INTERNATIONAL JOURNAL OF SOCIAL Sciences and Information Technology
ISSN 2412-0294 www.ijssit.com
http://www.ijssit.com

# EVALUATION OF MARKET DEVELOPMENT STRATEGIES ON PERFORMANCE OF FOOD AND BEVERAGE MANUFACTURING FIRMS IN KENYA

[1*] **Gathogo Priscah Waruguru**
*pwaruguru2011@gmail.com*

[2**] **Kennedy Kirima Nteere**
*kkirima@cuk.ac.ke*

[3***] **Monica Wanjiku Nderitu**
*mnderitu@cuk.ac.ke*

[1, 2, 3] *School of Business and Economics, The Co-operative University of Kenya*

***Abstract:*** *The aim of this study was to assess the relationship between market development strategies and performance of food and beverage manufacturing firms in Kenya. To achieve this goal, the study drew on resource-based view theory. The study utilized a descriptive survey research design and methodology that involved collecting primary data from a target population of 192 respondents. Simple linear regression technique and Yamane formula guided the determination of the sample size of 130. The data acquired from 81 percent of the sampled respondents through a self-administered questionnaire was analysed using descriptive statistics and simple linear regression. The results revealed that there exists a statistically significant relationship between market development strategy and performance of food and beverage manufacturing firms in Kenya. It was thus recommended that firms should invest in thorough market research to understand customer needs, explore new avenues for outreach, and assess expansion opportunities. Integrate initiatives into strategic planning, evaluate performance regularly, and collaborate with stakeholders for support. Invest in employee training to enhance execution effectiveness and overall success.*

***Keywords***: *Market Development Strategies, Resource Based View Theory, Manufacturing Firms*

## 1. Introduction

Savings Organizations globally face challenges due to factors like globalization, technology, and changing market dynamics (Kyove, Streltsova, Udipo, & Cirella, 2021). Roughly 20% of new entrants fail in the first year, while 30% close within 2-5 years (Farida & Setiawan, 2022). Poorly executed market development strategies can lead to adverse outcomes such as overcapacity, declining sales and financial strain (Zahidi, 2023). However, effective market development strategies in organizations, such as food and beverage manufacturing sector, are vital for long-term success, offering benefits like increased market share and revenue (Alkasim, et al., 2018).

Food and beverage manufacturing firms are vital players in the global economy, supplying essential goods to consumers. This industry encompasses a diverse range of products, from processed foods to beverages and snacks. From multinational corporations to small-scale producers, these firms engage in various activities such as sourcing raw materials, processing, packaging, distribution, and marketing (United Nations Conference on Trade and Development [UNACTAD], 2023). They face challenges including meeting evolving consumer demands for health and sustainability, ensuring product quality and safety, and navigating competitive pressures and regulatory compliance (Alkasim, et al., 2018).

The relationship between market development strategies and firm performance in the food and beverage manufacturing sector is complex. Market development strategies aim to expand market reach, increase market share, and drive revenue growth. These strategies may include geographical expansion, mergers and acquisitions, partnerships, and targeted marketing (Adamu, 2020). The effectiveness of these strategies depends on industry dynamics, competition, consumer preferences, and regulations. Successful firms adapt to market changes, tailor products to consumer insights, and optimize operational efficiency. An integrated approach aligning market development strategies with core competencies leads to sustainable competitive advantage and long-term success (Munyasya & Muathe, 2023).

In the United States of America, the food and beverage sector are crucial for the economy, driving innovation and exports. Market development strategies such as targeting new markets are crucial for revitalization (Farida & Setiawan, 2022). Similarly, in China, market development strategies have fuelled remarkable growth and global competitiveness (Chen, et al., 2022). In Nigeria, strategies like market development are crucial for business survival in the face of economic shocks (Abolarinwa, et al., Corporate growth strategies and financial performance of quoted manufacturing firms in Nigeria: The mediating role of global economic crises, 2020).

Locally, Kenya's food and beverage manufacturing sector has seen a decline in GDP contribution, dropping from 11.16% in 2011 to 7.24% in 2022, while countries like Mauritius and Egypt show positive growth (Kenya Association of Manufacturers, 2023). Resource scarcity and market instability contribute to Kenya's decline (Okoth & Miroga, 2023). Market development is proposed as a key strategy to enhance competitiveness and resilience. Despite government efforts to support the sector, through infrastructure expansion and agricultural production, as well as the implementation of the Vision 2030 blueprint aimed at transforming Kenya into an industrialized economy by 2030, concerns persist about underperformance (Munyasya & Muathe, 2023). Research on the effect of market development strategies on performance can identify areas for improvement and drive revitalization efforts. This raises questions about potential gaps in the strategies employed by food and beverage manufacturing firms despite the various interventions from the government. Hence, it is crucial to conduct research on the effect of market development strategies on the performance of food and beverage manufacturing firms in Kenya. This research can shed light on the specific areas where improvements are needed and provide insights into how market development strategies can be effectively utilized to drive the revitalization and growth of the food and beverage manufacturing sub-sector in Kenya.

## 2. Problem Statement

In Kenya, the decline in the food and beverage manufacturing sector's performance is evident, with its contribution to GDP dropping from 11.16% in 2011 to 7.24% in 2022. (KAM, 2023). This decline adversely affects economic growth, job creation, poverty alleviation, and inequality reduction. It is still evident despite the government's initiatives to assist manufacturing firms in accessing larger markets in the East African Community with a population of 283.7 million people (KNBS, 2022). To address this problem, there is a need for a better understanding of the effect of market development strategies on the performance of food and beverage manufacturing firms in Kenya. This will provide insights into the most effective strategies for improving the sector's performance. Additionally, it will support the government's bottom-up economic transformation agenda aimed at uplifting the economic conditions of the majority of Kenyans. It will also contribute to achieving the Sustainable Development Goals (SDGs), precisely SDG 9 that seeks to build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation (KAM, 2023).

Existing research has produced inconsistent findings on the effect between corporate growth strategy and performance conducted in different context. While some studies, such as Kahonga and Kariuki's (2020) research on the insurance sector in Kenya, and Ojwaka and Deya's (2018) study on commercial printing firms in Nairobi, have found a positive and significant relationship between the variables, others, such as Mutua and Murigi's (2019) research on SACCOs in Kitui County, and Abolarinwa et al., (2020) study on listed manufacturing firms in Nigeria, have found a negative and significant relationship. These conflicting results highlight the need for further research to bridge this gap and provide a clearer understanding of the effect of market development strategies on performance.

## 3. Related Literature Review

The relationship between market development strategies and firm performance in the food and beverage (FNB) manufacturing sector in Kenya is a critical area of study. Several potential references shed light on this relationship and provide insights into the strategies adopted by firms to enhance their performance within the industry. Arkolakis (2010) discusses market penetration costs and the new consumers margin in international trade, highlighting the positive relationship between entry and market size. This reference can provide valuable insights into how market entry strategies impact firm performance in the FNB manufacturing sector.

Christensen & Montgomery (1981) explore the relationship between diversification strategy and market structure on corporate economic performance. Understanding how diversification strategies influence firm performance can offer valuable insights for FNB manufacturing firms seeking to expand and grow within the market.

Muazu (2019) delves into logistics management and its impact on the performance of manufacturing firms, emphasizing the importance of a firm's marketing performance in achieving its goals. This reference can provide insights into how effective logistics management strategies can contribute to firm performance in the FNB manufacturing sector.

Ongeri et al., (2020) focus on the impact of business process re-engineering strategy on the performance of food manufacturing companies in Kenya. Understanding the relationship between re-engineering strategies and firm performance can offer valuable insights into enhancing operational efficiency and competitiveness.

Karani et al. (2021) examine the moderating effect of environmental uncertainties on the relationship between lean supply chain strategy and firm performance in manufacturing firms in Kenya. This reference can provide insights into how external factors influence the effectiveness of supply chain strategies on firm performance.

In the realm of market development strategies literature, discussions have emerged regarding the relationship between market development strategies and performance. The empirical evidence concerning the influence of market development strategy on performance is inconclusive. These studies have employed diverse metrics to assess market development strategy including targeting new customers, new distribution channels and new geographical areas. Alkasim, et al., (2018) examined the relationship between market development and performance of manufacturing-based SMEs in Nigeria. The study utilized a cross-sectional research design and focused on manufacturing-based SMEs operating in the North-West region of Nigeria. Cluster sampling was employed to randomly select 453 respondents from the target population. Data collection was conducted through in-person administration of questionnaires, ensuring proportional representation. The study employed Partial Least Squares Structural Equation Modelling (PLS-SEM) to test the hypotheses. The findings revealed a positive relationship between market development and SME performance. The study however, lacks a clear theoretical foundation and does not adequately explain the process of determining the sample size. It is crucial to provide a rationale for the sample size selection to ensure representativeness and statistical power. Moreover, the absence of precise recommendation section hinders the practical implications and application of the findings in real-world contexts.

In their study, Muchele and Kombo (2019) examined the relationship between market development strategies and the performance of food manufacturing firms in Nairobi County, Kenya. The target population for the study consisted of 87 food manufacturing firms in Nairobi, all of which were members of the Kenya Association of Manufacturers. A sample of 71 manufacturing firms was selected from this population using proportionate sampling. Data for the study was collected through the use of a questionnaire that utilized closed-ended Likert-type scales. The questionnaires were distributed to the respondents either in person or electronically, depending on their preferred method of participation. The respondents were asked to rate their perceptions of growth strategies and organizational performance. The data collection process took place over a six-month period, from June to December 2018. The results of the regression analysis revealed a statistically significant positive relationship between the variables under investigation. However, it is important to note that the study lacked a theoretical foundation, which may limit the interpretation of the findings. Additionally, the study did not provide specific measures for the variables of interest, which could affect the accuracy and reliability of the results. Furthermore, the researchers did not provide a justification for the chosen scope of the study, which may raise questions about the generalizability of the findings.

## 4. Research Methodology

The study employed a descriptive survey research design, utilizing simple random sampling technique and Yamane (1967) formula of sample size computation to obtain a sample size of 130 operations managers from a targeted population of 192 from 192 food and beverage manufacturing firms registered with the Kenya Association of Manufacturers. Data collection primarily involved the use of self-administered questionnaires to gather quantitative data. Remarkably, 105 individuals responded to the questionnaire, yielding an 81 percent response rate. The market development strategies and performance relationship were evaluated using simple linear regression model. The strength of the relationship was assessed using the adjusted R-Square, and the significance of individual independent variables was teste as a 5 percent significance level for the P-values.

The study employed a questionnaire to collect data on the effect of market development strategy on the performance of food and beverage manufacturing firms in Kenya. The researcher distributed this questionnaire to 130 individuals in the sample group. Remarkably, 105 individuals responded to the questionnaire, yielding an 81 percent response rate. It's important to note that response rates above 60 percent are typically deemed satisfactory, while rates between 70 percent to 85 percent are considered highly favourable. Response rates surpassing 85 percent are regarded as excellent (Masden & Wright, 2010). In this study, the 81 percent response rate signifies that the gathered responses from the participants are substantial and can be effectively employed for subsequent data analysis.

## Results and Discussion

In this section, we present the findings and engage in discussions regarding descriptive results, and the hypothesis test.

### 5. Market Development Strategy Descriptive Statistics

The study objective was to evaluate the effect of market development strategy on performance. Respondents were requested to respond to questions regarding specific measures of market development strategy, including targeting new customers, new distribution channels, and new geographical areas. The highest-rated feedback highlighted the importance of targeting new customers for growth and the value of exploring untapped markets, earning an average score of 4.45 with a narrow standard deviation of 0.500. This low deviation indicates a strong consensus among respondents. Notably, 44.8 percent strongly agreed, while 55.2 percent agreed that targeting new customers and delving into unexplored markets are crucial. This high level of agreement underscores a widespread consensus among respondents regarding the significance of these strategies. Similarly, the assessment of diversifying distribution channels to enhance customer outreach yielded an average score of 4.13, with a slightly lower standard deviation of 0.666. This reduced deviation implies minimal diversity in the responses. To elaborate, 29.5 percent of participants strongly agreed, 54.3 percent agreed, and 16.2 percent remained neutral. This strong alignment among respondents emphasizes a prevalent consensus regarding the positive impact of diversifying distribution channels on expanding customer reach. Conversely, the evaluation of new distribution channels attracting more customers resulted in a mean score of 4.03, but it had a lower standard deviation of 0.627. This reduced standard deviation suggests minimal variations in the responses. Specifically, 21.0 percent of respondents strongly agreed, 61.0 percent agreed, and 18.1 percent were neutral. This substantial level of consensus underscores that a majority of respondents held a similar perspective regarding the ability of new distribution channels to draw in more customers.

Moreover, evaluating that its advantageous to open new sales channels yielded a mean score of 3.97, with a lower standard deviation of 0.672, indicating limited variability in the responses. To elaborate, 21.0 percent of respondents strongly agreed, 55.2 percent agreed, and 23.8 percent expressed neutrality. This significant level of consensus emphasizes that most respondents shared a similar perspective that its beneficial to open new sales channels. Furthermore, the evaluation emphasizing expanding the customer base as a priority resulted in a mean score of 3.71, accompanied by a slightly elevated standard deviation of 0.863, indicating a slightly higher variability in responses. Noteworthy is that 14.3 percent of respondents strongly agreed, 55.2 percent agreed, 18.1 percent remained neutral, while 12.4 percent disagreed. This array of responses suggests that while a significant portion agreed or strongly agreed on the priority of expanding the customer base, a notable segment either held a neutral stance or expressed disagreement with this perspective. Conversely, the question on geographical diversification leads to growth garnered a mean score of 3.58, and the standard deviation was notably higher at 0.959. This higher standard deviation indicates more pronounced variations of responses among respondents. Specifically, 16.2 percent of respondents strongly agreed with the statement, while 42.9 percent agreed. In contrast, 23.8 percent expressed a neutral stance, and another 17.1 percent disagreed with the notion. The presence of such varying levels of agreement, neutrality, and disagreement contributes to the broader spectrum of opinions concerning this specific aspect of the study, as indicated by the higher standard deviation. The results of this assessment are outlined in Table 1.

*Table 1: Market Development Strategy Descriptive Statistics*

| Question | SA % | A % | N % | D % | SD % | Mean Statistic | Standard Deviation |
|---|---|---|---|---|---|---|---|
| Targeting new customers is essential for growth. | 44.8 | 55.2 | 0.0 | 0.0 | 0.0 | 4.45 | 0.500 |
| Expanding the customer base is a priority. | 14.3 | 55.2 | 18.1 | 12.4 | 0.0 | 3.71 | 0.863 |
| Opening new sales channels is advantageous. | 21.0 | 55.2 | 23.8 | 0.0 | 0.0 | 3.97 | 0.672 |
| Diversifying distribution enhances reach. | 29.5 | 54.3 | 16.2 | 0.0 | 0.0 | 4.13 | 0.666 |
| New distribution channels attract customers. | 21.0 | 61.0 | 18.1 | 0.0 | 0.0 | 4.03 | 0.627 |
| Geographic diversification leads to growth. | 16.2 | 42.9 | 23.8 | 17.1 | 0.0 | 3.58 | 0.959 |
| Tapping into unexplored markets is valuable. | 44.8 | 55.2 | 0.0 | 0.0 | 0.0 | 4.45 | 0.500 |

## 6. Market Development Strategy and Performance

The research employed simple linear regression analysis as its statistical method to investigate the cause-and-effect relationship between market development strategies and performance of food and beverage manufacturing firms in Kenya. This method was chosen for its capacity to offer a comprehensive assessment of how various independent variables impact the dependent variable (Zikmund, Barry, Jon, & Mitch, 2013). This method facilitated a deeper understanding of the relationship between the independent variable and dependent variable.

The analysis revealed a weak positive correlation ($r = 0.4445$), indicating a weak relationship between these variables. The R-squared ($R^2$) value of 0.1975 suggests that approximately 19.75 percent of the variability in performance can be explained by the predictor variables. The adjusted R-squared (Adjusted $R^2$) value of 0.1898 reinforces this, indicating that 18.98 percent of the variations can be attributed to the studied variables.

To test the overall model's significance, an ANOVA test was conducted, and the results showed a significance value of 0.00, which is below the significance level of 5 percent. This indicates that the model is statistically significant in predicting how market development strategy affect performance, making the general model significant. Additionally, the study variables are examined so as to compute the coefficient of the independent variables. The results are as indicated in table 2.

*Table 2: Regression Coefficients*

| | **Coefficients** | **Standard Error** | **t Stat** | **P-value** |
|---|---|---|---|---|
| Intercept | 4.35 | 1.55 | 2.81 | 0.01 |
| Market development strategy | 0.27 | 0.05 | 5.04 | 0.00 |

The simple linear regression test established a prediction equation as highlighted below:

Performance = 4.35 + 0.27 market development strategy

This equation indicates that for every unit increase in market development strategy, performance increases by 0.27, while the intercept is 4.35, representing the expected performance when market development strategy is zero. Further, the regression results indicate that market development strategy and its constant have a P value less than 5 percent and a coefficient (B) of 0.27 and 4.35. this indicates that there is a positive significant relationship between market development strategy and performance. Consequently, these statistical outcomes support the assertion of a positive and statistically significant relationship between the market development strategy and performance in the research conducted by Alkasim, et al. (2018) and Munyasya and Muathe (2023).

## 7. Conclusion and Recommendations

The statistical analysis strongly affirms the existence of a significant association between market development strategy and performance. With a remarkably low p-value of 0.00 and a positive coefficient of 0.27, the findings robustly demonstrate a statistically significant and positive relationship between implementing a market development strategy and achieving improved performance outcomes.

It is also evident that respondents strongly agree that these strategies are crucial for business development, as indicated by high satisfaction and agreement percentages and relatively high mean scores. Moreover, opening new sales channels, diversifying distribution, and tapping into unexplored markets are recognized as advantageous approaches to enhance reach and attract customers. The positive responses to these strategies suggest a clear understanding of the value they bring to the organization.

While there are varying degrees of agreement regarding other strategies such as geographic diversification, overall, the data highlights a consensus on the significance of innovation and expansion in driving growth.

In conclusion, the findings emphasize the imperative for businesses to focus on targeting new customers, expanding their customer base, and exploring new markets and distribution channels to achieve sustainable growth and competitiveness in today's dynamic market landscape.

Based on the study findings, several recommendations have been formulated to guide these organizations towards enhancing their market development strategies and, consequently, improving their organizational performance.

Investing in thorough market research to understand the needs and preferences of untapped customer segments is crucial for effective outreach. Exploring new avenues like online platforms, retail partnerships, or direct sales approaches can broaden customer reach and enhance overall performance. Conducting comprehensive assessments of market potential, infrastructure, and regulatory factors helps identify viable expansion opportunities and mitigate risks associated with geographic diversification.

Integrating market development initiatives into strategic planning processes and allocating sufficient resources for execution are essential for achieving desired outcomes. Regular evaluations of performance metrics enable identification of areas for improvement and facilitate strategic adjustments in response to evolving market dynamics and consumer preferences.

Collaboration with government agencies, industry associations, and stakeholders provides valuable support and resources for market development initiatives. Active engagement in partnerships and advocacy efforts helps address regulatory challenges, access funding opportunities, and promote industry growth collectively.

Recognizing the pivotal role of employees in executing market development strategies, firms should invest in training and development programs. Equipping employees with the necessary skills and knowledge enhances their effectiveness in implementing strategies and contributes to overall organizational success in the market.

## References

*Abolarinwa, S. I., Asogwa, C. I., Ezenwakwelu, C. A., Court, T. O., Adedoyin, S., & Eriksson, T. (2020). Corporate growth strategies and financial performance of quoted manufacturing firms in Nigeria: The mediating role of global economic crises. Cogent Economics & Finance, 8(1), 1-13.*

*Adamu, G. (2020). Effect of market penetration on the performance of small and medium scale enterprises in Makurdi metropolis, Benue State, Nigeria. Journal of Business, Management and Social Research, 9(1), 508-515.*

*Adnan, M., Abdulhamid, T., & Sohail, B. (2018). Predicting Firm Performance through Resource Based Framework. European Journal of Business and Management, 10(1), 31-40.*

*Alkasim, S. B., Hilman, H., & Bohari, A. M. (2018). The mediating effect of competitive strategy on the relationship between market development, product development and performance of manufacturing based SMEs in Nigeria. Journal of Business and Retail Management Research (JBRMR), 12(2), 133-143.*

*Arkolakis, C. (2010). Market penetration costs and the new consumers margin in international trade. Journal of Political Economy, 118(6), 1151-1199. https://doi.org/10.1086/657949*

*Chen, H. M., Birasnav, D. F., & Zhang, W. H. (2022). Effect of Strategic Leadership on Performance of Manufacturing Firms in China. Journal of Strategic Management, 6(3), 1-11.*

*Christensen, H. K. and Montgomery, C. A. (1981). Corporate economic performance: diversification strategy versus market structure. Strategic Management Journal, 2(4), 327-343. https://doi.org/10.1002/smj.4250020402*

*Farida, I., & Setiawan, D. (2022). Business Strategies and Competitive Advantage: The Role of Performance and Innovation. Journal of Open Innovation, 8(163), 1-16.*

*KAM. (2023). Manufacturing Priority Agenda (MPA): Resetting Manufacturing to achieve Agenda 20BY30. Kenya Association of Manufacturers (KAM).*

*Karani, A., Namusonge, S., & Shalle, I. (2021). Moderating effect of environmental uncertainties on the relationship between lean supply chain strategy and performance of manufacturing firms in kenya. International Journal of Research in Business and Social Science (2147-4478), 10(7), 62-66. https://doi.org/10.20525/ijrbs.v10i7.1417*

*Kyove, J., Streltsova, K., Udipo, U., & Cirella, G. T. (2021). Globalization Impact on Multinational Enterprises. World, 2, 216-230.*

*Masden, P. V., & Wright, J. D. (2010). Handbook of Survey Research (2nd ed.). Emerald Group Publishing Limited.*

*Muazu, U. A. (2019). Logistics management and the performance of manufacturing firms in selected states of northern nigeria. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.3555632*

*Muchele, N., & Kombo, H. (2019). Effect of Growth Strategies on the Performance of Food Manufacturing Firms in Nairobi County, Kenya. . European Journal of Business and Management, 11(15), 43-50.*

*Munyasya, R. K., & Muathe, S. (2023). Understanding Growth Strategies and Performance: Empirical Investigation of Cement Manufacturing Firms in Kenya. International Journal of Econometrics and Financial Management, 11(1), 13-22.*

*Mutua, J. N., & Murigi, E. (2019). Corporate Growth Strategies on Performance of SACCOs in Kitui County, Kenya. International Academic Journal of Human Resource and Business Administration, 3(7), 363-382.*

*Okoth, G., & Miroga, J. (2023). Influence of Grand Strategies on Performance of Manufacturing Firms in Nairobi County, Kenya. International Journal of Research and Review, 10(5), 425-448.*

*Oladimeji, M. S., & Udosen, I. (2019). The Effect of Diversification Strategies on Organization Performance. Journal of Competitiveness, 11(4), 120-131.*

*Ongeri, R., Magutu, P., & Litondo, K. (2020). The business process re-engineering strategy: it's impact on the performance of companies manufacturing food in kenya. European Journal of Business Management and Research, 5(5). https://doi.org/10.24018/ejbmr.2020.5.5.576*

*United Nations Conference on Trade and Development [UNACTAD]. (2023). Technolog and Innovation Report: Opening Green Windows, Technological Opportunities for a Low-carbon World. United Nations.*

*Zahidi, S. (2023). The Global Risks Report. World Economic Forum.*

*Zikmund, W. G., Barry, B. J., Jon, C. C., & Mitch, G. (2013). Business Research Methods. Cengage Learning.*