KOGI JOURNAL OF MANAGEMENT
VOL. 9 No. 2, March 2023
http://kogmanjourn.com.ng

LOW COST STRATEGY AND MARKET ADVANTAGE OF SELECTED SMALL AND MEDIUM SCALE ENTERPRISES IN ABIA AND IMO STATES, NIGERIA

[1]Boniface, M. O. & [2]Meruo, Emmanuel Okeoma

[1]Department of Marketing, Michael Okpara University of Agriculture, Umudike, Abia State, Nigeria

[2]Department of Business Administration, Michael Okpara University of Agriculture, Umudike, Abia State, Nigeria

Abstract

This work determined the effect of low cost strategy on the market advantage of selected Small and Medium Scale Enterprises (SMEs) in Abia and Imo States, Nigeria. The study adopted a causal survey research design. Primary data was used which was sourced through five-point Likert scale questionnaire administered to the respondents. Simple regression model was used to test the hypothesis designed for the study. The low cost strategies adopted by the SMEs in the study area were out-sourcing, supply chain management, subcontracting, and collaboration strategies. The study revealed that these strategies significantly and positively affected the market advantage of the SMEs that were studied. The study therefore recommended the adoption of these cost leadership competitive strategies by selected SMEs in the study area.

Keywords: *Cost leadership, Penetration pricing, Out-Sourcing and Market Advantage*

INTRODUCTION

Small and Medium Scale Enterprises (SMEs) competitive advantage has not been studied as important part of the economy of many nation like Nigeria. This is because the performance and growth of these SMEs have not been discovered as major drivers and indices the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work. Despite that fact that SMEs are also significant in equitable distribution of income, bettering the welfare, increase in income per capita and quality of life enjoyed by the citizens (Aremu & Adeyemi, 2011). These contributions and activities of the SMEs were designed strategies which allowed them to compete with the large scale enterprises in the face of global and domestic competitions. Thus, in order to compete and survive successfully, locally and globally, small and medium scale enterprises must not only be in business to enjoy the short-term profit maximization. Rather there is the need to design competitive strategies, and at the same time evaluate how these competitive strategies will eventually reflect in their business performance and sustainable competitive advantage at the long run (Walker & Webster, 2014).

Competitive strategies are those business and marketing strategies designed by a business enterprise to create and capture values in a target market relative to competitors (Al-Debel & Davidson, 2017). These competitive strategies are cost leadership, differentiation, market focus and strategic alliance strategies (Porter, 2012). These were seen as generic strategies, as were proposed by Porter in 1980; but recent business and marketing scholars have suggested other competitive strategies namely guerrilla and ambush marketing (Levinson, 2008); and other competitive strategies designed to gain market positions in a particular industry such as flanking, encirclement etc. (Afende, 2015).

However, Porter (2000) is of the position that any firm that needs to perform above average so as to gain and sustain marketing performance should choose one of the generic strategies as stated above. Conversely, any business attempting to combine any of these strategies invariably ends up "stucked-in-the middle. This position has been challenged by a substantial combination strategy proposed by other scholars (Oyedinjo, 2012; Porte, 2010); and this research sets out to support the first group; especially as regards business and marketing activities of SMEs. Selecting a particular strategy and evaluate its effect of business performance is the position of this research. It is therefore, the attempt of this research to study the effect of these competitive strategies on the marketing performance and competitive advantage of selected SMEs in Nigeria.

Statement of the Problem

Small and Medium Scale Enterprises (SMEs) in Nigeria, as in many other countries of the world are characterized with stiff competition which has affected their performance in terms of growth and survival. This competition has been accelerated by globalization, product proliferation, trust, collusion and related business activities of the large (Oligopolistic) firms. The problem is that some of these SMEs do not design competitive strategies for their growth and survival. Even when some may seem to adopt any, it is just by trial and error; as some of their marketing strategies are mere imitations of the activities of the oligopolistic firms; while others operate on hunches (Afande, 2015; Adeniyi, 2013).

Whether the adoption of any of cost leadership competitive strategies in SMEs would facilitate sustainable competitive advantage is the primary concern for this study. As a consequence, this research was motivated, because various studies were noted to have given attention to large (oligopolistic) firms in other countries with paucity of literature specifically to Nigeria; and particularly the SMEs. For example, a study by Murrage (2011), focused on the competitive strategies in the petroleum industries in Kenya; a study by Gathoga (2001), focused on the competitive strategies by commercial banks in Australia; all geared towards the adoption of Porter's generic competitive strategies in achieving organizational performance (Asara & Gathinji, 2014). Coming down to the Nigerian environment, Adeniyi (2013) carried out a research on how competitive strategies improved the performance of selected Nigerian Telecommunication Companies. In the area of SMEs, Sultan (2007) carried out a research on the competitive strategies of SMEs in Israel; also Sije and Oloko (2013) investigated the pricing strategies of SMEs in Kenya. In the same dimension, Obosede, Obasadan and Alese (2016) did a great research and reviewed the literature on strategic management and SMEs development across the globe; but no attention was given to the competitive strategies, not to talk of cost advantage of these SMEs. All these researches had gaps in their relative studies. Some were on large corporation and not on small scale enterprises; while some that were on Small Scale Enterprises were neither on cost leadership nor domiciled in the Nigerian business, economics and marketing environment. It is based on these gaps on empirical literature that this research was motivated.

This is the gap this research is motivated to close in marketing, business, management and economics literature.

Objective of the Study

The objective of the study was to determine the effect of cost leadership strategies on the market advantage of selected Small and Medium Scale Enterprises (SMEs) in Abia and Imo States, Nigeria.

Significance of the Study

The outcome and recommendation this study will be of immense benefits to the customers, the SMEs managers, the government, researchers, students, teachers etc. Firstly, the findings of this study will help SMEs managers to acquire the requisite knowledge for relative competitive strategies for growth and survival in the contemporary global competitive business environment. This will be in tandem with Porter's Theory on competitive strategies and competitive advantage. Thus, the players in the SMEs sector of the Nigerian economy will be informed by the findings in the study of the precarious nature of the diverse industries and as such help them identify the need to strategize their operations to avoid other larger firms overtaking and superseding them. The customers of these firms will enjoy the benefits of purchasing and using quality goods and services; as competition engenders quality output of firms operating in the industry. This will come from consumer surpluses that will result from value creation and value capturing of the participating firms. The study will also benefit policy makers especially in guiding them for designing economic policies and strategies in ways that will foster competitive advantage, domestically and internationally. Hence, the study will help the government formulate policies that will assist other industries succeed in a similar fashion in order to achieve improved economic development. Researchers will see the study as source of materials in their research, especially the ones related to the topic under study. Students, teachers and others in the academics will see this study as supplementary to their classroom curriculum. This will therefore help in their teaching and learning of competitive strategies, marketing performance and competitive advantage.

Scope of the Study

The study focused on selected SMEs in Abia and Imo States, Nigeria. The SMEs selected include the ones in table water, food and beverages enterprises, hotels and eateries, super markets, bakery and confectioneries. The geographic area covered was Imo State and Abia States of the South-East of Nigeria geopolitical zone. These states were chosen because they have registered SMEs with relevant characteristics that generated data for the study. The cost leadership competitive strategies studied include those ones that are contained in Porter's generic strategies namely out-sourcing, supply chain management, subcontracting and collaborative buyer-seller relationship strategies. However, the indicator of market advantage penetration.

LITERATURE REVIEW

Cost Leadership Strategy

Porter's cost leadership strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Ofunde, 2015; Robert & Gathinji, 2014). In order to achieve a low cost strategy, a Small and Medium Enterprise therefore, must have a low cost leadership strategy which should be designed to achieve low-cost manufacturing and a workforce committed to the low cost strategy (Gathinji, 2014). The enterprise must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing and other related activities to other organizations with a cost advantage (Malburg, 2010). To have the capacity to create and capture value, given the

Potential Industry Earnings (PIEs), an effective cost leadership strategy should be designed to capture a large market share.

Going by the view of Porter (1985; 2012), it is only one firm that is supposed to be a cost-leader in a particular industry. And as a result, the firm is required to raise high entry barrier against other competitors in that industry so as to achieve a sustainable competitive advantage given her cost-leadership strategy. This high entry barrier, especially against potential entrants, will make it difficult for these other enterprises to have huge capital requirements for investment in the industry and to capture market share (Hyat, 2001). The cost-leader is then insulated against price-wars which may come as a result of industry-wide price reduction as can be worsened by “Price-Triggers” in the industry (Tresch, 2011). Cost leadership strategy create customer loyalty and can be achieved if the enterprise adopts out-sourcing, especially in those areas of the enterprises value chain where the SME does not have cost advantage (Shepherd, Saloner & Pondolyn, 2014).

Based on the above analysis, some major components of cost-leadership strategy based on the peculiar characteristics of SMEs can be explained. Such will help in the study and practice of cost-leadership if these SMEs, given their capacity to gaining and sustaining marketing performance and competitive advantage in the midst of large (Oligopolistic) firms.

Out-Souring: The rate of increasing competition, along companies in general and SMEs in particular, has necessitated the requirement of out-sourcing as one of the components of cost-leadership strategies to gain and sustain competitive advantage (Raja &Kherun, 2016). This is because there is the need to achieve customer fulfilments and gain their trust to achieve customer loyalty. This will make the enterprise more flexible and adaptable to new environmental conditions, by focusing on its core activity, entrusting part of the tasks or functions to other companies (Hila & Dumitrascu, 2014).The out-sourcing activity, on its own, requires the integration of certain activities along the enterprise (or industry) value and supply chains procurement and the collaboration of buyer-seller relationship. These sub-components of out-sourcing, (Hila & Damitricus, 2014), are explained herein.

Supply Chain Management: Supply Chain Management (SCM) is the management of a network of business and organization of an enterprise to provide products and services based on customer requirements with regard to value, cost and time (Hila and Domiticus, 2014). A supply chain encompasses all activities in fulfilling customer’s demands and request, by integrating the flow and transformation of goods from the raw material stage, through the end user as well as the associated information and funds flow (Ling, 2007). Enterprises focus nowadays on their core activities, on their strengths, so that many supply chain activities are out-sourced to different organization that are more specialized in the required activities (Sireeney & O’Riordan, 2017).

Timely Procurement: Procurement represents the process of obtaining goods and services from preparation and processing of a requisition through to recipient and approval of the invoice for payment and is highly bond to supply management as a component of outsourcing; as it gives out purchasing and supply function to another enterprise in the industry (Monczka, 2010). It is argued that purchasing describes the actual buying, while procurement has broader meaning which includes different types of acquisition (leasing, rental, contracting etc.); as well as the associated work of identifying and selecting suppliers, negotiating, agreeing terms, expediting, monitoring, supplier performance, analyzing orders, material administration and others. But these differences are largely principle rather than drawing artificial boundaries around functions (Hila and Domitracu, 2014). The essence of procurement as a component of outsourcing is to provide the enterprise with the right amount of the right product or service, at the right time at world class costs (Hila &Domitracu, 2014).

Collaborative Buyer-Seller relationship: For an enterprise to achieve cost-leadership strategy objective, there is the need for external integration which can be achieved through various types of co-operation with suppliers. This relationship is referred to as buyer-seller relationship (Fred & John, 2017). Enterprises that engage in buying and selling have recognized the need for collaboration as the best way of improving cost, quality, delivery time, and other measures of performance (Fred & John, 2017). There is the need for flexibility, commitment, mutual understanding etc. in this type of relationship. This will help the parties increase efficiency by lowering total cost, and enhance product development and market orientation through better knowledge of customers and their needs.

Subcontracting: This is the type of work that seeks to outsource certain types of work to other companies through subcontracting. Outsourcing is done with another company to provide services that might otherwise be performed by in-house employee (Hila & Domitracu, 2014). The incentive to hire subcontractors is either to reduce costs or to mitigate project risks. Often the tasks that are outsourced could be performed by the company itself; but in many cases, there are financial advantages that come from subcontracting (Hila & Domitracu, 2014). This implies that subcontracting as part of outsourcing offers some benefits to the enterprise adopting cost-leadership competitive strategy. One of them is that it allows work on more than one phase of the project to be done at once, often leading to a quicker competition. Also, because subcontractors already have the expertise and equipment to provide the service, it is often much cheaper for them to do the work.

Competitive Advantage: This is the attribute that involves the achievement of least cost in the production and marketing of the enterprise activities. Low cost advantage is achieved through the adoption of cost-efficiency strategies via-a-vis cost reduction techniques like large scale purchases, using ideal and excess capacity and other strategic alliance that will reduce cost. Also the re-use, reduce and recycling methods of waste management strategies can also reflect in cost advantage (Zaridis, 2009). Incremental learning through experience gained in the work can also lead to cost reduction and increased input (Shepherd, *et al* 2011).

Differential Advantage: This comes from product differentiation in which the enterprise can use some product attributes to differentiate its products offered to the market to achieve positioning advantage (Shepherd *et al.,* 2014). The attributes can be in the form of quality, shape, design, colour etc. (Kotler and Armstrong, 2006). When the products are differentiated, there is the possibility to charge premium price for the product, especially by distributors to the final consumers. This diffuses the price-senility (price elasticity) of the target market (Shepherd *et al.,* 2014; Rumelt, 2011).

Product differentiation makes switching (cost) so high that the consumer gets attached to the product of the enterprise against that of the competitor. And the continuous usage leads to network effects and installed base for the company products; whereby many people will be attracted to the usage of the product, thereby retaining the old customers as new ones are acquired (Shepherd, 2014). This type of advantage is always prevalent in the communication industry where the network providers create and capture values and maximize sales (and profitably profit) due to the inter-connectivity of the network of users (Rumelt, 2011).

Market Advantage: This is the key to competitive advantage; because it involves the capacity to create and capture value in a target market; because all the other components of competitive advantage discussed before culminate to the capacity of the enterprise to achieve and maintain "Market Power" (Tresh, 2011). Market power is when an enterprise gains and sustains competitiveness in a way that it behaves like a monopoly in the target market. Such is that it has achieved cost advantage to price its products relatively low; with the product differentiated that are positioned that the customers become loyalty. Then, switching to the competitor's brand becomes difficult, if not costly (Tresh, 2014).

Penetration Pricing Strategy: Pricing strategy refers to the coherent action plan of an enterprise designed to set the price of its product in the target market (Sije & Oloko, 2013). Most successful pricing strategies give an enterprise some property that is unique or at least distinctive and means for renewing its competitive advantage as the business environment changes (Haberberg & Rieple, 2008). Because cost-leadership gives the firm the leverage to adopt penetration pricing to capture value for the firm (Sije & Oloko, 2013). It is on this basis that the study is motivated herein at this section to capture penetration pricing strategy as a component of cost-leadership strategy for achieving efficient marketing performance and sustainable competitive advantage (Sije & Oloko, 2013).

Small and Medium Scale Enterprises (SMEs) Defined

The concept of small scale business has been an issue for debate as different individuals, nations and groups define it to suit their own systems and purposes (Boniface & Israel, 2015). Thus, some authors have defined small scale business from the stand point of its relevance in the development of any economy (Boniface & Israel, 2015).

The Nigerian companies and Allied Matters Act (1990) Section 376 gave a blue print for the characterization and possible definitions of small companies which are:

i. Private companies limited by share and business turnovers for the year;
ii. The net assets value of the company not more than N1 million or such amount may be fixed by the commission;
iii. None of the members of the company is a government agent and nominee;
iv. None of the members is an alien;
v. The directors of the company hold not less than 50% of the equity share capital of the company (AMA, 1990).

THEORETICAL REVIEW

Theories relevant to this study were reviewed. These theories captured the background for the conceptual frameworks of this study.

Structure-Conduct-Performance Framework (Bain, 1968)

The Structure- Conduct-Performance, as a model was developed by Bain in 1968. This theory proposes that a firm's performance, especially in terms of profitability is determined solely by the structure and competitive dynamics of the industry within which it operates. The source of values for the firms to create profitability is embedded in the end-product strategic position. And the strategic position is the set of unique values creation activities that differentiate a firm from its competitors in any industry (Robert and Gathinji, 2014; Sherperd et al., 2014). The essence of discussing this theory is its relevance in explaining the market based view of strategy (Wang, 2014). This can be explained with the aid of *Porter's Five Forces Model* discussed below.

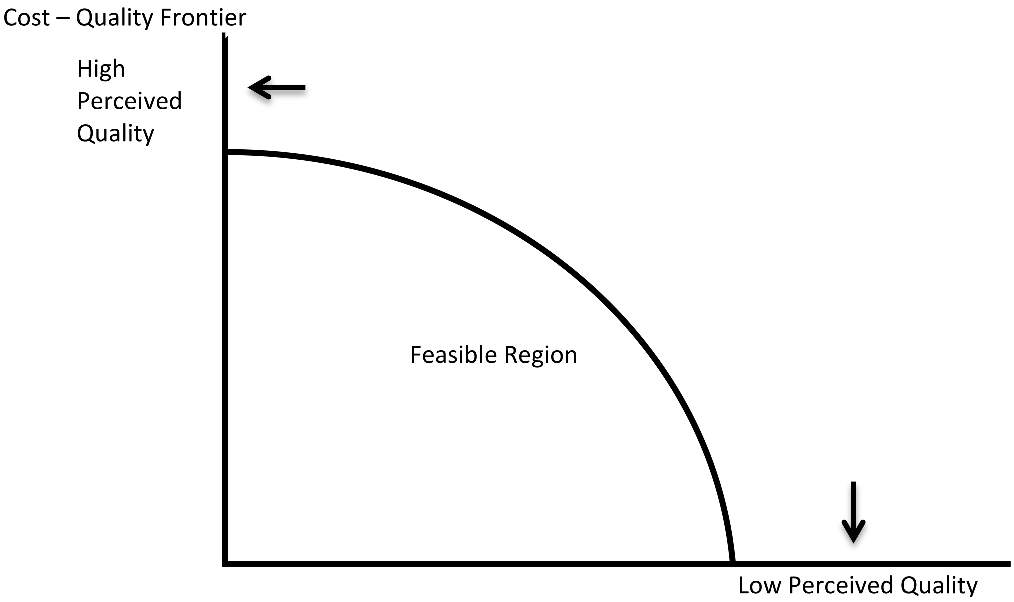
Porters Five Forces Model (Porter, 1980)

This model was developed by Michael Eugene Porter of Harvard Business School in 1980. In his book, "Competitive Advantage", Porter (1980) claims that companies competing in a given industry must fulfill many different activities that form cost, create value and grow profit. By using the competitive framework, a firm target to position itself in a sustainable and profitable position against the forces shaping and reshaping the industry. These forces are the suppliers bargaining power, the buyer bargaining power, pressure from substitutes, potential entrants and intensity of rivalry in the industry (Porter, 1980, 1985, 2012). The essence of this model is to expatiate the concept of five forces model of Porter (1980) afore-discussed in this framework.

Cost-Quality Frontier Framework (Shepherd, Saloner and Pondolyn, 2001)

Cost-quality frontier model was developed by Shepherd, Saloner & Pondolyn in 2001 popularized in 2014. This model posits that there is usually a trade-off between cost and quality. Using figure 2.6 below, quality is measured on the vertical axis, and cost on the horizontal axis. There is the observation that cost decreases along the horizontal axis; that the farther we move away more to the right, the lower the coast of business and operations. Cost is expressed in this way so that the firm is better off in both quality and cost; the farther it is positioned from the origin. This can be shown below.

Figure 1: Cost and Perceived Quality Framework



Source: *(Shepherd, Salomer & Pondolyn, 2014)*

The frontier is down-ward sloping curve because along there is a trade-off between perceived quality and low cost: Higher-quality products (produced as efficiently as possible) costs more to produce than lower quality one (produced as efficiently as possible; given the level of technology.

This model finally postulates that there is always a limit of what is available for the production of high quality product, given the present technology and scare resources. Therefore, a firm needs to strike a balance between perceived quality and cost implication of the product of the given firm in an industry. To achieve this, there is the need to adopt the total cost approach; which states that all the value creation activities of the enterprises should be integrated together and targeted towards maximizing profitability. The essence of this is to avoid sub-optimization: A situation where some parts of the enterprise will be made better off while others will be made worse off. Moreover, there should be standard of quality set and the cost implication stated. These will serve as the parameter for measuring optional efficiency (Shepherd, Salomer & Pondolyn, 2014). The essence of this framework is to explain the theory backing up the concept of cost-leadership strategy and cost advantage category of competitive advantage in this framework.

EMPIRICAL REVIEW

Some empirical studies were reviewed in the course of this research and they are discussed herein.

Dess, G. G. and Davis, V. (1984), carried out a research on Porter's Generic Strategies as Determinant of Strategic Membership and Organizational Performance". The study adopted purposive sampling plan of non-diversified manufacturing firms. Correlation was adopted for the analysis of data collected during the course of the study. They found out that those firms can be classified into four clusters based on the strategies they adopted: cost-leadership, differentiation, market focus and stuck-in-the middle. In terms of sales growth, the four groups were found to be significantly different from one another. The focus cluster was found to have the highest sales growth, followed by cost leadership, differentiation and stuck-in-the-middle. The study therefore recommended the adoption of market focus strategy among diversified firms.

Powers, A A. and Hatin, V. (2014), examined the "Performance Input of Competitive Strategies in the banking Sectors in Kenya". The study adopted stratified sampling method for the selection of banks in the study area. Correlation and simple regression models were adopted for the analysis of data collected in the course of the study. Their study indicated that banks fall into five clusters, based on the type of competitive strategy, cost-leadership, stuck-in-the-middle and customer service differentiation. They found out that over all firms employing a strategy perform better than ones stuck-in-the middle (especially in terms of return to assets). Their study recommended the choice and adoption of a particular type of competitive strategy and to follow it.

Afande, F. O. (2015), carried out a study on Competitive Strategies and firms Performance in the Mobile Telecommunication Service Industry, a study of Safaricom in Kenya". The study adopted stratified sampling method correlation and simple regression models were adopted for data analysis collected through a well-structured questionnaire. The study found out the strategies adopted by Safaricom was combination strategies, were all the three strategies were adopted at the same time. This led to the competitive synergy in the form of total revenue growth, total assets growth, net income growth, market share growth and over-all performance growth. The competitive strategies combined in the course of the firm's business include cost-leadership, differentiation and strategic alliance. These were directed toward vigorous pursuit of cost reduction, providing outstanding customer service, intensive supervision of front-line personnel, improving operational efficiency, among others.

Warnach, K. M., Warnach, I. A. and Asif, M. (2013), carried out a research on "Achieving Sustainable Competitive Advantage through Service Quality in Pakistan Telecom Sector. The study adopted cross-sectional study design with a sample size of four-hundred, determined through purposive sampling method. The study used ANOVA as the model to analyze the primary data collected through a Likert Structured form of questionnaire used to collect data for the study. The study found out that Telecom Industry in the study area received excellent rating on tangibility, particularly on equipment, and customer service staffs' dress, and allow rating on empathy, particularly not knowing customers' needs and not giving individual and personal attention to customers. And recommended the market focus strategy, especially customization in which every individual customer should be targeted as a single market in the telecom industry in the study area.

RESEARCH METHODS

The study adopted a causal survey research design. The opinions of the respondents were elicited through a well-structured Likert-scale type of questionnaire. This was carried out through questionnaire administration to the target respondents; especially the owners, managers and employees of the selected Small and Medium Scale Enterprises (SMEs) in the study area. A 5-ponit Likert scale was used to analyze the primary data collected in the course of the study; simple regression model was be used to test the hypothesis stated in the study. The study was carried out in Abia and Imo States in the South-Eastern geopolitical zone of Nigeria because these two states have urban areas where SMEs operate. On the basis of scope of operations, we studied registered SMEs that operate in the following five (5) markets, namely:

1. Table Water
2. Food and Beverages,
3. Hotel and Eateries
4. Supermarkets and finally
5. Bakery and Confectioneries.

These five markets operate in fragmented industries; that is more competitive (Afande, 2015; Adeniyi, 2013). The study population was six hundred and sixty-one (661). This comprised the staff of those SMEs that operate within the ambience of the five (5) selected Small Scale Enterprises. Thus, the population of the study was the summation of the staff strength of the twenty (20) SMEs.

Validity of Research Instrument

We adopted content validity in this study. A 5-point Likert scale questionnaire designed for the study was cross-checked whether the contents correspond to the topic under study. This questionnaire was later handed over to my supervisor. This was to ascertain whether the question items in the questionnaire are *in tandem* with the study objectives. However, the questionnaire was then vetted by the supervisor and other experienced researchers. And it was ensured that they were in accordance to the topic, the objectives, the research questions, the hypotheses and the relative designed questions as they are contained in the questionnaire.

Reliability of the Research Instrument

The reliability of the research instrument was done through a test-retest content reliability; focusing on the capacity of the questionnaire to elicit the opinion of the respondents. In the course of this, ten (10) copies of the questionnaire were administered to my colleagues. And correlation model was adopted to test the capacity of the questionnaire to generate data for the study. The test-retest results were presented herein.

And the decision was based on Crombach Alpha Model. The formula for the Cronbach Alpha Model is stated thus:

$$\propto = \frac{N * \bar{C}}{\bar{V} + (N-1) * \bar{C}}$$

Where:

N = Number of Items.

$\bar{C}$ = Average co-variance between pairs.

$\bar{V}$ = Average Variance.

The results of the pre-test and post-test were presented in Tables 1 and 2 respectively.

Table 1: Pre-test results of Crombach Alpha Reliability Test

Crombach Alpha	No. of Items
.74	10

At 95 confidence level (5% significant level)
Source: *Researcher, 2019.*

Table 2: Post-test results of Cronbach Alpha Reliability Test

Cronbach Alpha	No. of Items
.76	10

At 95 confidence level (5% significant level).
Source: *Researcher, 2019.*

Table 3.2 and 3.3 indicate that the results of our test-retest of 0.74 and 0.76 which were above 0.70 (as the bench mark, criterion). We therefore accepted the research instrument as reliable for data collection for the study. However, using the Crombach Alpha Model adopted, and the result of not less than 0.75, reliability test was judged as accepted for the instrument reliability (Onyedijo, 2016).

RESULTS AND DISCUSSIONS

This captured the presentation of the results and discussions about the data collected for the study. The data were presented in tables. Simple percentage was used to analyze the personal data of the correspondents. Weighted mean (score) was used to analyze the study objectives. Simple regression was used to test the null hypothesis stated in the study.

Effect of Low Cost on the Cost Advantage of the Selected SMEs in Abia and Imo States, Nigeria

The analysis of the effect of cost-leadership competitive strategy on the cost advantage of the selected SMEs in Abia and Imo States, Nigeria are presented in Table 2.

Table 3: Analysis of the Effect of Low Cost on the Cost Advantage of the Selected SMEs in Imo and Abia States, Nigeria

S/N.	Question Item	SA	A	D	SD	U	$(\bar{x})$	Remark
A	Outsourcing has effect on the market advantage of your enterprise	14	11	5	3	2	3.9	Accept
B	Timely material procurement has effect on the market advantage of your enterprise	12	15	4	2	2	3.9	Accept
C	Collab. buyer-seller & Mkt. Advantage	15	11	3	3	3	3.9	Accept
D	Subcontracting has effect on the market advantage of your enterprise	12	9	10	2	2	3.9	Accept

Source: *Field Survey, 2019.*
Key:* $(\bar{x})$ *= Mean

Table 3 captured the analysis of the effect of low-cost competitive strategies on the cost-advantage of the selected SMEs in the study area. The components of the effect of low-cost on cost advantage were analyzed with a mean criterion of 3.0. The four (4) items stated on the effect of low-cost on cost advantage of the cost advantage of the selected SMEs were accepted by the researcher. This was arrived based on the fact that their respective mean scores were greater than the mean criterion. All the respondents recorded a mean score 3.9.Respondents on the effect of outsourcing on the cost advantage of the selected SMEs had a mean score of 3.9, and was therefore accepted. Respondents on the effect of timely material procurement on cost advantage of the selected SMEs who had a mean sore of 3.9 and was also accepted. Furthermore, respondents on the effect of collaborative buyer-seller relationship on cost advantage had a mean score of 3.9 and were also accepted. Finally, respondents on the effect of subcontracting on cost advantage had a mean score of 3.9 and were also accepted. This implies that low-cost strategy had positive effect on the cost advantage of the selected SMEs in Abia Imo States, Nigeria.

HYPOTHESIS TESTING

This section captured the results of the five (null) research hypotheses tested in the course of this study. Simple regression was adopted to test the effects of independent variables on the dependent variables. The results were presented in Tables.

Hypothesis One

Ho: The hypothesis was stated thus: Low-cost strategy has no significant effect on the market advantage of the selected SMEs in Abia and Imo States, Nigeria. This hypothesis was tested using simple regression at 5% level of significance. The model summary of the results of the simple regression for the effect of low-cost strategy on cost advantage was presented in Table 3.

Table 4: Model Summary of the Simple Regression Results for Cost-Advantage

Model	R	R-square	Adjusted R-Square	Std. Error of Estimates	Durbin Waston
1	.975	.951	.914	.488	.034

a.: Predictor (Constant), Low-Cost
***b.: Dependent variable:** Market advantage*

The model summary results in Table 4 provide useful information about the regression analysis for the first hypothesis. First, the "simple r" column is the co-efficient of correlation between the actually observed independent variable and the predicted variable (that is predicted by the regression equation). r^2 is the square of "r" and is also known as the "coefficient of determination"; it states the proportion (percentage) of the (simple) variation in the dependent variable that can be attributed to the independent variables. The correlation coefficient (r) value of 0.975 indicates the existence of strong and positive relationship between low-cost strategy and market-advantage. The co-efficient of determination (r^2) value of 0.951 explains the proportion of variation in cost advantage that are attributed to low-cost strategies like out-sourcing, subcontracting led to market advantage, measured with penetration pricing etc. This value of 0.951 shows that low-cost strategy is a good predictor of market advantage. But r^2 often overstates the true value of explanations due to the unadjusted degrees of freedom and to eliminate such, the adjusted r^2 value of 0.914 shows the actual variations in the market-advantage attributed to low-cost strategy. The "standard error of estimate" indicates that, on average, observed market-advantage deviate from the predicted regression line by a score of 0.488. The value of the intercept and the degree of variation between low-cost strategy and market-advantage were presented in table 5, showing the coefficient of regression results of the effect of low-cost and cost advantage.

Table 5: Co-efficient of Regression Results of the Effect of Low-Cost Strategy on Market Advantage

Model	Unstandardized Coefficient B		Standardized co-efficient Beta	T	Sig
1 constant	-1.812	.710	0.77	26.001	000
Cost-leadership strategies	638	.0.50	.044	214.545	000

Dependent Variable: *Market Advantage*

The value of the intercept (βo), in Table 5 indicates that the value of market advantage when all the explanatory variables are to zero is -1.812. Specifically, one percent (1%) improvement in low-cost strategies increases the level of market advantage at 63.8%. Considering the statistical significance, we observed that the sign. value of regression is 0.000, which is lower than the acceptable 0.005 significance. Hence, low-cost strategy is statistically significant in explaining changes in markett advantage. To this end, we rejected hypothesis which stated that low-cost strategy has no significant effect on market advantage. And it was revealed that low-cost strategy has significant effect on market advantage of the selected SMEs in Abia and Imo States, Nigeria. This conclusion is similar to the findings of Huebish (2019); that low-cost strategies help SMEs to adopt cost control and cost reduction techniques in their business, which leads to penetration pricing. This may have been achieved according to Thompson and Strickland (2003), that the firms' cumulative costs across their value chain activities must have been lower than that of the competitors. This offers them the opportunity to adopt penetration pricing in their target markets. However, further research in the course of the study revealed that only 15.1% of the selected SMEs adopted this cost leadership strategies. And it is those in the food and beverages, as well as those in Table water adopted cost leadership strategies most.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter centred on the presentations of the summary of the major findings, conclusions and recommendations based on research findings.

Summary of Findings

After the research, the following major findings were made. These findings are listed below.

i. The study revealed that low-cost strategy has significant effect on the cost advantage of the selected SMEs in Abia and Imo States, Nigeria.

ii. We also found out that market focus strategy have significant effect on the sales volume of the selected SMEs in Abia and Imo State.

iii. The study also revealed that differentiation strategy has significant effect on the customer patronage of the small and medium scale enterprises in Abia and Imo State, Nigeria.

iv. It was revealed that strategic alliance has significant effect on customer loyalty of the selected SMEs in Abia and Imo States, Nigeria.

v. Lastly, we found out that combination strategy has significant effect on the market share of the selected SMEs in Abia and Imo States, Nigeria.

Conclusions

Based on findings of this study, the following conclusions were drawn.

i. That majority of the selected SMEs in Abia and Imo States adopted low-cost strategy in their various businesses. This helped them to pursue cost control and cost reduction techniques which gave them the cost advantage to sell their products at lower prices.

ii. Some of the selected SMEs in the study area adopted out-sourcing by contracting out their supply of raw to other enterprises. This led to cost reduction over time.

iii. Supply chain management strategy was also adopted by the SMEs studied. This granted them the opportunity to control the cost of supply and distribution of goods and, or services from their plants in other to control their supplies and target customers services. This increased the rate of their timely distribution network and customer patronage of their products.

iv. Collaboration of buyer-seller relationship as a competitive strategy was adopted by those selected SMEs studied; and this led to increase in cost reduction. This offers them (the cooperating firms) the opportunity to exchange human and material resources, technologies, etc. that offers synergistic results in market cost for those enterprises that are in their target markets

Recommendations

The following recommendations were made based on the conclusions drawn from the study.

i. The selected SMEs in Abia and Imo States should adopt cost control and cost reduction techniques; especially by the use of outsourcing, subcontracting, and buyer-seller relationship businesses;

ii. There is also the need to adopt out-sourcing strategies by focusing on specific group of activities that concern their customers in a particular market segments; and then give out other activities as contracts to other enterprises; especially by those ones in table water who have little resources to compete with larger firms like Coca-Cola that and Pepsi that produce Eva Water and Aquafina respectively.

iii. Supply chain management strategy should be adopted through incorporating proper analysis of material procurement and service that will enhance performance, lower buyer’s overall cost and improve quality customer services; especially by those in the eatery and hotel services where competition is too stiff with high proportion of sunk costs.

iv. We finally recommended that, most of these selected small business firms should adopt collaborative buyer-seller relationship strategy to be more viable in the competitive market. This is because it is a strategic choice for SMEs, especially those who have no much resource in their businesses; as they will outperform those ones in isolation in terms of cost advantage, pricing, and market share growth in the long run.

Suggestions for Further Studies and Limitations

The scope of the study was however, was limited to only five (5) industries or markets: namely table water, eateries and hotels, confectioneries and bakeries, food and beverages and supermarkets. And only Abia and Imo States in Nigeria were selected; with a sample size of 250. Therefore, we suggested that further studies should be carried out to identify and analyse the adoption of these competitive strategies in other small scale enterprises beyond Abia and Imo States.

References

Adeniji, A. (2013). *Competitive strategies and improved performance of selected Nigeria telecommunication companies*, Department of Business Administration, Lagos State University, Lagos, Nigeria.

Afande, F. O. (2015). Competitive strategies and firm's performance in the mobile telecommunication service industry: A Case of Safaricom, Kenya Limited, *Journal of Developing Country Studies,* 5(3), 22-24.

Al-Debel, M. M. and Davidson, D. (2011). Business model requirements and challenges in the mobile telecommunication sector., *Journal of Organizational Transformation and Social Change,* 8(2), P. 215-223.

Aremu, C. & Adejemi, E. (2011). *Strategic Management in Small and medium Enterprises*, Candil, Benin.

Asari A. & Gathinji, L. (2014). The relationship between competitive strategies and firm performance: a Case Study of telecommunication Companies in Kenya, *International Journal of Economics, Commerce and Management,* 11(9), 4-7.

Boniface, M. O. and Israel, E. (2015). *Entrepreneurship Development in small and medium scale enterprise: A Youth and Women Empowerment Strategy*, JUMAK Publishers, Umuahia, Abia State.

Dess, G.C. and Davis, V. (1984). Linking Product and Market growth to determine performance, European *Journal of Business and Management*, 28(17), P. 95-117.

Frede, B. & John, M. (2013). Cost and quality dimension of strategy for performance advantage, *Journal of Marketing Science*, 8(5), P. 93-101.

Gathoga, P. (2001). Sustainable advantage, *Harvard Business Review*, 64(5), 53-58.

Harbabr, C. W. & Schendel, D. (2008). *Strategy formulation: Analytical concepts*, St. Paul, Minsota, USA.

Hila, R. (2019), Cost Leadership and competitive advantage among small businesses, *Journal of Small Business, Chron. Retrieved from* http://Smallbusiness.chron./cost-leadership-competitive.advantage-35159.html.

Levinson, J. C. (2008). *Guerrilla marketing; easy and inexpensive strategies for making big profits from your small business,* 4th Edition, Maffling, Boston.

Ling, M. (2007). *Guerrilla Marketing*, retrieved from http://www.gmarketing.com.

Malurage, C. 2011). Competing on cost, *Industry week*, 249 (No. 17), P. 31.

Obosede, P. T., Edet, W. E. & Anani, R. B. (2012). Portfolio Analysis Model: A Review, European *Journal of Business and Management*, 4(18), 105-108.

Oloko, M. & Sije, A.(2013). Penetration Pricing strategy and performance of small and medium enterprises in Kenya, *European Journal of Business and Social Sciences*, 2(8), P. 115-117.

Oyidinjo, A. I. (2012). Competitive strategies orientations of small and medium business owners and their performance impacts: The Case of Paint Manufacturing SMES in South-Western Nigeria, *Journal of Asian Business Strategy*, 2(1), P. 1-8.

Porter, M.E. (1980, 2000), How Competitive Forces Shape Strategy, *Harvard Business Review*, 57(2)

Porter, M.E. (2012), From Competitive Advantage to Corporate Strategy. *Harvard Business Review*, 45(3)

Powers, H. and Hartin, V. (2014). Hybrid strategies as a strategic challenge; the case of the germane automotive industry, Omega, 28(5).

Sireeny, E. & O'Riordan, A. (2002). Outsourcing and its role in the supply chain management from http://www.arrow.ditie/egi/viewcontent.cgi.

Sphephered, A., Saloner, G. &Pondolyn, J. (2010). *Strategic management*, John Wiley and Sons Inc, USA.

Walker, O. & Webster, W. (2014). *Strategic entrepreneurship: An integrated approach for emerging firms' performance analysis,* Harlow, Pearson Education.

Wang, Hui-Ling, (2014). *Theories for competitive advantage*, University of Wollongong Research Online, Faculty of business, Accessed from eurealeaconnection.files.wordpress.com (2014).

Zaridis, A. D. (2009). Competitive advantage and its source in an evolving market AIP Conference Proceedings, 148(917-921), http://dxdoi.org.