EFFECT OF MARKETING STRATEGY ON BUSINESS PERFORMANCE, IN CASE OF BEDELE BREWERY AT BUNO BEDELE ZONE

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ABSTRACT

The purpose of the study was to investigate the effect of marketing strategy on business performance of Bedele Brewery. This study has employed explanatory research design in order to estimate the cause/effect relationship of Bedele Brewery Company marketing strategy practices on its business performance. It was designed to evaluate the impact of Bedele Brewery Company marketing strategy elements on its business performance. In order to meet the objective, the researcher has used stratified sampling techniques and 267 participants were selected. The five point Likert scale questionnaire was the main data gathering tool. The collected data was analysed using multiple regression analysis in Python 3. The R square result of the model has shown that all the explanatory variables (product, placing, pricing and promotional) have significantly explained the business performance of Bedele Brewery Company. Among these explanatory variables the promotional strategy was found to be the main predictor of Bedele Brewery company business performance. Hereafter, it is beneficial, if the management of Bedele Brewery Company has used more promotional strategy systematically for better business performance, followed by pricing strategy, product development strategy and placing strategy. Explanatory research design was used for the research.

INTRODUCTION

Marketing strategy is the main strategy of an organization to achieve its objectives through identifying and analysing a target market and developing a marketing mix (product, price, promotion, and place) to meet the needs of individual in that market (Daniel, 2018). Effective Marketing strategy has been classified as one of the fundamental key for the growth of any business organization because no business can survive without the marketing or sales of its products and services.

The purpose of the study was to investigate the effect of marketing strategy on business performance of Bedele Brewery. It was designed to evaluate the extent of impact of Bedele Brewery Company marketing strategy elements on its business performance. Performance of Bedele Brewery at Buno Bedele Zone needs improvement and one of area of improvement could be Marketing strategy.

A study by Kyckling (2010), conducted a study on the impact of marketing-sales relationship on business performance. The study used secondary data and employed descriptive statistics analysis. A survey by Akinyele (2010), conducted a study on marketing share on firm performance & they were employed Pearson product moment correlation for data analysis. A study by Obonyo (2013) adopted marketing strategies for competitiveness by supermarkets in Kisii Town. The study has employed pricing and placing strategy to maximize the performance. This study does not focus on the area in which we propose our present research.

Hypothesis

The study would seek to Test the following Hypothesis:

Ho: Product development strategy has no significant impact on business performance.

H1: Product development strategy has significant impact on business performance.

Ho: Placing strategy has significant impact on business performance.

H1: Placing strategy has significant impact on business performance.

Ho: Pricing strategy has significant impact on business performance.

H1: Pricing strategy has significant impact on business performance.

Ho: Promotional strategy has significant impact on business performance.

H1: Promotional strategy has significant impact on business performance.

Objectives of the Study

The general objective of the study was to investigate the effect of marketing strategy on business performance in case of Bedele Brewery at Buno Bedele Zone.

RESEARCH METHODOLOGY

Research Design

Research design employed for this study was explanatory research design.

Sampling Procedure

The seven departments including general managers were taken in to consideration for stratified random sampling.

Sampling Size Determination

According to Watson, (2001) the correct sample size in a study is dependent on the nature of the population and the purpose of the study. This research was conducted with 5 percent marginal error and 95 percent confidence interval. Then the following formula was used for the calculation of the sample size since it is relevant to studies and sampling method (Watson, 2001) .

$$\frac{\left(\frac{P(1-P)}{\frac{A^2}{Z^2}+\frac{P(1-P)}{N}}\right)}{R} = \frac{\left(\frac{0.5(1-05)}{\frac{0.05^2}{1.96^2}+\frac{0.5(1-0.5)}{867}}\right)}{0.95} = \frac{\left(\frac{0.25}{\frac{0.25}{3.8416}+\frac{0.25}{867}}\right)}{0.95} = \frac{\left(\frac{0.25}{0.00093905}\right)}{0.95} = \frac{(266)}{0.95} = 280$$

Where

n = Sample size required, N = number of people in the population
P = estimated variance in population, as a decimal of 0.5 for 50-50
A = Precision, expressed as a decimal 0.5 for 5%

Model Specification

The multiple regression was used to investigate the effect of independent variable on dependent variable. The dependent variable is business performance and independent variables are product development strategy, placing strategy, pricing strategy, promotional strategy. Following multiple regression model has been used:

$$BP = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon_0 \dots (1)$$

Where: **BP** is business performance (Dependent Variable) and the Independent
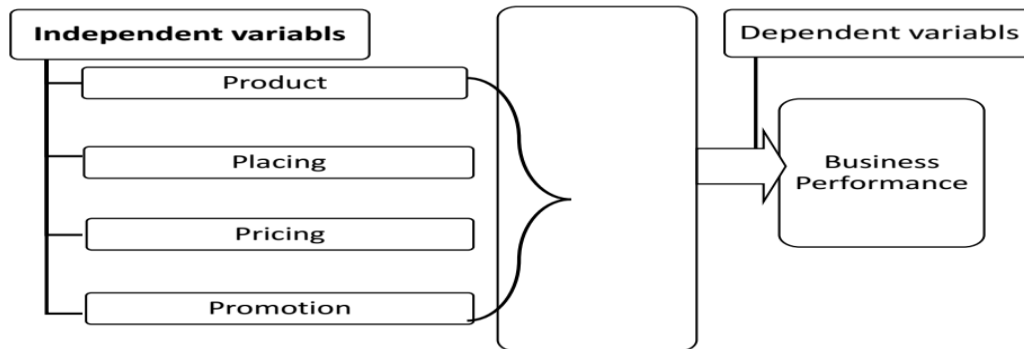
Source: Adopted from (Ardjouman D., 2015) and (Langat N., 2016)

Figure 1
CONCEPTUAL FRAMEWORK

RESULT AND DISCUSSION

Correlation of Business performance with Independent Variable

With an objective of measuring the strength of relationship between (product, placing, pricing and promotional strategy) with business performance Pearson correlation coefficients was used as follows:

Source: statistical output of the questionnaires, 2020

Figure 2
CORRELATION OF BUSINESS PERFORMANCE WITH INDEPENDENT VARIABLE

As it can be seen from Figure 2, there is significant relation between the dependent variable and all independent variables under study. It can be observed that Bedele Brewery company business performance has strong and positive correlation (74%) with promotional strategy.

Reliability Statistics

Cronbach's alpha coefficient. We are looking for a score of over *0.7* for high internal consistency. In this case, $\alpha = .891$, which shows the questionnaire is reliable.

Validity-We have used natural validity. We had done pilot study and our results matched with the expected acceptable results.

Table 1 RELIABILITY STATISTICS RESULT	
Cronbach's Alpha Coefficients Result	N of Items
.891	28

Regression Model Assumption Test

Regression model assumption test was undertaken using Linearity, Homoscedasticity of errors, Homoscedasticity, Normality & Multi-Collinearity (VIF & Tolerance) as follows.

Assumption of Linearity

Below plot figure 3 shows Linearity between Dependent variables and Z value of all Independent Variables collectively (Also known as standardized values). The graph is also showing confidence interval bands.
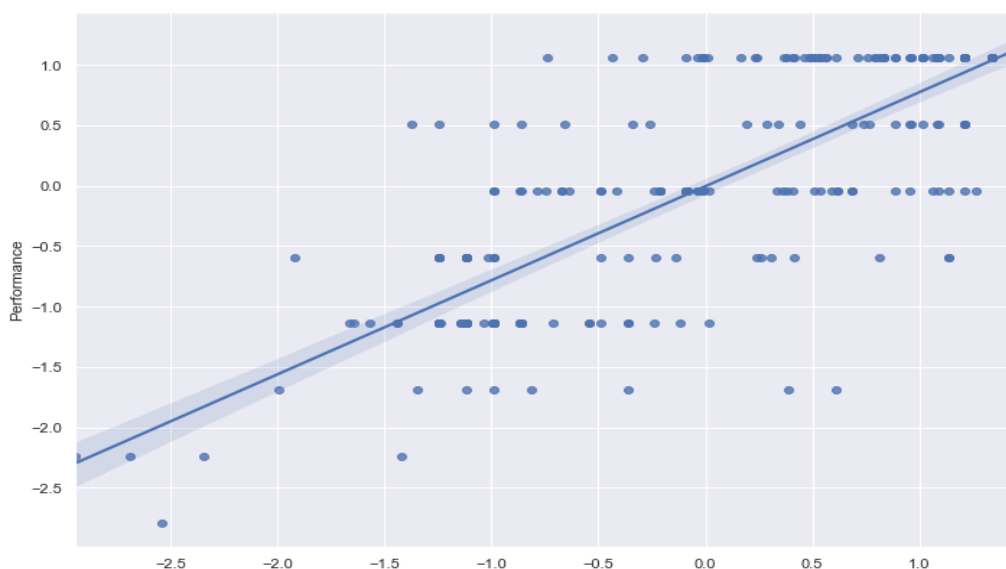

Figure 3
LINEARITY BETWEEN DEPENDENT VARIABLES AND INDEPENDENT VARIABLE-THE BAND AROUND THE LINE SHOWS CONFIDENCE INTERVAL. CONFIDENCE INTERVAL BAND IS NARROWEST AROUND ITS MEAN

Assumption of-Homoscedasticity of Errors

Distribution of error term should be Homogeneous. All the error terms of our regression model in the below plot are evenly distributed above the line and below the line of fit. So, we can say that error terms in our model meet the assumption of Homoscedasticity.
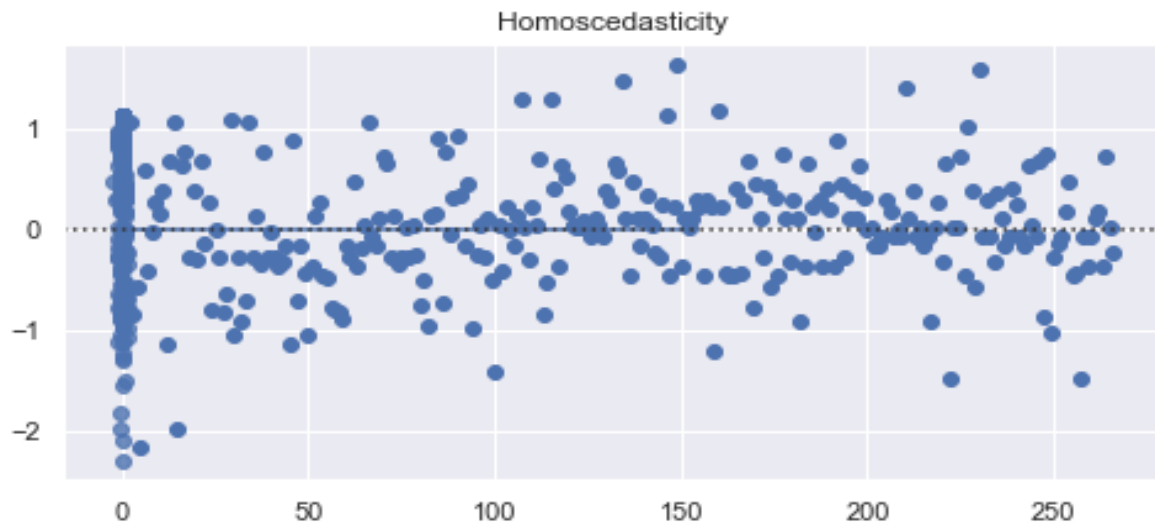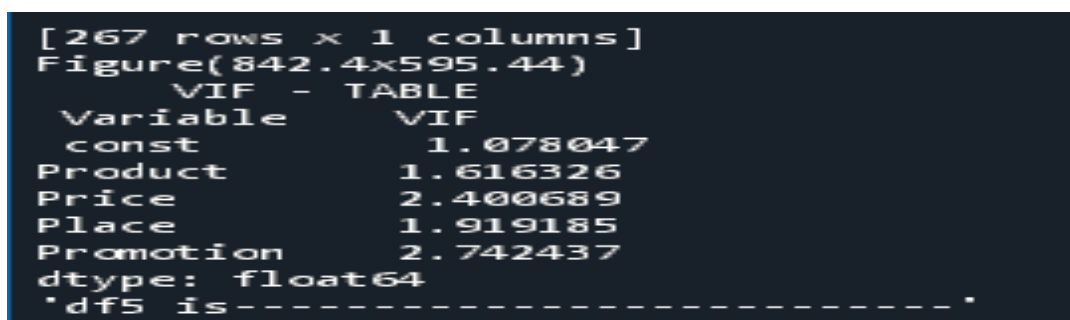

Figure 4
ASSUMPTION OF-HOMOSCEDASTICITY

Assumption of-Multi-Collinearity tests of Bedele Brewery Company Business Performance

Variable inflation factor (VIF) test has been conducted to check multi-Collinearity of independent variable. For all independent variables VIF is between 1 and 10 shows there is no multi-Collinearity effect among the independent variables. Consequently, it is possible to go for regression analysis to the effect of marketing strategy on business performance in case of Bedele Brewery at Buno Bedele Zone. Figure 5 showing Variable inflation factor (VIF) test results:

```
[267 rows x 1 columns]
Figure(842.4x595.44)
      VIF - TABLE
 Variable      VIF
 const         1.078047
Product        1.616326
Price          2.400689
Place          1.919185
Promotion      2.742437
dtype: float64
'df5 is---------------------------.'
```

Source: statistical output, 2020

Figure 5
VARIABLE INFLATION FACTOR (VIF) TEST RESULTS

Assumption of Multivariate Normality

Following plot shows figure 6 residuals of our model plotted on qq plot. As most of the residuals are approximating the line we can conclude that Assumption of Multivariate Normality is met by our regression model.
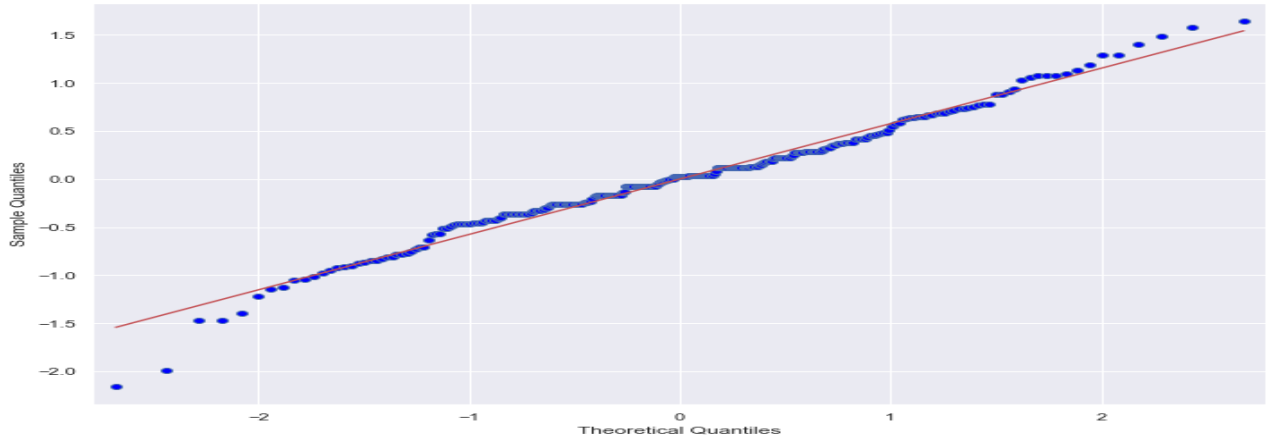

Figure 6
ASSUMPTION OF MULTIVARIATE NORMALITY

Other Diagnostics

Following plot figure 7 show standardized residuals. We can see that most of the residuals lie within 2 standard deviations. More than 3 standard deviation is an indication of outliers.

Figure 7
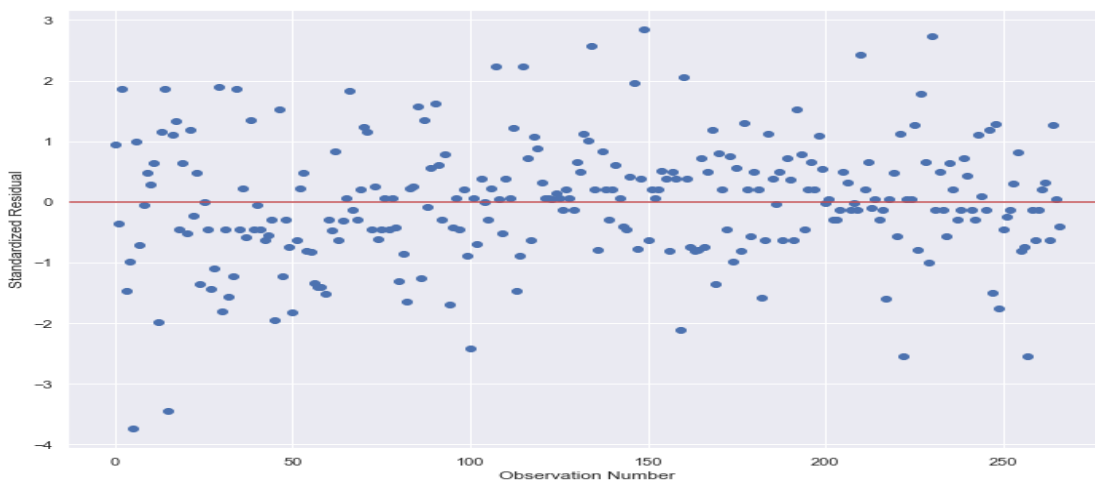**STANDARDIZED RESIDUALS RESULT**

Regression Analysis

In order to predict the effect marketing strategy (product, placing, pricing and promotional) on business performance of Bedele Brewery Company, regression analysis was used to explain the degree of association between dependent and independent variables. Here, regression is a powerful tool for summarizing the nature of relationship between variables

and for making predictions of likely values of the dependent variable (Bryman & Cramer, 2005) in Figure 8.

```
                         OLS Regression Results
==============================================================================
Dep. Variable:          Performance   R-squared:                       0.649
Model:                          OLS   Adj. R-squared:                  0.644
Method:               Least Squares   F-statistic:                     121.1
Date:              Sun, 20 Dec 2020   Prob (F-statistic):           2.31e-58
Time:                      12:19:52   Log-Likelihood:                -229.88
No. Observations:               267   AIC:                             469.8
Df Residuals:                   262   BIC:                             487.7
Df Model:                         4
Covariance Type:          nonrobust
==============================================================================
                 coef    std err          t      P>|t|      [0.025      0.975]
------------------------------------------------------------------------------
Intercept      0.0653      0.037      1.778      0.077      -0.007       0.138
Product        0.1658      0.051      3.253      0.001       0.065       0.266
Price          0.3045      0.055      5.574      0.000       0.197       0.412
Place          0.1474      0.050      2.970      0.003       0.050       0.245
Promotion      0.3176      0.060      5.314      0.000       0.200       0.435
==============================================================================
Omnibus:                      9.485   Durbin-Watson:                   2.230
Prob(Omnibus):                0.009   Jarque-Bera (JB):               15.950
Skew:                        -0.165   Prob(JB):                     0.000344
Kurtosis:                     4.151   Cond. No.                         3.34
==============================================================================
```

Source: statistical output, 2020

Figure 8
OLS REGRESSION RESULTS

The R Square indicates 64.9 % variation is explained by is predictors in the model.

Hypothesis Testing

Ho: Product development strategy has no significant impact on business performance.

H1: Product development strategy has significant impact on business performance.

As per Figure 8 of Regression Analysis we conclude following: P Value (.001)<.05
Decision: We reject Null hypothesis and accept alternate hypothesis.
Conclusion: One unit improvement in Product development Strategy will impact **.**1658 unit positive change in Business Performance while keeping all other Independent Variables Constant.

Ho: Placing strategy has significant impact on business performance.

H1: Placing strategy has significant impact on business performance.

As per Figure 8 of Regression Analysis we conclude following: P Value (.003) <.05
Decision: We reject Null hypothesis and accept alternate hypothesis.
Conclusion: One unit improvement in Place development Strategy will impact **.**1474 unit positive changes in Business Performance while keeping all other Independent Variables Constant.

Ho: Pricing strategy has significant impact on business performance.

H1: Pricing strategy has significant impact on business performance.

As per Table 10 of Regression Analysis we conclude following: P Value (0) <.05
Decision: We reject Null hypothesis and accept alternate hypothesis.

Conclusion: One unit improvement in Pricing development Strategy will impact **.**3045 unit positive change in Business Performance while keeping all other Independent Variables Constant.

Ho: Promotional strategy has significant impact on business performance.

H₁: Promotional strategy has significant impact on business performance.

As per Table 10 of Regression Analysis we conclude following: P Value (0) <.05
Decision: We reject Null hypothesis and accept alternate hypothesis.
Conclusion: One unit improvement in Promotion development Strategy will impact **.**3176 unit positive changes in Business Performance while keeping all other Independent Variables Constant.

As per the regression analysis, the best fit for the data is defined by the following equation:

$$BP = 0.064 + 0.32(PMs) + 0.3(PRs) + .17(PDs) + .15(PLs) + \varepsilon_0$$

Confidence Interval Inference

All confidence intervals have no zero between them which implies all Independent variables have an impact on Dependent variable. We can say with 95% confidence that all independent variable lie within the interval range.

CONCLUSION

Among all explanatory variables the promotional strategy was found to be the main predictor of Bedele Brewery company business performance. Hereafter, it is beneficial, if the management of Bedele Brewery Company use more promotional strategy systematically for better business performance, followed by pricing strategy, product development strategy and placing strategy in the study area. The correlation coefficient result of the four marketing strategy namely (product, placing, pricing and promotional) have positive correlation with Bedele Brewery company business performance.

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