CUSTOMER-DRIVEN STRATEGIES AND PERFORMANCE OF CARBONATED SOFT DRINK COMPANY IN SOUTHERN NIGERIA

BY

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DECLARATION

I Kelechi Kyrian OKPARA (16/27/PBA011) hereby declare that this thesis titled: **"Customer Driven Strategies and Performance of Carbonated Soft Drink Company in Southern, Nigeria"** is record of my research work. It has neither been presented nor accepted in any previous application for a higher degree. All sources of information have been specifically acknowledged. In addition to the above, the research work has been ethically approved by the University Ethical Review Committee.

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PREVIEW

ii

CERTIFICATION

We hereby certify that this Thesis written by **Kelechi Kyrian OKPARA** with **Matric No: 16/27/PBA011** has been read and approved as meeting the requirements of the Department of Business and Entrepreneurship, College of Humanities, Management and Social Sciences, Kwara State University, Malete, for the award of Doctor of Philosophy (Ph.D.) in Business Administration.

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PREVIEW

iii

DEDICATION

This thesis is dedicated to my wife Agnes Okpara

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PREVIEW

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PREVIEW

LIST OF FIGURES

Figure 2. 1 Competitive Strategy 29
Figure 4. 1 Histogram and Normality diagram 59
Figure 4. 2 Scatter plots of linearity 61
Figure 4. 3 Time plot of profits from Jan. 2013 to Dec. 2017 66
Figure 4. 4 The Seasonal, Trend and Random components 67
Figure 4. 5 Time plot of the 12 months profits forecast 69
Figure 4. 6 Time plot of share from Jan. 2013 to Dec. 2017 72
Figure 4. 7 The Time plots of (share), Seasonal, Trend and Random components 74
Figure 4. 8 Time plot of the share values and the 12 months share forecast 76
Figure 4. 9 Time plot of sales from Jan. 2013 to Dec. 2018 78
Figure 4. 10 The time plot data (sales), seasonal, trend and random components 80
Figure 4. 11 Time plot of the 12 months sales forecast 82
Figure 4. 12 Thematic Representation of Productivity 84
Figure 4. 13 Representation of Customer Co-creation 85
Figure 4. 14 Representation of Responses on Customer Boxes 86
Figure 4. 15 Representation of Responses on Customer Feedback 87
Figure 4. 16 Representation of Responses on Dealers Forum 88
Figure 4. 17 Representations of Responses on Customer Boxes 89
Figure 4. 18 Thematic Representation of Product Differentiation 90
Figure 4. 19 Thematic Representation of Segmentation 90

PREVIEW

LIST OF TABLE

Table3. 1 Population of Study 40
Table3. 2 Result of the KMO for Profitability 45
Table3. 3 Result of the KMO for Market Shares 46
Table3. 4 Result of the KMO for Sales Growth 46
Table3. 5 Result of the KMO for Differentiation Strategy 47
Table3. 6 Result of the KMO for Positioning Strategy 48
Table3. 7 Result of the KMO Segmentation Strategies 48
Table3. 8 Result of the KMO Co-creation Strategies 49
Table4. 1 Response Rate of the Questionnaire 51
Table4. 2 Respondents by Gender 52
Table4. 3 Respondents by Profile of Age 52
Table4. 4 Respondents by Educational Qualification 52
Table4. 5 Respondents by marital Status 53
Table4. 6 Respondents by Monthly Sales 53
Table4. 7 Respondents by Experience 53
Table4. 8 Mean and Standard Deviation of Variables 54
Table4. 9 Profitability, Market shares, Sales Growth and Productivity 55
Table4. 10 Customer-Driven Marketing Strategies 58
Table4. 11 Skweness and Kurtosis of the Variables 60
Table4. 12 VIF values and tolerance values 62
Table4. 13 Pearson Correlation Analysis of the Variables 63
Table4. 14 Model Summary[b] 64
Table4. 15 ANOVA 64
Table4. 16 Coefficients[a] 65
Table4. 17 Forecast values of profits for Jan. 2018 to Dec. 2018 69
Table4. 18 Model Summary[b] 70
Table4. 19 ANOVA[a] 70
Table4. 20 Coefficients[a] 71
Table4. 21 Model Summary[b] 76
Table4. 22 ANOVA 77
Table4. 23 Coefficients 77
Table4. 24 Respondents' Background Information 83

PREVIEW

TABLE OF CONTENTS

Title Page	i
DECLARATION	ii
CERTIFICATION	iii
DEDICATION	iv
ACKNOWLEDGEMENTS	v
LIST OF FIGURES	vii
LIST OF TABLES	viii
TABLE OF CONTENTS	xi
ABSTRACT	xiv
CHAPTER ONE: INTRODUCTION	1
1.1 Background to the Study	1
1.2 Statements of the Problem	3
1.3 Research Questions	5
1.4 Objectives of the Study	5
1.5 Hypotheses for the Study	5
1.6 Significance of the Study	6
1.7. Scope of the Study	7
1.9 Operational Definitions of Terms	7
1.10. Operationalization of Study Variables	7
CHAPTER TWO: LITERATURE REVIEW	9
2.0. Preamble	9
2.1. Conceptual Review	9
2.1.1 Evolution of Customer -Driven Strategies	9

PREVIEW

2.1.2 Strategies and Marketing 10

2.1.3 Customer-Driven Strategies 10

2.1.4 Dimensions of Marketing Strategy 17

2.1.5 Benefit Segmentation 17

2.1.6 Customer Value Preposition 21

2.1.7 Product Differentiation and Positioning 22

2.1.8 Consumer Co-Creation 23

2.1.9 Organisational Performance 24

2.1.10 Profitability 25

2.1.11 Market Shares 25

2.1.12 Sales Growth 26

2.1.13 Productivity 26

2.2 Theoretical Framework 27

2.2.1 Knowledge Based View Theory of the Firm 27

2.2.2 Ansoff Matrix Theory 28

2.2.3 Porter Generic Strategies 28

2.2.3.1 Cost Leadership Strategy 30

2.2.3.2 Differentiation Strategy 31

2.3 Empirical Evidences 31

2.3.1 Foreign Empirical Evidences 31

2.3.2 Nigerian Empirical Evidences 36

2.4 Gaps In Literature 38

CHAPTER THREE: METHODOLOGY 39

3.0. Preamble 39

3.1 Brief History of Case Study 39

PREVIEW

3.2. Research Design 40

3.3. Study Population 40

3.4. Sample Size and Sampling Technique 40

3.5 Methods of Data Collection 42

3.6. Methods of Data Analysis 42

3.7 Qualitative Approach 43

3.8 Factor Analysis 44

3.8.1 Dependent Variable (Profitability, Market Shares and Sales Growth) 44

3.8.2 Independent Variables – Customer-Driven Market Strategy 47

3.9 Ethical Consideration 48

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF FINDINGS 50

4.0 Preamble 51

4.1 Demographic Profile of the Respondents 51

4.2 Descriptive Statistics for the Variables 54

4.2.1 Mean and Standard Deviation of the Organisational Performance 55

4.3 Assumptions of Regression Analysis 59

4.3.1 Normality 59

4.3.2 Linearity 60

4.3.3 Multicollinearity Test 61

4.4 Regressions and Hypotheses Test 63

4.5 Test of Preposition Between Customer-Driven Strategies and Productivity 82

4.6 Discussion of Findings 91

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS 93

5.0 Preamble 93

5.1 Summary of Findings 93

PREVIEW

5.2 Conclusion 97

5.3 Recommendations 97

5.4 Contributions to Knowledge 98

5.5 Limitation of the Study 98

5.6 Suggestion for Further Studies 98

References 99

APPENDIX i: LETTER OF INTRODUCTION 107

APPENDIX ii: QUESTIONNAIRE 108

APPENDIX iii: REGRESSION OUTPUT 115

APPENDIX iv: NVIVO 12 OUTPUT 127

APPENDIX v: LITERATURE MAPPING 132

APPENDIX vi: SAMPLING FRAME 143

PREVIEW

ABSTRACT

Seven Up Bottling Company Nigeria Limited is concerned about the effect of intense competition on her performance. Consequently, it is seeking solutions to issues that can enhance its competitive advantage, sustainability, and potential growth through customer-driven strategies. Hence, the study examined the impact of customer driven strategies on the performance of Seven Up Bottling Company Ltd. in southern Nigeria. The specific objectives of the study were to; examine the effect of product differentiation as a customer-driven strategy on profitability of Seven Up Bottling Company Ltd.; examine the extent to which value preposition as a customer-driven strategy of Seven Up Bottling Company Ltd. affects market shares; assess the effect of consumer co-creation as a customer-driven strategy on the sales growth of Seven Up Bottling Company Ltd; and to determine the effect of customer benefit segmentation strategy on the productivity of Seven Up Bottling Company Ltd. The study used both primary and secondary data to achieve the objectives. The primary data were drawn through in-depth interview of ten top distributors in the region and four hundred copies of structured questionnaire which were administered on distributors using systematic random sampling technique across the five plants in southern Nigeria. The secondary data consisted of the annual profit, market share and sale figures of the organisation obtained from the annual account between 2013 to 2017. The primary data and secondary data were analyzed using multiple regression and Dickey-Fuller Test respectively. The study found that the adjusted R square of 0.517, 0.488 and 0.537 signified the impact of customer-driven strategies have on profitability, market shares and sales growth. This was corroborated by Dickey Fuller test which revealed P value of 0.01, 0.01097 and 0.01782. Based on findings from the study, customer driven strategy is central to organisational performance. The study recommended that Seven Up Bottling Company Ltd should ensure it continue adopting and using appropriate customer-driven marketing strategy, so that various segments of its target market are provided with specific brands that would meet the needs and requirements of each segment of its consumers' market. This would ensure that the company has in its possession a good weapon for gaining and sustaining customers' loyalty, which would ensure that market share of the company continues to grow and is efficiently sustained. There should be constant re-orientation of the distributors of carbonated companies operating in Nigeria, with focus on selling the importance and benefits of customer-driven marketing strategies to the company. This would help future product planning and appeal to and gain customer commitment to their respective network services. The management of Seven Up Bottling Company Ltd. and other organisations in the carbonated soft drink industry need to integrate customer-driven marketing strategy into their marketing strategy. This would serve as a tool for obtaining and communicating relevant information from and to the target market and for integrating different types of customers into their overall strategy.The management of Seven Up Bottling Company Ltd should continue to improving product attributes such as packaging and product availability, by investing more on customer forum, feedback mechanisms and offer products across the various segments.

PREVIEW

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

The complexity and forces of unpredictable consumers' choice, globalization, environmental changes and fierce competition have compelled firms to formulate customer driven marketing strategies that operate beyond the present market challenges in order to satisfy current customers and attract a significant proportion of prospective consumers in the target market (Obasan & Soyebo, 2012). In today's complex and fiercely competitive business environment, organisations are propelled to deliver greater value to customers, while still focusing on gaining and growing better size of market shares (Chinedu Sylva, Maduenyoghasi & Oluchukwu, 2014). This is why modern marketing programs are built around "customer-driven marketing concepts" which direct organisations to focus their efforts on satisfying customer needs better than competitors.

In global business environments, changes of various forms with competition being a pivotal element in the change forces have occurred. Consequently, technology has drastically justified the proposition that paying attention to customers help improve the products and services. Customers are now able to be intimately involved in the development and usage of what the firms have to offer that they can become co-creators of value (Rihova, Buhalis, Gouthro, & Moital, 2018). In America, many companies are today locating their products and sales efforts to fit the need of individuals, regions, cities and even neighborhoods. Also, different mixes of products are offered to the customers as strategy to enhance the performance of the organisations. Customers are mostly at the top of the hierarchy of an organisation strategic choices.

Since the early 1960s, planning and managing the planning process have become more important as means of coping with a turbulent business environment (Ebitu (2016). A number of forces have contributed to this, including an increase in environmental uncertainty, the external interdependence of organisations, organisational diversification and size, societal performance demands on organisations, and more recently the disappearance of conventional marketing structure (David & Nigel, 2012). Nigerian carbonated soft drink industry has experienced major structural changes since the proliferation of small and medium scale beverage businesses since year 2000. This proliferation is the product of various entrepreneurship development programs in

PREVIEW

the country. Prior to this period, competition in Nigerian beverage companies was simple and abstract. Simply because giants in this industry had enjoyed oligopoly. The total number of bottling companies was just a little above ten (10) making the companies to enjoy relatively monopolistic tendencies in Nigeria (Sadiq, Oyelade & Ukachukwu, 2011).

It is imperative to note that several major factors are changing the face of today's marketing environment. First, consumers are changing in their approaches to obtaining information on purchasing decisions since innovative technology and digital age have created better buying behaviour. Rather than relying on marketers to supply the information they need in order to make well informed purchase decisions, they are using the internet and other technologies to find information on their own. Thus, understanding the customers, how they make decisions, and which customers would provide the best value to the organisation have a profound impact on the ability of firms to gain competitive advantage in the market. To get accurate information on these require new tools, techniques, and strategies in order to gain in-depth understanding of customers. Customer-driven marketing strategies help organisations to achieve the objective of knowing who their actual customers are and how they react to marketing mix (Kotler & Amstrong, 2010). Strategic marketers are shifting away from mass marketing by developing marketing programs designed to build closer relationships with customers in more narrowly defined micro-market.

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The developments in the taste and awareness of health issues have had dramatic impact on performance of carbonated soft drink companies. These require organisations that desire lasting competitive advantage to shift their marketing strategies from mere profit-driven to customer-driven. The customer driven concept implies a reorientation of marketing to one that places the customer in a pivotal role (Kardes, 2015). The challenges of marketing planning are to manage marketing complexity, customer and stakeholder expectations and to reconcile the influences of a changing environment in the context of a set of resource capabilities. It is also necessary to create strategic opportunities and to manage the concomitant changes required within the organisation. In the world of marketing, organisations seek to maximize returns to shareholders by creating competitive advantage in identifying, providing, communicating and delivering value to customers, broadly defined, and in the process develop long term mutually satisfying

PREVIEW

relationships with consumers. Aremu Gbadeyan and Aremu (2016) posit that competitive advantage is created to maximize shareholders' investment in the organisation.

The main objective of every organisation has been said to be profit making. This objective can be achieved through enhancement of performance to achieve greater scale in its operations (Govind & Kumardatt, 2017). A firm's marketing strategy is critical to its performance. The ability of using effective and successful marketing strategies in market competition enhances organisation performance (Baldauf, Cravens & Wagner, 2000). Customer driven strategies are procedures by which companies react to situations of competitive market and forces of market or react to environmental forces and internal forces to enable the firms to achieve their objective in the target market (Hult & Olson, 2010; Obasan, Ariyo & Soyebo, 2012). Traditionally, customer-driven marketing strategies are actionable plans of pursuing the firm's objectives or how the company achieves its marketing goals within a specific market. Although innovation influences economic success and market share in increasingly competitive global markets, however in technology-driven global markets, companies have increased their use of advanced technologies as well as their innovation efforts (Obasan, *et al*, 2012). The increasingly competitive environment in the financial services market has resulted in pressure to develop and utilize alternative delivery channels. Seven Up Bottling Company Ltd is now facing extreme challenges in the current competitive environment because the changes and new services have become the base of marketing and in order to face those challenges, the company needs to go towards marketing innovation and creativity which includes creating new services, promoting those products, and delivering them to customers in the right time, right quantity, right quality, right price and place.

PREVIEW

1.2 Statements of the Problem

One of the aims of a firm enhancing the market share is to achieve high scale in its operations and improve profitability. In view of this, managers strive hard to expand their profitability through customer-driven strategies. The efficiency of customer driven strategies still remains a major challenge to most marketing Seven Up Bottling Company Ltd. Regardless of the researches focusing on the relationship between customer driven strategies and company profitability, most research in the field of marketing focus on generic business strategies (Khan et al.,2017; Knight et al.,2015; Foerstl et al., 2015; Pagell and Shavchenko, 2014; Hoejmose et al.,

2014; Bag et al.,2014; Chakraborty & Mandal, 2014). Research proves that responsible customer driven strategies can enhance profitability and thereby create competitive benefits in the longrun. Although studies on issues relating to the customer driven strategies do appear in the literature (Leonidou & Leonidou, 2011; McDonagh and Prothero, 2014), it is stressed that the phenomenon is still under-researched (Finch, Geiger & Harkness, 2017).

Studies reveal that many businesses are concerned about the effects of intense competition on their sales growth, consequently, they seek for solutions that can enhance competitive advantage, their sustainability and potential growth. The questions these companies ask themselves include: How can we create customer driven strategies that support and enhance our sales volume in a complex market? How do our customer driven strategies affect our ability to create competitive edge in the market? Therefore, companies need an approach that is more strategic and holistic that could possibly assist them gain better grounds with the customers in the market.

Despite the progress made in research regarding customer driven strategies in marketing, there is still a paucity of research on the topic, especially from the point of view of increasing market share. As far as the concept is concerned, quite a lot of research considers sustainable consumer attitudes, preferences and behaviours (Trudel & Argo, 2013). Customer-driven strategies are well established marketing practices of fortune companies. These companies deploy adequate resources to involve customers in the creation of new products because customers are well positioned to furnish the companies with solutions that they seek in products or services that can best meet their needs. Many organisations especially in emerging economies fail to reap maximum benefit from strategies deployed to achieve optimum competition due to poor mastery of the phenomenon of customer co creation.

From the foregoing, one can see that studies provide an important contribution by examining the motives and mechanisms underlying marketing performance. Moreover, the importance of encouraging and utilizing customer-generated solutions has been noted by several leading innovation researchers and practitioners, including Cook (2008); Prahalad and Ramaswamy (2004); von Hippel (2005); Seybold (2006) among others. However, to date, not much is done on how to deploy some key variables such as customer co-creation, benefit segmentation, customer value prepositions, and differentiation as customer-driven strategies to achieve optimum result on the carbonated soft drink industry in Nigeria. This study therefore, is designed to fill this gap

PREVIEW

in literature by examining the effect of customer driven strategies on the performance of carbonated soft drink industry in southern Nigeria, with emphasis on Seven Up Bottling Company Ltd.

1.3 Research Questions

The following questions were addressed in the course of this study:

i. In what way do customer-driven strategies affect profitability of Seven Up Bottling Company Limited?
ii. To what extent does customer-driven strategies impact on sales growth of Seven Up Bottling Company Limited?
iii. What is the effect of customer-driven strategies on the market share of Seven Up Bottling Company Limited?
iv. To what extent do customer-driven strategies affect productivity of Seven Up Bottling Company Limited?

1.4 Objectives of the Study

The study examined the effect of customer-driven strategies on the performance of carbonated soft drink company in Seven Up Bottling Company Ltd Nigeria. The specific objectives of the study were to;

i. examine the effect of customer-driven strategies on profitability of Seven up Bottling Company Ltd;
ii. determine the extent to which customer-driven strategies of Seven Up Bottling Company Ltd affect sales growth;
iii. assess the effect of consumer co-creation as customer-driven strategy on the market shares of Seven Up Bottling Company Ltd. ; and
iv. explore the effect of customer-driven strategies on productivity of Seven Up Bottling Company Ltd.

1.5 Hypotheses for the Study

The following hypotheses were formulated and tested in order to achieve the objectives of the study:

PREVIEW

H_{01}: There is no significant effect of customer-driven strategy on profitability of Seven Up Bottling Company Ltd.

H_{02}: Customer-driven strategy has no significant effect on the sales growth of Seven Up Bottling Company Ltd.

H_{03}: There is no significant effect of customer-driven strategy on the market shares of Seven Up Bottling Company Ltd

H_{04}: There is no significant effect of customer-driven strategies on the productivity of Seven Up Bottling Company Ltd

1.6 Significance of the Study

The study will be of immense significance to the management of Seven Up Ltd., prospective corporate investors, government and policy makers, marketing practitioners and academia.

To the management, the empirical findings that are reported in this study will provide them with a scientific measure and platform for setting, implementing, evaluating and controlling its marketing strategy that could deliver high value to the customers. It equally serve as an invaluable source of information that brings to light the basic components associated with the marketing strategy adopted by the company in order to ensure that marketing efforts of the company is geared towards better value delivery to the customers. This ensures that the competitive edge of the company is sustained.

The study also provides an understanding to different pricing and promotion strategies and how the company can use this insight to develop viable marketing strategies for gaining sustainable competitive advantage and also ensure brand loyalty. The study provides empirical support for efficient marketing strategic decisions in several critical areas of their operations, and above all, provides a reliable guide to designing workable service delivery improvement strategies for creating and delivering customer value, achieving customer loyalty, building long-term mutually beneficial relationship with current and potential customers and achieving sustainable competitive advantages. Marketing practitioners and academic institutions equally will find the study of great benefit as it contribute to empirical knowledge on customer-driven marketing

PREVIEW

strategies in sustaining long-term competitive market advantage in relation to the consumer market in Nigeria.

1.7. Scope of the Study

The study examined the impact of customer-driven strategies on market shares of carbonated drinks industry in Nigeria with emphasis on Seven Up Bottling Company Ltd. The coverage of the study focused on plants in the southern region of Nigeria. The data used in the study covered the period between 2013 and 2017 (5 years). During this period, the country witnessed a transition from a boom to a near depressed economy with inflation reaching a double figure and exchange rate skyrocketing by almost 100% hence forcing the major players to make strategic marketing decisions.

1.9 Operational Definitions of Terms

Bottled: This refers to beverages that are packaged in bottles, pets or cans

Carbonated soft drink (CSD): CSD is a type of drink that is carbonated; Pepsi, 7up, Mirinda, Teem

Diet: This refers to drinks with zero calories and usually sweetened with non-caloric sweeteners. These include Pepsi light, and 7up diet.

Fruit-flavoured drink: Fruit flavour is a soft drink that is flavoured to taste like fruit; Mirinda Orange, Pineapple, Red Apple and Green Apples flavours are examples.

Non-diet: Non-diet refers to drinks that contain calories, usually from an added sweetener. Pepsi, Mountain dew serve as examples.

Sugar-sweetened beverage (SSB): The term is used by public health advocates to describe a soft drink containing caloric sweetener.

Soft drink: Soft drink is any type of carbonated or non carbonated drink that is non- alcoholic, produced to quench thirst. This may include bottled water

1.10. Operationalization of Study Variables

The study examined the effect of customer-driven strategies on performance of Seven Up Bottling Company Ltd., Nigeria. The two constructs in the study are customer driven strategies as the independent construct and performance as dependent construct. This is represented below;

$Y = f(X)$;

Where Y = Performance; X = Customer driven strategies.

PREVIEW

The two constructs are further broken down into their respective variables as follows;

$Y = (y_1, y_2, y_3 \ \& \ y_4)$

Where

y_1 = profitability

y_2 = Market Shares

y_3 = Sales Growth

y_4 = Productivity

$X = (x_1, x_2, x_3 \ \& \ x_4)$

x_1 = Product Differentiation

x_2 = Customer Value Preposition

x_3 = Consumer co-creation

x_4 = Customer Benefit Segmentation

The relationship between the variables in this study are as follows;

x_1 = Product Differentiation	y_1 = profitability
x_2 = Customer Value Preposition	y_2 = Market Shares
x_3 = Consumer Co-creation	y_3 = Sales Growth
x_4 = Customer Benefit Segmentation	y_4 = Productivity

PREVIEW

CHAPTER TWO
LITERATURE REVIEW

2.0. Preamble

This chapter reviews comprehensively the contributions of other writers, theorists and researchers on customer-driven marketing strategies and performance with a view to establishing conceptual, theoretical, and empirical frameworks in sustaining long-term competitive market advantage.

2.1. Conceptual Review

2.1.1 Evolution of Customer Driven Strategies

Businesses face an increasing market complexity and ambiguity nowadays, and are, thus, grappling with new challenges, which are changing the way business is done. The most commonly indicated challenge include climate change, the scarcity of natural resources, increased poverty, food security, population growth, ecosystem decline, higher global energy demand, energy supply and production uncertainties (Chakraborty & Mandal, 2014; Adams, 2014).These authors stress that many of these result are from irresponsible business practices driven by short-termism, the desire for instant gratification and the lure of rewards for short-term performance. To thrive in such a changed environment and create competitive advantage they need not only to adapt to these circumstances but also take steps to change both the way they do business and where to look for success. Just making money, focusing on short-term profit maximization, and providing share holders with financial value can no longer be the rule of the game in the market. Business organisations have to face the increasing bargaining power of their stakeholders and the fact that the market is more than ever well-informed and less tolerant as the internet and social media appeared on the scene. Lawrence and Weber (2017) indicate that the companies of today need to understand that market and financial success depend strongly on their relationship with society and the environment, not just on shareholders.

Although the concern about the customer can be traced back over thousands of years, the marketing orientation concept has captured unprecedented attention from both researchers and practitioners in recent years (Chabowskietal.,2010; Vargo and Lusch, 2011; Blenkhorn & MacKenzie, 2017). The concept of customer-driven strategy evolved in the 1980s and was perceived as a concept because it was the first one to pull together issues relating to the need of

PREVIEW

the customers, society and the economy; and recognizing their interdependencies, taking a global perspective and identifying most environmental and social problems as symptoms of unsustainable production and consumption systems. For this reason, the importance of the concept is increasing at both local and global levels.

Businesses in the twenty-first century must respond to the legitimate demands of their environment and make commitments to the societies they operate in. According to this concept, on a micro scale, the sources of success for today's businesses should be sought in long-term sustainable development, which takes into account economic, environmental and social dimensions. This involves changing not only the way in which economies function but also the way companies operate in the market. According to Varadarajan (2016) research mostly suggests that embedding customer driven strategy in core company policies positively influences their profitability and financial results (Burhan & Rahmanti, 2012; Aggarwal, 2013). Eccles et al. (2012) have compared companies that adopted customer driven-strategies with companies that did not, and thus, provided empirical support for the view that entities highly focused on customer driven strategy significantly outperformed their counterparts in terms of stock market and accounting criteria (returns on assets and returns on equity). Other research shows that raising customer concerns and the need for preserving resources for future generations, forces organisations to integrate sustainability into their strategies to create and strengthen their competitive advantage in the long term. The latest study of Agrawal et al. (2017) and Schulz and Flanigan (2016) posit that the integration of customer-driven strategy can help market-oriented firms achieve such an advantage.

PREVIEW

2.1.2 Strategies and Marketing

According to Kotler and Keller (2009); Armstrong and Kotler (2011); and Ebitu (2016) strategies in marketing involve laying out the target markets and the value proposition that will be offered based on the analysis of the best market opportunities. The marketing strategies are the central instrument for directing and coordinating the marketing effort of an organisation and the content of a marketing plan includes laying out current situation, setting objectives, strategies, action program, budgets, implementation and control. The purpose of strategies in marketing, according to Johnson *et a.l* (2008), is to specify what business an organisation is in and the direction it is going. Cravens (2008), emphasises that the environment and all functional

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