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THE COMBINED EFFECT OF MARKETING STRATEGIES, FIRM CHARACTERISTICS AND CUSTOMER PERCEPTION ON FIRM PERFORMANCE OF FOOD AND BEVERAGE PROCESSING COMPANIES IN KENYA

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Abstract

The general objective of this study was to determine the joint effect of Marketing strategies, firm characteristics and Customer perception on firm performance of Food and Beverage processing Firms in Kenya. The study adopted a descriptive cross sectional survey design. The population of this study comprised two groups. A census survey comprising 71 senior managers of the manufacturing companies was conducted and a simple random sampling procedure was used for group two population and a sample of 71 was selected for this study. Two sets of questionnaires were used. Data were analyzed using descriptive and simple regression analysis. The finding of this study established that; the joint effect of Marketing Strategies, Firm characteristics and Customer Perception on firm performance was positive and statistically significant (R2= 0.138, F = 3.192,p < 0.05). This study gives a theoretical contribution in strategic marketing literature by suggesting a model that explains the influence of other critical factors in the marketing strategies- firm performance relationship in manufacturing context as supported by the empirical data given. The study recommends for marketing practitioners and policymakers to understand the product requirements of their customers in relation to physical features as they are the major contributors to both subjective and objective perception by customers. It further recommends for managers to develop Marketing strategies that put into consideration their firm characteristics such as structure, size, and age of the company as key factors that affect firm performance. The use of multiple informant approach and the use of a longitudinal study approach in future research may enrich the field of marketing.

Keywords: Marketing strategies, Firm Characteristics, Customer perception, Firm performance.

1.0 Introduction

Marketing strategies revolve around strategic marketing components commonly referred to in marketing literature as marketing mix elements and include; product, price, place and promotion. Kotler (2011) States that the whole firm's marketing mix endeavors must strive towards enhancing the performance of organizations. A firm's success is defined by the ability to execute marketing strategy decisions effectively and efficiently (Varadarajan, 2010). Existing literatures

Vol. 4, No. 06; 2020

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suggests firm size, age, capital intensity and market intensity of a firm are some of the characteristics of a firm that have an effect on firm performance (Maina, 2017)

Perception as a facet of consumer behavior is explained as a process of giving meaning to a person's sensory impressions by interpreting them and it changes customer buying decision either positively or negatively (Slater, 2005). Other things held constant, if the former happens, the company's performance increases which may be indicative through increased market share, higher sales volume and customer loyalty.

2.0 Literature Review

This section focusses on the existing theoretical and empirical literature on marketing strategies, firm characteristics, customer perception and firm performance and indicates the kind of relevant relationships already established amongst these variables.

2.1. Marketing Strategies, Firm Characteristics, Customer Perception and Firm Performance

Pertinent literature on marketing strategies has indicated that companies can establish an appropriate mix of the four Ps of marketing for better company performance. Prahalad (2002) explain that HUL's an Indian subsidiary of Unilever Company succeeded with low-priced candy aimed at the low income groups. Devendra (2003) eserts that the major determinant of the total quantities of products and services purchased by rural consumers is price. Distribution initiative by HUL called Project Shakti which used underprivileged rural women in India by providing income-generating opportunities enabled the company to sell products to consumers as well as to retail outlets in the village (Jaiswal, 2008). Marketing mix classification of product strategies, price, place and promotion strategies have been widely used world over by marketing practitioners and have been interchangeably referred to as marketing mix elements. Kotler et al (2011) pointed out that all company's positioning strategies should be enhanced by use its marketing mix endeavors using that classification. This implies that if a company for instance has to create a unique proposition on say, high quality product and enhanced customer service, that proposition has to be well delivered and communicated to the company's targeted market segment (Kotler & Armstrong, 2011).

For companies to move away from the traditional thinking of mix alteration, target selection coupled with reforms and innovative changes in marketing strategies are needed (Patrik & Teresa, 2013). Those organizations developing unique marketing strategies putting into consideration exclusive market situations then don't categorize the markets on the basis of competitor influences and actions, have higher chances of success and becoming more competitive in developing markets.

Managers and academicians agree that quality perception impacts directly and positively on firm performance the reason why much of marketing research is directed towards it (Tsiotsou, 2006). Firm characteristics have a moderate positive effect on organizational performance. Literature provides evidence of studies on marketing practices, firm characteristics and consumer perception and how each of these can influence firm performance. Literature confirming the link amongst the variables of this research and firm performance is clearly lacking (Kisengo, 2014).

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With the assumption therefore that the integration of these variables has an influence on a firm's performance, this study proposes that MS (Marketing strategies), FC (Firm characteristics) and CP (Customer perception) influence the performance of food and beverage companies operating in Kenya.

Conceptual Framework

Figure 1 shows the operational definition of the relevant hypothesis of firm performance. Marketing strategies, firm characteristics, customer perception jointly constituted the independent variable and firm performance was the dependent variable. Marketing strategies has dimensions of product, price, promotion and place. Firm characteristics comprise structure, size, age, capital intensity and market intensity. Customer perception has dimensions of perceived quality, risk and sacrifice. Firm performance comprises; net profits, total sales, Return on assets as financial indicators while non-financial dimensions include, Market Share, Customer loyalty, Customer Retention and Employee Retention.

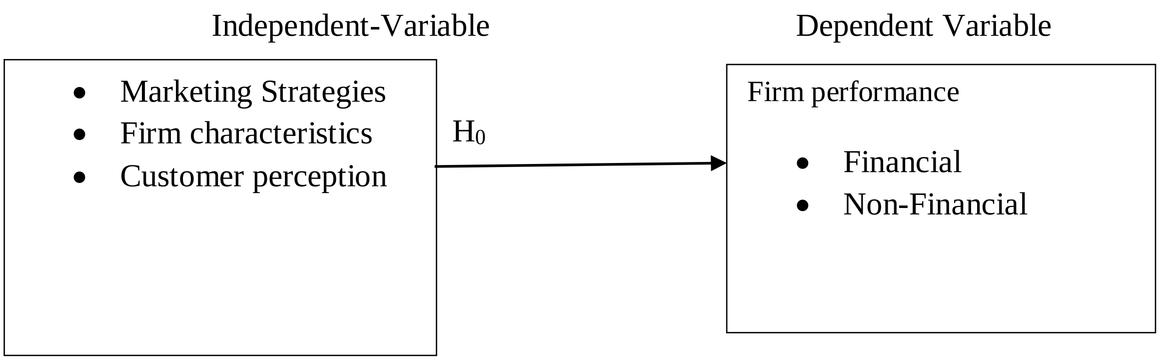

Figure 1.Conceptual Model

The conceptual model depicted in Figure1 shows that the joint relationship of marketing strategies, firm characteristics and customer perception influence firm performance.

A null hypothesis H0 was formulated as follows;

H0 The joint effect of marketing strategies, firm characteristics and customer perception on firm performance is statistically significant.

3.0 Methodology

This research used a descriptive cross sectional survey design. This research design facilitates checking for significant associations between variables and make generalizations concerning the target population (Cabrita, 2008). A census survey was contacted for the first population group comprising seventy one Food and Beverage companies operating in Kenya which are duly registered member institutions of Kenya Association of Manufacturers (KAM) as at 31st, August 2018. A random sampling method was used to collect data from the manufacturers direct customers. A sample of seventy one (71) respondents was realized. Two semi-structured questionnaires were used to collect primary data covering marketing strategies firm characteristics and customer perception. Secondary data related to financial performance for a

Vol. 4, No. 06; 2020

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period of three years (2015-2017) and was specifically on profitability, sales revenue and return on assets (ROA) whereas non-financial measures included customer loyalty, market share, customer satisfaction and employee satisfaction. The Data were tested for reliability before analysis using Cronbach's alpha. Descriptive statistics and simple regression analysis were used to analyze the data.

0 Findings of the Study

4.1 Response rate

This study adopted a descriptive cross sectional survey of Food and Beverages processing firms in Kenya as at October 2018. The study targeted 71 firms operating across the country. However, only 64 firms (90%) participated in the study together with their direct customers and their feedback captured. A response rate of 90% is very much consistent with previous studies. A study by (Wei, 2014)on the relationship between organizational cultures, market responsiveness, product strategy and firm performance of emerging market in China had a response rate of 60%. A study with a 35% - 40% response rate is useful for research done at the institutional level and 50% for research conducted at the individual level using survey design. (Rogelberg&Santon, 2007).

4.2 Descriptive Statistics of the Study Variables

Data were first analyzed using descriptive statistics; Mean scores and standard deviation. The results are presented in Table 1.

Table 1: Summary of Descriptive Statistics

Study Variable		Dimension Description	N	Mean Scores	St.Dev	CV (%)
Marketing Strategies		Product Characteristics	64	3.24	1.163	36
		Pricing Strategies	64	3.77	1.003	27
		Promotion Strategies	64	2.82	1.075	38
		Place(Distribution) Strategies	64	3.89	1.030	27
Average Score			**64**	**3.43**	**1.07**	**32**
Firm Characteristics		Market Related Characteristics	64	3.29	1.08	33
		Capital Related Characteristics	64	2.06	.509	25
Average Score			**64**	**2.68**	**0.800**	**29**
Performance	**Non-Financial**	Customer Loyalty	64	3.21	0.991	31
		Customer satisfaction	64	3.69	1.088	29
		Employee loyalty	64	3.46	1.139	33
Average Score			**64**	**3.48**	**1.074**	**31**
Customer Perception		Customer perception statements	64	3.46	1.15	33
Average Score			**64**	**3.46**	**1.15**	**33**

Vol. 4, No. 06; 2020

ISSN: 2456-7760

Table1 presents summary results of descriptive statistics of the study. The results show that marketing strategies had a mean, standard deviation and CV of 3.43, 1.07 and 31% respectively. Firm characteristics had 2.67, 0.509 and 30%, customer perception had 3.46, 1.15 and 33% respectively.

This implies that firm performance had the highest ratings by the respondents followed by customer perception, then marketing strategies, which equally had an impression on the respondents. Firm characteristics had the least effect. This implies that customer perception, and marketing strategies are key aspects to Food and Beverage processing firms in improving performance.

4.3 The joint effect of marketing strategies, firm characteristics and customer perception on firm performance

The main objective was to establish the joint effect of marketing strategy, firm characteristics and customer perception on firm performance. The following hypothesis was developed and tested.

Hypothesis: H0

H0: The joint effect of marketing strategies, firm characteristics and customer perception on firm performance is statistically significant.

The analysis was modelled in the following manner:

FP= f (MS+FC+CP)

$FP=\beta0+\beta1MS+\beta2FC+\beta3CP+ \varepsilon$

Where; $\beta0$ =Intercept

B1$\beta2\beta3$ are beta coefficients

FP= Firm performance

MS= Composite index of marketing strategies

FC= Composite index of firm characteristics

CP= Composite index of customer perception, ε=error term

Using IBM SPSS version 20 software the following results were realized;

Table 2.The Joint Effect of Marketing Strategies, Firm Characteristics and Customer Perception on Firm Performance

a) Goodness of Fit Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.365[a]	.133	.119	.439	.133	9.520	1	62	.003	
2	.370[b]	.137	.109	.442	.004	.289	1	61	.593	
3	.371[c]	.138	.095	.445	.000	.031	1	60	.861	2.156

b) Analysis of variance (ANOVA)

ANOVA

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			
2	Regression	1.895	2	.947	4.850	.011[c]
	Residual	11.914	61	.195		
	Total	13.809	63			
3	Regression	1.901	3	.634	3.192	.030[d]
	Residual	11.908	60	.198		
	Total	13.809	63			

c) Regression Coefficients

Model		Unstandardized Coefficients		t	Sig.	Correlations		Collinearity Statistics		
		B	Std. Error			Upper Bound	Partial	Part	Tolerance	VIF
1	(Constant)	1.376	.493	2.792	.007	2.362				
	Marketing Strategies	.424	.137	3.085	.003	.699	.365	.365	1.000	1.000
2	(Constant)	1.233	.563	2.191	.032	2.359				
	Marketing Strategies	.421	.138	3.042	.003	.698	.363	.362	.998	1.002
	Firm Characteristics	.055	.102	.538	.593	.259	.069	.064	.998	1.002
3	(Constant)	1.228	.568	2.161	.035	2.364				
	Marketing Strategies	.401	.179	2.248	.028	.758	.279	.269	.609	1.642
	Firm Characteristics	.054	.103	.524	.602	.260	.068	.063	.996	1.004
	Customer Perception	.023	.128	.176	.861	.279	.023	.021	.608	1.646

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Marketing Strategies

c. Predictors: (Constant), Marketing Strategies, Firm Characteristics

d. Predictors: (Constant), Marketing Strategies, Firm Characteristics, Customer Perception

Vol. 4, No. 06; 2020

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From the table it shows that, model 1 results in 13.30% variation in firm performance, model 2 results in 13.70% variation in firm performance, while model 3 results in 13.80% variation in firm performance. In essence the R2 change between model 1 and 2 was only 0.4% as a result of firm characteristics, while the R2 change between model 2 and model 3 resulted in no change at all, an indication that customer perception was not adding any value to model 2

Model 3 comprised firm characteristics, marketing strategy, customer perception and firm performance and is significant ($R2= 0.138$, $F = 3.192$, $p < 0.05$).

The value of t is significant for marketing strategies in model 1($t = 3.085$, $p < 0.05$), the value of t in model 2 is significant for marketing strategy and not for firm characteristics ($t = 3.042, 0.538$; $p < 0.05$, $p > 0.05$), while in the third model the value of t is significant for marketing strategy and not for firm characteristics and customer perception ($t = 2.248, 0.524, 0.176$; $p < 0.05$, $p >0.05$, $p > 0.05$).

From Table 2, the results can be fitted in the initial formulated model as; $FP=1.233+0.421MS+0.054FC+0.023CP$

Overall, from the findings and analysis it is evident that there is significant joint effect of marketing strategies, firm characteristics and customer perception on firm performance hence the hypothesis is accepted.

5.0 Discussions

The study established that the joint effect of Marketing strategies, Firm characteristics and Customer perception was positive and statistically significant on Firm Performance. The pertinent results indicated that both $R2= 0.138$ and ($F = 3.192$), were statistically significant ($p < 0.05$). This is as a result of the significant positive relationships between the individual factors and firm performance. These results indicate that the three factors have some level of influence on firm performance.

The results of the study agree with the findings of Arasa (2014) who established that competitive marketing strategies had a strong and positive relationship with firm performance. A related study done in Kenya by Karanja et al,(2014) confirms a statistically significant relationship between marketing efforts and Mobile service provider intermediary companies. These findings also agree with other studies that suggest that better alignment of firm attributes with dynamic environmental factor by firms results in exemplary performance and success (Wiklund, 2005). Conclusions from several studies affirms to the results of this study that, consumer perception is influenced by extrinsic factors like brand name, country of origin and price.

5.1 Summary and conclusions

The purpose of this research was to determine the joint effect of marketing strategies, firm characteristics and customer perception on firm performance of food and beverages processing firms in Kenya. The population comprised all food and beverage companies in Kenya which are duly registered and listed members of Kenya Association of Manufacturers (KAM).

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Tests were carried out using regression analysis at 95% confidence level. The study established that there was statistically significant joint effect of marketing strategies, firm characteristics and customer perception on Firm performance and thus the formulated hypothesis was supported. The results of this study provide practical implications for practitioners and policymakers in the manufacturing sector by giving evidence implying that marketing strategies, firm characteristics and customer perception are critical factors influencing firm performance. The study recommends for marketing practitioners and policymakers to understand the product requirements of their customers in relation to physical features, packing, pricing, brand name, country of origin and quality as these are the major contributors to both subjective and objective perception by customers. It further recommends for managers to develop Marketing mixes that recognizes firm characteristics dimensions such as structure, size, and age of the company as key variables that affect performance.

6.0 Limitations and Future Research

The current study focused on joint effect of marketing strategies, firm characteristics and customer perception on firm performance. Future research may focus individual effects of the same variable in the same industry. The current study used cross sectional survey method and relied on single informants in data gathering. The use of multiple informant approach and the use of a longitudinal study approach in future research may enrich the field of marketing.

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