

# Market Share, Cost Leadership Strategy, and Threat of New Entrants in the Consumer Products Industry in Nigeria

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## Abstract

This study examined the relationship between market share (MSH), cost leadership strategy (CLS), and the threat of new entrants (TNE) in Nigeria's consumer products industry. Using purposive sampling, four companies manufacturing consumer goods for homes were selected based on their market capitalization and relevance to the study's focus. Multivariate regression analysis, confirmatory factor analysis (CFA), and structural equation modeling (SEM) were employed to analyze primary data collected via a questionnaire. The findings demonstrate that a decrease in market share correlates with an increase in the threat of new competitors, highlighting the necessity for companies in the consumer products industry to establish robust defenses against these threats. Furthermore, while pursuing cost leadership can be successful, significant gains in market share require it to be paired with additional strategies. The study corroborates previous research findings.

**Keywords:** Consumer goods sector, Cost leadership strategy, Customers, Market share, Threat of new entrants.

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## INTRODUCTION

The consumer products industry in Nigeria is a dynamic and rapidly evolving sector, marked by intense competition and continuous market shifts (Oladipo, Usman, & Oyedokun, 2023). Market share, cost leadership strategy, and the threat of new entrants are critical factors influencing the success and sustainability of companies within this industry. Market share serves as a key performance indicator, reflecting a company's competitiveness and consumer

*Oladipo & Sangodoyin. Market share, cost leadership strategy, and threat of new entrants.....*

preference. Achieving and maintaining a significant market share is often linked to the effective implementation of a cost leadership strategy, which enables firms to offer competitive pricing while maintaining profitability. However, the threat of new entrants, driven by Nigeria's growing economy and increasing consumer demand, poses a significant challenge to established firms. New entrants can disrupt the market by introducing innovative products or more aggressive pricing strategies, potentially eroding the market share of incumbent companies.

This study is informed by the need to understand how these factors interplay in Nigeria's consumer products industry, especially in the face of economic fluctuations and the ever-changing competitive landscape. Despite the critical nature of these issues, there is limited research on how companies in Nigeria strategically navigate these challenges. Understanding these dynamics is crucial for developing effective strategies to sustain competitive advantage, as emphasized by recent studies (Kim & Lee, 2022; Li & Rugman, 2023). This study aims to fill this gap by exploring the relationship between market share, cost leadership strategy, and the threat of new entrants, providing valuable insights for industry stakeholders.

Porter's approach evaluates the level of rivalry and attractiveness of a sector using industrial organization economics (Porter, 2012). According to Porter (2012), an industry's overall profitability determines its appeal; if any of the factors mentioned above reduce an industry's overall profitability, it is deemed unattractive. The shortcomings of the strengths, Weaknesses, Threats, and Opportunities (SWOT) analysis, which was criticized for being haphazard and unreliable, led to the development of this model (Porter, Argyres, & McGahan, 2014). The competitive intensity and attractiveness of an industry are evaluated using Porter's model, which is based on industrial organization economics (Porter, 2012). Porter (2012) defined attractiveness as the industry's overall profitability; an industry is considered unattractive if the forces mentioned lower the industry's overall profitability.

This model was developed in response to the limitations of the SWOT analysis, which was criticized for being un-rigorous and ad-hoc (Porter, Argyres, & McGahan, 2014). The threat of new entrants, suppliers' negotiation strength, buyers' bargaining power, the threat of substitute goods or services, and competitive rivalry are the five forces according to the structure-conduct-performance paradigm in industrial organization economics. This idea has been applied extensively to address a wide range of organizational problems, aiding businesses in increasing their profitability and governments in stabilizing various industries (Simkovic, 2014).

Competition is a critical force within Porter's framework, significantly influencing the performance of business units among existing firms. The concentration and interaction of these forces determine the expected profitability within an industry. Understanding these forces, both

individually and collectively, is crucial for deciding which industry to enter and for improving a firm's competitive position (Ole Kulet, Anyoikee, & Daniel, 2019). Competition increases when businesses expand internationally, making a strategic examination of the business environment necessary to recognize and successfully combat these forces.

Organizations need to create and execute plans that tackle Porter's five factors in order to get a competitive edge. Gaining a competitive edge can be achieved, he says, by utilizing one of three main strategies: differentiation, focus, or cost leadership. These strategies enable organizations to pursue a competitive advantage across selected market scopes by either achieving lower costs than competitors or differentiating products along dimensions valued by customers. An organization must also decide whether to focus industry-wide or on selected market segments (Porter, 1980). Failure to choose an appropriate strategy can lead to a waste of resources and diminished competitiveness.

Markets with high profits often draw new businesses, which intensifies rivalry within the industry. The threat posed by new entrants is a major issue for established industry participants, who need to devise measures to counter it. A comprehensive study that incorporates the effects of Porter's Five Forces and Generic Strategy on organizational performance is still necessary, despite the proliferation of alternative strategies for obtaining a competitive edge. There is a large vacuum in the literature about the combined effects of individual factors or methods because prior study has frequently concentrated on their influence alone.

To close this gap, the current study looks into how Nigeria's consumer goods industry's market share (MSH) is affected by the Threat of New Entrants (TNE) and Cost Leadership Strategy (CLS). This study intends to offer important insights into how companies in the consumer products sector can improve their competitive advantage and market performance in the face of challenges from new competitors and cost pressures by analyzing the interactions between these forces and tactics.

## **LITERATURE REVIEW**

Market share, cost leadership strategy, and the threat of new entrants are crucial concepts in the strategic management of firms within the consumer products industry. This literature review examines these concepts in the context of the Nigerian market, analyzing their interrelationships and implications for businesses operating in this sector.

### **Market Share**

Market share represents the percentage of an industry's sales that a particular company controls. It is a key indicator of a company's competitiveness and success within the industry. High market share often correlates with higher profitability due to economies of scale and market power, allowing firms to influence market prices and customer preferences (Porter, 1980).

*Oladipo & Sangodoyin. Market share, cost leadership strategy, and threat of new entrants .....*

### **Market Share in the Nigerian Consumer Products Industry**

In Nigeria, the consumer products industry is characterized by intense competition, with numerous local and international firms vying for market share. The industry encompasses a wide range of products, including food and beverages, personal care products, and household goods. According to recent studies, companies with significant market share in Nigeria often leverage their deep understanding of local consumer behavior, strong distribution networks, and brand loyalty (Adeleke & Olukemi, 2021). For example, multinational companies like Unilever and Nestlé have maintained substantial market shares due to their long-established presence and ability to adapt products to local tastes.

### **Impact of Market Share on Business Performance**

Market share in the Nigerian context is closely linked to business performance. Firms with larger market shares benefit from higher sales volumes, which lead to lower per-unit costs and greater profitability (Okonkwo & Anichebe, 2020). A strong market position also enables firms to exert greater influence over suppliers and retailers, securing better terms and enhancing competitive advantage.

### **Cost Leadership Strategy**

Cost leadership strategy involves a company aiming to become the lowest-cost producer in its industry. By reducing costs, firms can offer products at lower prices than competitors, thereby gaining market share (Porter, 1985). This strategy is particularly effective in industries where price competition is intense, such as the consumer products industry in Nigeria.

### **Implementation in the Nigerian Consumer Products Industry**

In Nigeria, cost leadership is a widely adopted strategy due to the price-sensitive nature of the market. Companies like Dangote Group have successfully implemented cost leadership by leveraging economies of scale, efficient production processes, and strategic sourcing of raw materials (Ekechi & Alaribe, 2022). For instance, Dangote's dominance in the cement industry is largely attributed to its ability to produce and distribute cement at lower costs than competitors.

### **Challenges and Benefits**

While cost leadership offers significant advantages, including higher market share and profitability, it also presents challenges. The Nigerian business environment is fraught with infrastructural deficiencies, fluctuating exchange rates, and regulatory hurdles, all of which can impact cost structures (Ajayi & Soyoye, 2019). Companies pursuing cost leadership must therefore invest in continuous process improvements and innovation to maintain their competitive edge.

### **Threat of New Entrants**

The threat of new entrants refers to the potential for new companies to enter an industry and disrupt the existing market dynamics. According to Porter's Five Forces model, the threat of new entrants depends on the barriers to entry, such as economies of scale, brand loyalty, and regulatory requirements (Porter, 1980).

#### **The Threat of New Entrants in the Nigerian Consumer Products Industry**

In Nigeria, the threat of new entrants in the consumer products industry is moderate. While there are substantial barriers to entry, such as the high cost of establishing distribution networks and strong brand loyalty to existing players, the growing population and expanding middle class present lucrative opportunities for new entrants (Oladipo & Abdullahi, 2020). Moreover, the liberalization of trade policies and the growth of e-commerce have lowered some entry barriers, enabling smaller firms to enter the market with innovative products and services.

#### **Impact on Market Share and Competitive Strategy**

The entry of new competitors can erode market share and force existing firms to re-evaluate their strategies. Established companies often respond to the threat of new entrants by enhancing their cost leadership strategies, investing in brand loyalty programs, and expanding their product portfolios (Adetayo & Oyeniran, 2021). However, the success of these strategies depends on the ability to anticipate and adapt to changes in the competitive landscape.

#### **Interrelationships between Market Share, Cost Leadership Strategy, and Threat of New Entrants**

##### **Synergy between Market Share and Cost Leadership**

A firm's market share can be significantly enhanced by a successful cost leadership strategy. By offering products at lower prices, companies can attract a larger customer base, increasing their market share and further reducing costs through economies of scale (Porter, 1985). In the Nigerian consumer products industry, this synergy is evident in companies that have established themselves as market leaders through aggressive pricing strategies (Ekechi & Alaribe, 2022).

##### **Cost Leadership as a Barrier to New Entrants**

Cost leadership can also act as a barrier to new entrants, as it deters potential competitors who may not be able to match the low costs and prices of established firms. This creates a competitive advantage that is difficult to replicate, thereby protecting market share (Porter, 1980). In Nigeria, companies like Dangote have effectively used this strategy to maintain their dominant positions in the market.

*Oladipo & Sangodoyin. Market share, cost leadership strategy, and threat of new entrants.....*

### **Market Share and Response to New Entrants**

Firms with substantial market share are better positioned to respond to the threat of new entrants. They can leverage their resources to increase marketing efforts, enhance product differentiation, and engage in competitive pricing strategies to retain their market share (Okonkwo & Anichebe, 2020). The Nigerian consumer products industry has witnessed several instances where market leaders have successfully fended off new competitors through such strategies.

Therefore, the literature suggests that market share, cost leadership strategy, and the threat of new entrants are deeply interconnected in the Nigerian consumer products industry. Companies that successfully implement cost leadership strategies not only enhance their market share but also create significant barriers to entry for potential competitors. However, the dynamic nature of the market requires firms to adapt their strategies to maintain their competitive advantage continually. Future research could explore the impact of emerging trends, such as digital transformation and changing consumer behavior, on these strategic variables in the Nigerian context.

### **Porter's Five Forces Model**

Porter's Five Forces model is a strategic tool used to analyze the external factors that influence industry competitiveness and profitability. The five forces include:

**Threat of New Entrants:** New companies entering an industry can increase competition, but high barriers like economies of scale, brand loyalty, and capital requirements can deter them. In Nigeria's consumer products industry, large firms like Unilever and Dangote have established significant barriers, making it difficult for new entrants.

**Bargaining Power of Suppliers:** Suppliers can exert power by raising prices or reducing quality, especially when they are few or offer unique products. In Nigeria, the fluctuating exchange rates and supply chain issues can increase supplier power, particularly for imported materials.

**Bargaining Power of Buyers:** Buyers can demand lower prices or better quality, especially when there are many alternatives. In Nigeria, the growing middle class and e-commerce have empowered buyers, forcing companies to remain competitive in pricing and quality.

**Threat of Substitutes:** Substitute products can limit an industry's profitability by offering better performance or lower costs. In Nigeria, locally produced goods and cheaper imports pose significant threats, especially in price-sensitive markets.

**Intensity of Competitive Rivalry:** High competition among existing firms can lead to price wars and reduced profitability. Nigeria's consumer products industry is marked by intense rivalry, driven by growing demand and the influx of new competitors.

Porter's Five Forces model helps companies in the Nigerian consumer products industry to assess their competitive environment, identify opportunities, and develop strategies to improve their market position and profitability.

In 2017, Egbunike and Okoye used Porter's Five Forces to analyze the competitive environment of Nigeria's consumer goods manufacturing sector. They discovered that established businesses are shielded from new competitors by high entry barriers, which helps them to hold onto market share. Grundy (2006) looked at Porter's Five Forces in a variety of international sectors. It made clear that, in line with Porter's claims, industries with high entry barriers typically had higher profitability and more stable market shares.

Organizations that implement the cost leadership approach, which is a component of Porter's framework, strive to be the lowest-cost producers in their sector. This tactic targets price-conscious clients by providing goods and services at a cheaper cost than other companies. The effective application of the cost leadership strategy can give Nigeria's consumer products industry a considerable competitive advantage. Firms can attract a larger customer base through lower prices while maintaining acceptable product quality. However, the strategy can lead to low customer loyalty if customers switch to even lower-priced alternatives. To mitigate this, firms can combine cost leadership with excellent customer service and product quality.

Market share in Nigeria's consumer products business, which is extremely competitive and constantly changing, is a critical measure of a company's performance relative to its rivals. Companies such as Cadbury Nigeria Plc, PZ Cussons Plc, Unilever Nigeria Plc, and Nestle Nigeria Plc seek to grow their market share by implementing strategic initiatives.

The interaction between the threat of new entrants and cost leadership strategy significantly impacts market share. High barriers to entry can protect market share for cost leaders, while low barriers can erode market share even for firms with a cost leadership strategy.

The Resource-Based View (RBV) states that a firm's exceptional resources and capabilities which are valuable, scarce, unique, and non-substitutable are the foundation of its sustained competitive advantage. Anyaogu and Nnadi (2018) applied the RBV to assess the competitive advantages of Nigerian consumer goods firms. They found that firms with unique resources, such as proprietary technologies and strong brand equity, were better positioned to implement cost leadership strategies and maintain market share. Barney's foundational work (1991) on RBV emphasized the importance of unique resources in achieving competitive advantage. Subsequent studies, such as those by Newbert (2008), have validated the RBV in various

*Oladipo & Sangodoyin. Market share, cost leadership strategy, and threat of new entrants.....*

industries, demonstrating that firms with unique capabilities can sustain competitive advantage and market share.

The Resource-Based View (RBV) was expanded upon by Teece, Pisano, and Shuen (1997) with the introduction of the Dynamic Capabilities Theory, which emphasizes a firm's ability to integrate, develop, and reconfigure internal and external capabilities in response to rapidly changing conditions. Oladimeji and Udosen (2019) investigated how dynamic capacities function in Nigeria's consumer products companies. They discovered that companies possessing strong dynamic capabilities were more capable of executing cost leadership tactics, adjusting to market shifts, and maintaining market share in the face of competition. According to a 2000 study by Eisenhardt and Martin, businesses operating in fiercely competitive and unstable marketplaces must have dynamic capabilities. According to their results, companies that possess robust dynamic capabilities can more effectively handle risks from the competition, such as new entrants, by consistently modifying their approaches.

As a result, these theories and related research highlight the intricate relationship between market share, cost leadership strategy, and the threat of new competitors. Dynamic Capabilities Theory emphasizes flexibility and continual improvement, RBV highlights the significance of unique resources, and Porter's Five Forces Model offers a fundamental knowledge of industry competitiveness. When combined, these theories provide a thorough framework for examining and resolving the competitive issues that businesses in Nigeria's consumer goods industry face. Organizations can improve their performance in the market and gain a sustained competitive edge by understanding these dynamics.

**Hypothesis:** There is a significant relationship between Market share, Cost Leadership Strategy, and the Threat of New Entrants in the Consumer Products Industry in Nigeria

## **METHODOLOGY**

This study explores Market Share, Cost Leadership Strategy, and the Threat of New Entrants in the Consumer Products Industry in Nigeria, focusing on four companies listed on the Nigerian Exchange Group (NGX) as of 2024. The companies were selected based on criteria such as product potential, equality, widespread usage, and acceptability. A descriptive and cross-sectional research design was employed, gathering data at a specific point in time. The study targets household consumable goods companies that have been in operation for at least 15 years, offer a wide range of products with high acceptance, and cater to daily needs. Of the 25 consumer goods companies listed on the NGX, 12 met these criteria, and four were chosen for detailed analysis using purposive sampling.

Data collection was conducted through a structured questionnaire, with 442 questionnaires administered to personnel from the selected household consumer goods companies.

Respondents included Executive Directors, Regional Sales Managers, Assistant Regional Sales Managers, Commercial Managers, Area Sales Managers, Unit Sales Managers, Business Developers, Field Sales Managers, and Sales Representatives. The companies selected had a minimum two-digit index market capitalization. The questionnaire was divided into two sections: the first gathered information about respondents' profiles, while the second focused on the impact of Market Share, Cost Leadership Strategy, and the Threat of New Entrants on the performance of the consumer goods sector in Nigeria. The research questions were carefully designed based on previous studies and information from global sources such as Islami et al. (2020) and Kankam-Kwarteng et al. (2021). The questions were rated on a five-point Likert scale, with 1 indicating "strongly agree" and 5 indicating "disagree."

To facilitate data collection, standardized questionnaires were distributed to executive directors, regional sales managers, commercial managers, and other staff members of the selected household consumer goods companies, with the assistance of the HR heads of these firms. Follow-up visits were conducted to ensure a prompt response, and a month later, the completed questionnaires were retrieved through the HR departments for further analysis.

The development of the questionnaire used in this study was based on a thorough review of existing literature and research objectives, ensuring that the instrument was grounded in relevant academic work. The questionnaire was carefully reviewed by subject matter experts in the field, which added a layer of content validity. Their feedback was incorporated into the questionnaire, further refining its ability to capture all relevant dimensions of the constructs being measured. A pilot test was then conducted with a small group of participants who were representative of the target population. This pilot test was essential for assessing the clarity and relevance of the questionnaire items. Based on the pilot test results, revisions were made to enhance the questionnaire's effectiveness.

The variables in this study Market Share, Cost Leadership Strategy, and Threat of New Entrants were operationalized by adapting models from previous research, particularly drawing on the work of Michael Porter. Each variable was defined and measured as follows:

1. **Market Share:** This dependent variable was operationalized by quantifying the proportion of the market that the selected consumer goods companies captured, relative to the total market size. It was measured using sales data, market penetration rates, or other relevant metrics.
2. **Cost Leadership Strategy:** As an independent variable, Cost Leadership Strategy was operationalized by identifying specific cost-saving measures or pricing strategies employed by the companies. This includes metrics such as production costs, pricing strategies, or economies of scale.

*Oladipo & Sangodoyin. Market share, cost leadership strategy, and threat of new entrants.....*

3. **Threat of New Entrants:** Also an independent variable, the Threat of New Entrants was operationalized by assessing factors such as barriers to entry, the level of competition, and the presence of new competitors in the market. This includes data on market entry conditions, capital requirements, or regulatory challenges.

Confirmatory Factor Analysis (CFA) was used to investigate the effects of the Cost Leadership Strategy and the Threat of New Entrants on Market Share in Nigeria's Consumer Goods Sector. Several fit indices, such as the Chi-Squared test, Root Mean Square Error of Approximation (RMSEA), and Comparative Fit Index (CFI), are used to assess the proposed model's goodness of fit. The associations between dependent, control and independent variables were operationalized by adjusting models from previous research and work by Michael Porter.

Confirmatory Factor Analysis (CFA) was employed in this study to validate the measurement model and assess the effects of Cost Leadership Strategy and Threat of New Entrants on Market Share in Nigeria's Consumer Goods Sector. CFA was chosen because it allows researchers to test whether the data fits a hypothesized model based on existing theories, such as those by Michael Porter. The use of CFA was justified for several reasons: it supports theory-driven analysis by confirming expected relationships between variables; it assesses construct validity by ensuring that the questionnaire items accurately represent the theoretical constructs; and it evaluates model fit using indices like the Chi-Squared test, RMSEA, and CFI. CFA provided a rigorous method for ensuring the reliability and validity of the research findings.

### **Model Presentation**

**Latent Variables:** Observable variables that assess underlying dimensions or concepts are known as latent variables in the CFA model.

**Observed Variables:** a collection of observed variables that represent each latent variable's underlying idea are linked to it.

Every hidden variable has a collection of observable variables corresponding to its underlying idea. Thus, the goal of the study is to shed light on market share in Nigeria's consumer products industry: the impact of the cost leadership approach and the danger of new players

**Measurement Model:** This model explains how observed variables relate to their associated latent variables by establishing links between latent variables and their matching observable variables. Regression equations are frequently used to express the measurement model in the CFA model

**Covariance Matrix:** The covariance or correlation matrix of the observed variables, which shows their associations, must be specified to use the CFA model. Usually, maximum

likelihood estimation or other statistical techniques are used to estimate this matrix from observable data.

**Fit Indices:** Once the CFA model has been established, several fit indices are used to evaluate how well it matches the observed data. Common indicators are the chi-square test, standardized root mean square residual (SRMR), Tucker-Lewis Index (TLI), comparative fit index (CFI), and root mean square error of approximation (RMSEA). Significant chi-square values, CFI and TLI values close to 1, RMSEA values below 0.08, and SRMR values below 0.05 all point to a good match. These fit indices indicate the model's fit to the data.

**. Test of Hypothesis ( $H_0$ ) on Market Share, Cost Leadership Strategy, and Threat of New Entrants in the Consumer Products Industry in Nigeria**

**Table 1. Impact of Threat of New Entrants (TNE) on Market Share (MSH)**

- **Estimate:** The regression coefficient for TNE on MSH is  $-0.058$ , indicating a negative relationship between the Threat of New Entrants and Market Share.
- **S.E. (Standard Error):** The standard error is  $0.020$ , which measures the accuracy of the estimate.
- **C.R. (Critical Ratio):** The critical ratio is  $-2.822$ , which is the estimate divided by its standard error. A C.R. value greater than  $\pm 1.96$  typically indicates statistical significance.
- **P-Value:** The p-value is  $0.0050$ , which is less than the conventional significance level of  $0.05$ , suggesting that the negative effect of TNE on MSH is statistically significant. This result implies that higher threats of new entrants are associated with a reduction in market share for existing companies.

**Negative Relationship:** The regression coefficient for TNE is  $-0.058$ , indicating a negative relationship with Market Share. This suggests that as the threat of new entrants increases, the market share of existing companies tends to decrease. This negative impact is statistically significant (p-value =  $0.005$ ), which implies that the presence of potential new competitors in the market can erode the market share of established companies.

**Strategic Implications:** For companies operating in this sector, the significant negative effect of TNE underscores the importance of strategies to mitigate competitive threats. This could include strengthening brand loyalty, improving product differentiation, and investing in innovative technologies to create barriers to entry.

**Impact of Cost Leadership Strategy (CLS) on Market Share (MSH)**

- **Estimate:** The regression coefficient for CLS on MSH is  $0.0290$  suggesting a positive relationship between Cost Leadership Strategy and Market Share.
- **S.E.:** The standard error is  $0.0160$ .

*Oladipo & Sangodoyin. Market share, cost leadership strategy, and threat of new entrants .....*

- **C.R.:** The critical ratio is 1.839, which is below the threshold of  $\pm 1.96$ .
- **P-Value:** The p-value is 0.0660, which is slightly above the 0.05 significance level. While this suggests that the positive impact of CLS on MSH is not statistically significant at the 5% level, it is close enough to warrant attention. This could imply that cost leadership strategies might have a positive influence on market share, but the evidence is not strong enough to make a definitive conclusion.

**Positive Relationship:** The regression coefficient for CLS is 0.0290, suggesting a positive relationship with Market Share. Although the coefficient is positive, the effect is not statistically significant at the 5% level (p-value = 0.066). This indicates that while a cost leadership strategy may have a beneficial impact on market share, the evidence is not strong enough to confirm this effect definitively.

**Strategic Implications:** Despite the lack of statistical significance, the positive coefficient suggests that cost leadership strategies could still be beneficial for enhancing market share. Companies might consider adopting cost reduction techniques and efficiency improvements as part of their strategic approach to potentially increase their market share.

#### **Measurement Model Indicators**

- **TNE Indicators:**
  - **TNE04, TNE03, TNE02:** These indicators show statistically significant relationships with TNE (p-values of 0.0180, 0.0100, and 0.0240, respectively), which validates their contribution to the TNE construct. It indicates that TNE04, TNE03, and TNE02 have significant relationships with TNE, which supports their role in measuring the construct of Threat of New Entrants. These indicators are valuable for understanding the impact of new competitors.
  - **TNE01:** This indicator is not statistically significant (p-value 0.7450), suggesting it might not be a strong contributor to the TNE construct. This indicates that TNE01 does not show a significant relationship with TNE, suggesting it may not be a strong measure of this construct. This could imply that TNE01 might need revision or replacement to better capture the threat of new entrants.
- **CLS Indicators:**
  - **CLS02:** Shows a strong positive relationship with CLS (p-value  $< 0.001 < 0.001 < 0.001$ ), indicating a significant contribution to the CLS construct.
  - **Other CLS indicators:** Indicators like CLS04 and CLS03 do not show significant relationships (p-values 0.6670 and 0.2140), suggesting weaker contributions. This indicates CLS02 shows a strong positive relationship with CLS, indicating its relevance in measuring Cost Leadership Strategy. This suggests that this indicator effectively captures the essence of cost leadership strategies. While, Indicators CLS04 and CLS03 are not significant,

which may suggest that they are less effective in capturing the cost leadership construct. These indicators might need refinement or replacement to improve their measurement accuracy.

- **MSH Indicators:**

- **MSH02:** This indicator has a significant positive relationship with MSH (p-value  $<0.001 < 0.001 < 0.001$ ), validating its contribution to the Market Share construct.
- **Other MSH indicators:** Indicators like MSH03, MSH04, and MSH05 are not statistically significant (p-values 0.3030, 0.9630, and 0.5240), suggesting they may be weaker measures of Market Share. It means that MSH02 has a significant positive relationship with MSH, confirming its effectiveness in measuring Market Share. This indicator contributes valuable information about market share. While, MSH03, MSH04, and MSH05 are not statistically significant, which suggests they may not be strong measures of Market Share. This could indicate a need for revision to ensure all indicators effectively capture the construct.

Therefore, the Threat of New Entrants has a significant negative impact on Market Share, highlighting the vulnerability of existing companies to new competition. This underscores the necessity for companies to develop robust strategies to maintain or expand their market share amidst potential new competitors. Addressing these competitive pressures is crucial for sustaining market position and achieving long-term success.

On the other hand, Cost Leadership Strategy shows a potential positive impact on Market Share, though the evidence is not statistically strong. This suggests that while cost leadership can be beneficial, its effect may not be as robust in this context. The potential positive influence of Cost Leadership Strategy implies that cost efficiency is valuable, but its impact might vary depending on factors such as market conditions and competitive dynamics. Further research is needed to determine the conditions under which cost leadership strategies are most effective.

The study findings offer a comprehensive view of how competitive and strategic factors influence market performance in Nigeria's consumer goods sector and provide practical implications for companies navigating this complex market environment.

**Table 1. Regression Analysis on Market Share (MSH), Cost Leadership Strategy(CLS), and Threat of New Entrants(TNE) in the Consumer Products Industry in Nigeria**

	Estimate	S.E.	C.R.	P Label
MSH <--- TNE	-.058	.020	-2.822	.005
MSH <--- CLO	.029	.016	1.839	.066
TNE05 <--- TNE	1.000			
TNE04 <--- TNE	.032	.014	2.356	.018
TNE03 <--- TNE	-.030	.012	-2.589	.010
TNE02 <--- TNE	-.027	.012	-2.253	.024
TNE01 <--- TNE	.005	.014	.325	.745
CLS05 <--- CLO	1.000			
CLS04 <--- CLO	-.003	.008	-.430	.667
CLS03 <--- CLO	-.011	.009	-1.242	.214
CLS02 <--- CLO	.071	.016	4.516	***
CLS01 <--- CLO	-.021	.013	-1.560	.119
MSH01 <--- MSH	1.000			
MSH02 <--- MSH	.809	.137	5.922	***
MSH03 <--- MSH	-.024	.023	-1.029	.303
MSH04 <--- MSH	.002	.035	.047	.963
MSH05 <--- MSH	-.020	.032	-.638	.524

**Source:** Author 2024

Figure 1. The following are the model fit indices that show how market share (MSH) in the consumer goods industry is impacted by the link between the Threat of New Entrants (TNE) and Cost Leadership Strategy (CLS): Applying chi-square (x2) and degrees of freedom (df): The chi-square value of 246.730, with 45 degrees of freedom, shows how well the model fits the data overall. A smaller chi-square value indicates a better fit, which means that the

proposed model performs an excellent job of fitting the data. CMIN/DF: The CMIN/DF ratio of 2.772 assesses the quality of fit by accounting for the discrepancy between the observed and expected covariance matrices with regard to the degrees of freedom. In this case, the computed ratio falls within the permitted range of 2 to 5, suggesting that the model fits the data rather well.

PCFI (Parsimony Comparative Fit Index): Considering parsimony, the model's relative fit to a baseline model is measured with a PCFI score of 0.604. A PCFI value greater than 0.9 often denotes a good fit. The PCFI score in this case is higher than 0.9, suggesting that the model fits the data with good parsimony. Comparative Fit Index, or CFI: A result of 0.815 indicates that the suggested model fits better when compared to a null or independent model.

A good match is often indicated by a CFI value better than 0.95. The model matches the data rather well, even if the CFI value in this case is less than 0.95 but still quite close. RMSEA, or Root Mean Square Approximation Error: The RMSEA value of 0.063 estimates the difference between the population covariance matrix and the model, accounting for the model's complexity. An RMSEA score of less than 0.10 often indicates a reasonable match. This time, the RMSEA value is less than 0.10, indicating that the model fits the data fairly well.

It is important to consider these fit indices in addition to other factors, such as theoretical relevance, effect sizes, and contextual considerations, to obtain a thorough understanding of the relationship between the Threat of New Entrants (TNE) and Cost Leadership Strategy (CLS) on market share (MSH) in the consumer goods industry, even though these indices show that the proposed model adequately captures the relationship.

<b>Model fit Indices</b>	<b>Results</b>	<b>Significant value</b>	<b>Remarks</b>
$\chi^2$ (df)	246.730 (45)	The smaller, the better	Acceptable
CMIN/DF	<b>2.772</b>	2-5	Acceptable
PCFI	0.604	> 0.9 <sup>b</sup>	Acceptable
CFI	0.815	> 0.95 <sup>c</sup>	Acceptable
RMSEA	0.063	< 0.10 <sup>d</sup>	Acceptable

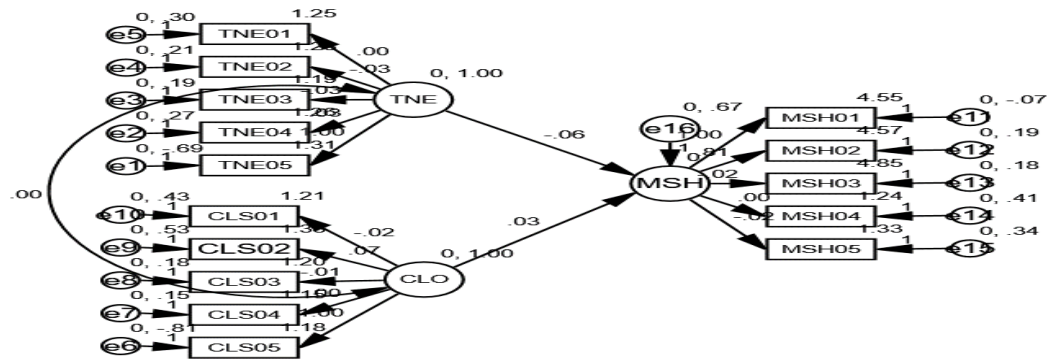


FIGURE 1: Path Analysis Showing the Relationship between Market Share (MSH), Cost Leadership Strategy (CLS), and Threat of New Entrants(TNE) in the Consumer Products Industry in Nigeria

Table 2. revealed how the intercept analysis sheds light on the intercept values for the consumer goods industry's Threats of New Entrants (TNE), Cost Leadership Strategy (CLS), and Market Shares (MSH). When the predictor variables TNE and CLS are zero, the intercept values show the expected values of MSH. TNE intercepts: 1.314, 1.258, 1.190, 1.229, and 1.247 are the corresponding intercept values for TNE05, TNE04, TNE03, TNE02, and TNE01. When the TNE variable is zero (i.e., there are no threats from new entrants), these values represent the expected MSH. The accuracy of the estimates is shown by the standard errors (S.E.) corresponding to these intercepts. Each TNE intercept's critical ratio (C.R.) value indicates that the data are statistically significant. All of the TNE intercepts' p-values show that their correlations with MSH have a high degree of significance ( $p < 0.001$ ).

CLS intercepts: 1.183, 1.154, 1.201, 1.380, and 1.208 are the corresponding intercept values for CLS05, CLS04, CLS03, CLS02, and CLS01. When there is no cost leadership strategy (i.e., the CLS variable is zero), these values represent the expected MSH. The accuracy of the estimates is shown by the S.E. linked to these intercepts. All of the CLS intercepts appear to be statistically significant based on their C.R. values. Every CLS intercept's p-value shows that their correlations with MSH are highly significant ( $p < 0.001$ ).

MSH intercepts: 4.545, 4.575, 4.851, 1.242, and 1.329 are the corresponding intercept values for MSH01, MSH02, MSH03, MSH04, and MSH05, respectively. When the predictor variables TNE and CLS do not contribute, the expected mean square deviation (MSH) is represented by these values. The accuracy of the estimates is shown by the S.E. linked to these intercepts. All of the MSH intercepts appear to be statistically significant based on their C.R. values. A high

degree of significance ( $p < 0.001$ ) is indicated by the p-values of all MSH intercepts for their associations with themselves.

Therefore, the intercept analysis provides information about the expected MSH values in the absence of threats of new entrants (TNE), cost leadership strategy (CLS), and when there is no contribution from the predictor variables. The statistically significant intercept values indicate the baseline levels of MSH in the sector.

**Table 2. Intercept Analysis of the Market Share (MSH), Cost Leadership Strategy (CLS), and Threat of New Entrants (TNE) in the Consumer Products Industry in Nigeria**

**Intercepts: (Group number 1 - Default model)**

	Estimate	S.E.	C.R.	P Label
TNE05	1.314	.026	49.941	***
TNE04	1.258	.025	50.572	***
TNE03	1.190	.021	56.644	***
TNE02	1.229	.022	55.966	***
TNE01	1.247	.026	47.882	***
CLS05	1.183	.021	56.383	***
CLS04	1.154	.019	61.877	***
CLS03	1.201	.020	59.645	***
CLS02	1.380	.035	39.483	***
CLS01	1.208	.031	38.814	***
MSH01	4.545	.037	122.217	***
MSH02	4.575	.038	121.126	***
MSH03	4.851	.020	242.261	***
MSH04	1.242	.030	40.750	***
MSH05	1.329	.028	47.582	***

**Source:** Author 2024.

Table 3: The Covariance Analysis looks at the relationship between the Market Share (MSH) and the Threat of New Entrants (TNE) in Nigeria's Consumer Goods Sector: The Impact of Cost Leadership Strategy (CLS). Between CLS and TNE, the estimated correlation is -0.002. The precision of the estimate is indicated by the standard error (S.E.) corresponding to this covariance estimate. The S.E. in this instance is 0.011, which suggests a narrow margin of error. It appears that there is no statistically significant correlation between CLS and TNE based on the critical ratio (C.R.) value of -0.171. The p-value of 0.864, which indicates that there is no appreciable difference between the covariance estimate and zero, lends more credence to this conclusion.

Consequently, the covariance study indicates that, concerning Market Shares (MSH) in the Consumer products industry, there is no significant covariance between Threats of New Entrants (TNE) and Cost Leadership Strategy (CLS). This suggests that there isn't a substantial correlation between changes in one measure and changes in the other.

**Table 3. Covariance Analysis of the Market Share (MSH), Cost Leadership Strategy (CLS), and Threat of New Entrants (TNE) in the Consumer Products Industry in Nigeria**

: (Group number 1 - Default model)

Estimate S.E. C.R. P Label

CLO <--> TNE -.002 .011 -.171 .864

**Source:** Author 2024

**Discuss of the Findings**

The significant negative impact of the Threat of New Entrants (TNE) on Market Share (MSH) reflects the competitive dynamics observed in many industries, where new entrants disrupt existing market structures. Porter (2008) argues that the entry of new firms increases competition, leading to reduced market shares and profitability for incumbents. Recent studies, such as those by Tiberius et al. (2021), emphasize that digital transformation and globalization have lowered barriers to entry, intensifying competitive pressures and necessitating strategic responses from existing firms.

The marginally significant positive impact of Cost Leadership Strategy (CLS) on Market Share suggests that while cost efficiency can be beneficial, its effect may not be strong enough to ensure market dominance in all contexts. Current literature highlights that the effectiveness of cost leadership varies across industries and is highly contingent on market conditions. Gassmann et al. (2022) note that cost leadership can lead to a competitive advantage in markets

where price sensitivity is high, but its success is limited in markets where differentiation is more valued.

The nuanced findings within CLS, particularly the strong positive impact of certain cost-control measures, align with research by Barney and Hesterly (2019), which emphasizes the importance of operational efficiency and economies of scale in driving market share gains. However, it is also noted that a singular focus on cost leadership without considering other competitive strategies can be detrimental, as firms might miss out on innovation and customer satisfaction (Johnson et al., 2023).

The findings suggest that firms in Nigeria's consumer goods sector must focus on building and maintaining strong entry barriers, such as brand loyalty and exclusive access to distribution channels, to protect their market share. This aligns with the strategies recommended by Porter (2008) and supported by more recent empirical work (Hinterhuber, 2022). The mixed results regarding CLS indicate that while cost efficiency is critical, firms must balance it with other strategic initiatives, such as innovation and differentiation. This approach is supported by current strategic management literature, which advocates for a hybrid strategy combining cost leadership with differentiation to achieve sustained competitive advantage (Thompson et al., 2023).

These references to contemporary literature provide a deeper context to the study's findings, highlighting the relevance and application of established and emerging strategic management theories in the Nigerian consumer goods sector.

## **POLICY /MANAGERIAL IMPLICATION**

**Policy Implications:** Policymakers should consider creating or reinforcing regulations that protect established companies from excessive competition posed by new entrants, especially in sectors where market stability is crucial. Implementing policies that balance competition with market stability can help maintain a healthy competitive environment without significantly disrupting existing market shares. Additionally, policies that encourage innovation and R&D can help existing companies enhance their competitive edge against new entrants. Policymakers should evaluate barriers to entry in the consumer goods sector to ensure they protect incumbent firms without stifling competition and innovation.

**Managerial Implications:** Companies need to proactively address the threat of new entrants by strengthening their competitive strategies, including focusing on brand loyalty, enhancing customer switching costs, and continuous innovation. Managers should integrate cost leadership strategies with differentiation tactics to create a robust competitive advantage. Continuous investment in product innovation and improvement, extending to processes, marketing, and customer service, can help firms maintain a competitive edge and protect

*Oladipo & Sangodoyin. Market share, cost leadership strategy, and threat of new entrants.....*

market share from new entrants. The study highlights the necessity for firms in Nigeria's consumer goods sector to adopt a multifaceted approach to deal with competitive pressures, with cost leadership complemented by differentiation and innovation strategies. Both companies and policymakers play crucial roles in fostering a resilient and competitive consumer goods sector.

## **CONCLUSION AND RECOMMENDATIONS**

Companies need to prioritize addressing the challenges presented by potential new competitors. This can be achieved through strategies like reinforcing brand loyalty, enhancing customer switching costs, and innovating product offerings to maintain a competitive edge. While adopting a cost leadership approach can be advantageous, it is essential to integrate it with other tactics such as differentiation and ongoing operational enhancements to drive significant expansion in market share. The study emphasizes the necessity for firms operating in the consumer goods sector to deploy robust measures to counter the threats arising from new market entrants. Moreover, while pursuing cost leadership can be effective, it is imperative to combine it with differentiation and continuous innovation to realize substantial advancements in market share.

The study recommended that the Companies should not rely solely on cost leadership strategies but should also integrate differentiation tactics. Combining these strategies can create a more robust competitive advantage, as cost leadership alone may not significantly boost market share without complementary approaches. Both companies and policymakers should prioritize continuous innovation. For companies, this means investing in R&D and regularly introducing new products and process improvements. Policymakers can support this by providing incentives for innovation and creating a conducive environment for R&D activities.

### **Limitations and further studies**

The study has several acknowledged limitations that do not consider other potentially influential factors such as differentiation strategies, innovation, marketing efforts, or economic conditions. This limited scope may result in an incomplete understanding of the determinants of market share. While the study suggests a potential positive association between CLS and MSH, it is not statistically significant at conventional levels. This indicates that the findings related to CLS may not be robust and could be influenced by other unexamined variables or sample characteristics. The study's exclusive concentration on Nigeria's consumer goods industry may restrict the findings' applicability to other areas or sectors of the economy. It is possible for distinct market factors to have varying effects on the link among TNE, CLS, and MSH.

Additional strategic factors like differentiation, innovation, marketing tactics, and consumer happiness ought to be included in future research. This expanded focus can offer a more

thorough comprehension of the variables impacting market share. Determining whether the results are unique to Nigeria or relevant in other contexts can be aided by carrying out comparable studies in other geographical areas. Comparing regions across borders can shed light on distinctive regional dynamics and offer an international viewpoint.

Incorporating qualitative techniques like case studies and interviews with quantitative research can yield deeper insights into how businesses are attempting to adopt cost leadership and battle the threat of new competitors. This mixed-method approach can uncover nuances that purely quantitative studies might miss. Examining the impact of TNE and CLS across different sectors within the consumer goods industry or other industries can reveal sector-specific strategies and outcomes. This can help identify whether certain sectors are more sensitive to these variables.

Understanding how consumer preferences and behaviors impact the relationship between TNE, CLS, and MSH can help tailor strategies more effectively. Surveys and behavioral studies can be instrumental in this area. Thus, future research can build on the existing findings and provide a more nuanced and comprehensive knowledge of the factors impacting market share in the consumer products industry by addressing these limitations and investigating the recommended areas for more study.

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**Oladipo & Sangodoyin.** *Market share, cost leadership strategy, and threat of new entrants.....*

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