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MARKETING STRATEGY AND PRODUCT PERFORMANCE: A STUDY OF SELECTED FIRMS IN NIGERIA

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Abstract

This study was conducted to investigate the nature of relationship between marketing strategy and product performance with a special focus on the food and beverage industry in Nigeria. The study used primary data gathered from 284 randomly selected staff of ten selected companies. These companies are quoted on the Nigerian stock exchange. To do this, a questionnaire was adopted as research instrument. The data gathered was subjected to factor analysis and regression analysis. The results show that indeed marketing strategy impacts product performance of the observed firms. More so, of all the factors considered (promotion strategy, Product strategy, Distribution strategy, General marketing strategy and Pricing Strategy) promotional factors were found to be most important, then product strategy while pricing mix account for the least variation. This paper therefore recommends that business organisations should accord necessary attention to the element of marketing strategy by designing market strategies driven by a sound marketing management, targeting and strategic positioning.

Key Words: *Marketing Strategies, Product performance, Marketing mix, Marketing management, Consumer patronage, Advertising, Marketing, Market Share*

Introduction

The fundamental intent of every business entity is to produce goods and services that satisfy the unfulfilled needs and wants of a target audience at a profit. Marketing as a managerial function identifies such unfulfilled needs and wants, measure their magnitude, determines which target markets the organization can best serve and decides on appropriate products, services and programs to serve these markets. This connotes that marketing serve as the link between material requirements and its economic patterns of response (Shama, 1993).

Marketing has evolved over time from a simple sales function to a complex group of activities, not necessarily integrated either within itself or in its relationship with other non-marketing functions of the firm. The Marketing-orientation has become a necessity in modern competitive world due to innovation and emergence of many products at consumers' disposal. Many firms are expanding their operational base in the market but most competing to enlarge their share of the existing market (Drucker, 1973). Hence, the need for a sound customer focus, an effective competitive advantage and competitor targeting become imperative.

The daunting task before the marketing manager therefore, is to design a marketing strategy that will help concentrate

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organizational resources on market opportunities with the goals of increasing sales and achieving a sustainable competitive advantage in the market place. It is therefore imperative that marketers craft strategies that best achieve the marketing and organisational goals through enhanced consumer patronage. This especially so in the modern business environment characterized by proliferation of products making the consumer purchasing decision process more engaging. In view of this, consumers also adapt their shopping behaviour and habits, to be able to adjust to the changing economic conditions. Studies abound on how consumers affected by crises in Asia and South America made adjustments accordingly (Ang, 2001; Zurawicki and Braidot, 2005).

Similarly, firms react to these changes in the marketplace by taking the appropriate measures to adjust their corporate behaviour such as reducing costs, cutting production, investment reduction, entering new/foreign markets, working more with equity capital, improving efficiency, re-structuring debt, these can have no positive impact on company performance unless they increase sales (Zehir, 2005; Laitinen, 2000; Uslu, 1999; Beaver and Ross, 1999).

Marketing strategy according to Weits (1985) involves the allocation of resources to support firms in gaining a competitive advantage in a target market. It comprises dual-oriented, rational, emotional and maintenance marketing strategy (Lin, 1993). Product performance entails the degree of success of new products as well as the financial results of market competition which is reflected in profit or market share (Li and Calantone, 1998). Griffin and Page (1993) summarized three most common indicators used to measure product performance to comprise market share, profitability and technological prowess for product development and rapid implementation plans to achieve the desired goals.

The effect of marketing strategies can be seen on turnover and thus on the firm's performance. The appropriate marketing strategy creates impact on marketing process towards the sales of an organization. The benefit of the marketing activities in the business reflects in the strength of the company in eliminating or at least minimizing the effect of the various corporate challenges. The influence of marketing activities can be part of the culture of the organization and can be basis for the actions that the leaders will create in the future. (Krohmer *et al.*, 2002).

Hence, the development of viable and feasible marketing strategy is the focal point of modern marketing research as few studies were based on the concepts of marketing strategies to explore its impact on product performances. But so far, few studies have accounts for these two variables in Nigeria business environment. Also, firms are facing dynamic competition and rapid technological advancement in product development which shorten of product life cycles often impact of product performance. This study examined the use of diverse marketing strategies and their consequential effect on product performance in Nigeria.

Methodology

This study focused on the food and beverage sector of the Nigerian economy with the aim of measure the effects of changes in marketing strategies on product performance. The choice of this sector is informed by the consistent track record and excellent performance demonstrated by most of the firms in the sector which is attributed to their capacity to deliver outstanding performance at all times. In addition, entrepreneurial initiative and a commitment to serve the Nigerian public with high quality products specific and acceptable to the Nigerian taste are among the driving wheels of performance. Companies included in the sample had to have been in the market for at least ten years. Thus we randomly selected Ten (10) companies from the list of companies listed on the Nigerian Stock Exchange (NSE) at May 2014. Although about 497 employees from the selected firms agreed to take partin the study, in response to an initial e-mailing, the subsequent questionnaire was returned by 325 and after adjustments for missing, faulty or meaningless data, data from 284 were available for analysis. The effective return rate is thus 65.3 per cent of the sampling frame of 497. The first part of the questionnaire contained questions to collect descriptive data relating to the companies. In the second part, respondents were presented with 15 marketing strategies – three each on product, price, distribution, promotion, and three general marketing strategies statements and asked as to what extent and in which direction their company had changed those strategies since their commencement of business dealings.

Responses were recorded by means of a five-point Likert scale ranging from "significantly decreased" to "significantly increased" through a neutral mid-point. The third part of the questionnaire investigated changes in performance measures. In doing this, we asked respondents to estimate the amount of change in their firm performance as a result of changing strategies using this five-point scale: 1-9 per cent, 10- 19 per cent, 20-29 per cent, 30-39 per cent, and 40-45 per cent. The purpose of using a numeric scale of this kind was to obtain more precise answers than a verbal or open-ended option would provide.

Data Analysis

Factor analysis was employed to analyse responses relating to marketing strategies, in order to reduce the data into a smaller number of underlying dimensions.

Result

Table 1 presents the results of principal component analysis. The most important factors are those relating to the promotion element of the marketing mix which explained about 27.2% of the total variation. It comprises media usage, quantity discounts and public relations activities. The second important factor explains 19.4% of the total variance, and relates to product strategy. Its components are new product development, product range and product quality. The third mix was the distribution with components such as sales training, distribution channel and number of sales force. It contributes 15.6%. The fourth mix was the general marketing strategy which comprises strong markets, entering new markets and moving into new business. Also, this contributes 8.2% while the last mix, pricing which comprise coupon, trade credit and cash discount contributes only 6.4% of the total variation.

The table also showed the Cronbach coefficient for each factor which vary between 0.62 and 0.80, while the whole factor analysis explains 0.768 of total change. Thus, the convergent and divergent validity of the scale are high.

Table 2 below presents the mean values for the respondents' performance criteria evaluations. The term "active" represent respondents' view of a significantly increased performance while "inactive" represents those with significantly decreased performance. The results show that most respondents view sales and market as the best parameter followed by net profit which shows a passive result. It is clear that the successful companies increased their sales, market share and net profit.

Similarly, table 3 below shows the result of a simple linear regression analysis used to analyze the effects of marketing strategies on company performance.

Discussion

From our analysis, it is apparent that marketing strategy has a relationship with the performance of the selected firms. This is observed from the regression results which showed that a unit change in the level of marketing strategy will yield a more than proportionate in the level of firm performance. Similarly, the correlation coefficient value of 0.8957 implies the existence of a strong positive linear relationship between firm performance and marketing strategy of the observed firms while the coefficient of determination value of 0.8023 indicates that 80.23% of the selected firm's performance can be attributed to variations in marketing strategy. This trend in performance can be attributed to several factors such as fair pricing, quality product, effective promotion and productive distribution channel. The analysis shows that marketing strategy often result in increased sales, profit, entice more customers and develop the position of the organization.

The food and beverages industry is a developing and less affected by the recent global economic financial crisis and this has a positive impact on the sales of products as people have disposable income and can spend on various products, this therefore is a positive development for the industry. Similarly, a general overview of the promotional strategies suggests that the size of Public Relation has the strongest impact on performance, with the highest relationship to all other performance measures.

Conclusions and Recommendation

Judging from the various computations, analysis and discussions, this study revealed that marketing strategies enhances product performance in Nigeria. Kotler (2002) explained that individuals and groups obtain what they need and went through creating and exchanging products and value with others and this stands to increase the performance of the company. Therefore, the organization and the market can benefit from any marketing strategy developed in pursuance to make profit and create capital continuity if properly managed.

Most of the respondent strongly agrees that marketing strategies enhance product performance. Few agree while just a little of the respondents strongly disagreed. Hence, it can be deducted from the above responses that marketing strategies enhance product performance in the food and beverage sector of the Nigerian economy. Similarly, almost all of the respondents strongly agree and agreed that there is a link between marketing strategy and product performance while the correlation result also support the assertion. Hence, it can be deducted from the above responses that marketing strategies enhance product performance.

Based on the findings from the study, we recommend that companies should accord necessary attention to the element of marketing strategy by designing a market driven strategies driven by a sound marketing management, targeting and strategic positioning. Also, since it was discovered that marketing strategies enhance product performance and productivity, there should be planning ahead for new products and strategic brand management, strategy implementation and control should be in place at all times.

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Table 1: Results of Principal Component Analysis

S/N	Strategies	Cronbach's Alpha	Variance (%)	Factor loading
a.	Promotion strategy	0.76	27.20	
	Media Usage			0.652
	Quantity Discount			0.585
	Public Relation			0.754
b.	Product strategy	0.80	19.41	
	Product development			0.541
	Product range			0.687
	Product quality			0.593
c.	Distribution strategy	0.72	15.60	
	Sales training			0.586
	Distribution Channel			0.540
	No of Sales force			0.569
d.	General marketing strategy	0.75	8.23	
	Strong markets			0.636
	Entering new markets			0.675
	Moving into new business			0.852
e.	Pricing Strategy	0.62	6.42	
	Coupon			0.546
	Trade credit			0.764
	Cash discount			0.529
	Total Variance		76.86	
	KMO =0.186; $P<0.000$			

Table 2: The mean values for the respondents' performance criteria evaluations

S/N	Criteria		Number	Mean
	Sales	Total	284	3.428
		Inactive	131	3.214
		Active	153	3.642
	Market Share	Total	284	2.998
		Inactive	98	2.134
		Active	186	3.864
	Net profit	Total	284	2.857
		Inactive	116	2.056
		Active	168	3.658
	Average	Total	284	3.186
		Inactive	115	2.392
		Active	169	3.980

Tables 3: Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	0.082942	0.062630	1.324315	0.1865
Marketing Strategy	2.888867	0.174733	16.53306	0.0000
R	0.895736			
R^2	0.802343			

Dependent Variable: Performance