Effect of Chinese Product Price, Quality, Innovativeness and Brand Awareness on Customers’ Loyalty: An Empirical Analysis of Local Industries in Northern Nigeria

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Abstract: The global economy is witnessing the massive influx of Chinese products across the global market. Nigeria in particular, is one of the countries that have a strong trade relationship with Chinese industries. Chinese products dominate most of the Nigerian market with very affordable price and compromised quality. Their pricing strategy, product design and ability to create brand awareness give their products an edge over the competitors. The study is the survey research that used regression analysis and examined the effect of Chinese product price, quality, innovativeness and brand awareness on customers’ loyalty. A sample of 1000 respondents was selected from three states of Northern Nigeria. The study discovered a significant negative effect of Chinese product price, innovativeness and Chinese brand awareness on customer loyalty; however, the effect of Chinese product quality on customers’ loyalty is positive and statistically insignificant. Therefore, the study concluded that Chinese product price, innovativeness and brand awareness negatively affect customers’ loyalty on the local products. The study recommended that the local entrepreneur needs to undergo training in areas of cost cutting, efficient use of resources while being encouraged to form clusters in order to benefit from economies of scale thereby driving down cost and by extension price of products. Local entrepreneurs must embrace new technology; pursue more creativity by perusing through imported brochures for inspiration and adapting designs to suit our own peculiarities. They should also create
awareness using social media, publicity, advertisement, exhibition among other methods of creating awareness.

**Key Words:** Chinese Product price, quality, innovativeness, brand awareness, customers’ loyalty, local industries.

**Introduction**

Since the establishment of diplomatic links between Nigeria and China in 1971, it is apparent that the nexus always favoured China. This is obvious considering the volume of goods coming into Nigeria in relation to the goods going to China. For instance, in 2005, China imported goods worth USD 2.3 billion, in contrast Nigeria’s exports to Chinese economy valued at USD 503.9 million within the same year. Similarly, between the periods of 1996 to 2001, trading activities between the two countries grew from 178 million USD to 1.44 billion USD, this trend rose to 17.7 billion USD in 2010 (Egbula & Zheng, 2011). It is apparent that the markets in the northwest states witnessed a huge inflow of Chinese business operators who market their goods at cheap rates to customers to the disadvantage of indigenous industries and traders.

Chinese business strategies have put many indigenous industries on the brink of bankruptcy, knowing that Nigerians are driven by affordability rather than quality, they produce goods at the lowest rates making it impossible for local businessmen to compete. Some customers are keen on product innovativeness while others are more concerned with the product quality. Chinese traders hijacked ancestral business in the northwest region of Nigeria. They first came as spies, arriving with innovations and creativity leading to their comprehension of the secret of business in the state. They infiltrated the Hausa natives, interacted with them and established a very good rapport with the local businessmen. The unjust trading activities embarked upon by the Chinese has brought textile traders to their knees, through the importation of textile materials, storing the goods at their various warehouses in the city then dispatch it to the domestic market for sale at the lowest rate.

The importations of goods by Chinese especially in the areas of the dyeing of fabrics, Ghalilar textile, native Hausa cap (Zanna Bukar) popularly known to be fabricated in Maiduguri, Borno state made local products lose their high proceeds due to the low price from the competing products made in China and this posed a serious threat to the local industries. The Chinese Ghanilah is of inferior quality but when they realized that the poor quality Ghanilah for example has been rejected by customers, they started to buy white textile (Shadda) and taking it for dyeing instead. This led to decline in sales, local dyers complained bitterly and protested on the imported Chinese made commodities undercutting local goods. These unfair trading activities and marketing strategy by Chinese traders jeopardized the potential of domestic textile marketers in Kantin kwari, local dye fits and other local industries competing with Chinese products. Similarly, Chinese use local marketers to lure customers by settling them with huge commission (between N500 – N1000) at the end of the transaction with a customer. This practice complemented with Chinese product quality, innovativeness, price and brand awareness may be some of the reasons why customers switch from locally
made to Chinese products, trade their loyalty and thus may affect the survival of local industries. Thus, this research seeks to identify the vital aspects of Nigeria-China bilateral interactions, the effect of Chinese product price, quality, product innovativeness and brand awareness on local brand loyalty and the changing viewpoint on the feasibility of the bilateral ties. The study therefore asked the following questions:

**Objective of the Study**
To examine the effect of Chinese product price, quality, innovativeness and brand awareness on local brand loyalty.

**Hypothesis**
H$_0$: Chinese product price, quality, innovativeness and brand awareness have no significant effect on local brand loyalty.

**Literature Review**

**Price**
Price is considered as one of the key components in marketing mix that plays a very significant role in determining brand loyalty. It has a significant effect on sales volume, profit, market share and consumer perceptions (Stone & Desmond, 2007). Marketers appeal to consumers usually through higher and lower quality prices (Shirai, 2014). The importance of price made it very sensitive factor that influence consumer purchase decision, thus pricing decision has to be harmonized with the rest of the marketing mix i.e. product, promotion and placement (Virvilaite, Saladiene & Skindaras, 2009). Price can be defined as the amount of money charged by a company in exchange of its goods, services or an idea. It also refers to sum of all values that consumer sacrifice to obtain the benefits of possessing or using a product or service (Al-Msallam, 2015; Faith & Edwin, 2014; Kotler & Armstrong, 2012). Consumers hinge on product price to determine whether they can afford it, they also consider it as a surrogate measure of product quality (Shugan, 1984).

**Product Quality**
Product is anything that can be offered to satisfying needs and wants. It can be seen as anything that can be offered to the consumer for attention, acquisition and use capable of solving problem or provides certain benefits (Agyekum, Haifeng & Agyeiwaa, 2015; Razak, 2016). Customers depend on product cues such as packaging, price and brand image in order to deduce the quality of the product (Chinomona, Okoumba & Pooe, 2013). Improving perceived product quality influence consumer satisfaction and increase customer loyalty thus enhance profitability (Bagran & Khan 2012; Suchánek, Richter & Králová 2014). In a study conducted by Chinomona et al, (2013) pointed out that product quality has a strong effect. Perceived product value has significantly influences customer trust and purchase intention. Agyekum et al (2015) argued that consumers’ perception differs on the basis of their ages, income levels, and educational background and this serve as a gauge in determining the quality of a product when making a purchase. Halim, Swasto, Hamid and Firdaus (2014) findings provide the presence of significant impact between product quality and customer loyalty.

**Brand Awareness**
High product or service awareness represents a good product reputation and market acceptance (Chigora & Zvavahera, 2015; Dhurup, Mafini & Dumasi, 2014; Severi & Ling, 2013). Consumers opt for a brand based on their previous knowledge and
experiences. To them, the most familiar brand is more reliable than less familiar brands, hence affecting product selection (Khan, Rizwan, Islam, Aabdeen & Rehman, 2016). Brand awareness serve as an assurance of quality and risk mitigation technique (Rubio, Oubiña & Villaseñor, 2014). Severi and Ling (2013) believed that powerful brand association affective customers buying decision. It is suggested that brand awareness is considered as the basis for creating brand equity. This signifies that brand awareness form the foundation of building brand equity of a product. Packaging, price and brand awareness is said to have significant positive nexus with brand loyalty, which inferred their significant predictive influence on brand loyalty (Dhurup et al, 2014).

The study of Akhtar, Ahmed, Jafar, Rizwan and Nawaz (2016) reveal that packaging and brand awareness have strong positive significant relationship with brand loyalty. The investigation of Khan, Jadoon and Tareen (2016) submit that consumers commitment toward buying, both current and future is affected by brand awareness. Chi, Yeh, Chien and Yang (2009) highlighted a significant connection between brand awareness, perceived quality, brand loyalty and purchase. Zhao, Tong, Li, Ma and Wang (2016) indicate that significant positive connection exist between brand awareness and brand loyalty. However, Rubio, Oubiña and Villaseñor (2014) discovered that brand awareness and brand equity have negative effect on the consumer’s identification of store brand due to higher perceived risk for the brands. In the same vain, the results of the work of Yaseen, Tahira and Anwar (2011) indicate no significant effect of brand awareness and loyalty whereas significant impact of perceived quality on profitability was present.

Customer Loyalty
Customers serve as core assets of every firm, providing superior customer value influence customer loyalty. Customer loyalty arises as a result of customer satisfaction on quality, value, expectations, and company image. Customer loyalty is accomplished by delivering superior customer value (Hortamani, Ansari & Akbari, 2013; Marina, Kartini, Sari & Padmasasmita, 2016). Customer loyalty is imperative towards attaining and maintaining competitive advantage. Customer loyalty can also be accomplished through seasonal rebates, coupons, free offers, extended warranties, incentive programs etc. The rationale behind customer loyalty programs is based on the believe that a pleased customer will re-purchase, recommend, refuse competitors article and convince others (friends, family members, colleagues, neighbors etc.) to use firm products or services (Marina et al, 2016; Onditi, 2013). Empirical evidences found that customer loyalty is significantly affected by customer trust in the Pakistani cellular company (Sarwar, Abassi & Pervaiz, 2012).

Signaling Theory
This theory provides insight into the role of country-of-origin reputation as an instrument that firms can use to convey information on their product quality and behaviour (Sirdeshmukh & Singh, 2000). It explains the underlying difficulties of purchasing foreign products and the relevance of country-of-origin to efficient decision making. Signaling theory provides a framework to study the problem of consumer uncertainty resulting from a firm’s
information advantage over consumers. According to this theory, firms whose products are of superior to average quality send credible signals that help the consumers to distinguish firms with high-quality products (Boulding & Kirmani, 1993). Signals disseminate information through both tacit and explicit messages that disclose information on a firm’s quality, future behaviour, intentions, values and capabilities (Bergen et al., 1992). Signaling would be an efficient method of solving classification problems on international markets, were it profitable to high-quality firms but not to low-quality firms (Boulding & Kirmani, 1993). It is undoubtedly a useful theory to understand a firm’s reputation as a signal that is used to convey information on foreign firms to consumers (Bilkey & Nes, 1982; Ahmed et al., 2004).

Methodology

Research Design

This study is a survey research designed to examine the effect of Chinese product price, quality, innovativeness and brand awareness on local brand loyalty.

Population, Sample and Sampling Techniques

The population of the study consists of consumers across the seven states of Northwest region of Nigeria. Three states i.e. Kano, Katsina and Jigawa were selected from the seven states. The choice of these states is determined by their cluster, highest concentration of local industries and the consumers that patronize Chinese products, thus these states serve as a major market of Chinese products. The sample of one thousand (1000) was considered in the study. The questionnaires were distributed across these states on prorate basis, with Kano having the highest population and received 447 questionnaires, followed by Katsina with 316 questionnaires and Jigawa with 237 questionnaires. Due to the absence of sampling frame, the study used non-probability sampling techniques (quarter sampling) to select the respondents from the selected three states.

Method of Data Collection

The study used structured questionnaire in collecting the data from the respondents. Using five likert scales, the questionnaire covers all the variables in the study i.e. demographic variables, dependent and independent variables. The questionnaires were administered directly to the target population using trained research assistants.

Model of the Estimate (Regression)

The study adopted the following regression equation:

\[ Y_t = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon_n \]

Where \( Y_t \) is the dependent variables, i.e. customers’ loyalty, \( \alpha \) is the intercept which is constant and measures the change in brand loyalty when coefficients of independent variables are zero; \( \beta_1 \) to \( \beta_4 \) are the coefficient of independent variables, \( x_1 \) to \( x_4 \) are the independent variables (product price, quality, innovativeness and brand awareness) while \( \epsilon_n \) is the error term which is random or stochastic.

Properties of the Model

a. The regression model is \( Y_t = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon_n \)
b. The expected value of \( y \) is \( E(y) = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 \)
c. The variance of \( y = \sigma^2 \) and is the same for all values of \( x \).
d. The values of \( e_n \) are independent.
e. The error term \( e \) is normally distributed.
Factor Analysis

To exploit the structure of the questionnaire and examine its components, factor analysis was conducted and the result was presented in this paper. Kaiser-Meyer-Olkin (KMO) and Bartlett’s test of Sphericity measure the sampling adequacy and indicate whether the partial correlations among variables are adequate or not. Correlation between the items is examined to clarify the level and magnitude of relationship between the variables while the relationship between the group of items is assessed using factor loading where the variance explained by the factor is highlighted in the eigenvalues, the variance shared between the items was presented in the communalities coefficient.

Scale Analysis

The validity and reliability of the instruments was assessed through scale analysis. Cronbach’s Alpha coefficient as one of the popular test of inter-item consistency reliability test was used to examine the internal consistency between the items in the questions.

Result and Discussion

The total of one thousand (1000) questionnaires were distributed to the customers/consumers of the products i.e. Chinese and Local Products within this region while nine hundred and seventy eight (978) representing 97.8% were returned completed.

Factor Analysis

The Kaiser-Meyer-Olkin (KMO) and Bartlett’s test of Sphericity which measure the sampling adequacy and indicate whether the partial correlations among variables are adequate or not. shows the coefficient value of 0.919 and the Bartlett’s test of sphericity was significant at($\chi^2(20646.614) = 435, p < .05$). This highlights a strong sample adequacy in the study.

Communalities coefficients in all the variables were above cut-off point of 0.7. This explains that the items share common variance with one another. The diagonal values from the anti-image matrix that represent the covariance and correlation between the items shows that all the coefficients of the items are greater than 0.5, hence supporting the inclusion of each item in the factor analysis. The Correlation coefficients from the same table indicated a reasonable inter-correlation among most of the items. Using Bartlett’s test of sphericity, all the items correlated with one another, suggesting reasonable factorability of the variables.

<table>
<thead>
<tr>
<th>Component</th>
<th>Initial Eigenvalues</th>
<th>Extraction Sums of Squared Loadings</th>
<th>Rotation Sums of Squared Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of Variance</td>
<td>Cumulative %</td>
<td>Total % of Variance</td>
</tr>
<tr>
<td>Total</td>
<td>10.146</td>
<td>33.82</td>
<td>33.82</td>
</tr>
<tr>
<td>1</td>
<td>4.591</td>
<td>15.30</td>
<td>49.124</td>
</tr>
<tr>
<td>2</td>
<td>3.471</td>
<td>11.56</td>
<td>60.693</td>
</tr>
<tr>
<td>3</td>
<td>2.681</td>
<td>8.937</td>
<td>69.630</td>
</tr>
<tr>
<td>4</td>
<td>1.810</td>
<td>6.035</td>
<td>75.665</td>
</tr>
</tbody>
</table>

Source: 2015 Survey data, for IBR
Five factors were extracted from the items. Factor 1 labeled customers’ loyalty, factor 2 product price; factor 3 product quality; factor 4 product innovativeness while factor 5 brand awareness. The five factors extracted in the analysis explained about 75.665 percent variance between the groups of variables as we can see from the factor loading in the table above. The initial Eigenvalues showed that the first factor explained 33.820% of the variance, while the other four factors explained 15.305%, 11.569%, 8.937% and 6.035% of the variance respectively. This shows that much of the loading is skewed toward the first factor. However, the variance after varimax rotation changed the proportion of the loading and justified the spread among the factors with 17.568, 15.937, 15.450, 14.531 and 12.179 for the first, second, third, fourth and fifth factors respectively.

**Reliability and Test-retest Results**

<table>
<thead>
<tr>
<th>Instruments</th>
<th>Reliability test</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of items</td>
</tr>
<tr>
<td>Product Price</td>
<td>5</td>
</tr>
<tr>
<td>Product Quality</td>
<td>6</td>
</tr>
<tr>
<td>Product Innovativeness</td>
<td>6</td>
</tr>
<tr>
<td>Brand Awareness</td>
<td>5</td>
</tr>
<tr>
<td>Customers’ Loyalty</td>
<td>6</td>
</tr>
</tbody>
</table>

*Source: 2015 Survey data, for IBR*

The result from the above shows strong internal consistencies between the items measuring the variables in the questionnaire, within the Cronbach’s alpha values greater than 0.6 across all the five variables. Six (6) items were used to measure product quality and they were internally consistent within the coefficient of 0.965, this followed by product price which was measured by five items and consistent within the coefficient value of 0.952, Customers’ loyalty was assessed using six items and consistent within the Cronbach’s Alpha coefficient of 0.950, product innovativeness was measured by six items and scored the coefficient of 0.936, and lastly, brand awareness which was measured by five items and obtained the least but not weak coefficient of 0.626. This result justified the result from factor analysis test and explained that the items were tailored toward measuring the required variables. Hence, concluded that there is strong internal consistency between the items in the questionnaire.
Regression Analysis Result

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.718</td>
<td>0.516</td>
<td>0.513</td>
<td>4.51319</td>
</tr>
</tbody>
</table>

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>15401.762</td>
<td>4</td>
<td>3850.441</td>
<td>189.036</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>14461.894</td>
<td>710</td>
<td>20.369</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>29863.656</td>
<td>714</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Coefficients

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>38.223</td>
<td>0.842</td>
<td></td>
<td>45.382</td>
<td>0.000</td>
</tr>
<tr>
<td>Product Price</td>
<td>-0.076</td>
<td>0.036</td>
<td>-0.067</td>
<td>-2.085</td>
<td>0.037</td>
</tr>
<tr>
<td>Product Quality</td>
<td>0.053</td>
<td>0.03</td>
<td>0.059</td>
<td>1.78</td>
<td>0.076</td>
</tr>
<tr>
<td>Product Innovat.</td>
<td>-0.487</td>
<td>0.031</td>
<td>-0.445</td>
<td>-15.563</td>
<td>0.000</td>
</tr>
<tr>
<td>Brand Awareness</td>
<td>-0.683</td>
<td>0.067</td>
<td>-0.402</td>
<td>-10.138</td>
<td>0.000</td>
</tr>
</tbody>
</table>

|       |                         |                         |         |       |                         |
|       |                         |                         |         |       | 0.065  |
|       |                         |                         |         |       | 0.63   |
|       |                         |                         |         |       | 0.833  |
|       |                         |                         |         |       | 0.434  |

a. Dependent Variable: Transformed Brand Loyalty
b. Predictors: (Constant), Brand Awareness, Product Innovativeness, Product Quality, Product price

The power of the model explained the effect of product price, quality, innovativeness and brand awareness on customers’ loyalty. The model summary shows the adjusted R square of 51.3% which explain the variance in the dependent variable caused by the independent variables. This variance is statistically significant at p value of 0.000. This value is reasonably good looking at the area of the study i.e. behavioral science. With the coefficient of VIF below 10 points across all the variables, the result proves no sign of multicollinearity problem.

The effect of the individual variables on dependent variable is reported in the coefficient section from the same table. The result shows that Chinese product price, product innovativeness, and Chinese brand awareness have negative effect on local brand loyalty. With the coefficient values from product price which is equal to $\beta -0.067$, t-2.085 and sig. p-value of 0.037, while product quality coefficient of $\beta -0.445$, t-15.563 and sig. p-value of 0.000, and brand awareness coefficient of $\beta -0.402$, t-10.138 and sig. p-value of 0.000, the study discovered a significant negative effect of Chinese product price, innovativeness and brand awareness on local brand loyalty. This implies that lower price from Chinese product, their innovative benefit and Chinese brand awareness significantly motivate consumers to prefer Chinese products than local products which in return
negatively affect local brand loyalty. However, product quality has insignificant positive coefficient of $\beta = 0.059$, $t = 7.180$, and sig. of 0.076
implying that Chinese product quality has no significant on customers’ loyalty. This may be due to the customers’ perception of poor product quality attributed to Chinese products. Based on this result therefore, the study accepted that Chinese product price, innovativeness and brand awareness significantly influence customers to avoid local brands. This implies that the ability of the Chinese business operators to create brand awareness through several strategies such as producing variety of products, promotion, display, advertisement, affordable product price, innovativeness etc. significantly motivate consumers to prefer Chinese products than local products which in return negatively affect local brand loyalty.

**Conclusion**
Based on the above finding therefore, the study concluded that Chinese

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