Effects of Differentiation and Cost Leadership Strategies on Organizational Performance: Evidence from Spirits and Wine Manufacturers in Ogun State, Nigeria

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ABSTRACT

This study investigates the impact of differentiation and cost leadership strategies on the organizational performance of spirits and wine manufacturing firms in Ogun State, Nigeria. Drawing on Porter's generic strategies framework, the research aims to evaluate how the adoption of these competitive strategies influences firm performance in a rapidly evolving and competitive local market. A cross-sectional survey design was employed, and data were collected from 60 senior managers and chief executive officers using structured questionnaires, with a final valid response rate of 90% (54 responses). The analysis revealed that both differentiation and cost leadership strategies have a significant positive effect on organizational performance. However, differentiation strategy showed a stronger predictive influence on performance outcomes compared to cost leadership. These findings align with previous studies suggesting that firms that prioritize unique value creation are better positioned for superior performance. The study contributes to strategic management literature by providing context-specific insights into how competitive strategies drive performance in the Nigerian manufacturing sector. Limitations include reliance on subjective performance measures and geographical scope limited to Ogun State. Future research is recommended to include focus strategy and extend the geographical coverage to enhance generalizability.

Keywords: Differentiation strategy, Cost leadership strategy, Organizational performance, Porter's generic strategies, Spirits and wine industry, Ogun State, Nigeria

INTRODUCTION

Nigeria's alcoholic beverage market (beer, wine, and spirit) was valued at $2 billion and has maintained an annual average growth of 6 percent since 2007. Market share by alcohol type indicates beer as the market leader with 55%, followed by spirits (30%) and wine (15%) (Rondon & Nzeka, 2012). Beer and spirits are widely consumed and have long dominated the Nigeria's alcohol market (Osadebamwen & Ideba, 2015).

Historically, local wines such as burukutu and palm wine have existed for ages before the advent of modern commercial wire production. Commercial production began with the processing of non-grape, locally grown fruits like pawpaw and pineapples. Wine from these fruits offers a wide range of products, from non-alcoholic to 10-15% alcohol content, catering to diverse consumer preferences (Osadebamwen & Ideba, 2015).

In dollar terms, the value of the Nigeria wine industry was projected to hit US$370 million by 2015. This is relatively small when compared to similar markets in South Africa-the leading producer in Africa-and other major wine-producing countries such as France, Italy, Spain, United States of America, China, Argentina, Chile, New Zealand and Russia (Shaw, 2012).

Some of the leading indigenous spirits and wines manufacturers and their years of incorporation include:

- Nigeria Distilleries Ltd- March 1961 (Ota, Ogun State)

- Intercontinental Distilleries Ltd- 1983 (Ota, Ogun State)
- Eastern Distilleries and Food Ind. Ltd- 1994 (Onitsha, Anambra State)
- Euro Global Food and Distilleries Ltd- 2006 (Ota, Ogun State)

The consumption of local beers exceeds that of foreign brands. The same trend is observed with spirits, although the importation of high-quality spirits has exerted competitive pressure on local distillers (Rondon & Nzeka, 2012; World Health Organization, 2004). Locally produced alcohol brands often lag in quality and branding, failing to meet the expectations of the growing middle- and upper-class populations (Rondon & Nzeka, 2012). Thus, there is a strategic need for firms in the spirits and wine industry to focus not only on cost reduction and efficiency improvements but also on enhancing product quality.

Business strategy development involves aligning customer requirements—such as needs, wants, preferences, and buying behaviour—with the capabilities and resources of an organization. This alignment fosters the development of core competencies, which are defined as the things an organization does as well as or better than its competitors(Holmes & Hooper, 2000). According to Webster, when products are built on core competencies, they reflect the organization's value proposition and business strategy in each target market (Porter, 1980a, 1985).

Porter postulated that managing organizations strategically leads to a competitive advantage, which ultimately results in superior performance—the primary goal of any firm. On the contrary, organizations without well-defined strategies face a lower chance of survival. Porter further stated that superior performance in competitive industries can be achieved through the adoption of generic strategies: cost leadership, differentiation, and focus. The successful implementation of any of these strategies depends on a firm's ability to develop competitive practices that serve as a foundation for superior performance (Bharadwaj, Varadarajan, & Fahy, 1993).

As globalization intensifies competition and customer demands evolve, manufacturers are compelled to seek competitive advantage by producing products with higher value—such as enhanced quality, greater flexibility, or reliable delivery. In this context, a differentiation strategy enables firms to deliver products with unique, desirable features to meet these demands.

At the same time, there is increasing recognition of the importance of cost leadership strategies in enhancing organizational performance (R. S. Allen & Helms, 2006; Auzair, 2011; Hilman, 2009). This study, therefore, focuses on examining how differentiation and cost leadership strategies influence organizational performance, using spirits and wine companies in Ogun State, Nigeria, as a case study.

In addition, recognizing the competitive dynamics of niche product categories—such as premium local spirits or culturally unique wines—highlights the relevance of market segmentation and specialization. This underscores the potential strategic importance of the focus strategy for small- and mid-sized firms seeking to carve out defensible market positions in an increasingly competitive industry.

Problem Statement

Several Nigerian researchers have examined the relationship between competitive strategies—specifically, differentiation and cost leadership—and organizational performance. For instance, Ophidiiform, Kuye, Ogunkoya, and Peter (2014) explored the effects of competitive strategies and technological capabilities on organizational performance, with a focus on the Nigerian manufacturing sector, particularly in Lagos State. Their findings indicated that differentiation strategy had no significant effect on organizational performance, whereas cost leadership strategy had a highly significant positive effect.

In contrast, Dirisu, Iyiola, and Ibidunni (2013) investigated product differentiation as a tool for gaining competitive advantage and achieving optimal organizational performance, using Unilever Nigeria Plc as a case study. Their results revealed that product differentiation had a positive and significant impact on the performance of manufacturing firms in Nigeria.

Despite these contributions, there is no known study that specifically examines the effects of Porter's competitive strategies—differentiation and cost leadership—on the performance of spirits and wine manufacturers in Nigeria. This study seeks to address this gap and contribute to the existing body of knowledge by analysing the impact of these strategies on the performance of spirits and wine companies in Ogun State, Nigeria**.**

Justification for the Study

This study is justified by the need to empirically test the interrelationships among differentiation strategy, cost leadership strategy, and organizational performance within the context of the spirits and wine industry in Nigeria. While previous research has explored these strategic variables in other sectors, the findings have been inconclusive and insufficient in addressing their combined influence in this particular industry. By focusing on spirits and wine manufacturers in Ogun State, this study offers a context-specific contribution to strategic management literature in Nigeria.

LITERATURE REVIEW

The generic strategies as developed by Porter for achieving a competitive advantage position by an organization are product differentiation and cost leadership (Porter, 1980a, 1985). Product differentiation is the most commonly used one of these two strategic typologies (Sarah, Spencer, Joiner, & Salmon, 2009). A differentiation strategy involves the firm creating a product/service, which is considered unique in some aspect that the customer values because the customer's needs are satisfied. On the other hand, cost leadership emphasizes low cost relative to that of the competitors (Porter, 1980a, 1985). He argued that cost leadership and differentiation strategies are mutually exclusive. Recent literatures and research studies have notwithstanding, questioned this idea recognizing the fact that organizations may pursue elements of both types of strategy (Chenhall & Langfield-Smith, 1998). Nevertheless, past researches have shown that a number of the manufacturing organizations view the differentiation strategy as a more important and distinct means to achieve competitive advantage in contrast to a low-cost strategy ((Baines & Langfield-Smith, 2003; Kotha & Orne, 1989).

Product Quality

The issues of product quality have been studied by some scholars (Flynn, Schroeder, & Sakakibara, 1994; Hitt, Hoskisson, & Kim, 1997; Sumutka & Neve, 2011). In the 1970s and early 1980s, one of the major features of an industrial economy was the increased emphasis being placed on internal quality of execution, rather than price, as a major competitive tool. 'Quality' was viewed as a key market differentiator, resulting in many organizations defining and improving processes, adopting and implementing total quality management systems, and attaining quality standard accreditation. Recently however, interest has been growing in the application of advanced process monitoring and control strategies to improve manufacturing operations. Quality, as a competitive advantage tool is seen as one of the fundamental ways in which individual businesses can successfully compete in the global marketplace. The choice of what product to purchase in most consumer markets is not majorly determined by the lowest price, a product's quality could be a determining factor (Matsa, 2011). Product quality can have large effects on demand and consumer welfare. Not only has product quality been recognized as a strategic organizational priority, it is also an important element of competition in a wide range of markets and industries. Strategic focus on quality has been widely considered as a fundamental aspect of manufacturing strategy in many firms. This is likely to result in improvements in product demand thereby facilitating the building and maintenance of a competitive position (Daniel & Reitsperger, 1991).

Product Design and Development

Product design is defined as the totality of features that affect how a product looks, feels, and functions. A well-designed product offers both functional and aesthetic benefits to consumers, which could become an important source of differentiation (Philip Kotler & Keller, 2016). Thus, a product's design will always aid to determine a consumer's choice of purchase amongst products of same brands and categories. A well-designed product can also be a point-of-difference in the marketplace aiding consumer acceptance through its ease of

use, durability, reliability, or packaging; therefore, serve as a source of competitive advantage. Irrespective of the design, it is important that the product meets the consumers' definition of a basic product. Once that is achieved, design can be a powerful marketing asset for the organization. Porter considers innovation as a critical competitive advantage to success (Porter, 1985). An organization can be in a secured position relative to its competitors if it has an innovative product (Van de Ven, 1986). Nord and Tucker identified the routine innovation and radical innovation in product development(Nord & Tucker, 1987). Routine innovation means the introducing something to organization that is similar to previous ones, while radical innovation means introducing something that is unprecedented in the organization. The impact of innovation on firm's overall performance is demonstrated by a substantial body of literatures. Innovation is the multistage process whereby organizations transform ideas into improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace (Baregheh, Rowley, & Sambrook, 2009). Attaining a position of competitive advantage and enhancing a firm's performance relative to its competitors are two of the main objectives that business organizations should strive to achieve. In order to attain a competitive advantage that can not only match that of their business rivals' but also surpass industrial performance averages, business organizations must first comprehend the relationship between the internal strengths and weaknesses of their organization, as well as the potential effects on their firm's competitive advantage and performance. International businesses and multinational corporations (MNCs) such as Sony, Toyota and Intel have achieved and sustained their longstanding competitive advantage through various strategic management practices. In the present era of globalization, industries and enterprises compete and confront each other on the global scale. Researchers have found that there is a significant relationship between competitive advantage and the sales-based performance of organizations, when sales-based performance was measured by the level of sales revenue, profitability, return on investments, productivity, product added value, market share and product growth (Wang & Lo, 2003). In addition, other studies have also further illustrated a significant relationship between competitive advantage and the organizational-based performance of organizations, when organizational-based performance was measured by the emphasis on efficient organizational internal processes, customer satisfaction, employee development and job satisfaction(Wang & Lo, 2003).

Competitive Advantage and Organizational Performance

As noted earlier by Fahy, the vast majority of contributions to competitive advantage, especially within the resource-based view, have been conceptual rather than empirical in nature, with the result that many of its fundamental tenets still remain to be validated in the field (Fahy, 2000). However, from the level of empirical research, a study demonstrate that there is a positive relationship between external environmental analysis style and overall organizational performance and the ability to gain a competitive edge (Strandholm & Kumar, 2003).

Differentiation Strategy and Organizational Performance

Generally speaking, only a few numbers of researches have investigated direct relationship between differentiation strategy and organizational performance. More so, a sizeable number of those researches were conducted in the developed countries. Nevertheless, a number of past research studies that have investigated the relationship between the differentiation strategy and organizational performance. These include the study findings in 2008 affirming the viability and profitability of implementing cost leadership, differentiation, and the combination of the singular strategies (Acquaah & Yasai-Ardekani, 2008). Nevertheless, the incremental performance benefits to firms implementing a combination strategy do not significantly differ from the performance of firms implementing only the differentiation strategy. In addition, firms that implement a coherent competitive strategy (combination, cost-leadership, or differentiation) tend to gain considerable incremental performance benefits. Another study which examined the relationship between manufacturing strategy and competitive strategy and their influence on firm performance indicate that there is a positive relationship between competitive strategy and the manufacturing strategies of cost, delivery, flexibility, and quality (Amoako-Gyampah & Acquaah, 2008). In addition, the result shows that quality is the only manufacturing strategy component that influences performance indirectly. Prajogo and Sohal's study on the relationship between organization strategy, total quality management (TQM), and organization performance - The mediating role of TQM results found that Total Quality Management (TQM) is positively and significantly related to differentiation strategy, and it only partially mediates the relationship between

differentiation strategy and three performance metrics (Prajogo & Sohal, 2006). Prajogo in another study in 2007 examined the underlying strategic intent of quality performance and the result of his findings showed that product quality is predicted by differentiation strategy, but not cost leadership strategy (Prajogo, 2007). Allen and Helms in their own study were of the opinion that different types of reward practices more closely complement different generic strategies and are significantly related to organizational performances (R. Allen & Helms, 2002). Finally, Mosakowski study in 1993 opined that when the focus and differentiation strategies are established, performance is higher than for other firms (Mosakowski, 1993). In conclusion, there is a general consensus that there is a positive relationship between differentiation and organizational performance.

Cost Leadership Strategy

The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors (Peteraf, 1993). A low-cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average. The goal of Cost Leadership Strategy is to offer products or services at the lowest cost in the industry. The challenge of this strategy is to earn a suitable profit for the company, rather than operating at a loss and draining profitability from all market players. Companies such as Walmart succeed with this strategy by featuring low prices on key items on which customers are price-aware, while selling other merchandise at less aggressive discounts. Products are to be created at the lowest cost in the industry (Amit & Zott, 2001). An example is to use space in stores for sales and not for storing excess product.

Cost leadership strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals.

Three main ways to achieve this are further discussed below.

The first approach is achieving a high asset turnover. In service industries, this may mean for example a restaurant that turns tables around very quickly, or an airline that turns around flights very fast. In manufacturing, it will involve production of high volumes of output. These approaches mean fixed costs are spread over a larger number of units of the product or service, resulting in a lower unit cost, i.e. the firm hopes to take advantage of economies of scale and experience curve effects (Chesbrough & Rosenbloom, 2002). For industrial firms, mass production becomes both a strategy and an end in itself. Higher levels of output both require and result in high market share, and create an entry barrier to potential competitors, who may be unable to achieve the scale necessary to match the firms' low costs and prices.

The second dimension is achieving low direct and indirect operating costs. This is achieved by offering high volumes of standardized products, offering basic no-frills products and limiting customization and personalization of service. Production costs are kept low by using fewer components, using standard components, and limiting the number of models produced to ensure larger production run (Gregson, 2014). Overheads are kept low by paying low wages, locating premises in low rent areas, establishing a cost-conscious culture, etc. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. This will include outsourcing, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, R&D and advertising. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low-cost product features.

The third dimension is control over the supply/procurement chain to ensure low costs. This could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory. Wal-Mart is famous for squeezing its suppliers to ensure low prices for its goods (P. Kotler & Armstrong, 2015). Dell Computer initially achieved market share by keeping inventories low and

only building computers to order. Other procurement advantages could come from preferential access to raw materials, or backward integration.

Some scholars assume that cost leadership strategies are only viable for large firms with the opportunity to enjoy economies of scale and large production volumes. However, this takes a limited industrial view of strategy. Small businesses can also be cost leaders if they enjoy any advantages conducive to low costs. For example, a local restaurant in a low rent location can attract price-sensitive customers if it offers a limited menu, rapid table turnover and employs staff on minimum wage. Innovation of products or processes may also enable a start-up or small company to offer a cheaper product or service where incumbents' costs and prices have become too high (Xia, Monroe, & Cox, 2004). An example is the success of low-cost budget airlines who despite having fewer planes than the major airlines, were able to achieve market share growth by offering cheap, no-frills services at prices much cheaper than those of the larger incumbents.

A cost leadership strategy may have the disadvantage of lower customer loyalty, as price-sensitive customers will switch once a lower-priced substitute is available. A reputation as a cost leader may also result in a reputation for low quality, which may make it difficult for a firm to rebrand itself or its products if it chooses to shift to a differentiation strategy in future. This dimension is not a separate strategy per se, but describes the scope over which the company should compete based on cost leadership or differentiation. The firm can choose to compete in the mass market (like Wal-Mart) with a broad scope, or in a defined, focused market segment with a narrow scope. In either case, the basis of competition will still be either cost leadership or differentiation (Amit & Zott, 2001).

In adopting a narrow focus, the company ideally focuses on a few target markets (also called a segmentation strategy or niche strategy). These should be distinct groups with specialized needs. The choice of offering low prices or differentiated products/services should depend on the needs of the selected segment and the resources and capabilities of the firm. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these specialized markets, you can better meet the needs of that target market. Market leadership in one of the three disciplines, and perform to an acceptable level in the other two which include operational excellence and customer intimacy (Sihite, 2015).

Operational excellence aims to accomplish cost leadership. Here the main focus centres on automating manufacturing processes and work procedures in order to streamline operations and reduce cost. The strategy lends itself to high-volume, transaction-oriented and standardized production that has little need for much differentiation. It is ideal for markets where customers value cost over choice, which is often the case for mature, commoditized markets where cost leadership provides a vehicle for continued growth. Leaders in the area of operational excellence are strongly centralized, with strong organizational discipline and a standardized, rule-based operation (Sihite, 2015).

Abdullah, Mohamed, Othman, & Uli in their study titled “The Effect of Sourcing Strategies on the Relationship Between Competitive Strategy and Firm Performance” stated that to gain cost leadership advantage, organization should pursue forward, backward and horizontal integration strategies (Abdullah, Mohamed, Othman, & Uli, 2009). Organizations that implement cost leadership strategy employs several activities like accurate demand forecasting, high capacity utilization, economies of scale, technology advancement, outsourcing and learning/experience curve (Bordean, Borza, Nistor, & Mitra, 2010; Porter, 1985).

Morgan, Kaleka & Katsikeas measured product competency (differentiation advantage) by: higher product quality, packaging, design and style (Morgan, Kaleka, & Katsikeas, 2004). Product differentiation strategy have also been measured using five variables: providing high quality products, providing fast deliveries, making changes in design, introducing new products and providing unique product features (Chenhall & Langfield-Smith, 1998). Another study by Aliqah adopted the following variables to measure product differentiation strategy: high product quality, fast delivery, design and new products, and unique product features (Aliqah, 2012). Similarly, there have been different measurement variables for organizational performance in literatures, ranging from financial to non-financial measurement items. However, this author

identified the following measurement items- Return on Investment, Sales growth rate, Cash flow from operation, Customer satisfaction, Product quality and Market development.

Focus Strategy, Market Segmentation, and Specialization

Porter identified focus strategy as the third generic route to competitive advantage, alongside cost leadership and differentiation (Porter, 1980b, 1985). The focus strategy involves concentrating on a narrow market segment, tailoring offerings to meet the specific needs of that segment. It can be executed through either a cost focus—providing lower-priced products for a niche—or a differentiation focus—offering unique features valued by a specific group.

In industries such as wine and spirits, especially within emerging markets like Nigeria, firms often lack the economies of scale to compete on cost alone. In such contexts, focus strategies allow smaller firms to specialize in regional preferences, traditional recipes, or culturally resonant branding. This niche targeting can increase customer loyalty, support premium pricing, and reduce the intensity of direct competition with mass-market players (Porter, 1985).

Empirical support for focus strategies exists. For example, McGee and Thomas highlight that firms pursuing focus strategies often outperform undifferentiated competitors when their offerings are closely aligned with the needs of a well-defined market segment (McGee & Thomas, 1986). Additionally, Allen and Helms found that strategic alignment—especially when firms adopt focus or niche positioning strategies—can positively influence organizational performance by creating better customer fit and clearer value propositions (R. S. Allen & Helms, 2006).

Research Objective and Hypotheses

The general objective of this study is to determine the performance implications of implementing either a differentiation strategy or a cost-leadership strategy in spirits and wine companies in Ogun State, Nigeria.

Accordingly, the following hypothesis are proposed:

- H_1: A differentiation strategy has a significant effect on performance of spirits and wines companies
- H_2: A cost leadership strategy has a significant effect on performance of spirits and wines companies

Conceptual Framework

The conceptual framework, illustrated in Figure 2.1, presents generic competitive strategies-specifically, differentiation and cost-leadership strategies- as independent variables, and organizational performance as the dependent variable. This framework is grounded in the hypotheses stated above and reflects the theoretical assumptions of Porter's (1980) generic strategies.

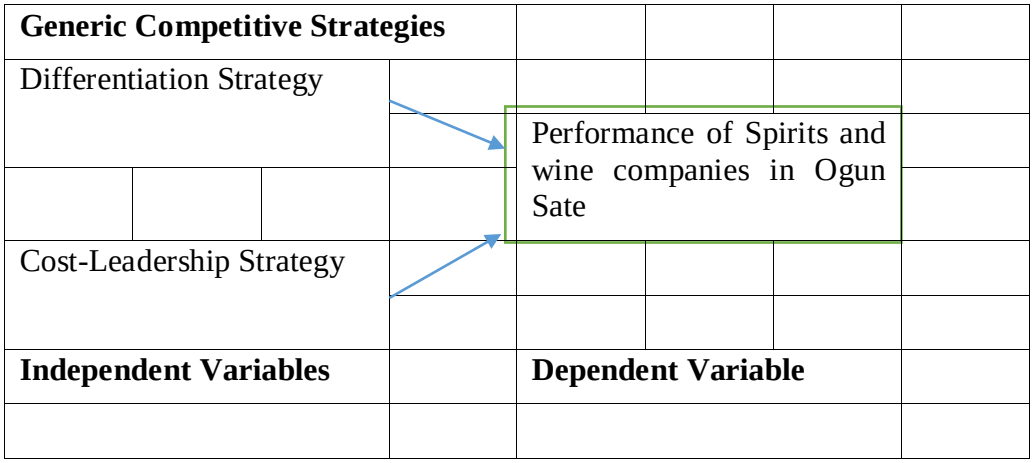

Fig. 2.1 Conceptual Framework

Measurement of Variables

Operationalization of variables facilitated easy construction of questionnaire based on a conceptual framework (Shields & Tajalli, 2006). Figure 2.2 shows the operationalization framework.

Concept	Variables	Operational Definitions	Performance Measures
		Adopting and Implementing TQM systems	
		for attaining quality standard accreditation	
		Unique product packaging features and styles	
		Transform ideas into improved products,	
		services or processes	
	Differentiation		
	Strategy	Brand Image sufficiently prized by customers	
			Return on Investment (ROI)
			Sales Growth Rate
Generic			Customers Satisfaction
Strategy			
			Market Share
		High capacity utilization of Asset	
	Cost Leadership		
	Strategy	Pursue economics of scale through mass	
		production	
		Outsource non-core functions or enter Joint Venture to Control Cost	

Fig 2.2. Operationalization Framework

RESEARCH METHODOLOGY/DESIGN

A cross-sectional survey design was adopted to examine the relationships between differentiation strategy, cost leadership strategy, and the performance of spirits and wine companies in Ogun State, Nigeria. Data were

collected from the firms across the state on various aspects related to differentiation strategy, cost leadership strategy, and organizational performance.

The study population comprised spirits and wine firms located in Ogun State. Since majority of these firms are situated in Ado-Odo Ota, Ifo, and Abeokuta South Local Government Areas-due to their proximity to essential raw materials (such as bottles, ethanol, etc) and access to markets- firms in these areas were considered a representative sample frame of the spirits and wines industry in the state.

Primary data were gathered through the administration of questionnaires to 60 senior managers or CEOs, with one respondent per firm. The questionnaire consisted of two sections: Section A captured demographic information about the respondents, while Section B focused on their views regarding the extent to which various competitive practices are applied in their firms and the resulting effects on different performance measures. The items were measured using a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). This method was deemed appropriate due to its ease of completion and its typically high response rate (Churchill & Hatten, 1987).

To ensure a high response rate, the researcher personally distributed the questionnaires and followed up with visits and phone calls. As a result, 54 questionnaires were fully completed and returned, yielding a response rate of 90%.

The units of analysis were the participating firms. The use of primary data collection was justified, as it is one of the quickest and most straightforward methods, especially when publication is the intended outcome.

Analytical Tools and Hypotheses Tests and Results

To derive useful meaning from the data, and examine the proposition of this study, data from the survey was analysed using SPSS 15.0 (Statistical Package for Social Sciences) focussing on the descriptive and inferential statistics.

Mean frequencies and percentages which are descriptive statistics were engaged to determine the demographic attributes of the respondents. These statistics however were not meant to tackle the research hypotheses, but rather to summarize the characteristics of the sample size.

Pearson Product Moment Correlation was used to examine the existence of relationship between differentiation strategy and organizational performance on one hand, and between cost-leadership strategy and organizational performance on the other hand.

In testing for the effects of differentiation strategy and cost-leadership strategy on organizational performance, the amount of variation in the dependent variable (organizational performance) which can be associated with the changes in the value of the independent variables (differentiation and cost-leadership strategies) was tested using Regression Analysis.

RESULTS AND DISCUSSION

Table 1: Demographic Profile of Respondents				
			Frequency	Percent (%)
Sex	Male		41	75.9
	Female		13	24.1
	Total		54	100
Age (in Years)	Less than 30		2	3.7
	30 but less than 40		11	20.4
	40 but less than 50		34	63

	50 but less than 60	5	9.3
	60 and above	2	3.7
	Total	54	100
Marital Status	Single	10	18.5
	Married	38	70.4
	Others	6	11.1
	Total	54	100
Educational Qualification	BSc/Equivalent	17	31.5
	MSc	12	22.2
	Professional Cert.	25	46.3
	Total	54	100
Work Experience (in years)	Less than 5	21	38.9
	Between 5 and 10	25	46.3
	Above 10	8	14.8
	Total	54	100

The demographic profile of respondents in Table 1 reveals that majority of the respondents were male, constituting 75.9%. Those that were between 40 years old and less than 50 years old constituted the majority and represents 63%. 70.4% of the respondents were married and 46.3% have professional qualifications. The table finally revealed that respondents with less than 5 years of work experience constituted 38.9%, while the majority had between 5 to 10 years work experience represented by 46.3%, and respondents with over 10 years of work experience constituted the least with 14.8%.

Empirical Results

Variables and Measures

- **Differentiation Strategy**

This study initiated four items using a five-point Likert scale which ranged from strongly disagree to strongly agree to assess questions on network resource combination. The results of the respondents rating on the four items were looked into, added up and averaged to generate the mean of differentiation strategies. Differentiation strategy is considered high if the index is equal to or greater than 5.0 while it is considered low if less than 5.0 The Cronbach alpha of the items was calculated to be 91.4% suggesting that the items are highly reliable. See table 3.

Table 2: Mean Index of Differentiation Strategy

Differentiation Strategy	Frequency	Average Weight
Implementation of TQM	54	3.87
Unique Product Packaging	54	3.41
Idea transformation to Improved Product/services	54	3.50
Prized brand image	54	3.59
Mean of Means		**3.59**

Table 3 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.914	.919	4

Cost-Leadership Strategy

This study initiated three items using a five-point Likert scale which ranged from strongly disagree to strongly agree to assess questions on cost-leadership strategy. The results of the respondents rating on the three items were looked into, added up and averaged to generate the mean of cost-leadership strategies. Cost-leadership strategy is considered high if the index is equal to or greater than 5.0 while it is considered low if less than 5.0. The Cronbach alpha of the items was calculated to be 0.67 suggesting that the items are highly reliable. See table 5.

Table 4: Mean Index of Cost-Leadership Strategy

Cost-leadership Strategy	Frequency	Average Weight
Assets Utilization maximization		
Economics of scale through mass production	54	4.28
Outsource non-core functions	54	4.06
Mean of Means	54	4.24
		4.19

Table 5 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.672	.766	3

Organizational Performance

A five-point Likert scale of four items was also generated for organizational performance. The scales ranged from strongly disagree to strongly agree. The result of the items was added and averaged to determine the mean index. Organizational performance is considered high if the index is equal to or greater than 5.0 while it is considered low if less than 5.0. The Cronbach alpha of the items was calculated to be 0.84 suggesting that the items are highly reliable. See table 7.

Table 6: Mean Index of Organizational Performance

Organizational Performance		
Return on Investment (ROI)	54	4.24
Sales Growth Rate	54	4.04
Customers Satisfaction	54	4.04
Market Share	54	3.63
Mean of Means		**3.99**

Table 7. Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.836	.835	4

With respect to differentiation strategy, cost-leadership strategy and organizational performance, the mean index of participating firms was 3.59, 4.19, and 3.99 respectively. See Tables 2, 4 and 6

Hypotheses Testing

H_1: A differentiation strategy has a significant effect on performance of spirits and wines companies

Table 8a Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.849(a)	.721	.715	1.38098

a Predictors: (Constant), Differentiation Strategies

Table 8b ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	255.664	1	255.664	134.059	.000(a)
	Residual	99.169	52	1.907		
	Total	354.833	53			

a Predictors: (Constant), Differentiation Strategies

b Dependent Variable: Performance of Spirits and Wines firms

Table 8c Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	7.854	.724		10.854	.000
	Differentiation Strategies	.563	.049	.849	11.578	.000

a Dependent Variable: Performance of Spirits and Wines firms

H1 was tested through correlations coefficient test. Pearson's product moment correlations coefficient was .849 (Table 8a) and this confirms that there appears to be a strong positive correlation between differentiation strategy and the performance of spirits and wines companies.

H1 was also tested through a regression analysis. R Square value was .721 indicating that 72.1% of the performance of spirits and wine companies was explained by the differentiation strategy. Since the P value is <.001, the relationship is statistically significant at 95% confidence level and we can say that there is a strong evidence to believe that 72.1% of the performance of spirits and wine companies was explained by the differentiation strategy. Therefore, hypothesis 1 should be accepted.

H_2: A cost leadership strategy has a significant effect on performance of spirits and wines companies

Table 9a Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813(a)	.661	.654	1.52148

a Predictors: (Constant), Cost-Leadership Strategies

Table 9b ANOVA(b)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	234.459	1	234.459	101.282	.000(a)
	Residual	120.375	52	2.315		
	Total	354.833	53			

a Predictors: (Constant), Cost-Leadership Strategies

b Dependent Variable: Performance of Spirits and Wines firms

Coefficients(a)

Table 9c

\Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	-.738	1.670		-.442	.661
	Cost-Leadership Strategies	1.327	.132	.813	10.064	.000

a Dependent Variable: Performance of Spirits and Wines firms

H2 was tested through correlations coefficient test. Pearson's product moment correlations coefficient was .813Table 9a) and this confirms that there appears to be a strong positive correlation between cost-leadership strategy and the performance of spirits and wines companies.

H2 was also tested through a regression analysis. R Square value was .661 indicating that 66.1% of the performance of spirits and wine companies was explained by the cost-leadership strategy. Since the P value is <.001, the relationship is statistically significant at 95% confidence level and we can say that there is a strong evidence to believe that 66.1% of the performance of spirits and wine companies was explained by the cost-leadership strategy. Therefore, hypothesis 2 should be accepted.

CONCLUSION

This study found that the spirits and wine companies in Ogun state, Nigeria, pursue both differentiation and cost leadership strategies as identified by Porter (1980). The result related to the differentiation strategy contrasts with the findings of Oghojafor et al. (2014), who reported no significant effect of differentiation type of competitive strategy on organizational performance of manufacturing firms in Nigeria. However, the findings of this study align with those of Allen et al and Thompson et al., who contend that these generic

strategies can be successfully linked to organizational performance through the application of key strategic practices (R. S. Allen & Helms, 2006; Thompson Jr, Strickland III, & Gamble, 2008).

Furthermore, data analysis and interpretation indicate a positive relationship between these generic strategies and performance. It can therefore be concluded that both differentiation and cost leadership strategies have strong predictive effects on the performance of spirits and wine companies, with differentiation strategy having the greatest impact. Consequently, differentiation strategy can enable a spirits and wine firm to achieve statistically significant superior performance compared to a firm pursuing a cost leadership strategy. In this regard, if a spirits and wine company seeks to outperform its competitors significantly, it should consider adopting the differentiation strategy identified in this study.

Limitations and Future Research Direction

This study is not without limitations. First, subjective measures of performance were used in place of objective measures. While objective performance data would have been preferable, such data were difficult to obtain given that the firms surveyed are privately owned. Even when available, the reliability of such data may be questionable, as financial records in privately held firms are often unaudited or inconsistently maintained. Nevertheless, Wall et al. (2004)) have demonstrated that subjective performance measures can serve as valid proxies for objective measures, particularly in organizational research contexts where access to verifiable data is limited.

Second, the scope of the study was limited to Ogun State, Nigeria, which may restrict the generalizability of the findings to spirits and wine firms in other regions of the country. However, given that the business and economic environments in Ogun State share similarities with those of other industrial hubs in Nigeria, the findings may still offer useful insights for firms operating in comparable settings.

Future research could expand on this study by including the third dimension of Porter's generic strategies—namely, the focus strategy. This would be particularly useful for understanding how spirits and wine manufacturers serving niche markets, such as premium or locally-branded beverages, can develop competitive advantages. Exploring the strategic value of market segmentation and specialization could yield deeper insights into how small- to mid-sized producers can compete effectively amid intense competition and changing consumer preferences.

In addition, longitudinal research designs could be adopted in future studies to evaluate how differentiation and cost leadership strategies influence organizational performance over time. This approach would provide a dynamic perspective on strategic outcomes, capturing the evolving nature of competition and market conditions in Nigeria's alcoholic beverage sector. Longitudinal studies would also allow researchers to track the sustainability and adaptability of competitive strategies in a rapidly changing business environment.

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