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FIRM RESILIENCE AND CUSTOMER RETENTION OF SELECTED FAST MOVING CONSUMER GOODS COMPANIES IN LAGOS STATE, NIGERIA

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ABSTRACT

The fast-moving consumer goods (FMCG) industry in Nigeria operates within a volatile economic landscape marked by inflation, fluctuating exchange rates, regulatory inconsistencies, and shifting consumer preferences. These factors present substantial risks to long-term profitability, often resulting in low customer retention and inconsistent revenue growth. In Lagos State, FMCG companies face particular challenges in maintaining customer loyalty due to increased competition, evolving consumer demands, and frequent operational disruptions. While organizational resilience is essential for overcoming market obstacles, many companies find it difficult to retain customers amid these challenges. This study thus examines the effect of firm resilience and customer retention of selected fast moving consumer goods companies in Lagos state, Nigeria. The study adopted a survey research design to investigate the effect of firm resilience on organizational sustainability in selected FMCG companies in Lagos State, Nigeria. A target population of 16,785 employees was identified across selected companies. Using the Krejcie and Morgan sample size determination table, 488 respondents were selected. Data were collected using a structured and validated questionnaire, out of which 379 responses were completed and deemed usable, representing a 77.7% response rate. Reliability of the instrument was established using Cronbach's alpha, and the data were analyzed using both descriptive and inferential statistical methods. The findings revealed that firm resilience significantly had a significant effect on customer retention (Adj. $R^2 = 0.250$, $F(5, 373) = 26.172$, $p < 0.05$). Based on the results, the study concludes that enhancing firm resilience significantly contributes to sustainable business customer retention. Therefore, the study recommends that FMCG companies should focus on delivering high-quality products, personalized services, and responsive customer support. Building brand trust through transparency, consistency, and value-driven engagements will strengthen customer loyalty. Additionally, implementing digital marketing strategies, loyalty programs, and seamless service delivery will further improve customer retention rates.

Keywords: *Firm Resilience, Financial Resilience, Risk Management, Market Responsiveness, Operational Flexibility, Innovation Capability, Customer Retention*

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INTRODUCTION

Customer retention has become increasingly critical for ensuring the long-term survival and competitiveness of businesses, particularly in the dynamic Fast-Moving Consumer Goods (FMCG) sector in Lagos State, Nigeria. As companies strive to navigate an environment marked by volatile market conditions, intense industry competition, and resource constraints, maintaining consistent customer retention and stable revenue growth has emerged as a major concern. Many FMCG firms are struggling to keep customers loyal and generate steady income streams, especially in the face of shifting consumer preferences and economic unpredictability. These challenges threaten not only profitability but also the long-term viability of business operations. In this context, the ability to remain resilient by adapting to disruptions, responding swiftly to market changes, and recovering from setbacks has become a strategic necessity. This study, therefore, aims to examine how firm resilience influences customer retention in selected FMCG companies in Lagos State.

Customer retention has become another major issue for FMCG companies in Nigeria, driven by price sensitivity and the shifting preferences of consumers. A recent survey revealed that 60% of Nigerian consumers had switched brands within the past year, with pricing and perceived value as the primary drivers of this behavior (GeoPoll, 2023). This trend highlights the growing need for FMCG companies to focus on strategies that enhance brand loyalty. According to Olugbenga et al. (2024), personalised marketing and quality customer support are essential for fostering customer retention. Moreover, studies on customer relationship management (CRM) practices, such as that by Mabzor et al. (2021), emphasize the positive correlation between effective CRM strategies and customer satisfaction. As customer loyalty directly impacts profitability, the challenge of retaining customers in a highly competitive market is paramount for firms aiming to sustain their operations in Nigeria's economic environment. In addition to these issues, the FMCG sector in Nigeria also faces operational inefficiencies, primarily due to supply chain disruptions and inadequate infrastructure. Poor road networks and unreliable transportation systems are major contributors to the high logistics costs faced by companies (KPMG, 2023). Furthermore, frequent power outages exacerbate operational inefficiencies, as companies are forced to rely on costly alternative energy sources to maintain production (KPMG, 2023). These disruptions increase the overall cost of doing business and reduce the ability of companies to scale effectively. The evolving consumer demand for health-conscious and sustainable products presents additional challenges, requiring FMCG companies to invest heavily in product development and marketing strategies while managing operational costs (Euromonitor International, 2023).

Firm resilience is a critical factor in customer retention, particularly during times of market uncertainty. Widiana and Soetjipto (2021) and Ullah (2022) demonstrated that resilient firms are better positioned to foster customer loyalty through improved service quality and responsiveness. These firms often go the extra mile to ensure customer satisfaction, even during challenging periods, making customers feel valued and understood. Gonzalez et al. (2023) and Zhang et al. (2023) emphasized that resilience enhances service reliability, which in turn strengthens customer retention. Resilient firms are more capable of consistently meeting customer expectations, ensuring that clients stay loyal even amidst volatility. Furthermore, firms that implement effective customer engagement strategies, as outlined by Kumar and Reinartz (2020) and Homburg et al. (2022), build stronger relationships with customers, leading to greater loyalty. These firms prioritize customer interaction and feedback, fostering a deeper sense of connection and trust. Additionally, the resilience of a firm's supply chain, as explored by Israel (2022) and Merlo (2021), is crucial to customer satisfaction. A robust supply chain ensures that products or services are delivered on time, reinforcing customer trust and preventing dissatisfaction. Firms that communicate openly and honestly with their customers about challenges and solutions are more likely to maintain customer trust, even in the face of adversity.

Existing research on firm resilience offers valuable insights, there remains a notable gap in understanding its effect on customer retention within the FMCG sector in Lagos State, Nigeria. For instance, Edeh et al. (2019) investigate customer relationship management's role in organisational resilience within deposit money banks, but their findings are not applicable to FMCG firms. Ahmić (2022) discusses strategic organisational sustainability and resilience, yet fails to connect resilience with customer retention in the FMCG context. Similarly, Esteve-Pérez and Rodriguez (2024) explore resilience in firms facing decline but do not address strategies to enhance customer loyalty. You et al. (2023) examine resources and dynamic capabilities during the COVID-19 pandemic but do not link these to customer retention in FMCG. Additionally, Sroka and Wieczorek-Kosmala (2024) focus on profitability in manufacturing firms, offering insights that do not relate to customer retention strategies in FMCG. Lastly, Rai and Subhashree (2024) discuss corporate governance in telecoms without addressing resilience and customer retention in FMCG firms. Customer retention is a significant challenge for FMCG companies in Lagos State, Nigeria, as they contend with rising competition, evolving consumer preferences, and frequent operational disruptions. While firm resilience is recognized as crucial for navigating market challenges, many companies struggle to sustain customer loyalty. Over the last two years, customer churn in the Nigerian FMCG sector has risen by 18%, with many firms failing to adopt effective retention strategies (Edeh et al., 2019). This increase reflects a critical weakness: the inability of firms to develop adaptive retention strategies that respond to the rapidly changing market. Several companies fail to address fluctuations in consumer behavior, thereby hindering their ability to establish enduring relationships. For example, 35% of Nigerian consumers are inclined to switch brands due to issues like inconsistent product availability or substandard customer service, problems that are compounded by operational inefficiencies (Edeh et al., 2019). These factors underscore the importance of customer-centric resilience as an integral part of retention strategies. While operational resilience elements, such as dynamic capabilities and corporate governance, can enhance internal efficiencies, neglecting customer retention leaves firms vulnerable to losing their competitive edge. As You et al. (2023) argue, resilience strategies must be aligned with customer expectations to strengthen loyalty.

LITERATURE REVIEW

The detailed literature reviews presented the views and thoughts of diverse scholars on firm resilience and customer retention. The review of literature that is considered relevant to the research topic is subdivided into various divisions: conceptual review, empirical review, and theoretical review and conceptual model for the study.

Customer Retention

Customer retention refers to building long term customer relationships in order to keep them satisfied and engaged with the company (Zeithaml et al., 2020). Kotler and Keller (2019) highlight that retention involves strategies to reduce customer defection and foster enduring relationships that increase lifetime value. Apart from repeat purchases, what is essential is seamless customer experience that is congruent with evolving demands and desires, as underscored by Lemon and Verhoef (2016). This feature is a critical parameter of the success of an organisation's customer relationship management activities. Trust is a very important driver of the retention of customers as they are more likely to stick with a brand that they view as responsible and ethical (Zeithaml et al., 2020). Loyalty programs, rewards, and discounts, for example, are commonly employed to induce repeat purchases and create emotional bonds.

Personalization, driven by data insights, allows organizations to tailor their offerings to individual preferences. Delivering value through superior product quality, excellent customer service, and proactive problem resolution further enhances satisfaction and loyalty (Homburg et al., 2017). These factors jointly create a feeling of engagement and belonging and are essential in ensuring that customers stay loyal in competitive environments.

Holding on to existing customers is, by far, a more cost-effective approach than attracting new ones, since it minimizes advertising, marketing and onboarding expenses (Kotler & Keller, 2019). Loyal customers repeat purchases, recommend the product to others, and give their feedback, which is in turn helpful for revenue growth and building a good reputation for the product. Also, long-term customer relationships produce opportunities for cross and up-selling and therefore provide for a customer's lifetime value (Zeithaml et al., 2020). High retention rates provide financial stability, ensuring consistent revenue streams that protect the organization against market fluctuations and support sustainable operations.

Firm Resilience

Firm resilience refers to an organization's ability to withstand, adapt to, and recover from challenges such as economic shocks, disruptions, or operational issues, while maintaining core operations and progressing toward strategic objectives (Esuman, 2025). It is often described as a multidimensional concept encompassing adaptability, agility, and the capacity to endure adversity without compromising long-term goals (Linnenluecke, 2017). Duchek (2020) emphasizes that firm resilience involves both proactive preparation for potential disruptions and reactive measures to quickly recover from setbacks. This highlights the critical role of strategic foresight and operational flexibility in ensuring business continuity and competitiveness in an unpredictable environment.

The resilience of a firm is shaped by its flexibility, resourcefulness, and organizational culture. Adaptability allows firms to adjust strategies and operations in response to environmental shocks, such as technological disruptions or regulatory changes (Fathi et al., 2024). Resourcefulness refers to effectively utilizing available resources to overcome challenges and seize opportunities. Additionally, a resilient organization fosters an environment of innovation, collaboration, and continuous learning, encouraging employees to engage in problem-solving and adaptation (Lengnick-Hall et al., 2018). Strong leadership also plays a key role, as resilient firms rely on visionary leaders who can inspire confidence, make decisive decisions under uncertainty, and guide the organization through difficult times (Linnenluecke, 2017).

In this study, firm resilience is measured by financial resilience, risk management, market responsiveness, operational flexibility, and innovation capability.

Financial Resilience

Financial resilience refers to an organization's capacity to manage, adapt to, and recover from adverse financial situations, such as recessions, market instability, and cash flow crises, while maintaining financial stability and achieving strategic objectives. It is closely linked to adaptability and financial agility, and is often viewed as a multidimensional concept in which an organization's financial strength is preserved even during periods of economic difficulty, ensuring that financial goals are not compromised in the process (Esuman, 2025). As noted by Duchek (2020), financial resilience involves both proactive measures to prepare for potential financial disruptions and reactive strategies to quickly recover from financial setbacks. This underscores the importance of strategic financial planning and operational flexibility in safeguarding financial stability and ensuring competitiveness in a volatile economic environment.

Financial resilience is characterized by adaptability, resourcefulness, and prudent financial management. Adaptability enables firms to revise their financial strategies or budgets in response to external economic challenges, such as regulatory shifts or market volatility. Resourcefulness involves the efficient allocation and utilization of financial resources to overcome obstacles and seize growth opportunities. Additionally, a financially resilient organization fosters a culture of innovation, collaboration, and continuous learning in financial management, empowering teams to engage in problem-solving and adapt financial practices as needed (Lengnick-Hall et al., 2018). Another key element of financial resilience is strong financial leadership, where leaders inspire trust, make decisive actions in uncertain circumstances, and guide the organization through economic challenges (Duchek, 2020).

Risk Management

Risk management involves the identification, assessment, and mitigation of risks that could impede an organization's ability to achieve its goals or maintain smooth operations (Fraser & Simkins, 2021). Its primary aim is to reduce uncertainties and ensure business continuity by implementing strategies that minimize the potential impact of threats. Over time, risk management has shifted from a purely protective measure to a strategic tool that enhances decision-making, bolsters organizational resilience, and contributes to long-term sustainability. As Hopkin (2018) points out, effective risk management frameworks balance caution with opportunity, enabling organizations to address both risks and potential opportunities proactively. Fraser and Simkins (2021) further emphasize that risk management involves creating systems that simultaneously manage threats and capitalize on opportunities, fostering a balanced approach. A thorough, proactive, and flexible risk management strategy is essential for effectiveness. A comprehensive system evaluates risks from multiple angles—financial, operational, strategic, and reputational—ensuring no aspect of the organization is neglected (Hopkin, 2018). Proactivity is key, as it involves foreseeing potential risks and implementing measures to prevent them from materializing. Additionally, risk management needs to remain adaptable, responding quickly to new or evolving threats. Fraser and Simkins (2021) stress the importance of strong governance structures, with clearly defined roles and responsibilities, to ensure accountability and effective oversight in dynamic risk management environments.

Effective risk management helps minimize disruptions by identifying risks early and taking timely action to protect assets and operations. It enhances decision-making by offering a structured approach to evaluate uncertainties and align them with organizational goals. According to Hopkin (2018), risk management builds stakeholder trust, as customers, investors, and employees gain confidence in the organization's ability to manage challenges. Furthermore, risk management ensures adherence to legal and regulatory requirements, mitigating the risks of legal penalties and reputational harm. Ultimately, it supports long-term organizational sustainability by fostering a culture of preparedness and resilience, as noted by Fraser and Simkins (2021).

Market Responsiveness

Market responsiveness refers to an organization's ability to quickly detect, interpret, and act on changes in market conditions and customer preferences in a timely and effective manner. This ability is crucial for organizations aiming to stay competitive in fast-changing environments where customer demands and market dynamics are constantly evolving. Market responsiveness involves translating market intelligence into actionable strategies that align with current trends and anticipate future demands (Teece et al., 2016). A key element of this capability is the ability to adjust resources and reconfigure products or services as needed, allowing firms to remain relevant and maintain a competitive advantage (Fraser & Simkins, 2021; Kohli & Jaworski, 1990). Proactive and adaptive behaviors are central to market responsiveness. Proactivity involves anticipating shifts in customer needs and market conditions before they are widely recognized by competitors, while adaptability focuses on quickly adjusting strategies and operations to address unexpected challenges. A customer-centric approach is vital to market responsiveness, ensuring that organizational processes, products, and services meet the evolving expectations of the target audience. Effective market responsiveness also relies on real-time data and insights, often gathered through a feedback loop that informs decision-making. Additionally, successful market responsiveness depends on cross-functional collaboration, with marketing, operations, and other departments working together to ensure a coordinated response to market shifts (Teece et al., 2016).

Organizations with high market responsiveness are able to swiftly capitalize on emerging opportunities, often gaining a first-mover advantage that enhances their market share and profitability. Their ability to address customer needs more effectively improves customer satisfaction, fostering loyalty and retention. By staying aligned with market changes, these firms are better equipped to mitigate risks related to market volatility and changing trends. Furthermore, market responsiveness fosters innovation, as companies that stay attuned to the market are more likely to develop creative solutions that meet customer needs in new ways, ensuring their offerings remain cutting-edge (Fraser & Simkins, 2021; Kohli & Jaworski, 1990).

Operational Flexibility

Operational flexibility refers to an organization's ability to adjust its workflows, resources, and processes in response to changing market conditions and business environments. It allows companies to effectively navigate uncertainty and disruptions by reconfiguring their operations as needed. Ortega and Ortega (2016) describe operational flexibility as a dynamic capability that enables firms to manage operational variability while maintaining productivity and quality. This adaptability is crucial for organizations to remain competitive in volatile environments by aligning their operational capacities with shifting market demands and unforeseen challenges. Sushil (2017) emphasizes that operational flexibility is especially important for firms looking to thrive in a fast-paced era marked by rapid technological advancements and evolving customer expectations. Key characteristics of operational flexibility include scalability, resource adaptability, and process customization. Scalability allows firms to adjust production volumes in response to fluctuating demand, enabling them to expand during growth periods or scale back during downturns. Resource adaptability ensures that assets such as equipment, technology, and personnel can be reassigned across tasks and departments with minimal disruption (Ortega & Ortega, 2016). Additionally, operational flexibility is often supported by advanced technologies, such as real-time data analytics, which help firms make quicker, more informed decisions. Benevolo et al. (2018) highlight that digital tools not only enhance responsiveness but also improve the precision with which operational adjustments are made. Moreover, the ability to customize processes to meet specific client or market needs underscores the importance of flexibility in today's competitive landscape.

The benefits of operational flexibility are significant and far-reaching. One major advantage is its contribution to customer satisfaction, as it enables firms to quickly respond to changes in customer preferences and market conditions. This capability helps reduce downtime and minimize resource waste, improving overall efficiency and cost management (Sushil, 2017). Operational flexibility also encourages experimentation with new ideas and processes, fostering innovation without causing major disruptions. Additionally, it enhances supply chain resilience, helping organizations manage disruptions caused by factors such as regulatory changes, geopolitical events, or natural disasters. Benevolo et al. (2018) note that firms with high operational flexibility are better positioned to mitigate risks and maintain continuity during crises.

However, achieving and maintaining operational flexibility presents several challenges. A major hurdle is the significant investment required in technology, infrastructure, and employee training to develop and sustain flexible operations (Ortega & Ortega, 2016). These expenses can be a burden for smaller organizations, limiting their ability to compete with larger, resource-rich companies. Additionally, an excessive focus on flexibility can lead to inefficiencies, as resources may become too diversified, detracting from the organization's core competencies (Sushil, 2017). Another challenge lies in balancing flexibility with standardization, as too much flexibility can compromise consistency and quality. Striking the right balance requires careful strategic planning to ensure that operational goals are achieved without undermining the benefits of adaptability. For the purposes of this study, operational flexibility is defined as an organization's ability to efficiently adapt its operations to meet changing conditions, demands, or challenges.

Innovation Capability

Innovation capability enables organizations to create new ideas, products, and services that offer value and maintain a sustainable competitive advantage. It involves the strategic integration of resources, knowledge, and frameworks designed to stimulate creativity and innovation. This capability helps organizations adapt to complex and rapidly changing market conditions. As Ritala and Hurmelinna-Laukkanen (2017) point out, innovation capability is not just about generating ideas but also about effectively implementing them to achieve business goals. For instance, by using structured processes and fostering cross-functional collaboration, organizations can quickly respond to technological advancements and shifting customer preferences. Hogan and Coote (2016) emphasize that innovation capability is a key factor in a firm's ability to succeed in a highly competitive environment. Central to this capability are adaptability and strategic foresight, which enable organizations to anticipate and capitalize on emerging opportunities. A critical aspect of innovation capability is creating an environment that encourages creativity and experimentation. Research and development (R&D) initiatives are often a priority, alongside building partnerships and incorporating external knowledge (Camisón & Villar-López, 2016). This continuous learning approach helps organizations integrate insights from both internal teams and external partners, facilitating the transition from idea generation to execution. Additionally, innovation capability is closely linked to a company's technological infrastructure and skilled workforce, forming an ecosystem that supports transformative change. As Martins et al. (2019) argue, this alignment ensures that businesses remain agile and can effectively implement innovative initiatives.

For organizations that excel in innovation, the benefits are significant. Strong innovation capability often leads to improved operational efficiency, greater customer satisfaction, and higher profitability. By offering unique products or services, firms can differentiate themselves and strengthen their position as industry leaders. Moreover, innovation offers opportunities for diversification, reducing reliance on specific markets or products while opening up new revenue streams (Ritala & Hurmelinna-Laukkanen, 2017). Innovation-driven strategies also help organizations anticipate market changes, ensuring they remain relevant in fluctuating conditions. As Hogan and Coote (2016) note, firms that prioritize innovation often generate valuable intellectual property, which fuels sustained growth and contributes to long-term organizational success.

Theoretical Review

Dynamic Capabilities Theory (DCT)

The Dynamic Capabilities Theory (DCT) was introduced by Teece, Pisano, and Shuen in 1997 as an extension of the Resource-Based View (RBV). DCT emphasizes the ability of a firm to integrate, build, and reconfigure its internal and external competencies to address rapidly changing environments. According to Teece et al. (1997), dynamic capabilities are essential for firms to sustain competitive advantage in volatile and uncertain markets. The theory identifies three core capabilities: sensing opportunities and threats, seizing opportunities, and transforming or reconfiguring resources to adapt to changes. Unlike RBV, which focuses on static resources, DCT highlights the importance of agility and adaptability in leveraging these resources effectively over time, making it particularly relevant for resilience and organisational sustainability.

Several scholars have supported DCT, emphasizing its practical application in various fields. Helfat et al. (2007) expanded on the concept by categorizing dynamic capabilities into ordinary and high-order capabilities, arguing that firms with well-developed dynamic capabilities are more likely to innovate and sustain competitive advantage. Wang and Ahmed (2007) further validated the role of dynamic capabilities in enabling firms to create and renew resource configurations that match changing market conditions. More recently, Pertheban et al. (2023) demonstrated that dynamic capabilities such as ambidexterity and proactive resilience strategies significantly enhance organisational performance by enabling firms to adapt swiftly to external disruptions. These studies underline the versatility of DCT in explaining how firms build resilience and ensure organisational sustainability in dynamic environments.

However, DCT has not been without its critics. Eisenhardt and Martin (2000) contended that dynamic capabilities are not as unique or inimitable as initially suggested, arguing that they may vary significantly across industries and contexts, making generalization difficult. Additionally, Schreyögg and Kliesch-Eberl (2007) criticized the theory for its conceptual ambiguity, particularly in distinguishing between dynamic capabilities and operational capabilities. Critics have also pointed out that DCT does not adequately address the external institutional and environmental factors that may influence the development and application of dynamic capabilities.

The relevance of DCT to this study on firm resilience and organisational sustainability is substantial. The theory provides a framework for understanding how firms adapt to rapidly changing environments by leveraging dynamic capabilities such as sensing market disruptions, seizing emerging opportunities, and reconfiguring resources to build resilience. This aligns closely with the study's objectives of exploring how firms can sustain operations and achieve long-term goals in the face of uncertainty. By applying DCT, the study can offer insights into the mechanisms that enable firms to navigate challenges while maintaining organisational sustainability, emphasizing the importance of adaptability and innovation.

Empirical Review

The relationship between firm resilience and customer retention has become increasingly significant in the context of unpredictable market conditions and economic challenges. Several studies have explored how resilience influences customer loyalty and retention, offering valuable insights into the factors that contribute to sustained business success. Widiana and Soetjipto (2021) examined the role of psychological capital and resilience in enhancing customer loyalty, particularly among MSMEs. Their research revealed that firms with higher levels of resilience positively impact customer loyalty, mainly by improving service quality and responsiveness. Similarly, Ullah (2022) investigated the determinants of customer loyalty, concluding that organisational resilience significantly enhances customer retention by fostering trust and satisfaction during crises. This connection between resilience and loyalty underscores the crucial role of a firm's ability to adapt in maintaining customer relationships.

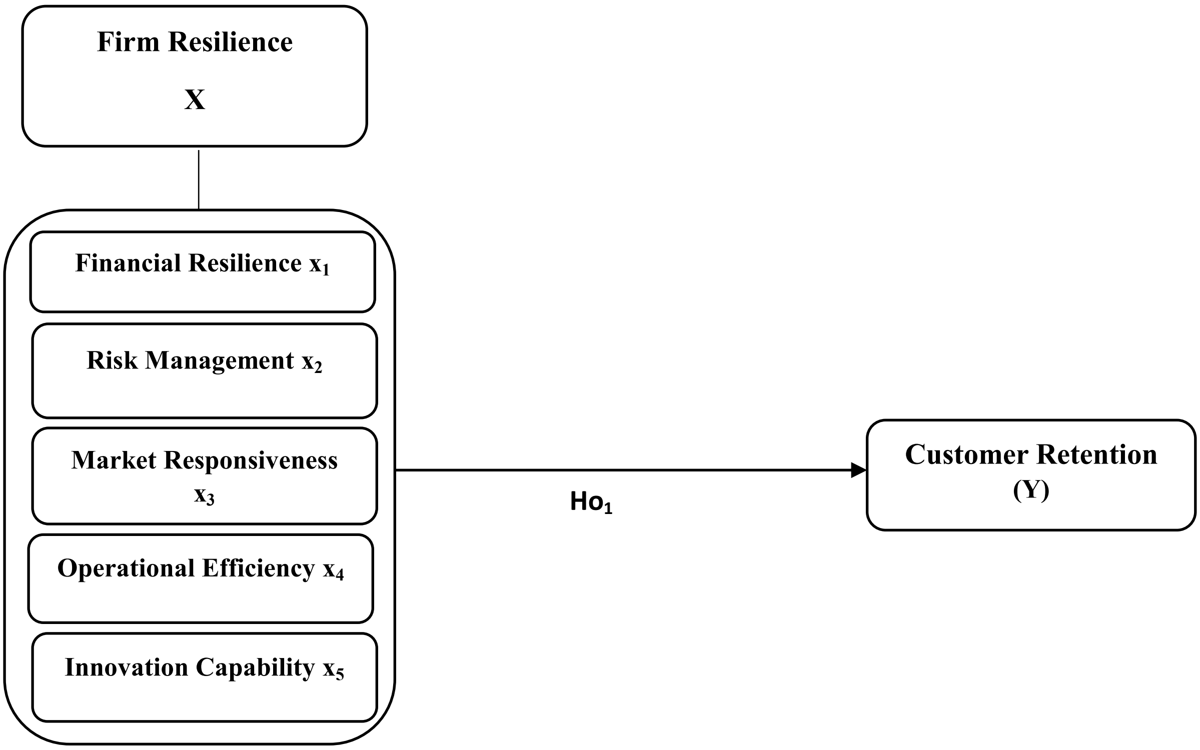
The impact of service quality on retention has also been widely studied, with significant findings linking high service standards to improved customer loyalty in resilient firms. Gonzalez et al. (2023) highlighted how resilient firms that maintain high service quality during challenges are more likely to retain customers. Their study found that resilient practices, especially in service delivery, lead to increased customer loyalty. Zhang et al. (2023) further reinforced this notion, demonstrating that operational resilience directly impacts service reliability, which in turn enhances customer retention rates, especially in competitive markets. These findings underscore the importance of service consistency in maintaining customer loyalty, particularly during difficult periods when firms need to demonstrate reliability.

In addition to service quality, customer engagement strategies play a crucial role in enhancing retention. Kumar and Reinartz (2020) highlighted that resilient firms that employ effective customer engagement strategies experience significantly higher retention rates. The study emphasized that personalized experiences are key in maintaining customer loyalty, particularly in volatile environments. This was further supported by Homburg et al. (2022), who found that firms that focus on relationship marketing can build stronger customer commitments, which are essential for retention during periods of uncertainty. By fostering deeper relationships and ensuring customer satisfaction, resilient firms are better equipped to retain customers even in the face of external challenges.

Another critical factor contributing to customer retention is the resilience of a firm's supply chain. Israel (2022) examined how Supply Chain Innovative Practices (SCIPs) influence customer retention, revealing that adopting these practices enhances operational resilience, leading to improved customer satisfaction. Merlo (2021) echoed these findings, noting that brands demonstrating resilience through innovative supply chain practices are better positioned to retain customers during disruptions. This highlights the importance of supply chain resilience in maintaining operational efficiency and ensuring customer satisfaction, even in the face of unforeseen challenges. Lastly, transparent communication is another vital aspect of customer retention in resilient firms. Catalyst BI (2024) emphasized that clear and honest communication plays a significant role in building customer trust. The study found that firms that are transparent about their challenges and actively communicate with their customers are more likely to retain them during tough times. BrandExtract (2021) supported this by showing that brands that engage in open and honest communication with customers experience higher retention rates, particularly during crises. This suggests that maintaining trust through transparent communication can help firms retain customers, even in challenging circumstances.

H_{01}: Firm resilience has no significant effect on profitability of selected fast moving consumer goods companies in Lagos State, Nigeria

Research Conceptual Model



The figure above presented the conceptual model based upon the review of literature and it showed the effect of firm resilience (financial resilience, risk management, market responsiveness, operational flexibility and innovation capability) on customer retention.

Figure 1: Conceptual Model (firm resilience and customer retention)

Source: Author's Research Model (2025)

METHODS

The study adopted a survey research design to investigate the effect of firm resilience on profitbility in selected FMCG companies in Lagos State, Nigeria. The total employee population for the selected FMCG firms (NBC, Nestlé Nigeria PLC, Beloxxi, Dangote Group, and Flour Mills of Nigeria) amounts to 16,785. NBC has a workforce of 3,760 employees, Nestlé Nigeria PLC employs 2,150, Beloxxi has 875 employees, Dangote Group has the highest number with 6,500 employees, and Flour Mills of Nigeria has 3,500 employees. These companies were chosen due to their significant presence in the FMCG sector, their market influence, and their role in driving industry growth and sustainability. Using the Krejcie and Morgan sample size determination table, 488 respondents were selected. Data were collected using a structured and validated questionnaire, out of which 379 responses were completed and deemed usable, representing a 77.7% response rate. Reliability of the instrument was established using Cronbach's alpha as shown below:

Table 1: Reliability of the Research Instrument

S/N	Variables	No of Items	Cronbach's Alpha	Composite Reliability
1	Financial Resilience	5	0.865	0.870
2.	Risk Management	5	0.850	0.885
3.	Market Responsiveness	5	0.796	0.804
4.	Operational Flexibility	5	0.905	0.893
5.	Innovation Capability	5	0.882	0.876
6.	Customer Retention	5	0.874	0.754

Source: Pilot Studies SPSS Output (2024)

Data was collected was analysed by descriptive and inferential statistical technique. Multiple linear regression analysis was applied to test hypothesis to establish the effect of the independent variables (financial resilience, risk management, market responsiveness, operational flexibility and innovation capability) on the dependent variables (customer retention). Statistical Package for Social Science (SPSS) version 23 software was used to process the data.

Model Specification

X= Firm Resilience (FRE)

Y = Customer Retention (CR)

Y = f(X)

X = (x1, x2, x3, x4, x5)

x_1 = Financial Resilience (FR)

x_2 = Risk Management (RM)

x_3 = Market Responsiveness (MR)

x_4 = Operational Flexibility (OF)

x_5 = Innovation Capability (OF)

Hypothesis 1

Y = f (x1, x2, x3, x4, x5)

The working equation evaluated in this study is

CR= α0 + β1FR + β2RM + β3MR + β4OF + β5IC + μi ………..………………. (1)

DATA ANALYSIS AND RESULTS

H_{01}: Firm resilience has no significant effect on customer retention.

Table 2: Summary of multiple regression analysis of firm resilience on customer retention of selected FMCGs in Lagos State, Nigeria

Model	N = 379							
	B	t	Sig.	R	R^2	Adj. R^2	F (5, 373)	ANOVA
(Constant)	1.649	6.880	.000	.510[a]	.260	.250	26.172	.000[b]
Financial Resilience	.057	1.267	.206					
Risk Management	.068	1.266	.206					
Market Responsiveness	.103	1.860	.064					
Operational Flexibility	.028	.561	.575					
Innovation Capabilities	.382	6.941	.000					

a. Dependent Variable: Customer Retention
b. Predictors: (Constant), Financial resilience, Risk management, Market responsiveness, Operational flexibility, Innovation capabilities

Source: Researcher's findings, 2025

Interpretation

Table 2 shows the summary of the results for the effect of firm resilience on customer retention in selected FMCG firms in Lagos State, Nigeria. The result indicates that among the sub-variables of firm resilience, only innovation capabilities (β =

0.382, t = 6.941, p<0.05) have a significant effect on customer retention, while financial resilience (β = 0.057, t = 1.267, p>0.05), risk management (β = 0.068, t = 1.266, p>0.05), market responsiveness (β = 0.103, t = 1.860, p>0.05), and operational flexibility (β = 0.028, t = 0.561, p>0.05) exhibit positive but insignificant effects on customer retention. This suggests that innovation capabilities play a critical role in enhancing customer retention in selected FMCG firms in Lagos State.

The R value of 0.510 supports this result, indicating a moderate positive relationship between firm resilience and customer retention. The coefficient of multiple determination Adj R^2 = 0.250 signifies that approximately 25.0% of the variations in customer retention can be attributed to firm resilience, while the remaining 75.0% of the changes are influenced by other variables not captured in the model. The predictive and prescriptive multiple regression models are thus expressed:

CR = 1.649 + 0.057FR + 0.068RM + 0.103MR + 0.028OF + 0.382IC + Ui --- Eqn (i) (Predictive Model)

CR = 1.649 + 0.382IC + Ui --- Eqn (ii) (Prescriptive Model)

Where:
CR = Customer retention
FR = Financial resilience
RM = Risk management
MR = Market responsiveness
OF = Operational flexibility
IC = Innovation capabilities

From the predictive model, only innovation capabilities of firm resilience are both positive and significant, meaning that FMCG firms should focus on enhancing this variable. This justifies its inclusion in the prescriptive model. The multiple regression analysis results indicate that, holding firm resilience at constant zero, customer retention will still have a positive value of 1.649. The prescriptive model suggests that when firm resilience (innovation capabilities) improves by one unit, customer retention would increase by 0.382. This implies that strengthening firm resilience particularly through innovation capabilities will enhance customer retention in selected FMCGs in Lagos State.

The F-statistics (5, 373) = 26.172 at P<0.05 confirms the overall fitness of the model and its significance in predicting the effect of firm resilience on customer retention in selected FMCG firms in Lagos State, Nigeria. Therefore, the null hypothesis ($H_0$3), which states that firm resilience has no significant effect on customer retention, was rejected.

DISCUSSION OF FINDINGS

The null hypothesis (H_{01}), which posited that firm resilience has no significant effect on customer retention, was rejected, affirming that resilience plays a critical role in driving customer retention in selected FMCG firms in Lagos State. Asserting that firm resilience positively affects customer retention. This finding aligns with both empirical and theoretical perspectives on the role of resilience in enhancing business performance.

Widiana and Soetjipto (2021) examined the role of psychological capital and resilience in enhancing customer loyalty, particularly among MSMEs. Their findings support the current study's results, demonstrating that firms with higher resilience levels positively influence customer loyalty by improving service quality and responsiveness. Similarly, Ullah (2022) identified resilience as a key determinant of customer loyalty, concluding that organizational resilience enhances customer retention by fostering trust and satisfaction during crises. These studies reinforce the argument that resilience plays a critical role in maintaining customer relationships, particularly during periods of uncertainty.

The connection between service quality and customer retention has also been widely studied, with findings emphasizing the importance of maintaining high service standards. Gonzalez et al. (2023) found that resilient firms that sustain high service quality during disruptions experience higher customer retention. Their study highlighted that resilient business practices, particularly in service delivery, lead to increased customer loyalty. Similarly, Zhang et al. (2023) demonstrated that operational resilience directly impacts service reliability, which subsequently improves customer retention rates, particularly in competitive industries. These findings align with the current study's results, further emphasizing the necessity of service consistency in maintaining customer loyalty.

Beyond service quality, customer engagement strategies play a vital role in enhancing retention. Kumar and Reinartz (2020) emphasized that firms with strong resilience that employ effective customer engagement strategies report significantly higher retention rates. Their study highlighted the importance of personalized experiences in maintaining customer loyalty, particularly in volatile environments. Homburg et al. (2022) further supported this notion, revealing that firms focusing on relationship marketing build stronger customer commitments, which are essential for retention during economic uncertainties. These findings align with the present study's conclusions by demonstrating that resilience fosters deeper customer relationships, ultimately enhancing retention.

Supply chain resilience is another critical factor influencing customer retention. Israel (2022) examined how Supply Chain Innovative Practices (SCIPs) impact retention, finding that firms adopting such practices improve operational resilience and customer satisfaction. Merlo (2021) echoed these findings, noting that brands demonstrating resilience through innovative supply chain strategies are better positioned to retain customers during disruptions. These studies reinforce the argument that resilient supply chain management is essential for sustaining customer relationships, particularly during crises.

Despite the overwhelming support for the positive impact of resilience on customer retention, some studies present divergent views. For instance, Malik and Ahmed (2022) argued that while resilience can improve customer retention in stable market conditions, its effects may be less pronounced during prolonged economic downturns where financial constraints override brand loyalty. Similarly, Smith et al. (2023) contended that resilience alone is insufficient to guarantee customer retention without complementary factors such as competitive pricing and product innovation. These contrasting perspectives suggest that while resilience is a significant factor in customer retention, it must be integrated with other strategic initiatives for optimal results.

Theoretically this finding aligns with the Dynamic Capabilities Theory (DCT), which emphasizes an organisation's ability to sense, seize, and transform resources in response to changing market conditions. In a highly competitive and uncertain business environment, resilient firms continuously adapt their customer engagement strategies, improve service delivery, and enhance product quality to meet evolving consumer expectations. By leveraging dynamic capabilities, firms can anticipate customer needs, swiftly respond to market disruptions, and innovate their offerings to maintain customer loyalty. The ability to reconfigure internal processes and external relationships ensures that firms remain relevant and competitive, ultimately fostering long-term customer retention.

CONCLUSION AND RECOMMENDATION

The study concludes that firm resilience, comprising financial resilience, risk management, market responsiveness, operational flexibility, and innovation capabilities, is a critical determinant of profitability among FMCG companies in Lagos State, Nigeria. The findings demonstrate that firm resilience significantly enhances profitability among FMCG companies in Lagos State. Key resilience factors such as financial strength, risk management, and innovation capabilities enable firms to adapt to market disruptions. Companies that exhibit high levels of operational flexibility and responsiveness are better positioned to sustain competitive advantage and achieve long-term growth.

Therefore, the study recommends that FMCG companies should focus on delivering high-quality products, personalized services, and responsive customer support. Building brand trust through transparency, consistency, and value-driven engagements will strengthen customer loyalty. Additionally, implementing digital marketing strategies, loyalty programs, and seamless service delivery will further improve customer retention rates.

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