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THE JOINT EFFECT OF MARKETING STRATEGIES, FIRM CHARACTERISTICS AND INDUSTRY COMPETITION ON EXPORT PERFORMANCE OF FRESH PRODUCE FIRMS IN KENYA

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Abstract

Export marketing research focusses primarily on the direct relationship between marketing strategies and export performance. Following a review of literature, specific firm characteristics, industry competition were identified as potential determinants of success in export market. This study seeks to investigate the joint effect of marketing strategies, firm characteritics and industry competition on export performance. This research was grounded on the dynamic capability theory and supported by the industrial organization economics theory. A census survey was carried out on all the 100 fresh produce firms that were ordinary members of the Fresh Produce Export Association of Kenya (FPEAK) as at 31st June 2019. Primary data were collected using a structured questionnaire. A descriptive cross-sectional study design was adopted. Output from the hierarchical regression analysis revealed that the joint effect of marketing strategies, firm characteristics and industry competition on export performance was positive and statistically significant. Findings of the study made a contribution to theory development, policy and management practice. Specifically, this research contributes to theory by empirically examining the joint effect of marketing strategies, firm characteristics and industry competition on export performance. To policy makers and management practice the study provides guidelines on how to increase market share for fresh produce firms. However, the study had certain limitations; the cross- sectional nature of data could not measure changes in marketing strategy, firm characteristics, industry competition on export performance over a long period of time. Study focused on identifying the role of the marketing strategies within the product industry. For future research direction the study recommends longitudinal studies that seek to examine the relationship between marketing strategy, firm characteristics, industry competition on export performance over a long period of time. A much broader study that includes more developing countries/multiple industries would also provide an important extension to this study.

Key words:- Marketing Strategies, Export Performance, Industry Competition, Dynamic Capability Theory, Firm Characteristics

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Introduction

Technological advances, convergence of customer preferences and the decline of goverment imposed barriers has created opportunities for organizations eager to expand. As a result, more firms are increasingly pursuing international markets to safeguard their market position, broaden market share as well as increase financial performance in the long term (Chang & Fang, 2015). Exporting has remained the most preferred mode of foreign market entry, particularly among small and medium size enterprises (SME's). This is because it involves low risk, requires minimal financial commitment and permits for greater flexibility and ability to adapt when compared to other modes of entry (Leonidou, Katsikeas & Coudounaris, 2010). At the macro level, export business impacts critical areas such as foreign exchange earnings, employment opportunities and enhances societal prosperity. At the micro level, on the other hand, export trade is considered a strategic business tool used to increase corporate growth, diversify business risks and even take on foreign competitors (Abou-Strait, 2005). Entering new territories and conducting business in less familiar environments is however not easy. Hence, there is growing interest among businesses to understand factors that contribute to success of local firms in foreign markets.

Marketing strategy has been identified as one of the intrinsic components behind the success of firms in export markets (Fang & Zou, 2009). It constitutes various marketing mix elements that translate marketing planning into practices. Hawkins (2011) further states that today's consumer is more informed and is faced with abundant choices. Consequently, long term success of firms depends not only on the design but implementation of effective marketing strategies. Firm characteristics capture the resources of an organization and have been reported to influence the organization's ability to design and execute competitive marketing strategies (Barney, 1991). Industry competition is linked to possible threats and opportunities which exporters must respond to when designing marketing strategies (Vorhies, Orr & Bush, 2011). Although a considerable amount of research has been done to identify factors that influence export performance, little progress has been made to understand the joint effect of marketing strategies, firm characteristics, industry competition on export performance.

The Food and Agricultural Organization (FAO, 2020) defines fresh produce to include nuts, legumes, starchy root and sugar crops. For purposes of this study, fresh produce industry was defined broadly to include vegetables, fresh fruits, nuts, medicinal and aromatic plants. The fresh produce industry has continued to experience unprecedented growth to become one of Kenya's leading export earner. In 2018, export earnings from this industry grew to Kshs 153.68 billion, a 33% growth over 2017 earnings (Kenya National Bureau of Statistics, 2018). Further, it is estimated that more than 4.5 million Kenyan's benefit directly from the fresh produce industry and another 3.5 million benefit indirectly through trade and other related activities (KDLC, 2010). The fresh produce industry has also been singled out as the driving force towards achievement of th`e Kenya Vision 2030 and more recently as the President's big four agenda on extermination of food shortage and poverty reduction.

Beans, peas, vegetables, nuts, medicinal and aromatic plants account for more than 40% of total exports from Kenya. Suggesting that there is room for more high value niche vegetable and fruits (CBI, 2015a, 2015b). Although Kenya has been relatively successful in the export of fresh produce, many other African countries have also ventured into the export market resulting to an increase in the intensity of competition (RSA, 2015a). Consequently, the viability and sometimes survival of fresh produce firms has become even more challenging. Expansion into export markets represent an opportunity for increased foreign exchange earnings, poverty alleviation as well as provision of raw materials to the agro-processing industry (HCDA, 2009). For this reason, a robust understanding of export performance is of vital interests to researchers, managers and policy makers (Sousa, Ruzo & Losada, 2010).

Research Problem

Export literature suggests that marketing strategies influence performance of firms in foreign markets (Morgan, Katsikeas & Vorhies, 2012). Firm Characteristics such as size, age and export experience constitute resources of an organization and have an influence on export performance through choice of marketing strategy (Kotler & Armstrong, 2014). Industry competition is characterized by rapid technological changes, changing consumer needs and is therefore important when developing marketing strategy and has an influence on subsequent export performance. While other studies argue that success of firms in foreign markets not only depends on the portfolio of resources, but also on the ability to respond to international uncertainities (Stoian, Rialp, & Rialp, 2011).

Existing literature on export performance focussed primarily on the direct and indirect effects of marketing strategy, firm characteristics, industry competition on export performance rather than the joint effects. For instance, in the United Kingdom, an exploratory study by Blankson and Omar (2002) revealed that informal and unplanned marketing strategies employed by African - Caribbean businesses firms contributed to higher level of performance. Similarly, a case study by Larson (2009) on Whirlpool Corporation in the United States of America (U.S.A) found that marketing strategies were essential for export success. Contrary findings were however observed by Coviello, Winklhofer and Hamilton (2006) who established an insignificant link between contemporary marketing practices (CMP) and performance of 242 firms in the hotel industry. However, study by Coviello et al., (2006) was in the service industry and conceptualized marketing strategies along the contemporary marketing practices framework (CMP). Current study was in the goods industry and conceptualized marketing strategies using the traditional 4P's believed to be the theoretical framework for developing marketing strategies.

Quansah and Bunyaminu (2017) studied the role of firm characteristics on export performance by focusing on 326 respondents in the Ghanaian wood industry. Study outcome revealed that age and size had a negative influence on export performance. This study findings were limited to the direct link between firm characteristics and export performance. Locally, Auma (2017) surveyed 155 firms in the telecommunication industry. The study outcome revealed that competitive environment significantly influenced e-marketing practices and performance link. This study focussed on the indirect influence of industry competition on performance. On the other hand, a study by Nkari (2015) established that operating environment did not moderate the branding practices and performance link of fresh produce firms in

Kiambu County. Findings from the study were however limited to one county, Kiambu and could therefore not be generalized. Secondly, Nkari (2015) focused on only one element (promotion) of the marketing mix. As such, the joint effect of marketing strategies, firm characteristics, industry competition link remains unanswered. The current study therefore sought to answer the following research question. What is the joint effect of marketing strategy, firm charactertiscs and industry competition on export performance?

Literature Review

Dynamic Capability Theory (DCT)

Dynamic Capability Theory (DCT) as propounded by Teece, Pisano and Shuen (1997) is an extension of the Resource Based View (RBV) (Barney, 1991). Previously, RBV was used to explain superior performance among firms operating in a stable environment. However, with technological advancement and increasing competition, firms operate in complex, unpredictable environment, therefore RBV was inadequate to explain competitive advantage (Helfat & Peteraf, 2015). According to DCT, firm resources cannot remain static and be valuable. To gain a competitive advantage firms need to continuously develop, reconfigure and align firm specific assets (Feurer, 1996).

This is consistent with Leornard-Barton (1992) argument that DCT‘s allows firms to avoid rigidities which hinder development, create inertia and impede innovation. DCT‘s are not bought in the market but are typically the result of experience and learning. This was founded on the realization that firms that were once successful were struggling or unsuccessful because of failing to adapt as the environment changed (Teece et al., 1997). Helfat and Peteraf (2015) however criticized DCT for lacking measurability and having little quantitave evidence, since it is a concept that has proved to be resistant to measurement and observation. Dynamic capability theory was useful in explaining how fresh produce firms need to innovate and/ or alter firm resource so as to gain a sustainable competitive advantage firm in the export market.

Industrial Organization Economics Theory

The Industrial Organization Economics Theory was first presented by Smith (1776), then later developed by Bain (1968) as a tool for industrial analysis. According to this theory, firms within an industry are characterized by perfect competition, similar products or closely related substitutes (Fleisher & Blenkhorn, 2005). Industrial Organization Economics Theory places emphasis on understanding forces that shape the competitive landscape. The collective strength of these forces determines profitability and attractiveness of firms within a particular industry (Ferguson & Ferguson, 1994). As a result, it is important for managers to first assess the business environment before formulating strategy (Seaton & Benet, 1996).

One of the shortcomings of this theory is that firms operate in an increasingly dynamic environment and therefore a snap shot of the industry is not enough to formulate strategy (McGahan, 1999). In addition, application of the industry organization economic theory is limited to the external enviroment with little emphaise on the firm‘s internal resources (Ferguson & Ferguson, 1994).This study addresses these limitations by intergrating DCT and industrial organization economic theory. Industrial organization economic theory was considered important in the current study because firms must take into account sources of competitive pressure when developing strategies for the export market.

The Joint Effect of Marketing Strategies, Firm characteristics, Industry Competition and Export Performance

Prior research has enhanced understanding on the key variables that affect export performance of firms. Nevertheless, there are still uncertainties in literature on factors that determine success of firms in export market. In the U.S.A, Schmalensee (1985) used 1975 data from the Federal Trade Commission (FTC) and return on assets (ROA) to analyze performance differentials amongst American manufacturing firms. Findings from research demonstrated that industry factors made significant contribution when explaining the link between performance and competitive advantage, while firm factors were insignificant. In support, Wernerfelt and Montgomery's (1988) also established that industry factors played a superior role in explaining performance. These findings were limited to firms in the developed countries which experience different economic, political and social environment.

Building on these studies, Kamasak (2011) carried out a study to compare firm verses industry factors in explaining performance differences. A survey of 259 Turkish firms from different industries was conducted. Results from the study indicated that firm factors played a bigger role in explaining performance variation. Similar results were found by Galbreath and Galvin (2008) who studied Australian firms from the manufacturing and services industry. The above studies Kamsak (2011); Galbreath and Galvin (2008) were conducted in industries different from the fresh produce industry hence findings could not be generalized.

In another study, Houthoofd and Hendrickx (2012) collected data from 20 Belgium firms dealing in wholesale of electrical during the period 1998-2003. Findings from the study indicated that firm specific factors had a stronger impact in explaining performance variance than industry factors.

This study however utilized a small sample thereby limiting the representative of findings.

Although significant advances in export literature have been made, conclusions drawn from the studies are fragmented and warrant further research. A major cause is that a large number of these studies were conducted in developed economies which experience different economic, social and political backgrounds from developing countries. In addition, studies were conducted in industries different from the fresh produce which manifests different complexities leading to differences in the results. Empirical studies that examine the joint effect of marketing strategies, firm characteristics and industry competition on export performance remain scanty. This study therefore departs from previous studies by examining the joint effect of marketing strategies, firm characteristics and industry competition on export performance. Consequently this study hypothesized that:

H_1 : The joint effect of marketing strategies, firm characteristics and industry competition on export performance is not statistically significant

Research Methodology

This research adopted a descriptive cross-sectional research design for various reasons. First, descriptive studies allowed researcher to collect data from a sizeable population and identify hidden patterns/characteristics of the phenomena in question using a profile of factors (Sekaran

& Bougie, 2010). Secondly, it allowed researcher to establish strength of relationship between variables without inferring causality. The population of study was developed from the Fresh Produce Exporters Association of Kenya (FPEAK) website. A source that provides regularly updated information of ordinary and affiliate members, firm demographics as well as contact person. A total of 100 fresh produce firms that were ordinary members of the association as at 31st June 2019 were selected for the study. The Fresh Produce Exporters Association of Kenya (FPEAK) has also been used in related studies (Wanjiru, 2018; Kabano, 2017).

Initial contact was done through introduction emails to all the 100 fresh produce firms.This was done to confirm the physical address, firm's eligibility, name and title of the key respondent. To enhance support from the target organizations, the researcher made follow up telephone calls and personal visits to the respondent organization.

Two research assistants were also recruited and trained to assist in data collection after first contact with the firm. The Chief Executive Officers, Managing Directors or Top line Managers in charge of export operations were the key informants in each fresh produce company. Only one respondent per firm took part in the survey. The choice of respondent was influenced by their roles within the firms, which indicated that they had the knowledge and understanding about the firm's marketing strategies and their relationship with the key study variables (Kumar, Stern and Anderson, 1993).

This study depended mainly on primary data. Semi structured questionnaire adapted from previous empirical surveys were used to collect data on the key study variables .The advantage of consulting questionnaires used in previous studies is that they are less susceptible to misinterpretation and can also be used to compare findings. Questions were however modified to suit the specific research objectives. The questionnaire consisted of five major sections. Section 1 collected background information on both the firm and respondent. Section 2 focused on marketing strategies and was measured using four dimensions (product, pricing, distribution and promotion). Section 3 dealt with industry competition and had questions on the five competitive forces. The last section focused on export performance and used measures such as export market share, customer retention rate and ROA. Even though ROA is a financial indicator it was determined from perceptual rather than the actual measure. This was because most of the firms were privately held and were therefore reluctant to provide actual financial data. Similar performance measures have been utilized in the past where it was not possible to obtain actual financial data (Woodcock, Beamish & Makino, 1994).

Out of the 100 fresh produce firms, 10 were randomly selected and thereafter a pilot study conducted. According to Hair, Ringle and Sarstedt (2011) a pretest of 5 to 10 respondents is useful in identifying flaws in a questionnaire. Feedback was requested on all items of the questionnaire including length, cognitive aspects, layout and order of the questionnaire. Based on the feedback, some of the questions were rephrased and questions on financial data were assessed with the help of a Likert type scale. Cooper and Schindler (2011) argue that Likert scale allows the researcher to collect and analyze quantitative data with ease.

Out of the 90 questionnaires dispatched only 69 questionnaires were returned, translating to a total of 76.7 % response rate. This was considered adequate and compares well with other studies on export performance.

Brouthers and Nakos (2005) who studied 112 Greek owned companies obtained a response rate of 34%. Julian and Ahmed (2005) studied 122 Queensland export ventures had a response rate of 18 %. Fincham (2008) argues that 60 % response rate should be the acceptable mimimum for surveys

After field work, all the incomplete questionnaires were removed and a unique identifier assigned to each of the remaining questionnaires. Thereafter, data was keyed in by hand into SPSS versions 21 for quantitative analysis. Analysis of data was done using inferential statistics. Inferential statistics were used to draw conclusions on the link between the variables. Hypotheses one (H_1), used hierarchichal linear regression to investigate the joint effect of Marketing Strategies, Firm Characteristics and Industry Competition on Export Performance. The above analysis was conducted at 95 % level of confidence.

Operationalization of the Study Variables

Each study variable was operationalized using measures developed from previous studies. Export performance is the outcome variable and was measured using subjective/perceptual measures as has been used in several other studies (Lisboa, Skarmeas & lages, 2013; Murray, Gao & Kotabe, 2011). Several factors support use of subjective measures first, differences in market characteristics, technology intensity may lead to unfair comparison of financial data which may have different meaning to the various firms. Secondly, most studies adopt perceptual measures to measure financial performance since secondary information is often not available for public consumption (Lages & Lages, 2004 ; Kimwomi, 2014).

Marketing strategies is the independent variable and was measured using 28 attitudinal attributes adopted from previous studies (Njeru, 2013; Morgan, Katsikeas & Vorhies, 2012). However, several modifications were made to take into account specific characteristics within the fresh produce industry. Firm characteristics was measured directly using size and export experience. Firm size was conceptualized using number of permanent employee, thereafter normalized by calculating the natural log. Export experience was measured using two dimensions namely, time and scope. Time was computed by calculating years spent conducting export business then normalized by a natural log. Scope was computed by the number of countries that the firm exports to then normalize by a natural log. The two log values (time, scope) were summed up and an average calculated to create the construct export experience (Pham, Monkhouse & Barnes, 2017). Industry competition was conceptualized using the Industry Structure Scale (INDUSTRUCT) which is made up of the five competitive forces (Pecotich, 1999; Porter, 1980).

Findings

This study sought to establish the joint influence of marketing strategies, firm characteristics, and industry competition on export performance of fresh produce firms in Kenya. The hypothesis formulated read as follows : The joint effect of marketing strategies, firm characteristics and industry competition on export performance is not statistically significant. To test the hypothesis hierarchichal regression analysis was performed and the pertinent findings displayed in Table 1.

Table 1: Model Summary on the Joint Effect of Marketing Strategies, Firm Characteristics, and Industry Competition on Export Performance.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig F change
1	.349	.122	.109	.981	.122	9.281	1	67	.003
2.	.370[b]	.137	.111	.980	.015	3.539	1	66	.288
3.	.468[c]	.219	.183	.939	.082	6.845	1	65	.011

Primary Data (2020)
1.Predictors (Constant) , Marketing strategies,
2.Predictors (Constant) , Marketing strategies, FC,
3.Predictors (Constant) , Marketing strategies, FC, IC

Dependent Variable: Export Performance

Table 1 shows that marketing strategies, firm characteristics and industry competition explain 21.9 % of the variation in export performance (R^2= .219). While 78. 1 % of the variability could be explained by other factors not captured in the model.

Table 2: ANOVA Results on the Joint Effect of Marketing Strategies, Firm Characteristics and Industry Competition on Export Performance

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1.	Regression	17.432	1	8.930	9.281	.003[b]
	Residual	5.961	67	.962		
	Total	23.393	68			
2.	Regression	19.428	2	5.017	5.226	.008[c]
	Residual	3.965	66	.927		
	Total	23.393	68			
3.	Regression	21.926	3	5.357	6.074	.001[d]
	Residual	1.467	65	.882		
	Total	23.393	68			

Source: Primary Data (2020)
1. Predictors: (Constant), Marketing Strategies (MS),
2. Predictors: (Constant), Marketing Strategies (MS), FC
3. Predictors: (Constant), Marketing Strategies (MS), FC, IC
Dependent Variable: Export Performance

The F statistic is used to test significance the overall regression model. The ANOVA output in Table 2 indicates that the model significantly predicts export performance F (3, 65) =6.074, p <.05.This is evidenced by the p value which is less than .05 for the predictor variable.

Table 3: Coefficient Results on the Joint Effect of Marketing Strategies, Firm Characteristics and Industry Competition on Export Performance.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1.	(Constant)	-.900	1.277		-.704	.484
	Marketing Strategies	1 .508	.347	.349	3.046	.003
2	(Constant)	-1 .191	1.263		-0.943	.388
	Marketing Strategies	.982	.342	.323	2.922	.007
	FC	.269	.143	.125	1.881	.288
3.	(Constant)	-1.712	1.259		-1.359	.179
	Marketing Strategies	.969	.340	.310	2.764	.007
	FC	.288	.260	.096	.850	.399
	IC	-.200	.110	.289	2.616	.011

Source: Primary Data (2020)
1. Predictors: (Constant), Marketing Strategies (MS),
2. Predictors: (Constant), Marketing Strategies (MS), FC
3. Predictors: (Constant), Marketing Strategies (MS), FC, IC
Dependent Variable: Export Performance

The individual coefficients in Table 3 suggest that marketing strategies made a positive and significant contribution to export performance (Beta =.310, t =2.764, p = 0.007). Firm characteristics did not make a statistically significant contribution to export performance at (Beta =.096, t =.850, p = 0.399) since P > 0.05. Lastly, Industry Competition significantly predicted export performance (Beta =.289, t =2.616, p =0.011). The overall regression model that explains the variations in export performance due to the joint influence of marketing strategies, firm characteristics and industry competition on export performance was stated as:

Model: $Y = \beta_o + \beta_{12}MS + \beta_{13}FC + \beta_{14}IC + \varepsilon$

$Y= -1.712 +.310MS + .096FC + 289IC$

The hypothesis that the joint effect of marketing strategies, firm characteristics and industry competition on export performance is statistically significant is therefore supported.
Where:-
Y = composite score of export performance
MS =composite score of marketing strategies
FC= composite score of firm characteristics
IC= composite score of industry competition

Discussion of Findings

This study sought to investigate the joint effect of marketing strategies, firm characteristics and industry competition on export performance of fresh produce firms. Results from the hierarchichal regression analysis revealed that marketing strategies, firm characteristics and industry competition jointly explained 23.8 % of the variation in export performance, while 76.2% of the variation could be explained by other factors not present in the model. These findings are consistent with the results obtained by Wernerfelt and Montgomery's (1988) in the U.SA, who also established that both firm and industry factors played a significant role in explaining performance.

A close look at the individual coefficients indicates that firm characteristics specifically size and experience did not make a statistically significant contribution to export performance.

This empirical evidence contradicts the DCT and reveals that although firm resources such as size and export experience are important, they are not the ultimate source of competitive advantage within the fresh produce industry. Wolff and Pett (2000) argue that it is possible that some resources are more significant than others in the development of competitive advantage. Such an insight suggests that from a fresh produce industry perspective, size and experience are not desirable resources to develop and exploit. This could be due to emergence of e -commerce which has resulted to new possibilities for fresh produce firms in terms of access to new markets, efficiency and inquiries.

The results from this study also reveal that industry competition made signficant contribution to export performance. These findings support the theoretical framework of industral organization economics theory. Specifically, intense competition within an industry forces firms to seek a higher degree of product innovation/ uniqueness to gain a competitive advantage over its rivals. Output from these study however suggest potential for further research in export performance literature. This is because, the variables marketing strategy, firm characteristics and industry competition jointly explain 23.8 % of the variation in export performance, suggesting the presence of other variables not mentioned in this study that could explain the remaining 76.2 % of the variation in export performance.

Conclusion

This study made a contribution to export literature by looking at the joint effect of marketing strategies, firm characteristics and industry competition on export performance of fresh produce firms in Kenya. Several conclusions are drawn from the study findings. First, is that marketing strategies made a significant and positive contribution to export performance of fresh produce firms in Kenya. To increase export performance, managers should seek to develop and implement competitive marketing strategies for foreign markets. At the policy level, government and other key stake holders can stimulate regular export business by lobbying for regional and bilateral trade agreements that seek to increase markets for fresh produce firms.

Secondly, the lack of significant contribution by firm characteristics on export performance reveals that irrespective of size and export experience fresh produce firms are capable of attaining success in export markets. However, export managers that seek to increase export performance within the fresh produce industry should seek alternative sources of competitive advantage. Similarly, results suggest industry competition makes significant contribution to export performance. It is therefore important for manager to mitigate industry competition by choosing to invest in innovation and technology thereby undermining competitors' actions.

Suggestions for Future Research

The study findings and limitations provided basis for future research. This empirical study was a cross –sectional research design. For a more in-depth understandin, future studies should examine the relationships between marketing strategy, firm characteristics and industry competition on export performance over a long time period of time. Secondly, although findings in this thesis contribute to the joint effect of marketing strategies, firm characteristics and industry competition on export performance. A broader study that includes more developing countries/multiple industries would provide an important extension to this study and would also help in the generalization of research findings.

Third, results from the study revealed that marketing strategies, firm characteristics and industry competition jointly explain only 23.8% of the variation in export performance (R^2= .238). While 76. 2 % of the variability could be explained by other factors not captured in the model. Future studies should aim to include additional moderating/ mediating variables that may influence export performance.

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