

## MARKETING RESPONSES ADOPTED BY HOTELS FOR SURVIVAL IN A DOWNTURN IN RIVERS STATE, NIGERIA

**Joseph Sunday ETUK**

Department of Tourism and Hospitality Management  
University of Port Harcourt  
Jotukzeal@gmail.com

**Dr. S. C. MOGULUWA**

Department of Marketing, University of Nigeria, Enugu Campus, Enugu State

### ABSTRACT

*The 2016-2017 economic recessions in Nigeria was reported to have had a negative impact on consumer and organizational purchase behavior. Decline in leisure and corporate travel affected the tourism sector in general and the hotel sector in particular. This study was therefore conducted to ascertain the marketing response strategies for survival adopted by hotels and to evaluate the effect of those strategies on their survival. The study adopted the descriptive survey research design whereby primary data were obtained from 68 hotel managers purposively drawn from thirty ((30) 3-star hotels operating in Port Harcourt through the questionnaire method. The data were analyzed using simple percentage, mean score and multiple regression analysis. The study revealed that discount offer was the major tactic adopted by the hotels, which was followed by customer service. Rate-obscuring tactic was ranked third, collaboration was fourth while customer bonding was the least strategy. Accordingly, discounting, provision of good customer service by maintaining service level and the application of rate-obscuring tactics through added packages had a positive and significant impact on hotels' survival indices of occupancy rate, number of guests and sales revenue while bonding and collaboration were insignificant explanatory factors of hotel survival. Based on the research findings, the study concludes that the marketing responses adopted by the hotels had to some extent, enabled them to cope with the recession, though not profitably. The study recommends maintenance of high service levels, new market development, customer relationship management and cautious use of rate-reduction offers.*

**Key words:** Recessionary effects, marketing responses, hotel survival

### 1.1 Introduction

The hotel industry is one of the important sectors of the tourism industry in any economy which provides need-satisfying accommodation, foods, beverages, entertainment, recreations and auxiliary services to visitors, travelers and tourists at a profit (Miello, 2014). Globally, the

tourism and hospitality industry by nature of its operations is vulnerable to economic downturn in the business environment (Qaten, Quesne, Segal & Deloitte (2015). One of such downturns is recession which is perceived in the economic circle is perceived to be characterized by a period of negative

economic growth for no more than two consecutive quarters. From the marketing standpoint, recession is manifested through reduction in consumer and industrial purchase/consumption behaviour, cut in marketing budget and declining sales and profit in many business organizations. In concrete terms, recession finds expression through rise in unemployment, fall in industrial production, adjustment in real GDP for inflation decreases, stagnation or fall in incomes, especially with regard to their purchasing power in wholesale and retail sales and increase in government borrowing. Examples include the recessions that took place in USA and France in 2008-2009, Germany in 2008-2009, South Korea in 1998 and Japan in 2008-2009, Nigeria in 2016-2017 (Nwinee, 2017).

Quench and Jocz (2009) have identified patterns in consumers' behavior and firms' marketing response strategies that either propel or undermine performance during a recession. The authors opine that managers need to understand the evolving consumption patterns and fine-tune their strategies accordingly. This is because recession triggers reduction in disposable income which in turn reduces discretionary income leading ultimately to poor recreational culture. During recessions, customers generally set stricter priorities and reduce their spending. Almost all customers reevaluate their consumption priorities, maintaining necessities and reducing or eliminating treats, and expendables due to a drop in their disposable income. As sales start to drop, businesses typically cut costs, reduce prices, and postpone new investments.

The hotel sector in Nigeria is not immune to recession; it has its fair share of the effects of the economic disruption such as

reduction in the number of guests, occupancy rate and profit. As customers' priorities change, most of them may opt for substitutes or choose cheaper hotels than expensive ones. The marketing performance of the hotel sector during recession on such metrics as number of guests, occupancy rate, sales revenue and profit is a reflection of consumer behaviour towards the business and the coping strategies deployed by hotel managers to mitigate the crisis. Since most consumers consider tourism products and services as non-essentials during a recession, a drop in patronage by guests and corporate customers lead to low occupancy rate and low demand for other hotels services. Consequently, low turnout of guests brings about a decline in occupancy rate which in turn leads to the decrease in revenues and profitability of hotels (Agada (2017)). Therefore, effective marketing of tourism services such as accommodation, restaurant dining, lodging, entertainment and recreational offers during a recession can be a challenging task for hotel managers.

Although recession poses a challenge for hotel managers in developed and developing economies, Barton (2010), however, considers the management of recession as an examination for the hotel managers whose knowledge, skills and expertise are being challenged and tasked to successfully pull their organizations out of the crisis or to keep the business at optimum level, when the business environment is not favourable (Iodache, 2013). To pass such a test requires an understanding of the behaviour of the hotel market segments during an economic downturn and putting in place effective marketing response strategies in order to maintain standard service delivery that matches customers'

expectation.

Research suggests that many hotels implement some strategies to enable them survive the effects of a recessionary threat. Hrubalova (2015) and Kimes (2010) report that reduction in marketing budget, down-sizing through retrenchment, market development and bonding were some of the response strategies adopted by the hotel sector in Europe and America to cope with the effects of 2008-2009 economic recession. Thus, it can be argued that the application of appropriate marketing approach is not only crucial to the hotel sector's efficiency and effectiveness in good times but also in challenging times. Marketing is therefore a veritable tool in generating revenue that sustains the organizations through customer satisfaction regardless of the economic tempo of the society. This tends to suggest that marketing initiatives such as collaboration, customer service, discounting and obscuring rates might also be important for the hotel sector in Nigeria that is currently experiencing a recession, which was not explored in the previous studies.

The recent Hospitality Industry Report by Pricewatercooperhouse (2017) shows that of all the threats, economic recession has dealt a serious blow on many hotels in Nigeria regardless of size, ownership, status and location. Consequently, many of them have recorded a decline in guests' patronage due to a reduction in occupancy rate by 30-40% and 35% slump in demand for food/beverages and other hotel services (Olayemi, 2017). Thus, there is worry over the abysmal performance of many of these organizations in terms of low patronage and declining profit which can increase the unemployment rate in Nigeria with attendant negative effects on the society.

Despite widespread consideration of cost-cutting initiatives as some of the recession coping strategies across a number of hotel market scales and types in advanced economies, very little research has been conducted concerning marketing responses to low patronage occasioned by economic downturn in the Nigerian hotel sector context, thus creating a gap in the literature. Since it has been suggested that recessionary threats play a role in firms' responses and by extension, performance, it therefore stands to reason that the marketing response strategies adopted by hotels in Nigeria to offset the effects of the recession might affect their survival. Thus, it is important to empirically evaluate the marketing response strategies adopted by hotels in Nigeria during the economic downturn in Nigeria in 2017-2018, and to ascertain the effect of those responses on their survival. This may help provide more insight into the enterprise threats-performance nexus, especially during a downturn, drawing our empirical analysis from hotels in Port Harcourt.

### *1.2 Objectives of the Study*

The main objective of this study was to evaluate the marketing responses adopted by hotels in Port Harcourt to mitigate the 2016-2017 recession and the effects of those strategies on their survival.

The specific objectives were to:

1. Determine the effect of customer bonding on hotel survival in Port Harcourt;
2. Investigate the effect of stakeholders' collaboration on hotel survival in Port Harcourt;
3. Ascertain the effect of customer service on hotel survival in Port Harcourt;
4. Determine the effect of

discounting on hotel survival in Port Harcourt;

5. Establish the effect of rate-obscuring tactics on hotel survival in Port Harcourt;

## 2.0 Literature Review

### 2.1 Theoretical Review

The Chaos Theory is considered appropriate to the study. Chaos Theory is a part of Mathematics which has been borrowed into Social Science studies. The theory states that a very small change may make the system behave completely differently. In other words, seemingly simple events could produce complex and confounding behavior (Deekieson, 2011). Simply put, small effects lead to big changes in the whole system. The theory deals with the changing relationship between order and disorder in the behaviour of natural or social systems, often referred to as “butterfly effects”.

Chaos theory was propounded by Henri Poincare, but popularized by Edmund Lorenz in 1961. A number of theoretical concepts such 'butterfly effect', 'lock-in-effect', 'edge of chaos', 'bifurcation', 'self-organization' and 'strange attractors' are also used to denote chaos theory (Speakman & Sharpley, 2012). The theory is related to the hospitality sector when viewed within the context of the symbiotic relationship between business and the complex environment in which it operates. Accordingly, single events may bring chain of changes to tourist organizations or destinations which could be positive or negative due to their 'butterfly effect'. For example, the recessionary threat reduces discretionary spending which in turn affects leisure and corporate travels. Consequently, reduction in travel reduces number of

hotel guests, occupancy rate and overall turnover which ultimately leads to poor hotel performance. In the same vein, recessionary threats affect the transportation sector and travel agencies which are all related to the tourism industry with some attendant negative consequences for suppliers, the economy and the society at large.

### 2.2 Conceptual Orientation

#### 2.2.1 Effect of Recession on the Hotel Sector

Scholars have acknowledged that economic recession has unpleasant effect on the hospitality business. Iordache (2013) and Gulati, Nohria and Wohlgezogen (2010) assert that the global and national economic crisis has a powerful effect on the economy generally and the hotel industry in particular. They perceive signal of a recession as the crisis coming from the external environment, causes the decrease of production, increase of unemployment, fall of consumption and also changed consumers' behaviour. This is easily discernable in Tourism and hospitality industry that provides leisure goods and services which many perceive, meet secondary needs. During a recession, most consumers concentrate on meeting basic necessities leading to a slump in demand for hotel services. The decline of hotel guests leads to the decrease in revenues and worsened economic situation of hotels (Hrubalova, 2015). It is argued that of all economic factors that impinge on the operation of the hospitality sector, recession appears to have a very profound impact. One of those effects is a drop in consumers' disposable. Drawing from the 2008/2009 global meltdown, the author observed that financial-economic crisis greatly influenced travel decision as people are

more inclined to looking to go on holidays spots that are not very far away from their neighbourhood. He further observed that even if they continued to travel, the tourists adapt their behaviours to the circumstances, especially choosing some hotels with a lower comfort grade, reducing the period of the holiday or the expenses during the holiday. Furthermore, tourist travel involves discretionary spending. Thus, it is logical to think that during the economic difficulties, most people keep their money for life's necessities such as food, house, family's necessities (Weatherford,1998, cited in Iordache,2013). Economic crisis reduces the discretionary income of people, which in turn reduces the consumption of tourist services. The author further highlights the effect of recession on hotel sector to include the following:

1. Declining demand's size for the tourist services, generally and hospitality services in particular;
2. Tourists choosing some hotels with a lower comfort grade, reducing the period of the holiday or the expenses during the holiday.
3. Tourists spend fewer money on souvenirs and shopping, food, hotel room and entertainment.
4. Reduction in travellers' budget: Hartmann (2011) observes that companies reduce the number of trips for business, reduce time spent on mission, reduce travel distances, and reduce class (the plane) and the stars (the hotel) in a recessionary period.

In his own contribution on the effect of recession of 2016/2017 on the hospitality

industry in Nigeria, Agada (2017) observed that the lucrative hotel business had suddenly become unprofitable due to the economic downturn. He identified the effect of recession on the hotel sector to include low turnout of guests, reduction in revenue, companies resorting to video conferencing instead of hosting events in the hotels. The implication of the foregoing is the formulation of marketing mitigation and recovery strategies for the hotel sector.

### **2.2.2 Hotel Sector's Marketing Responses to the Effects of Recession**

Gulati et al (2010) adopting the strategic marketing perspective, identified defensive and offensive strategies that have been deployed by hotels to survive threats imposed by economic downturn in the business environment. Defensive strategies are short-term measures aimed at cost-reduction through retrenchment, closing down of unused facilities, reduction in operating hours, discounted rates, reduction of marketing budget, etc. Offensive strategies are implemented to reposition the firms for recovery and to survive in the long run. This includes innovation, customer retention, customer service quality, market development, assets investments, etc. which Nnedu (1996) refers to as imaginative strategy.

Kimes (2010) asserts that a hotel can survive a recession by adopting price-based and non-price marketing tactics. Price-based methods consist of rate-obscuring and offering discounted rates to selected market segments and offering value-added packages using opaque distribution channels. Non-price marketing initiatives include new market development, pay per click, additional revenue streams development, service quality, etc. For the purpose of this study, only four marketing response strategies

are reviewed: stakeholders' collaboration, customer service, discounting and rate-obscuring tactics.

### **Stakeholders' Collaboration**

This strategy which is also known as 'partnership' or 'networking' is a recession coping strategy in the hotel industry. It is a situation whereby hotels and other stakeholders in the tourism sector join forces to organize events, share knowledge and information, expertise and supportiveness for the benefits of all the parties (Weisemean (2014). Going the same trend of thought, Islam, Malhotra and Venkatesh (2009) perceive stakeholders' support and collaboration as a measurement of teamwork through which ideas are shared and channeled cross-functionally as well as inter-organizationally. The authors explained that support and collaboration is the extent to which people within and outside an organization actively support and assist one another in work-related matters. Operationally, hotels, for example, may partner with organizations such as airlines, high schools, professional associations, government ministries and agencies, tertiary institutions and religious bodies for hosting of events and celebrations and lodging of guests for the benefit of all the stakeholders.

### **Customer Service:**

In a strategic marketing sense, customer service, especially during economic downturn is perceived as an offensive strategy adopted by an organization for long-term survival (Ceelon,2015). It is an organization's ability designed to supply their customers' wants and needs. Put differently, customer service is the provision of service to customers before, during and after a purchase. Customer

service can be measured in many dimensions such as service empathy, access time and courtesy of staff, service quality, service speed and responsiveness, customer complaints handling and reliability of service provision. The author explained that customer service is a series of activities designed to enhance the level of customer satisfaction – the feeling that a product or service has met the customer expectation. Customer service can be expressed in personal and interpersonal skills such as communication skills, listening skills, language, gestures and posture, telephone techniques. Anselemi (2014) opined that customer service is very critical for retention during a downturn because of drop in demand for leisure services which many consider as secondary need.

### **Discounting**

Customer acquisition and retention is a challenge for many leisure enterprises during a downturn (Grundikho & Hammerdin, 2015). Discounting through price-cut, therefore, appears to be an appealing strategy to many hospitality organizations to draw and retain customers. Discounting is price-cut implemented by organizations to favourably influence the purchase behaviour of actual or potential customers towards the product and service offerings of an organization, especially when demand is low (Kuffiak,2008). The price-related discounting strategy is not just adopted to help hotels avoid instituting rate cuts across board; rather it is used instead to either camouflage discounted rates or target those rates at segmented market or through certain distribution channels. Kimes (2010) avers that discounting is usually adopted as a short-term measure as its long-term application can hurt the organization.

### **Rate- Obscuring Tactic**

Rate-obscuring tactic is a veritable measure often adopted in times of economic distress (Kuffiak, 2008). In rate-obscuring tactics as applicable in the hotel context, value packages are added to the room rate for the price of one (Edunayo,2007). It may involve bundling tactic which allows a hotel manager to disguise rates in a way that does not show that the hotel is actually offering lower rates. Thus, a hotel can bundle room rate in with either additional night (for example stay two nights, get another one free) or with other services of the hotel. The logic behind bundling is to make it difficult for customer to determine the price of each components of service delivery (Iordache,2011). Unbundling is another tactic for implementing rate obscuring. Kimes (2010) observed that a hotel organization applying this approach bases its room rate on one room product (i.e, a clean room with a bed and bath) and charges additional amounts for any offer services that guests might use.

### **Bonding with Customers**

Bonding with customers through loyalty programmes is another non-price marketing strategy that can influence patronage during a recession.It refers to the creation of interactive relationship with guests (Iordache (2013). Semmade (2015) opined that focusing on retaining customers is a veritable marketing strategy in good and bad time. This is because customers are the major determinants of organizational success. Therefore, building good relations with customer by creating customer data base, contacting them on regular basis, sending them post cards, birthday cards and newsletter are crucial in hospitality marketing which thrives on service encounters. Research suggests that when

finances are uncertain, consumers cut their discretionary spending (Ambai,2016), thus, making a case for customer bonding through effective customer relationship management strategy for customer retention through loyalty schemes, small discounts and regular communication to let customers know that they are valued. Ekiemon (2016) asserts that many organizations tend to compromise product/ service quality in bad times in a bid to reduce cost, not realizing the negative effect on customer retention.

Dikholo (2014) reveals that, customer tells eight friends about a satisfying experience and 20 friends for anegative experience. Viewed from this perspective, Dasshi and Homek (2015) contend that it is easier to influence existing customer to buy 10% more than it is to increase the customer base by 10%. The authors further revealed from their study that 80% of successful new product and service ideas come from existing customers which cost 1/5 less than new customer and can substantially increase profit. Effective bonding therefore endears an organization to customers, thereby ensuring a greater chance of attracting repeat purchases or repeat visits in the future.

### **2.2.3 Hotel Survival**

Hornby (2005) defines survival as the state in which an organism continues to live or exist, often despite difficulty or danger. Applying this in the business context, he asserts that survival connotes a state where organizations have successfully overcome obstacles and continue to remain relevant over time in the competitive business environment. Miltonovic (2012) defines hotel survival as the extent to which the organization has performed on certain criteria such as

occupancy rate, number of guests, revenue, profit, returns on investment, returns on assets, market share, etc relative to competition, which may be impressive or unimpressive. He argues that one of the objectives of any corporate organization is to survive over time in business. Thus, a hotel that has lasted for many years and continued to exist to meet the needs and wants of its target market at a profit is deemed to have succeeded.

Some scholars used the terms “survival” and “success” interchangeably. Amealoy and Zanic (2010) argued that a business that survives has succeeded. Their conceptualization of business success in this context relates to the performance of the organization in terms of the extent to which it has achieved its objectives. Bismark (2009), however, contends that survival is not synonymous with growth or success as a firm can survive without recording an appreciable level of profit or competitive advantage. He opined that survival is “a state of no profit or loss” but continues to exist hoping that it will get better someday, depending on its plans and strategies.

Hotel survival can be evaluated subjectively and objectively. Subjective measures are a prominent measure of survival across industries in terms of customer satisfaction, market share, positive image, etc based on managerial evaluation. In specific terms, hotel survival can be evaluated on its performance on such indices as number of guests, occupancy rates, sales revenue and profit (Hrubalova (2015), Gulati et al (2010). Objective measures includes financial profit, returns on investments, returns on assets and return on equity. However, this study adopts the subjective

measures contingent on the reflective analysis of hotel performance on such indicators as number of guests, occupancy rates, sales revenue and profit as perceived by managers.

### **2.3 Empirical Review and Hypotheses Development**

#### **Effects of Recession on Hotels' Survival**

An empirical study of Olayemi(2017) on the impact of economic recession on hotels in Lagos state revealed that the sector was negatively impacted as occupancy rate which ranged between 70% to 90% in 2014 dropped to between 30-40% in 2017. The low patronage was induced by recession. In a study of the influence of recession on the hotel sector performance in Eastern Europe by Trend Hospitality Consulting and Management, Iordache (2013) reports the findings from the surveyed sampled hotels. It was found that economic recession severely affected both occupancy and average occupancy rate as well as revenue per available room.

Babradozier (2010) conducted a survey on the influence of recession (effects of global economic downturn) of 2009 on the hotel industry of United Kingdom. The study revealed that hotel industry of UK was severely influenced by the economic recession, which reduced international events to be organized by the country and the currency value of sterling also reduced. The occupancy rate of the industry came down by 2.5% to 73.9% from the year 2007 to 2008 and the average availability of room's rates were enlarged by 2.3% to £104.33. This implies that the occupancy rate decreased to a significant extent and influenced the operations of the hotels in the UK hotel industry. Although it has been established that recession is characterized by low patronage of hotel services everywhere,

including Nigeria, however, there is limited knowledge regarding hotels' marketing responses to the unfavourable guests' behavior and how the response strategies affect their survival.

### **Bonding and Hotel Survival**

Iordache (2013) survey revealed that most hotels tended to maintain better relationship with customers during economic downturns than in season of prosperity, The research revealed that rewarding loyal customers using the scoring system of Loyalty Card with benefits had a positive effect on customer retention. The Iordache's study further suggests that hotels that implemented customer loyalty programmes during recession recorded increase in guests' patronage and revenue. This implies that a systematic management of consumer loyalty can have a great and positive influence on customer patronage and by extension hotel performance. In the same vein, research by the British Chambers of Commerce (2008) indicated that bonding with customers was one of 10 ways to survive economic downturn. However, the Nigerian situation has not been empirically validated, hence we propose thus:

H1: Bonding does have a positive and significant effect on hotel survival in Port Harcourt.

### **Stakeholders' Collaboration and Hotels' Survival**

Research suggests that stakeholders' collaboration is an effective strategy adopted by organizations to overcome internal and external weaknesses (Malhotra & Venkatesh (2009)). Iordache's (2010) study established a strong and positive link between the implementation of marketing strategic

partnerships and development of additional revenue sources and additional market segments. Another research by Weisemsn (2014) confirmed that collaboration through teamwork in terms of shared ideas and expertise correlated positively with performance cross-functionally and inter-organizationally. Another important study by Dikhola (2017) found that collaboration as a marketing strategy, greatly influenced increase in industrial productivity, increase in revenue and profit . In the context of the tourism industry of which hotels constitute a sector, collaboration is easily discernable in the organization of tourist events, such as carnivals and musical events which benefits all the operators in the sectors. Therefore, this study proposes that collaboration among stakeholders might help the performance of hotel organizations to rebound during a downturn. Thus, our hypothesis is formulated that:

H2: Collaboration does have a positive and significant effect on hotel survival in Port Harcourt.

### **Customer Service and Hotels' Survival**

The role of customer service in enhancing organizational survival is supported by research. According to the Brand Loyalty Survey (2012) by ClickFox, 72% of consumers indicated customer service is what makes them loyal to a brand and would tolerate inconveniences inflicted by certain companies or brands because of superior customer service provision. Research by Qeten (2007) indicates positive correlation between good customer service and superior financial performance and sustainable competitive advantage. Service quality improvement, customer bonding and service reliability were some of the strategies deployed by the hotels in mitigating the disruptions.

Regarding hotels' responses to recessionary threats of 2007-2010, a survey by Gulati et al (2010) involving a sample of 100 hotel managers in Slovakia, using the questionnaire method was very insightful. Using the Spearman's correlation coefficient analytical tool, it was found that in 2009 customer service-based strategies had a positive impact on total revenues, profits, competitiveness, number of guests and occupancy rates. From 2010 to 2012 it positively influenced total revenues, costs, number of guests and occupancy rates. Provision of effective and efficient customer service engenders guests' satisfactions with attendant customer retention, which is key to profitable operation. However, this needs to be validated in the Nigerian hotel sector, hence we hypothesize thus:

H3: Customer service does have a positive and significant effect on hotel survival in Port Harcourt.

### **Discounting and Hotels' Survival**

Maggah and Wellnah (2012) provide evidence to support the claim that most marketing firms apply discounting tactic in their pricing strategy to improve sales and revenue especially during a downturn. Similarly, Asufo (2011) found a positive correlation between implementation of discounting policy and increase in sales volume. He however opines that discounting should be implemented with caution as customers may associate price cut with low quality service delivery. In the same vein, an empirical study involving a survey sample of 980 hotels around the world by Kimes (2010) found a positive correlation between discounting as one of the marketing anti-crisis strategies adopted by the hospitality organizations and performance in terms of offsetting the

effects of the great recession (economic meltdown) of 2008-2009. Kimes (2010) however, warned of excessive discounts as it can hurt revenue and profit.. In contrast, Gulati et al (2010) report intensity and pervasiveness of discounting in the hotel market scale in increasing sales during downturn, but with negative effect on profit level. The study by Babradozier (2010) also revealed a strong nexus between discounting and survival in the UK hotel industry during the economic downturn. Empirical evidence of the Nigerian hospitality situation is lacking in the literature, thus the study proposes that:

H4: Discounting does have a positive effect on hotel survival in Port Harcourt.

### **Rate- Obscuring Tactics and Hotels' Survival**

The role of rate-obscuring tactic as a price-related marketing strategy in the hotel sector has been established in prior research. Fanni and Alao (2013) indicated that rate-obscuring was considered an effective tactic in improving hotel performance in occupancy rate and sales of other services in Lagos State, Nigeria. They observed that this technique was effective when the added packages were something that was important to the customers. In the same vein, Kimes (2010) reveals that rate-obscuring tactics were some of effective measures deployed by the hotel market scales to mitigate the effects of the 2008-2009 recession in Europe in America. Thus, a relationship has been established between rate-obscuring pricing strategy and hotel performance. Given this backdrop, we hypothesize that:

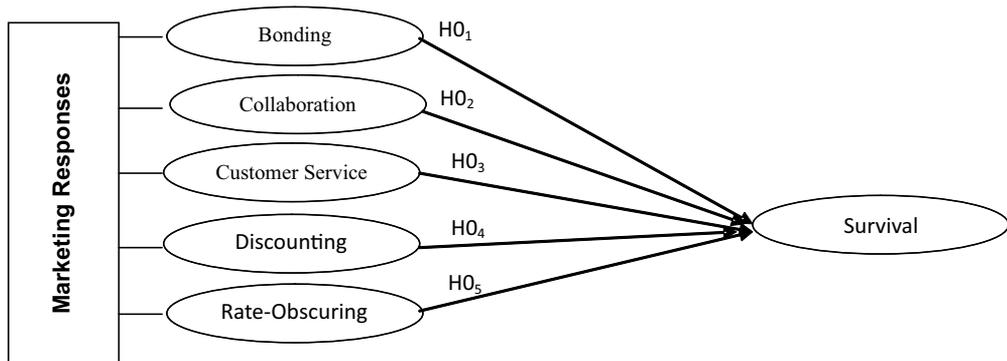
H5: Rate-obscuring tactics do have a positive effect on hotel survival in Port Harcourt.

A synthesis of the foregoing empirical

review suggests that both small and large hospitality business organizations in developed and developing nations face economic downturns that threaten the realization of corporate objectives, although the constraints appear to be more pronounced in developing nations, including Nigeria (Urieto,2009). Furthermore, most of the studies did not examine industry downturns in their specificities. Perhaps, it is for this reason

that Krondic (2015) opines that each environmental threat or business disruption should be identified and examined for individual effect and appropriate strategies deployed for each threat. Given the proposition of the study, the research model and the implied relationship between the variables of the current study is depicted in the operational framework in figure 1 below.

**Fig. 2.1. Operational framework of the study**



**Source:** Modified from (Weisemean 2014; Kimes 2010; Iodarche 2013; Hrubalova 2015; Gulati, et al,2010).

### 3 Research Methodology

This study adopted the descriptive survey approach through the administration of questionnaire for data collection and analysis of how hotels coped with the economic recession of 2017-2018 and positioned themselves for recovery.

Ninety (90) copies of questionnaire were administered on hotel owners/managers (3 each) from thirty (30) registered 3-star hotels in Port Harcourt metropolis through the purposive sampling technique. 3-star hotels are medium class hotels that offer good quality services, ranging from 50-100 rooms. The hotels

were selected based on such criteria as years of operation in the sector, managers' years of experience and hotels' resilience. Thus, hotels that have been successfully managed for the past five years, and the respondents putting at least five years of active service at managerial level in the organizations were included in the study. This is because by the researcher's estimation, they were better placed by virtue of their status and years of experience to provide the much needed data. Many previous empirical studies had found purposive sampling suitable and appropriate as evident in Shikuri and

Chepkwony (2013), Jaafar (2012) Ojoma and Ezenwa (2010).

The recession response questionnaire (RRQ) was designed for primary data collection from the hotel managers. It was designed in three sections. Section A was on demographic profile' Section B focused on marketing responses while section C was concerned with the effectiveness of the marketing response strategies on hotel survival. To measure the effects of the marketing response strategies deployed by the hotels in mitigating the crisis successfully, the research adopted some of strategies/tactics suggested by scholars. Collaboration and bonding were adopted from Weisemean (2014); Iodarche (2013) while customer service, discounting and rate obscuring were drawn from Kimes (2010). Survival measures (number of guests, occupancy rate, revenue and profit (performance indicators) were adopted from Hrubalova (2015), Gulati et al (2010) for questionnaire items development. Items of these variables consisted of 4 items for collaboration, 5 items for customer service, 3 items for discounting, 4 items for rate obscuring, and 4 items for survival. Respondents were asked to rate their agreement on a five point Likert scale ranging from 5 (strongly agree) to 1 (strongly disagree). In an attempt to achieve content validity, assessment was done by expert respondents (hotel owners /managers and scholars) given their experience in the business and academia respectively through a substantive validity test. Cronbach's alpha was adopted for determining the internal reliability for the 20 items of the questionnaire of the study. The Cronbach's alpha co-efficient considered for this study is 0.80, which is above the acceptable .70 threshold. The research questions were analyzed using

mean score with the aid of SPSS (Statistical Package for Social Sciences). The data were tabulated and entered in SPSS for descriptive statistics. To determine the effect of the implemented strategies on hotel survival on such criteria as number of guests, occupancy rate, sales revenue and profit, the multiple regression analysis was adopted.

#### **4.1:Data Analysis and Findings**

90 copies of the questionnaire were administered on 90 hotel managers drawn from thirty (30) 3-star hotels in Port Harcourt, out of which 68 were returned and were found usable for our study. This number represents a response rate of 76 %. Therefore the analysis of the study was based on the returned, useable 68 copies. Information on demographic profiles of the respondents revealed thus: Regarding the age of respondents, the table reveals that 30 respondents (44%) were above 41years. 16 respondents (24%) were within 36-40 years bracket while 14 respondents (21%) were between 31-35 years of age. However, 8 respondents (11%) were within the age bracket of 26-30. For gender, 44 respondents (65%) of the managers were male while 24 respondents (35%) were female. As to the educational attainment of the managers, the table shows that 34 respondents (50%) had possessed B.Sc. BA or HND while 25 respondents (37%) were either MBA or MSc degree holders; 7 respondents (10%) possessed relevant professional certificates while 2 respondents (3%) had OND/NCE and other qualifications. On work experience, the table reveals that 18 respondents (26%) had worked in the hotel industry for 16-20 years; 16 respondents (24%) had 11-15 years of experience in the sector while 14 respondents (21%) had served in the hotel sector for 6-10 years.

12 respondents (17%) had over 21 years of work experience. 8 respondents representing a dismal 12% response rate had 1-5 work experience in the sector. Finally, regarding marital status, the table shows that 39 respondents (57%) were

married, 21 respondents (31%) were single; 5 respondents (7%) were separated, 2 respondents (3%) were divorced whereas 1 respondent representing a dismal 5% response rate was widowed.

**Table 1: Marketing Responses Deployed by Hotels to Offset Reduction in the Number of Guests and Low Occupancy Rate**

Responses	Mean Rank	Rank	Std. Dev.
Discounting	4.069	1	0.729
Customer Service	4.001	2	0.717
Rate Obscuring	3.829	3	0.695
Stakeholders' Collaboration	3.515	4	0.602
Bonding with Guests	3.423	5	0.711

The information in table 1 above shows the ranking of the deployment of marketing response strategies in the hotel market scales. Discounting was the major strategy for mitigating the recessionary threats as expressed by the mean score of 4.069 followed by customer service (4.001). Rate-obscuring was ranked third (3.829), collaboration was fourth (3.515) while bonding with guests trailed the pack as the least response strategy (3.423).

**Hypotheses Test using Multiple Regression Analysis**

**The Effect of Marketing Responses on Hotel Survival**

Multiple regression analysis was conducted to determine the predictive power of the independent variables in

explaining hotel survival. In other words, the test was conducted to examine which marketing response strategies has the most or the least significant effect on survival in terms of number of guests, occupancy rate and sales revenue. The conditions for the adoption of regression analysis for the test of hypothesized relations were stated in the research methodology. The five independent variables are: collaboration, bonding, customer service, discounting and rate-obscuring tactics. Tables 2 to 4 outline the outcome of the multiple regression analysis between the marketing response strategies and survival in explaining our hypothesized results.

**Table 2 Model Summary in Predicting Hotel Survival**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.725 <sup>a</sup>	.844	.729	.35212

a. Predictors: (Constant), BON, COLLAB, CUS, DIS, RAOT

**Table 3** ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	68.110	4	10.186	21.365	.000 <sup>p</sup>
Residual	92.633	127	.201		
Total	6.595	209			

a. Dependent variable: Survival

b. Predictors: (Constant), BON, COLLAB, CUS, DIS, RAOT

Table 2 shows that R is .725, which means that the independent variables are 72.5% correlated with the dependent variable. R square is .844, which implies that the independent variable will explain 84.2% of the dependent variable while the adjusted R square is .729. Simply put, the model summary is an indication that 84.4% of the variance in hotel can be explained by the changes in independent variables of marketing response strategies.

Table 3 shows that f-value is 21.365 which is greater than the mean square value (10.186) and the p-value is .000. As a general rule, this model is considered as a 'good fit' as it is able to explain above 60% (threshold) of variance in the dependent variable: marketing performance (Moosa & Hassan, 2015). What this means is that the regression model has made a significant fit with the data.

**Table 4 Regression model for Hotel Survival**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.014	.99		6.188	.000
Bonding with Customers	.012	.060	.019	.127	.143
Stakeholders' Collaboration	.017	.039	.023	.361	.111
Customer Service	.128	.101	.132	1.112	.002
Discounting	.200	.069	.204	2.155	.000
Rate-Obscuring Tactics	.116	.98	.128	.109	.001

a. Dependent Variable: Hotel Survival

Table 4 shows the result of the regression analysis. Out of the five indicators of marketing response strategies that influence hotel survival, only three (3) made significant contribution to explaining the dependent variable.

The first and most significant contributory variable of hotel survival is discounting ( $\beta = 0.204, p = .000 < 0.05$ ). The second significant contributory variable that predicts hotel performance is customer service ( $\beta = 0.132, p = .002$ ). The third

significant predictive variable is rate-obscuring tactic ( $\beta = .128, p\text{-value} = .001 < 0.05$ ). Although collaboration and bonding had a positive on survival as suggested by the positive beta values (.023 and .019) respectively, they were not significant contributory factors of hotel survival. This is because their probability values of .143 and .011 were greater than 0.05.

Decision Rule:

$PV < 0.05 = \text{Reject } H_0$

$PV > 0.05 = \text{Accept } H_0$

### Hypothesis One

$H_{O_1}$ : Bonding with guests does not have a significant effect on hotel survival in Port Harcourt

As table 4 shows, the regression result shows that beta value ( $\beta$ ) = .019,  $P\text{-value} = .143 > 0.05$ . The results are in support of the null hypothesis. We therefore accept the null hypothesis ( $H_{O_1}$ ) and conclude that bonding did not make a significant impact on hotel survival in terms of number of guests, occupancy rate and sales revenue.

### Hypothesis Two

$H_{O_2}$ : Stakeholders' Collaboration does not have significant effect on hotel survival in Port Harcourt.

As table 4 shows, the regression result shows that beta value ( $\beta$ ) = .023,  $P\text{-value} = .111 > 0.05$ . The results are in support of the null hypothesis. We therefore accept the null hypothesis ( $H_{O_2}$ ) and conclude that stakeholders' collaboration did not make a significant impact on hotel survival in terms of number of guests, occupancy rate and sales revenue.

### Hypothesis Three

$H_{O_3}$ : Customer service does not have significant effect on hotel survival in Port

Harcourt

As table 4 indicates, the regression result shows that beta value for customer service is ( $\beta$ ) = .132,  $P\text{-value} = .002 < 0.05$ . The results are in support of the alternative hypothesis ( $H_{A_3}$ ). We therefore reject the null hypothesis ( $H_{O_3}$ ) and conclude that customer service makes a significant impact on hotel survival in terms of number of guests, occupancy rate and sales revenue.

### Hypothesis Four

$H_{O_4}$ : Discounting does not have a significant effect on hotels survival in Port Harcourt.

Table 4 further indicates that the regression result beta value for discounting is ( $\beta$ ) = 0.204,  $p = .000 < 0.05$ . The results are in support of the alternative hypothesis ( $H_{A_4}$ ). We therefore reject the null hypothesis ( $H_{O_4}$ ) and conclude that discounting makes a significant impact on hotel survival in terms of number of guests, occupancy rate and sales revenue.

### Hypothesis Five

$H_{O_5}$ : Rate-obscuring tactic does not have a significant effect on hotel survival in Port Harcourt

As table 4. further indicates that the regression result beta value for rate-obscuring tactics is ( $\beta$ ) = .128,  $p\text{-value} = .001 < 0.05$ . The results are in support of the null hypothesis ( $H_{O_5}$ ). We therefore reject the null hypothesis ( $H_{O_5}$ ) and conclude that discounting makes a significant impact on hotel survival in terms of number of guests, occupancy rate and sales revenue.

## 4. Discussion of Findings

This study evaluated the marketing response strategies deployed by the hotel managers in Port Harcourt in order to

survive the effects of low patronage such as reduction in the number of guests, low occupancy rates, wobbling sales revenue and declining profit occasioned by the 2016-2017 economic recessions in Nigeria.

#### **Effect of Bonding on Hotel Survival**

Our analyses in tables 1 and 4 show that bonding was the least response strategy adopted by the hotels, which as the hypothesis result shows, did not have a significant effect on hotel survival in Port Harcourt in terms of number of guests, occupancy rate and sales revenue. This finding is however, different from the findings of Olayemi (2017) in Abuja, Hrubalova (2015) in Bulgaria, Iordache, 2013; Magga and Wellindah (2012) in South Asia, and Weiseman, 2010) in Kenya who found a positive and significant effect of bonding with customers on firm survival in challenging times in the hospitality and other industrial sectors. This variation may be due to the fact that most of those studies concentrated on luxury hotels and big industrial organizations that operate by customer-orientation philosophy as opposed to many small hotels that are managed by non professionals with little or no orientation in customer relationship management practice.

#### **Effect of Collaboration on Hotel Survival**

Our analyses in tables 1 and 4 show that stakeholders' collaboration was one of the least ( fourth) marketing response strategies adopted by the small hotels to mitigate the downturn. Consequently, the hypothesis result established that stakeholders' collaboration did not make a significant impact on hotel survival in Port Harcourt in terms of number of guests, occupancy rate and sales revenue.

This finding is inconsistent with prior studies (Kilenthong,2015, Weisemean ,2014; Iordache, 2013; Shikiru & Chepkwony,2013, Malhotra & Venkatesh (2009)) which had established a positive and significant influence of customer bonding on organizational performance in the hospitality and other market contexts. The difference may be accounted for by heterogeneity in organizational or managerial characteristics and demographics. Collaboration with professional bodies, religious organizations, tertiary institutions, government agencies and business groups for hosting of conferences, seminars and exhibitions and other events in their hotels is a good tactic that should not be ignored. This is because it has been demonstrated to generate more activities which in turn increase the revenue base of firms even in challenging times.

#### **Effect of Discounting on Hotel Survival**

Our analyses in tables 1 and 4 reveals that discounting was the major response strategy adopted by the small hotel market scale in Port Harcourt for mitigating the recessionary threats which had a significant effect on the hotels' survival. This finding agrees with the findings of Qaten, et al (2015); Kimes (2013) and Iordache (2013), Kimes (2010), whose studies on the impact of the 2008-2010 global economic meltdown across hotel market scales in Europe, Asia and United States found that discounting was the major recession coping strategy, even though it was not effective in maintaining revenue level. This is not very surprising because during a recession, there is usually a reduction in disposable and discretionary spending by travelers and tourists on leisure activities, resulting in low patronage for hotel

services. In such a situation, discount offers are usually deployed by some hotels to counterbalance the reduction in the number of guests, drop in occupancy rate and decline in sales revenue. The wide implementation of discounting in the small hotel market scale is understandable because most firms tend to compete on the basis of price during economic downturns. This finds expression in the price cuts to induce patronage which ultimately leads to price war.

### **Effect of Customer Service on Hotel Survival**

The study also revealed that customer service had a positive and significant effect on hotel survival in terms of number of guests, occupancy rate and sales revenue. This finding supported by Iordache (2013), ClickFox (2012), Gulati et al (2010) whose studies revealed the effectiveness customer service programmes on customer purchase behavior in an economic downturn in the tourism and other market context across the regions of the world. This is because the implementation of marketing programmes is based on the understanding that customer satisfaction is the focus of business in good and bad times. Thus, maintaining service level, provision of customized and differentiated services and prompt handling of customer complaints tend to influence a positive guests attitude even during a recession. Furthermore, customer service has been deployed to appeal to non-price sensitive customers during economic downturns with considerable success.

### **Effect of Rate-Obscuring Tactics on Hotel Survival**

The study further established that rate-

obscuring tactics also had a positive and significant impact on hotel survival by increasing occupancy rate, number of guests and sales revenue. This finding is in consistent with Kimes (2013) whose study established a commonality in the deployment of rate obscuring strategy across hotel market scales and geographic regions. Rate obscuring tactic allows a hotel manager to disguise rates in a way that does not show that the hotel is actually offering lower rates. Thus, a hotel can bundle room rate with either additional night (for example stay two nights, get another one free) or with other services of the hotel. The logic behind bundling is to make it difficult for customers to determine the price of each components of service delivery.

### **5.2 Conclusion**

The study was undertaken to ascertain the marketing response strategies deployed by hotel to survive the effect of the 2016-2017 recessions in Nigeria and the effect of those strategies on hotel survival. It was found in the study that discounting, customer service and rate-obscuring tactics were the major marketing responses deployed by hotels in Port Harcourt to offset the effect of reduction in number of hotel guests, drop in occupancy rate and declining sales turnover and profit. Our findings suggest that discounting, customer service and rate-obscuring tactics had a significant and positive effect on hotel survival indicators of number of guests, occupancy rate and sales revenue which enabled them weather the storm, though not profitably. Our findings also suggest insignificant effects of stakeholders' collaboration and bonding on hotel survival because those areas were not emphasized in the hotels surveyed, hence the need for hotel managers in Port

Harcourt to consider customer relationship management through friendliness, effective communication and guests' pampering and stakeholders' collaboration as essential response strategies that have been empirically demonstrated to be effective in a recession in other parts of the world. The findings provide practical insights for hotel managers to consider when developing survival strategies in order to reposition their organizations for recovery. More specifically, this study provides managerial guidelines for hotel managers to decide how to develop different strategies, and determine which strategy directly influences hotel survival.

### **Limitations and Suggestion for Further Study**

This study has some limitations. Our sample size was limited to 68 managers drawn from thirty (30) small 3- star hotels in Port Harcourt. We failed to examine the phenomena in the luxury hotel market scales. What this implies is that the generalizability of the study should be taken with caution as it may not reflect all the hotel market scales. Thus, future research should be conducted in the small-sized and large hotel sector to confirm the results obtained in this study. In addition, marketing response strategies were limited to customer service, collaboration, discounting, bonding and rate-obscuring tactics, whose measures were based largely on performance indicators of subjective evaluation by hotel managers. Other marketing strategies such as innovation, assets management and new market development should be explored in future research as they may play important roles in improving firm performance in an economic downturn. Finally, future research may extend our research

approach by examining the aforementioned areas using other methodologies as this may provide further insight, thus expanding the frontier of knowledge.

### **5.3 Recommendations**

On the basis of the findings and conclusion of the study, the study recommends the followings:

Hotel managers should always scan and diagnose the business environment and make adequate preparations so that they are taken unawares. In the same vein, service levels should be maintained always for guest's satisfaction. Bonding with guests through customer relationship management programmes and networking with industry stakeholders should be considered. Furthermore, hotel managers should be cautious in granting discount offers as its excessiveness can hurt profit seriously. Finally, the hotels' management should consider asset investment and new market segment development during the recession for long-term survival since the downturn will not last forever.

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