# MARKETING STRATEGIES, FIRM CHARACTERISTICS, CUSTOMER PERCEPTION AND PERFORMANCE OF FOOD AND BEVERAGE PROCESSING COMPANIES IN KENYA

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## DECLARATION

This thesis is my original work and has never been presented wholly or in part to any other university for any award.

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# DEDICATION

This thesis is dedicated to my family with love and gratitude.

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I wish to acknowledge God for his unfailing love and provision. Special thanks go to my University Supervisors, Prof. Francis Kibera, Dr. Raymond Musyoka and Prof. Mary Kinoti for their guidance, invaluable advice and support during the entire process. To my family, I express my appreciation for your support, encouragement and prayers throughout the period. I wish you God's blessings. Most importantly, I thank God for his immense grace and for financial and physical provision during the entire period.

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## ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **AIDA** | **:** Attention, Interest, Desire, Action |
| **ANOVA** | **:** Analysis of Variance |
| **BOP** | **:** Bottom of the Pyramid |
| **CL** | **:** Customer Loyalty |
| **CP** | **:** Customer Perception |
| **CS** | **:** Customer Satisfaction |
| **CV** | **:** Coefficient of Variation |
| **CWAR** | **:** Central and West African Region |
| **DAGMAR** | **:** Defining Advertising Goals to Measure Advertising Results |
| **EAC** | **:** East Africa Community |
| **ES** | **:** Employee Satisfaction |
| **FBS** | **:** Food and Beverage Sector |
| **FC** | **:** Firm Characteristics |
| **FKE** | **:** Federation of Kenyan Employers |
| **FMCG** | **:** Fast Moving Consumer Goods |
| **FP** | **:** Firm Performance |
| **GDP** | **:** Gross Domestic Product |
| **HUL** | **:** Hindustan Unilever Limited |
| **ICT** | **:** Information, Communication Technology |
| **KAM** | **:** Kenya Association of Manufacturers |
| **KEBS** | : Kenya Bureau of Standards |
| **KEPSA** | **:** Kenya Private Sector Alliance |
| **LDCs** | **:** Less Developed Countries |
| **MMS** | **:** Marketing Mix Strategies |
| **MS** | **:** Marketing Strategies |
| **RBV** | **:** Resource Based View |
| **ROA** | **:** Return on Assets |
| **SD** | **:** Standard Deviation |
| **SM** | **:** Market Share |

**SPSS** **:** Statistical Package for Social Sciences

**VAT** **:** Value Added Tax

**VIF** **:** Variance Inflation Factor

## ABSTRACT

This study investigated the influence of marketing strategies, firm characteristics and Customer perception on firm performance of Food and Beverage processing Companies in Kenya. The research objectives were to establish the influence of marketing strategies on firm performance; determine the effect firm characteristics on the relationship between Marketing strategies and firm performance; assess the influence of Customer perception on the relationship between Marketing strategies and firm performance and to determine the joint effect of Marketing strategies, firm characteristics and Customer perception on firm performance. The study used descriptive cross sectional survey method. Two sets of groups were used as population for this study within the Food and Beverage subsector in Kenya. A census survey was contacted for the first group of population of the study. This comprised 71 companies. Group two category of population comprised direct Business Customers in the subsector and consisted of organizational buyers of Food and Beverage products trading directly with the manufacturers. A simple random sampling procedure was used for group two category of population and a sample of 71 was selected for this study. Descriptive statistics and inferential statistics were used to analyze the data. The study had a response rate of 64 (90%) from each group. The results revealed a positive and statistically significant relationship between Marketing Strategies and firm performance; Firm characteristics revealed a positive and statistically insignificant moderating effect in the relationship between Marketing Strategies and firm performance; Customer perception revealed a positive and significant effect in the relationship between Marketing Strategies and firm performance; the joint effect of Marketing Strategies, Firm characteristics and Customer Perception on firm performance was positive and statistically significant ($R^2$= 0.138,F = 3.192,p < 0.05). . This study has made significant contribution to marketing theory, policy and practice in relation to marketing in general to the extent that it has made recommendations and offered suggestions on areas of future research. It has offered more explicit clarification into the relationship between marketing strategies, firm characteristics, customer perception and firm performance. It was recommended for policy makers to push for legislation aimed at low interest rates for startup firms, reduced tax on essential processed commodities and subsidized inputs through Government interventions. The study recommends support of these firms by offering marketing management skills and capabilities through leadership and management development by the management of the sector. However, the study had its share of limitations. Only top level management was targeted and other employees were left out. The study was also done in food and beverage processing firms. There is a need to conduct the study in a different context in the manufacturing industry. The use of subjective performance measures and use of cross sectional research design may limit generalization of the study results. Use of multiple informant approach, use of other players in the manufacturing industry, inclusion of other study variables and use of a longitudinal study design, may enrich the field of marketing. Replication of this study by examining the relationship between Marketing Strategies, Firm characteristics and Customer perception could serve as a basis for future research.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Strategic marketing is a broad area in the marketing management discipline and revolves around four key major strategic marketing components commonly referred to in marketing literature as marketing mix elements which include; product, price, place and promotion. Strategic makers and marketing managers use these elements in their efforts to satisfy customer requirements and attain organizational goals (McCarthy, 1971). Kotler and Armstrong (2001) in their book on marketing principles allude that the entire firm's marketing mix endeavors should 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).

Firm characteristics contribute to a large extent the overall firm performance. Studies indicate that aligning firm attributes with the environmental characteristics is a capability that can enhance exemporary performance in any industry (Dean, 2000). Existing literatures suggests firm size, age, capital intensity and market intensity of a firm as some of the characteristics of a firm that have an effect on firm performance (Maina, 2012).Perception which is a process of giving meaning to a person's sensory impressions by interpreting them changes customer buying decision either positively or negatively (Slater, 1990).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.

Strategic marketing theories, Resource Based theory or view (RBV), perception theory and the stakeholder theory guided this study and it focused on manufacturing sector in Kenya. Strategic Marketing theories concern principles and processes which guide product designing and development, pricing, promotion and distributing to meet buyer requirements (Greenley, 2007). These theories are amalgamation of theories including; product life cycle theory, new product development theory, communication theories, channel theories, price skimming theory, penetration and competitor pricing theories among others. Resource based view asserts that firms possess resources, unit that is a panacea to competitive advantage in the industry and leads to high performance. Perception theory concerns with the consequence of a behavior caused by the attitude toward the same and is as a result of subjective norm and behavioral control (Ajzen, 1971). Stakeholder view concerns the interested groups in company activities.

The manufacturing sector in Kenya which has been deemed to be critical in wealth and job creation as explained in Kenya strategic vision 2030 blue print formed the basis of the current research. The sector aims at improving Kenyan Gross Domestic Product (GDP) by ten per cent per annum as envisaged in the Kenya Vision 2030.A well thriving manufacturing sector is critical in job creation, contribution to the Country's GDP, supports upcoming small and medium enterprise (SMEs) and improves countries balance of payment (World Bank, 2018).This sector is widely considered to be the major driver of Africa's development agenda (KPMG, 2014). 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. In view of these critical roles the sector plays, the researcher was determined to do this research in order to establish whether marketing strategies adopted influences the performance of food and beverage processing companies in Kenya and how both Firm characteristics and customer perception affect this relationship.

### 1.1.1 Marketing Strategies

Marketing strategies are concerned with management of traditional 4Ps of marketing namely; product, price, place and promotion (Morgan,2009). Changing customer requirements 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 product and service benefits to potential customers in order to be competitive in an industry(McKee, 2002).

Product and services distribution play a critical role in value addition functions regarding the end users in the market (Bucklin & Lewis, 2004).Establishment of effective and efficient relationships with the channel members has been recognized as a critical marketing function (Weitz, 2005). 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 marketing strategies and firm performance correlation is very important for the purposes of continued growth of their firms.

### 1.1.2 Firm Characteristics

A company's unique internal features commonly referred to as firm characteristic have the ability to influence the performance of the firm either positively or negatively. The firms' capabilities and constraints largely influence the nature and type of its marketing efforts and consequently the ability to implement a chosen strategy. Internal characteristics determine firm performance and more specifically, human asset can influence its ability to internally generate new ideas and products/services (Anderson & Loof, 2009).

Barney (1991) asserts that firm's capabilities and heterogeneous resources determine its competitive advantage as explained in the resource based view (RBV). In view of this argument therefore, it is evident that internal characteristics of a firms explains its performance. In this study, firm characteristics consist of internal factors which include: structure, capital and market related characteristics which are assumed to influence the choice of marketing strategies and firm performance. Structure-related firm features include company size and age. The firm size which is measured in relation to number of workers in a firm, total net worth and the number of branches, is one of the most acknowledged determinants of a firms' profitability. Ural (2006) explains that, comparably in terms of efficiency, bigger firms are better than smaller ones. On the other hand firm's dynamics is influenced by company's age. The age of a firm is established through examining the period of operation since its inception it terms of years. Dynamism and volatility in growth experience is evident within young companies as compared to more mature companies according to the life cycle effect (Rajh, 2009).

The company's ability to upgrade its productive capacity and its commitment to technological buildup overtime represents capital intensity. For a company to sustain its growth and competitive trajectory, capital investment is a priority (Ghosal, 2009).Marketing expenditures to sales ratio represents the notion of marketing intensity and it is often used to describe company’s marketing efforts. Expenditure towards marketing efforts are aimed at growing market penetration through new products development and diversification eventually increasing the product usage by the existing and prospective buyers focusing on sales maximization as well as achieving higher market leadership (Rajh, 2009).

### 1.1.3 Customer Perception

Perception is a process of bringing a consistent and unified view of the world around us by translating human sensory impressions. It is the ability to derive meaning. Consumers process product attribute or their experiences through psychological processes into summary forms such as attitudes or perceptions that influence their purchase behavior. An attitude is a mental pre-position which relates to how one thinks or how he/she leans towards what they believe in. Anything that affects one’s emotion does have an effect on his or her attitudes towards the object (Ndungu, 2013).

The concept of perception is of concern to marketers because, although often based on fragmented, unproved and unreliable data, it is the truth and it generally determines human interactions such that actions depend on what it is consumers believe to be. Customers develop expectations depending on how they perceive attributes and base decisions on the perceptions rather than on the basis of objective reality (Schiffman & Kanuk, 2010). Perceptions are lasting but changeable and therefore marketers aim to match customer expectations as much as possible so as to enhance satisfaction. However, it is necessary to manage customer expectations by educating them about the firm and the related product. This is because customers can be disappointed if expectations are raised too high or discouraged from buying if expectations are too low (Kotler & Keller, 2012).This study surveyed customer perceptions through three constructs, namely perceived quality, perceived sacrifice and perceived risk. These were deemed to influence customer purchasing behavior and thereby impact on firm performance.

### 1.1.4 Firm Performance

The performance of a firm is mostly the ultimate dependent variable of concern for many researchers focusing on business management areas as a measure of evaluating operational effectiveness of an entity. Porter (1985) argues that the quality of products and its share in the market as a company performance measure have elicited a lot of interest. Measures of financial performance that many companies use include sales and profitability, return on assets (ROA) and stock returns (Sullivan, Abela & Hutchison, 2007).

Kaplan and Norton (1996) assert that although useful during the industrial era, with the current business trends, these measures are no longer viable. Balanced scorecard advanced by Kaplan and Norton (1992) measure company performance on the basis of four critical perspectives. The notion of organizational performance is supported by the stakeholder's theory as explained by Kaplan and Norton (1992) in their concept of balanced and sustainable scorecard. The concept postulates that firm performance has four aspects namely financial, customer, internal business process, and learning and growth perspectives respectively. On the other hand, sustainable balanced scorecard has additional non-market performance indicators that measure societal and environmental aspects of an organization.

Financial and non-financial performance indicators play an important role in assessing organizational performance. Waterhouse and Svendsen (1998) argue that financial measures are inadequate for decision making and need to be supplemented by non-financial measures such as customer satisfaction and operational efficiency. Organizational performance is a function of the environment within which it exists, its capabilities and its motivations. Each organization sets goals, formulates plans and develops strategies and tactics aimed at good performance of the organization. Nevertheless, what constitutes good performance of an organization depends on each group of stakeholders and the nature of the organization. This concept of financial and non-financial measures can be an effective indicator of organizational performance by way of classified interrelated performance indicators hinged on those card perspectives (Isoraite, 2005). In this study organizational performance was measured by both financial and non-financial performance indicators.

### 1.1.5 Food and Beverage Processing Companies in Kenya

Manufacturing industry has registered a tremendous growth in the recent past in Kenya. The industry contributes significantly to job creation and hence alleviates unemployment. It employed more than 266400 people in 2014 out of which 34 % were in Food and Beverage Sector (FBS) (World Bank, 2018).The number is believed to have grown over the last five years. Its contribution to Kenyan GDP is about nine percent and over two million jobs per annum (KAM, 2018). The success of this sector is important due to its critical role in adding value to agricultural products and therefore its undisputed contribution to Kenya's Gross Domestic Product (GDP).

Food and beverage products play a critical role in this sector, especially because of their basic requirement by all citizens. Firms in this category deal with alcoholic drinks, flour millers, sugar confectionery, dairy Products, Juices, waters, soft drinks among others. Over eighty per cent (80%) of the companies in this sector are locate within Nairobi region and bulk of the rest are spread across other major cities and towns. These towns include; Mombasa, Kisumu, Nakuru, Machakos and Thika. They are further categorized as regions including coast region, western region, Rift valley, eastern and central Kenya regions (KAM., 2017).

There is increasing efforts by companies dealing with processed foods and beverages leading to stiff competition among brands (Yabs, 2007). Because of this stiff competition especially in Nairobi, prices are determined by prevailing regional market prices and may not reflect transport costs (Kirimi, 2011). Emerging challenges have come by way of legislation such as the VAT Act 2013 that has moved milling byproducts like in maize and several other commodities from zero rating to the standard VAT rating of 16%. This will increase the cost of these supplies and is likely to affect demand thereby increasing competition (Deloitte, 2011).

With increasing competition among players in the sector, threat of genetically modified foods, direct substitutes from traditional foods and potential imports from Eastern Africa trade partners as trade restrictions ease with the opening up of EAC, local food and beverage firms need to evolve their value propositions in line with customer demands. To do this they need to understand the interplay between the strategic marketing variables, positioning criterion, firm characteristics, customer perception and their implications on firm performance. Such information is also useful to policy makers in the promotion of food processing and enhancement of food security across house hold income spectrums. In addition, food and beverage sector is a key stakeholder that determines the performance of the manufacturing industry in Kenya. However, little research has been done locally in this regard (Mukumbu & Jayne, 2004).

## 1.2 Research Problem

Knowledge of marketing strategies and consumer behavior is critical to the survival of a firm in a competitive environment. Theories that seek to explain and predict how individuals make consumption-related decisions indicate that the evaluation process is influenced by both the consumer's internal psychological fields such as attitudes or perceptions and cues from the firm and other external sources. Consumer behavior theories include attitude formation, consumer learning and motivation, perception among others (Schiffman & Kanuk, 2010). Among the main propositions of these theories is that consumers form pre-consumption expectations and compare this to observed product characteristics to form a purchase decision (Boone et al., 2001). However, consumers are likely to evaluate their pre-purchase decision at the product level. Furthermore evaluation of a purchase decision at product level gives suppliers greater specificity in analyzing perceptual cues and physical stimuli that customers experience towards a product or service because the nature of physical stimuli either intrinsic or extrinsic tend to influence the degree of perception (Jaafar, 2010).

Firms in competitive markets place high priority in their resources and objectives summarized as firm characteristics, with a view to improve overall performance, including market share and profitability. Substantial empirical literature supports the fact that firm characteristics and better understanding of marketing strategies have a correlation with the performance of a firm. Marketing mix also known as 4P's forms a major driver of any company's strategy. Companies need to design marketing mix to cater for their market segment needs (Jha, 2012).Marketers need to position their products different from competitors' and give them the greatest strategic advantage in their target markets. This is because the level of firm performance tends to be positively related to its characteristics and the marketing strategies adopted (Ronald, 2010). Customer perception in contrast tends to impact on the marketing strategies and firm performance relationship. Strategic marketing variables include product, price, place and distribution strategies. Unique firm attributes comprise; structure related attributes, market related attributes and capital related attributes. Firm structure related dimensions comprise size of the firm, firm ownership and the age of the company. The market environment and its uncertainty and the type of the industry form the market related dimensions. Capital intensity and liquidity are the dimensions that relate to Capital (Kisengo, 2014).

The contribution of manufacturing industry in job creation cannot be underestimated. Successful marketing strategies that are likely to influence better performance are critical especially in the Food and Beverage manufacturing sector because of its significance in growth of Kenyan Gross Domestic Product (GDP) and improved welfare of citizens. A vibrant manufacturing sector enhances job and wealth creation, attracts local and international investors and reduces imports (KPMG, 2014).Owing to intense competition,high cost of inputs and sector regulation by the government, firms in this sector strive to be competitive and therefore the understanding of marketing strategies,customer perception and firm characteristics is very critical in improving the performance of this sector.

Despite much research on performance of Food and beverage firms,studies are disjointed and conflicting regarding the key measurement variables. Adescriptive study conducted in Newzealand on food and beverage sector (NZTR Institute, 2007) focused only on trends and opportunities geared towards industry growth and no variables were on consideration to investigate their relationship with firm performance. The study concluded that competitiveness, cost of inputs and regulatory framework are an impediment to the sector growth. In his study of the relationship between income and purchase pattern in India, Jha (2012) established that there is a correlation between income and purchasing patterns and recommended that, marketers need to be very innovative with the marketing mix elements in shaping the product, price, promotion and distribution network because these strategies adopted have an influence on the performance of the firm. A study on the relationship between cost and sales of Nestlé's single serve in Cameroon (Jaiswal, 2008) concluded that low cost strategy for milk resulted in product better sales performance. This researcher's focus was strategies relating to the product, price and distribution and none of them considered how marketing strategies relate to firm performance. In a different research on the effects of firm characteristics on company profitability of listed consumer good in

Nigeria, it was concluded that firm characteristics affect company profitability (Dioha, Mohammed, & Okpanachi, 2018). This researcher's focus was only on firm characteristics and company profits.

Empirical studies have pointed to the importance of firm performance and its influencing factors. A descriptive cross-sectional study by Hendricks (2000)  in Canada to establish the relationship between financial performance and firm attributes like the firm size, capital intensity and the extent to which a firm diversifies concluded to the affirmative that smaller firm, less capital intensive firms do better financially and are highly diversified. This study focused on firm characteristics and financial performance only in Canada a quite different environment from Kenya. In a related study in Kenya to find out the correlation between firm characteristics and firm performance of Micro financial institutions in Nakuru Kenya, Kisengo et al (2014) found out that capital and market related firm characteristics have significant direct effect on organizational performance.

Several studies have concluded that, diverse customers have unique expectations in respect to the product image. Barki et al (2014) states that low quality and poor services aggravate inferiority complex among low income groups. They concluded by stating that, product quality and price influence how a consumer perceives the product and/or the company and consequently whether they will purchase the product or not. In the affirmative, a similar study by Ulaga (2001) in South Africa established that quality, risk and sacrifice perception guide the evaluation of a decision to purchase an offering as it is communicates (positioned) in the customer mind. A study by Tsiotsou (2005) established that perceived quality has a correlation with firm performance. He concluded that repeated purchase is a consequence of high perceived quality and this is the bedrock of any business in any industry. Perception can be influenced by the marketing strategy adopted and how it is positioned in the minds of consumers.

A few studies conducted in Kenya focused on influences of only one variable at a time. In the study of perception of Mobile money transfer users in Kitengela, Munyoki (2010) concluded that perception is influenced by personal factors. Customer attitude towards products is greatly enhanced through perception drivers such as price which greatly determine purchase behavior. In a related study done in Kenya established that customer perception towards hospital employees had a significant positive association with firm performance of Karen hospital in Nairobi (Maina , 2017). In contrast, a study done in Kenya to establish the mediating effect of marketing practices on the market orientation and firm performance relationship in tour firms established a partial mediation of marketing strategies (Njeru & Kibera, 2016)

Many of these studies have been done outside Kenya under different environments and business models and have mostly focused on one or two variables. As such, there is existence of a knowledge gap in relation to the context of study, and nature and extent of variables studied. The current study therefore endeavored to use an integrated approach that brings together marketing strategies, firm characteristics and customer perception in the assessment of firm performance. The research endeavored to empirically address the question: What is the influence of marketing strategies, firm characteristics and customer perception on firm performance of Food and Beverage processing Companies in Kenya?

## 1.3 Research Objectives

The general objective of this study was to determine the effects of marketing strategies, firm characteristics and customer perception on firm performance of Food and Beverage processing companies in Kenya. The specific objectives were to;

i. Establish the influence of marketing strategies on firm performance
ii. Determine the effect of firm characteristics on the relationship between marketing strategies and firm performance.
iii. Assess the influence of customer perception on the relationship between marketing strategies and firm performance.
iv. Determine the joint effect of marketing strategies, firm characteristics and customer perception on firm performance.

## 1.4 Value of the Study

The current research greatly contributes to marketing theory, policy-making and managerial practices. The results will provide a framework that links marketing strategies, firm characteristics, consumer perception and firm performance. Theoretically, to the theory of strategic marketing, the study adds one variable: customer perception as an

intervening variable that influence the performance of firms. The research findings will help firms understand the significance of marketing strategies to business and the relative influence of company attributes and customer perception on firm performance. With the research drawing from best practices in marketing strategies and customer perception from all over the world but focusing the field research to firms in Kenya, it therefore sheds light on the dynamics of marketing strategies within a context not previously studied locally.
The results of the current research could be used by policy makers especially to recommend the best marketing strategies and practices for adoption in order to realize enhanced company performance in Food and beverage sector in Kenya. In addition, these results will be useful to Government agencies, departments and other manufacturing industry players in policy formulation, implementation and recognition of the significance of better marketing strategies as a strategy mechanism for enhanced company performance (Deloitte, 2011). Policy makers will get to better understand the various variables that influence purchase decisions of these food and beverage products. Furthermore, marketers and entrepreneurs get to better understand the role played by customer perception.

The study contributes to managerial practice as senior managers and executives are expected to better understand the role that their policies, actions and activities play in shaping marketing practices and hence firm performance. This study helps practicing company managers to formulate effective marketing programs, catchy positioning criteria and be in a position to understand the critical behaviors of consumers for effective performance not only in Food and beverage sector but also other related companies in the manufacturing sector. This way they are better informed on how to manage customer perception so that the intended impacts of marketing strategies are realized. This understanding will make such companies competitive in the industry which has of late become the backbone of economic growth in Kenya and one of the critical pillars of the current Government.

While this study has confirmed the significance of strategic marketing dimensions as critical drivers of performance, the success of the sector cannot be pegged on short term interventions like costs management or improved service delivery in operations but long term focus on innovativeness in products, services and processes and cleaving for excellence in comparison with competitors not only in the local stage but also globally.

### 1.5 Organization of the Thesis

The current research is grouped in five areas or sections. The first section has presented to the leader the conceptual background on marketing strategies, Firm characteristics, customer perception and firm performance. It further presents a contextual background on manufacturing companies in Kenya. Further, the section details the research problem as well as an outline of the objectives of the research. It closes with the suggested significance or value of the study. Chapter two details relevant literature search pertinent to current research objectives and the research question. More specifically, the chapter explains the theoretical perspective of strategic marketing; Resource based theory, perception theory and the stakeholder view of firm performance. Literature review regarding key variables of study; marketing strategies, firm characteristics, customer perception and firm performance is presented in the chapter. The chapter identifies research gaps that the researcher sought to fill with this study. The section concludes with a presentation of conceptual framework for the study and the corresponding hypotheses tested.

Chapter three describes the researchers' methodology adopted for the research. The chapter details the research methodology applicable in this research in relation to; research design, population, data collection process, questionnaire design and pretest procedures. The chapter further presents the philosophy guiding the study, operationalization of research variables, reliability and validity tests and an assessment of common methods of variance. Data analysis procedure and techniques are discussed at the end of this chapter. Chapter four of this study presented the data analysis results. Data were analyzed based on internal consistency, descriptive and inferential statistics. This enabled the researcher to carry out correlation and regression testing using regression models in order to determine influences of the predictor variables on the depended variable. Finally, the summary of research findings under each specific objective of the research, the conclusions and recommendations of this research were presented in chapter five.

## 1.6 Chapter summary

Chapter one of this research thesis focused on the study background; it gave a description of important research variables; and summarized the information about the manufacturing industry in Kenya. This section also describes the research problem, study objectives, value of the study and summarized the organization of the thesis. The preceding chapter focuses on relevant literature search where the theoretical basis of the study and the empirical literature reviews are described. The conceptual framework and the hypotheses of this study are also reviewed in chapter two.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1. Introduction

This section of the thesis encompasses the relevant theory and relevant empirical research pertinent to this study. More specifically, strategic marketing theory, perception theory, Resource Based view (RBV) and the stakeholder theory of firm performance are discussed. In addition, the relationships between marketing strategies; firm characteristics and consumer perception; and how they influence firm performance are reviewed. The chapter concludes by presenting studies that highlight the pertinent knowledge gaps in a summarized format. The conceptual framework and corresponding hypotheses which were used to address the knowledge gaps are also included.

## 2.2. Theoretical Foundation of the Study

Theories that form the basis of this research are presented in this part. Various theories support the interrelationship among key study variables of this research. These theories include the broad strategic marketing theory, resource based view (RBV), perception theory and stakeholder theory. While the strategic marketing theory focuses on the broad marketing function, the RBV focuses on the internal firm characteristics of a firm. On the other hand, perception theory draws much from consumer behavior. Past studies have suggested the contribution of these theories to the performance of firms and therefore their relevance to this study.

### 2.2.1. Strategic Marketing Theory

This study is anchored on strategic marketing theory. According to McCarthy (1971) the theory comprises four elements; product strategies, price strategies, place strategies and promotion strategies which marketers use to meet buyer expectations and consequently achieve firm long term strategic objectives. These elements popularly known as four Ps are the major marketing strategy factors that companies must use and adopt a combination that meets their market requirements (Jha, 2012). Designing of marketing strategies require transformation of resources available in a manner geared towards attaining firms’ strategic goals.

Well intertwined arrangement of human skills and knowledge which are well ingrained as part of company regular activities for a long time enable a company to have capabilities and hence perform well relative to rivals. The available company capabilities configure firms' available resources by joining them together and modifying them in to new and diverse ways to meet the needs and the requirements of the company stakeholders in changing business environment (Morgan, 2012). Strategic marketing theory is an amalgamation of theories relating to specific marketing strategy elements;product, price,place and communication theories.

#### 2.2.1.1.Product Theory

Different authors have defined product in diverse descriptions. Kotler et al (2011) for instance gives his version as anything to be availed to the target users to create awareness, to purchase and finally to use it. Others like Theodore Levitt (1980) in his article titled marketing success through differentiation of anything describes a product as a combination of tangibles and intangibles and advanced the idea of the total product. According to him a product comprises a physical element, expected, augmented and the potential element. On the other hand Webstar (1994) explains that a product is just a buddle of benefits that a company presents to users to satisfy their requirements.

Theories that advance the notion of product as a critical marketing mix element are bountiful. Among them is product life cycle theory, new product development theory, product adoption and diffusion theory, product branding theory, product packing theory among others. Product life cycle theory was first introduced by Raymond Vernon to describe characteristics of international trade and it details the stages that every product or service undergoes during its life cycle (Hill, 2007). 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 portfolio for continued business success. The theory documents critical stages that new product development process takes that culminate in to a new product delivered to the customers.

Product adoption and diffusion theory was advanced by Rogers (1962). 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.

#### 2.2.1.2. Price Theory

Theories that seek to explain price determination advocate the critical role of price as a strategic factor in the marketing mix. Literature points to the fact that price decisions are most significant in the marketing mix elements. 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. The distinct relationship between these performance indicators and the pricing strategies require an accurate estimator and hence the need for such a study.

#### 2.2.1.3. Place (Distribution) Theory

Distribution function in marketing theory concerns provision or movement of goods and services. This provision should be specific in terms of; the right time, right place and right quantity at the minimal cost possible. Literature has advanced studies in this area 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.

The behavioral approach of this theory is a sociological philosophy that concerns channel power, cooperation, channel satisfaction as well as channel conflict. The former approach needs specific strategic decisions to determine the type of intermediaries, the intensity of distribution and the kind of distribution. Subsequent studies on channel theory have concentrated on management issues surrounding the relationships among variables such as channel power, conflict, satisfaction and channel performance in different industries. 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).

#### 2.2.1.4. Promotion Theory

Marketing communications theorists whose work is commonly cited in marketing literature define communication as an interpersonal communication practice that is mediated and made to produce cognitive as well as affective or behavioral results to a particular audience either internally or externally to the organization. Efforts by diverse researchers have resulted to an integrated marketing communication theory commonly referred to as contemporary marketing communication theory. Buttle (1995) 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. Figure 2.1 depicts the marketing communication process.

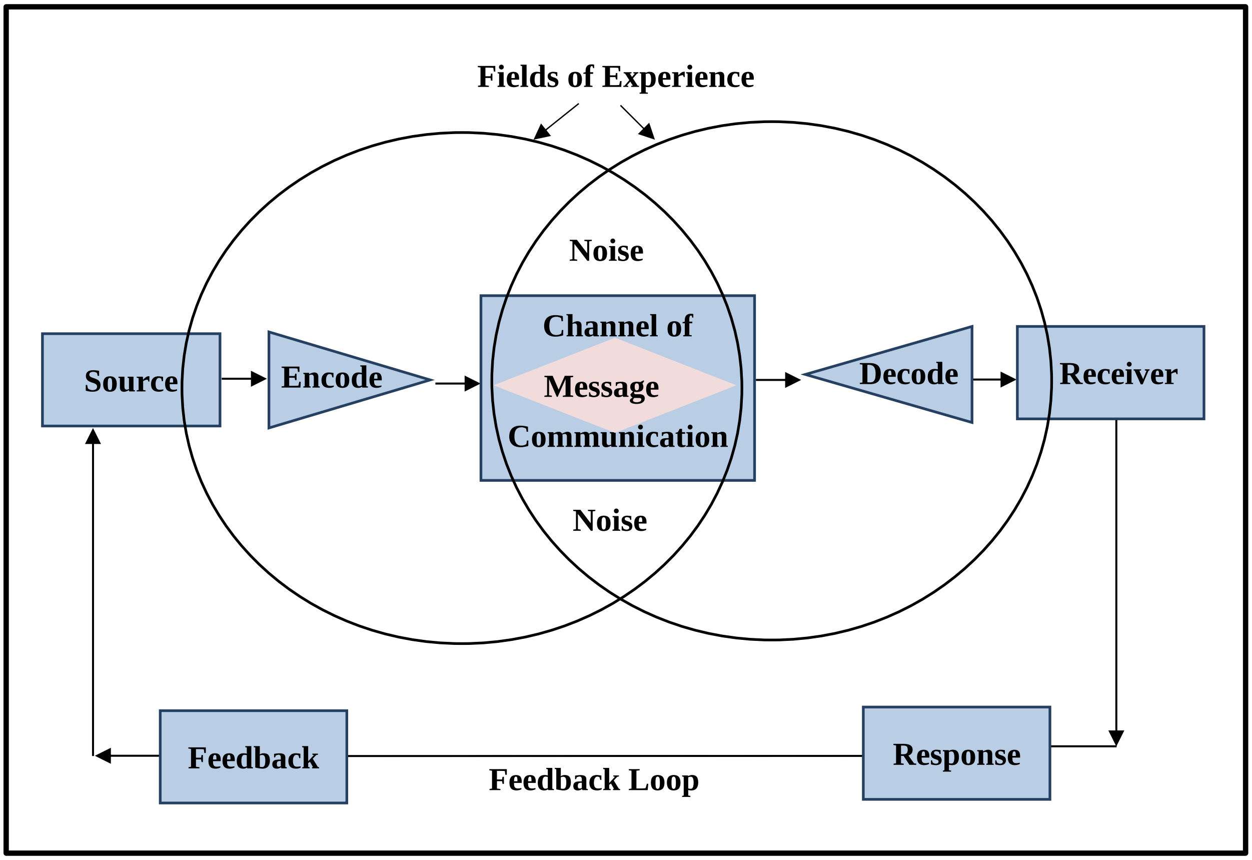



**Figure 2.1.Marketing Communication Model**

**Sources: Buttle, 1995**.

Communications in marketing comprises a set of interpersonal coordinated practices commonly referred to as communication mix namely; advertising, personal selling, sales promotion, direct marketing and publicity or public relations. Literature has suggested various models that are effectively applicable in actualizing these communication practices. These models include among others, AIDA and DAGMAR models. The former was first advanced by Elmo Lewis in 1900 and focuses on one of the communication mix, personal selling with stages of creating attraction and attention, maintain customer interest, creating customer desire and finally getting the customer to act through completing a sale. AIDA model describes a series of steps to actualize personal selling function of communication. If effectively implemented will enhance the overall goal of marketing communication and hence firm performance.

The later model (DAGMAR) proposed by Russell (1961) focuses on another communication mix element; advertising. It is an acronym of an inspirational statement that seeks to state the company advertising goals to achieve some predetermined advertising objectives (Fill & Jamieson, 2014). The model emphasizes on advertising goals but not the results of advertising. Realization of advertising goals could effectively result in attaining long term organizational advertising objectives which may include competiveness in the industry as well as enhanced profits.

### 2.2.2. Resource Based View (RBV)

This theory, commonly referred to as Resource Based View focuses on resource base capacity of a firm as a key competitive priority. Resource based capability is the availability of unique capabilities which competing firms lack over long period of time (Barney , 2002). According to this theory, internal resources and capabilities can enable firms implement strategies that make use of these capabilities to create value to their products and services and consequently generate a competitive advantage against their rivals and superior financial performance (Wernerfelt, 1984).

Hatch (2004)argued that, resource inimitability,durability,substitutability,and competitive superiority is a measure of a resource value to an organisation.Internal resources of a firm complising financial, human capital like; training, judgement, management experience, relationships and manager insight are critical for industry compettiveness and superior firm performance. The value of these resources and capabilities must be non-replicable and non-substitutable by the rivals for the firm to sustain its competitive advantage (Hatch, 2004).This theory was useful in this study because it enabled the researcher distinctly understand the inter-relationship between firm characteristics and firm performance.

### 2.2.3. Perception Theory

Perception theory postulates that, behavioral intentions are formed as a result of the attitude towards the behavior, the subjective norm, and perception of behavior. It further explains that behavioral intentions drive individual's behavior subject to individual attitudes in relation to the attributes and the abstract criterion surrounding the performance of the said behavior. It is the entire process through which individuals become aware of their environment and interpreting it into their frame of reference (Walters & Bergeil, 1989). According to this theory, the magnitude of the drive of an individual to accomplish the behavior is depended upon the level of attitude, subjective norm and perception control. Customers examine their intention with the real performance of the products or service they buy. Perception theory is relevant in this research in determining how external marketing functions configure a buyers' requirements and expectations leading to a purchase decision. In regard to this knowledge, companies should focus on maximizing buyer satisfaction through managing their expectations by use of appropriately blended strategic marketing mix variables combined with a good positioning strategy (Ajzen, 1971).

### 2.2.4. The Stakeholder Theory

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 speak to the fundamentals of whom or what really matters. 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. Philips (2003) asserts that for a firm to enhance value proposition always, it must objectively meet competing broad based stakeholder interests.

Managers need to map and prioritize the interests and expectations of all stakeholders in order to maximize their unique utilities and goals. Financial and non-financial measures of performance form the dependent variable of this study and stakeholders of interest include employees, customers and management whose levels of satisfaction will be determined by the extent of the performance. This study was anchored on the integration of stakeholder theory, RBV, strategic marketing theory and perception theory as the overarching theoretical foundation to explain the link between marketing strategies, firm characteristics, customer perception and performance of firms in relation to Food and Beverage processing firms in Kenya.

## 2.3 Marketing Strategies and Firm Performance

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 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 have been suggested to have a positive influence on performance of firms (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 similar study by Oke  (2015) in Nigeria focusing on financial services established a positive results of improved performance. He concluded that efficient blend of strategic marketing mix elements gives an assurance of enhanced performance in service, sector financial institutions included. In Kenya, research by Karanja et al (2014) shows a statistically significant relationship between marketing efforts and Mobile service provider intermediary companies. Another related study in Kenya by Arasa et al (2014) indicated a strong, significant 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. The current study had hypothesized that marketing strategies had an influence on the performance of food and beverage processing firms in Kenya.

## 2.4 Marketing Strategies, Firm Characteristics and Firm Performance

Organizations engaged in developing marketing strategies that consistent with specific environmental situations of their segments have a higher chance of success in tapping the available opportunities in competitive business environments. Mridanish (2006)asserts that to influence high volume business in any given sector, innovations in product designing and adaption, packaging, pricing and distribution or any mix of the above is critical.

Firm characteristics are critical elements in determining the overall firm performance. A research finding by Wiklund (2005) suggests that better alignment of firm attributes with dynamic environmental factor by firms results in exemplary performance and success. Several studies have exhibited positive results in the relationship between firm size and profit margins. Bigger firms are associated with efficiency, market power and access to capital markets, access to investment opportunities and achieving economies of scale compared to smaller firms. Usman et al (2011) explored the relationship between firm size and sales volumes in Sweden and his findings were to the affirmative that growth in sales was much higher in bigger firms in comparison with small firms.

Kristiansen et al (2003) explains that a company's age determines its operational dynamism and volatility in its growth experience. On the other hand, firm's age influences its growth, its failure and its variability to grow. The emergence of such firms is very often based on some innovations. Firm maturity is often characterized by stability in growth, knowledge about their market positioning, cost structures and efficiency levels; their strategy is not depended on profit outcomes, and their investment plans are intact. The duration of time a company has operated is significantly associated with company growth and success.

Several studies indicate that one of the factors influencing firm's profits is its capital intensity. Capital is material wealth in the form of resources that can be used to generate economic wealth obtained either internally or externally. It is evident that at industry level, high financial performance can be attributed to capital investment intensity contrary to low performance at firm level. It is prudent for companies to remain competitive and maintain sales growth by making capital investment. Sauser (2005) argues that capital investment enhances labor productivity resulting to increased overall productivity and consequently higher profits.

Expenditure associated to marketing efforts focus on enhanced customer product usage as well as attracting new users for the purposes of market penetration, increased sales volumes and eventually greater market share. Kisengo (2014) asserts that by managing customer satisfaction and retention, well thought marketing orientation and advertising and product diversification, companies can improve on their profit levels. Much research done in this area is incoherent in relation to the research variables of concern in this study.

None of these studies sought to investigate the nature of influence that firm characteristics has in the link between marketing strategies and the firm performance. The current study had hypothesized that there exists a significant moderation effects in the link between marketing strategies and firm performance in food and beverage processing Companies in Kenya.

## 2.5. Marketing Strategies, Customer Perception and Firm Performance

The concept of marketing strategies revolves around the interplay among the strategic marketing mix-elements and the influencing variables in the business arena. Therefore, the function of this theory is to make a determination in regard to the nature, directions and weight of the interactions among these strategy elements as well as with the environmental factors. The broad goal of any marketing strategy is four fold; to establish, to build, defend and to maintain its competitive advantage in a given environment. Once this is achieved a company will easily attain its set objectives that can be measured in terms of marketing expenditures, gross earnings, market share and sales volumes. Environmental forces and human behavior influence the effective of marketing efforts (Akinyele, 2010).

Agarwal and Teas (2001) argue that perceived value is the combination of perceived risk, sacrifice and quality as a result of external environmental interactions commonly referred to here as either intrinsic or extrinsic stimulus. Sacrifice relates to costs incurred in purchasing an item in monetary terms while risk concerns the subjective assessments of financial, psychological, physical or functional risks and therefore it is rational for a buyer to consider risks rather than sacrifice (Krause, 2012).

Sweeney et al (1999) state that risk entails longer term losses and so perceived risk explains more better the concept of value perception. Product or service value perception is the worth a product or service has in the mind of the customer. Value perception is what remains after a customer analyses the perceived risk in a product or service and is most often the determining factor on whether a purchase decision is made or not. Subjective perception is unique to customers and require more understanding by marketers but objective perception entails judgments of product features and their functionality comparably and this is not a challenge to marketers (Snoj, Korda, & Mumel, 2004).Perception is a word explained as the aptitude to deduce some connotation. The word has its origin from the word perceive, and it exemplifies a competence of assigning an interpretation to anything that has been sensed by human sensory organs (Sahney, 2010). Perception is therefore a mechanism by which a person describes others' sensory responses to assign some connotations to them. Schiffman (2010) explains that it is a mechanism through which a person screens, constructs, and translate motives into a useful and meaningful impression of the world around. Sensation on the other hand is the capacity of human sensory organs to create an impression of a stimulus. It is an automatic reflexive process which is either directly or immediate through human sensory organs towards an effect within a specific environment. These motivations or stimulus can be anything, an individual, an object or any business situation. In marketing activities, can be a product, a company name, advertising message, packaging or product display in a store. Therefore, impressions are the feedback or backlash of a human sensory organs or human receptors against impetus or stimulant.

Belk (2010) asserts further that the concept of perception has more diverse dimensions. He argues that perception is a complicated mechanism by which humans coordinate information about a stimulant and accord some interpretation to them. The perceptual mechanisms and processes represent a complicated and compelling correlation of three major processes of stimulus choice, assembling and judgment. The individual identifies the stimulant, groups and gives a meaning to the information received from the sensory organs, so as to give an interpretation to the stimulant. Therefore, for instance, if an individual's senses are captured by an improved packaging design of a common brand or product, they capture other stimulants on the new package through sensory organs and then constructs other information about the brand from either internal consciousness and other external information like a dealer name that enables them to draw a conclusion that the package is different but the brand is the former and recognizable. Although human sensory organs will detail variation in design of different colors on the package of the brand, the human intellect functions subjectively and constructs other messages surrounding it, interprets them and gives a final conclusion, a concept here in exemplified as perception (Sahney, 2010).

Hence, as explained in the preceding discussions, sensation has physiological implications while perception goes beyond physiological component to include sociological as well as psychological aspects. Although the perception component begins with sensation, its terminal end is arrived when interpretation and meaning is accorded to the stimuli by mental mechanisms. Although sensation selects items and sections as stimuli, the cognitive mechanisms concerned in perception are able to multiply, reduce or even adjust the varied impressions and messages. Similarly, as all human could be comparable in discerning a particular stimulant, their interpretation processes differ. This implies in essence that human sensation may be the same but their perceptual mechanisms are different (Piacentini & Hamilton, 2013). The reasoning behind this argument is that human sensory organs are relatively similar, but as far as the human mind and the cognitive mechanism is concerned, they are diverse and distinctive. This is an indication that human beings have diverse cognitive abilities and strengths, their environments vary and their psychological mechanisms like needs, motivation, learning, attitudes and values as well as sociological factors like culture, sub-culture and social class are diverse implying that emotion highly unbiased mechanism while perception is greatly  abstract.

Perception is the entire mechanism through which persons become conscious about their situations; give a meaning to that situation in order to comply with their body of insinuations. Parvin ( 2013) states that every form of consciousness requires an individual who gives it a meaning using sensory organs, something, a function, or link which may be referred to as a percept.  He continues to explain that perception happens if sensory receptor receives an impetus via the mind, codes, categorizes and assigns specific meaning to each stimulus, in relation to individual code of inference. An individual code of reference comprises their prior acknowledged circumstances, believes, adored, disapprovals, injustices together with various intellectual interactions whose origin may be anonymous (Pretoria, 2008).

Solomon et al (2006) explains that, the process of perception begins when an individual is exposed to environmental stimuli and the body sensory receptors give a corresponding feedback to the body. He further states that although the sensation could be divulged to diverse motives, an individual sensory organ selectively pick a few at ago. The reason being the limited capability of human sensory organs at any given point in time. After the sensory organs record minimal stimulus, the perception mechanism dominates immediately. The few emotions that are identified are screened, classified and explained to give a meaning, a mechanism referred to as perception (Solomon, Askegaard, & Bamossy, 2006).

When this mechanism of stimuli identification, grouping and according meaning is on, individuals are aided by mental depository or the knowledge that is stored in their long range consciousness, a mechanism in this context referred to as schema. This schema behaves like a permeation process and aids in identification of the stimulant, then gives meaning and group them. All the activities done by the human brain are performed on the ground of perceiver's behavior as well as the environmental attributes surrounding the perceiver. Parvin (2013) asserts that the perceiver attributes are behavioral and complies among others with motivation, learning, involvement, personality, culture, knowledge, believes and attitudes. The summation of all these variables acts as the grounds for the schema and assembled or combined influence the perception mechanism (Parvin, 2013). The environmental attributes that influence that mechanism most are location of the perceiver and time period.

Sahney (2010) explains that human beings have diverse ways of discerning reason being because of their unique personal attributes as well as their diverse situations and also because of their distinctive perception process taking place through their mind aided by their sensory organs. While individuals may be different in such mechanisms, it is generally acceptable that, the perception process has four main sections; input, perception process, outcomes and attitude. First**,** what go to the perception mechanism is simply the diverse stimulants that are around a human being and are in existent in his surroundings. These may be in different types, for instance, it may be a different individual, an item, place, or just a prevailing circumstance. This mechanism starts immediately the human sensory organs identify stimuli within the surroundings which behave as the input to the perception process. Secondly, perception process complies three sub-mechanisms; identification, grouping and assigning meaning. Immediately it detects stimuli in the surrounding, an individual identifies groups and assigns meaning to it by perception identification, perception grouping and perception meaning. Combined, all these are referred to as perception process. Thirdly**,** the identified input immediately culminates to a final outcome. The outcome as a result of stimulus is in diverse nature. For instance, it may be inform of mood and emotion formation, opinion and feeling and also attitude and belief. Finally**,** the resultant attitude is as a result of the output. Based on the above forms of outcomes humans perform or act a particular behavior. The resultant action becomes a part of and so contemplative of the same mood and emotions, opinions and reactions, in addition to ones beliefs and attitudes (Sahney , 2010).

Munyoki et al (2010) assert that, for a long time, marketing literature has contemplated the major drivers behind buyer purchase decision process. Similarly, the concept of consciousness or perception as well as principles and the functions of motivation (stimulus) have been documented by many researchers. He continues to state that descriptions of natural motivations greatly affect the extent of personal consciousness. Marketing communication activities like loud noise from a promotional event or just objects in a store display could be examples of things that attract personal consciousness. Researchers concur that the human sensors are greatly aroused by phenomenal occurrences, unexpected event or bizarre object in the environment. They continue to argue that individual characteristics amend the influences of diverse natural motivations that affect personal consciousness. In fact, subsequent to all actions of perception there is always an individual's historical past and background. Indeed individual past background is a good basis for a strong mental construct that predisposes an interpretation of a specific perception (Munyoki & Mutua, 2010).

Conclusions from several studies indicate that consumer perception is influenced by extrinsic factors like brand name, country of origin and price (Agarwal & Teas, 2001).Value perception is largely influenced by intrinsic cues which include product physical features and consequently influence the overall perception (Krause, 2012).Literature indicates that perception of products in relation to price and quality is important for explaining firm performance. In their study of perception of low income consumers in Indian, Ulaga et al(2001) concluded that an offering purchase decision is as a result of quality, risk and sacrifice perception evaluation process as the product or service is communicates(positioned) in the customer minds (Ulaga & Chacour, 2001). Munyoki et al (2010) studied consumer perception of mobile money transfer in Kenya and concluded that customers perceive money transfer through mobile services to have improved their living standards. A research focusing on the link between customer perception measures and financial performance in decentralized banking groups in Kenya concluded that there is a strong and positive relationship between customer satisfaction and firm financial performance (Eklop, Hellstrom, Olga, Malova, & Parmler, 2017). None of these studies have attempted to empirically investigate whether perception has any relationship with firm performance. This study had proposed that consumer perception mediates in the relationship between marketing strategies and firm performance of Food and Beverage sector companies in Kenya.

### 2.6. Marketing Strategies, Firm Characteristics, Customer Perception and Firm Performance

Extant literature on marketing strategies has indicated that companies can play around with the four Ps of marketing for better performance. Prahalad and Hammond (2002) explain that HUL's an Indian subsidiary of Unilever Company succeeded with low-priced candy aimed at the low income groups. Mohan et al (2003) explains 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.

Tsiotsou (2006) asserts that 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. Kisengo ( 2014) concludes that 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. 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. A summary of empirical studies together with the respective research gaps is represented in Table 2.1.

**Table 2. 1.Summary of Knowledge gaps**

| Researcher | Focus of the Study | Methodology | Findings | Knowledge Gaps | Focus of Current Study |
|---|---|---|---|---|---|
| Hendricks(2000) | Firm characteristic and financial performance | Descriptive cross sectional Survey using regression model | Firm characteristics have a significant positive effect on performance | Two variables were considered. Was not industry specific and done in Canada | Focus of this study is the effects marketing strategies, firm characteristic, customer perception and firm performance in Kenya |
| Rodoula Tsiotsou (2005) | Perception and satisfaction | Descriptive survey. Content analysis was used to describe the results | Significant relationship between perception and satisfaction | Lack clear relationship between perception and firm performance Study was not focused on a specific industry. | Focus in this paper is to determining the relationship between consumer perception and firm performance |
| Nestle report (2009) | Popularly Positioned Products (PPPs) | Descriptive cross sectional Survey and content analysis | PPPs satisfy four of the five criteria for products (affordability, availability, adaptability, and consumer education | Lack relationships between perception and performance. Carried out in Cameroon BOP in western Africa | Focus is on the relationship between marketing strategies, customer perception, firm characteristics and firm performance. Perception measure, firm characteristic measures and performance measures will be considered |
| Munyoki,J. (2010) | Perception of Mobile money transfer users in Kitengela, Kenya | | Perception is influenced by personal factors | Two variables were considered in telecommunication industry | To determine the mediating effects of perception on the relationship between marketing strategies and firm performance. Focus on Food and beverage sector in Kenya. |

| | | | | | |
|---|---|---|---|---|---|
| Murshid,(2014) | Relationship between perceived value, marketing strategy and satisfaction | Descriptive analysis. Multiple regressions analysis to test hypotheses | Strategies drive perception and satisfaction. Perceived value partially mediates the relationship between marketing mix strategies and satisfaction | Physicians firms in Yemen. The focus is only on strategies and satisfaction. | Focus is on Food and beverage sector in Kenya. There is also focus on the effects of marketing strategies, firm characteristics and customer perception on firm performance |
| Kisengo,(2014) | Firm Characteristics and performance of Microfinance institutions in Nakuru Kenya | Correlation research design | Firm characteristics have a positive impact on performance | Focus on causal relationship. Study was done in Micro financial institutions in Nakuru | To determine the moderating effects of firm characteristics in the relationship between marketing strategies and firm performance |
| Malik,S.U.(2015) | The relationship between price information and willingness to purchase | Descriptive cross sectional Survey using regression model | Price determines the willingness to purchase | Pharmaceutical firms in Yemen. No relationship identified between marketing strategies and consumer willingness to purchase | To determine the intervening effects of customer perception in the relationship between marketing strategies and firm performance |
| Njeru,G.W.,Kibera F.N. ( 2016) | Marketing practices, market orientation and performance of tour firms in Kenya: A mediated approach | Descriptive cross sectional Survey | Marketing practices mediates the relationship between market orientation and firm performance | Focused on tour firms. Focused on the mediation alone | Focus of this study is the effects of marketing strategies, firm characteristic, customer perception and firm performance of beverage processing firms in Kenya |

***(Source; Current Research, 2019)***

## 2.7. Conceptual Framework and Hypotheses

The conceptual framework and hypotheses were advanced from the literature examined and knowledge gaps established in Table 2.1. The study proposes a conceptual framework on the interactions between marketing strategies, firm characteristics, customer perception and firm performance.

### 2.7.1 Conceptual Framework

A conceptualized framework shown in Figure 2.1 depicts the relationships among the study variable; Marketing strategies (as independent variable), firm characteristics (moderating variable), Customer perception (intervening variable) and firm performance (dependent variable).According to the model, firm performance is influenced independently by marketing strategies. Firm characteristics depict a positive moderation influence in the link between marketing strategies and firm performance. Customer perception has a mediation effect in the relationship between marketing strategies and firm performance. Marketing strategies (Independent variable) 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 Royalty, Customer Retention and Employee Retention.

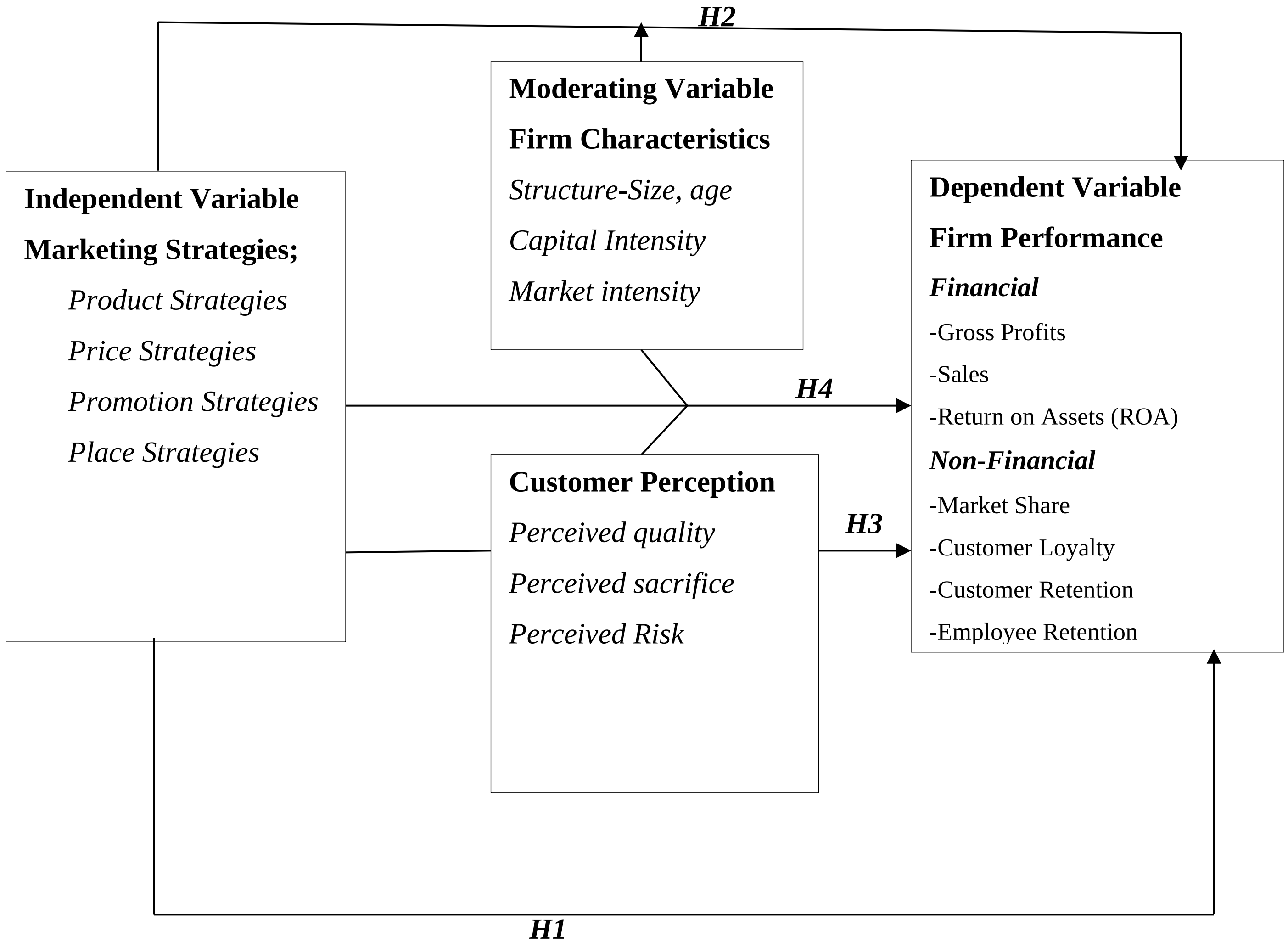



**Figure 2. 2 Conceptual Frame work**

**Source: Current Author, 2019)**

The conceptual model depicted in Figure 2.1 shows that, firm performance is directed influenced by marketing practices. Firm characteristics and Customer perception moderates and mediates respectively the relationship between marketing strategies and firm performance. Marketing strategies as the independent variable of the study comprises; product, price, promotion and place. Firm characteristics is the moderating variable and its dimensions comprise, age, size, capital intensity and market intensity. Customer perception mediates the relationship between marketing strategies and firm performance. Its dimensions include; perceived quality, perceived risk and perceived sacrifice. The dependent variable is firm performance whose dimensions comprise financial indicators (ROA, Gross profits and sale) and non-financial indicators comprising; customer loyalty, Customer retention, employee retention and market share.

Finally the joint relationship of marketing strategies, firm characteristics and customer perception influence firm performance.

### 2.7.2 Conceptual Hypotheses

The following hypotheses were tested in the study:

**H1:** Marketing strategies do not significantly influence firm performance

**H2:** Firm characteristics do not moderate the relationship between marketing strategies and Firm performance

**H3**: Customer perception does not mediate the relationship between marketing strategies and Firm performance

**H4:** The joint effect of marketing strategies, firm characteristics and customer perception on firm performance is not statistically significant.

## 2.8. Chapter summary

Chapter two has presented a review of the pertinent literature relevant to the research problem. More specifically, the chapter explains the theoretical perspective of the strategic marketing, theory of perception, firm characteristics and firm performance. The chapter identifies research gaps that the researcher intents to fill with this study. It concludes by presenting a proposed conceptualized framework for the study and the corresponding pertinent hypotheses to be tested.

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1. Introduction

This chapter presented the research philosophy that guides the study. More specifically the chapter evaluates the relevant research design employed and the study population. Further, data collection methods and instruments used to collect data are discussed in this chapter. Again, an analysis of the operationalization of the study variables is pertinently presented. A description is presented of the reliability and validity of the research instrument to be used and the data analysis methods well explained. The chapter concludes by presenting the key dimensions employed to measure the study variables and their dimensions as well as a summary of the analytical model that guided the data analysis procedure.

## 3.2. Research Philosophy

A researcher guiding philosophy is an anchorage upon which underlying assumptions or predispositions of research are based and is critical to the choice of research methodology (Krauss, 2005). Research philosophies guide how the research should be done and includes positivism, realism, phenomenology, naturalistic, inquiry, humanistic inquiry, ethnographic methods, relativism/constructionist and critical relativism (Hussey & Hussey, 1997).

Positivism assumes the existence of an objective reality external to the researcher and involves precise and concrete empirical observations of individual behavior for the purpose of understanding and explaining phenomena in ways useful in anticipating generic arrangements of human behavior. Positivism is grounded on the preposition of the researcher being independent of the research itself (Ciborra, 1998). It is further based on the concept that human behavior research need to be conducted in a similar way as is done in natural sciences by seeking the facts about a phenomena or basis of social phenomena as Hussey et al (1997) states. In such a criterion, conceptual as well as theoretical models need to be developed that are generalizable to depict causes and effects (Saunders, Lewis, & Thornhill, 2009).

Phenomenology philosophy of research on the other hand is abstract and is based on the assumption that there is existence of diverse natural occurrences that is researchable wholly and where the researcher can only observe. The main focus of this philosophy is the interpretation of sociological occurrences instead of measuring those occurrences and it explores the understanding and explanations about the research concerns underlying the context (Ciborra, 1998). As such the researcher gathers information and perceptions through inductive, qualitative methods. The current study will be guided by a positivistic approach.

The current research espoused the positivistic philosophical approach, a view which is justified by the argument that objectivity is imported to understand how marketing strategies, Firm characteristics and customer perception affects firm performance. This approach has guided the advancement of the descriptive cross sectional design used in this study which accommodates the worth of quantitative approach through a questionnaire. The adoption of this positivistic approach, the researcher aimed at establishing the nature of relationship that underlie the independent, moderating variables, dependent variable, test the formulated hypotheses and make generalization from the research findings. This philosophy represents an investigation that gathers intelligence from a chosen sample through a questionnaire, an approach explained by Kotler (2000) for undertaking research with the aim of understanding people's mind, assumptions, likes and dislikes as well as to determine entire universe perspective. This approach is concerned with theory (hypothesis) testing and was used to test the conceptual model shown in Figure 2.1 and the corresponding hypotheses.

### 3.3. Research Design

Literature contemplates that a research design is a plan, procedure or technique employed by the researcher as a way of responding to the formulated research question (Nachmias & Nachmias, 1996). Creswell (2003) argues that surveys are the frequently used research under the positivism paradigm. A descriptive cross sectional survey design was adopted in this research. The design represents a glimpse at a point in time across a large number of response units. In this regard therefore it is deemed appropriate since it is consisted with positivism approach. This approach accorded the investigator a chance to have a seizure of population characteristic and test hypothesis in a quantitative way as has been proven by William (2003).

Munyoki (2007), Kinoti (2012), Cabrita and Bontis (2008), and Shabarati et al ( 2010) used this design to test hypotheses. Research data collection by use of descriptive design is useful in explaining existence of particular relationships and associations among study factors and assist in modeling relationships (Saunders, et al, 2009).A descriptive cross-sectional research design also facilitates checking for significant associations between variables and make generalizations concerning the target population (Cabrita & Bontis, 2008).

### 3.4. Population of the Study

The population of the current study comprised critical players within the food and beverage subsector in Kenya. A census survey was contacted for the first category of respondents for this study. This first category comprised all food and beverage companies doing business in Kenya which are currently under subscription with Kenya Association of Manufacturers (KAM). The association comprises 15 sectors of which twelve are concerned with food processing and value addition. The remaining three are concerned with industry essential services that enhance formal industry services.

Food and beverage is one of the fifteen sectors. It has seventy one (71) members accounting for about 22%. The sub-sectors comprise soft drinks companies and alcohol and spirits firms, bakers and Millers, sugar confectionery companies and dairy products firms among others. Eighty percent (80%) of the food and beverage companies are located in Nairobi (KAM., 2017). The list of these companies drawn from Kenya Association of Manufacturers 2016 directory is shown in Appendix ii. Data collection focused on each of the seventy one (71) companies concerned with Food and Beverage processing.

The second category comprised direct Business Customers in the subsector comprising organizational buyers of food and beverage products trading directly with the manufacturers. These include distributors, wholesalers, supermarket, and other direct buyer institutions. In assumption of the homogeneity amongst these business customers and with the help of the marketing and sales managers, a sample of one direct Business Customer was selected from each manufacturer's customer data base using a random sampling procedure. This gave a total of 71 target direct Business Customer firms as well.

### 3.5. Data Collection

Primary and secondary data were collected for this research. Two semi- structured questionnaires: one for the food and beverage manufacturers and another for their direct business customers were used. Respondents from the manufactures were managing director or owner, marketing or sales or directors or managers or their equivalents for each specific company. The chosen respondents had been assumed to be the major source of relevant information because they are believed to possess good background and relevant understanding on strategic marketing functions (Cabrita & Bontis, 2008). Respondents from the business customers were the purchasing managers or their equivalent because they interact with the manufacturers and are responsible for the sourcing function. The relevant questionnaires are shown in Appendix iii.

The questionnaires for the manufacturers gathered primary and secondary data. Primary data covered marketing strategies and firm characteristics. Secondary data relate to financial performance for a period of three years (2014-2016) 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 questionnaire was divided into five sections to capture data relating to the key variables of the study. These sections included firm demographics and respondents' characteristics, marketing strategies, financial and non-financial indicators and also firm characteristics.

The questionnaires for the business customers had three sections. Section A and B gathered background and demographic data for descriptive purposes. Section C gathered data on customer perception related to the manufacturers' products. A five point rating scales was adopted to determine the extent of agreement for the key variables of the study. For the purposes of enhancing the response rate and nature of data gathered, the research instrument was self-administered personally through electronic mediums and the drop and pick up later method. An introduction letter which assured the respondents of the confidentiality of the data accompanied the questionnaires. Follow up telephone calls; emails and use of social media (WhatsApp mostly) were made to increase the response rate.

### 3.6. Operationalization of the Study Variables

Sekaran (2005) asserts that operationalization helps in minimizing the subjective notion of variables to detectable attributes for ease of measurement. Marketing strategies (MS) as the independent variable was operationalized as attributes of product, price, place and promotion strategies and measured using a multi-item indicator based upon five –numbers rating measurement starting at No.1= For; not at all to 5= for; to a very large extent. Rating scale questions anchored on a 5-numbered measurement scale (Starting at 1= for; not at all to 5= to a large extent) was deemed appropriate to measure the customer perception variables (CP) with items like perceived quality, perceived sacrifice and perceived risk among others.

Direct measure (choice of one among the five) and a 5 point Likert measurement type scales was deemed appropriate in measuring Firm characteristics (FC) and had the following variables; Size, age, market characteristics and capital related characteristics. Firm performance (FP) was operationalized by financial indicators; Profits (P), Sales volumes (SV) and Return on Assets(ROA) and non-financial indicators; market share (SM), Customer loyalty (CL), customer satisfaction (CS) and employee satisfaction (ES).Information about operationalization functions are presented in the Table 3.1.

**Table 3.1 Operationalization of the study variables**

| Variable | Nature | Indicator | Supporting Literature | Measurement scale | Question |
|---|---|---|---|---|---|
| **Marketing strategies** | Independent | Product, Pricing, Promotion and Place(Distribution) strategies | Sheth,J. (2011)<br>Shakti. (2008) | **Rating scale**<br>1.not at all<br>2.to a small extent<br>3.to a moderate extent<br>4.to a great extent<br>5.to a very great extent | Questionnaire for Food and Beverage processing firms. Section C<br>Question 6 |
| **Firm characteristics** | Moderating | -Firm Size<br>-Firm age<br>-Capital intensity<br>-Market intensity | Hendricks(2000)<br>Kisengo(2014) | **Direct measure**<br>Number of branches<br>Number of employees<br>**Rating scale**<br>1.Never, Not at all<br>2.Rarely,Little extent<br>3.Sometimes, Moderate extent<br>4..Often,Great extent<br>5. Very often, V. Great extent | Questionnaire for Food and Beverage processing firms. Question 7 |
| **Customer perception** | Mediating | **Perceived;**<br>-Quality<br>-Price(cost)<br>-Risk<br>-Affordability<br>-Availability | Ulaga,W.,& Chacour,S. (2001) Tsiotsou,R. (2005)<br>Sahney,S. (2010) | **Rating scale**<br>1. not at all<br>2.to a small extent<br>3.to-a moderate extent<br>4.to a great extent<br>5.to a very great extent | Section C. Business Customer Questionnaire<br><br>Question 6 |
| **Firm performance** | Dependent | ***Financial performance***<br>-Sales volumes<br>-Profits<br>-ROA<br>***Non-financial performance***<br>-Market share<br>-Customer loyalty<br>-Customer satisfaction<br>-Employee satisfaction | Sullivan,D., Abela, A., & Hutchison, .. (2007)<br>Shabarati, A., Jawad, J., & Bontis, N. (2010) | **Direct measure**<br><br>**Direct/ Rating type scale**<br><br>1.not at all<br>2.to a small extent<br>3.to-a moderate extent<br>4.to a great extent<br>5.to a very great extent | Questionnaire for Food and Beverage processing firms. Section E<br>Question 8 a,b,c<br><br>Question 8,d |

### 3.7. Reliability and Validity of the Research Instrument

The research instrument for this study was dispensed to both reliability and validity test in order to obtain relevant information for further statistical analysis. The accuracy, consistency and dependability of a research instrument are vital components of a research methodology. The questionnaires for this study were subjected to both reliability and validity testing.

#### 3.7.1. Reliability Test

The concept of reliability testing is the degree to which a researchers instruments yields similar outcomes after several attempts. Reliability thus measure the extent of freedom from errors of the measurement scores (Gable et al, 1993). It explains the level of firmness amongst many measures of factors and helps to determine the level of freedom from random errors for a measurement and whether the measure yields similar outcomes repeatedly. Pilot testing was done for the data collection instrument of this study to determine presence of y weaknesses in designing and developing the questions. This was done by subjecting the questionnaire to five conveniently identified senior managers of five randomly selected food and beverage companies in Kenya.

Burns and Bush (2010) recommends the Cronbach's Alpha (α) test of reliability of instrument and it was thus used in the current research  to test the internal firmness or average correlation of factors in the survey instrument to ascertain it reliability. Alpha (α) can take figures from 0: meaning no internal consistency to 1: meaning complete internal consistency, (Nunnally & Berstern, 1994).They further argued that, a Cronbach Coefficient Alpha (α) which is closer to one implies greater internal consistency of the items in the scale. However, sound and most reliable measure for further statistical analysis is demonstrated by a Cronbach Alpha coefficient (α) of 0.7 and above.

Bagozzi and Youjae (2012) recommended reliability measure of 0.6 or greater but indicated that lower threshold like 0.5 can also be used. Cronbach alpha value of ≥ 0.7 is generally accepted to mean that the instrument is reliable and indicated that  a value of 0.6 can be seen as the lower limit as explained by (Gliem & Gliem, 2003).To study the relationship among the study variables, a  reliability test was computed. Data were first cleaned to ensure it was useful through checking for both usefulness and firmness. Further, data were coded and fed into SPSS version 20. Softwere. Reliability test to checck for internal consistency of the survey constructs was done by computing Cronbach alpha coefficient (α).Guided by the reviewed literature, Cronbach's alpha (α) value of ≥ 0.7 was adopted for this study.

**3.7.2. Validity Test**

Validity indicates how closely a measure correctly represents the concept of the study. For instance, an attitude measure has validity if it correctly measures the exact expected measure (Cooper & Schindler, 2011).Babbie ( 2010) identified four types of validity;face validity,criterion,construct validity and content validity. To begin with, if an indicator has a quality that reasonably seems to be measuring particular factors on the face of it,then the indicator has face validity.Again , if a measure has some level of relationship with particular external criteria(response variable), then a measure has criterion validity.Thirdly, Construct validity is the extend to which a measure correlates with other factors as anticipated within a system of theoretical modelling. Lastly,content validity referes to the extend by which measurement encompasses divers ranges of meanings comprehended within a concept.

Hair et al ( 2008) argues that, to validate a questionnaire a pretest of five to ten representative respondents is perfectly sufficient.Five senior managers of food and beverage companies were conveniently selected and ten sourcing managers from business customers randomly selected to test the face validity for the purposes of this questionnaires.Participants were as well required to give their view about accuracy and duration taken to fill a single questionnaire. To test construct validity,factor analysis may be conducted. The data collected was used to compute Cronbach coeffient alpha**(α)** mentioned above in the reliability test.

**3.8. Data Analysis**

This study sought to describe the characteristics of the data collected through descriptive statistics of data analysis method. This method employs measures of central tendency that includes; mean determination, medium and determination of the mode. The method also uses dispersion measures that comprise standard deviation (SD), Variance analysis as well as the range. All these were used in this research to describe the characteristics of the data collected for further analysis. Also, simple multiple, moderated hierarchical regression analysis was adopted. Multiple regression analysis gives an equation to forecast the size of the dependent factors as well as to offer figures for the independent factors. In order for this research to establish the nature and strength of the link among study factors, Pearson moment correlation (r) was used.

The study endeavored to measure the alterations of the resultant factor (Firm performance) as elucidated by the moderating and mediating variables, firm characteristics and customer perception respectively by use of the Coefficient of determination (R-squared). Amirl Aghdaire et al (2011) used such regression analysis to assess the existence of the link between customer satisfaction and loyalty and to analyze the influencing variables in the relationship between customer trust and its impact on online buyer behavior respectively, (Kinoti W. , 2012). Step wise process was adopted to establish the mediation effect by the intervening factor and the moderation influence of the firm characteristics on the link between marketing strategies and firm performance Shahin et al, (2011).

A general formulation predicting firm performance of the form $Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 \ldots \ldots \ldots \ldots \beta\beta nXn + \varepsilon i$ was adopted for this study.
Where $Y =$ being the dependent variable and is a linear function of
$X1, X2, X3, \ldots \ldots \ldots . Xn$ $+\varepsilon i$.
$\beta i$ = is the regression constant or intercept.
$\beta 1 - n$ Are the regression coefficients or change induced in $Y$ by each X.
X1-n = are predictor variables
$\varepsilon i$ Is the error term that represents the variability in Y that may not be explained by the linear relationship of the independent or predictor variables.
In this case therefore the estimated model for the firm performance was expressed thus;
FP=$\beta 0 + \beta 1MS + \beta 2FC + \beta 3CP + \varepsilon i$……………………………………………M1
Where;
FP= represented estimated standardized index of firm performance
$\beta 0$ = the regression constant or intercept.
$\beta 1 - 3 =$ Were the regression coefficients

MS represented the standardized score of marketing strategies adopted by those firms and is the independent variable

FC=represented the composite index of the firm characteristics and is the moderating variable, CP = represented the composite index of the customer perception and it is the intervening variable and

$\varepsilon i$ =a random error term.

Moderating entails testing for an interaction term by use of a step wise multiple regression process whereby in step one, the predictor variable and moderator variable were analyzed. The interaction term (which was delved from the standardized predictor and moderator variables) was introduced in the step two. Moderation effects was determined whence the extra variation way above that explained by the predictor and moderator variable was established to be significant.

The moderation was expressed thus;

$\gamma = i + \beta 1X + \beta 2Z + \beta 3XZ + \varepsilon$

Where;

$\beta 1$= the regression coefficient for the predictor variable X to Y when Z= 0,

$\beta 2$ = the coefficient for the moderator variable Z to Y when X= 0 and

$\beta 3$ = the coefficient for the interaction term which when statistically different from zero then it explains that Z moderates the link between X and Y,$i = intercept$,$\varepsilon = error\ term.$

Figure 4.1 in page 91 represents the moderation test results

To determine the mediation influence of customer perception in the link between marketing strategies and firm performance, a multiple regression analysis was carried out. The regression coefficient for the interaction terms were found to be statistically different from zero, hence there was significant mediation relationship. This is in line with Benny(1986) who suggested a Quadra way model where many regression analysis are carried out and significance of coefficients determined at each single step, (Moses, 2014).

Fig 4.2 in page 97 shows the mediation testing results diagram.

Step 1 entails the outcome variable Y being regressed on the predictor factor X to establish the standardized regression coefficient (beta for path C) so as to affirm whether X significantly explains Y. After beta for path C was established as being significant and distinctive from zero (0), the processes moved to second step, where the mediating variable was regressed on the predictor factor to determine the standardized beta regression coefficient for path a so as to determine the nature and the direction of the relationships.

Results established that Beta for path **a** was significantly greater than zero (0), then the process progress to third step where Y was regressed on M so as to establish the beta coefficient for path b. The results showed that beta for path b was significant, and the outcome factor Y was regressed on X while controlling the effects of M on Y through step wise regression process that treated M and X as resultant predictor factors. Coefficients for both path **a** and **b** were confirmed to be significant. Then the analysis established that M was mediating the relationship between X and Y and C was examined to establish the strength of the relationship according to the test procedures (Mackinnon & Fairchild, 2009). The steps of the mediation influence and the resultant mediation results are shown in Figure 4.2 on page 97. Table 3.2 in page 49 presents a summary of the objectives, hypotheses, data analysis models and how results were interpreted.

### 3.9. Diagnostic Tests

Diagnostic tests involve the analysis for statistical errors. The following assumptions were tested; linearity, normality, independence, homogeneity and multicollinearity necessary for further statistical tests such as linear regression and ANOVA. Shapiro-Wilk test of normality is a statistical method of detecting normality. This test has the ability to determine whether data departs from normality as a result of skewness or kurtosis or presence of both. This test was carried out in this research to test normality of data. If the value of this test lies between zero and one, and the values are greater than 0.05, the data is deemed to be normal (Razali & Wah, 2011). All statistics for the Shapiro-Wilk test of normality were found to lie within a range of 0-1 and the indicators were greater than 0.05 an indication that the research data were normal. The assumption of normality implies that there is normality of the mean of the sampling distribution.

Analysis of Variance (ANOVA) test of linearity was used to test for Linearity. This test calculates linear as well as nonlinear parts of a group of research factors. Nonlinearity is detected when F sig. value for the nonlinear part is below 0.05. F Significance was found to be more than 0.05 signifying that the data were linear. Scatter plots (Appendix V) were used also to test the assumption of linearity. The results of the plots indicated evenly distributed dots around the line and that there was no clear trend in the distribution and therefore the assumption of linearity was met. Durbin-Watson test is another statistical measure for the assumption of independence of error terms and its values lie between zero to four (0-4). Independence of error signifies that observations are independent. This test was carried out to test the assumption of independence of error terms in this study. The test resulted in Durbin-Watson of 2.2 implying that the observations were independent. To test for the assumption of Homoscedasticity or homogeneity, Levene's test of variances was carried out. If the results of the Levene's test are significant at $\alpha = 0.05$, then there is lack of equal variance in the data groups. The tests results indicated non-significant meaning that the data groups had almost equal variance (Table 4.2).

The study sought to test for the assumption of multicollinearity of the data. Variance Inflation Factors (VIF) and its reciprocal, the tolerance is a statistical measures used to determine this assumption. Multicollinearity occurs in a case of high correlation among more than two predictor factors. It is a linear correlation among variables. This means that their correlation coefficients tends to +1 when there exists a high positive multicollinearity or tends to -1 when the multicollinearity is negative. The results implied that some independent variables were not highly correlated while some independent variables correlated highly.

The data met all the basic assumptions and was deemed fit for further statistical analysis. The pertinent results of diagnostic analysis and testing for statistical assumptions are candidly presented in Table 3.2 and in Appendix number V. A summary of research objectives, Hypotheses, analytical model and interpretation of research results is depicted below in Table 3.2.

**Table 3.2 Summary of Research objectives,hypotheses,analytical Model and interpretation of results**

| Objectives | Hypothesis | Model | Interpretation of results |
|---|---|---|---|
| **Objective 1**<br>To stablish the influence of marketing strategies on firm performance | ***H1***:Marketing strategies do not significantly influence firm performance | Regression Model<br>$FP = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \varepsilon$<br>Where; β0=Intercept<br>FP= Firm performance<br>$\beta 1\beta 2\beta 3\ arebetacoefficients$<br>$X1, X2, X3\ representmarketingstrategies\ dimensions$<br>$\varepsilon = errorterm$ | R-squared was used to assess dependent variable variation due to the effects of the independent variable.<br>F-test (ANOVA) was conducted to assess the overall significance of the relationship. |
| **Objective 2**<br>To determine the effect of firm characteristics on the relationship between marketing strategies and firm performance. | ***H2***:Firm characteristics do not moderate the relationship between marketing strategies and Firm performance | Regression analysis<br>Three step procedure<br>Step 1 : $FP = a + \beta 1MS + \varepsilon$<br>Step 2 :FP=$a + \beta 1MS + FC + \varepsilon$<br>Step 3: FP=$a + \beta 1MS + \beta 2FC + \beta 3MS * FC + \varepsilon$<br>Where; a=Intercept<br>$\beta 1\beta 2\beta 3\ arebetacoefficients$<br>FP= Firm performance<br>MS=Composite index of marketing strategies<br>FC= Composite index of firm characteristics<br>$\varepsilon = errorterm$ | R-squared change was used to assess dependent variable variation due to moderation effects in its relationship with the independent variable.<br>$\beta$ −was the coefficients for the interaction terms which when statistically different from zero, there will be moderation. |
| **Objective 3**<br>To assess the influence of customer perception on the relationship | ***H3:***Customer perception does not mediate the relationship between marketing strategies | Stepwise regression analysis<br>Four step procedure<br>Step 1: FP=β0+β1MS+$\varepsilon$<br>Step 2:CP=β0+β1MS+ $\varepsilon$<br>Step 3:FP=β0+β1CP+$\varepsilon$<br>Step 4:FP= β0+β1MS+ β2CP+$\varepsilon$ | R-squared was used to assess dependent variable variation due to intervening effects in its relationship with the independent variable.<br>$\beta$- was the coefficients for the interaction terms which when statistically different from zero, there will be intervening effects |

| | | | |
|---|---|---|---|
| between marketing strategies and firm performance. | and Firm performance | Where; β0=Intercept<br>$\beta1\beta2\ are\ beta\ coefficients$<br>FP= Firm performance<br>MS= Composite index of marketing strategies<br>CP=Composite index of customer perception<br>$\varepsilon = errorterm$ | (Path analysis)<br>**Step1**. Dependent variable Y was regressed on the independent variable X to determine the standardized regression coefficient in order to confirm if X is a significant predictor of Y.<br>**Step2**.The mediator was regressed on the independent variable to estimate the standardized beta regression coefficient for path a in order to establish the extent and direction of the relationship.<br>**Step 3**.Y was regressed on M in order to ascertain the beta coefficient for path b. |
| **Objective 4**<br>To determine the joint effects of marketing strategies, firm characteristics and customer perception on firm performance | ***H4:*** The joint effect of marketing strategies, firm characteristics and customer perception on firm performance is not statistically significant. | Regression analysis<br>FP= f(MS+FC+CP)<br>FP=$\beta0 + \beta1MS + \beta2FC + \beta3CP + \varepsilon$<br>Where;$\beta0$=Intercept<br>$\beta1\beta2\beta3\ arebetacoefficients$<br>FP= Firm performance<br>MS= Composite index of marketing strategies<br>FC= Composite index of firm characteristics<br>CP= Composite index of customer perception<br>$\varepsilon = errorterm$ | R-squared was used to assess dependent variable variation due to mediating and intervening effects in its relationship with the independent variable.<br>F-test (ANOVA) was conducted to assess the overall significance of the relationship. |

## 3.10. Chapter summary

Chapter three of this research has explained the research methodology chosen in the current research. More specifically, the chapter has detailed the research approach or philosophy adopted, research design used, the population of the study, data gathering instrument, reliability test and validity tests of the data instrument. Also, the chapter outlined the operationalization of the study variables and the statistical data analysis techniques that comprises descriptive statistics, correlation and regression analyses methods. The analytical model adopted for the data analysis and the hypotheses testing were presented as well. The preceding chapter presents data analysis, findings and interpretations of the research results.

# CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

## 4.1. Introduction

This study was based on the premise that within the Food and Beverage sector in Kenya, Marketing strategies and firm characteristics influence firm performance and further that this relationship is mediated by perception of the business customers who purchase directly from those firms. This section gives an analysis of the research results from the data collected and the outcomes regarding the research objectives.

For the purposes of analyzing the research data, IBM Statistical Program for Social Sciences (SPSS) version 20 was used. Both descriptive and inferential statistics were used for this study. Various tests for statistical assumptions were carried out on the linear regressions and the outcomes were sufficiently reliable for other extra statistical analysis, (Appendix V). Various hypotheses of this study were tested by use of simple and multiple regressions analysis. Correlations analysis was as well carried out between various study variables including key indicators of firm characteristics.

## 4.2. Response Rate

A descriptive cross sectional survey was used for this study of Beverages processing firms in Kenya as at October 2017. The study targeted 71 firms operating across the country. The study also focused on their direct customers. However, only 64 firms (90%) from both groups participated in the study and their feedback captured together with their respective direct customers. The direct business customers were randomly selected from each manufacturer's data base. The fact that business customers were picked from the manufacturers' data base gave the researcher humble time because of trust. Therefore the results there in can be generalized and considered representative of the population. The rest of the firms were unreachable because of resource inadequacy and efforts to contact targeted persons through telephone were futile.

A response rate of 90% is very much consistent with previous studies. A study by (Wei, 2014)on the relationship between organization culture, market reactions, product strategies and company performance of emerging market in China had a response rate of 60%. Thirty five percent to forty percent(35% - 40%) response rate is deemed appropriate for researches done at firm level but for research conducted at individual level, 50% response rate using a survey design is deemed to be sufficient (Rogelberg & Santon, 2007).Data screening was done to assure validity and reliability in testing the relationships between the study variables. Preliminary statistical assumptions were tested before the data were used for further statistical analyses. The assumptions tested were linearity, normality, homogeneity and multicollinearity which is necessary for further statistical analysis (Linear regression, ANOVA and multiple regressions).Testing for the assumptions is a vital milestone since research conclusions drawn from the statistical analysis depends to a great extent on the validity of the assumptions made. To check for internal consistency, reliability test was done on the survey constructs by computing Cronbach's Alpha Coefficients. The coefficients were found to be equal or greater than the proposed limit of 0.700 for reliability of the instruments indicating acceptable internal consistency and therefore sufficiently measuring the survey construct for Marketing strategies, firm characteristics, Customer perception and firm performance.

### 4.3. Internal consistency of the Research Instrument

This research sought to determine the internal consistency of the instrument in order to establish the reliability of the relevant study variable. Cronbach's Alpha coefficient was computed for each variable. The pertinent results are presented in Table 4.1.

**Table 4. 1 Summary of Cronbach's Alpha Coefficients**

| Factor | Indicators | Total Number of Items | N (Responses) | Cronbach's Alpha Coefficient |
|---|---|---|---|---|
| **Marketing Strategies** | ▪ Product Strategies<br>▪ Pricing Strategy<br>▪ Promotion( Communication) Strategies<br>▪ Place Strategies | 24 | 64 | 0.732 |
| **Firm Characteristics** | ▪ Structure Related Characteristics<br>▪ Market Related Characteristics<br>▪ Capital Related Characteristics | 16 | 64 | 0.699 |
| **Firm Performance** | ▪ Firm Performance<br>▪ Gross Profit<br>▪ Sales Turnover<br>▪ Return On Asset<br>▪ Customer Loyalty<br>▪ Customer Satisfaction<br>▪ Employee Loyalty | 24 | 64 | 0.702 |
| **Customer Perception** | ▪ I like the product of this company<br>▪ The quality of products of this company is rather good<br>▪ The prices of the products of this company are rather good<br>▪ I rather spent my money on this company product than any other company in this area<br>▪ This company is trust worthy and honest<br>▪ This company has genuine products<br>▪ This company has friendly employees<br>▪ The company employees are sensitive to customer needs and enquiries<br>▪ The company services are good | 12 | 64 | 0.711 |

**Source: Primary Data (2019)**

The results presented in the Table 4.1 above indicates that firm characteristics had the lowest Cronbach's Alpha Coefficient of 0.699 $\cong$ 0.7 while marketing strategies had the highest Cronbach's Alpha Coefficient value (0.732). The reliability result exceeded the acceptability level ($\geq$ 0.7), and was therefore considered a reliable measure of the constructs (Hair, Money, Samouel & Page, 2007). The results further indicated that, according to (Mokhtar, Yusoff & Aarshad, 2009), all the factors had a score greater than 0.5, which is also viewed as an acceptable level for further statistical analysis.

The Normality test was done by use of the Shapiro-Wilk test. This test has ability of detecting departure from normality as a result of either skewness or kurtosis or both. Razari and Wah (2011) explains that if the test statistic ranges from zero (0) to one (1) and if the figure is higher than 0.05 is an indication of normally distributed data. All statistics for the Shapiro-Wilk test of normality were found to range from zero (0) to one (1) and the figures were greater than 0.05 proving that the data were normally distributed. Presence of normality is an indication that the means of the sampling distribution is normal.

The analysis of variance test (ANOVA) of linearity was conducted to test linearity of the data sets. This test computes linear as well as nonlinear components of a pair of factors. If the F significance value for the nonlinear component is below 0.05 then nonlinearity is significant. F Significance was found to be more than 0.05 signifying that the data were linear. Scatter plots (Appendix V) were used also to test the assumption of linearity. The results of the plots indicated evenly distributed dots around the line and that there was no clear trend in the distribution and therefore the assumption of linearity was met. Durbin-Watson test was used in this study to test the independence of error term. This term implies that the observations are independent from each other. The statistics for Durbin-Watson test should range from zero to four. The test resulted in Durbin-Watson of 2.2 implying that the observations were independent. Levene's test of homogeneity of variances was used to measure Homoscedasticity in the study. The data groups in a study lack equal variance if the Levene statistic is significant at $\alpha = 0.05$.The tests indicated that the data groups lacked equal variance.

To test for multicollinearity, Variance Inflation Factors (VIF) and its reciprocal, the tolerance were computed. Multicollinearity occurs in cases where more than two independent factors are highly correlated. Collinearity or multicollinearity is a situation where by more than two independent variables in a multiple regression model are highly correlated. It is a linear correlation among variables. All the above regression assumptions were conducted and then the pertinent outcomes as well as those of reliability testing are presented in summary in Table 4.2.

**Table 4. 2. Results for Statistical Assumptions tests**

| Variable | Measures | Sample size | Reliability | Normality | Independence/ Durbin/Watson | Homogeneity / Levene' s test | Colinearity |
|---|---|---|---|---|---|---|---|
| | **Assumptions** | | **0.70** | **p>0.05** | **1.5 to 2.5** | **p>0.01** | **VIF 10max** |
| **Marketing Strategies** | ▪ Product,<br>▪ Price,<br>▪ Place,<br>▪ Promotion Strategies | 64 | 0.732 | 0.194 | 2.156 | 0.028 | 1.642 |
| **Firm Characteristics** | ▪ Structure Related Characteristics<br>▪ Market Related Characteristics<br>▪ Capital Related Characteristics | 64 | 0.699 | 0.200 | 2.156 | 0.428 | 1.004 |
| **Customer Perception** | ▪ I like the products of this company<br>▪ The quality of products of this company is rather good<br>▪ The prices of the products of this company are rather good<br>▪ I rather spent my money on this company products than any other company in this area | 12 | 0.711 | 0.200 | 2.156 | 0.015 | 1.646 |
| **Firm Performance** | ▪ Firm Performance;<br>▪ Financial &<br>▪ Non-Financial | 64 | 0.702 | 0.194 | N/A | N/A | N/A |

**Source: Primary Data (2019)**

The above Table 4.2 indicates results of tests where the statistical assumptions of regressions were realized and consequently the data results were used and put in to additional statistical analysis together with hypotheses testing.

## 4.4. Demographic Profile of Respondents

Demographic information about respondents is important in understanding customer perception and general buyer behavior. Relevant results for gender, age and education level of respondents are presented below. The demographic characteristics presented in the following discussions is a summary from both categories (Manufacturers and Business Customers) of the respondents. Table 4.3 shows respondents' gender distribution where, 62.5% of the respondents were male and 37.5% female.

### 4.4.1. Respondents' Distribution by Gender

This study gathered information on the respondents' gender in order to establish its distribution amongst the top management of the firms under study in food and beverage processing companies in Kenya. Gender distribution of the respondents is shown in Table 4.3.

**Table 4.3. Distribution of Respondents by Gender**

| Gender | Frequency | Percent |
|---|---|---|
| **Male** | 40 | 62.5 |
| **Female** | 24 | 37.5 |
| **Total** | 64 | 100.0 |

**Source: Primary Data (2019)**

The results presented in Table 4.3 show that 62.5 % of the distribution was male while 37.5% was females. This is an important indicator that majority of the staff that hold the positions of marketing/sales managers or their equivalent are males.

### 4.4.2. Respondents' Distribution by Age

Age factor is a critical characteristic of management although it doesn't necessarily determine top management positions in organisations. Age is an important factor in establishing the portfolio and /or hierarchical spread of staff within an organisation. Pertinent information about the distribution by the age of the respondents is presented in Table 4.4.

**Table 4. 4. Distribution of Respondents by Age Category**

| Age | Frequency | Percent |
|---|---|---|
| **Up to 30 years** | 16 | 25.0 |
| **31-40** | 22 | 34.4 |
| **41-50** | 17 | 26.6 |
| **Over 50** | 9 | 14.1 |
| **Total** | 64 | 100.0 |

**Source: Primary Data (2019)**

Results presented in Table 4.4 confirms that a high percentage of top managers in food and processing firms in Kenya are within the age brackets of between 31 and 40 years followed by the age brackets of 41 and 50 years. These results show that majority of top managers in this sub sector were relatively young. Those below 30 years were only 25% of the total respondents. Only 14.1% of the respondents were over 50 years. This may be an indication that more experienced managers move out for greener pastures or start their own enterprises after gaining industry experience.

### 4.4.3. Respondents' Distribution by Education Level

The position one holds in an organisation and the social status in a society is mostly determined by the level of education the respondent has. High education level has a correlation with expertise, knowledge and higher performance at individual level. In this study, education was therefore a key factor assessed to determine the current levels of educational qualifications and the expected expertise and skills. The distribution of respondents' levels of education is presented in the Table 4.5.

**Table 4.5. Distribution of Respondents by Education Level**

| Education | Frequency (F) | Percent (%) |
|---|---|---|
| Secondary school | 5 | 7.8 |
| College certificate | 8 | 12.5 |
| College diploma | 19 | 29.7 |
| 1st degree | 16 | 25.0 |
| Post graduate diploma | 7 | 10.9 |
| Masters | 6 | 9.4 |
| PhD | 2 | 3.1 |
| **Total** | 64 | 100.0 |

**Source: Primary Data (2019)**

Results given in Table 4.5 reveal that 29.7% of managers who responded had attained college diplomas and 25% had Bachelor's Degree. A combined total of 23.4% of the respondents had higher educational qualifications up to PhD level. Education qualifications thus seem to be a critical consideration in appointment to top management positions in Food and beverage companies in Kenya. Higher levels of educational qualifications for top management cadres are likely to enable them learn easily and accumulate knowledge that could be transferred to lower level cadres.

### 4.5. Summary Scores of the Study Variables

Mean scores together with standard errors were computed in order to summarize the observations from the data. Mean scores represent a summary of the data where as standard error is simply a measurement of the predictable error of the sampling distribution .Descriptive statistics were run to establish whether the mean scores satisfied the goodness of fit criteria (Field, 2006). The relevant results are presented here below.

#### 4.5.1. Marketing strategies

This study endeavored at determining the effect of marketing strategies on performance of Food and Beverage processing firms in Kenya. The respondents of the study were expected to state the extent to which they agreed or otherwise with certain characteristics associated with some

Marketing strategies and to classify their level of association with a list of dimensions. The study adopted a Likert scale of range from "not at all"(1) - "To a very large extent" (5). Data tabulated included various characteristics concerned with each of the dimensions. Additionally the mean, the standard deviation (SD) as well as coefficients of variation (CV) were computed. The findings on various subsections of marketing strategies are presented in the sections.

#### *4.5.1.1. Product Strategies*

Companies must design products and services that meet their customer specifications and requirements. The respondents were required to state up-to what level they were in agreement with certain product strategy questions. To measure product strategies seven items were used. The corresponding pertinent results are shown in Table 4.6.

**Table 4.6. Product Strategies**

| **Product Characteristics** | **N** | **Mean Scores(M)** | **Std. Deviation(SD)** | **CV (%)** |
|---|---|---|---|---|
| The company is more knowledgeable about low income customers | 64 | 3.31 | 1.194 | 36 |
| The company has low priced product compared to other areas in Kenya | 64 | 3.92 | 1.103 | 28 |
| The company uses small quantities in packaging their products | 64 | 3.64 | 1.252 | 34 |
| The company has specific products for this area different from other areas in Nairobi | 64 | 2.78 | 1.228 | 44 |
| The company constantly introduces new products | 64 | 3.05 | 1.147 | 38 |
| The company is very innovative in products | 64 | 3.23 | 1.178 | 36 |
| The company has a wide variety of products | 64 | 2.75 | 1.039 | 38 |
| **Average Scores** | **64** | **3.24** | **1.163** | **36** |

**Source: Primary Data (2019)**

The results from the table above reveals that mean scores for the seven questions required to measure product strategies ranged between 2.75 and 3.92 ( to a moderate extent). The company having low priced product compared to other areas in Kenya had the highest mean score (3.92) while the statement “the company has a wide variety of products” the lowest mean score (2.75). The standard deviation was highest on the statement “the company is more knowledgeable about low income customers” (3.31) and lowest on the statement “the company has a wide variety of products (2.75). On CV, the statement “the company has specific products for this area different from other areas in Nairobi (44%) reported the highest dispersion while the statement “the company has low priced products compared to other areas in Kenya” (28%) reported the lowest. These shows, based on the averages mean score (3.24) that product strategies were adopted to a moderate extent and that product differentiation is a critical practice in product strategies.

#### *4.5.1.2. Pricing Strategies*

Pricing strategies consists of the practices and processes required to effectively price a company products and services and effectively price trends in the market. The respondents were expected to state to what level their companies viewed certain pricing considerations as applicable in their specific companies. The pertinent tabulations are shown in Table 4.7.

**Table 4.7. Pricing Strategies**

| **Pricing Strategies** | **N** | **Mean Score** | **Standard Deviation** | **CV (%)** |
|---|---|---|---|---|
| The company products are affordable to many customers in Kenya | 64 | 3.13 | 1.091 | 35 |
| Price is a major determinant when the company is introducing new products | 64 | 3.86 | 1.220 | 32 |
| Low prices attracts large portion of buyers from this area | 64 | 3.98 | .984 | 25 |
| Price policies are reviewed frequently | 64 | 3.14 | .814 | 26 |
| Price is a major tool for competition in this industry | 64 | 4.52 | .908 | 20 |
| Our prices are preferred to that of our competitors | 64 | 3.98 | 1.000 | 25 |
| **Average Scores** | **64** | **3.77** | **1.003** | **27** |

**Source: Primary Data (2019)**

Data indicated in Table 4.7 reflects the mean scores, standard deviation and CV of price strategies used by the companies studied and the level of impact they have on the overall marketing strategies of the company. The mean score for the 6 items was between 3.13 and 3.98. Both “low prices attract large portion of buyers from this area and “our prices are preferred to that of our competitors scored the highest mean of 3.98 while the standard deviation was highest for “the company products are affordable to many customers in Kenya” (1.091) and lowest for “price is a major tool for competition in this industry” (0.908).

The highest CV reported was on the statement, “the company products are affordable to many customers in Kenya” (35%) while the least was “the price is a major tool for competition in this industry”. This infers that customer preference for low prices affects company price decision and by extension the overall marketing strategy. 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.

#### *4.5.1.3. Promotion Strategies*

Marketing communication is an important facet of the overall marketing strategy and a good mix of its dimensions guarantees success of an organization in a particular industry. Promotion entails communicating with the segment about the company products and services and their availability for the purposes of making informed purchase decision. This is facilitated through promotion strategies like advertising; sales promotion, personal selling, public relations and direct marketing. The respondents were required to give their opinion regarding some specific promotion strategies. The results in Table 4.8 indicate the average mean scores for the five statements used to measure promotion strategies.

**Table 4.8. Promotion Strategies**

| Promotion Strategies | N | Mean Score | Std. Deviation | CV (%) |
|---|---|---|---|---|
| The company communicates its products to the customers through media, e.g. radio, TV, and newspapers | 64 | 3.28 | 1.228 | 37 |
| The company does personal selling initiatives towards the customers of this area | 64 | 3.27 | 1.102 | 34 |
| The company is very active in sales promotion activities | 64 | 4.23 | .868 | 21 |
| The company develops publications, materials and does public relations through the main media | 64 | 2.67 | 1.024 | 38 |
| The company promotes customer direct links through the internet space like company website, twitter, Facebook, YouTube, Instagram, etc. | 64 | 3.45 | 1.154 | 34 |
| **Average Scores** | **64** | **2.82** | **1.075** | **38** |

**Source: Primary Data (2019)**

The mean score for the statement, "The company does personal selling initiatives towards the customers of this area" scored the highest mean (4.23) while the statement, "The company develops publications, materials and does public relations through the main media" had the lowest mean score (2.67). The standard deviation (1.228) was highest for "The Company communicates its products to the customers of this area through media, e.g. radio, TV, and newspapers", while "The Company develops publications, materials and does public relations through the main media" had the lowest (2.67).

The highest CV (37%) was that for the statement, "The company communicates its products to the customers of this area through media, e.g. radio, TV, and newspapers" while the lowest CV (21%) was on, "The company is very active in sales promotion activities in this area". The average mean score of 2.82 indicates that promotion strategies had a moderate effect on the overall marketing strategy of the organizations. The findings above show that media plays a critical role as an advertising channel for marketing communication.

#### *4.5.1.4. Place (Distribution) Strategies*

Place (distribution) decisions entail making products and services accessible to buyers at the right time, place and in the right condition. Channel management in marketing activities enables a company reach its target segment for maximum distribution of its available goods and services. The respondents were requires to respond to various statements that sought to establish the kind of distribution practices practiced by companies in the food and beverage processing companies in Kenya. The pertinent results presented in Table 4.9 show mean scores, standard deviation (SD) and coefficients of variations (CV) for the statements used to measure distribution (Place) Strategies.

**Table 4.9 Distribution Strategies**

| Place(Distribution) Characteristics | N | Mean Score | Std. Deviation | CV (%) |
|---|---|---|---|---|
| The company has established distribution channels through wholesalers, agents and retailers | 64 | 4.36 | .880 | 22 |
| The company ensures that its products are available all through in its distribution channels | 64 | 4.00 | .926 | 23 |
| The company has well established transportation and supplier linkages to ensure constant availability of its products | 64 | 3.89 | 1.129 | 29 |
| The company uses innovative ways to ensure product availability to customers | 64 | 3.70 | 1.136 | 31 |
| Our company reviews distribution policies frequently | 64 | 3.58 | 1.005 | 28 |
| Many retailers prefer our products compared to our competition | 64 | 3.83 | 1.106 | 29 |
| **Average Scores** | **64** | **3.89** | **1.030** | **27** |

**Source: Primary Data (2019)**

The statement, "The company has established distribution channels through wholesalers, agents and retailers" (mean score 4.36) was the highest mean followed by, "The company ensures that its products are available all through its distribution channels" (mean 4), and that to a large extent these statements contributed to the overall effect of the statements on distribution. The statement with the highest dispersion (31%) was, "The Company uses innovative ways to ensure product availability to customers". The average mean score for all the statements 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.

### 4.5.2. Firm Characteristics

The influence of firm characteristics on Firm performance was determined by analyzing structure related characteristics, market related characteristics and capital related characteristics. The results are presented in the sections that follow.

#### *4.5.2.1. Structure related characteristics*

The respondents of this study were expected to give their responses in relation to structure related characteristics which included; number of branches a firm had, the number of employee, firm net worth and the period of existence in years the company has operated. The results are presented in the Table below.

In regard to the number of Branches a company had, the respondents were require to state the total number of branches according to the categories given in the Table below. The result of the number of branches each of the companies had is presented in  Table 4.10.

**Table 4.10 Number of Company Branches**

| Number of Branches | Frequency(F) | Percent (%) |
|---|---|---|
| Up to 5 | 37 | 57.8 |
| Above 5 and up to 10 | 8 | 12.5 |
| Above 10 and up to 15 | 14 | 21.9 |
| More than 15 | 5 | 7.8 |
| **Total** | **64** | **100.0** |

**Source: Primary Data (2019)**

Data from Table 4.10 indicates the number of branches that the companies reported. Almost fifty eight percent (57.8%) of the companies indicated that they had up to 5 branches, 12.5% indicated above 5 and up to 10, 21.9% indicated above 10 and up to 15, 7.8% indicated more than 15 branches. Majority of the companies had up to 5 branches, which accounted for more than 50% of the number of branches that a company indicated that they had.

In relation to the total number of company employees, the respondents were required to indicate their responses in relation to the number of employees in their company. The pertinent outcomes are presented in Table 4.11.

**Table 4.11 Number of Company Employees**

| Number of Employees | Frequency | Percent (%) |
|---|---|---|
| Up to 5 | 18 | 28.1 |
| Above 5 and up to 10 | 22 | 34.4 |
| Above 10 and up to 15 | 6 | 9.4 |
| Above 15 and up to 20 | 3 | 4.7 |
| More than 20 | 15 | 23.4 |
| **Total** | **64** | **100.0** |

**Source: Primary Data (2019)**

Results in above Table 4.11 show total number of employees that the organization had. Twenty eight percent (28.1%) of the companies had up to 5 employees, 34.4% had above 5 and up to 10 employees, 9.4% had above 15 and up to 20 employees and 23.4% had more than 20 employees. From the findings, majority of the companies had above 5 and up to 10 employees. This implies that majority of firms in this sector are small and in formative stages.

Further, the research endeavored to establish the net worth of companies in Food and Beverages processing firms in Kenya. In this respect the respondents were expected to indicate the net worth of the respective companies according to specific categories and the pertinent results are presented in Table 4.12.

**Table 4.12. Net worth of a company in Millions Kenya Shillings**

| Net worth( Ksh 000,000) | Frequency | Percent (%) |
|---|---|---|
| Up to 50 | 15 | 23.4 |
| Above 50 and up to 100 | 16 | 25.0 |
| Above 100 and up to 150 | 8 | 12.5 |
| Above 150 and up to 200 | 13 | 20.3 |
| More than 200 | 12 | 18.8 |
| **Total** | **64** | **100.0** |

**Source: Primary Data (2019)**

The net worth of the companies is represented in table 4.12. Companies that had a net worth up to Kshs 50 million accounted for 23.4%, above 50 and up to 100 million 25%, above 100 and up to 150 accounted for 12.5%, above 150 and up to 200 20.3% and more than 200 accounted for 18.8%. Majority of the companies had a network of up to 50 million, which indicates that most of them were small in size.

The period a company has been in operation determines market knowledge in relation to customer experiences, industry competitiveness and general requirements. Respondents were asked to state their years of existence by identifying one among several categories and the pertinent results of the period in years that companies had operated is presented in Table 4.13.

**Table 4.13 Age of a Company in years**

| | Frequency(F) | Percent (%) |
|---|---|---|
| Up to 5 | 9 | 14.1 |
| Above 5 and up to 10 | 16 | 25.0 |
| Above 10 and up to 15 | 11 | 17.2 |
| Above 15 and up to 20 | 13 | 20.3 |
| More than 20 | 15 | 23.4 |
| **Total** | **64** | **100.0** |

**Source: Primary Data (2019)**

Those Companies that had been in operation for up to 5 years accounted for 14.1%, above 5 and up to 10 years accounted for 25%, above 10 and up to 15% accounted for 17.2%, above 15 and up to 20 years accounted for 20.3% and more than 20 years accounted for 23.4%. Majority of the companies had been in operation for above 5 and up to 10 years. Many companies in this sector are new establishments.

Respondents as well were required to state the total number of branches they had in their companies. The results of the number of departments per branch among the companies are indicated in Table 4.14.

**Table 4.14. Number of Departments per Company branch**

| | Frequency | Percent (%) |
|---|---|---|
| Up to 5 | 24 | 37.5 |
| Above 5 and up to 10 | 15 | 23.4 |
| Above 10 and up to 15 | 11 | 17.2 |
| Above 15 and up to 20 | 8 | 12.5 |
| More than 20 | 6 | 9.4 |
| **Total** | **64** | **100.0** |

**Source: Primary Data (2019)**

From the presentation in the above Table, Companies with up to 5 departments accounted for 37.5%, those that had above 5 and up to 10 departments accounted for 23.4%, above 15 and up to 20 departments 17.2 and more than 20 departments 9.4%. Majority of the companies had up to 5 departments per branch. This findings show that firms in this sector have a moderate levels of operations in relation to size.

#### *4.5.2.2. Market Related Characteristics*

Market characteristics are firm interventions that focus on overall improved firm performance in relation to profitability, asset growth and competitiveness in the industry. The respondents had been requested to state the extent of their knowledge and involvement in some chosen measures portraying market characteristics. A rating scale of 1 to 5 where; 1=not at all, 2=small extent, 3=moderate extent, 4=large extent and 5= Very Large extent was used to measure Market related characteristic dimensions. Specific five descriptions had been used and the results are given in Table 4.15.

**Table 4.15. Market Related Characteristics**

| **Market Related Characteristics** | **N** | **Mean Scores** | **Std. Deviation** | **CV (%)** |
|---|---|---|---|---|
| Reliance on single product for profitability | 64 | 2.73 | 1.212 | ***44*** |
| firm's involvement in other business | 64 | 3.47 | .992 | ***29*** |
| firm's intention to introduce new products | 64 | 3.41 | 1.050 | ***31*** |
| Intention to establish branches in other regions | 64 | 3.41 | 1.065 | ***31*** |
| Company's brand image in the market place | 64 | 3.41 | 1.080 | ***32*** |
| **Average Scores** | ***64*** | **3.29** | **1.08** | **33** |

**Source: Primary Data (2019)**

The Data in Table 4.15 indicates market related characteristics results. The five descriptions used to measure market related characteristics resulted in to an average mean score of 3.29, a standard deviation average score of 1.08 and an average CV score of 33%. The firm's involvement in other business statement had the highest mean (3.47), which indicate that it affected market related characteristics to a large extent. The degree of dispersion was highest on the statement, "reliance on single product for profitability", which had 44% CV. This implies that this sector has minimal product diversification.

The rest of the statements except for "reliance on single product for profitability" statement indicate that they were to a large extent influencing market related characteristics, when the mean and standard deviations are taken into account. From the above results and the analysis that follow, the inference is that market related characteristics to a large extent are critical determinant of firm performance in food and beverage processing companies.

#### *4.5.2.3. Capital Related Characteristics*

Respondents were required to give their assessment on the capital requirements of the firm. Five statements were used to measure this dimension and the pertinent outcomes are given in Table 4.16.

**Table 4.16. Capital Related Characteristics**

| Capital Related Characteristics | N | Mean Score | Std. Deviation | CV (%) |
|---|---|---|---|---|
| Access of financial support from the government or banks | 64 | 2.73 | .512 | 19 |
| Dependence on other fixed assets for financial stability | 64 | 2.84 | .366 | 13 |
| Equity sourcing from public | 64 | 2.30 | .554 | 24 |
| Ability to get finances from business angels | 64 | 2.25 | .563 | 25 |
| Financing through venture capitalists | 64 | 2.22 | .548 | 25 |
| **Average Scores** | **64** | **2.06** | **.509** | **25** |

**Source: Primary Data (2019)**

The data presented in Table 4.16 shows results for capital related characteristics of the companies, which included five statements. The mean scores ranged between 2.06 and 2.84, and the statement, "dependence on other fixed assets for financial stability" had the highest mean (2.84). The average score for the five statements was 2.06, 0.509, 25% for the mean, standard deviation and CV respectively. From the analysis, it shows that assets ownership is a key factor in enhancing firm profitability and that capital goods are a major enabler for revenue generation and hence improves firm performance

### 4.5.3. Customer Perception

Customer perception was the intervening variable in this study. A total of 12 statements were used to measure customer perception. Pertinent responses were gathered using various constructs whose results are presented in the Table 4.17.

**Table 4. 17. Customer Perception**

| Customer Perception | N | Mean Score | Std. Deviation | CV (%) |
|---|---|---|---|---|
| I like the product of this company | 64 | 3.48 | 1.260 | 36 |
| The quality of products of this company is rather good | 64 | 3.66 | 1.144 | 31 |
| The prices of the products of this company are rather good | 64 | 3.20 | 1.287 | 40 |
| I rather spent my money on this company products than any other company in this area | 64 | 3.27 | 1.288 | 39 |
| This company is trust worthy and honest | 64 | 3.14 | 1.180 | 36 |
| This company has genuine products | 64 | 3.63 | 1.189 | 33 |
| This company has friendly employees | 64 | 2.98 | 1.120 | 38 |
| The company employees are sensitive to customer needs and enquiries | 64 | 3.28 | 1.105 | 34 |
| The company services are good | 64 | 3.70 | 1.191 | 32 |
| The company delivers relevant information to us on time as customers | 64 | 3.91 | 1.019 | 26 |
| I feel at ease in the company | 64 | 3.16 | .912 | 29 |
| I will not switch to other company products very soon | 64 | 4.14 | 1.125 | 32 |
| **Average Score** | **64** | **3.46** | **1.15** | **33** |

**Source: Primary Data (2019)**

The findings show that the highest mean recorded (4.14) was for the statement, “I will not switch to other company products very soon,” which also had a standard deviation of 1.125 and a CV of 32%, an indication that it had to a very large extent influenced the customer perception. The lowest mean recorded was for the statement, “this company has friendly employees”, which results into a mean score of 2.98, corresponding standard deviation of 1.120 and CV of 38%. Other statements scored a mean score range of 3.14 to 3.91 and a standard deviation range from 0.912 and 1.260, and a CV from 26% to 40%. In essence, all the statements had at least to a large extent positive feeling about the firms except for the statement, “I rather spent my money on these company products than any other company in this area”. The average score for all the statements was 3.46, 1.15 and 33% for the mean, standard deviation and CV respectively. From the above findings price perception with CV=40% is a major consideration customers take into account about their transactions with the companies.

### 4.5.4. Firm Performance

Studies have concluded that performance of a firm is a multi- dimensional or multi-faceted construct comprising broad subjective performance measures like customer loyalty, customer perception and customer satisfaction and also objective performance like financial performance (Field, 2006).To measure firm performance, both financial and non-financial indicators were used. Data results for both measures are given in the following analysis.

#### *4.5.4.1.* Financial Performance Measures

The measurement indicators for the financial performance of the firms in food and beverage processing firms in Kenya for this study were; the approximate annual gross profits, annual sales turnover and annual return on Assets (ROA) for the period of the analysis; 2014, 2015 and 2016. Results for financial performance of the firms are given in the following discussions. Regarding gross profits, the respondents were asked to state the approximate annual gross profit of their firms in Food and Beverage processing firms in 2014, 2015 and 2016. The data findings are presented in Table 4.18

**Table 4.18 Annual Gross profits for the three years**

| Kshs, 000,000. | **Frequency** | **Percent (%)** |
|---|---|---|
| less than 100 million | 20 | 31.3 |
| 101-250 | 14 | 21.9 |
| 251 -500 | 11 | 17.2 |
| 501-750 | 9 | 14.1 |
| 751million-1 billion | 7 | 10.9 |
| above 1 billion | 3 | 4.7 |
| **Total** | **64** | **100.0** |

**Source: Primary Data (2019)**

The data in Table 4.18 indicate that firms which had a gross profit less than 100 million accounted for 31.3%, those that had a gross profit between 101 and 250 million accounted for 21.9%, between 251 and 500 million 17.2%, while those that had a gross profit between 501 and 750%

accounted for 14.1%, and between 751million and 1billion 10.9% and above 1 billion 4.7%. Majority of the companies had a gross profit less than 100 million, an indication that most of the companies in this sector are the small and medium enterprises.

In relation to sales turn over, the study further established approximate annual sales turnover of Food and Beverage processing firms in Kenya in 2014, 2015 and 2016. The results are shown in Table 4.19.

**Table 4.19 Average Sales Turnover for three years**

| Khs, 000,000. | **Frequency** | **Percent (%)** |
|---|---|---|
| less than 100 million | 13 | 20.3 |
| 101-250 | 15 | 23.4 |
| 251-500 | 14 | 21.9 |
| 501-750 | 8 | 12.5 |
| 751-1 billion | 9 | 14.1 |
| above 1 billion | 5 | 7.8 |
| **Total** | **64** | **100.0** |

**Source: Primary Data (2019)**

Table 4.19 shows the approximate sales turnover for the companies in this subsector. Those companies with less than 100 million in sales accounted for 20.3%, from 101 to 250 accounted for 23.4%, from 251 to 500 million 21.9% while those that had sales turnover from 501 to 750 million accounted for 12.5%, and those with sales turnover of from 751 million to 1 billion accounted for 14.1% and above 1 billion sales turnover accounted for 7.8%. Majority of the companies had a sales turnover of from 101 to 250 million.

Regarding Return on Assets (ROA), the research established the approximate annual Return on Asset of Firms in Beverage and food processing in Kenya in the year 2014, 2015 and 2016 by requesting the respondents to identify one of the categories given. The pertinent results are shown in Table 4.20

**Table 4.19. Return on Assets**

| Kshs, 000,000. | Frequency | Percent (%) |
|---|---|---|
| less than 100 million | 16 | 25.0 |
| 101-250 | 14 | 21.9 |
| 251-500 | 12 | 18.8 |
| 501-750 | 9 | 14.1 |
| 751-1 billion | 7 | 10.9 |
| above 1 billion | 6 | 9.4 |
| **Total** | **64** | **100.0** |

**Source: Primary Data (2019)**

The presentation in Table 4.20 shows the findings on return on assets of the companies. The companies that had a return on assets less than 100 million accounted for 25%, those that had a return on assets from 101 to 250 million accounted for 21.9%, companies that had a return on assets from 251 million to 500 million accounted for 14.1%, while companies that had a return on assets from 751 million to 1 billion accounted for 10.9% and those with above 1 billion return on assets accounted for 9.4%. Majority of the firms had a return on assets that was less than 100 million. This implies that majority of these firms can be categorized as Small and Medium enterprises (SMEs).

This study further sought to establish the market share each firm commanded in the food and beverage sector in Kenya for the years 2014, 2015 and 2016. Market share gives an estimate of the total number of customers a company commands or is serving in comparison with the rivals in the entire industry. The results are presented in Table 4.21.

**Table 4.20 Market Share**

| Market share % | Frequency | Percent (%) |
|---|---|---|
| Less than 10% | 30 | 47 |
| 11-20% | 12 | 19 |
| 21-40% | 10 | 15 |
| More than 40% | 12 | 19 |
| **Total** | **64** | **100.0** |

**Source: Primary Data (2019)**

Data in Table 4.21 indicates the market share of the companies in this sector. Forty seven percent (47%) of these companies accounted for less than 10% of the market share, 19% of the companies commanded only 11 to 20% market share, 15% of the companies accounted for 21-40% of the market share and 19% of the companies commands more than 40% of market share. Majority of the companies accounted for less than 10% of the market share. These findings show that majority of players in this sector have low market penetration and there is market dominance by the minority few.

#### 4.5.4.2. Non-financial Performance Measures

The companies non-financial performance was measured using the following dimensions; customer loyalty, customer satisfaction and employee loyalty. The respondents had been asked to state their level of agreement with certain characteristics linked with some specific descriptions. The respondents were requested to classify their level of agreement or disagreement in relation to certain variables. Customer satisfaction measures included customer expectations and experiences that may or may not have been met. Customer satisfaction or dissatisfaction is met or not, depending on their response to the affirmation or otherwise and whether they will do a referral or not. Satisfaction of company employees could be measured by their job satisfaction levels and how happy they feel about their working environment. Satisfaction of employees is depicted by their positive actions which culminate in improved firm performance (Inamullah, 2012).

Employees who are motivated and happy work effectively and efficiently in meeting their targets among them; firm commitment, customer satisfaction and better understanding of their roles and responsibilities. In highly competitive business environment like manufacturing, companies need to improve levels of customer loyalty and retention because it is cheaper to maintain than to acquire customers (Kotler & Armstrong, 2011). To measure the levels of satisfaction or dissatisfaction, a rating scale of 1-5 with descriptions "Not at all" to "To a very large extent" respectively was used. The relevant results are summarized in Table 4.22.

**Table 4.21 Respondent Data on Non-Financial Performance Measures**

| **Firm Performance (non-financial )** | **N** | **Mean Score** | **Standard Deviation** | **CV (%)** |
|---|---|---|---|---|
| a) **Customer Loyalty** | | | | |
| Our customers regularly do repeat purchase from us | 64 | 4.08 | .931 | 23 |
| Our customers do not buy from similar or related companies | 64 | 3.17 | 1.106 | 35 |
| Our customers do not switch to competition even at price change | 64 | 2.39 | .936 | 39 |
| **Average Score** | **64** | **3.213** | **0.991** | **31** |
| b) **Customer satisfaction** | | | | |
| Our services meet our customer expectations | 64 | 4.20 | .979 | 23 |
| Our customers comment us for unique services | 64 | 3.69 | 1.067 | 29 |
| Our customers do not rate our competitors better compared to us | 64 | 3.41 | 1.151 | 34 |
| Our services always make our customers happy and proud of us | 64 | 3.48 | 1.155 | 33 |
| **Average Score** | **64** | **3.695** | **1.088** | **29** |
| **c) Employee loyalty** | | | | |
| Our employees do not leave us to our competitors | 64 | 3.47 | 1.112 | 32 |
| Our employees welfare is our management priority | 64 | 3.42 | 1.179 | 35 |
| Our employees turnover rate is very low | 64 | 3.50 | 1.127 | 32 |
| **Average Score** | **64** | **3.463** | **1.139** | **33** |
| **Overall Average Score** | **64** | **3.48** | **1.074** | **31** |

**Source: Primary Data (2019)**

The data presented in Table 4.22 shows firms' non-financial performance results. The non-financial constructs for this study included; customer loyalty (three statements), customer satisfaction (four statements) and employee loyalty (three statements) respectively. The statement, “Our customer always come back for repeat purchase” had a mean score of 4.08, a standard deviation of 0.931and to a very large extent pronounced in customer loyalty, while for customer satisfaction, the statement “Our services meet our customer expectations” with a mean of 4.20 and a standard deviation of 0.979 was to a very large extent reflected in customer satisfaction. On employee loyalty, the statement that was to a large extent reflected was, “Our employees’ turnover rate is very low”, which had a mean score of 3.50 and standard deviation of 1.127.

The CV of customer loyalty was highest for the statement, “Our customers do not switch to competition even at price change” (CV=39%), for customer satisfaction, “Our customers do not rate our competitors better compared to us” statement had the highest CV (34%) while on employee loyalty the statement, “our employee’s welfare is our management priority had the highest CV (35%). The average scores of customer loyalty were 3.213, 0.991 and 31%, the average score for customer satisfaction was 3.695, 1.088 and 29%, the average score for employee loyalty was 3.463, 1.139 and 33% for the mean, standard deviation and the CV respectively. Overall, the non-financial firm performance averaged a mean score of 3.48, a standard deviation of 1.074 and a CV of 31%. The analysis shows that customer loyalty, customer satisfaction and employee loyalty to a large extent are key attributes that require management interventions because they have a major effect on firm performance.

**4.6. Summary of Descriptive statistics of the study variables**

This study computed mean scores, standard deviations and coefficients of variation (CV) statistics to describe all the study variables. The results of the descriptive statistics of the study variables are summary and presentment in Table 4.23.

**Table 4.22: 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** |

**Source: Primary Data (2019)**

Table 4.25 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.

### 4.7. Correlation Analysis

The study sought to establish the relationships between variable. Correlation analysis was performed by use of Pearson product moment correlation coefficient technique to establish the relationship between firm performance, marketing strategies, firm characteristics and customer perception. The pertinent results are summarized in Table 4.24.

**Table 4. 23 Correlation Analysis**

| | | 1 | 2 | 3 | 4 |
|---|---|---|---|---|---|
| 1. **Firm performance** | Pearson Correlation | *1* | | | |
| | Sig. (2-tailed) | | | | |
| | N | *64* | | | |
| 2. **Marketing strategies** | Pearson Correlation | *.365*** | *1* | | |
| | Sig. (2-tailed) | *.003* | | | |
| | N | *64* | *64* | | |
| 3. **Firm characteristics** | Pearson Correlation | *.079* | *.042* | *1* | |
| | Sig. (2-tailed) | *.533* | *.740* | | |
| | N | *64* | *64* | *64* | |
| 4. **Customer perception** | Pearson Correlation | *.247** | *.625*** | *.065* | *1* |
| | Sig. (2-tailed) | *.049* | *.000* | *.612* | |
| | N | *64* | *64* | *64* | *64* |

***. Correlation is significant at the 0.01 level (2-tailed).*
**. Correlation is significant at the 0.05 level (2-tailed).*

**Source: Primary Data (2019)**

Table 4.24 represents the correlation matrix for firm performance, marketing strategies, firm characteristics and customer perception. The relationship between marketing strategy and firm performance is positive, moderate and statistically significant (r =0.365, p-value = 0.03). The relationship between firm characteristics and firm performance is positive, very weak and is not statistically significant (r =0.079, p-value = 0.533).

The relationship between customer perception and firm performance is positive, and to some extent statistically significant (r = 0.247, p-value = 0.049). The relationship between marketing strategies and customer perception is positive very strong and statistically significant (r =0.625, p-value =0.000).

### 4.8. Regression Analysis and Hypotheses Testing

This research sought to establish the influence of marketing strategies, firm characteristics and customer perception on firm performance. Four hypotheses were tested**:** firstly, that marketing strategies do not significantly influence firm performance; secondly, that firm characteristics do not have an effect on the relationship between marketing strategies and Firm performance; thirdly, that customer perception does not influence the relationship between marketing strategies and Firm performance; and fourthly, that the joint effect of marketing strategies, firm characteristics and customer perception on firm performance is not statistically significant.

In order to establish the statistical significance of the relationship in each formulated hypothesis, linear, multiple and step wise regression analysis was conducted. The test variables were composite scores of the constructs of firm performance, marketing strategy, firm characteristics and customer perception.

#### 4.8.1. Marketing Strategy and Firm Performance

The sections below present the measurement, structural equation modeling and statistical analyses of the research hypotheses. The first objective was to determine whether marketing strategies have any influence on firm performance. Marketing strategies were analyzed using the product, pricing, promotion and distribution strategies. Firm performance measures composed financial and non-financial measures. To determine the link between marketing strategies and firm performance, a regression analyses at 95% confidence level was used to test the following hypothesis.

Testing of Hypothesis I:

**H1: There is no significant relationship between marketing strategies and firm performance**

To determine the effects of marketing strategies on firm performance, a linear regression model was used.

**Model 1**

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

$\beta_0$ = Constant term

$B_1$to $\beta_4$= Beta coefficients

E = Error term

$X_1$, $X_2$, $X_3$, $X_4$ represent marketing strategies composite dimensions of product, pricing, promotion and place (distribution) strategies. The pertinent results are shown in Table 4.25.

**Table 4.24 Results of Regression analysis of Marketing Strategies on Firm Performance**

**(a) Goodness of Fit 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 | .379[a] | .144 | .130 | .437 | .144 | 10.430 | 1 | 62 | .002 | |
| 2 | .398[b] | .158 | .131 | .436 | .014 | 1.040 | 1 | 61 | .312 | |
| 3 | .398[c] | .158 | .116 | .440 | .000 | .009 | 1 | 60 | .927 | |
| 4 | .398[d] | .159 | .102 | .444 | .000 | .021 | 1 | 59 | .884 | 2.219 |

**(b) Analysis of variance ANOVA**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 1.988 | 1 | 1.988 | 10.430 | .002[b] |
| | Residual | 11.820 | 62 | .191 | | |
| | Total | 13.809 | 63 | | | |
| 2 | Regression | 2.187 | 2 | 1.093 | 5.738 | .005[c] |
| | Residual | 11.622 | 61 | .191 | | |
| | Total | 13.809 | 63 | | | |
| 3 | Regression | 2.188 | 3 | .729 | 3.766 | .015[d] |
| | Residual | 11.620 | 60 | .194 | | |
| | Total | 13.809 | 63 | | | |
| 4 | Regression | 2.192 | 4 | .548 | 2.784 | .035[e] |
| | Residual | 11.616 | 59 | .197 | | |
| | Total | 13.809 | 63 | | | |

## (c) Regression Coefficients

| Model | | Unstandardized Coefficients | | t | Sig. | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | | | Zero-order | Partial | Part | Tolerance | VIF |
| 1 | (Constant) | 1.939 | .299 | 6.485 | .000 | | | | | |
| | Product Strategies | .293 | .091 | 3.230 | .002 | .379 | .379 | .379 | 1.000 | 1.000 |
| 2 | (Constant) | 1.675 | .395 | 4.235 | .000 | | | | | |
| | Product Strategies | .260 | .096 | 2.708 | .009 | .379 | .328 | .318 | .890 | 1.124 |
| | Pricing Strategies | .098 | .096 | 1.020 | .312 | .239 | .129 | .120 | .890 | 1.124 |
| 3 | (Constant) | 1.662 | .422 | 3.936 | .000 | | | | | |
| | Product Strategies | .256 | .106 | 2.428 | .018 | .379 | .299 | .288 | .749 | 1.335 |
| | Pricing Strategies | .096 | .099 | .978 | .332 | .239 | .125 | .116 | .861 | 1.162 |
| | Promotion Strategies | .009 | .101 | .092 | .927 | .203 | .012 | .011 | .765 | 1.308 |
| 4 | (Constant) | 1.608 | .563 | 2.855 | .006 | | | | | |
| | Product Strategies | .254 | .108 | 2.342 | .023 | .379 | .292 | .280 | .725 | 1.380 |
| | Pricing Strategies | .093 | .102 | .913 | .365 | .239 | .118 | .109 | .818 | 1.222 |
| | Promotion Strategies | .009 | .102 | .084 | .933 | .203 | .011 | .010 | .763 | 1.311 |
| | Place Strategies | .020 | .137 | .146 | .884 | .156 | .019 | .017 | .860 | 1.163 |
| a. Dependent Variable: Firm performance | | | | | | | | | | |
| b. Predictors: (Constant), Product Strategies | | | | | | | | | | |
| c. Predictors: (Constant), Product Strategies, Pricing Strategies | | | | | | | | | | |
| d. Predictors: (Constant), Product Strategies, Pricing Strategies, Promotion Strategies | | | | | | | | | | |
| e. Predictors: (Constant), Product Strategies, Pricing Strategies, Promotion Strategies, Place Strategies | | | | | | | | | | |

**Source: Primary Data (2019)**

The regression results substituted into the above equation is as follows:

**$FP = 1.068 + 0.254X_1 + 0.094X_2 + 0.009\ X_3 + 0.020X_4$**.........................................................M2

Table 4.25 (a, b and c) shows the result of hypothesis 1 related to the direct effect of marketing strategies on firm performance. The goodness of fit model shows that product strategy account for 14.40% of the variation in firm performance in model 1, and in model 2 the addition of pricing strategy increases the variance in firm performance by only 1.4%, while promotion and place strategy do not improve the model (3 and 4) at all. The Durbin Watson value (2.219) is close to 2 indicating that assumption of independence is tenable. The ANOVA section, Table 4.25b, indicates an F-ratio of 10.430, which is significant at ($p < 0.001$), and in model 2 the value of F-ratio is 5.738, which has also a significant p-value ($p < 0.05$), model 3 F-ratio is 3 .766 and a significant p-value ($p < 0.05$), and model four indicates F-ratio of 2.784 and a significant p-value ($p < 0.05$).

In the multiple regression coefficients section of Table 4.24c, the p-values show positive relationship between the predictors and firm performance in that as the values of the predictors increases, the value of firm performance also increases. Product strategies $t(59) = 2.3422$, $p < 0.05$ is the only significant predictor of firm performance as indicated in model 4. The assumption that the independent variables are multicollinear was also tested and the findings show that, the Variance Inflation Factor (VIF) all range between a VIF of 0.10 and 10.(See Appendix V). This shows absence of multicollinearity. The findings show that the association between Marketing strategies and firm performance in the food and beverage sector is positive and statistically significant. Therefore the null hypothesis that stated that there is no relationship between marketing strategies and firm performance is rejected.

**4.8.2. Marketing Strategies, Firm Characteristics and Firm Performance**

The second objective of the research sought to establish the moderating effect of firm characteristics on the relationship between marketing strategies and firm performance. Moderation influence occurs when the dependent variable changes as a result of variations of the predictor variable due to a third variable that changes the strength and direction of the relationship. A single regression model comprising the predictor variable and the interaction term is used. Moderation effects occur if the coefficient for the interaction term is statistically significant. The interaction term is determined as a product of the independent variable and the moderator variable (Baron & Kenny, 1986).The process takes three steps. To determine the moderation influence, the following hypothesis was formulated and tested.

Testing Hypothesis 2:

**H2: Firm characteristics do not influence the relationship between marketing strategies and Firm performance**

The testing of hypothesis included linear regression in 3 steps. To test the hypothesis, simple regression equations were modeled in the following manner:

Step 1: $FP = a + \beta 1MS + \varepsilon$

Step 2: FP= $a + \beta 1MS + FC + \varepsilon$

Step 3: FP= $a + \beta 1MS + \beta 2FC + \beta 3MS * FC + \varepsilon$

Where; a=Intercept $\beta 1 \beta 2 \beta 3$ are beta coefficients

FP= Firm performance

MS=Composite index of marketing strategies

FC= Composite index of firm characteristics

Step 1:

The following section and Table 4.26 a,b and c report the results of analysis of step 1 of moderation effect.

**Table 4.25: The Relationship between 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*

**Source: Primary Data (2019)**

Step 1 below is the relationship between firm performance and marketing strategy.

**Step 1:** $\mathbf{FP = a + \beta 1MS + \varepsilon}$

The regression results presented in Table 4.26 show the values of step 1, which are fitted into the model as follow:

Step 1: FP = 1.376 + 0.424MS

Table 4.28 (a, b and c) shows that 13.30% of the variation in firm performance is caused by marketing strategies ($R^2$= 0.133, p <0.05) while 86.70% is caused by other factors not presented in the model. The values of F-ratio and t are also significant (F = 9.520, t = 2.792, p <0.05). The F-ratio indicates that the regression of marketing strategies on firm performance is positive and significant. Overall, the regression result indicated that marketing strategies have a positive effect on firm performance of Food and Beverage processing firms in Kenya.

**Step 2.**

The following section reports the analysis of step 2, in which the moderating effect of firm characteristic on the relationship between marketing strategy and firm performance was tested. The following model was adopted;

**Step 2:FP= a+$\beta_1$MS+FC+ $\varepsilon$**

Table 4.27 indicates the result of the moderating effect of firm characteristics on the relationship between marketing strategy and firm performance.

**Table 4. 26 Moderating Effect of Firm Characteristics on the Relationship between Marketing Strategies and firm Performance**

**(a) Goodness of Fit Model Summary[a]**

| 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*** | ***2.147*** |

**(b) Analysis of variance 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 | | | |

**(c) Regression Coefficients**

| Model | | Unstandardized Coefficients | | t | Sig. | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | | | Zero-order | Partial | Part | Tolerance | VIF |
| 1 | (Constant) | 1.376 | .493 | 2.792 | .007 | | | | | |
| | Marketing strategies | .424 | .137 | 3.085 | .003 | .365 | .365 | .365 | 1.000 | 1.000 |
| 2 | (Constant) | 1.233 | .563 | 2.191 | .032 | | | | | |
| | Marketing strategies | .421 | .138 | 3.042 | .003 | .365 | .363 | .362 | .998 | 1.002 |
| | Firm characteristics | .055 | .102 | .538 | .593 | .079 | .069 | .064 | .998 | 1.002 |

*a. dependent variable: Firm performance*

*b. predictors: (constant), Marketing strategies*

*c. predictors: (constant), Marketing strategies, Firm characteristics*

**Source: Primary Data (2019)**

Results from table 4.27 were fitted in the model as follows:

Step 2: FP= 1.233 +0.421MS+ 0.055FC..........................................................................M3

The model shows that marketing strategies have a positive and significant effect on firm performance ($R^2$ = 0.133, $p < 0.05$), while the introduction of firm characteristics results in change of R2 0.4% only. This implies that firm characteristics have positive and minimal moderating effect on the relationship between marketing strategies and firm performance. Further, the Durbin Watson value of 2.147 is also close to 2 indicating that the independence assumptions is supported. In addition, the F-ratio and the t values ($F = 9.520$, $t = 3.042$, $p < 0.05$) denote a statistically significant relationship between marketing strategies and firm performance and minimal contribution of firm characteristics to the relationship.

The VIF also show values between 0.1 and 10, indicating that the independent variables are not multi-collinear. The p- values also indicate positive relation in all the values, which means that an increase in all the variables leads to an increase in firm performance. Thus the moderating effect of firm characteristics on the relationship between marketing strategies and firm performance, based on the regression model 2 is significant.

The following section reports the analysis of step 3, in which the moderating effect of firm characteristic and the joint influence of marketing strategies and firm characteristics on the relationship between marketing strategies and firm performance was tested.

**Step 3**

The results for step three are presented in table 4.27. To analyze the moderating effect of firm characteristics on the relationship between marketing strategies and firm performance, the following model was used.

**Step 3: $FP= a+\beta_1 MS+\beta_2 FC+\beta_3 MS*FC+\varepsilon$**

Table 4.28 indicates the result of the moderating effect of Firm Characteristics, and the combined effect of marketing strategies and Firm Characteristics on the relationship between Marketing strategies and firm performance

**Table 4.27 Effects of Marketing strategies and Firm Characteristics on the relationship between Marketing Strategies and firm performance**

**(a) Goodness of Fit**

**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 | .375[c] | .141 | .098 | .445 | .004 | .260 | 1 | 60 | .612 | 2.170 |

**(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 | 1.946 | 3 | .649 | 3.281 | .027[d] |
| | Residual | 11.863 | 60 | .198 | | |
| | Total | 13.809 | 63 | | | |

**Regression Coefficients**

**Coefficients**

| Model | Unstandardized Coefficients | | t | Sig. | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|
| | B | Std. Error | | | Zero-order | Partial | Part | Tolerance | VIF |
| **1** (Constant) | 1.376 | .493 | 2.792 | .007 | | | | | |
| Marketing strategies | .424 | .137 | 3.085 | .003 | .365 | .365 | 1.000 | 1.000 | 1.000 |
| **2** (Constant) | 1.233 | .563 | 2.191 | .032 | | | | | |
| Marketing Strategies | .421 | .138 | 3.042 | .003 | .365 | .363 | .998 | 1.002 | 1.002 |
| Firm Characteristics | .055 | .102 | .538 | .593 | .079 | .069 | .998 | 1.002 | 1.002 |
| **3** (Constant) | 2.052 | 1.702 | 1.206 | .233 | | | | | |
| Marketing strategies | .176 | .499 | .353 | .726 | .365 | .045 | .078 | 12.897 | 12.897 |
| Firm characteristics | -.222 | .552 | -.402 | .689 | .079 | -.052 | .034 | 29.006 | 29.006 |
| Marketing strategies *****Firm characteristics | -.065 | .055 | .510 | .612 | .267 | .066 | .024 | 42.445 | 42.445 |

a. Dependent Variable: Firm Performance
b. predictors: (constant), Marketing strategies
c. predictors: (constant), Marketing strategies, Firm characteristics
d. predictors: (constant), Marketing strategies, Firm characteristics, marketing strategies*****Firm characteristics
**Source: Primary Data(2019**)

The resultant single moderation regression equation is of the form:

**FP= a+$\beta_1$MS+$\beta_2$FC+$\beta_3$MS *FC+$\varepsilon$**

FP= 2.052+ 0.176MS – 0.222FC ……………….……………………………………...M4

Results from Table 4.30 were fitted in the model as follows:

Step 3: FP= 2.052+ 0.176MS – 0.222FC - .065MS.FC

Model 3 indicate a Durbin –Watson value of 2.170, which is close to 2, therefore the assumption that the values of the residuals are independent, is satisfied. Model 1 and 2 show a VIF between 0.1 and 10, while model 3 shows VIF higher than 10, an indication of multicollinearity, which can be explained by the combined effect of firm characteristics and marketing strategy.

The model shows that the moderating effect of firm characteristics and the Joint influences of marketing strategies with firm characteristics on firm performance was not significant ($R^2$ = 0.141, F = 0.260, p > 0.05). From model 2 and 3, there is evidence that the moderating effect of firm characteristics resulted in 0.4% increase in firm performance, and the moderating effect of firm characteristics on the combined strength of firm characteristics with marketing strategies also result in an increase of 0.4% in firm performance. Model 3, however, shows that the regression of both firm characteristics and combined influence of firm characteristics and marketing strategies had no any significant influence on firm performance.

From the above analysis, three equations expressing regression test of moderating effects indicated in beta coefficients are as follows;

Step 1: FP = 1.376 + 0.424MS

Step 2: FP= 1.233 +0.421MS+ 0.055FC

Step 3: FP= 2.052+ 0.176MS – 0.222FC -.065MS.FC

A summary of the moderation testing is presented in Figure 4.1

**Summary Results of Moderation testing**

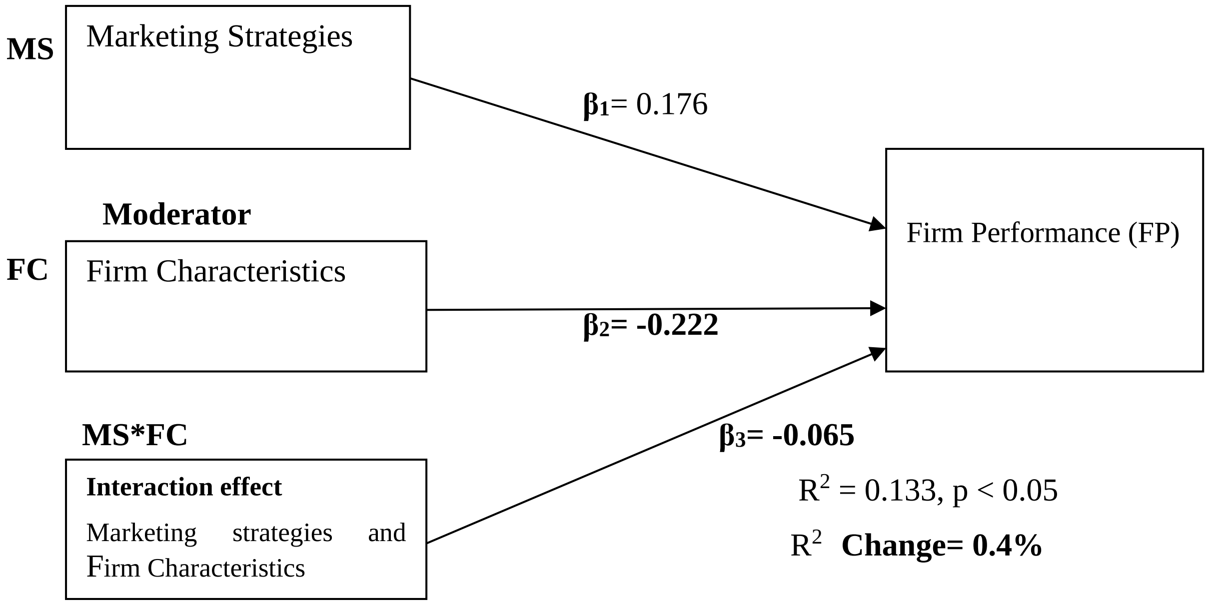



**Figure 4.1 Summary of Moderation Testing**

**Source: Primary Data (2019)**

The above Figure 4.1 shows the regression coefficients along the tested variable relationships and $R^2$ change as a result of the interaction term as well as the significant levels obtained. A unit increase in the combination of marketing strategies and firm characteristics leads to a 0.065 decrease in firm performance; a t- value of 0.510 at p= 0.612. From the results above, it can be summed up that the moderating effect of firm characteristics on the relationship between marketing strategies and firm performance is insignificant. However, because the direct influence of marketing strategies on firm performance (Hypothesis H1) was positive and statistically significant, management in Food and beverage sector need to focus on specific marketing strategies constructs since improvement of such will directly influence firm performance.

**4.8.3. Marketing Strategy, Customer perception and Firm Performance**

In this section, the objective was to assess whether consumer perception mediates the relationship between marketing strategies and firm performance. This resulted in the formulation of the following hypothesis to test. Four steps analysis was conducted and in the fourth step, the effect of mediating variable was controlled to determine the resulting $R^2$ change and the coefficients of the independent variable. Baron and Kenny (1986) explain that partial mediation occurs in cases of statistical significance otherwise in case of statistical insignificance there is full mediation.

Hypothesis 3:

**H3: Customer perception does not mediate the relationship between marketing strategies and Firm performance**

The analysis of hypothesis to test the mediation effect comprised hierarchical multiple regression analysis in 4 steps. Mediation effects occur when a third variable intervenes between two other related constructs (Hair, Babin, Black.B., & Anderson, 2010). The results are indicated in Table 4.29(a, b and c) and the steps were modelled in the following manner:

Step 1: FP=β0+β1MS+ $\varepsilon$

Step 2: CP=β0+β1MS+ $\varepsilon$

Step 3: FP=β0+β1CP+ $\varepsilon$

Step 4: FP= β0+β1MS+ β2CP+ $\varepsilon$

Where; β0=Intercept β1β2 are beta coefficients

FP= Firm performance

MS= Composite index of marketing strategies

CP=Composite index of customer perception. $\varepsilon = error\ term.$

The following section reports the analysis of step 1, which is the relationship between firm performance and marketing strategy.

**Step 1: FP=β0+β1MS+ $\boldsymbol{\varepsilon}$**

Step 1, which reports the relationship between marketing strategy and firm performance has already been analyzed in hypothesis 1, and is reflected in the following equation

Step 1: FP = 1.376 + 0.424MS

The following section reports the analysis of step 2, in which the relationship between customer perception and marketing strategy was tested. Regression results are also presented in Table 4.29.

**Step 2: CP=$\boldsymbol{\beta_0}$+$\boldsymbol{\beta_1}$MS+ $\boldsymbol{\varepsilon}$**

The regression model fitted with the results is presented as follows:

Step 2: CP= 0.346 + 0.871MS

**Table 4.28 Mediating Effect of Customer Perception on the Relationship between Marketing Strategies and Firm Performance**

**a) Goodness of Fit Model**

**Model Summary[a]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .625[a] | .391 | .381 | .442 |

**b) Analysis of variance ANOVA**

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 7.759 | 1 | 7.759 | 39.804 | .000[b] |
| | Residual | 12.086 | 62 | .195 | | |
| | Total | 19.845 | 63 | | | |

a. Dependent Variable: Customer perception

b. Predictors: (Constant), Marketing strategies

**c) Regression Coefficients**

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | .346 | .495 | | .698 | .488 |
| | Marketing strategies | .871 | .138 | .625 | 6.309 | .000 |

Dependent Variable: Customer Perception

**Source: Primary Data (2019)**

The regression results presented in Table 4.29 indicates that 39.10% of the variation in customer perception was as a result of marketing strategy ($R^2$= 0.391, $p < 0.01$), however the model did not explain 60.90% of the variation in customer perception, an indication that there were other factors that influenced customer perception that were not captured in the model. The value of t for marketing strategy was significant ($t = 6.309$, $p < 0.01$), which implies that the coefficient of the model parameter is statistically significant

Table 4.29 c also shows that the value of F-ratio was significant ($F = 39.804$, $p < 0.01$), which indicates that the regression was statistically significant. It was therefore concluded that the mediating effect of customer perception on the relationship between marketing strategy and firm performance is significant.

The following section reports the analysis of step 3, in which the relationship between customer perception and firm performance was tested.

### Step 3: $FP=\beta_0+\beta_1 CP+ \varepsilon$

Table 4.30 shows the regression result of customer perception and firm performance, from which a corresponding equation was derived:

**Table 4. 29 The Relationship between Customer Perception and Firm Performance**

**a) Goodness of Fit Model**

**Model Summary[a]**

| 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 | .247[a] | .061 | .046 | .457 | .061 | 4.028 | 1 | 62 | .049 | 2.173 |

**b) ANOVA TEST**

**Analysis of Variance**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .842 | 1 | .842 | 4.028 | .049[b] |
| | Residual | 12.966 | 62 | .209 | | |
| | Total | 13.809 | 63 | | | |

**c) Regression Coefficients**

**Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 2.177 | .359 | | 6.065 | .000 |
| | Customer perception | .206 | .103 | .247 | 2.007 | .049 |
| a. Predictors: (Constant), Customer Perception | | | | | | |
| b. Dependent Variable: Firm Performance | | | | | | |

**Source: Primary Data (2019)**

### Step 3: $FP = 2.177 + 0.206CP$

As indicated in Table 4.30a, it is evident that a positive and significant relationship exists between customer perception and firm performance ($R^2= 0.061$, $p < 0.05$), however the model shows that 93.90% of the variation in firm performance were not explained , an indication that other influencing factor that were not represented in the model were contributing to firm performance as well. Table 4.32a shows that the value of F-ratio was significant ($F = 4.028$, $p < 0.05$), which implies that the regression was statistically significant. Analysis of the Durbin-Watson value shows a value of 2.173, which is within range of 2 a reflection that the assumption of independence is supported. The VIF show a value that is between 0.1 and 10, which again confirms low multicollinearity in the model. Thus, the analysis above signifies a significant link in the relationship between customer perception and firm performance of food and beverage processing firms in Kenya.

The following section reports the analysis of step 4, where by the effect of customer perception on the relationship between marketing strategy and firm performance is tested.

**Step 4: $FP= \beta_0+\beta_1MS+ \beta_2CP+ \varepsilon$**

Table 4.31 (a, b and c), shows the influence of customer perception on the relationship between marketing strategies and firm performance, and the results are substituted into step 4 equation as follows:

Step 4: FP = 1.367 + 0.402MS + 0.026 CP......................................................................M5

**Table 4. 30: The Mediating effect of Customer Perception on the relationship between Marketing Strategies and 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 | .366[b] | .134 | .105 | .443 | .001 | .041 | 1 | 61 | .840 | 2.145 |

The results in step 1 indicates significant effect of marketing strategies on firm performance ($R^2 = 0.133$, $F = 9.520$, $p < 0.05$) while the addition of customer perception in step 2 shows no significance in the model. Step 2 shows an improvement of only 1.0% from model 1 as a result of the additional component of customer perception.

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 | 1.846 | 2 | .923 | 4.707 | .013[c] |
| | Residual | 11.963 | 61 | .196 | | |
| | Total | 13.809 | 63 | | | |

c) **Regression Coefficients**

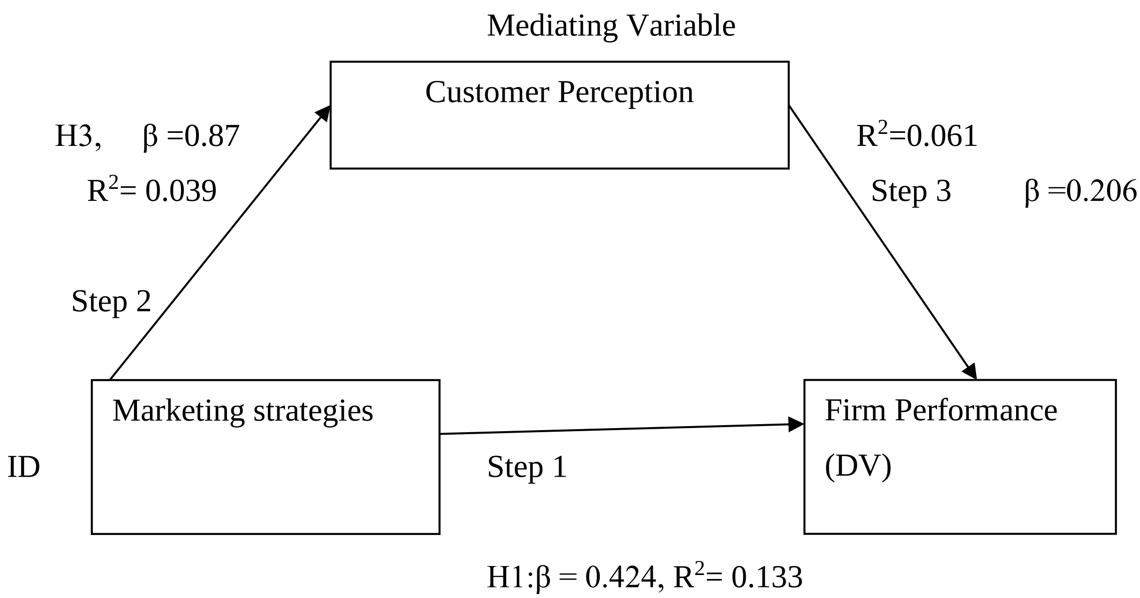
| Model | | Unstandardized Coefficients | | t | Sig. | Correlations | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | | | Zero-order | Partial | Part | Tolerance | VIF |
| **1** | (Constant) | 1.376 | .493 | 2.792 | .007 | | | | | |
| | Marketing strategies | .424 | .137 | 3.085 | .003 | .365 | .365 | .365 | 1.000 | 1.000 |
| **2** | (Constant) | 1.367 | .499 | 2.741 | .008 | | | | | |
| | Marketing strategies | .402 | .177 | 2.262 | .027 | .365 | .278 | .270 | .609 | 1.642 |
| | Customer Perception | .026 | .127 | .203 | .840 | .247 | .026 | .024 | .609 | 1.642 |

a. Dependent Variable: Firm Performance
b. Predictors: (Constant), Marketing strategies
c. Predictors: (Constant), Marketing strategies, Customer Perception

**Source: Primary Data (2019)**

From the results above it means that customer perception is not significant in model 2, however Step 3 regression shows significant relationship among the variables; customer perception, marketing strategies and firm performance ($R^2$= 0.134, F = 4.707, $p < 0.05$).

The Durbin-Watson assumption of independence indicates 2.145, which is a value within the acceptable range of 2, as such the assumption of independence is satisfied, while the VIF values are within the acceptable range of 0.1 to 10, which means mullticollinearity was not significant. It was therefore concluded that customer perception has a positive and a significant mediating effect on the relationship between marketing strategy and firm performance in Food and Beverage processing firms in Kenya. A diagrammatic summary of the results from the four steps of mediation testing is presented in Figure 4.2.




Step 4=H3: β =0.402 for MS, β =0.026 for CP, $R^2$ change = 0.001(Mediation)
Where; MS=Marketing strategies, CP= Customer perception

**Figure 4.2 Summary Results of Mediation Effect Testing**

**Source: Primary Data (2019)**

The four regression equations relating to the test for mediation effect, expressed in beta coefficients are;

Step 1: FP = 1.376 + 0.424MS

Step 2: CP= 0.346 + 0.871MS

Step 3: FP = 2.177 + 0.206CP

Step 4: FP = 1.367 + 0.402MS + 0.026 CP

Where; FP= Firm performance, MS: Marketing strategies, FC: Firm Characteristics and CP: Customer Perception

### 4.8.4. The Joint effect of Marketing Strategy, Firm Characteristics and Customer Perception on Firm Performance.

In this section, the objective was to determine the joint effect of marketing strategy, firm characteristics and customer perception on firm performance. The following hypotheses were developed and tested.

Hypothesis: 4

**H4: The joint effect of marketing strategies, firm characteristics and customer perception on firm performance is not statistically significant.**

The analysis was modelled in the following manner:

FP= f (MS+FC+CP)

$FP=\beta 0+\beta 1MS+\beta 2FC+\beta 3CP+ \varepsilon$

Where; $\beta 0$ =Intercept

$B1\beta 2\beta 3$ are beta coefficients

FP= Firm performance

MS= Composite index of marketing strategies

FC= Composite index of firm characteristics

CP= Composite index of customer perception, $\varepsilon$=error term

The following section reports the analysis of the joint effect of marketing strategies, firm characteristics and customer perception on firm performance. Table 4.32 (a, c and b) shows the regression results from which the following equation is derived:

FP=1.233+0.421MS+0.054FC+0.023CP……………………………………………M5

**Table 4. 31 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

**Source: Primary Data (2019)**

Table 4.32a 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 $R^2$ change between model 1 and 2 was only 0.4% as a result of firm characteristics, while the $R^2$ 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. The regression of model

1, which includes marketing strategy and firm performance was significant ($R^2$= 0.133, F = 9.520, $p < 0.05$), the regression of model 2 which comprise firm characteristics, marketing strategies and firm performance was significant ($R^2$= 0.137, F = 4.850, $p < 0.05$), and model 3 regression, which included firm characteristics, marketing strategy, customer perception and firm performance was also significant ($R^2$= 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 as well (t = 2.248, 0.524, 0.176; $p < 0.05$, $p >0.05$, $p > 0.05$).

The Durbin-Watson analysis shows that model 3 reports a value of 2.156, which is close to the reference value of 2, hence the assumption of independence of the residual values is supported. The VIF of the factors in model 1, 2 and 3 are all between 0.1 and 10, the reference value for the models, hence there was no indications of multicollinearity. Overall, from the findings and analysis, the alternative hypothesis holds that there is significant joint effect of marketing strategies, firm characteristics and customer perception on firm performance

**4.8.5. Summary of Research Objectives, Hypotheses, Results and Conclusion**

The broad objective of this study was to establish the relationship between Marketing strategies, firm characteristics, Customer perception and firm performance of Food and Beverage processing firms in Kenya. All the hypotheses tested were rejected. Table 4.33.summarises the study objectives, hypotheses and conclusions.

**Table 4. 32 Summary of Research Objectives, Hypotheses Results and Conclusions**

| Objectives | Hypothesis | Decision Criteria | $R^2$ | Levels of Significance ( p-values) | Decision |
|---|---|---|---|---|---|
| **Objective 1** To establish the relationship between marketing strategies and firm performance | ***H1:*** Marketing strategies do not significantly influence firm performance | **R-Squared change F-Test-Significance** | **0.144** | **0.002** | **Null Hypothesis Not** Supported |
| **Objective 2** To determine whether firm characteristics have a moderating effects on the relationship between marketing strategies and firm performance | ***H2:*** Firm characteristics do not influence the relationship between marketing strategies and Firm performance | R-Squared Change $\beta -$ Coefficient, if different from zero | 0.133 $\mathbf{R^2}$ Change 0.4%. F=0.260, | **0.003** | **Null Hypothesis Not** Supported |
| **Objective 3** To assess whether consumer perception mediates the relationship between marketing strategies and firm performance | ***H3:*** Customer perception does not influence the relationship between marketing strategies and Firm performance | R-Squared Change $\beta -$ Coefficient, if different from zero | 0.134 $R^2$ change, $\beta$ =0.026 | **0.003** | **Null Hypothesis Not** Supported |
| **Objective 4** To determine the joint effects of marketing strategies, firm characteristics and customer perception on firm performance | ***H4:*** The joint effect of marketing strategies, firm characteristics and customer perception on firm performance is not statistically significant. | **R-Squared change F-Test-Significance** | 0.138 $R^2$ F= 3.192 | **0.003** | **Null Hypothesis Not** Supported |

**Source: Primary Data (2019)**

### 4.8.6. Empirical Model

Empirical model of the study was developed based on the key variables used to construct the conceptual frame work. It is an improvement of the frame work by linking the study variables to the results of the hypotheses tested. Figure 4.3 presents the empirical model of the study variable.

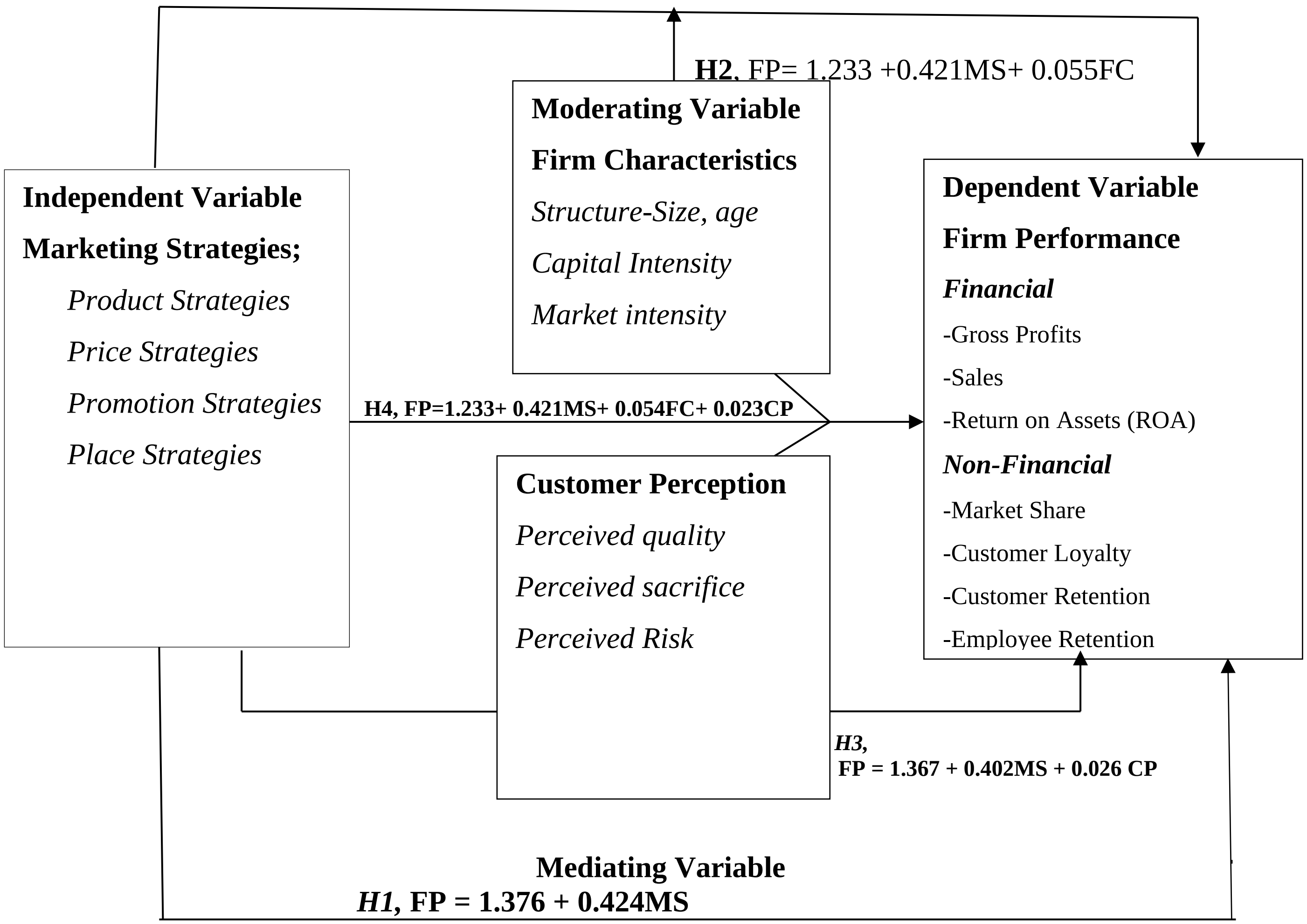



**Figure 4.3. Empirical Model**

***(Source: Current Researcher, 2019)***

### 4.9. Discussion of the study Findings

This portion of the chapter gives a discussion of the findings in line with the study objectives and the conceptualized hypotheses of this research. A conceptual model had been developed guided by the existing marketing strategies, firm characteristics customer perception, firm performance literature and empirically tested the relationships.

#### 4.9.1. Marketing strategies and Firm Performance

The current research reveals a positive and significant results in the relationship between Marketing strategies and firm performance (R=**0.379, p< 0.002**.) This shows that marketing strategies influence firm performance. Marketing strategies were measured in terms of the key strategic marketing dimensions; product, pricing, promotion, and distribution strategies. Firm performance on the other hand was measured in terms of financial performance and non-financial performance indicators. More specifically, the non-financial dimensions included customer loyalty, employee satisfaction and customer satisfaction. The study found that the 4Ps of marketing; product, price, promotion and place (Distribution) strategies have a significant effect on firm performance, however the effect was more pronounced for product strategies.

The role that product strategies play is preceded by a set of other practices, which attract a larger percentage of the operations and investments of a firm. From this 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 elements that companies need to make use of in designing a strategic mix that take care of their market need (McCarthy, 1971).

Further, the findings are in agreement with other research such as by Ronald (2010) who contends that the level of firm performance is positively linked to marketing strategies adopted by a firm. The results also confirms the findings of Karanja (2014) and Arasa et al (2014) who established that competitive marketing strategies had a strong and positive relationship with firm performance. Indeed , the overall results is consistent with the strategic marketing theory that confirms that firms need to understand the marketing mix related to the 4Ps well, use them to design a mix that caters for their markets and buyer requirements through transforming the available resources for competitiveness in the sector and attain firms strategic goals (Jha, 2012).

### 4.9.2. The Moderating effect of Firm Characteristics on the relationship between Marketing Strategies, and Firm Performance

Although Firm characteristics revealed positive and insignificant moderating effects in the relationship between marketing strategies and firm performance, it is evident that it has a bearing in the overall firm performance ($R^2 = 0.141$, $F = 0.260$, $p > 0.05$). From the test on H2 in Model 2, the introduction of the interaction term (moderation effect) of firm characteristics in the relationship between marketing strategies and firm performance resulted in a positive and insignificant $\mathbf{R^2}$ change of 0.4% in firm performance. This implies that there is a very minimal moderating effect of firm characteristics in the relationship between marketing strategies and firm performance.

The findings in this study agree to a very minimal extent with the major theme of the Resource Based Theory that stipulate that internal resources and capabilities can enable firms implement strategies that make use of these capabilities to create value to their products and services and consequently generate a competitive advantage against their rivals and hence superior performance (Wernerfelt, 1984). The findings further conform to previous related studies that suggest that firm characteristics are important elements in attaining the overall firm performance.

Such researchers include Wiklund (2005) who suggests that better alignment of firm attributes with dynamic environmental factor by firms results in exemplary performance and success. Similarly, Kisengo (2014) asserts that by managing customer satisfaction and retention, well thought marketing orientation and advertising and product diversification, companies can improve on their profit levels. This is in contrast with other related studies by Barney et, al (2002) who asserts that an improved firm performance is as a result of company ownership, company age and size.

### 4.9.3. The Mediating effect of Customer Perception in the relationship between Marketing Strategies and Firm Performance

The third objective of this study was to assess whether Customer perception intervenes in the relationship between marketing strategies and firm performance. The pertinent results revealed that customer perception has a positive and a significant effect on the relationship between marketing strategy and firm performance in Food and Beverage processing firms in Kenya. Both $R^2$ change = 0.001 and the coefficient ($\beta$ =0.026 for CP), were statistically significant ($p < 0.05$) indicating mediation. This implies that buyers in this sector form perceptions of the cues from the Food and Beverage sector in interpreting their satisfaction levels which determines whether to buy from this firm or the other. This agrees with the perception theory that seeks to suggest that the strength of the intention of a person to perform the behaviour depends on the level of attitude, subjective norm and perceived control (Ajzen, 1971). In line with this theory, it is evident from the findings that external marketing activities shape a consumers needs and desires leading to a purchase decision.

The findings of this study agree with other previous studies that seek to suggest that perception is determined by intrinsic cues which include product physical features and consequently influence the overall purchase behaviour of a customer (Krause, 2012). It further confirms the findings of (Ulaga & Chacour, 2001), who asserts that perception of products in relation to price and quality is important for explaining firm performance. Perception drives the evaluation process as the product or service is communicated in the customer minds.

#### 4.9.4. The Joint effect of Marketing strategies, Firm Characteristics and Customer Perception on Firm Performance

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 can be attributed to the significant positive relationships between the individual factors and firm performance. From the tests of the first hypothesis, the relationship between marketing strategies and firm performance revealed a positive and significant relationship( R=**0.379, p< 0.002**.).Also, the moderating effects of firm characteristics on the relationship between marketing strategies and firm performance was insignificant resulting in a positive $\mathbf{R^2}$ change of 0.4% in firm performance implying partial moderating effects. Similarly, the mediating effects of customer perception on the relationship between marketing strategies and firm performance results of $R^2$ change = 0.001 and the coefficient ($\beta$ =0.026), were statistically significant ($p < 0.05$). 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 et al (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 Wiklund (2005) who suggested that better alignment of firm attributes with dynamic environmental factor by firms results in exemplary performance and success. 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 (Agarwal & Teas, 2001).

### 4.10. Summary of the chapter

This chapter gave the findings of various analytics performed on the study variables including the descriptive statistics and hypothesis testing through linear and stepwise multiple regression techniques. Hypotheses testing was done in line with formulated objectives. The findings revealed statistically significant results at 95% significance level between; the influence of Marketing strategies on firm performance; the moderating effects of firm characteristics on the relationship between marketing strategies and Firm performance; the mediating effects of Customer perception in the relationship between marketing strategies and firm performance and the joint effects of marketing strategies, Firm characteristics and customer perception on firm performance. The chapter also gives the discussions of the findings in line with supporting theories and empirical studies supporting this research.

# CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1. Introduction

This section of the thesis gives a summarized presentation of the critical findings of the current research, argument about theory, marketing practice and also conclusion. The section also discusses the implication of the study to the policy makers and to industry stakeholders. The chapter further observes the study limitations and gives suggestions for further research.

## 5.2. Summary

The general objective of the current research was to establish the effects of marketing strategies, firm characteristics and customer perception on performance of Food and Beverages processing Companies in Kenya. Four objectives and four hypotheses were developed to guide the study. The research data was generated from two sources; primary and secondary. Research data were gathered using two sets of semi-structured questionnaires. The population for this study comprised all companies dealing with food and beverage products in Kenya. For the purposes of the current study, this population was grouped in to two categories. A census survey was contacted for the first category of population of this research. The population comprised all food and beverage companies doing business in Kenya which are duly registered and listed members of (KAM), Kenya Association of Manufacturers

The targeted respondents for this group were the directors or owners, managers in charge of marketing function or their equivalent. These were assumed to be the critical sources of information in all the firms because they were assumed to have relevant experience, knowledge and skills required for making strategic decisions in marketing functions (Cabrita & Bontis, 2008). The second category of the population comprised direct Business Customers in the subsector composed of organizational buyers of food and beverage products and trading directly with the manufacturers. Respondents from the business customers were the purchasing managers or their equivalent because they interact with the manufacturers and are responsible for the sourcing function. These comprise distributors, wholesalers, supermarket, and other direct buyer institutions.

Descriptive statistics was used to describe respondents and firm characteristics while inferential statistics dealt with hypotheses testing. The data were analyzed using cross tabulations. Tests were carried out using various methods such as regression analysis (linear, multiple and stepwise) at 95% confidence level. The study established that majority of firms processing Food and Beverages are small with up to 5 branches. The study also established that majority of managers in Food and Beverage sector in Kenya are male. The managers are relatively young and have highest level of education at Bachelor's Degree level. This means that they are capable of making reliable and informed decisions for their firms.

The results of the study established that Marketing strategies contribute significantly to the performance of firms in Food and Beverage sub-sector in Kenya ($\beta = 0.424$, $p< 0.002$).This implies that a unit change in strategic marketing efforts will increase firm performance by forty two percent (42%). More specifically the research found out that pricing strategies to a large extent are important consideration in the overall marketing strategies of an organization with mean score of 3.77, $\beta = 0.254,\ and$ $p < 0.05$. By use of correlation analysis, the study established that firm characteristics moderate the relationship between Marketing strategies and firm performance. A significant positive mediating effect of customer perception was observed in the relationship between Marketing strategies and firm performance. Finally, it was established that there was statistically significant joint effect of marketing strategies, firm characteristics and customer perception on Firm performance.

**5.3. Conclusion**

The major reason this research was conducted was to establish the effects of Marketing strategies, firm characteristics and customer perception on firm performance. All the four hypotheses formulated to test the relationships were not supported. The relationships among the study variables in this study were found to be statistically significant implying that all these variables are key considerations in this sector. It confirmed that Marketing strategies have a strong and positive influence on firm performance (R=0.379, p< 0.002). It also established a positive though insignificant moderation influence of firm characteristics in the relationship between Marketing strategies and firm performance ($R^2$ = 0.141, F = 0.260, p > 0.05). It further established that there is a significant mediating influence of Customer perception in the relationship between Marketing strategies and firm performance, $R^2$ change = 0.001 and the coefficient for customer perception; β =0.026 was statistically significant at p < 0.05.Each of the two intervening variable; firm characteristics and Customer perception independently correlate positively with firm performance.

The joint effect of Marketing strategies, firm characteristics and customer perception on firm performance was also found to be positive and significant ($R^2$ = 0.138, F = 3.192 and p < 0.05). Further, the joint effect of Marketing strategies, firm characteristics and customer perception was found to be greater than their individual effects on firm performance. This implies that Marketing strategies, Customer perception and firm characteristics act as an important facet in enhancing growth and productivity of Food and Beverage processing companies in the manufacturing industry in Kenya.

**5.4. Implications of the study**

This portion of thesis presents the researcher's views on the direct and indirect importance of the current study. The study findings and results of the current research sums up several concerns that are of great significance to the marketing theory, practicing managers as well as to the policy makers.

**5.4.1. Theoretical Implications**

The results from the current study give a significant affirmation to the hypothesized direct-relationship that Marketing strategies influence firm performance and that the results are consistent with strategic marketing literature.

Marketing strategies of product, pricing, promotion and distribution require continuous innovations and alteration in relation to diverse market segments as critical components for overall firm performance. A postive and a significant mediating effect of customer perception on the relationship between Marketing startegies and firm performance was realised . Similary, firm characteristics resulted in a positive moderation effect on the relationship between Marketing startegies and firm performance. Most existing literature revolve around the influence of firm characteristic and Customer perception on firm performance individually and ignore the influence these variables have on the Marketing strategies (Wiklund, 2005; Kristiansen, 2003; Munyoki & Mutua, 2010;Kisengo, 2014). The current research has demonstarted the nature of influence these variables have in the link between Marketing strategies and firm performance.

The empirical evidence resulting from the current study indicates a positive interrelationship between firm performance and Marketing strategies,firm characteristics and Customer perception. The findings of the study contributes much to a renewed research concerns in Marketing strategies, firm growth and performance.The study also contributes in theory building and enhances conceptual modelling in marketing discipline. The research results therefore add to strategic marketing theory and firm performance body of knowledge both theoretical and empirically.

**5.4.2.Policy implications**

The Kenyan goals of revitalizing manufacturing sector as one of the economic agenda of the Kenyan Vision 2030 blue print and as one of the development agenda for Jubilee government (2018-2022) aspires to increase industries productivity through enhanced value addition for the purpose of job creation and improved global trade. There is therefore urgency for the Kenyan government to act as the country strives to compete in the region and globally effectively. The economic significance of the manufacturing sector in attaining the vision 2030 programme as well as the strategic decision modes of the Food and Beverage processing firms being key contributors in the manufacturing sector is a major concern for policy makers in realizing the indented growth.

The research findings from this study are evidence that Marketing strategies directly and positively influence performance of firms processing Food and Beverages in Kenya. Manufacturing sector policy and regulation formulators may be required to support these processing firms by investing in training, research and development. They may also need to support them through developing managers’ skills in marketing management as well as developing their leadership capabilities to enhance their effectiveness in their firms. It would also be of great help if policy makers push for legislations aimed at low interest rates for startup firms, reduced tax on essential processed commodities and subsidized inputs by the Government. It is also prudent for policy makers to push for budgetary allocations through parliament to sectors that enhance industry growth. Such sectors include educational institutions and other research organizations that are involved in teaching and learning, research and innovations such as Universities and technical training institutions. The success of these policy implications could be greatly realized through inclusion of critical stakeholders in the manufacturing subsectors including; Kenya association of manufacturers (KAM), Federation of Kenyan employers (FKE),Kenya private sector alliance (KEPSA), Kenya Bureau of Standards (KEBS),legislators, ministry of industry, trade and cooperatives and ministry of information communication Technology (ICT). With such multi agency approach, implementation of such policies will in a great way enhance performance of manufacturing sector in particular food and beverage processing firms in Kenya.

### 5.4.3. Implications for Marketing Practice

The results of this study demonstrate that although Marketing strategies significantly influence performance of firms in the Food and Beverage processing firms in Kenya, they are moderated by firm characteristics and mediated by Customer perception. The study confirmed that bigger firms outperform smaller firms in this sector. Managers in this sub-sector must therefore understand this interaction and formulate Marketing strategies appropriately.

The research findings of the current study are invariable with preceding researches, which indicate that Marketing strategies have a significant affirmative link with firm performance (Mridanish, 2006). In this regard, managers will have important insights in being innovative in product designing and adaption, packaging, targeted pricing policies, catchy communication messages, appropriate distribution networks and very creative mix of all above with respect to their targeted market segments.

The mediating effect of customer perception in the relationship between Marketing strategies and firm performance is consistent with earlier research that indicate that environmental forces and human behavior influence the effectiveness of marketing efforts (Akinyele, 2010,Snoj, Korda, & Mumel, 2004). In this regard therefore, managers need 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. Managers need to regularly analyze and adapt to political climate, economic policy changes, social dynamics, legal provisions and ecological environment and other underlying environmental conditions that determine human behavior in order to sustain their firm performance.

The findings of the current research confirmed positively that firm attributes moderates in the relationship between Marketing strategies and firm performance in Food and Beverage processing companies in Kenya. It therefore contributes to the understanding of managers in developing Marketing strategies that puts into consideration their firm characteristics such as structure, size, and the age of the company as some of the key factors that affect firm performance.

**5.5 Limitations of the Study**

The study findings have provided further insights in strategic marketing and firm performance relationship literature though with few limitations. First, the factors of consideration in the currently conceptualized framework may not give a complete image of firm characteristics, Customer perception and firm performance measures. Inclusion of other factors to examine same phenomena could result in further observations and interpretations pertaining to the relationships in Food and Beverages processing firms.

Second, due to contextual dynamism, this research employed cross-sectional research design and the focus was on Food and Beverage processing firms in Kenya, majority of them being found within Nairobi region. A cross-sectional design is helpful in getting insight about the dynamics of a market segment or consumer groups at a point in time. However, perceptions vary overtime and across markets or regions as influenced by changes in consumer preferences or environmental changes that influence purchase and consumption behavior thus this design limits close investigation of several aspects of the relationship in this study. In this regard, longitudinal research design could be tried and wider research done in similar line of research

Third, the study used subjective performance measures by requesting respondents to rate performance over three years. Many of firms in this sector are small and medium sized and may not provide objective financial data as they are not required by law to publish financial results.

Finally, the size of the sample may have reduced the efficacy of the statistical tests, and it may have been much more interesting working with multiple sampling to enhance the confidence levels of the statistical tests. The study used key informants from the food and beverages firms in Kenya which put constraints on the generalizability of the results to other firms and country contexts.

### 5.6. Suggestions for Future Research

This study was based on Marketing strategies, firm characteristics, Customer perception and performance of food and beverage processing companies in Kenya. The factors used to measure the study variable may not be embracive. An additional literature search could establish other new variables that could enhance the strength of this study models, generalization and validity of the findings.

This research focused on descriptive cross sectional survey design that represents a snap shot at a point in time across a large number of response units, however, subsequent studies in the same field could contemplate longitudinal research design that collects research data over a given span of time and then the firm performance is evaluated in relation to time sequence. In the absence of the current constraints and challenges, a longitudinal research design may result to a more reliable data about the effects of Marketing strategies, firm characteristics and Customer perception on firm performance.

A replica of this study in other industries or combination of sectors in manufacturing industry may yield to further comprehensive results compared to the findings realized in the current research. This research may also be replicated in service industry, government ministries and department, pharmaceutical and even in non-profit making organizations. Such research may provide a clearer view of the utility of marketing strategies on firm performance.

The concept of Customer perception is still not viewed as a significant factor in firm performance, even though several studies have concluded that, diverse customers have unique expectations in respect to the product image (Barki et al., 2014), and that product quality and price also influence how a consumer perceives the product and/or the company and consequently whether they will purchase a product or not. It's therefore of great importance to pursue the link between Customer perception and firm performance to understand the full ramifications.

There is still lack of a unifying priory factors for research on firm performance, and this research adds to the list of factors that future research can use as non-financial and financial predictors of firm performance. Future studies may also consider expanding the number of factors that predict the key constructs of Marketing strategies, firm characteristics, Customer perception and firm performance to improve the quality of statistical tests and findings. Inclusion of other players in the manufacturing industry, inclusion of other study variables and use of longitudinal study design may form basis for further research. Replication of this study by examining other intervening variables in the relationship between Marketing strategies and firm performance could serve as a basis for future research in the same industry.

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# APPENDICES

## Appendix I: Researcher's Letter of Introduction

Daniel Mulinge

P.O. Box 56875-00200

Nairobi, Kenya.

Mobile Telephone: 0714088018

Email: dwycliff@gmail.com

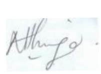
27th September, 2017.

To whom it may concern

**RE: MARKETING STRATEGIES, FIRM CHARACTERISTICS, CUSTOMER PERCEPTION AND FIRM PERFORMANCE OF FOOD AND BEVERAGE PROCESSING COMPANIES IN KENYA**

I kindly request you to allow me collect data in your company in reference to the above topic for my PhD thesis in Business Administration in the University of Nairobi. Kindly take time to respond to the attached questionnaire. The questionnaire will take you less than 15 minutes to complete. Taking part in this study is voluntary. The researcher assures you that your responses will be treated with utmost confidentiality and will be used solely for the purpose of this study. It is hoped that the understanding of the relationships between marketing strategies and firm characteristics and customer perception will enhance firm performance in the sector. I will be grateful for your cooperation and assistance. I will appreciate if you can complete the questionnaire possibly within two days to enable me proceed t the next stage of my study.

Yours faithfully,



Daniel Mulinge Nthenge

## Appendix II. University Letter of Introduction

# UNIVERSITY OF NAIROBI
## COLLEGE OF HUMANITIES & SOCIAL SCIENCES
### SCHOOL OF BUSINESS


Telephone: 4184160-5 Ext 215
Telegrams: "Varsity"' Nairobi
Telex: 22095 Varsity

P.O. Box 30
Nairobi, KEN


11th September, 2017

**TO WHOM IT MAY CONCERN**

Dear Sir/Madam,

**INTRODUCTORY LETTER FOR RESEARCH**
**DANIEL MULINGE NTHENGE– REGISTRATION NO. D80/68393/2011**

The above named is a registered PhD candidate at the University of Nairobi, School Business. He is conducting research on ***"Marketing Strategies, Firm Characteristi Customer Perception and Performance of Food and Beverage Processi Companies in Kenya."***

The purpose of this letter is to kindly request you to assist and facilitate the student wi necessary data which forms an integral part of the research project. The informatic and data required is needed for academic purposes only and will be treated in **Stric Confidence**.

Your co-operation will be highly appreciated.

Thank you.

Graduate Studies Office
P.O. Box 30197
NAIROBI
School of Business
Nairobi University

**DR. MARY KINOTI**
**Associate Dean, Graduate Business Studies**
**School Of Business**

*MK/nwk*

## Appendix III: Questionnaires

**Questionnaire for Food and Beverage Processing Companies**

This questionnaire is designed to collect data from Food and Beverage companies operating in Kenya to be analyzed to examine "***Marketing Strategies, Firm characteristics, customer perception and Firm Performance of Food and beverage processing companies in Kenya"***

Kindly answer the following questions to the best of your knowledge. The information/data shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study is highly appreciated. All information to this questionnaire will remain absolutely confidential and will be seen only by academic researchers involved in this study.

Name of the organization
(Optional)…………………………………………………………..
Location……………………………………………………………………………….

**SECTION A: BACKGROUND, INFORMATION**

1. Name
   (Optional)……………………………………………………………………….
2. Your current position in the organization
   Manager ( ) Specify……………………………………………………………….
   Other positions (specify)…………………………………………………………..

**SECTION B: RESPONDENTS INFORMATION**

3. Gender Male ( ) Female ( )
4. Age category, Up to 30 years ( ), 31-40 ( ), 41-50 ( ), Over 50 ( )
5. Please indicate your level of academic qualification: Up to primary school ( ), Secondary school ( ), College certificate ( ), College Diploma ( ), 1$^{ST}$ Degree ( ), Post graduate Diploma ( ), Masters ( ), PhD ( )

## SECTION C: MARKETING STRATEGIES

6. Kindly indicate with the corresponding number the extent to which you agree with the statement listed below about marketing strategies adopted by your company. Insert a number that reflects your rating using the scale where ***1=Not at all, 2=to a small extent, 3=to a moderate extent, 4= to a large extent, 5= to a very large extent***.

| **Product strategies** | **Rating** |
|---|---|
| The company is more knowledgeable about low income customers | |
| The company has low priced products compared to other areas in Kenya | |
| The company uses small descriptions in packaging their products | |
| The company has specific products for this area different from other areas in Nairobi | |
| The company constantly introduces new products | |
| The company is very innovative | |
| The company has a wide variety of products | |
| **Pricing strategies** | |
| The company products are affordable to many customers in Kenya | |
| Price is a major determinant when the company is introducing new products | |
| Low prices attracts large portion of buyers from this area | |
| **Promotion strategies** | |
| The company communicates its products to the customers of this area through media e.g. radio, TV, and News papers | |
| The company does personal selling initiatives towards the customers of this area | |
| The company is very active in sales promotion activities in this area | |
| The company develops publications materials and does public relations though the main media | |

| | |
|---|---|
| The company promotes customer direct links through the internet space like company website,twitter,facebook,youtube,instagram, etc. | |
| **Place(Distribution) strategies** | |
| The company has established distribution channels through wholesalers, agents and retailers | |
| The company ensures that its products are available all through in its distribution channels | |
| The company has well established transportation and supplier linkages to ensure constant availability of its products | |
| The company uses innovative ways to ensure product availability to customers | |

## SECTION D: FIRM CHARACTERISTICS

7. Please indicate with a (✓) the column that represents your answer according to the descriptions given.

| **Description** | **Number of Branches** |
|---|---|
| Up to 5 | |
| 6- 10 | |
| 11-15 | |
| More than 15 | |
| **Description** | **Number of Employees a company has** |
| Up to 5 | |
| 6-10 | |
| 11-15 | |
| 16-20 | |
| More than 20 | |
| **Description** | **Company Net worth(Kshs, 000,000)** |
| Up to 50 | |
| 51- 100 | |

| | |
|---|---|
| 101-150 | |
| 151-200 | |
| Above 200 | |
| **Descriptions** | **Period of operation in Years** |
| Up to 5 | |
| 6- 10 | |
| 11-15 | |
| 16-20 | |
| Above 20 | |
| **Descriptions** | **No of Departments per Branch** |
| Up to 5 | |
| 6-10 | |
| 11-15 | |
| 16-20 | |
| Above 20 | |

Insert a number that reflects your rating using the scale where ***1=Not at all, 2=to a small extent, 3=to a moderate extent, 4= to a large extent, 5= to a very large extent***.

| **Market Related characteristics** | | | | | |
|---|---|---|---|---|---|
| **Description** | **Not at all** | **Small extent** | **Moderate extent** | **Large extent** | **V. Large extent** |
| Reliance on single product for profitability | | | | | |
| Firm's involvement in other business | | | | | |
| Firm's intention to introduce new products | | | | | |
| **Capital Related characteristics** | | | | | |
| **Description** | **Not at all** | **Small extent** | **Moderate extent** | **Large extent** | **V. Large extent** |
| Access of financial support from the government or banks | | | | | |
| Dependence on other fixed assets for financial stability | | | | | |

## SECTION E: FIRM PERFORMANCE

### Financial indicators

8. Please indicate the extent to which you agree with the following by ticking as appropriate

a) Please indicate with a (✓) as appropriate the Gross profits of your company in the last three years.

| Descriptions | Gross profit for the last three years (✓) |
|---|---|
| Less than 100 million | |
| 101-250 million | |
| 251-500million | |
| 501-750 million | |
| Above 1 billion | |

b) Please indicate with a (✓) as appropriate sales turnover of your company in the last three years. Also, using a scale of 1-5, state to what extend does this performance meet your expectation, where 1=not at all,2= to a small extent,3= to a moderate extend, 4= to a large extent, 5= to a very large extent

| Descriptions | Your Sales Turn over(✓) |
|---|---|
| Less than  a billion | |
| 1-5 billion | |
| 6-10 billion | |
| More than 10 billion | |

c) Please indicate the average Return on assets as appropriate of your company in the last three years.

| | RAO(✓ ) |
|---|---|
| Return on Assets (ROA) | |

**Non-Financial indicators**

**d)** i) Please indicate with a (✓) your current **market share.**

| % | Market Share(✓ ) |
|---|---|
| **1-20** | |
| **21-40** | |
| **41-60** | |
| **61-80** | |
| **81-100** | |

Please indicate with a tick (✓) the extent to which you agree with the following statements.

| ii)**Customer Loyalty** | | | | | |
|---|---|---|---|---|---|
| **Description** | **Not at all** | **To a small extent** | **To a moderate extent** | **To a large extent** | **To a very large extent** |
| Our customers regularly do repeat purchase from us | | | | | |
| Our customers do not buy from similar or related companies | | | | | |
| Our customers do not switch to competition even at price change | | | | | |
| **iii) Customer satisfaction** | | | | | |
| Our services meet our customer expectations | | | | | |
| Our customers comment us for unique services | | | | | |
| Our customers do not rate our competitors better compared to us | | | | | |
| Our services always make our customers happy and proud of us | | | | | |
| **iv) Employee loyalty** | | | | | |
| Our employees do not leave us to our competitors | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Our employees welfare is our management priority | | | | | |
| Our employees turnover rate is very low | | | | | |

Do you wish to have a copy of the results of this study? Yes (    ) No (   ).

***Thank you for your time and cooperation***

**Questionnaire for Business Customers**

**CUSTOMER PERCEPTION**

This questionnaire is designed to collect data from you company operating in Kenya to be analyzed to examine "***Marketing Strategies, Firm characteristics, customer perception, and Firm Performance of Food and beverage processing companies in Nairobi, Kenya"*** Kindly answer the following questions to the best of your knowledge. The information/data shall be used for academic purposes only and will be treated with strict confidence. Your participation in facilitating the study is highly appreciated. All information to this questionnaire will remain absolutely confidential and will be seen only by academic researchers involved in this study.

Name of the organization

(Optional)………………………………………………………..

Location……………………………………………………………………………….

**SECTION A: BACKGROUND, INFORMATION**

1. Name
   (Optional)……………………………………………………………………….
2. Your current position in the organization
   Manager ( )
   Specify…………………………………………………………………….
   Other positions
   (specify)…………………………………………………………………..

**SECTION B: RESPONDENTS INFORMATION'S**

3. Gender Male ( ) Female ( )
4. Age category, Up to 30 years ( ), 31-40 ( ), 41-50 ( ), Over 50 ( )
5. Please indicate your level of academic qualification: Up to primary school ( ), Up to secondary school ( ), College certificate ( ), College Diploma ( ), 1st Degree ( ), Post graduate Diploma ( ), Masters ( ), Ph.D. ( )

**SECTION C: CUSTOMER PERCEPTION**

6. Please indicate with a number the extent to which you agree with the following statement. . Insert a number that reflects your rating using the scale where ***1=Not at all, 2=to a small extent, 3=to a moderate extent, 4= to a large extent, 5= to a very large extent***.

| **Description** | **Rating** |
|---|---|
| I like the products of this company | |
| The quality of products of this company is rather good | |
| The prices of the products of this company are rather good | |
| I rather spent my money on this company products than any other company | |
| This company is trust worth and honest | |
| This company has genuine products | |
| The company has friendly employees | |
| The company employees are sensitive to customer needs and enquiries | |
| The company services are good | |
| The company delivers relevant information to us on time as customers | |
| I feel at ease in the company | |
| I will not switch to other company products very soon | |

***Thank you for your time and cooperation***

## Appendix IV. List of Companies in Food and Beverage Sector in Kenya

**Sector: Food and Beverage**

1. Africa Spirits Limited
2. Agriner Agricultural Development
3. Agro Chemical And Food Company Ltd
4. Alpine Coolers Limited
5. Arkay Industries Ltd
6. Belfast Millers Ltd
7. Broadway Bakery Ltd
8. Brookside Dairy Ltd
9. Bunda Cakes and Feeds Ltd
10. Buzeki Dairy Limited
11. C. Dormans Ltd
12. Candy Kenya Ltd
13. Capwell Industries Limited
14. Chirag Kenya Limited
15. Deepa Industries Limited
16. Edible Oil Products
17. Europack Industries Limited
18. Farmers Choice Ltd
19. Githunguri Dairy Farmers Co-Operative Society
20. Global Fresh Ltd
21. Global Tea and Commodities (K) Limited
22. Gonas Best Ltd
23. Green Forest Foods Ltd
24. Happy Cow Ltd
25. Insta Products (EPZ) Ltd
26. Jambo Biscuits (K) Ltd
27. Kabianga Dairy Ltd
28. Kakuzi Ltd
29. Kapa Oil Refineries Limited

30. Kenafric Industries Ltd
31. Kenblest Limited
32. Kenya Nut Company Ltd
33. Kenya Sweets Ltd
34. Kenya Tea Development Agency
35. Kenya Tea Growers Association
36. Kevian Kenya Ltd
37. Kwality Candies and Sweets Ltd
38. Lari Dairies Alliance Ltd
39. London Distillers
40. Mafuko Industries Limited
41. Mayfeeds Kenya Limited
42. Milly Fruit Processors Ltd
43. Mini Bakeries (Nbi) Ltd
44. Mjengo Ltd
45. Mombasa Maize Millers
46. Mount Kenya Bottlers Ltd
47. Mzuri Sweets Ltd
48. NAS Airport Services Ltd
49. Nesfoods Industries Ltd
50. Nestle Foods Kenya Ltd
51. New Kenya Co-Operative Creameries Ltd
52. Nicola Farms Ltd
53. Nutro Manufacturers EPZ Ltd
54. Palmhouse Diaries Ltd
55. Patco Industries Limited
56. Pearl Industries Ltd
57. Pembe Flour Mills Ltd
58. Proctor and Allan (E.A.) Ltd
59. Promasidor Kenya Ltd
60. Sigma Supplies Ltd

61. Spice World Ltd
62. The Breakfast Cereal Company (K) Ltd
63. Unga Group Ltd
64. United Millers Ltd
65. Usafi Services Ltd
66. Valley Confectionery Ltd
67. Valuepak Foods
68. W. E. Tilley (Muthaiga) Ltd
69. Wanainchi Marine Products (K) Limited
70. Wrigley Company (E.A.) Ltd
71. X- Pressions Flora Ltd

*Source; Kenya Association of Manufacturers (KAM) Directory (2016)*

## Appendix V. Tests of Regression Analysis Assumptions

a) Collinearity Diagnostics[a]

| Model | | 95.0% Confidence Interval for B | | Collinearity Statistics | |
|---|---|---|---|---|---|
| | | Lower Bound | Upper Bound | Tolerance | VIF |
| 1 | (Constant) | .091 | 2.364 | | |
| | Marketing Strategies | .044 | .758 | .609 | 1.642 |
| | Firm Characteristics | -.152 | .260 | .996 | 1.004 |
| | Customer Perception | -.234 | .279 | .608 | 1.646 |

**Collinearity Diagnostics[a]**

| Model | Dimension | Eigen value | Condition Index | Variance Proportions | | | |
|---|---|---|---|---|---|---|---|
| | | | | (Constant) | Marketing Strategies | Firm characteristics | Customer Perception |
| 1 | 1 | 3.952 | 1.000 | .00 | .00 | .00 | .00 |
| | 2 | .032 | 11.033 | .00 | .02 | .75 | .10 |
| | 3 | .011 | 18.879 | .38 | .04 | .20 | .61 |
| | 4 | .005 | 28.676 | .62 | .94 | .05 | .28 |

a. Dependent Variable: Firm Performance

**Residuals Statistics[a]**

| | Minimum | Maximum | Mean | Std. Deviation | N |
|---|---|---|---|---|---|
| Predicted Value | 2.45 | 3.27 | 2.89 | .174 | 64 |
| Std. Predicted Value | -2.549 | 2.209 | .000 | 1.000 | 64 |
| Standard Error of Predicted Value | .057 | .236 | .105 | .038 | 64 |
| Adjusted Predicted Value | 2.47 | 3.36 | 2.89 | .176 | 64 |
| Residual | -1.210 | 1.031 | .000 | .435 | 64 |
| Std. Residual | -2.717 | 2.314 | .000 | .976 | 64 |
| Stud. Residual | -2.842 | 2.370 | .001 | 1.009 | 64 |
| Deleted Residual | -1.324 | 1.082 | .001 | .465 | 64 |
| Stud. Deleted Residual | -3.029 | 2.469 | -.001 | 1.033 | 64 |
| Mahal. Distance | .059 | 16.692 | 2.953 | 3.131 | 64 |
| Cook's Distance | .000 | .190 | .018 | .034 | 64 |
| Centered Leverage Value | .001 | .265 | .047 | .050 | 64 |

a. Dependent Variable: FIRM PERFORMANCE

**Coefficients[a]**

| Model | | Standardized Coefficients | t | Sig. | 95.0% Confi. Interval for B | | Collinearity Statistics | | Unstandardized Coefficients | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Beta | | | Lower Bound | Upper Bound | Tolerance | VIF | B | Std. Error |
| 1 | (Constant) | | 2.792 | .007 | .391 | 2.362 | | | 1.376 | .493 |
| | Marketing strategies | .365 | 3.085 | .003 | .149 | .699 | 1.000 | 1.000 | .424 | .137 |

a. Dependent Variable: FIRM PERFORMANCE

**Collinearity Diagnostics[a]**

| Model | Dimension | Eigen value | Condition Index | Variance Proportions | |
|---|---|---|---|---|---|
| | | | | (Constant) | Marketing Strategies |
| 1 | 1 | 1.994 | 1.000 | .00 | .00 |
| | 2 | .006 | 17.897 | 1.00 | 1.00 |

a. Dependent Variable: FIRM PERFORMANCE

**Collinearity Diagnostics[a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | |
|---|---|---|---|---|---|
| | | | | (Constant) | Firm Characteristics |
| 1 | 1 | 1.982 | 1.000 | .01 | .01 |
| | 2 | .018 | 10.474 | .99 | .99 |

a. Dependent Variable: FIRM PERFORMANCE

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Stand Coefficients | t | Sig. | 95.0% Confidence Interval for B | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Lower Bound | Upper Bound | Tolerance | VIF |
| 1 | (Constant) | 2.697 | .311 | | 8.678 | .000 | 2.076 | 3.318 | | |
| | FIRM CHARACTERISTICS | .068 | .109 | .079 | .627 | .533 | -.149 | .285 | 1.000 | 1.000 |

a. Dependent Variable: Firm Performance

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .087 | 1 | .087 | .393 | .533[b] |
| | Residual | 13.722 | 62 | .221 | | |
| | Total | 13.809 | 63 | | | |

a. Dependent Variable: Firm Performance

b. Predictors: (Constant), Firm Characteristics

**Coefficients[a]**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | 95.0% Confidence Interval for B | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Lower Bound | Upper Bound | Tolerance | VIF |
| 1 | (Constant) | 2.177 | .359 | | 6.065 | .000 | 1.459 | 2.894 | | |
| | Customer Perception | .206 | .103 | .247 | 2.007 | .049 | .001 | .411 | 1.000 | 1.000 |

a. Dependent Variable: Firm Performance

**Collinearity Diagnostics[a]**

| Model | Dimension | Eigenvalue | Condition Index | Variance Proportions | |
|---|---|---|---|---|---|
| | | | | (Constant) | CUSTOMER PERCEPTION |
| 1 | 1 | 1.987 | 1.000 | .01 | .01 |
| | 2 | .013 | 12.478 | .99 | .99 |

a. Dependent Variable: Firm Performance

**ANOVA[a]**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | .842 | 1 | .842 | 4.028 | .049[b] |
| | Residual | 12.966 | 62 | .209 | | |
| | Total | 13.809 | 63 | | | |

A. Dependent Variable: Firm Performance

B. Predictors: (Constant), Customer Perception

b) Linearity Diagnostics

| | | MARKETING STRATEGIES | FIRM CHARACTERISTICS | FIRM PERFORMANCE | CUSTOMER PERCEPTION |
|---|---|---|---|---|---|
| N | Valid | 64 | 64 | 64 | 64 |
| | Missing | 0 | 0 | 0 | 0 |
| Skewness | | .194 | .473 | .222 | .770 |
| Std. Error of Skewness | | .299 | .299 | .299 | .299 |
| Kurtosis | | .218 | .432 | .087 | 1.157 |
| Std. Error of Kurtosis | | .590 | .590 | .590 | .590 |

c) Homogeneity Diagnostics

**Test of Homogeneity of Variances**

| | Levene Statistic | df1 | df2 | Sig. |
|---|---|---|---|---|
| MARKETING STRATEGIES | 2.279 | 15 | 29 | .028 |
| FIRM CHARACTERISTICS | 1.063 | 15 | 29 | .428 |
| CUSTOMER PERCEPTION | 2.560 | 15 | 29 | .015 |

d) Test of independence

**Model Summary[b]**

| 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 | .371[a] | .138 | .095 | .445 | .138 | 3.192 | 3 | 60 | .030 | 2.156 |

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

b. Dependent Variable: Firm Performance

e) Normality Diagnostics

**Tests of Normality[a,b,c,d,f,g,h,i,j,k,l,m,n,o,p,q,r]**

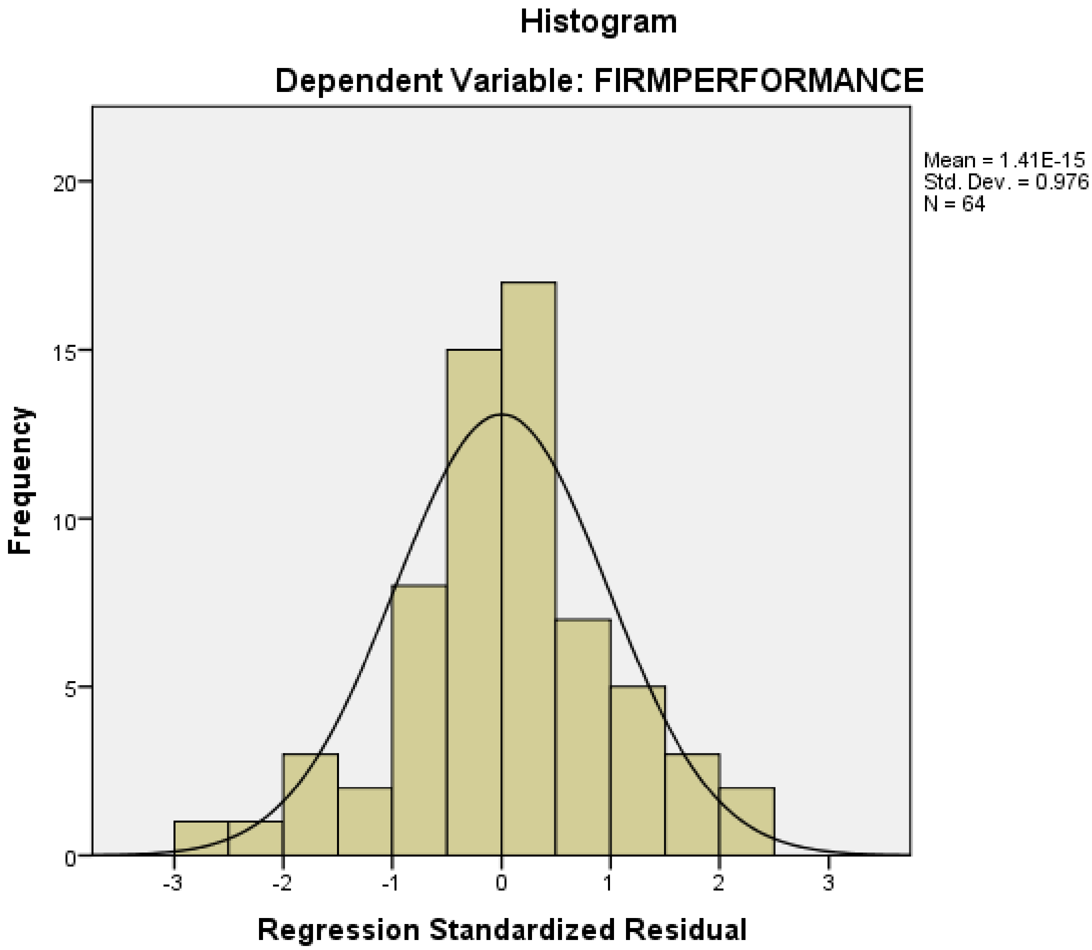
| | MARKETING STRATEGIES | Kolmogorov-Smirnov[e] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|---|
| | | Statistic | df | Sig. | Statistic | df | Sig. |
| FIRM PERFORMANCE | 3 | .260 | 2 | . | | | |
| | 3 | .260 | 2 | . | | | |
| | 3 | .260 | 2 | . | | | |
| | 3 | .358 | 3 | . | .812 | 3 | .144 |
| | 3 | .260 | 2 | . | | | |
| | 3 | .347 | 4 | . | .807 | 4 | .115 |
| | 4 | .253 | 7 | .194 | .935 | 7 | .591 |
| | 4 | .260 | 2 | . | | | |
| | 4 | .260 | 2 | . | | | |
| | 4 | .276 | 3 | . | .942 | 3 | .537 |
| | 4 | .260 | 2 | . | | | |
| | 4 | .242 | 4 | . | .936 | 4 | .631 |
| | 4 | .260 | 2 | . | | | |
| | 4 | .203 | 4 | . | .966 | 4 | .816 |
| | 4 | .232 | 3 | . | .980 | 3 | .726 |
| | 4 | .219 | 3 | . | .987 | 3 | .780 |

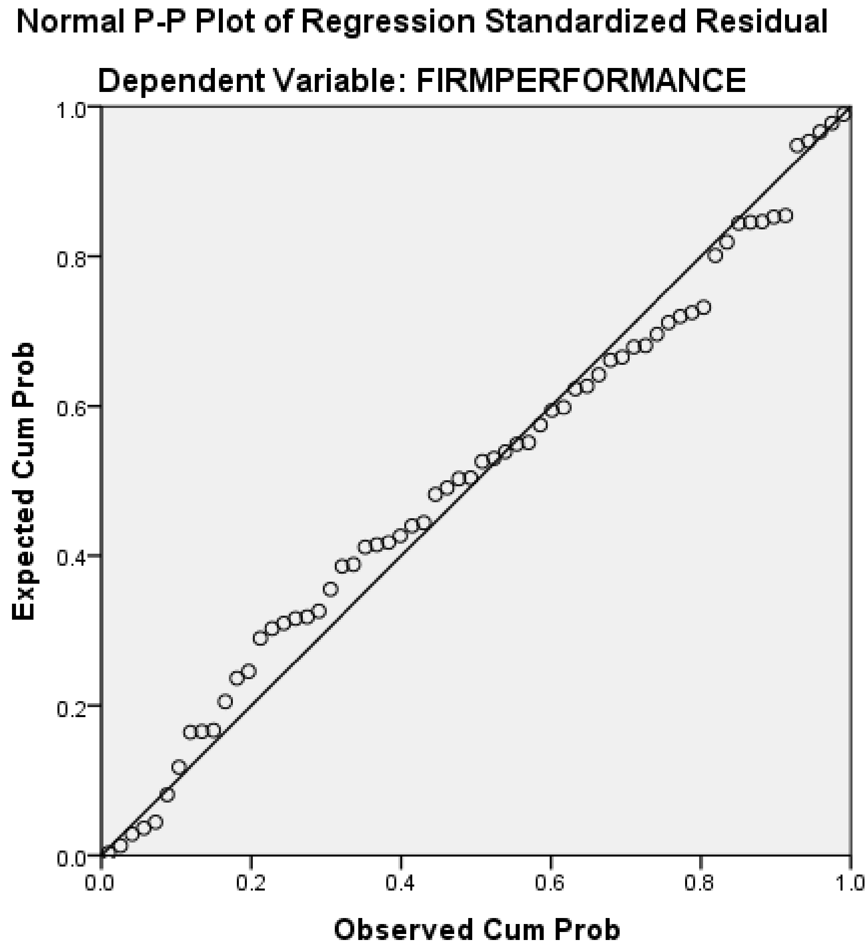
**Tests of Normality[a,c,d,f,g,h,i,j,k,l]**

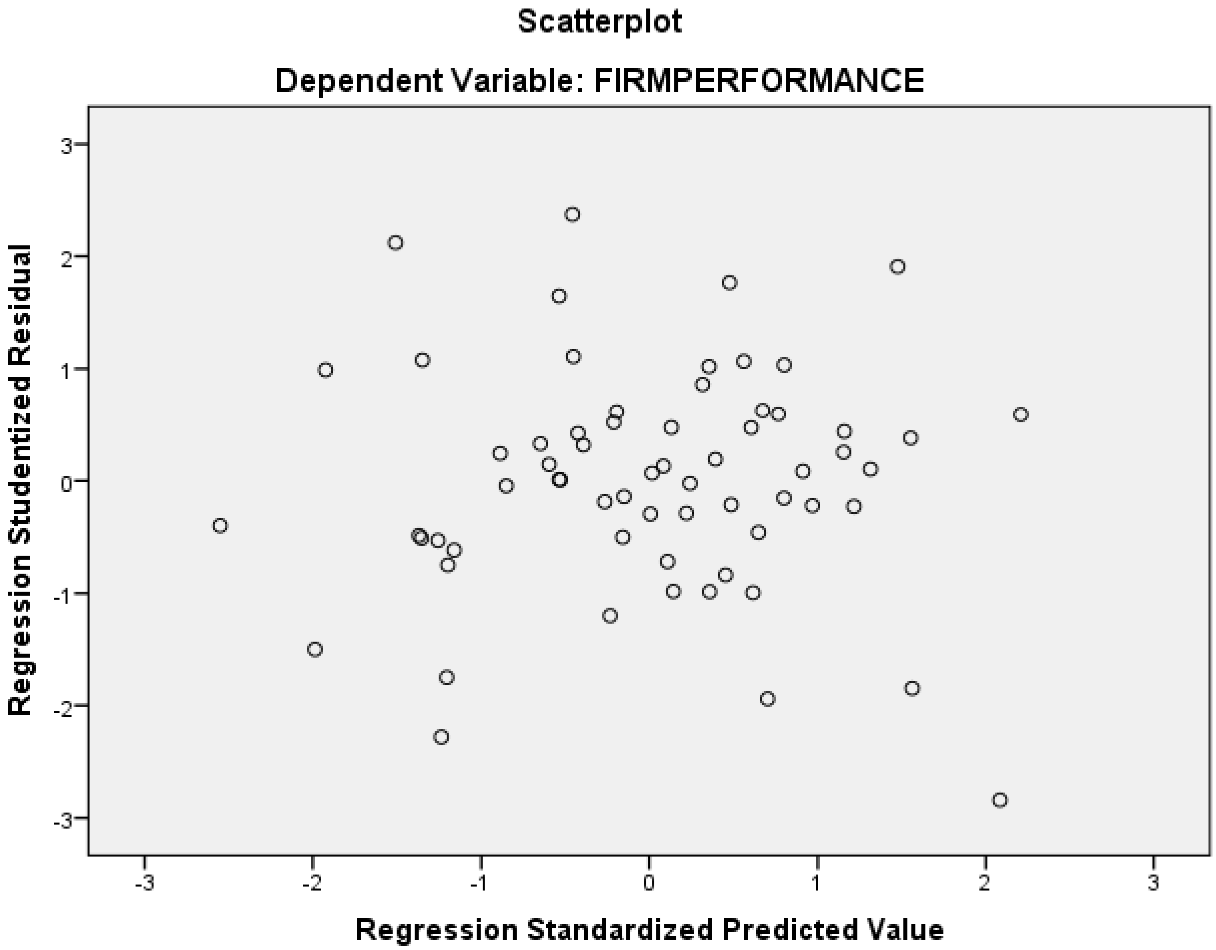
| | FIRM CHARACTERISTICS | Kolmogorov-Smirnov[b] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|---|
| | | Statistic | df | Sig. | Statistic | df | Sig. |
| FIRM PERFORMANCE | 2 | .325 | 3 | . | .876 | 3 | .312 |
| | 2 | .369 | 3 | . | .787 | 3 | .085 |
| | 2 | .154 | 4 | . | .999 | 4 | .997 |
| | 2 | .193 | 5 | .200* | .957 | 5 | .787 |
| | 3 | .103 | 9 | .200* | .987 | 9 | .991 |
| | 3 | .200 | 3 | . | .995 | 3 | .862 |
| | 3 | .260 | 2 | . | | | |
| | 3 | .317 | 3 | . | .888 | 3 | .348 |
| | 3 | .260 | 2 | . | | | |
| | 3 | .260 | 2 | . | | | |
| | 3 | .260 | 2 | . | | | |
| | 3 | .289 | 3 | . | .928 | 3 | .480 |
| | 3 | .260 | 2 | . | | | |
| | 3 | .260 | 2 | . | | | |
| | 3 | .163 | 5 | .200* | .991 | 5 | .984 |
| | 4 | .260 | 2 | . | | | |
| | 4 | .260 | 2 | . | | | |

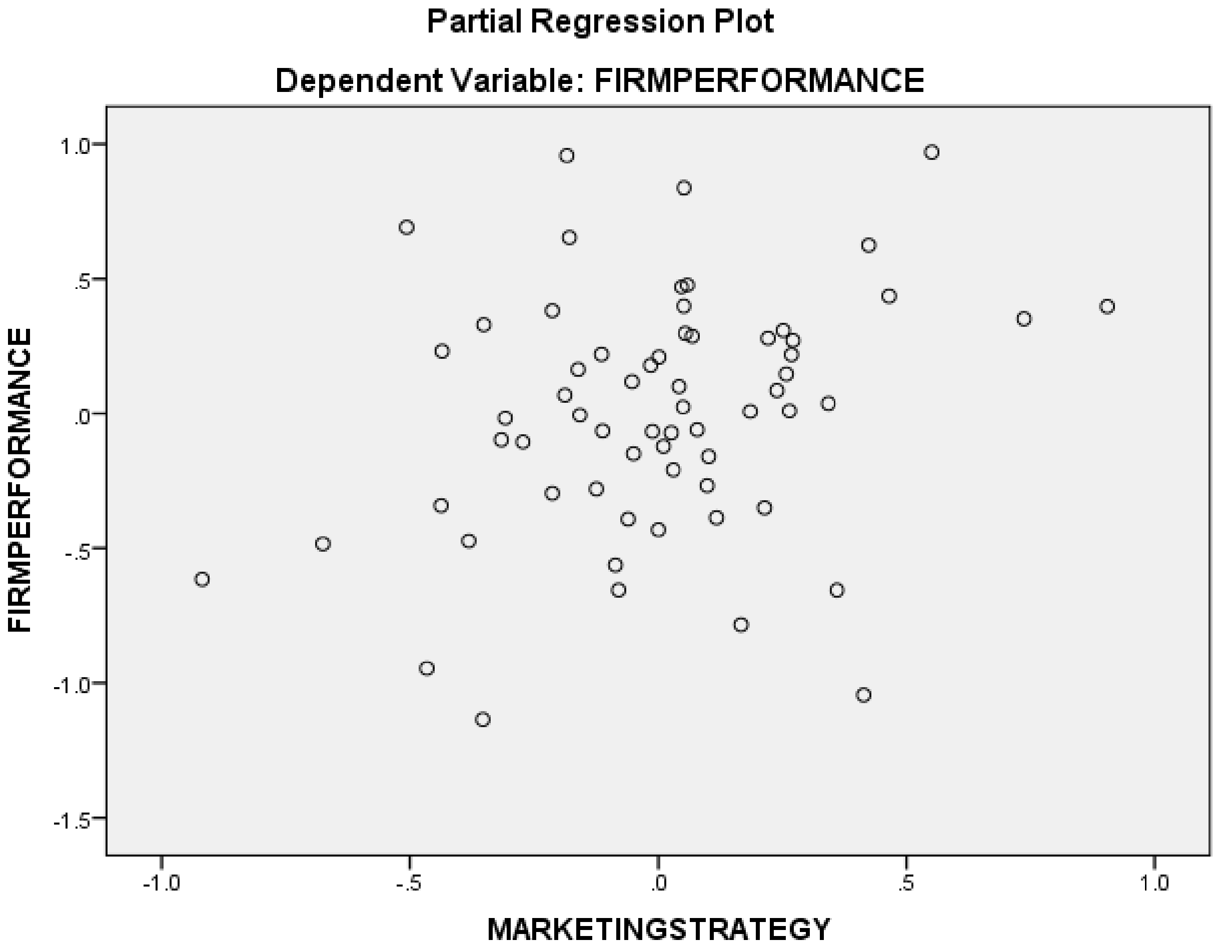
**Tests of Normality[a,b,c,d,e,g,h,i,k,l]**

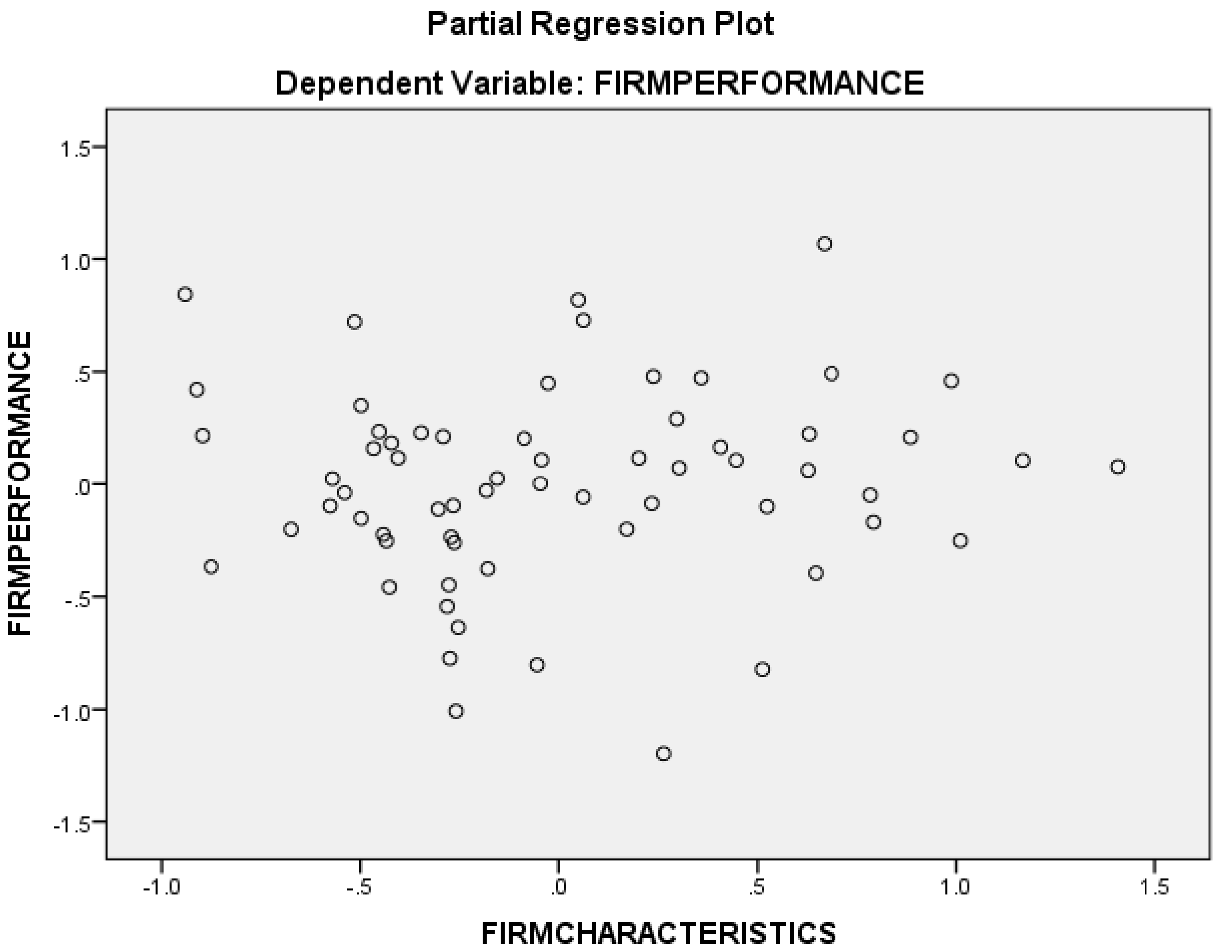
| | CUSTOMER PERCEPTION | Kolmogorov-Smirnov[f] | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|---|
| | | Statistic | df | Sig. | Statistic | df | Sig. |
| FIRM PERFORMANCE | 3 | .260 | 2 | . | | | |
| | 3 | .267 | 3 | . | .951 | 3 | .576 |
| | 3 | .354 | 3 | . | .822 | 3 | .168 |
| | 3 | .338 | 4 | . | .798 | 4 | .099 |
| | 3 | .310 | 5 | .132 | .878 | 5 | .299 |
| | 3 | .241 | 6 | .200* | .916 | 6 | .480 |
| | 4 | .260 | 2 | . | | | |
| | 4 | .297 | 5 | .171 | .865 | 5 | .248 |
| | 4 | .229 | 3 | . | .981 | 3 | .739 |
| | 4 | .130 | 6 | .200* | .991 | 6 | .990 |
| | 4 | .385 | 3 | . | .750 | 3 | .000 |
| | 4 | .261 | 5 | .200* | .923 | 5 | .549 |
| | 4 | .368 | 3 | . | .792 | 3 | .094 |
| | 4 | .260 | 2 | . | | | |
| | 4 | .260 | 2 | . | | | |

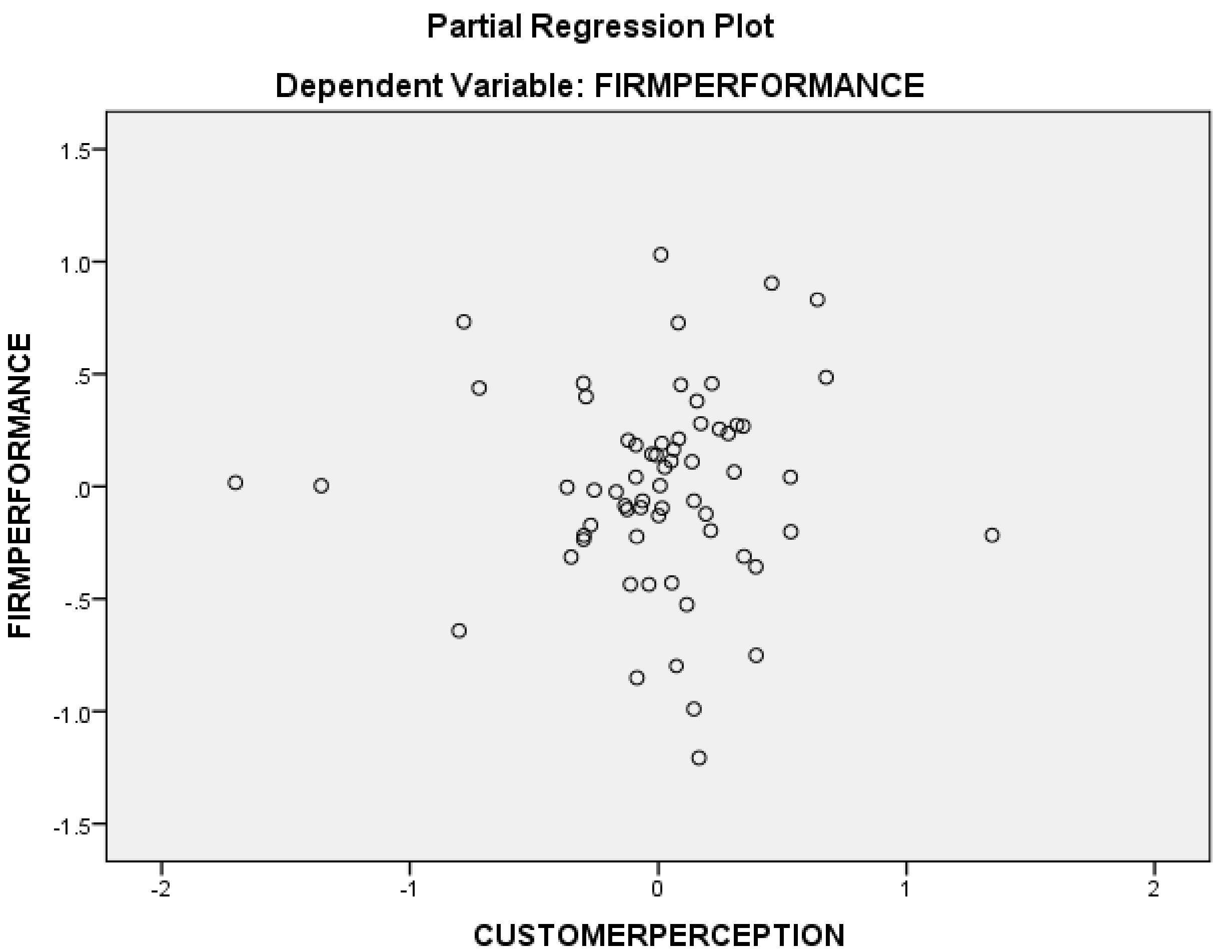

Histogram
Dependent Variable: FIRMPERFORMANCE
Mean = 1.41E-15
Std. Dev. = 0.976
N = 64
Frequency
20
15
10
5
0
-3
-2
-1
0
1
2
3
Regression Standardized Residual


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: FIRMPERFORMANCE
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0


Scatterplot
Dependent Variable: FIRMPERFORMANCE
Regression Studentized Residual
3
2
1
0
-1
-2
-3
-3
-2
-1
0
1
2
3
Regression Standardized Predicted Value

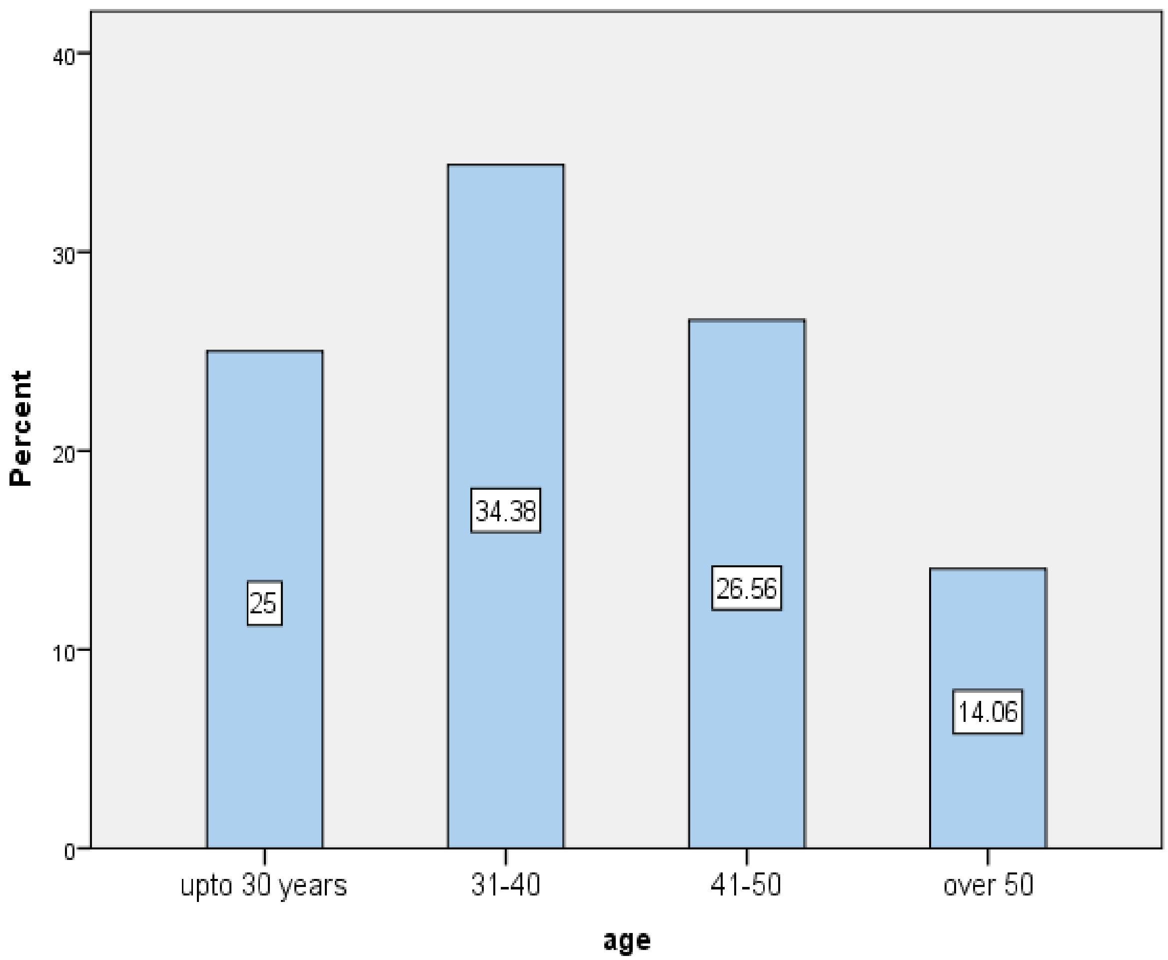

Partial Regression Plot
Dependent Variable: FIRMPERFORMANCE
FIRMPERFORMANCE
1.0
.5
.0
-.5
-1.0
-1.5
-1.0
-.5
.0
.5
1.0
MARKETINGSTRATEGY


Partial Regression Plot
Dependent Variable: FIRMPERFORMANCE
FIRMPERFORMANCE
1.5
1.0
.5
.0
-.5
-1.0
-1.5
-1.0
-.5
.0
.5
1.0
1.5
FIRMCHARACTERISTICS

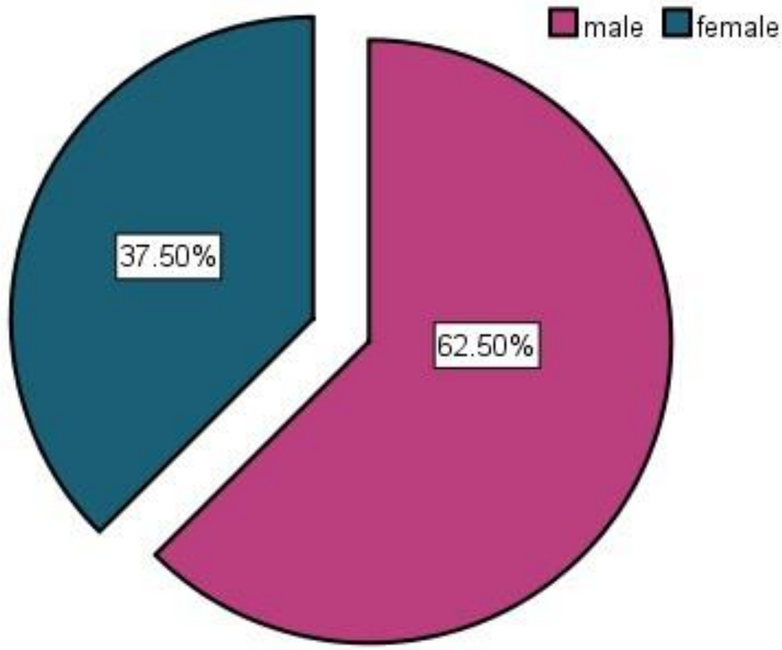

Partial Regression Plot
Dependent Variable: FIRMPERFORMANCE
FIRMPERFORMANCE
1.5
1.0
.5
.0
-.5
-1.0
-1.5
-2
-1
0
1
2
CUSTOMERPERCEPTION

## Appendix VI. Descriptive Data

**Respondents Age**




**Respondents Gender**


male
female
37.50%
62.50%