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# The Impact of Marketing Strategy on Business Performance: Case Study of a Fast Moving Consumer Goods Company

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**Abstract**
The purpose of this research was to investigate how the FMCGs Company's marketing approach contributed to its overall financial success. The study used monthly data for two years running from 2020 to 2021 making 24 observations. These observations covered the time period during which the company had implemented various marketing strategies, which resulted in expenditures on physical and digital marketing activities. In addition, the FMCG Company introduced the pricing strategy to market its products. These strategies entailed making modifications to the prices of the items that the company sells in order to encourage more people to purchase its products. In light of this, the research employed a quantitative methodology in the form of the Vector Autoregressive (VAR) Model in order to ascertain the influence of expenditures on physical marketing activities, expenditures on digital marketing, and pricing marketing strategies on the short-term business (sales) performance of Trade Kings. This study recommends that the FMCGs Company allocates more funds to physical marketing strategies such as setting up billboards about their products and hiring sales representations to market and sale products on their behalf. Because the study found that expenditure on Physical marketing strategy has a positive and statistically significant impact on sales, and that pricing marketing strategies tend to have negative impacts on the sales in the short run, the study found that expenditure on Physical marketing strategy has a positive and statistically significant impact on sales. But, in order to avoid suffering losses in the market, the FMCGs needs to adjust their pricing methods and lower their prices.
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## 1. Introduction

According to Aremu and Lawal (2012), marketing strategy is a pattern of resource allocation decisions for organizations in today's market. This strategy entails market research, customer purchasing habits, competitive actions, and the use of marketing intermediaries. A company's marketing strategy is to provide greater value to customers at a lower cost by providing high-quality products, affordable pricing, wider distribution, and effective promotion. A solid marketing strategy is essential for an industry to enhance market share while decreasing rival impact. The study is divided into five sections that addresses the following: background of the study, problem statement, research aim, objectives and hypothesis, literature review, methodology, results and conclusion.

## 2. Background of the Study

The relationship between marketing strategy and business performance is complex and not fully understood.

Factors like industry type, target market, and economic conditions can influence the success of a marketing strategy. A well-executed strategy can lead to improved performance, increased market share, and increased revenue and profits. The company under study is a leading player in fast-moving consumer goods manufacturing and distribution in Africa, serves as a prime example of the impact of marketing strategy on business performance. Understanding the specific strategies and factors contributing to the company's success will provide valuable insights for other businesses and researchers in marketing and management.

This study aims to provide a deeper understanding of the relationship between marketing strategy and business performance, specifically in the context of the FMCGs Group of Companies. By understanding the specific strategies and factors that have contributed to the company's success, this study will provide valuable insights for other businesses and researchers in the field of marketing and management.

## 3. Problem Statement

The FMCG Company has implemented various marketing strategies to increase market share and sales (Muriithi, 2019). Kamau (2018) highlight the importance of effective marketing strategies in achieving sustainable growth and staying competitive in the dynamic FMCG industry. Trade Kings, a major FMCG company in Southern Africa, has successfully implemented a robust marketing strategy since 1995, leveraging various brand strategies to effectively market their business manufacturing products. (Bearden, 2019)

Okoh (2009) highlights the complexity of marketing strategy in organizations, as most do not strictly follow their intended strategy due to small environmental circumstances. This results in ambiguous components and

 

difficulty in gauging the effectiveness of marketing tactics in relation to productivity. The FMCG sector faces challenges in understanding the impact of marketing strategies on business performance, necessitating further research in diverse cultural and contextual contexts (Mwai, 2015). This study assessed the impact of marketing strategy on Trade Kings Group of Companies in Zambia.

### 3.1 Aim of the Study

The aim of the study was to examine the extent to which marketing strategy impacts business performance at a FMCGs company.

### 3.2 Specific Objectives

i. To examine the impact of expenditure on physical marketing activities on business performance.
ii. To analyze the impact of expenditure on digital marketing activities on business performance.
iii. To evaluate the impact of pricing marketing strategies on business performance.

### 3.3 Research hypothesis

$H_0$: Expenditure on physical marketing activities has no impact on business performance.
$H_1$: Expenditure on physical marketing activities has an impact on business performance.
$H_0$: Expenditure on digital marketing activities has no impact on business performance
$H_1$: Expenditure on digital marketing activities has an impact on business performance.
$H_0$: Pricing marketing strategy has no impact on business performance.
$H_1$: Pricing marketing strategy has an impact on business performance.

## 4. Literature Review

Marketing strategies have been extensively studied in academic literature, with theories like the Resource-Based View (RBV) and the Marketing Mix Model guiding their impact on business performance. The RBV suggests aligning marketing strategies with a firm's resources and capabilities for long-term success. The Marketing Mix Model suggests a well-designed strategy should consider product, price, place, and promotion. Porter's concept of the value chain emphasizes the importance of creating value for customers and capturing it for oneself.

The FMCG industry's unique characteristics, such as high competition, low switching costs, and brand loyalty, necessitate effective marketing strategies for sustainable competitive advantage. Peter Golder and Gerard Tellis (2018) reveals that firms that engage in sustained marketing innovation (SMI) over time are more likely to achieve superior financial performance than those that do not. A combination of several marketing strategies such as digital, physical and pricing marketing have been identified in the research by Wittink and Rajendra K. Srivastava (2006).

Business performance refers to the overall effectiveness of a company in achieving its goals and objectives (Porter, 1985). This can be measured through various financial and non-financial metrics, such as profitability, revenue growth, market share, and customer satisfaction. In the context of marketing strategy, firm performance can be closely linked to the effectiveness of the company's marketing efforts (Porter, 1985).

## 5. Conceptual Framework

In the conceptual framework designed (figure ), the dependent variable is business performance of the FNCGs Company, which will be measured by monthly total sales while independent variables in the study are expenditure on physical marketing activities, expenditure on digital marketing activities and pricing marketing strategy. In this regard, theory suggests that the impact of marketing strategies on business performance or sales should be positive. Therefore, the aim of this study is to test this phenomenon.

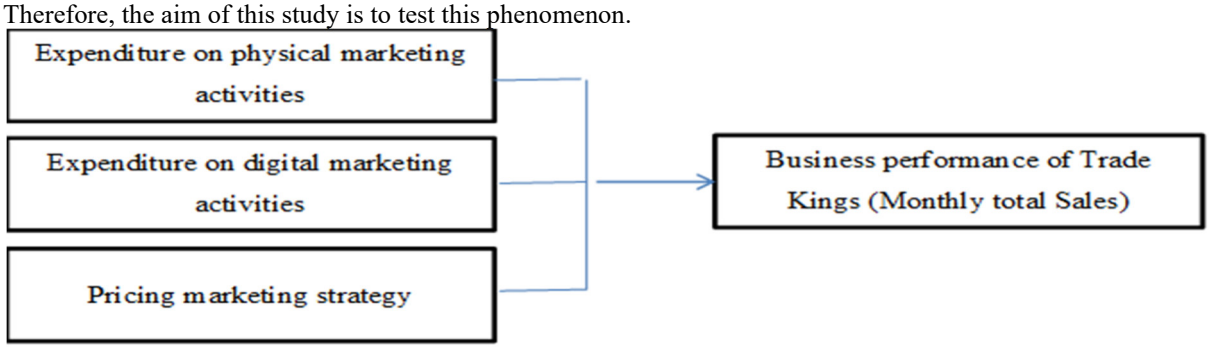


Figure 1: Conceptual Framework

## 6. Research Methodology

The study analyzed the business performance, focusing on monthly sales, marketing strategies, and expenditures

 

on physical, digital, and pricing marketing activities. The data was collected from 24 observations from 2020 to 2021, using Zambian Kwacha (ZMW) as the currency. The financial performance was measured in monthly sales on manufacturing products, while expenditure on physical marketing activities included billboards, sales representations, digital marketing services, and influencers. Pricing marketing strategy was measured in percentage changes of products, with zero values indicating no price changes.

**6.1 Model specification**

In reference to the conceptual framework, the dependent variable was business performance (measured by total monthly sales), whereas the independent factors were expenditure on physical marketing activities, expenditure on digital marketing activities and pricing marketing strategy. This is mathematically represented as follows:

$$\text{FMCGs\_}Sales = f\left(\begin{array}{l}\text{Expenditure on physical marketing}\\ \text{Expenditure on digital marketing}\\ \text{Pricing marketing strategy}\end{array}\right)$$

Consequently, the standard time series sales model of business performance of the FMCGs Company took the following form:

$$\text{FMCGs\_}Sales_t = \beta_0 + \beta_1 Physic\_marketing_t + \beta_2 Digital\_marketing_t + \beta_3 Price\_marketing_t + e_t$$

Where: FMCGs_$Sales$, $Physic\_marketing$, $Digital\_marketing$ and $Price\_market$ represent the FMCGs (FMCGs-_$Sales$)

The equation for the study reveals that the Vector Autoregressive Model (VAR) is suitable for the research, as it provides a better fit for the data compared to the time series model specified in equation (3.0). This finding suggests that alternative models may be used for the investigation.

$$\text{FMCGs-}Sale_t\ \boldsymbol{k} = \boldsymbol{\sigma} + \sum \boldsymbol{\beta}_i TK\_Sale_{t-i}\ \boldsymbol{i=1}\ \boldsymbol{k} + \sum \boldsymbol{\nu}_j Physic\_marketing_{t-j}\ \boldsymbol{j=1}\ \boldsymbol{k} + \sum \boldsymbol{\emptyset}_m Digital\_marketing_{t-m}\ \boldsymbol{m=1}\ \boldsymbol{k} + \sum \boldsymbol{\varphi}_p \boldsymbol{Price\_marketing}_{t-p} + \boldsymbol{e}_{1t}\ \boldsymbol{p=1}$$

Diversification strategy (independent) variables of Big T Beverages.

$$Physic\_marketing_t\ k = c + \sum \beta_i TK\_Sale_{t-i}\ i=1\ \boldsymbol{k} + \sum \boldsymbol{\nu}_j Physic\_marketing_{t-j}\ \boldsymbol{j=1}\ \boldsymbol{k} + \sum \boldsymbol{\emptyset}_m Digital\_marketing_{t-m}\ \boldsymbol{m=1}\ \boldsymbol{k} + \sum \boldsymbol{\varphi}_p \boldsymbol{Price\_marketing}_{t-p}\ e_2\ \boldsymbol{=1}$$

$$Digital\_marketing_t\ k = d + \sum \beta_i TK\_Sale_{t-i}\ i=1\ k + \sum \nu_j Physic\_marketing_{t-j}\ j=1\ k + \sum \emptyset_m Digital\_marketing_{t-m}\ m=1\ \boldsymbol{k} + \sum \boldsymbol{\varphi}_p \boldsymbol{Price\_marketing}_{t-p} + e_{3t}\ \boldsymbol{p=1}$$

$$Price\_marketing_t\ k = f + \sum \beta_i TK\_Sale_{t-i}\ i=1\ k + \sum \nu_j Physic\_marketing_{t-j}\ j=1\ k + \sum \emptyset_m Digital\_marketing_{t-m}\ m=1\ \boldsymbol{k} + \sum \boldsymbol{\varphi}_p \boldsymbol{Price\_marketing}_{t-p} + e_{4t}\ \boldsymbol{p=1}$$

Where $e_{1t}$, $e_{2t}$, $e_{3t}$, and $e_{4t}$, are the equivalent error terms for equations (3.1), (3.2), (3.3) and (3.4) respectively. Subsequently, $\beta_i$, $\nu_j$, $\emptyset_m$ and $\varphi_p$, are short run dynamic coefficients of the model. In addition, equation (3.1) uses firm specific variables as regressors to estimate the targeted variable, namely business performance of the FMCGs.

To perform quantitative analysis with regards to data obtained directly from the FMCGs, the statistical software used to achieve this objective was STATA version 15. The Augmented Dickey Fuller test was used to assess the

stationarity of the data type used in this investigation, preventing false regressions and erroneous findings. The dependent variable, Y, was not directly dependent on the independent variable, X, due to the "lag" time. Excessive delays can lead to loss of degrees of freedom, multicollinearity, serial correlation, and incorrect error specification. The study used the specification technique to choose the most suitable lag. The Johansen

 

cointegration test was used to determine the connections between variables in the research.

The conventional linear regression model was tested for autocorrelation, which is the problem when the disturbance component exhibits serial correlation. The Lagrange multiplier was used to determine the nature of the series produced from the combination of variables used in this investigation. Regression modeling requires constant data for both the dependent variable and explanatory factors over the time period. The Eigenvalue Stability condition test was used to investigate the model's stability. The study also tested for regularly spread disruptions, as random errors conform to a normal distribution in real-world systems.

## 7. Results

According to the descriptive statistics, the FMCGs monthly sales averaged K22, 800,000 over a period of 24 months of observation with a standard deviation of K7, 424,112. Furthermore, the minimum and greatest levels of return on assets experienced over the period of 24 months of observation were K106, 000, 000 and K403, 000, 000 respectively.

Furthermore, the magnitude of expenditure on physical marketing was K13, 202.17 on average, with a standard deviation of K4, 905.323. Regardless, the minimum and greatest levels of expenditure on physical marketing were 3456 and 20345, respectively. Table 1 depicts the descriptive statistics.

Table1: Descriptive Statistics

| Variable | Unit of measurement | Obs | Mean | Standard deviation | Minimum | Maximum |
|---|---|---|---|---|---|---|
| Business performance (Trade Kings Sales) (*TK_Sales*) | (ZMW) | 24 | 2.28e+07 | 7424112 | 1.06e+07 | 4.03e+07 |
| Expenditure on physical marketing activities (*Physic_marketing*) | (ZMW) | 24 | 13202.17 | 4905.323 | 3456 | 20345 |
| Expenditure on digital marketing activities (*Digital_marketing*) | (ZMW) | 24 | 3614.667 | 2729.054 | 235 | 12578 |
| Price marketing strategy (*Price_marketing*) | Percentage (%) | 24 | 2.583333 | 1.954185 | 0 | 6 |

Notwithstanding, the average expenditure on digital marketing was 3614.667, with a standard deviation of 2729.054 (as shown in table 1). The lowest and highest levels of expenditure on digital marketing were 235 and 12,578, respectively. Subsequently, the average magnitude of price marketing strategy ratio is 2.583333%, with a standard deviation of 1.954185%. The minimum and highest readings for this were 0% and 6% respectively. The alternative hypothesis claims that variables are stationary, whereas the null hypothesis proposes that variables are not stationary. It is critical in this scenario to reject the null hypothesis in favor of the alternative. As a result, the Augmented Dickey Fuller Test yielded test statistic values of -0.291, -1.925, -0.563 and -2.362 with P-values of 0.9268, 0.3203, 0.8791 and 0.1527 respectively, for the FMCGs Company sales, physical marketing, digital marketing and price marketing. As a consequence, at the 10% level of significance, we were unable to refute the null hypothesis that variables were not stationary (as shown in table 2). On the other hand, all variables were discovered to be stationary at the 10% level of significance after taking the initial difference of the variables. Regarding this, the Augmented Dickey Fuller test results in test statistic values for the FMCGs Company sales, physical marketing, digital marketing and price marketing of -3.228, -1.925, -1.828 and -4.040 respectively, with probability values of 0.0023**, 0.0347*, 0.0421* and 0.0012**. As a result, the null hypothesis that variables are not stationary was rejected at the 5% level of significance (as shown in table 2).

 

Table 2: Augmented Dickey Fuller Test

| AUGMENTED DICKEY FULLER TEST FOR UNIT ROOT | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | VARIABLES AT LEVEL AR (0) | | | | VARIABLES AT FIRST DIFFERENCE AR (1) | | | |
| Variable | Lags 0 | Test statistic | 5% critical value | P-value | Lags 0 | Test statistic | 5% critical value | P-value |
| Business performance (Trade Kings Sales) (*TK_Sales*) | (1) | -0.291 | -3.000 | 0.9268 | (1) | -3.228 | -1.734 | 0.0023 |
| Expenditure on physical marketing activities (*Physic_marketing*) | (1) | -1.925 | -3.000 | 0.3203 | (1) | -1.925 | -1.729 | 0.0347 |
| Expenditure on digital marketing activities (*Digital_marketing*) | (1) | -0.563 | -3.000 | 0.8791 | (1) | -1.828 | -1.734 | 0.0421 |
| Price marketing strategy (*Price_marketing*) | (1) | -2.362 | -3.000 | 0.1527 | (1) | -4.040 | -3.000 | 0.0012 |

## 8. Conclusion

The FMCGs Company in Zambia has been analyzing the impact of various marketing strategies on their financial performance. The study, using monthly data from 2020 to 2021, found that physical marketing expenditure has a positive and statistically significant impact on monthly sales. Digital marketing expenditure has a positive but insignificant effect. However, price marketing strategy has a negative and statistically significant impact on sales. The study recommends that the FMCGs Company allocates more funds to physical marketing strategies, such as billboards and hiring sales representatives, while reducing pricing strategies to avoid market losses. The VAR model was used to analyze the impact of these strategies on the company's performance.

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