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Influence of Marketing Strategies on Performance of Fast-Moving Consumer Goods Companies in Nairobi County, Kenya

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Abstract

The purpose of this study was to examine the influence of marketing strategies on performance of fast-moving consumer goods companies in Nairobi County. The study was guided by the following objectives: to determine the; influence of product specialization strategies, price leadership strategy, distribution channels strategy and promotion mix strategies. The study was grounded on Resource Based View, The Balanced Scorecard Theory and Industrial Organization (IO) Theory. The study utilized descriptive survey research design. The population for the study constituted 6,324 employees in fast-moving consumer goods companies in Nairobi County. The sample size used was 184 respondents. The sample was selected from 46 fast-moving consumer goods companies in Nairobi County. The study used questionnaires to obtain quantitative and qualitative data for analysis which was further validated by analysis of pilot study. A multiple regression model was used to test the significance of the relationship between the independent variables and the dependent variable. The study found that product specialization strategy, price leadership strategy, distribution channel strategy and promotion mix strategy had a positive and a significant effect on organizational performance.

Keywords: *Marketing Strategies, Fast-Moving Consumer Goods Companies, product specialization strategies, price leadership strategy, distribution channels strategy, promotion mix strategies*

1.0 Introduction

1.1 Background of the Study

A strategy is an organization's commitment to particular products, markets, customers, competitive approaches, and method of business operation and that firms that strategically respond to competition improve their business performance and are able to remain competitive than those that do not (Berman, 2015). The firms' strategies should be characterized by a responsive work organization, based on co-operative relations not only within the firm but also in its relations with external partners such as customers, suppliers and competitors.

Marketing strategy is a procedure by which companies react to situations of competitive market and forces of market or react to environment forces and internal forces to enable the firms to achieve its objective in the target market (Slater, Hult & Olson, 2010). The traditional marketing strategy is a plan for pursuing the firm's objective or how the company is going to obtain its marketing goals within a specific market segment (Walker, 2011).

Successful marketing depends upon addressing a number of key issues. These include: what a company is going to produce, how much it will charge, how it is going to deliver its products or services to the customer; and how it is going to tell its customers about its products and services (Malshe & Sohi, 2009). Traditionally, they were known as the 4ps. As marketing became more sophisticated discipline, a fifth 'p' was added, people. Recently two Ps were added that is, process and physical evidence. This strategy combines product development, promotion, distribution, pricing, relationship management and other elements. It identifies the firm's marketing goals, and explains how they will be achieved, ideally within a stated timeframe.

Fast Moving Consumer Goods (FMCG) industry comprises of goods which are mass use goods directly consumable, packaged and branded having significant demand in low to middle income strata and above all are highly price sensitive. Ullah and Prince, (2012) describe the term FMCGs as those retail goods that are generally replaced or fully used up over a short period of days, weeks, or months, and within one year. This contrasts with durable goods or major appliances such as kitchen appliances, which are generally replaced over a period of several years. According to Brierley (2002), FMCG have a short shelf life, either as a result of high consumer demand or because the product deteriorates rapidly. Some FMCGs - such as meat, fruits and vegetables, dairy products and baked goods - are highly perishable. Other goods such as alcohol, toiletries, pre-packaged foods, soft drinks and cleaning products have high turnover rates.

From the consumers' perspective, FMCGs are characterized as being frequent purchased, there is low involvement (little or no effort to choose the item - products with strong brand loyalty is exceptions to this rule), and most products are of low prices. From the marketers' angle, the products have high volumes, low contribution margins, extensive distribution networks and high stock turnover. (Brierley, 2002). Manufacturers of fast moving consumer goods (FMCGs) are the companies whose core business is to manufacture everyday goods.

1.2 Statement of the Problem

Manufacturers of fast moving consumer goods in Kenya play a significant role in the Kenyan Economy. They are the major employers and contributors of the much needed revenue through paying taxes as reported by Kenya Revenue Authority (KRA). Despite this, firms in this sector face stiff competition and therefore marketing efforts and know-how are instrumental in commercializing ideas and inventions and in running successful business (Hooley, Greenley, Cadogan & Fahy 2005).

The effect of strategic marketing on business performance remains elusive, even despite an established research tradition (Sorensen, & Stieglitz, 2008; Hooley, Greenley, Cadogan & Fahy 2005). This may be due to the fact that the outcomes of strategic marketing are subject to many internal and external influences, making the identification of cause-and-effect linkages very hard (Bonoma & Clark 2008). A related issue is that the majority of studies examine only the effects of two or three marketing factors at a time. This is a clear limitation compared to corporate reality. The current situation is alarming, and several studies emphasize the urgency to demonstrate relationships between marketing inputs, processes and business outcomes (O'Sullivan & Abela 2007; Morgan, Clark & Gooner 2002).

According to Okoroafo (2004), sound marketing practice is an important contributor to performance in economic reform economies. Many businesses will adopt a new attitude to marketing in transition environments, formulating strategies which demonstrate a focus on customers. Thus for firms to be competitive in such environments, it is essential to conduct effective product, pricing, promotion and distribution activities, where customers are central to all marketing efforts and to the extent that these strategies are successfully implemented, they are expected to result in improved performance.

Several studies have been undertaken both internationally and nationally on the need of marketing strategies by a firm. Covin, Green and Slevin, (2006) found that marketing strategies are more likely to be emergent and not explicitly intended than deliberate. Anyika (2010) marketing strategies applied by the major motorcycle marketing firms in Kenya found out that changing macro-environmental factors indeed pose various challenges to these motorcycle marketing firms in Kenya. Masika (2012) did retail marketing strategies adopted by commercial banks in Kenya and found out that commercial banks in Kenya pursue marketing segmentation, product strategies, distribution, pricing, marketing relationship and promotions strategies. From these past studies none had focused on the influence of marketing strategies on performance of fast-moving consumer goods companies in Nairobi County. This was the gap which the study sought to fill.

1.3 Specific Objectives

i. To determine the influence of product specialization strategies on performance of fast-moving consumer goods companies in Nairobi County.
ii. To examine influence of price leadership strategy on performance of fast-moving consumer goods companies in Nairobi County.
iii. To establish influence of distribution channels strategy on performance of fast-moving consumer goods companies in Nairobi County.
iv. To evaluate influence of promotion mix strategies on performance of fast-moving consumer goods companies in Nairobi County.

2.0 Literature Review

2.1 Theoretical Review

This section focuses extensively on theoretical review of literature.

2.1.1 Resource Based View

The Resources Based View (RBV) as articulated by Barney (2001) starts with the assumption that a company has a unique resource or a bundle of resources (distinctive competencies). The resource-based view emphasizes the firm's resources as the fundamental determinants of competitive advantage and performance. The resource based view framework has a broad selection of strategically relevant resources that can affect the success or failure of a firm. According to Spillan and Parnell (2006) organizational resources include the company's systems and processes and encompass its marketing and other functional strategies, its structure, and its culture. Physical resources consist of plants and equipment, geographical locations, access to raw materials, distribution networks and technology.

In the resource-based view of the firm, specific resources and capabilities affect a firm's performance. Effective marketing strategies is one of the core competency of any organization thus, firms should adopt effective product marketing strategies to enhance their performance and competitive advantage.

2.1.2 The Balanced Scorecard Model

The Balanced Scorecard model emanated from the works of Kaplan and Norton (1996). The balanced scorecard approach emphasizes on the need to provide management with a set of information that covers all relevant areas of performance in an objective way. The idea of the balanced scorecard is that performance could be measured form four different perspectives. The four areas of performance are defined and labelled into financial perspective, customer perspective internal business and innovation and learning perspectives respectively. The four performance perspectives are not necessarily comprehensive but should represent the critical success factors necessary for continued organizational success hence they are intended to be a close link between the business unit strategy adopted and the performance measures selected (Otley, 2009).

The idea of the balance scorecard is that you should not evaluate a firm based on one single measure thus in marketing the balanced score card can be used to link the pricing and distribution strategies with the overall organizational goals. Additionally, firms can use the balanced score card approach to link their marketing strategies with their strategic plans.

2.1.3 Industrial Organization (IO) Theory

The industrial organization (IO) theory emphasizes the influence of the industry environment upon the firm. The theory views the organization as an external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional I/O perspective offered strategic management a systematic model for assessing competition within an industry (Porter, 1981). The main idea behind IO theory is that a firm must adapt to influences in its industry to survive and prosper (Porter, 1981).

According to the IO theory, strategic managers should seek to understand the nature of the industry and formulate promotion strategies that feed off the industry's characteristics (Porter, 1981). Thus, it is more important for firms to choose the correct industry within which to compete on products and pricing strategies.

2.2 Empirical Review

Odhiambo (2015) studied the effects of marketing strategies on the performance of retail stores in footwear sector in Nairobi City County. The study adopted a cross sectional descriptive survey design. The population of the study comprised six retail stores in footwear sector. All the six registered firms were selected for the study. A questionnaire was used to collect data. The data was analyzed using descriptive statistics and regression models. The study established that the retail stores in footwear sector have adopted several marketing strategies in order to improve their performance. The strategies used were product strategy, pricing strategy, physical evidence strategy. Product strategy enabled the retail stores to offer broad product line, stock products for different customer clusters, ensures that quality and reliability of the product offerings gain importance, utilize product design and technology in product development and that utilize early adopters for new product ideas and feedback. Pricing strategy was realistic and accurate, use of premium pricing on its products and price promotions and discounts. The use of marketing strategies resulted in increased sales, number of footwear sold, enhance purchase of products and increase market penetration of retail outlet

Rapert, Linch, and Suter (2008) conducted a study on enhancing functional and organizational performance via strategic consensus and commitment. They observe that Price is the value placed on goods and services what customers are willing to pay for a product or service. The role of price in marketing strategy depends on the target market, the product and the distribution strategies that are selected by management. Managers developing a pricing strategy should base their decisions on a careful consideration of several factors such as costs, demand, customer impacts and competitor prices. Pricing strategies provide general and consistent approaches for firms as they come up with prices for their products.

Gupta (2007) noted that a strong brand strategy can increase the awareness of a company and its offerings in such a way that it establishes strong feelings and reactions and a favourable view towards the company as a whole. To create this sort of brand awareness in your market, it takes skilful Brand Strategy know-how. The function of branding is one of the most important aspects of any business be it a large or a small business organization. An effective brand strategy enables marketers to sell more and win the market share. Companies around the world have continued to invest heavily in brand management.

According to Sachs (2003), a winning public relations strategy and plan is key. It Captures attention by educating pundits, opinion leaders and editors. These are the people who will be carrying the flag. Once these people are won over, credibility and acceptance from the (market place is gained. This makes the selling process far easier, maximizing the chances of hitting the goals (Sachs, 2003). There must be a clear and consistent marketing message that reflects the company’s overall positioning strategy. Editorial coverage of new product marketing launches can take many forms, but the most profitable type usually occurs in print media such as newspapers and magazines. Print publicity has a “shelf life”, - the printed word can reach and convert readers into buyers for weeks, months and even years after publication. Conversely, two minutes of radio or television editorial coverage - once it has aired - disappears for ever with its power to reach and convert the listening or viewing audience into buyers (AMA, 2002).

2.3 Conceptual Framework

According to Kombo and Tromp (2009), a concept is an abstract or general idea inferred or derived from specific instances. The conceptual for the study established the relationship between Product Specialization Strategy, Price leadership strategy, Distribution Channel Strategy, Promotion Mix Strategy and performance of fast-moving consumer goods companies

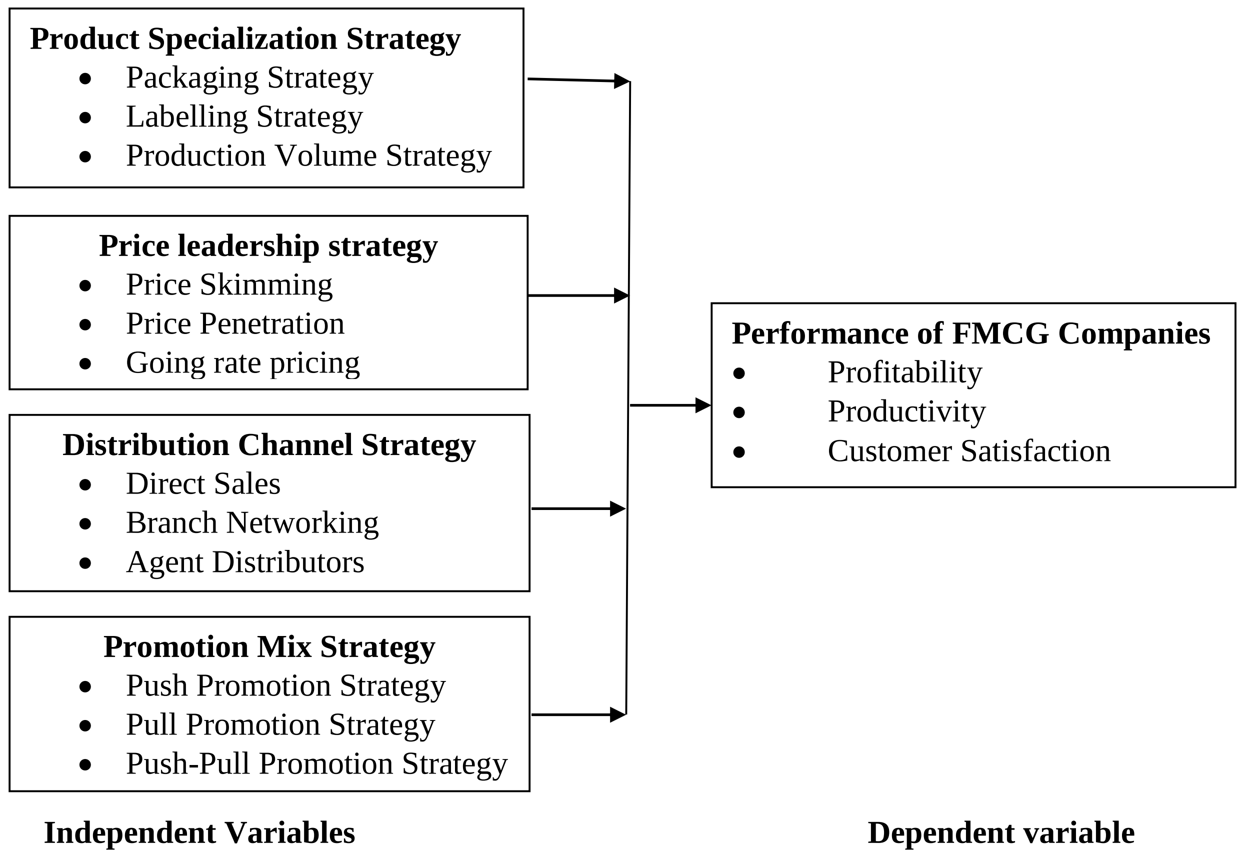

Figure 1: Conceptual Framework

3.0 Research Methodology

The study utilized descriptive survey research design. The population for the study constituted the 6,324 employees in 46 fast-moving consumer goods companies in Nairobi County. The sample size used was 184 respondents.

Questionnaires were used to collect information from the respondents. Data was analyzed using descriptive statistics and inferential statistics. The specific descriptive statistics included percentages and frequencies while the inferential statistics included multiple linear regression model and Pearson correlation. The multiple linear regression models were used to measure the relationship between the independent variables and the dependent variable which were explained in the model. The regression model helped explain the magnitude and direction of relationship between the variables of the study through the use of coefficients like the correlation, coefficient of determination and the level of significance.

$$Y=\beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+\beta_4X_4+\varepsilon$$

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Where;

Y= Performance of FMCG Companies

β_0 = Constant

X_1= Product Specialization Strategies

X_2= Price Leadership Strategy

X_3= Distribution Channels Strategy

X_4= Promotion Mix Strategies

ε is the error term which is assumed to be normally distributed with mean zero and constant variance.

4.0 Research Results and Discussion

4.1 Regression Analysis

The study further carried out regression analysis to establish the statistical significance on the relationship between the independent variables and dependent variable which was performance of fast-moving consumer goods companies. Green and Salkind (2003) define regression analysis as a statistics process of estimating the relationship between variables. Regression analysis aids in generating equation that describes the statistics relationship between one or more predictor variables and the response variable. The results of the regression were presented using regression model summary tables, Analysis of Variance (ANOVA) table and beta coefficients table.

4.1.1 Model Summary

The results presented in Table 1 show that product specialization strategy, price leadership strategy, distribution channel strategy and promotion mix strategy explain 93.3% of the variations in performance of fast-moving consumer goods companies.

Table 1: Model Fitness for the Regression

Indicator	Coefficient
R	0.966
R Square	0.933
Adjusted R Square	0.932
Std. Error of the Estimate	0.184

4.1.2 Analysis of Variance (ANOVA)

Table 2 results indicate that the overall model was statistically significant. Further, the results imply that product specialization strategy, price leadership strategy, distribution channel strategy and promotion mix strategy are good predictors of performance of fast-moving consumer goods companies. This was supported by an F statistic of 522.201 which was greater than f critical of 3.26 and supported by the reported p=0.000.

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Table 2: Analysis of Variance

	Sum of Squares	df	Mean Square	F	Sig.
Regression	70.885	4	17.721	522.201	.000
Residual	5.056	149	0.034		
Total	75.942	153			

4.1.3 Beta Coefficients

Regression of coefficients results in Table 3 indicates that product specialization strategy had a positive and a significant effect on performance of fast-moving consumer goods companies (β=0.298, p=0.003). This implies that a unit improvement in product specialization strategy leads to an improvement in performance of fast-moving consumer goods companies by 0.298 units. The results also indicated price leadership strategy had a positive and a significant effect on performance of fast-moving consumer goods companies (β=0.568, p=0.001). This implies that a unit improvement in price leadership strategy leads to an improvement in performance of fast-moving consumer goods companies by 0.568 units. Further the results showed that distribution channel strategy had a positive and a significant effect on performance of fast-moving consumer goods companies (β=0.243, p=0.009). This implies that a unit improvement in distribution channel strategy leads to an improvement in performance of fast-moving consumer goods companies by 0.243 units. Lastly the results show that promotion mix strategy had a positive and a significant effect on performance of fast-moving consumer goods companies (β=0.101, p=0.023). This implies that a unit improvement in promotion mix strategy leads to an improvement in performance of fast-moving consumer goods companies by 0.101 units.

Table 4.3: Regression of Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.060	0.082		0.730	0.467
Product Specialization Strategy	0.298	0.044	0.100	7.297	0.003
Price leadership strategy	0.568	0.048	0.570	11.771	0.001
Distribution Channel Strategy	0.243	0.031	0.268	7.764	0.009
Promotion Mix Strategy	0.101	0.038	0.320	2.831	0.023
Dependent Variable: Organizational Performance					

The specific model is;

Performance of FMCG Companies $= 0.060 + 0.298X_1 + 0.568X_2 + 0.243X_3 + 0.101X_4$

Where;

X_1= Product Specialization Strategies

X_2= Price Leadership Strategy

X_3= Distribution Channels Strategy

X_4= Promotion Mix Strategies

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5.0 Conclusion

The descriptive and the statistics results indicate that product specialization strategy undoubtedly promote marketing strategies. The integration of diverse and innovative trends create specialization in products to meet the customer needs and experience. It is also concluded from the findings that firms offering differentiated and highly specialized products rely more on highly involved control relationship with very close monitoring of behavior since differentiation strategy involves creating a product that provide superior value for the customer.

From the findings, it was concluded that price strategy win market share by appealing to cost-conscious or price sensitive customers by having the lowest prices to value ratio in the target market segment and operating at a lower cost than its rivals by creating the best competitive advantage. Prices provides revenue and shields the operating cost expenses. Price leadership strategy aim at influencing the market price while with focus on profitability

The study concludes that inclusive distribution has merit for success in the accessibility of firm goods distribution. Firms exhibit a distribution channels that blend with informal channels to create a seamless network for the flow of goods and services to the markets. The study concludes that distribution strategy should be made on the basis of economies of scale through the use of specialization, which breaks down a complex task into smaller, simpler ones and thus creates greater efficiency and lower average production costs

Lastly, the study concludes that successful promotional mix requires situation analysis to assess the current position of customer features, the competitive situation and the environment. While assessing the target audience, companies look at the demographics and lifestyles, life stages, usage levels, understanding and perception of services and the organization and the buying process of the targets. While designing advertising messages, should use emotional and moral appeal, rational messages and humor. The study conclude that successful advertising involves making products positively known by the section of the public most likely to purchase them through eliciting attention, interest, desire and action from the target population

6.0 Recommendation

This study recommends that packaging of goods sold should be attractive to add to overall sales, labelling be done professionally with an aim of attracting customers, production volume should reflect the market demand trends to ensure adequate supplies and maintain quality. The study also recommends that product strategy should be realistic and accurate, have products that have a broad market appeal, organization continuously innovate products supplied. The firm to use product design and technology in product development.

According to the finding the study also recommends that price skimming strategy be used while introducing new products, when the goods demand has been analyzed price penetration strategy be applied, the going rate pricing strategy be implemented for market differentiated products. The firm should monitor competitors' prices and price changes. The firm at some occasions should use price promotions and discounts.

Further, the study recommends that direct Sales be applied for products that are in high demand, branch networking be implemented to reach to all target clients, and agent distribution be implemented for goods whose clients are away from the braches, the firm should use selective distribution through the best available distributors. The branch outlets should have convenient operating hours and the distribution channels incorporate technology in provision of their services.

Lastly, the study recommends that push promotion strategy be implemented to push the product through the distribution channel, relying on the middle men in the channel. Pull strategy be used directly to end user to promote sales and putting pressure on the middlemen to support the company's channel objectives. A push-pull strategy be also adopted to blend on a relatively equal basis for some products. There should be integrated marketing communications programmes and the firms should provide discounts such as cash, sale, or trade discounts for their customers.

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