

RELATIONSHIP BETWEEN PRICE POSITIONING AND CUSTOMER RETENTION OF FOOD SPICES DEALERS IN PORT HARCOURT

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ABSTRACT

This study examined price positioning and customer retention with particular reference to food spices. The study adopted the correlational survey design where data were collected from consumers in Port Harcourt using a structured questionnaire. The sample of 374 consumers was used for the study and data collected from the respondents were analyzed using mean and standard deviation. The one hypothesis stated in the study was tested using the Spearman Rank Order Correlation. SPSS 21.0 version was used to correlate the data on the study variables. The study equally reported a positive and significant relationship between price positioning and customer retention. From the findings, it was concluded that price positioning significantly enhances customer retention. Based on the findings and conclusion, it was recommended that manufacturing companies in Nigeria especially those in the food spices should adopt price positioning strategies as it would enhance customer retention to their brand.

Keywords: Price Positioning, Customer Retention, Food Spices

INTRODUCTION

Customer retention refers to the percentage of customer relationships that once established, a business is able to maintain on a long-term basis. Customer retention is a simple concept; happy customers who feel important and are regularly communicated within the right way will keep coming backs. It is a major contributing factor in the net growth rate of businesses. For example, a company that increases its number of new customers by 20 percent in a year but retains only 85% of existing customers. will have a net growth rate of only 5%. (20% less 15% decrease). But the company could triple that rate by retaining 95 percent of its clients (Aaker, 2017).

Product positioning refers to the place that a brand occupies in the mind of the customer and how it is distinguished from competitors' products (Wikipedia, 2017). It is the process of creating a desired image for a company and its products in the minds of a target group of consumers (Kotler, 2006). The aim of positioning strategy is to make a brand occupy a distinct position in the mind of the customer in relation to competing brands (Hartmann, Apaolaza & Sainz, 2002).

Nirma position its product over Hindustan Lever's Surf on the basis of low price and this has made the product to be successful in the market (Kongalla, 2013). Camelia tried to position the brand on the basis of low price as consumers perceive I\l\eril food spices to be the most price favorable brand (Nazmul et al, 2012).

In order to position brands in the market, companies must pay adequate attention on the distinguishing features of their brand (quality, attributes, benefits, packaging, price, etc.) and try to create a positive image. When a company is able to position its brand in the

minds of consumers, it will boost sales and increase the market share of the brand. Every company in the manufacturing sector wants its product to occupy a distinct position in the minds of the consumers because it is a sign that the company is doing well against its competitors.

Research Hypothesis

The following hypothesis will be postulated in this study:

H0₁: There is no significant relationship between price positioning and customer retention of food spices dealers in Port Harcourt.

Price Positioning

Price is the amount of money charged for a product. It is one of the most important factors which consumers consider before buying a product. Kamau & Wafula (2015) stated that consumers are very sensitive to price when making purchases. They want to buy a quality product at a low price and at the same time get the desired benefits. Hence, marketers use price as a basis for positioning their product in the market. Companies that adopt this approach tend to highlight how the prices of their products differ from products of competitors.

However, there are two ways in which a company can adopt price positioning. Each of these two ways depends on the quality of the product (Shivashankar & Uma, 2017). First, the company can use a higher price tag to exploit the popular belief that the more expensive a product is, the higher its quality. For instance, if a consumer is given an option to buy one pair of jeans worth 2,500 naira or 3 pairs of jeans for the same 2,500 naira, what quickly comes to the consumer's mind is that the 3 pairs of jeans will be of low quality and might not provide the desired value for money; hence unequal exchange of value. In this scenario, the other single pair of jeans is considered to be of high quality and gives the desired value for money. In instances like this, price and quality plays an important role in building the right perception in the minds of the consumers.

Some companies use the price-quality approach to position their brands in the market. They will attach a higher price to their product in order to build a perception that their products are of high quality (Hartmann, Apaolaza & Sainz, 2002). Automobile brands such as Mercedes and BMW charged higher prices for their cars and customers are willing to pay the price because they believe that the high price tag explains the quality of the car. Here the car price and quality occupies a distinct position in the mind of the consumers. Begum & Sarala (2016) argued that the price charged by a company must reflect the position of the product in the marketplace. Rao (2010) stated that a brand that is well known and occupy a strong position in the market in terms of value and reliability may sell for a higher price with the expectations that the consumer will pay for the perceive benefits of using the product.

Another approach to price positioning which a company can adopt is to promote itself as the cheapest provider of certain type of product without compromising on quality. This approach demands that the company offers high quality product at a low price. Southwest Airlines is a good example of companies that adopt this strategy. The airline has a policy of offering affordable flights and at the same-time promising it to be enjoyable. The airline offers discount prices and still maintains a strong and distinct brand identity. Walmart, a US based retail outlet, has also positioned itself in the market as an outlet where products are sold at affordable prices.

Customer Retention:

Customer retention is the collection of activities a business uses to increase the number of customers and to increase the profitability of each existing customer. Customer retention strategies enable you to not only provide but also extract more value from your customer base. You need to ensure that the customers you worked so hard to acquire stay with you and continue to get value from your products. In short, acquisition creates a foundation of customers (Prasad & Dev, 2010). Customer retention refers to the activities and actions companies and organizations take to reduce the number of customer defection. The goal of customer retention programs is to help companies retain as many customers as possible, often through customer loyalty and brand loyalty initiatives.

It is important to remember that customer retention begins with the first contact a customer has with a company and continues throughout the entire duration of the relationship. The customer retention definition in marketing is the process of engaging existing customers to continue to buy products or services from your business. It is different from customer acquisition or lead generation because you have already converted the customer at least once. The best customer retention tactics enable you to form lasting relationships with consumers who will become loyal to your brand. They might even spread the word within their own circles of influence, which can turn them into brand ambassadors.

Customer retention refers to the ability of a company or product to maintain its customers over some specified period. High customer retention means customers of the product or business tend to return to, continue to buy or in some other way not defect to another product or business, or to non-use entirely. Selling organizations generally attempt to reduce customer defections. Customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship and successful retention efforts take this entire lifecycle into account.

A company's ability to attract and retain new customers is related not only to its product or services, but also to the way it services its existing customers, the value the customers actually generate by utilizing the solutions, and the reputation it creates within and across the marketplace. Successful customer retention involves more than giving the customer what they expect. Generating loyal advocates of the brand might mean exceeding customer expectations. In effect, this means being customer centric, that is putting customer value rather than maximizing profits and shareholder value at the center of business strategy. The key differentiation in a competitive environment is often the delivery of a consistently high standard of customer service. Furthermore, in the emerging world of customer success, retention is a major objective (Fournier, 2018).

Research Design

The design of the study was correlational survey research. According to Price, Jhangiani & Chiang (2010), correlational survey research is a type of non-experimental research in which the researcher measures two variables and assesses the statistical relationship between them with little or no effort to control extraneous variables. The present study was correlational research because the researcher intends to measure the relationship between product positioning and customer retention.

Population of the study

The population of this study consisted of customers of food spices in Port Harcourt. The population of Knorr spices customers in Port Harcourt is unknown as there is no available record to show the exact number of Knorr spices customers in Port Harcourt. Hence an estimated population was used for the study. According to Brian in Nwankwo (2013), if the population is unknown, the researcher should provide a marginal estimate of that population.

Marginal estimate of a population according to Brian in Nwankwo (2013) is a population size (in figures) which may differ from the exact population size by being either very slightly higher or lower than the exact population size. Following Brian's advice, we provided a marginal estimate population of 5,852 Knorr spices customers within the age bracket of 18-40 years. The population was drawn from Port Harcourt city where the product is in large circulation.

Sample and Sampling Technique

The sample size of this study consisted of 374 loyal customers of food spices in Port Harcourt. The sample size was determined mathematically using the Taro Yamen's formula. The sample size was drawn from Port Harcourt City using random sampling technique. The simple random sampling is a probability sampling method that gives every sampling unit in a population an equal chance of being selected among the sample to be used for the study (Baridam, 2001). By adopting the simple random sampling, it meant that each of the sampling unit in the population have equal chance of being selected. This method of sampling is considered appropriate because it ensured that all the Knorr spices customers had equal opportunity of being selected among the sample (374 respondents) used for the study.

Instrumentation

The main instrument used for data collection in this study was a structured questionnaire developed by the researcher. The questionnaire was divided into two sections (A and B). Section A elicited personal information such as the respondents' sex, marital status, age, occupation, educational qualification, etc, while section B sought information on the variables of interest. Section B have 327 items of which item 1-7 elicited information on attributes positioning; item 8-13 sought information on quality positioning; item 14-19 obtained information on benefit positioning; item 20-26 gathered information on price positioning; while item 27-32 sought information on customer retention. The questionnaire was structured on four (4) points Likert type scale such as Strongly Agree, Agree, Disagree, Strongly Disagree. Numerical values were also assigned to each of the scale to show their weight such as Strongly Agree (4), Agree (3), Disagree (2) and Strongly Disagree (1). The idea that was used in developing the instrument was derived from literature based on the demands of the research questions and hypotheses.

Validity of the Instrument .

The instrument was validated by the researcher's supervisor and two other experts in the Department of Marketing, School of Post Graduate Studies, Ignatius Ajuru University of Education. These experts evaluated the content of the instrument with respect to its relevance to the topic, ambiguity of the statements, clarity of language as well as adequacy of the items to ensure the authenticity of the instrument. Their comments and suggestions

was carefully effected in the final draft before subjecting the instrument to further reliability test.

Reliability of the Instrument

To determine the reliability of the instrument, the test-retest method was applied. The instrument was administer to a sample of twenty (24) loyal customers to Food spices who were not part of the research sample but were part of the study population. After a period of two (2) weeks, the same copies of the instrument was re-administered to the same persons. Their responses at the two intervals was correlated using the Pearson's Product Moment Correlation statistic.

Administration of the Instrument

The researcher personally administered the instrument to the respondents (loyal customers to Food spices) in Port Harcourt. Before the administration process, the respondents was educated on the objective of the exercise and the reasons why they should offer sincere opinion on the subject matter. After which the researcher proceeded to produce 374 copies of the instrument (questionnaire) which was administered to the respondents.

Methods of Data Analysis

The data gathered from the questionnaire was analyzed using Mean, Standard Deviation and the Spearman Rank Correlation. Mean and Standard Deviation was used to analyze the questionnaire items with respect to the study variables. A criterion mean of 2.50 was set.

Results

Hypothesis one

H₀₁: There is no positive and significant relationship between price positioning and customer retention.

Correlation between price positioning and customer retention

| | | | Price Positioning | Customer retention |
|---------------------|--------------------|---|----------------------|--------------------|
| Spearman Rank (rho) | Price Positioning | Correlation Coefficient Sig. (2 tailed) N | 1.000 374 | .687* 374 |
| | Customer retention | Correlation Coefficient Sig. (2 tailed) N | .687* .004 374 | 1,000 374 |

**Correlation is significant at 0.01 levels (2 tailed)

*Correlation is significant at 0.05 levels (2 tailed)

Source: SPSS-generated Output

Table above shows the result of SPSS correlation analysis carried out on price positioning and customer retention. The result indicates that price positioning is positively correlated to customer retention ($\rho = .687^*$) and that this correlation is significant at 95% confidence level. As a result of this, the null hypothesis is rejected and the alternate hypothesis is accepted. This means that we then accept that there is positive and significant relationship between price positioning and customer retention.

CONCLUSION

This study examined product positioning and customer retention using Food spices as a case study. The empirical results succinctly demonstrate that with respect to Food spices, attributes positioning was found to have a positive and significant relationship with customer retention. The study also found a positive and significant relationship between quality positioning and customer retention. The study also revealed that price positioning is positively and significantly related to customer retention. Based on these results, it was concluded that product positioning has positive and significant relationship with customer retention.

RECOMMENDATIONS

Based on the above findings and conclusions, the following recommendations are made:

That, manufacturing companies in Nigeria especially those in the food spices making industry should adopt product positioning strategies as it would enhance customer retention.

That, food spices making companies especially those who intends to adopt product positioning strategies should first of all conduct a market research to determine the current position of their product in the market as this would enable them formulate effective marketing strategies that will help to position their product in the minds of the consumers.

That, food spices making companies including those producing spices should work on the attributes and features of their products such as 'the size, weight, colour and other components as this would not only help to position their product in the minds of the consumers but would also increase customer loyalty;-

That, food spices making companies in Nigeria especially those whose brands have lost their position in the market should make adequate efforts to improve the quality of their product as this would help to reposition their product in the market and increase customer loyalty.

That, marketers in Nigeria especially those in the food spices should focus on the benefits of their products to the consumers while making presentation or launching a new product into the market as this will help to position their product in the minds of the consumers and increase customer loyalty.

That, marketers of spices such as Knorr spices, maggi cube, royco, onga etc. should attach a fair price to their products as this would not only enable them compete favourably on the basis of price but also help to position their products in the minds of the consumers and increase customer loyalty. '

Finally, it is recommended that marketers of spices should carry out market analysis few months after launching a new brand into the market as this would help to determine the position of the brand in the minds of the consumers and also to ascertain if there is any need to take steps to reposition the product.

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