

## **DELIVERY PERFORMANCE AND SALES TURNOVER OF SMALL AND MEDIUM SIZE EXPORTING FIRMS IN SOUTH-SOUTH, NIGERIA**

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### **ABSTRACT:**

The study investigated the relationship between delivery performance and sales turnover of food and beverage exporting Small and Medium Enterprises (SMEs) firms in South-South, Nigeria. The study adopted descriptive survey research design, with the questionnaire as the instrument for primary data collection from a population 160 firms involved in exporting food and beverages. A copy of the questionnaire was administered to the sample made up of managers and owners of the firms. The questionnaire was validated by experts while the reliability test result using Cronbach Alpha produced a value of 0.913. Both descriptive and inferential statistical tools were employed to analyze the data with SPSS (version 21.0). The statistical result showed that, delivery performance had positive and significant relationship with sales turnover. The study concluded that delivery performance enhances sales performance in terms of sales turnover of food and beverage exporting SMEs in Nigeria. Therefore, this study that recommended entrepreneurs should put in place a sound system and process that will ensure timely delivery of products and services as this would enhance customer satisfaction and improve sales performance.

**Keywords:** Delivery Performance, Repeat Purchase, Sales Turnover, Exporting SMEs, South-South Nigeria.

### **INTRODUCTION**

The forces of globalization and the saturation of most domestic markets, some companies in developing nations such as Nigeria, are experimenting with exporting as a means to enhance growth and survival (Patel & D'Souza, 2009). Exporting as a market entry strategy into foreign markets seems to offer an easy entry route to foreign firms when compared to other forms of market entry strategies (Tesform & Lutz, 2006). Also, intensive domestic competitions contribute to the quest for internationalization of operations by domestic organisations.

The food and beverage companies in Nigeria tend to have adopted exporting entry market strategy as an expansion and survival option. It is also assumed that the increasing demand for African food products (such as yam flour, cassava flour, melon, plantain flour, etc.) in foreign markets like the United Kingdom and America as a result of increasing number of Africans, living in such places, is contributing significantly to the quest for exporting of native foods by Small and Medium Enterprises (SMEs) in Nigerian food and beverage sector. It is estimated that more than 20 million Nigerians live outside Nigeria (Federal Office of Statistics, 2013).

However, extant literature argues that three out of every five companies in the SMEs sector fail within the first few months of opening their businesses (National Bureau of Statistics, 2007). In the same vein, one of the World Bank Survey (2014) reported that SMEs in developing economies rarely metamorphose into large

organisations. All these facts about SMEs is accounted for by the peculiar problems which affects their firm performance and thus, impact negatively on their ability to contribute their own quota towards sustainable national development. It is based on the forgoing that this current study seeks to determine the relationship between delivery performance of SMEs in the exporting business and their sales turnover.

## **LITERATURE REVIEW:**

### **Conceptual Review**

#### **Delivery performance**

Delivery performance relates to measuring performance right from provider end to the client end. In supply chains it is used to measure the fulfillment of a customer's demand to the wish date. A firm is expected to deliver product/service in accordance with specification and also at the right time. Customers usually value on time delivery as a symbol of efficient organization. If a firm is able to deliver products according to customer's due date, the customer will consider the firm to be reliable and will wish to continue doing business with the firm. This will bring about customer loyalty which will lead to better sales performance for the firm in both domestic and international markets.

Consistent delivery is what every customer desires. Customers will patronize a firm that delivers product the way customers expect it. If not, customers will go to someone else who will deliver what they want at the right time. A firm is expected to deliver products/services to customers at the right time (Vakilifard & Khozein, 2012). Customers usually value on-time delivery as a symbol of efficient organization. If a firm is able to deliver product according to customer's due date, the customer will consider the firm to be reliable and will wish to continue doing business with the firm. This will bring about customer loyalty which

will lead to better sales performance for the firm. Consistency in service delivery is what builds customers' trust and confidence (McIntire, 2014).

#### **SALES TURNOVER:**

Sales turnover represents the value of goods and services provided to customers during a specific time period usually one year (Debitoor, 2017). It is the net sales of a company which could be expressed in monetary terms or in units. Sales Turnover could be defined as the total amount of goods sold at a given period of time usually 12 months (Macky, 2007). Sales turnover on the other hand, refers to how often a company sells its inventory (Kennan, 2015). Different time-frames can be used to measure the sales turnover of a company. Hence every company chooses their time-frame to measure sales turnover. For instance, some companies may decide to measure their sales turnover weekly or monthly while others yearly (Pendharkar & Pandey, 2011). In accounting, sales turnover of a company is usually measured yearly. A company can determine its monthly sales turnover by simply dividing the total amount of sales by 12 months. For example, if a company had a total annual sale of N24, 000,000, the monthly sales turnover is N24, 000,000 divided by 12 months which is N2, 000,000. The more sales the company makes, the higher the sales turnover rate (Adeniran, Egwuonwu, & Egwuonwu, 2016). If the sales turnover rate is high, it is an indication that the company is efficient in converting goods or inventory into cash. If the company's goods or inventory stays longer in the warehouse, it becomes difficult for the company to have cash to run other profitable business venture (Stefan, 2016). It is crucial for SMEs to understand how fast their sales are growing.

Increasing sales turnover rate is crucial to business growth. It is a strong indicator of sales performance of a firm. Every company

wants to increase their sales turnover (Dale Carnegie & Associates, 2008). In fact, increasing sales turnover has become one of the most important objectives of business firms (Pendharkar & Pandey, 2011). According to Adeniran, et al., (2016), companies strive to increase sales turnover because they want to maximize profit. Keenan (2016) provides further explanation on why companies seek to increase sales turnover. According to him, each day the inventory sits on the shelves or in the warehouse, the company cannot use the money paid for those goods to make a profit elsewhere. A firm can increase its sales turnover rate by delivering quality products and services that gives customer a positive experience. When a customer has a positive experience with the product/services purchased, he is more likely to make repeat purchases and this will increase the sales turnover of the firm (Adeniran, et al, 2016). The competitive nature of a business firm is evaluated by the rate of sales turnover. A firm's competitiveness impacts on profits via sales turnover rate. Sales turnover rate is therefore a significant indicator of market performance, particularly sales performance of a firm (Sajuyigbe, Ayanleke& Ola, 2013).

### **THEORETICAL FOUNDATION:**

#### **Dynamic Capabilities Theory:**

Ambrosini, Bowman and Collier, (2009) submitted that Teece's (1997) working paper is most likely the first work that popularized the thought on dynamic capability. They contended that it is fundamental for business managers to consider the changing nature of its surroundings, particularly the outside environment and develop techniques to adjust, coordinate and evolve strategies to adapt, integrate and reconfigure the entire organizational skills, resources etc., toward the changing environment, keeping in mind the set goal and to attain better competitive position. Teece et al, (1997, 2007) presented that

attaining competitive edge in turbulent situations depends on developing unique capabilities. Dynamic abilities of firms may represent the development of distinction in the way firms undertake their operations within an industry (Zollo & Winter, 2002). Dynamic capability is about focus on survival.

### **EMPIRICAL REVIEW:**

#### **Delivery Performance and Sales Performance**

Delivery performance relates to a consideration and assessment of performance right from supplier end to the customer end. It is a standard criterion in supply chains which is used to measure the fulfillment of a customer's demand to the wish date. A firm is expected to deliver product/service in accordance to specification and also at the right time. Extant literature revealed that customers usually value on time delivery as a symbol of efficient organization. This implies that if a firm is able to deliver products according to customer due date and specifications, the customer will consider the firm to be reliable and will wish to continue doing business with the firm. This position is in tandem with the views of Michael and McCathie, (2005) who added that this will bring about customer loyalty which will lead to better sales performance for the firm.

Some research scholars believe that delivery performance could be considered in terms of on- time delivery, delivery reliability ,faster delivery times, delivery speed,etc.,(Liu et al.,2005; Michael & McCathie, 2005) Delivery performance can be looked at in relation to how the products and services offered by an organization meet customer expectations. It provides an indication of the effectiveness of entrepreneurs in providing products and services to the customer on time and according to specification.The following hypothesis in its null form was formulated to guide this current study as a result of the foregoing:

H1: There is no significant relationship between delivery performance and sales turnover of food and beverages exporting SMEs in Nigeria.

## RESEARCH METHODOLOGY:

### Research Design

The researcher adopted survey research design in order to establish the relationship between delivery performance and sales turnover of food and beverages exporting SMEs in South-South Nigeria. Sullivan (2001) asserts that a survey research design "is a data collection technique in which information is gathered from individuals by having them respond to questions or statements".

### AREA OF THE STUDY:

The area covered in this current study was the South-South geopolitical zone of Nigeria. At the time of executing this study, this zone was made up of six (6) states which include

### SOURCES OF DATA:

This study gathered information through primary source. The researcher employed the field survey method of gathering information through the use of questionnaire.

### PILOT SURVEY:

This study undertook a pilot survey in order to pretest the questionnaire. This was carried out so as to detect weakness in the design of the instrument and address issue of ambiguity in order to restructure the instrument in line with observations before executing full scale study. In the pilot survey, the researchers randomly administered twenty (20) copies of the research instrument (questionnaire) to selected respondents.

### STUDY POPULATION:

The population of this study consisted of Food and Beverages manufacturing/exporting

SMEs in South-South Nigeria, that were registered with the Nigerian Export Promotions Council (NEPC) as at 2016. They were 160 in number and the study considered using a census of the population.

In reaching the entire population, the operational structure of Nigerian Export Promotions Council (NEPC) in South- South in which the states making up the zone are grouped into three clusters of two states each was utilised. The clusters are denoted as cluster A comprising Rivers and Bayelsa states, cluster B comprising Akwa –Ibom and Cross River states and cluster C comprising Edo and Delta states respectively as shown below:

Cluster A (RIVERS &BAYELSA)	= 92
Cluster B (AKWA IBOM & CROSS RIVER)	= 17
Cluster C (EDO &DELTA)	= 51
<b>TOTAL</b>	<b>=160</b>

### RESEARCH INSTRUMENTS:

This study adopted questionnaire as its research instrument. It was divided into sections A and B. Section A contained demographic items while section B dealt with the study variables. The questions were designed in a simple format to ease response. The questions in section B were structured using five-point rating scale (Strongly Disagree, Disagree, Undecided, Agree, and Strongly Agree) which was rated 1 to 5 respectively.

### VALIDITY AND RELIABILITY OF THE RESEARCH INSTRUMENT:

Specifically, three (3) experts in marketing and the research supervisor greatly contributed to ensuring the validity of the research instrument. A Cronbach's Alpha test was conducted on the measurement items to determine the reliability of the study instrument. The SPSS output (0.923) shows that the instruments used in this study were reliable since their coefficient levels surpass Nunnally's (1978) benchmark of 0.7

**METHODS OF DATA PRESENTATION AND ANALYSIS:**

A combination of descriptive and inferential statistical tools for data presentation and analysis. Statistical package for social sciences (SPSS) was employed to facilitate the analysis. The Pearson correlation was used to test the stated hypothesis and establish the nature of the relationship between the variables of interest since the study intended to determine how delivery performance could influence sales turnover of food and beverages exporting SMEs in South-South Nigeria.

**PRESENTATION AND ANALYSIS OF DATA:**

**Questionnaire Administration and Responses**

A total of 160 copies of the questionnaire were distributed amongst owners/managers of food and beverages manufacturing/exporting SMEs in South-South Nigeria. Only those firms registered with Nigerian Export Promotions Council (NEPC) participated in the study. One (1) questionnaire was administered to a representative (owner or manager) of each firm studied for administration convenience. Out of the 160 copies of questionnaire administered, only 143 copies returned were considered useful. This accounted for 89.37% response rate. Due to obvious mistakes and incomplete responses, 5 copies accounting for 3.13% were dropped, while 12 copies representing 7.50% could not be retrieved due to misplacement and other reasons given by the respondents. Therefore, the total response rate that formed the basis of our analysis was 143 representing 89.37%.

**DEMOGRAPHIC PROFILE OF RESPONDENTS:**

The analysis of the received instruments revealed how long the respondents have been involved in export operation. Specifically, 49(34.3%) of the respondents affirmed that they have been in export operation for less than

one year. It also shows that 38(26.6%) of the respondents have been in export operation for 1-3 years. 30(21.0%) have been in export operation for 4-6 years while 26(18.2%) have been in export operation for more than 6 years. Also, 102(71.3%) of the respondents were owners, while 27(18.9%) of them are managers while 14(9.8%) include others.

**INFERENCE STATISTICS:**

This section dealt with inferential statistical analysis which includes bivariate and multivariate analyses. This section adopted Pearson’s product moment correlation analysis and to undertake quantitative analysis of the relationship between the study variables. The quantitative analysis was facilitated through the use of SPSS version 21.0.

**CORRELATION ANALYSIS:**

In this section, bivariate analysis was carried out to determine the relationship between delivery performance and sales turnover using the Pearson’s Product Moment Correlation Coefficient.

**RESEARCH HYPOTHESIS ONE:**

H1: There is no significant relationship between delivery performance and sales turnover of food and beverages exporting SMEs in Nigeria.

**Table 1 Statistical Analysis for Hypothesis One**

		Delper	SalesTurn
Delper	Pearson Correlation	1	.576**
	Sig. (2-tailed)		.000
	N	143	143
Sales turn	Pearson Correlation	.576**	1
	Sig. (2-tailed)	.000	
	N	143	143

\*\* . Correlation is significant at the 0.01 level (2-tailed).

From the result of the above table, the correlation coefficient ( $r = 0.576$ ) between delivery performance and sales performance is moderate and positive. The coefficient of determination ( $r^2 = 0.32$ ) indicated that 32% of sales turnover can be explained by delivery performance. The significant value of 0.000 ( $p < 0.01$ ) reveals a significant relationship. On the basis of the result, the null hypothesis is rejected. Therefore, there is a significant relationship between delivery performance and sales performance of food and beverages exporting SMEs in Nigeria.

#### **DISCUSSION OF FINDINGS:**

The findings of this study also revealed a significant positive relationship between delivery performance and sales performance of food and beverages exporting SMEs ( $0.576$ ;  $0.000 < 0.01$ ). Harmsen and Jensen (as cited in Sullivan et al (2012) also supported our finding when they stated that delivery performance influences sales volume. This finding is also consistent with the outcome of the research conducted by McLellan (2013) which concluded that delivery performance affects sales of firms positively. The implication of this is that when a firm has a policy of delivering the right products at the right quantity and at the right time, customers will develop confidence on the firm and sustain their business relationship with the firm. This will in turn have a positive effect on sales and the company bottom-line (profit).

#### **CONCLUSION**

The main objective of this study was to investigate the influence of delivery performance on sales turnover of food and beverages exporting SMEs in Nigeria. From the study findings, it was revealed that delivery performance had a moderate influence on sales turnover ( $0.576, P > 0.01$ ), of food and beverages exporting SMEs. From the statistical analysis, positive and significant relationship was also

found between delivery performance and sales performance. Based on the findings, it was concluded that delivery performance enhances sales performance in terms of sales turnover of food and beverage exporting SMEs in Nigeria.

#### **RECOMMENDATIONS:**

Based on the findings and the attendant conclusion, it was recommended that: Entrepreneurs should put in place a sound system and process that will ensure timely delivery of products and services as this would enhance customer satisfaction and improve sales performance.

#### **SUGGESTIONS FOR FURTHER STUDIES:**

It should be kept in mind that the findings of this study are limited to food and beverages exporting SMEs operating in South-South Nigeria. Therefore, there is need for further research in on food and beverage exporting SMEs operating in other regions of the country as well as other countries in Africa.

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