SERVICE QUALITY AND COMPETITIVE ADVANTAGE IN PAN AFRICAN COMPANY NIGERIA LIMITED

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Abstract
The study assesses service quality and competitive advantage in Pan African Company Nigeria Limited in Abuja. The study seeks to find out how service quality, e.g. reliability, assurance, responsiveness and empathy, helps the firm to gain competitive advantage within the industry. Data were collected from the primary source. The population was 95 and was used as the sample. The study used the survey research design, analysis of data was done using regression, and data obtained from administration of questionnaire were analysed using a t-test and f-test with a software, statistical package of e-view 7.0. The findings reveal that the relationship between service quality and competitive advantage in Pan African Company Nigeria Limited in Abuja is significant at 5% level. The study concluded that there is a significant relationship at 5% level between reliability and competitive advantage in Pan African Company Nigeria Limited in Abuja. There is a significant relationship between responsiveness and competitive advantage in Pan African Company Nigeria Limited, Abuja. There is a significant relationship between assurance (ASS) and competitive advantage in Pan African Company Nigeria Limited in Abuja. Therefore, it is suggested that Pan African Company Nigeria Limited in Abuja should continue to embrace service qualities like reliability, responsiveness, assurance and empathy since they significantly lead to competitive advantage within the industry. Pan African Company Nigeria Limited in Abuja should try to educate the employees about these service quality determinants since they lead to competitive advantage within the industry where it operates.

Keywords: Assurance, competitive advantage, reliability, responsiveness, and service quality.

Introduction
Service quality in Pan African Company Nigeria Limited in Abuja should be improved for the organization to achieve competitive advantage over other firms within the industry. The customers or users of its product can perceive the service quality as good or bad. There is a need for improvement of service quality and this may tend to help the firm to gain competitive advantage in terms of differentiation and low cost in the market as a result of gaining competitive advantage. The firm generates sales and makes profits in the market and becomes the market leader in the industry. However, service quality is the expectation and perception of the consumer about a particular service offered in the organization, which is expected to generate profits and help the firm to achieve a competitive advantage within the industry where the firm operates. Service quality has become important in this present era as competition among other firms is increasing and the needs of the existing customers to be retained and managed becomes
necessary and cost control and improvement in quality of service delivery need to be addressed simultaneously. All these will help the firm to gain competitive advantage within the industry.

One of the major problems of this study is that Pan African Company Nigeria Limited in Abuja has operated so long and yet it has no branches in Abuja. Many customers have complained about the poor service in the organization and this situation makes the organization to have less competitive advantage over similar firms in the industry. Pan African Company Nigeria Limited in Abuja sometime does not provide services as promised. There are lack of dependability in handling customers’ services, inability to perform or offer services right at first time, inability to provide services at the promised time and inability to maintain error free records, which negatively affect Pan African Company Nigeria Limited in Abuja to gain competitive advantage over other firms in the industry. Pan African Company Nigeria Limited in Abuja does not keep customers informed as to when services will be performed, especially during the period it was enmeshed in a problem. Pan African Company Nigeria Limited in Abuja is not ready to respond to customers’ request, and employees do not instil confidence in the customers concerning the services provided by the organisation. Employees do not really give customers or individuals attention when faced with issues affecting them that relate to service quality. The employees of Pan African Company Nigeria Limited in Abuja do not deal with customers in a caring manner; they sometimes do not have the best interest of the customers at heart. They do not understand the need of the customers and the convenient business hours and these factors negatively affect them and make Pan African Company Nigeria Limited in Abuja to have less competitive advantage in the industry.

Previous studies such as Khalid, Imtiaz and Muhammad (2013) investigated whether service quality confers a competitive advantage for the firm using field survey and Iberahim, Mohd, Mohd and Saharuddin (2015) investigated the relationship between the reliability and responsiveness of ATM services with customer satisfaction. Rashed and Tabassum (2014) study the impact of service quality on customer satisfaction in private sector banks in Bangladesh. Siew-Phaik, Ayankunle, Hanisah and Alan (2011) examine the impacts of reliability, responsiveness, assurance, empathy and tangible aspects on customer satisfaction. However, this study is different from the previous studies in the sense that majority of them study service quality and customer satisfaction but only Khalid, Imtiaz and Muhammad (2013) study service quality and competitive advantage.

The main objective of this study is to examine the relationship between service quality and competitive advantage in Pan African Company Nigeria Ltd. Abuja. The specific objectives of the study are to:

I. examine the relationship between service reliability and competitive advantage in Pan African Company Nigeria Limited in Abuja;

II. determine the relationship between service responsiveness and competitive advantage in Pan African Company Nigeria Limited in Abuja;

III. evaluate the relationship between assurance and competitive advantage in Pan African Company Nigeria Limited in Abuja and
IV. determine the relationship between empathy and competitive advantage in Pan African Company Nigeria Limited in Abuja.

Conceptual Framework

Fig. 1: Service Quality and Competitive Advantage

Service quality is an essential business strategy used to obtain success and survival in today’s business competitive and dynamic environment (Wirtz, Wright, McHaman, & McWilliams, 2008). According to Brady and Robertson (2001), service quality is a process of creating the necessary competitive advantage by offering an effective and efficient product or service and differentiating it as a mover in the industry.

Service quality is the producer’s attitude resulting from the comparison of expected levels of service with perceived performance (Cronin & Taylor, 1992). Service quality is the match of customer’s expectations with satisfying needs and requirements (Edvardsson, 1998). Service quality is a customer’s level of judgment about a service or product (Barbara, 2010).

According to Parasuraman, Zeithaml and Berry (1988), reliability is to provide consumers services as promised, at the right/first time, at the promised time, providing error free record and dependability in handling service problems of the customers. It is billing accuracy, proper record maintenance and delivering the service within acceptable time limit (Saha & Zhao, 2005).

Zeithaml, Parasuraman and Malhotra (2002) see responsiveness as the ability to solve customer’s inconvenience or challenges for the duration of service process and high responsiveness to solve customers’ problems effectively and efficiently. Assurance refers to the knowledge and
thoughtfulness of workers and their ability to convey trust and confidence to customers (Parasuraman et al., 1988) and have the ability to protect customers (Zeithaml, Parasuraman & Malhotra, 2002). Empathy implies care of the customers by giving attention to them at the individual level and giving ears to their problems or difficulties by solving their problems was well as attending to their demands (Blery, Batistatos, Papastratou, Perifanos, Remoundaki & Retsina 2009).

The Concept of Competitive Advantage

According to Porter and Millar (1985), competitive advantage is a process whereby a company performs at lower costs or differentiating its product. It is the creation of customer superior value (Huber, Herrmann & Morgan 2001). Markey and Hopton (2000) assert that competitive advantage is lower retention rate than its competitors in the market. Nguyen and Mutum (2012) noted that competitive advantage is a process of building a strong relationship with customers that is based on quality, innovation, dialogue and learning.

Empirical Review

Khalid, Imtiaz and Muhammad (2013) investigated whether service quality confers a competitive advantage on a firm, customer behavioural intention for future, and can that competitive advantage be sustained over a period? Methodology: Cross-sectional study design was used as a methodology for the paper. A field survey was carried out with the help of a questionnaire using SERVQUOL scale. 400 current users of cell phones were targeted for the purpose of data collection through convenient sampling. Findings: The study found that telecom industry received excellent rating on tangibility, particularly equipment and customer service staffs’ dress, and low ratings on empathy, particularly not knowing customers’ needs and not giving individual and personal attention to customers.

Iberahim, Mohammed, Mohammed and Saharuddin (2015) investigated the relationship between the reliability and responsiveness of ATM services with customer satisfaction and verified the determinants for service enhancement and data were collected through questionnaire in a survey of 271 respondents and observations at the service point. Data were analysed using SPSS. Result of survey suggests the relationships of three out of four elements of service quality dimensions (consistency, dependability and timeliness) are important to maximising customers’ satisfaction. The above study used SPSS instead of e-view statistical package. The study could have adopted e-view which is current but it was limited to only ATM and it did not explain the statistical tool adopted.

Rashed and Tabassum (2014) examined the impact of service quality on customer satisfaction in private sector banks in Bangladesh. Five dimensions in service quality (servqual) such as tangibility, reliability, responsiveness, empathy, and assurance are considered as the base for this study. A structured questionnaire with 5 point Likert scale has been used to collect the data by conducting survey. The sample size is 110 and is chosen on a convenient basis. Data were analysed by using SPSS software (v17). Results of the study showed that tangibility, reliability, responsiveness, assurance and empathy significantly and positively influenced customer attitudes in terms of satisfaction that is service quality dimensions are crucial for customers’ satisfaction in private commercial banking sector in Bangladesh.
The study of Rashed and Tabassum (2014) is current but used SPSS. However, the study could have used e-view statistical software which is current and has the ability to establish how fit a model is given the set of variables into consideration. Siew-Phaik, Ayankunle, Hanisah and Alan (2011) examine the impacts of reliability, responsiveness, assurance, empathy and tangible aspects on customer satisfaction using 200 current users of a GSM provider who participated in this study. Gap analysis was used to determine the perceived importance and satisfaction on each dimension of service quality, and regression analysis was conducted to test the relationship between service quality and levels of customer satisfaction. Results indicated that reliability, responsiveness, assurance and empathy significantly positively influenced customers’ attitudes in terms of satisfaction and loyalty. In addition, t-test results showed that there was a significant gap between the perceived satisfaction and importance (P-I) on all of the service quality dimensions. The above study used student t-test to study the impacts of reliability, responsiveness, assurance, empathy and tangible aspects on customer satisfaction. The t-test is not a good test to establish the cause and effect relationship between the dependent and independent variable.

**Theoretical Framework**

**The Contrast Theory**

This theory was developed by Yi in 1990 and it submits that when actual product performance falls short of consumers’ expectations about the product, the contrast between the expectation and outcome will cause the customers to overstate the disparity. The theory believes that a customer, who receives a product less valuable than expected, will note the difference between the products received and the product expected (Cardozzo, 1965).

This theory is relevant to this work because consumers or customers look on the final product quality by benefiting from the quality of the product in order to repeatedly purchase the product which may make the manufacturer to reduce the cost of the product in order to gain competitive advantage in terms of cost advantage and leadership advantage.

**Methodology**

The study used the survey design and the reason for the research design is that the researchers employed the use of a questionnaire on our targeted respondents to obtain information and for clarity of the analysis of our findings. The population of this study covered the entire customers of Pan African Company Nigeria Limited in Abuja. The population of customers of the company was difficult to determine but the researchers used simple random sampling technique to select customers of the company. The structured questionnaire which was used for collection of data was designed in 5 point Likert scale using service quality and competitive advantage questions. The total number of customers available for the study stood at 95 and this served as the sample size of the study. Copies of the questionnaire were given to one of the staff in Pan African Company Nigeria Limited in Abuja and completed questionnaire were collected. Also, with the questionnaire coming from the staff, respondents were assured on the confidentiality of their responses. Multiple Regression analysis was used to determine the cause and effect relationship between the dependent variables and independent variable and e-view statistical package was used for the analysis the data. The two variables are designated with x and y, and it is believed that from the visual model they are related, however, by expression of \( y = \beta_0 + \beta_1 x + e \). We will leave aside for a moment the nature of the variable e and focus on the \( x - y \) relationship \( y = \beta_0 + \beta_1 x \) is the equation of a straight line; \( \beta_0 \) is the intercept (or constant) and \( \beta_0 + \beta_1 \) is the x coefficient, which represents the scope of the straight line the equation describes.

\[
CA = \alpha + \beta_1 RL + \beta_2 RES + \beta_3 ASS + \beta_4 EMP + \epsilon \tag{1}
\]
### Service Quality and Competitive Advantage in Pan African Company Nigeria Limited

CA= competitive Advantage  
$\alpha$ = intercept  
RL=Reliability  
RES= Responsiveness  
ASS=Assurance  
Empathy  
$\beta_1$ = coefficient  
$\varepsilon_I$= Error term

#### Table 1: Service Quality and Competitive Advantage

<table>
<thead>
<tr>
<th>Items</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
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<tbody>
<tr>
<td>Pan African Company Nigeria Limited in Abuja solve customer’s inconvenience or challenges for the duration of service process</td>
<td>32(33.68)</td>
<td>30(31.57)</td>
<td>3(1.15)</td>
<td>11(11.57)</td>
<td>19(20.00)</td>
</tr>
<tr>
<td>Pan African Company Nigeria Limited in Abuja provide consumers services as promised, at the right first time, at the promised time, providing error free record and dependability in handling service problems of the customers.</td>
<td>44(46.31)</td>
<td>22(23.15)</td>
<td>2(2.17)</td>
<td>10(10.52)</td>
<td>17(17.89)</td>
</tr>
<tr>
<td>Pan African Company Nigeria Limited in Abuja does not have knowledge and thoughtfulness of workers and does not have trust and confidence to customers</td>
<td>39(41.05)</td>
<td>28(29.47)</td>
<td>3(3.15)</td>
<td>19(20.00)</td>
<td>6(6.31)</td>
</tr>
<tr>
<td>Pan African Company Nigeria Limited in Abuja does not care of the customers and does not give attention to them</td>
<td>37(38.94)</td>
<td>39(41.05)</td>
<td>2(2.17)</td>
<td>15(15.78)</td>
<td>2(2.17)</td>
</tr>
<tr>
<td>Pan African Company Nigeria Limited in Abuja does not have competitive advantage in the market</td>
<td>45(47.36)</td>
<td>22(23.15)</td>
<td>3(3.15)</td>
<td>12(12.63)</td>
<td>13(13.68)</td>
</tr>
</tbody>
</table>

**Source:** Field Survey, 2019
Regression Result using E-view Statistical software Package

\[ CA = \alpha + \beta_1 RL + \beta_2 RES + \beta_3 ASS + \beta_4 EMP \]

Dependent Variable: CA  
Method: Least Squares  
Date: 2/01/19  
Time: 21:30  
Sample: 195  
Included observations: 95

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>0.007679</td>
<td>0.097161</td>
<td>0.079030</td>
<td>0.0001</td>
</tr>
<tr>
<td>RL</td>
<td>0.742025</td>
<td>0.076848</td>
<td>9.655757</td>
<td>0.0000</td>
</tr>
<tr>
<td>RES</td>
<td>0.393074</td>
<td>0.052600</td>
<td>7.472909</td>
<td>0.0000</td>
</tr>
<tr>
<td>ASS</td>
<td>0.250791</td>
<td>0.048911</td>
<td>5.127502</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

R-squared  
Adjusted R-squared  
S.E. of regression  
Sum squared resid  
Log likelihood  
F-statistic  
Prob(F-statistic)

Mean dependent var  
S.D. dependent var  
Akaike info criterion  
Schwarz criterion  
Hannan-Quinn criter.  
Durbin-Watson stat  

Source: Data output using e-view 7.0 statistical package, 2019

Decision Rule: 1%, 5% and 10% level of significance

From the regression result, service quality coefficient in terms of reliability (RL) is positive and significant in achieving competitive advantage in Pan African Company Nigeria Limited in Abuja. The CA= 0.00+0.74RL which indicates that competitive advantage in Pan African Company Nigeria Limited in Abuja will increase by 74% for every 1% increase in reliability. The p-value of 0.00 is less than the t-statistic value of 9.65 and the standard error value of 0.07 is less than the t-statistic value. This implies that there is a significant relationship between reliability and competitive advantage in Pan African Company Nigeria Limited in Abuja.

Service quality coefficient in terms of responsiveness (RES) is positive and significant in achieving competitive advantage in Pan African Company Nigeria Limited in Abuja. The CA= 0.00+0.39RES which indicates that competitive advantage in Pan African Company Nigeria Limited in Abuja will increase by 39% for every 1% increase in responsiveness (RES). The p-value of 0.00 is less than the t-statistic value of 7.47 and the standard error value of 0.05 is less than the t-statistic value. This implies that there is a significant relationship between responsiveness and competitive advantage in Pan African Company Nigeria Limited in Abuja.

Service quality coefficient in terms of assurance (ASS) is positive and significant in achieving competitive advantage in Pan African Company Nigeria Limited in Abuja. The CA=
0.00+0.25ASS which indicates that competitive advantage in Pan African Company Nigeria Limited in Abuja will increase by 25% for every 1% increase in assurance. The p-value of 0.00 is less than the t-statistic value of 5.12 and the standard error value of 0.04 is less than the t-statistic value. This implies that there is a significant relationship between assurance (ASS) and competitive advantage in Pan African Company Nigeria Limited in Abuja.

Service quality coefficient in terms of empathy (EMP) is positive and significant in achieving competitive advantage in Pan African Company Nigeria Limited in Abuja. The CA = 0.00+0.46EMP which indicates that competitive advantage in Pan African Company Nigeria Limited in Abuja will increase by 46% for every 1% increase in empathy (EMP). The p-value of 0.00 is less than the t-statistic value of 0.08 and the standard error value of 0.08. This implies that there is a significant relationship between empathy and competitive advantage in Pan African Company Nigeria Limited in Abuja.

The coefficient of determination (r²) of 0.88 indicates that 88% of variation in competitive advantage can be explained by service quality (reliability, responsiveness, assurance and empathy) in Pan African Company Nigeria Limited in Abuja. The remaining 12% can be explained by other related factors not noted in the regression model. The f-statistic value of 636.5710 is significant at p-value of 0.00. This implies that there is an evidence of existence of linear relationship between service quality (reliability, responsiveness, assurance and empathy) and competitive advantage in Pan African Company Nigeria Limited in Abuja. Therefore, we accept the alternative hypothesis that there is a significant relationship between service quality (reliability, responsiveness, assurance and empathy) and competitive advantage in Pan African Company Nigeria Limited in Abuja.

Discussion of Findings
From the analysis, the relationship between service quality and competitive advantage in Pan African Company Nigeria Limited in Abuja is significant. This shows that there is a significant relationship between reliability and competitive advantage in Pan African Company Nigeria Limited in Abuja. There is a significant relationship between responsiveness and competitive advantage in Pan African Company Nigeria Limited in Abuja. There is a significant relationship between assurance (ASS) and competitive advantage in Pan African Company Nigeria Limited in Abuja. There is a significant relationship between empathy and competitive advantage in Pan African Company Nigeria Limited in Abuja. However, there is a significant relationship between service quality (reliability, responsiveness, assurance and empathy) and competitive advantage in Pan African Company Nigeria Limited in Abuja. The finding is in line with the findings of Khalid, Imtiaz and Muhammad (2013) which reported a positive and significant relationship between service quality and competitive advantage. The study is also in line with the Contrast theory, which states that when actual product performance falls short of consumers’ expectations about the product, the contrast between the expectation and outcome will cause the customers to overstate the disparity. The theory believes that a customer, who receives a product less valuable than expected, will note the difference between the products received and the product expected.

Conclusions and Recommendations
This study concludes that the relationship between service quality and competitive advantage in Pan African Company Nigeria Limited in Abuja is significant. This shows that there is a
significant relationship between reliability and competitive advantage in Pan African Company Nigeria Limited in Abuja. There is a significant relationship between responsiveness and competitive advantage in Pan African Company Nigeria Limited in Abuja. There is a significant relationship between assurance (ASS) and competitive advantage in Pan African Company Nigeria Limited in Abuja. There is a significant relationship between empathy and competitive advantage in Pan African Company Nigeria Limited in Abuja. However, there is a significant relationship between service quality (reliability, responsiveness, assurance and empathy) and competitive advantage in Pan African Company Nigeria Limited in Abuja. It is therefore recommended that Pan African Company Nigeria Limited in Abuja should continue in service quality like reliability, responsiveness, assurance and empathy since it significantly lead to competitive advantage within the industry. Pan African Company Nigeria Limited in Abuja should try to educate the employees about these service quality determinants since they lead to competitive advantage within the industry where the company operates.

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