SERVICE DIFFERENTIATION STRATEGY AND ORGANIZATIONAL PERFORMANCE OF NIGERIAN SMALL AND MEDIUM ENTERPRISES IN LAGOS STATE

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Abstract

Organization differentiate is service to achieve competitive advantage by providing a service that consumers perceived to be useful, unique and generally superior. Many organizations use service differentiation strategy to be profitable, competitive and to survive but many others neglect this strategy hence their low performance. This study empirically explored the relationship between service differentiation strategy (SDS) and organizational performance of Nigerian small and medium enterprises (SMEs) in Lagos State. A survey of 249 registered SMEs with Lagos State ministry of commerce and industry across the six small scale industrial zones of the state were undertaken, while both Yamani (1967) sample size scientific formula and Sekaran (2003) population to sample size table was used to determined sample size of 152. Meanwhile, questionnaires were distributed to two executives that is owner and manager from each of the selected 152 SMEs which makes the numbers of distributed questionnaire equal to 304. Three hypotheses were tested to determine whether: channel of distribution improve customer satisfaction; a superior and more reliable aftersales service increase market share & a quality service increase organizational profitability. Questions were formulated based on the hypotheses and 304 questionnaires were distributed to two executives from each of the selected SMEs, out of which 280 of the respondents which is 92% returned duly completed and properly filled questionnaires. The research findings show that SMEs that used SDS recorded substantial progress, while those that did not had low performance and market share. The implication of the study is the need for SMEs to adapt SDS for superior results. The study recommends that SDS should be used by SMEs for improved performance, customer's satisfaction, loyalty and retention. Further, SMEs managers, owners and executives should engage in SDS to enable their enterprises have an edge over their competitors in dynamic, turbulent and highly competitive Nigeria business environment.

Key words: Service Differentiation Strategy; Organizational Performance; Nigerian Small and Medium Enterprises; Lagos State, Nigeria.

1. Introduction

The success causing power of clear direction, good strategy and effective implementation of an organization's action plan is now generally recognized and appreciated. It is widely acknowledged today that the rate, the magnitude, and complexity of changes that impact organizations are accelerating (Parnell, 2012). Strategic management process is based on the belief that an organization should continually monitor key internal and external events and trends. Organizations should also pursue strategies that capitalize on internal strengths, take advantage of external opportunities, mitigate internal weaknesses and avoid or nullify the impact of external threats (Oyedijo, 2013). This is the whole essence of strategic management. Strategic management is the current term used in the description of decision process employed to achieve the long-term predetermined objectives of an organization. It is the process of specifying an organization's objective, development policies, plans and allocating resources so as to implement the plans. It is the highest level of management activity, usually performed by the company's chief executive officer (CEO) and executive team. Strategic management provides overall direction to the whole enterprise (Silvestrelli, 2018 & Thompson, Strickland & Gamble, 2014). An organization's strategy must be appropriate for its resource, circumstances and objectives. The process involves matching the company's strategic advantage to the business environment the organisation faces. One objective of an overall corporate strategy is to put the organisation into a position to carry out its mission effectively and efficiently. Thus, a good corporate strategy should integrate an organization's goals, policies, and actions sequences (tactics) into a cohesive whole (Porter, 1985; Adeoti, 2013).

In recent years, there have been great increase in the level of competition in virtually all areas of business and that of SMEs is not an exception. The ability to outperform competitors and to achieve above average returns lies in the pursuit and execution of an appropriate business strategy (Yoo, Lemak & Choi, 2006). This has resulted in greater attention to analysing competitive strategies under different environmental conditions. Porter (1985) states the three generic strategies that are required for different resources, organizational arrangements, control procedures, styles of leadership, and incentive systems could translate to improved organizational performance and competitive advantages. The three generic competitive strategies are overall price leadership, differentiation and focus i.e. cost or differentiation in a narrow market segment (Porter, 1985).

The bedrock of any nation's industrial take-off especially in a developing country like Nigeria is undoubtedly the SMEs. Unfortunately, Nigeria industrial sector as a whole has remained undeveloped after a period of over two decades of adopting an industrial policy based on large scale industries. Meanwhile, the Nigeria economy unlike its counterparts like Japan, Hong Kong, Indonesia, Singapore, Taiwan and Malaysia that is Asia/Industrial tigers has only witnessed weak industrial development (Adeoti, 2004). Further, a lot of industries established and supported by the government have tended to be large scale industries, which are capital intensive. In spite of all these, it is very glaring and most obvious that though, successive governments in their attempt to develop the nation industrially, had channeled huge amount of money to large scale industries with little or no result. Thus, there is need for urgent development of SMEs for the country to attain economic growth and development. Recently, the role and contributions of SMEs to the growth and development of the world economy has been recognized as a result of increased in the volume of its trade (Osuagwu, 2006). Graham (1999) noted that SMEs constitute a large part of the world economy, and numbering up to half to two-thirds of all business all over the world (Tuteja, 2001). This has result in the establishment of many SMEs in Nigeria by entrepreneurs with the aim of making profit, providing

employment opportunities, customer satisfaction, self-employment, increased in market share, among others. In other to achieve these objectives has led to competition among SMEs and each of them use various service differentiation strategies that will enable them to survive and more profitable. Meanwhile, the extent to which the uses of service differentiation strategies by the selected SMEs from six small scale industrial zones of the Lagos state have led to improved performance (Kimura & Mourdo-Ukoutas, 2010; Leiblein, 2013; Parnell, 2012), and to what extent customers have responded to the SMEs service differentiation strategies have not being sufficiently examined. It is necessary to find out the extent to which channel of distribution improve customer satisfaction; a superior and more reliable aftersales service increase market share & a quality service increase organizational profitability. The relationship between service differentiation strategy and organization performance have been a tropical research topic in the field of strategic management (Parnell, 2012). The aim of this paper is to critically examine the extent to which application of service differentiation strategy could influence the performance of SMEs in Lagos State.

Fig.1 – Conceptual and operational model of service differentiation strategies and performance of SMEs.
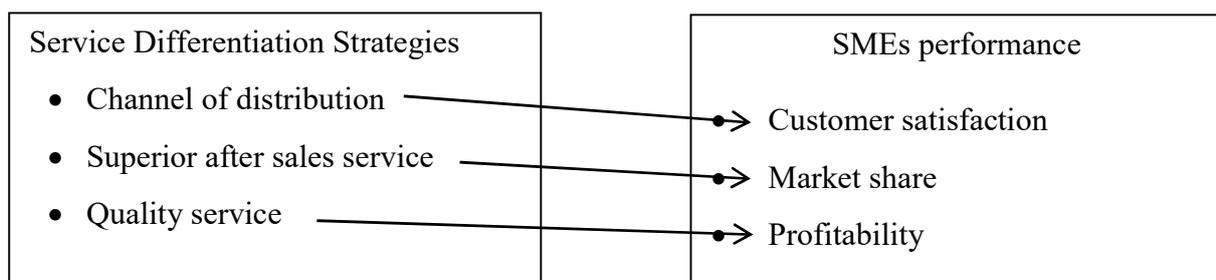
Source: Developed by the researcher

1.1 Hypotheses

Ho1: *There is no significant relationship between channel of distribution and customer satisfaction of SMEs in Lagos State, Nigeria.*

Ho2: *There is no significant relationship between a superior and reliable after sales services and increase in the market share of SMEs in Lagos State, Nigeria.*

Ho3: *There is no significant relationship between service quality and profitability of SMEs in Lagos State, Nigeria.*

2. Literature Review and Theoretical Framework

2.1 Strategy Defined

Strategy is about winning, success, broad statement and a means to be employed in achieving organization objective, while the actual methods used constitute the tactics (Dauda, Akingbade & Akinlabi, 2010). A strategy denotes a blue print of action to be carried out to do something and implies the deployment of emphasis and resources to attain comprehensive objective. It can be seen in essence as a grand plan i.e. statement of objectives to be pursued, together with resource to be used and path to be followed to archive them (Yaşar, 2010; & Akingbade, 2007).

Strategy is the determination of the long term goals of an organization, the choice of the method, and an organizational form and resource to be used to achieve the goal. Oghojafor (2000, 2013), noted that strategy is any means of using resource which are expected to provide superior results in spite of otherwise equal or superior capabilities of competitor. In operation terms strategy is a comprehensive, integrated plan designed to guarantee the actualization of the basic objectives of an enterprise. Strategy is unifying theme that gives coherence and direction to the individual decisions in an organization or a person (Akingbade, 2016). Every organization, whether profit-making or non-profit making, is established for a purpose which may be implicit or explicit and critical elements of the organizational strategies are organizational mission and vision (Adebisi & Oghojafor, 2015).

2.2 Benefits of Developing and Implementing a Strategy

The benefits of developing and implementing a strategy for a business organization as identify by Porter (1980), Oyedijo (2013), Lawal & Bello (2014), David (2010), Wheeleen & Hunger (2012), Lawal (2011) are as follows: It provides guidance to the entire management of an organization by making clear what the company wants to achieve and what it has to do and the pathways it needs to follow to be where it will like to be in the market place. Also, it facilitates a disciplined identification and appraisal of business opportunities and directs the changing and evolving relationship of the organization with its environment. It enables a company to be proactive, to maintain a healthy balance with its environment and to carry out some breakthrough advances for competitive advantage. Further, it provides a basis for the clarification of individual responsibilities thereby contributing to the motivation and commitment of organization members to the attainment of long term organizational goal.

2.3 Product Differentiation

This is a strategy where a company seeks to achieve a competitive advantage by creating a product or service that is perceived industry wide and by customers to be unique and generally superior in some important ways. Product differentiation can take the form of a different taste, a unique design or brand image, a superior quality and distinctiveness, a quicker service, a superior and more reliable after sales service, a better engineering design and styling, special features, convenient payment terms, among others (Oyedijo, 2013; Porter, 1985 & 1980). As with cost leadership, successful differentiation creates lines of defence for dealing with the five competitive forces identified by Porter (1980).

The strategic advantages of product differentiation as identified by Akingbade (2016); Oyedijo (2013); Porter (1985 & 1980); are: It enables a company to be insulated from the strategies of rival firms because it is able to establish customers' loyalty or preference for its brand or model and quite often such customers are willing to pay a little (perhaps a lot) more for the product. Such a customer's preference becomes a hurdle or constraint for potential substitute products and a barrier to new entrants. Because of strong customer loyalty, product differentiation reduces the bargaining power or leverage of large buyers because they may be forced to buy a product they used to rather than those of competitors which are considered less attractive (Porter, 1985 & 1980). Differentiation creates and raises the costs of switching to other brands or substitutes thus putting a firm in a better position to ward off threats from substitutes to the extent that it has built a loyal clientele who find it hard to abandon the product for substitute brands (Thompson, Stickland, 2001, Oyedijo, 2013; Porter, 1980). While Bhasin (2017) outlined the following means to achieve product differentiation, form, features, performance quality, durability, reliability, style and service.

2.4 Service Differentiation

Service is any act of performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its service may be or may not be tied to a physical service (Kotler, 2004 & Onuong'a, 2009). Bhasin (2017) argued that services may be offered individually to the customer or they may be bundled with a product. For example, tours and travels are independent services offered to customers. Where products are tangible in nature and easily differentiated on the basis of features, form, performance and quality, service differentiation is quite challenging and needs out of the box thinking. Service differentiation can be achieved on the basis of the following unique service characteristics outlined by Kotler (2004), Palmer (1999), Onuong'a (2009) & Bhasin (2017) for organization to differentiate its services from that of its competitors: ordering ease, delivery, installation, customer training, consumer consulting, maintenance and repair, returning of goods to sellers after delivery.

Ordering ease is the act of demanding or arranging for procurement, purchase, or delivery of organizational product by the user or final consumer through the organization website, online, whatsapp, email, instagram, facebook, twitter, mobile app among others. This has led to increase in the SMEs consumer purchases because consumer use to do window shopping when they have time via browsing of their smartphones. That is why e-commerce services are on the rise in developing country like Nigeria. Bhasin (2017) noted that this is the reason why most businesses are preferring online marketing as the mode of selling their products, like konga and jummai among others.

Delivery which is a major tactic to differentiate organization services is the act of taking goods or services or make it available to the people they have been sent to within stipulated period of time (Bhasin, 2017). Fast and accurate delivery time of services or products help the organization to differentiate its services from that of its competitors. The company normally state stipulated period of time in the advertisement for the customer to know when they should be expecting the product.

Installation is the fixing of organizational equipment or product in position to be used by the consumer. For example, SMEs that sell Dstv, Gotv, Startimes decoder or technical equipment like cold rooms, ducting equipment among others, have to differentiate their service through their efficient and reliable after sales services like fixing of the product or equipment.

Customer training is necessary and an important aspect of differentiating organization services. This is the act of impart proper training on customer when organization are selling products which are new in the market so that the customer does not misuse the products. Many SMEs understand that customer training is necessary and hence they have imparted the training as a norm in their installation procedures (Bhasin, 2017). For instance, when customer order for an equipment, a manual can be send along with the delivery. This is a ways to instruct the SMEs customer on using the machine properly so that he is happy with organizational service. Even some SMEs train their customers on how to make online order for their products.

Consumer consulting, firms like IBM and accenture have made big bucks through their consultation offers. Customer consulting includes numerous infrastructure or operation related

consulting which can be offered in the form of data management, information systems and service advisory (Bhasin, 2017).

Maintenance and repair, repair services need to differentiate themselves with the response time. Many technical products like computer Printer have online knowledge bases which users can refer to, so as to solve their problems immediately. Some companies offer fast services to their corporate and enterprise customers (Bhasin, 2017). The faster organization response time, and the more quality work organization do, the more easily organization will differentiate their services when it is a maintenance or repair service (Bhasin, 2017).

Returning of goods to sellers after delivery is a major hurdle to e-commerce sales as well as retail sales. Ever bought a product which just didn't work? It happens to all the buyers, irrespective of the product they buy. The nuisance is even worse in e-commerce, where e-commerce portals are actively advertising easy returns, to the disappointment of the sellers selling products online (Bhasin, 2017).

2.5 After Sales Services

This is the treatment of customers in the aftermath of a sales or the processes which followed post sales of the product (Pettinger, 2017 & Bhasin, 2019) and it does not generate any revenue for the company but increase the goodwill of the organization in the market and among the customers (Bhasin, 2019). The term aftersales service is as important as sales not only to retain the customers but also to bring back lost customers, to convince consumers to trust the firm and buy the service in the first place, it improve firms long-term brand image and brand loyalty, also firm incur extra cost and become an opportunity to sell related products (Pettingers, 2017). Pineda (2019) noted that an after-sales service corresponds to the activities and processes undertaken by an organization or business to ensure customers are satisfied with their purchased good or service. In other words, it pertains to any services provided after a product has been sold.

The purpose of after-sales service is to enhance the attractiveness and sales value of a product, provide product differentiation, build and maintain relationships with the customers, create loyalty, encourage repeat sales from these loyal customers, promote further the image of the business or its brands, and encourage customers to refer the business or its products to others. They collectively form part of a strategy aimed at making products attractive to the customers (Pineda, 2019). After sales service is a significant aspect of non-price competition like oligopoly and it depends on the industry and the product and (Bhasin, 2019) identified the following seven of its most common types. Pre-Installation services are the services that organization offered to their customers whenever a product is bought before installation like manual. Some products installation steps are specific while others are customer friendly. DSTV dish, ceiling fan, etc requires technical expertise for   installation. User training, company organize training for final consumer or end user of technical products like industrial machinery, surgical equipment among others are example of after sales service. Warranty services is after sales services provided by company for most of their products which include repairing and replacement of some parts with any problem for a selected period of time. Online support, e-commerce companies provides online support for any of the product related problems. Company dedicated helpline for customer service wherein complaints were resolved according to the company standard procedure. Return/Replacement, companies provide free replacement of the product for a limited period of time in case of any problem.

Features and benefits, companies provide feature which benefits customers like replacement of a part for a lifetime, for free counselling for the entire duration of the product. Upgrades, it is applicable to software and electronics for the device for a limited period (Bhasin, 2019).

2.6 Service Quality

This is the value of a service to customers and inherently subjective as it is driven by the needs, expectations and perceptions of customers as such, it is typically measured by quantifying customer survey (Spacey, 2017 & Adebiyi, Oyatoye, & Amole, 2015) He further stated the following types of service quality: reliability, responsiveness, empathy & tailoring, competence and diligence, consistency, safety & security, environments user interfaces, tangibles, experience. Service quality measures how well a service is delivered, compared to customer expectation. Meanwhile, businesses that meet or exceed expectations are considered to have high service quality. Service quality is a global judgment relating to the overall superiority of the service of an organization compared to others. It is also the customers overall service quality evaluation by applying a disconfirmation model, the gap between service expectation and performance (Amole, Oyatoye & Kuye, 2015, Abiodun, Adeyemi, Osibanjo, 2014).

The magnitude at which service quality are used to determine the rate of customers satisfaction has been on the high side in the last two decades most especially with the development of service quality scale (SERVQUAL), (Parasuraman, Zeithaml, & Berry, 1988). Therefore, SERVQUAL which has been applied to different sectors in developed countries to measure or determine the gap between customer service expectations and performance. However, Oyeniyi & Abiodun (2012) argued that theoretical foundation of SERVQUAL has been criticized (Cronin & Taylor, 1994) besides its wide application in different countries of the world. This criticism led to the development of service performance scale (SERVPERF) which restricted to performance dimension of service quality. Further, retail service quality scale (RSQS) was developed by Dabholkar, Thorpe & Rentz (1996) for adequate measurement of service quality in retailing and small business due to the failure of SERVQUAL and SERVPERF. RSQS is a five dimensional hierarchical factor structure scale namely: physical aspect, reliability, personal interaction, problem-solving and policy.

2.7 Channels of Distribution

These are the means by which organizations get their products to the final consumers or end users either through direct (producer → consumer), modern (producer → retailers → consumer), traditional (producer → wholesalers → retailers → consumer). Learnloads (2010) noted that distribution strategies are influenced by the cost of distribution methods, the nature of the market and the extent to which the manufacturer wishes to control how products are marketed. Channel of distribution comprising of a set of institutions which performs all of the activities utilized to move a product and its title from production to consumption (Bucklin, 1966). Lamb, Hair and McDaniel (2011) noted that retailing and wholesaling intermediaries in marketing channels perform several essential functions that make the flow of goods between producer and buyer possible. They argued that the three basic functions of intermediaries are transactional, logistics and facilitating. Transactional functions involve contacting and communicating with prospective buyers to make them aware of existing products and explain their features, advantages, and benefits. Logistics functions is the efficient and cost-effective forward and reverse flow and storage of goods, services, and related information, in to, through, and out of channel member companies. Logistics functions typically include transportation and storage of assets as well as their sorting, accumulation, consolidation and allocation for the

purpose of conforming to customer requirements, while, facilitating function includes research and financing (Kotler, 2004).

2.8 Porter's Theory of Generic Competitive Strategies

According to Porter (1985), there are three routes to superior performance: you either become the lowest-cost producer in your industry, or you differentiate your products or service in ways that are valued by the buyer to the extent that he or she will pay a premium price to get these benefits or you choose a focus in which case you apply either of these strategies to a broad market, or to a narrow, focused market. Thus, according to Porter (1985), there are three basic generic strategic approaches to competing in the market place and outperforming other firms in an industry from which a company can choose namely: overall cost leadership, differentiation, and focus. A fourth strategy for competing which has been identified by Kim and Mauborgne (2005) is blue ocean strategy. This strategy involves finding and establishing in markets that are not competitive. Entering such markets early enables a firm to get an edge over its rivals and because the market is not competitive a firm can charge a price that will enable it to reap superior returns.

The generic strategy typologies proposed in the late 1970s and 1980s became the theoretical basis for identifying strategic groups in industries. Porter's (1985) generic strategy typology is the most widely referenced. According to Porter (1985), a business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market.

2.9 Small and Medium Enterprises

Although, there seems to be no precise and consistent definition of small and medium enterprises now, some experts in the subject use the limit of capital investment to define it, while other use the number of employees to adjudge their definition. Whichever method is used there is ambiguity in the definition, in the sense that a firm that is producing below capacity due to some critical economic constraints could claim to be a SMEs, even where it holds capital above the limit advocated (Adeoti, 2005). The table 1 below provides a summary of some SMEs definitions by various agency in Nigeria. From the table statistical definitions of Nigerian SMEs vary. The upper limit of investment is N1.5 Billion and number of employees is 300 (Lawal, & Akingbade, 2018).

3. Research Methods

The study adopted a survey design with the aid of structured questionnaire. While research design is a blue print or road map to the research. It involves the study setting, data collection methods and the variables that was measured and analyzed to test the hypotheses (Chikwe & Ozuru, 2017; Sekaran, 2003; Saunders, Lewis & Thornhill, 2012). This study empirically explored the relationship between service differentiation strategy (SDS) and organizational performance of Nigerian small and medium enterprises (SMEs) in Lagos State. There are 249 registered SMEs with Lagos State ministry of commerce and industry across the six small scale industrial zones of the state, while both Yamani (1967) sample size scientific formula and Sekaran (2003) population to sample size table was used to determined sample size of 152. Meanwhile, questionnaires were distributed to two executives that is owner and manager from each of the selected 152 SMEs which makes the numbers of distributed questionnaire equal to 304.

Therefore, Questions were formulated based on the hypotheses and 304 questionnaires were distributed to two executives that is owner and manager from each of the selected SMEs, out of which 280 of the respondents which is 92% returned duly completed and properly filled questionnaires. The registered SMEs were selected from the following industries which their profiles are shown in appendix 2: courier service, building and construction, food and beverages, carpentry/wood works, household material, leather products, printing press, welding works/fabrication, fashion and design, poultry feeds, nylon bags and plastics. Three hypotheses were tested to determine whether: ordering ease improve customer satisfaction; a superior and more reliable aftersales service increase market share & a quality service increase organizational profitability.

4. Data Analysis and Results

Data were collected through a structured questionnaire administered personally to participating respondents. The questionnaire focused on demographic characteristics of respondents, and responding firms, involvement of responding firms in SDS and organizational performance. The instrument developed by Onuong'a, (2009) was adapted for SDS while organizational performance was measured subjectively by adapting a scale of measurement from Kwandwalla (1995). Respondents were requested to rate performance of their firms relative to competitors on a scale ranging from 1 (low) to 5 (high) performance. Respondents were asked to rate service differentiation strategy of their SMEs on a five-point scale anchored from the scale very large extent (5) to no extent (1). Data gathered were ordering ease, delivery, installation, customer training, consumer consulting, maintenance and repair, returning of goods to sellers after delivery, product quality and other variables related to service differentiation. The Cronbach alpha for this scale was 0.83. Responses were coded and converted to data from which Statistical Packages for Social Sciences (SPSS) was employed for the analysis.

4.1 Hypothesis I

H_0: *There is no significant relationship between channel of distribution and customer satisfaction of SMEs in Lagos State, Nigeria.*

This hypothesis was tested using regression and correlation analyses.

Table 3 – Result of correlation test between channel of distribution (CD) and customer satisfaction (CS)

Correlations			CHANNEL OF DISTRIBUTION	CUSTOMER SATISFACTION
Spearman's rho	CHANNEL OF DISTRIBUTION	Correlation Coefficient	1.000	.704
		Sig. (2-tailed)	.	.030
		N	280	280
	CUSTOMER SATISFACTION	Correlation Coefficient	.704	1.000
		Sig. (2-tailed)	.030	.
		N	280	280

Source: Researcher's Computation using SPSS *. Correlation is significant at the 0.05 level (2-tailed)

Table 3 above presents the correlation test between channel of distribution (CD) and customer satisfaction (CS). The Pearson's correlation coefficient (0.704) indicates that there is a substantially high positive correlation between channel of distribution (CD) and customer satisfaction (CS). This test of correlation is also significant since the p-value (0.030) is less the 5% (0.05).

Regression analysis between channel of distribution (CD) and Customer Satisfaction (CS): The regression function is stated as follows with Customer Satisfaction as the dependent variable and channel of distribution as the independent variable: CS = f (CD)

The regression model is stated as follows:

$$CS=a_0+a_1OE+u$$

Where:
CS = customer satisfaction
a_0 = constant intercept
CD = channel of distribution
a_1 = slope coefficient
u = error term

Table 4: Result of regression analysis

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.687	.468		7.883	.000
	CHANNEL OF DISTRIBUTION	.098	.047	.085	2.085	.043

Source: Researcher's Computation using SPSS Dependent Variable: CUSTOMER SATISFACTION

Table 4 above presents the result of the regression analysis using SPSS. The intercept coefficient (a_0) is 3.687 with standard error, t-stat. and p-value of 0.468, 7.883 and 0.000 respectively. The slope coefficient (a_1) of CS (customer satisfaction) with respect to CD (channel of distribution) is 0.098 with standard error, t-stat. and p-value of 0.047, 2.085 and 0.043 respectively. The slope coefficient (a_1) is positive. This implies that channel of distribution has positive influence on customer satisfaction. With the p-value less than 5% (0.05), channel of distribution is statistically significant to enhance customer satisfaction. This position is in agreement with that of Bucklin (1966) and Coughlin, Anderson, Steven, and El-Ansary (2017) that organization that makes it services and products available at appropriate time to the final consumers directly and indirectly through retailing and wholesaling intermediaries satisfy and retain their customers than their competitors that do not.

Therefore, both correlation and regression analysis indicate the rejection of the null hypothesis (H0). This implies that there is a significant relationship between channel of distribution and customer satisfaction of SMEs in Lagos State, Nigeria. That is, channel of distribution has significant effect on customer satisfaction.

4.2 Hypothesis II

This hypothesis was tested with t-test using regression and correlation analyses.

H0: *There is no significant relationship between a superior and reliable after sales services and increase in the market share of SMEs in Lagos State, Nigeria.*

Correlation test between a superior and reliable after sales services and increase in the market share of SMEs.

Table 5: Result of correlation analysis

Correlations			AFTER SALES SERVICES	MARKET SHARE
Spearman's rho	AFTER SALES SERVICES	Correlation Coefficient	1.000	.540*
		Sig. (2-tailed)	.	.016
		N	280	280
	MARKET SHARE	Correlation Coefficient	.540*	1.000
		Sig. (2-tailed)	.016	.
		N	280	280

Source: Researcher's Computation using SPSS *. Correlation is significant at the 0.05 level (2-tailed)

Table 5 above presents the correlation test between payment methods and customers' satisfaction. The Pearson's rank correlation coefficient (0.540) indicates that there is a moderate positive correlation between after sales services (ASS) and increase in the market share (MS) of SMEs. This test of correlation is also significant since the p-value (0.016) is less the 5% (0.05).

Regression analysis between a superior and reliable after sales services and increase in the market share of SME.

The regression function is stated as follows with market share as the dependent variable and after sales services as the independent variable:

$$MS = f\,(ASS).$$

The regression model is stated as follows:

$$MS = b0 + b1ASS + v$$

Where:
MS = market share
b0 = constant intercept
ASS = after sales services
b1 = slope coefficient
v = error term

Table 6: Result of regression analysis

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.305	.336		9.841	.000
	AFTER SALES SERVICE	.196	.084	.228	2.321	.022

Coefficients[a]

Source: Researcher's Computation using SPSS a. Dependent Variable: MARKET SHARE

Table 6 above presents the result of the regression analysis using SPSS. The intercept coefficient (b0) is 3.305 with standard error, t-stat. and p-value of 0.336, 9.841 and 0.000 respectively. The slope coefficient (b1) of MS (market share) with respect to ASS (after sales service) is 0.196 with standard error, t-stat. and p-value of 0.084, 2.321 and 0.022 respectively. The slope coefficient (b1) is positive. This implies that a superior and reliable after sales services leads to an increase in the market share of SME. With the p-value (0.022) less than 5% (0.05), ASS (a superior and reliable after sales services) is statistically significant to influence MS (market share of SME).

Therefore, both correlation and regression analysis indicate the rejection of the null hypothesis (H0). This implies that a superior and reliable after sales services has a positive significant effect on market share of SMEs in Lagos State, Nigeria. This finding is in line with that of Pettinger, 2017, Bhasin, 2019 & Futrell (2016) that superior and reliable after sales services like installation, warranty, online support, helpline, return/replacement, upgrades, features and benefits increases organization

customers, coverage and market shares. It is evidence that SMEs that provides superior after sales service to their customers is more to have more customers and control larger percentage of the market than its competitors.

4.3. Hypothesis III

H0: *There is no significant relationship between service quality and profitability of SMEs in Lagos State, Nigeria.*

This hypothesis was tested using regression and correlation analyses. Correlation test between service quality (SQ) and profitability (PFT).

Table 7: Result of correlation analysis

			SERVICE QUALITY	PROFITABILITY
Spearman's rho	SERVICE QUALITY	Correlation Coefficient	1.000	.681
		Sig. (2-tailed)	.	.000
		N	280	280
	PROFITABILITY	Correlation Coefficient	.681	1.000
		Sig. (2-tailed)	.000	.
		N	280	280

Correlations

Source: Researcher's Computation using SPSS *. Correlation is significant at the 0.05 level (2-tailed)

Table 7 above presents the correlation test between quality of service (QS) and profitability (PFT). The Pearson's correlation coefficient (0.681) indicates that there is a high positive correlation between quality of service (QS) and profitability (PFT) of SMEs. This test of correlation is also significant since the p-value (0.000) is less the 5% (0.05).

Regression analysis between quality of service (QS) and profitability (PFT): The regression function is stated as follows with profitability as the dependent variable and quality of service as the independent variable:

$$PFT = f(QS)$$

The regression model is stated as follows:

$$PFT = c_0 + c_1 QS + u$$

Where:
PFT = profitability
c_0 = constant intercept
QS = quality of service
c_1 = slope coefficient, u = error term

Table 8: Result of regression analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.008	. 247		12.194	.000
	QUALITY OF SERVICE	.140	.060	.022	2.333	.021

Source: Researcher's Computation using SPSS Dependent Variable: PROFITABILITY

Table 8 above presents the result of the regression analysis using SPSS. The intercept coefficient (c_0) is 3.009 with standard error, t-stat. and p-value of 0.247, 12.194 and 0.000 respectively. The slope coefficient (c_1) of PFT (profitability) with respect to QS (quality of service) is 0.098 with standard error, t-stat. and p-value of 0.140, 0.060 and 0.021 respectively. The slope coefficient (c_1) is positive. This implies that quality of service has positive effect on profitability. With the p-value less than 5% (0.05), quality of service has a statistically significant effect on profitability.

Therefore, both correlation and regression analysis indicate the rejection of the null hypothesis (H0). This implies that there is a significant relationship between quality of service and profitability of SMEs in Lagos State, Nigeria. This submission is in agreement with Oyeniyi & Abiodun (2012) and Parasuraman, Zeithaml, & Berry, (1988) that Quality service (reliability, physical aspects) and product rendered to the end users improves SMEs profitability. That is, the final consumers enjoy and value reliable, uninterrupted quality service and products irrespective of the price or charges.

4.4 Discussion of Findings

The findings of the study have important practical implications and recognize the overriding fact that there is growing concern for SDS activities in the SMEs in Lagos State, Nigeria. The

SDS issues that attract the attention of participating firms are ordering ease, delivery, installation, customer training, consumer consulting, maintenance and repair, returning of goods to sellers after delivery. However, most of the responding firms reported their least involvement in SDS. This finding is consistent with the results of previous studies Bhasin (2017) and Onuong'a (2009).

This study reveals that there is a significant relationship between channel of distribution and customer's satisfaction. It shows that SMEs that makes it services and products available at appropriate time to the end users directly (producer to consumers) and indirectly through intermediaries (distributors, agent, wholesaler and retailer) satisfy and retain their numerous customers than their competitors that neglect this act. This study has revealed prominent attributes of SDS in Nigerian SMEs. Also, it has established the adoption of SDS in this subsector. Further, the study establishes significant relationship between quality service and quality differentiated product (reliability, durable, last long, physical) rendered to the end users improves SMEs profitability. This is an indication that final consumers enjoy and value, reliable, durable, uninterrupted quality service and products irrespective of the price or charges. In a similar study, Onuong'a, (2009) established a positive relationship between SDS and organizational outcomes and indicated that channel of distribution by SMEs might be affected by the elements of SDS. Studies have also revealed that quality and aftersales service have a higher level of performance (Bhasin, 2017). In addition, superior and reliable after sales services like installation, warranty, online support, helpline, return/replacement, upgrades, features and benefits increases organization market shares. It is clear that SMEs that provides superior after sales service to their customers is at the advantage of having more customers and control larger percentage of the market than their rival. The study justifies the need for effective service differentiation strategy for attaining organizational performance. However, ineffective SDS by SMEs is most likely to result into low patronage, bad service quality and low organizational performance. The positive relationship between channel of distribution and improve customer satisfaction implies that owners and managers of Nigerian SMEs can therefore improve customer satisfaction by making channel of distribution very easy for their customer through the following medium: organization website, online, whatsapp, email, instagram, facebook, twitter, mobile app among others. Organization need to makes it services and products available at appropriate time to the final consumers directly and indirectly through retailing and wholesaling intermediaries to satisfy and retain their customers than their rivals in the same industry.

Obamiro, (2013) share similar view in his study on effects of waiting time on patient satisfaction in Nigerian hospitals. Nigerian SMEs need to proactively eradicate all forms of discrimination and create a climate that supports service differentiation. The Pearson's correlation coefficient (0.704) indicates that there is a substantially high positive correlation between channel of distribution (CD) and customer satisfaction (CS). Therefore, findings shows that both correlation and regression analysis indicates the rejection of the null hypothesis (H0). This implies that there is a significant relationship between channel of distribution and customer satisfaction of SMEs in Lagos State, Nigeria. That is, channel of distribution has significant effect on customer satisfaction. From Hypothesis two, the Pearson's rank correlation coefficient (0.540) indicates that there is a moderate positive correlation between after sales services (ASS) and increase in the market share (MS) of SMEs. This implies that a superior and reliable after sales services leads to an increase in the market share of SME. With the p-value (0.022) less than 5% (0.05), ASS (a superior and reliable after sales services) is statistically significant to influence MS (market share of SME). While hypothesis three shows that the Pearson's correlation coefficient (0.681) indicates that there is a high positive correlation between quality of service (QS) and profitability (PFT) of SMEs. With the p-value less than 5% (0.05), quality of service has a statistically significant effect on profitability. Therefore, both correlation and regression analysis indicate the rejection of the null hypothesis (H0). This implies that there is a significant relationship between quality of service and profitability of SMEs in Lagos State, Nigeria.

5. Conclusion and Recommendations

The study reveals that service differentiation strategy enhances organizational performance in the Nigeria SMEs in Lagos State. The answers to the tested hypotheses confirmed that there is a significant relationship between channel of distribution and customer's satisfaction. It is discovered that organization that makes it services and products available at appropriate time to the final consumers directly and indirectly through retailing and wholesaling intermediaries satisfy and retain their customers than their competitors that do not. The reason for this are not farfetched, their customers are comfortable with the products and service they enjoyed which are provided as at when due. Further, superior after sales services like installation, warranty, online support, helpline, return/replacement, upgrades, features and benefits increases organization market shares. It is evidence that SMEs that provides superior after sales service to their customers is more to have more customers and control larger percentage of the market than their competitors. Also, Quality service (reliability, physical aspects) and product rendered to the end users improves SMEs profitability. That is, the final consumers enjoy and value reliable, uninterrupted quality service and products irrespective of the price or charges. Meanwhile, SMEs that uses appropriate and reliable channels of distribution, superior after sales services and effective & efficient quality service will earn customers' satisfaction, increase in market share and improved profitability respectively.

Therefore, in view of the foregoing, it was recommended that management of SMEs in Lagos State, Nigeria should make use of appropriate and reliable direct (producer to consumers) and indirect (producer to wholesaler to retailer to consumers) channels of distribution to render their unique delivery services of getting the product to their final consumers at stipulated time which can lead to satisfactions, retention and loyalty of customers. Second, SMEs management should put in place for their customers superior and reliable after sales service like warranty, online support, upgrades features and benefits, installation, helpline among others which can enhance more customers, wider coverage and increase market share. Third, owners and managers of SMEs should differentiate their services and products in terms of best quality that

cannot be matched by their rivals and competitors in the same industry which lead to increase in the number of customers, sales and profitability. Forth, SMEs management should use direct channel of distribution of their product and service to the final consumers. This can eliminate unscrupulous role of middlemen (agent, wholesaler and retailer) in Nigeria which include delay in making the product and service available to the end users, creating artificial scarcity, hoarding of the product, increase in price among others which lead to customer satisfaction, loyalty and retention. Fifth, SMEs owner and manager should use indirect channel of distribution that involve intermediary (agent, wholesaler and retailer) for the bulk produce, sell, distributed and deliver services and products that a consumer cannot directly buy from the company which lead to convenience, satisfaction and retention of customers. Sixth, SMEs management should be encouraged to use SDS to enable them have an edge over there competitors in the same industry.

5.1 Limitations and Suggestion for Future Research

This study was limited to SMEs in Lagos State, Nigeria, hence further study should be carried out on other sectors of Nigeria economy like manufacturing, banking, telecommunication among others. Further studies should be conducted on comparative analysis between large scale indigenous enterprises and multinational corporations in manufacturing, banking, telecommunication industry. Meanwhile, this study centered on few SMEs owners and managers in Lagos State, however similar study can be conducted on all registered SMEs in Nigeria. This study should be replicated in other states of Nigeria and other countries of the world. Future research that are related to this study should include intervening variables to explain the dependents and independent variables.

5.2 Contributions to Knowledge

This study has contributed to knowledge and added to existing literature on SDS and OP by empirically validating that using a direct and indirect channel of distribution can enhance customer satisfaction, loyalty and retention. Further contribution to knowledge by this study was the demonstration that superior and reliable after sales service is positively and statistically correlated with SMEs market share and it also rationalize that significant relationship exist between after sales service and increase in SMEs number of customers and coverage area. In addition, this study has make important contribution to knowledge and confirmation that differentiated service quality improves organizational profitability. Also, the study makes important contributions to theory and practice. Meanwhile, this study will serve as reference point to support future studies on SDS and OP. Finally, relevant literatures has been gathered and in-depth analysis and knowledge has been given on SDS and OP in SMEs along with the attached benefits.

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Appendix I: Definitions of SMEs by number of employees, turnover and assets value.

N	Agency	Year	Number of Employees			Turnover			Asset Value		
			Micro	Small	Medium	Micro	Small	Medium	Micro	Small	Medium
1	Small and Medium Enterprises Development Agency (SMEDAN)	2009	<10	10-49	50-199	NA	NA	NA	N<5M	N5-<N50	N50-<500
2	Micro, Small and Medium Enterprises Development Fund (CBN)	2013	<10	11	200	NA	NA	NA	≤N5m	N5M	≤N500M
3	Small and Medium Enterprises Guarantee Scheme (CBN)	2010	NA	11	300	NA	NA	NA	NA	NA	≤N500M
4	Companies and Allied Matters Act	2014	NA	NA	NA	NA	≤N2m	NA	NA	≤N1M	≤N500M
5	Small and Medium Industries Equity Investment Scheme	2003	NA	10	≤300	NA	NA	NA	NA	NA	≤N200M
6	National Council on Industry	2001	≤10	11-100	101-300	NA	NA	NA	≤N1.5	<N50M	N50M≤N200M
7	Small and Medium Enterprises Development Agency (SMEDAN)	2015	≤10	10-49	50-199	NA	NA	NA	<N10M	N10M-≤N100M	N100M-<N1B
8	Central Bank of Nigeria	2005	≤10	11-100	101-300	NA	NA	NA	≤N1.5M	≤N50M	≤N200M
9	Central Bank of Nigeria	2006	NA	NA	NA	NA	NA	NA	NA	NA	≤N1.5B

Source: Adapted from Lawal, A. A, & Akingbade, W.A. (2018).

Appendix 2: PROFILE OF SELECTED SMEs INDUSTRIES

SN	INDUSTRY	NUMBER OF EMPLOYEES	CAPITAL
1	Courier Service	15-45	N10M-N32M
2	Building and Construction	14-80	N15M-N45M
3	Food and Beverages	20-73	N18-N38M
4	Carpentry/Wood works	12-64	N11M-N44M
5	Household Material	11-45	N13M-N38
6	Leather Products	13-48	N19M-N47M
7	Printing Press	12-51	N20M-N40
8	Welding Works/Fabrication	14-69	N22M-N43M
9	Fashion and Design	11-50	N9M-N32M
10	Poultry Feeds	39	N25M

Source: Field Survey (2019)