Relationship Between Marketing Strategies And Firm Performance Of Food And Beverage Processing Companies In Kenya

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Abstract- This paper sought to find out the influence of marketing strategies on firm performance of Food and Beverage processing Companies in Kenya. The study adopted a descriptive cross sectional survey method. A census survey comprising 71 senior managers was contacted for this study. Data was analyzed using descriptive and simple regression analysis. The findings established that product and pricing strategies were the most practiced by the food and beverage processing firms. The regression results revealed a positive and statistically significant relationship between Marketing strategies and firm performance. The study recommends for policy makers and management of food and Beverage companies to support these firms by offering marketing management skills, capabilities and push for legislations aimed at low interest rates for startup firms, reduced tax on essential processed commodities and subsidized inputs by the Government.

Index Terms- Marketing strategies, Firm performance, Food and Beverage processing Companies.

I. Introduction

Marketing strategies is a blend of the four-strategy elements namely product, price, place and promotion that marketers use in their efforts to satisfy customer requirements and attain organizational goals (McCarthy, 1971). Kotler and Armstrong (2001) pointed out that the entire firm's marketing mix endeavors must be geared towards improving the performance of organizations. An organizational success is defined by the ability to execute marketing strategy decisions effectively and efficiently (Varadarajan, 2010).

Strategic marketing theories and the stakeholder theory guided this study and it focused on manufacturing sector in Kenya. Marketing strategies are processes which are concerned with product designing and development, pricing and distributing to meet buyer requirements (Greenley, 2007). Stakeholder view concerns the interested groups in company activities.

Manufacturing sector in Kenya which is critical in wealth and job creation as explained in Kenya's Vision 2030 blue print formed the basis of this study. Food processors and beverage bottling and packaging companies have a unique role in the manufacturing industry in enhancing business opportunities because they are universal to human life and sustenance.

Marketing strategies are concerned with management of classical four Ps (4Ps); product, price, place and promotion (Morgan,2009).Changing customer needs and competitive business environment require adaptation to produce and deliver products and services that match customer expectations(Slater et al, 2005).Effective pricing strategies have an impact on value perception and about competitor and companies need to be knowledgeable about it (Dawar & Parker, 2004).Firms need to develop essential marketing communication skills to enhance purchase decisions and reduce cognitive dissonance by constantly communicating products and services benefits to potential customers in order to be competitive in an industry(McKee, 2002.).

Firms' broad goals can be achieved if better and efficient marketing strategies are implemented to lead the allocation of scarce resources through marketing capabilities. Knowledge by both managers and marketing academics about the link between marketing strategies and firm performance is very important for the purposes of continued growth of their firms

II. Literature review

Marketing management literature draws greatly from strategic marketing theory. According to McCarthy (1971) the strategic marketing theory comprises four elements; product, price, place and promotion which marketers used to meet buyer requirements and eventually attain company goals. These elements popularly known as four Ps are the major marketing strategy components that marketers must use to design a mix and cater for their market needs (Jha, 2012). Strategic marketing theory is an amalgamation of theories relating to specific marketing mix elements;product, price,place and communication theories.

Theories that advance the notion of product as a critical marketing mix element are bountiful. Among them is product life

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cycle theory, new product development theory, product adoption and diffusion theory, product branding theory, product packing theory among others. Product life cycle theory first introduced by Raymond Vernon in 1950s to describe characteristics of international trade details the stages that every product or service undergoes during its life cycle. These stages are; new product development, introduction, growth, maturity and decline stage. At different stages product revenues and consequently the profits fluctuate. These fluctuations require different marketing strategies to assure success and enhance performance of the product. New product development theory as documented by various authors like Booz and Hamilton (1982) concerns the importance of introducing new products in a company's product port folio for continued business success. The theory documents critical stages that new product development process takes that culminate in to a new product in to the market.

Product adoption and diffusion theory was advanced by Rogers (1962) in his book, diffusion of innovations. According to this theory, diffusion is a process of new product adoption by the users and the rate of diffusion refers to the speed by which a new product circulates among users through new buys. A higher diffusion rate implies faster acceptance of a product hence high product success in the market. Product branding theory emanates from the understanding of the importance of company products and services identifier from their competitors'. These identifiers could be inform of a company name, symbol, logo or just a combination of any of them and it is critical in differentiating its products and services. Branding as a recognition element especially at the point of sale or as a communication anchorage assist buyers to a great extent in their purchase decision making process as they identify with it. This is an implication that effective branding strategy can enhance product performance in the market. Product packaging theory as explained by Wansink and Huffman (2001) concerns what holds up the product as it awaits purchase. Adoption of an effective packaging strategy will go a long way in protecting, preserving and facilitating distribution. It will also aid in communicating with customers, contribute to sustainable marketing and influence buyer product perceptions and evaluation processes.

Although marketing research on price setting seems to be scanty, there is a precise method to price determination that considers cost of production, the market segment, consumer response behavior and the overall integration of other marketing mix elements (Rao, 2009). More recent research conceptualize pricing decisions as a relationship among strategic management variable, such as pricing strategies, external influencing variable (perceived quality, competition reaction), internal influencing factors like costs, margins and organizational objective variables (profits, market share and customer retention) (Smith, 2009). Organizational pricing strategies are plans put in place to manage price and enhance competitiveness in the market place and achieve organizational objectives. Pricing decisions and judgments are executed at the price implementation actions to achieve strategic pricing goals and objectives.

Different pricing strategies can be adopted including skimming, penetration and competitor pricing strategies among others depending on product differentiation, cost of production and customer response behavior. Literature suggests that pricing decisions are very important and very critical because price changes directly impacts on several other company performance indicators like profits, sale, market share and customer retention.

Literature has advanced studies in relation to the fourth marketing mix element the place, more specifically on distribution channels. Channel management has been one of the earliest concerns by marketing researchers because of its importance concerning product market reach. Marketing literature has over the years advanced diverse dimensions concerning channel theory. Stern and Reve (1980) states that channel theory can be categorized into two broad dimensions. One dimension is an economic approach and the other is a behavioral dimension. Accordingly, economic dimension deals with the analysis of the channel efficiency concerned with aspects of channel designing and structuring. This dimension further applies micro economic theory that focuses on horizontal and vertical market distribution systems. Channel structuring; designing and identification of a distribution system are strategic marketing functions that require organizational consideration because they are increasingly being considered to be key determinants of industry competitiveness and profitability (Chen & Lai, 2010).

Efforts by diverse researchers have resulted to an integrated marketing communication theory commonly referred to as contemporary marketing communication theory. The theory postulates that communication is a process that tries to develop commonness with others and comprises three critical parts; the message source, message itself and the message receiver. The process starts when the message is encoded by the source, the source transmits the message and it is received by the decoder. Communication or commonness is arrived at only if there is commonness between the decoder and the encoder. Message distortion may occur and commonness may not be achieved and the process requires a medium by which the message is conveyed (Buttle, 1995). The theory is best depicted by the marketing communication process model.

The stakeholder theory as expounded by Freeman (1984) identified and categorized groups which he referred to as stakeholders of a firm. He further suggested ways by which managers can satisfy the expectations and interests of each of these groups. Each of these stakeholders has a unique interest and values a unique set of company goals (Fitzgerald & Storbeck, 2003).The theory attempted to address the principle of who or what really counts. According to this theory therefore the sum total of utility created for each stakeholder defines firm performance through its activities and this forms its basis that a firm should serve multiple stakeholders.

In the recent past, there has been a focus by managers and scholars on the link between financial performance and resource deployment to marketing efforts (Moorman & Rust, 2004).Alterations made to the marketing strategies and specifically the 4Ps of the marketing mix determines organizational performance.

A study done by DeDee et al (2008)established that there was an increase in return on common equity as a result of

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enhanced product and services development capabilities, and control over types of research and development costs. Research and development expenditures on products and services enhance long term sales goals and should never be cut back. A study by Bennett (2005) focusing on construction industry in Britain (UK) concluded that firm performance is not influenced by price stability overtime during periods of general inflation. Low price and standardized product quality and standardized pricing mechanism for high quality products has been suggested to positively impact on firm performance (Ang et al,2001).This study was however carried out on quite unrelated industry (construction) and only two variables were considered. With this knowledge from existing literature, it is prudent to incorporate price strategy in every marketing effort if better performance levels are to be realized.

The adoption of various promotion strategies for purposes of organizational performance is also of great importance. A study by Kim (1998) established that in dynamic business situations, constant advertising enhance company sales volumes and increases market share. In addition,DeDee et al (2008) established that those companies that focused on staff reduction and cutting on advertising budget performed poorly compared to those who increased their marketing communication budget. In times of hard economic conditions, buyers experience lower purchasing power and therefore exhibit a more rational buying behavior. Such conditions call for companies to focus on more appealing attributes like product safety, reliability and durability instead of image and status in their advertising campaigns (Shrager, 2002).

A study done in former Yugoslavia by Shama(2001) found that, during a period of poor performance, many firms shifted their focus from their long term objectives to listening and responding to their customer demands through sales representatives. They concluded that continued sales personnel interaction with them can eventually result to desire for company products. The study however was not industry specific and no performance indicators were identified to be impacted on by the marketing strategies.

Studies on distribution management have suggested various ways that can impact on firm performance. Such ways include; redistribution of limited resources to those channel members that are better performing and eliminating insignificant and unprofitable channel members. A study of Australian firms by Ang et al (2000) concludes that choosing only effective channel members and directing company efforts to discount wholesalers improve company sales volumes. They concluded that a positive company performance can be realized by lowering the operating costs and enhancing cooperation with the chosen alternative channel member.

A study by Oke (2015) in Nigeria focusing on financial services gave positive results of improved performance. He concluded that effective marketing mix is what can guarantee improved performance in service industry like financial institutions. Another related study in Kenya by Arasa et al (2014) indicated strong and positive relationship between competitive strategies, and firm performance. Locally both Karanja (2014) and Arasa et al (2014) established that competitive marketing strategies had a strong and positive relationship with firm performance. However, these studies were in financial sector and mobile banking sector respectively and in quite different environment. This study is based on the operationalization of strategic marketing variables in relation to (McCarthy, 1971).

III. Methodology

This study adopted a descriptive cross sectional survey design. A census survey was contacted for the population comprising seventy one Food and Beverage companies operating in Kenya which are duly registered members of Kenya Association of Manufacturers (KAM) as at 31st, August 2017. Data were tested for reliability before analysis using Cronbach's alpha. Descriptive statistics and simple regression analysis were used to analyze the data.

IV. Findings of the Study

Descriptive statistics was first used to analyze the data; Mean scores and standard deviation. The results are presented in Table 4.1.

Table 4.1 Summary of Descriptive Statistics for Marketing Strategies

Study Variable	**Dimension Description**	**N**	**Mean Scores**	**St.Dev**
Marketing Strategies	Product Characteristics	64	3.24	1.163
	Pricing Strategies	64	3.77	1.003
	Promotion Strategies	64	2.82	1.075
	Place(Distribution) Strategies	64	3.89	1.030

Results from Table 1.1.shows that product strategies with a mean score (3.24) were adapted to a moderate extent and that product differentiation is a critical practice in product strategies. Pricing strategies with an average mean score of 3.77 indicates that it is to large extent considered a critical element in the marketing strategy of a company. The average mean score of 2.82

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indicates that promotion strategies had a moderate effect on the overall marketing strategy of the organizations. The average mean score for all the statements on place was 3.89 while the average standard deviation was 1.030 and CV was 27%. The findings show that channel management through innovative distribution strategies and practices enhance channel performance and effectiveness.

Table 4.2 Summary of Descriptive Statistics for firm performance

	Dimensions of Performance		N	Mean Scores	Std.Dev.
Firm Performance	**Financial**	**Summary**	**64**	**3.53**	**1.0771**
	Non-Financial	Customer Loyalty	64	3.21	0.991
		Customer satisfaction	64	3.69	1.088
		Employee loyalty	64	3.46	1.139
Average Score			**64**	**3.48**	**1.074**

Firm performance was measured on two broad dimensions: financial and non-financial measures. The operationalisation of performance follows freeman (2002) and Barney (2010). Financial gain and customer satisfaction was the greatest gain after adoption of marketing practices with Mean score 3.53, Std.Dev. 1.0771 and Mean Score 3.69, Std.Dev. 1.088 respectively. It is noted that all dimensions of performance were highly rated indicating that they were outcomes of marketing practices.

Table 4.3 Regression Results of Marketing Strategies and Firm Performance

(a) Goodness of Fit

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.365[a]	.133	.119	.439

(b) Analysis of Variance (ANOVA)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.838	1	1.838	9.520	.003[b]
	Residual	11.971	62	.193		
	Total	13.809	63			

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Marketing Strategies

(c) Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.376	.493		2.792	.007
	Marketing strategies	.424	.137	.365	3.085	.003

Dependent variable: Firm performance

The results in the above Table 4.3 shows that marketing strategies have a statistically significant influence on firm performance and explains 13.3% of variance (R2 = 0.133). The standardized regression coefficient (Beta) of the composite score of marketing strategies was 0.365 with a t-test of 3.085 and a p-value of 0.003. The results imply a linear relationship between firm performance of food and beverage processing firms and their marketing strategies.

V. Discussions of Findings

The findings suggest that marketing strategies influence firm performance. Marketing strategies were measured in terms of product strategies, pricing strategies, promotion strategies and distribution strategies. On the other hand firm performance was measured in terms of financial performance and non-financial

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indicators. More specifically, the non-financial indicators included customer loyalty, employee satisfaction and customer satisfaction. The study found that the 4Ps of marketing; product, price, promotion and place (Distribution) have a statistically significant effect (p-value of 0.003, R2 = 0.133) on firm performance, however the effect was more pronounced for product strategies. The findings are consistent with previous studies such as by Ronald (2010) who contends that the level of firm performance is positively related to marketing strategies adopted by a firm.

VI. Conclusion

From these findings, it can be concluded that product characteristics comprising packaging, color, and other relate attributes are key in determining the effectiveness of other Ps; pricing, promotion and distribution. The findings agree with the theme of strategic marketing theory that postulate the 4Ps as the major marketing strategy components that marketers must use to design a mix and cater for their market need. (McCarthy, 1971). The overall results is consistent with other similar studies that confirms that firms need to understand the marketing mix related to the 4Ps well to be competitive in the industry(Jha, 2012). This study concludes that implementation of key marketing strategies by these firms will result in improved firm performance as indicated by key performance measures. The study recommends managerial support, industry policies aimed at reducing production cost and favorable legislations that supports new business startup.

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