</td>
<td>79</td>
<td>81</td>
<td>-</td>
<td>89</td>
<td>16</td>
<td>3.45</td>
<td>Accept</td>
</tr>
<tr>
<td>8</td>
<td>I would recommend a product if I consider it of better quality.</td>
<td>91</td>
<td>109</td>
<td>6</td>
<td>31</td>
<td>28</td>
<td>3.77</td>
<td>Accept</td>
</tr>
</tbody>
</table>


**Test of Hypothesis**

**H_{A1}:** There is a relationship between product quality and customer preference of selected soap/detergent products customers in Anambra State.

Table 2: Correlation Analysis

<table>
<thead>
<tr>
<th>Correlations</th>
<th>PQUALITY</th>
<th>CUSPREF</th>
</tr>
</thead>
<tbody>
<tr>
<td>PQUALITY Pearson Correlation</td>
<td>1</td>
<td>.961**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>265</td>
<td>265</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.961**</td>
<td>1</td>
</tr>
<tr>
<td>CUSPREF Pearson Correlation</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>265</td>
<td>265</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Discussion of Findings

The findings depict a very high relationship between product quality and customer preference of selected soap/detergent products customers in Anambra State. This is so because the correlation coefficient \((r)\) obtained is .961, which is positive and high. Furthermore, the probability value (p-value) obtained is lesser than the .05 level of significance. This gives credence to the fact that there is a statistically significant relationship existing between the variables, and hence, the alternate hypothesis is accepted. This means that the more the quality of a product, the higher the customers will prefer such products. This finding aligns with earlier findings such as Khan, Salman, Nadeem and Rizwan (2016) that assessed the impact of product and service quality on brand loyalty and revealed that there is a positive relationship between product, service quality, and attitude base loyalty and find positive relationship between product, service quality and behavior base brand loyalty. Similarly, Kavale, Mugambi and Namusonge (2016) that assessed the effects of product differentiation strategy on corporate growth of Microfinance Institutions (MFIs) found that product differentiation strategy of which product quality is a component has significant effects on corporate growth which could be determined using customer preference. However, the study’s findings differ with that of Tariq, Nimra and Tariq (2015) that examined how satisfaction, brand image, price, packaging and perceived quality influence brand loyalty and indicated that company image and perceived quality had no relationships with brand loyalty.

CONCLUSION

This study concludes that increased deployment of a product differentiation strategy increases customer loyalty of the product. When organizations work on the quality of their products, such companies will be building a strong customer base that would prefer their products/services. However, from the descriptive analysis using frequency and mean, it could be seen that quantity also plays a significant role in customer preference, hence, companies should also build in quantity while differentiating with quality.
Recommendations

Following the findings of the study, it is recommended that:

a) Quality of product should be one of the most important strategies used by detergent/soap products in differentiation their products

b) Companies in a highly competitive market such as the soap/detergent market should also build-in quantity while assuring quality as the too go together.

REFERENCES


