Customer Service Management and Marketing Performance of Food and Beverage Manufacturing Firms in Nigeria

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Abstract

This paper investigates the relationship between customer service management and marketing performance of food and beverage manufacturing firms in Nigeria. The design is the cross-sectional survey and data is generated from fifteen (15) quoted manufacturing firms in the country. Relationships are assessed based on null hypothetical statements which examine the insignificance of the effect of customer service management on three measures of marketing performance: sales growth, market share and profitability; using the Spearman's rank order correlation. All hypotheses were rejected based on the evidence of significant associations between the variables. The study, in line with its findings affirmed that customer service management contributes significantly to marketing performance thereby enhancing measures such as sales growth, market share and profitability of food and beverage firms in the Nigerian manufacturing industry.

Keywords: Customer service management, food and beverages manufacturing firms, marketing performance, sales growth, market share, profitability

Introduction

One characteristics of the human populace is to take in food, absorb, synthesize and excrete, meaning that the survival of any human is dependent on the intake of food. The food and beverages firms in Nigeria are the major producers of consumer goods which sustain the life of humans. Scholars and practitioners regard this sector as the strongest in the manufacturing industry, it represents 22.5% of Nigeria's manufacturing sector and 66% of total consumer expenditure, and thus, food and beverages remain the largest sector in the industry (Ringier Trade Media Ltd, 2015; Okere, 2012).

The ability of a firm to perform well and remain competitive in the Nigerian food and beverages sub-sector of the manufacturing industry is largely dependent on the adoption of viable customer service management practices that enables survival in the local markets as well as in the global market. Thus, customer service management has become focused on the effective coordination of activities in meeting customers' service requirements; and is considered a key source of company's competitiveness (Mentzer, Flint, & Hult, 2001; Sharma, Grewal & Levy, 1995).

Previous studies (Mwangangi, 2016) which indicate positive effects have examined customer service management as a dimension of logistics management and integrated its contributions to marketing performance from a rather generalized position. The studies did not examine customer service management alone as a single predictor variable and its relationship with marketing performance in its industry of operation, in lieu of the fact that effective management of customer service activities could possibly enhance marketing performance (Tseng, Yue, & Taylor, 2005).

With a view to complementing the body of knowledge on CMS and Competitiveness, it is the intention of the current study is to examine the relationship between customer service management and the marketing performance of manufacturing firms in Nigeria. It is the considered the view of this researcher that a study of this nature is sorely needed especially in view of the current recession and harsh economic condition in Nigeria; which has underscored the need for organizations to build and maintain viable relationship with their customers in order to benefit from the increased and continuous patronage behaviour of customers that will enhance market share and consequent desired profit levels.

Literature Review

Customer Service Management (CSM)

Customer service management is the supply chain management process that represents the firm's face to the customer (Bolumole *et al*, 2003). Its goal is to provide a single source of customer information in terms of availability of products, shipping dates and order status etc. It is necessary for firms to consider the customer as an integral part of the organisation due to the cost implication in acquiring them, even though it is really quite surprising that some organisations pay little attention to delivering high levels of customer service.

According Muchiri (2015) it costs around five times more to sell to a new prospect than to sell to an existing customer who in the past had enjoyed the pleasant buying experience with the company. He thus stated that so many firms have benefited immensely from word of mouth referrals made to prospective customers from their satisfied customers should step up efforts in customer satisfaction strategies. However, Muchiri (2015) had stated a sad discovery with many company policies that inhibit employees from delivering customer satisfaction, and which consequently results in poor sales growth and a decline in repeat business. His study thus suggests that company policies and procedures should be duly documented with the sole aim to enabling and guiding employees to deliver outstanding customer service. It should be noted that without regular customers making frequent purchases there may not be business. Hence, businesses tend to flourish or decline based on their ability to deliver customer satisfaction and develop a loyal customer base.

Convenience is a customer service strategy that requires a firm to make goods and services available when it is convenient to the customer. To Nicolaides and Peristeris (2011) this strategy is called 'availability' and it is a basic criterion for customer service in logistics. For example, if the customer wants a service call before they open for business then providing that efficiently is good customer service and will ultimately keep the customer satisfaction. The characteristics of convenience also should be felt in the online presence and because customers want things to be convenient for them in such a manner that they should be able to review their order, monitor the shipping process and send a message in return, and lastly, the fact that they need to achieve all these from the same location provides ultimate satisfaction.

Customer support services according to Firuta (2016) are for achieving customer satisfaction. The popular Push & Pull Customer Service theory of Kotler (1980) explains the strategy of customer support. Waters (2010) agreed that customer service especially in logistics could either be proactive, reactive or a combination of both. A proactive strategy (pull) is a type that follows from a firm's desire or interest to satisfy its customers' needs, the feature of being proactive has ability to create the needed or necessary capability in advance to handle uncertainty-for example, Toyota's counter-measures.

Customer Service Management and Marketing Performance

In a study conducted by Baumgartner *et al* (2012) discovered that the best way to beat market or survive competition today is to put sales at the heart the firms' agenda. This assertion is based on a study of more than 100 large companies in Korea whose revenue averaged \$31 billion, \$47 billion market capitalisation and 86,000 employees. It was discovered that the firms had consistently outperformed their peers in terms of growth and profitability over a five-year period. The under listed strategies were used by the firms and as such have been proven to drive and sustain sales growth: (i) Get to growth opportunities before your competitors do (ii) Use and optimize multiple channels to serve customers of different sizes (iii). Use sales operations and techniques as engines of growth, (iv). Balance near-term growth with building long-term capabilities (v). Get buy-in to implement difficult changes to beat the market.

Hassan (2013, 19) carried out a study customer service and organizational growth of service enterprise in Somalia and defined customer service as the combination of activities/strategies offered by retailers in an effort to increase service quality, including their shopping experience that is perceived by the company to be more rewarding, He argued that the Push customer service theory is based on the assumptions about pushing firm solutions which includes products, information, etc. this is in a bid to position the business or organization to anticipate the needs of the customer in advance and prepare the solution ahead of time.

Quoting Haupt (2002) the scholar posits that customer service is measured in many dimensions such as service empathy, access time and courtesy of staff but in his study service quality, service speed and responsiveness (after sale service and technical support) were considered. It was discovered that the two variable of customer service and organizational growth of selected electronic enterprise Mogadishu Somalia are positively correlated. His study concluded that to increase sales growth and employee growth, it is important for firms to direct their efforts to enhancing the level of service requirement which is vital to firms who wish to gain competitive advantage over other firms in the industry.

Customer service management and sales growth: Organizations' strive to achieve set goals and objectives. Kaplan and Norton (1996) argue that companies must have a large variety of established goals and objectives which includes sales growth to effectively achieve their objectives. Brush, Bromiley and Hendrick (2000) discovered that organizations marshal out business goals that guide operations, for example, The Business Press and Corporate Annual Reports frequently includes statements like; "we plan to double sales in the next five years." or "our objective is to be a multi-billion naira company within the next five years". Sales growth is then considered an important objective of the firm because it defines the present state of the organization and their future plans as well. Thus, the popular business bulletins in Nigeria contain several examples of companies that focus on sales growth as a pointer to profitability, survival and competitiveness. In academics, the subject of sales growth is theoretically based on the work of some scholars, example Berle and Means (1932) who argues that growth in an organization most times benefits the managers rather than the stakeholders (owners inclusive).

For Ateke and Nwulu (2017) sales growth is an incremental change in the sales of a firm's product over a given time interval, often expressed as a percentage. It is an important indicator of business wellness, sustainability and competitiveness; hence, it is said to be closely associated with the marketing function (Morgan & Rego, 2006; Ambler, 2003). Sales growth is a strong metric of marketing performance; and business wellness by implication. The wellness of an organization may be evaluated by the rate at which its sales grow (Chendall & Langfield-Smith, 2007). Successful new products contribute to company profit via sales

growth. Sales growth is therefore an essential parameter of business wellness (Farris, Neil, Phillip, & David, 2010). Thus, the following hypothesis is put forward:

Ho₁: Customer service management does not significantly affect sales growth in the food and beverages sector.

Customer service management and profitability

The primary goal of any business enterprise is among others to make profits, without profits a business may not be able to survive in the long-run. Profitability is described as the degree to which a business or activity yields profits or financial gains. Hofsrand (2017) opined that profitability is measured with respect to income obtained and expenses incurred by the firm, while income refers to money generated from firms' business activities, expenses are costs of the resources used or consumed by the business activities.

There have been attempts by scholars to advance a common definition of profitability in all fields of academics. Buckley *et al*, (1988) posits that although profitability has not been generally accepted to be a proxy for competitiveness in literature, it still stands as the single most important measure of competitive success. This is because profit objectives are most often peculiar to individual companies (that is being firm specific), individual firms pursue specific/stated objectives with respect to profits. Complications in profit measurement however arise when companies of different sizes are compared with respect to competition. Thus, most firms may decide to ignore short term profits and pursue long term growth in profit, the decision may appear uncompetitive in the short term due to the present size of the firm but it can be achieved in the long run as the firm grows. Therefore, the following hypothesis is stated:

Ho₂: Customer service management does not significantly affect firms' profitability in the food and beverages sector.

Customer service management and market Share

In business organisations, increase in market share stands to be one of the most important goals of the business. Market share represents the percentage of an industry or market's total sales that is earned by a particular company over a specified time period (Investopedia.com, 2017). Similarly, market share viewed as the percentage of a market defined in terms of either units or revenue that is accounted for by a specific entity, and is represented as a firm's sales revenue or as a firm's sales volume in a given market divided by the total volume sales in that market (Farris *et al*, 2010).

Market share is calculated by taking the company's sales over a defined period and dividing it by the total sales of the industry over the same period. This metric is therefore used to give a general idea of the size of a company in relation to its market and its competitors. Richard (2009) opined that the measure of market share and the concept of prospects are important to companies because they indicate the additional business that a brand can win and how and when to obtain it. Thus, market shares are measured in value or volume, value market share is based on the total share of a company out of total market segment's sales and is calculated by taking the company's sales over the period and dividing it by the total sales of the industry over the same period.

While market share in volumes refer to the actual number of units a company sells out of the total units sold in the market. Ajitabh and Momaya (2004) opines that market share measured in units (volumes) signify a non-financial performance metric of competitiveness. To this end,

we assert that in this work market share is defined in terms of units a particular firm accounts for in the industry of its operations. Therefore, the following hypothesis is stated:

*Ho*₃: Customer service management does not significantly affect market share in the food and beverages sector.

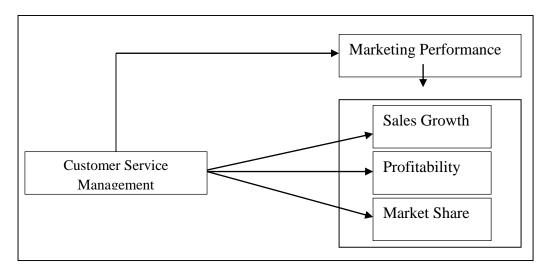


Fig. 1: Conceptual framework of the relationship between customer service management and marketing performance.

Source: Researchers' Conceptualisation from Review of Literature (2018)

Methodology

This research study adopts the quantitative research process also known as the pure nomothetic positivist approach. As a quantitative research, the cross-sectional survey design is adopted. The population frame represents a listing of all the elements in the population from which the sample is drawn; this comprised all the quoted food and beverages manufacturing firms in Nigeria. There are fifteen (15) companies listed in the facts book of the Nigerian Stock Exchange (NSE) 2014-2016 edition, and hence, they represent the target population of this study.

The sample size of this study consists of all the elements in the study population. Thus, the total number of ninety (90) top management personnel and heads of different units; were sampled; six (6) from each of the fifteen (15) firms. The study adopted the use of both primary which was collected through the use of the questionnaire, a total of 90 copies of the questionnaire were administered whereas only 63 copies representing about 70% return rate were used for data analysis.

Table 1: Cronbach alpha coefficients

SN	Variables	Item	Alpha, α
1	Sales growth	5	0.75
2	Profitability	4	0.84
3	Market share	7	0.77
4	Customer Service management	7	0.72

Source: SPSS Output of data Analysis on customer service management and marketing performance of food and beverage manufacturing firms in Nigeria (2018)

The result of the Cronbach's Alpha (a) test as shown in the table 1 above established the reliability or the internal consistency of the instruments. The calculation was made easier using Statistical Package for social sciences (SPSS) version 21.0. The above result necessitated the use of the instruments for the study and agrees with the thoughts of Ahiauzu (2010) that a reliability coefficient is calculated in terms of the average inter-correlations among the items measuring the concept.

Data Presentation and Analyses

Descriptive and inferential statistics are computed respectively on the survey data relating to the study variable in references to the 3 hypotheses of the study. Results on the analyses of the quantitative data are presented in this section.

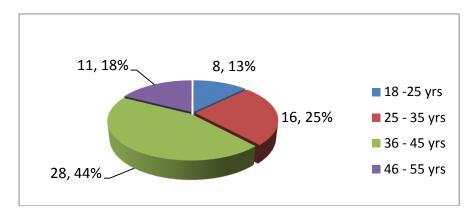


Fig. 2: Distribution of respondents based on age

Source: SPSS Output of data Analysis on customer service management and marketing performance of food and beverage manufacturing firms in Nigeria (2018)

Figure 2 shows the summary of the distribution of the age of the respondents. It shows that the majority of the respondents were in the age bracket of 36-45 years, 28(44.4%) and this was followed by those in the age bracket of 25-35 years, 16(25.4%) among others.

Gender of the Respondents

The respondents were required to state their gender as stipulated in the study instrument, the

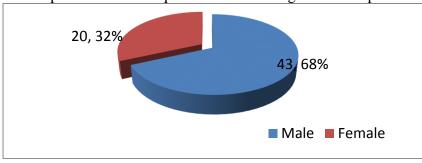


Fig. 3: Distribution of respondents based on sex

Source: SPSS Output of data Analysis on customer service management and marketing performance of food and beverage manufacturing firms in Nigeria (2018)

Figure 3 shows the distribution of sex of the respondents. It shows that there were 43(68.25%) males and 20(31.75%) female respondents; this means that there are more males working as employees of the food and beverage firms in Nigeria more than females.

Educational Qualification of Respondents

One of the important aspects of this research is education as organisational members who are in the position to supply the needed information ought to be educated. Respondents were asked to state their educational qualification in the company. The minimum qualification required in this study to occupy the position of a top executive is the Higher National Diploma (HND). Other requirements include BSC/BA, MBA/MSC, Ph.D.

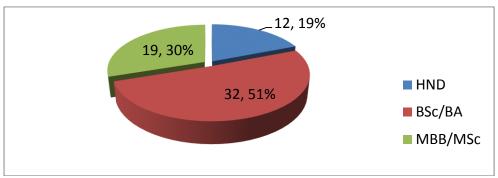


Figure 4: Distribution of respondents based on education

Source: SPSS Output of data Analysis on customer service management and marketing performance of food and beverage manufacturing firms in Nigeria (2018).

Table 4 shows the distribution of educational background of the respondents. It shows that majority, 32(50.79%) of the respondents hold BSc/BA, this was followed by 19(30.16%) who holds MBB/MSc and only 12(19.05%) hold HND. The results further reveal that a larger percentage of the respondents possess the BSc/BA qualification more than those with MSc and HND.

Table 2: Dimension-based descriptive statistics on marketing performance

	Sales	Profitability	Market	Customer Service	
Statistic	growth		Share	management	
Mean	3.8921	3.8651	3.8685	4.0272	
Std. Error of Mean	.08620	.08870	.07352	.08373	
Median	4.0000	4.0000	3.8571	4.1429	
Mode	4.40	4.00	4.57	4.57	
Std. Deviation	.68422	.70400	.58357	.66456	
Variance	.468	.496	.341	.442	
Skewness	415	051	342	436	
Std. Error of Skewness	.302	.302	.302	.302	
Kurtosis	744	790	634	805	
Std. Error of Kurtosis	.595	.595	.595	.595	
Range	2.60	2.50	2.43	2.43	
Minimum	2.40	2.50	2.57	2.57	
Maximum	5.00	5.00	5.00	5.00	
Sum	245.20	243.50	243.71	253.71	

Source: SPSS Output of data Analysis on customer service management and marketing performance of food and beverage manufacturing firms in Nigeria (2018)

Table 2 shows the dimension-based descriptive statistics on market competitiveness. It shows that the mean rating of the respondents over sales growth was 3.89, SD=0.68, whereas their mean rating on profitability was 3.86, SD=0.70 and their mean rating on market share was 3.87, SD=0.58. The mean (x) rating of the Customer service management of 4.02, and standard deviation, SD= 0.66, implies that respondents strongly agreed that having an effective management of customer service activities is a viable strategy to increase sales.

Table 3: Customer service management and the measures of market performance

			CSM	Sales	Profit	Market
	CSM	Correlation Coefficient	1.000	.658**	.538**	.737**
		Sig. (2-tailed)	•	.000	.000	.000
		N	63	63	63	63
	Sales	Correlation Coefficient	.658**	1.000	.662**	.706**
		Sig. (2-tailed)	.000	•	.000	.000
C		N	63	63	63	63
Spearman's rho	Profit	Correlation Coefficient	.538**	.662**	1.000	.697**
		Sig. (2-tailed)	.000	.000		.000
		N	63	63	63	63
	Market	Correlation	.737**	.706**	.697**	1.000
		Coefficient				
		Sig. (2-tailed)	.000	.000	.000	
		N	63	63	63	63

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

Source: SPSS Output of data Analysis on customer service management and marketing performance of food and beverage manufacturing firms in Nigeria (2018).

The result as depicted on table 3 illustrates the relationship between customer service management and the measures of market performance. The evidence presents the results with regards to the tests for hypotheses 1-3 as follows:

Test of Hypothesis 1

 H_{01} : There is no significant relationship between Customer Service Management and Sales growth of firms in the food and beverages sector.

From table 4, the associated p-value of the relationship between customer service management and sales growth is revealed to be significant (where p = 0.000) which is less than 0.05. The evidence corresponds with the high correlation coefficient (rho = .658) indicating that customer service management contributes as a significant and high predictor of the sales growth of firms in the food and beverages sector. Therefore, we reject the first null hypothesis, implying that the relationship between customer service management and sales growth of the selected companies is significant.

Test of Hypothesis 2

 H_{02} : There is no significant relationship between Customer Service Management and profitability of firms in the food and beverages sector.

From table 4, the associated p-value of the relationship between customer service management and profitability is observed to be significant (where p = 0.000) which is less than 0.05. The result from the analysis corresponds with the moderate correlation coefficient (rho = .538) suggesting that customer service management moderately impacts on the capacity of firms in the food and beverages sector to make profit. Therefore, we reject the second null hypothesis, implying that the relationship between customer service management and profitability of the selected companies is significant.

Test of Hypothesis 3

 H_{03} : There is no significant relationship between Customer Service Management and market share of firms in the food and beverages sector.

From table 4, the associated p-value of the relationship between customer service management and market share is observed to be significant (where p = 0.000) which is less than 0.05. The result from the analysis corresponds with high correlation coefficient (rho = .737) revealing that customer service management to high extent influences the market share of firms in the food and beverages sector. Therefore, we reject the third null hypothesis, implying that the relationship between customer service management and market share of the selected companies is significant.

Discussion and Conclusion

The result on table 4 reveals that the associated *p*-value of the test corresponding to CSM (customer service management) is 0.000 which is less than 0.05. This finding led credence to the rejection of the null *hypothesis one*, *two and three* implying that the relationship between customer service management and the measures of marketing performance of the selected companies is significant.

This finding is in agreement with Hassan (2013) study on customer service management and organizational growth of service enterprises in Somalia, defining customer service as the combination of activities/strategies that is offered by retailers in an effort to increase service quality and sales, He argued that the Push customer service theory employed by firms is based on the assumptions about pushing firm solutions which included products, information, etc. all in a bid to position the business or organization to anticipate the needs of the customer in advance and prepare the solution ahead of time. These solutions included service quality; service speed and responsiveness in our study were stated as after sale service and technical support. Hassan (2013) concluded that increase in sales growth and employee growth was achieved through enhancing the level of service requirement which is vital to firms who wish to gain competitive advantage over other firms in the industry.

Again, the findings of this study also agree with the work of Tilokavichai *et al* (2012) in investigating the relationship between customer service performance and logistics management of firms in Thailand, among other objectives was to find the relationship between customer service performance and financial performance. They posited that firm size played no role in customer service performance but that customer service performance has a positive association with all other logistics activities and eventual financial performance, they assert that if customer service performance improves, then financial performance will increase. Suffice it to say that financial performance is a metric of competitiveness; therefore, we agree that if customer service performance improves, financial performance will increase.

This finding also agrees with that of Melovic, Mitrovic, Djokaj & Vatin (2015) that the level of customer service provided by the organisation is directly connected with the market share

of that company, with total logistics costs and with the profitability of the company as well. Iruka & Ateke (2015) suggested that a company that is growing its market share will be growing its revenues faster than its competitors. Hence, it's common knowledge that market share is used by businesses to determine their competitive performance in any sector as compared to other companies in the same sector.

The study thus concludes that customer service management impacts significantly on all three measures of marketing performance and that through adequate control and coordination of the activities of management in line with customer services, there will be increased sales growth, market share and profit for the manufacturing firms in Nigeria.

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