



**THE INFLUENCE OF PRODUCT PROMOTION ON THE PERFORMANCE OF SUBSIDIARY CHEMICAL COMPANIES
IN KENYA**

Catherine Wanjiru Mwangi, Jane Munga, & Susan Nzioki

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^{*1}Catherine Wanjiru Mwangi, ²Jane Munga, ³Susan Nzioki

¹ Postgraduate Student, Kenya Methodist University, Kenya

² Department of Business Administration, Kenya Methodist University, Kenya

³ Department of Business Administration, Kenya Methodist University, Kenya

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ABSTRACT

Although chemical manufacturing firms in Kenya ought to play a significant role in the growth of the economy, they are currently facing myriad of challenges that impede their growth but sustainability. This study focused on the influence of promotional strategies on performance of subsidiary chemical companies in Kenya. A census of six start up chemical companies in Nairobi County, Kenya was done. Data was collected using questionnaires. Collected data was analyzed using descriptive and inferential statistics. Descriptive statistics were mainly frequencies, percentages, mean and standard deviations. Inferential statistics involved the use of multiple linear regression model which yielded ANOVA results and parameter estimates. The results of the analysis demonstrated that promotional strategy is a statistically significant predictor of performance in subsidiary chemical companies in Nairobi. Based on the findings of this study, it is recommended that senior management and other high-level stakeholders in the Chemicals Subsector in Kenya should therefore increasingly apply the promotional strategy in order to improve the firms' performance. The study further recommends that similar studies be conducted on other sectors in Kenya probably other organizations in the private sector. Studies can also be replicated in the other regions, to contrast any variations in regional characteristics. A national study can also be carried out on the influence of promotion strategy on organizational performance.

Key words: Promotion, Firm Performance, Promotion Strategy, Chemical Manufacturing Firms

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INTRODUCTION

The manufacturing sector is the third largest contributor to Kenya's economic growth accounting about 10.3% of the gross domestic product (KNBS, 2018). However, some of the subsectors within manufacturing sectors especially the chemical manufacturing firms are facing myriad of problems which threaten not only their growth but also their sustainability. In fact, the industrial chemicals manufacturing only accounts for 2% share of the manufacturing GDP within the manufacturing sector. The chemicals manufactured are mainly agrochemicals, veterinary products, pesticides, and chemicals used as raw materials in different industries (Chege, 2016).

The most commonly used raw material chemicals used in the manufacturing sector are alcohols (ethanol, propanol), benzoates (sodium bicarbonate), acids (lactic acid) and sorbates (sodium sorbate) etc. The demand versus supply gap in the Kenyan manufacturing sector wide largely because local chemical manufacturing companies are few in number and small in size. This gap has therefore been identified as an opportunity by global chemical manufacturing companies to import their chemicals and fulfil this need. Consequently, global chemical companies have ventured into the Kenyan market and started up representative offices in Nairobi so as to locally supply manufacturing companies. This raises a question on how emerging start-up chemical companies can thrive in Kenya in the midst of increased rivalry from each other and the global established companies. In question how well these companies will be able to achieve success in a new environment with increased rivalry from each other and different market dynamics as compared to their foreign markets (Britannica, 2024).

Empirical studies point that product promotion strategy plays a key role in the growth of enterprises (Othman et.al., 2020). However, Empirical literature in Kenya fail to give an account of the relationship between promotion and growth of start-up chemical companies.

Past Studies

Empirical Studies link product promotion to organizational performance. For example, Edler & Fagerberg (2017), see product promotion as the work of innovation and invention that enhance performance of many organizations in the United states of America. In Sub-Saharan Africa, for many business enterprises, product promotion is affected by various factors such as; the channels of communication between individuals, availability of resources, the nature of task faced by individuals and the type and severity of the crisis under which the individuals operate (Wang, Chen, & Zha, 2017).

Product promotion strategy of companies is usually measured using a blend of financial ratio analysis, measuring performance alongside budget, benchmarking or a combination of these methodologies. The common conjecture, which elucidates most of the financial performance discourse and research, is that when financial sales increase, functions and actions of the firm improves (Wang, Chen, & Zha, 2017).

Studies also demonstrate that product promotion enable organizations to position themselves in the market and develop new products. This in turn is followed by increased performance (Liverpool-Tasie, Sanou & Ogunleye, 2017; Jelimo et al., 2024).

According to Andrews et al., 2016 in the study on the effect of mobile promotion on performance of the infinix Company found that promotion involves both providing the consumer information relating to the footwear store and its product or service offering, and influencing the consumer perceptions, attitudes, and behavior towards the store and what it has to offer. They further asserted that, promotion should be an informative and persuasive communication process.

According to Al-Sharif, Qwader and Al-Slehat (2017) in their study on the effect of promotion strategy in the Jordanian Islamic banks on a number of customers, advertisement is the most important field in promotion that should be of main focus by banks to increase its customers.

According to Jelimo et.al., (2024), product promotion strategy has a significant positive effect on organizational performance of maize seed companies in Kenya.

DATA AND METHODS

This study adopted descriptive cross sectional survey design to collect information on the influence of product promotion on the performance of start-up chemical companies in. The study was conducted at Nairobi County and the target population comprised of the 59 employees in the sales, marketing and supplies departments in the 6 start-up chemical companies operating in Nairobi County, Kenya.

The study adopted Census approach of data collection. Self-administrated questionnaire with open and semi-structured type of questions was used to collect the research data. To gauge the reliability of the research instrument, Cronbach's alpha coefficient was used.

Collected data was analyzed using descriptive statistics and linear regression model. Descriptive statistics involved the use of frequencies, percentages and cross tabulations. Linear regression was used to establish the influence of product promotion on performance of start-up chemical firms in Nairobi County.

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

The study adopted the following empirical model:

Where;

Y= Performance of chemical start-up companies.

β_0 = Performance of chemical start-up companies with or without product promotion

X_1 = Product promotion

β_1 = Influence of X_1 on Y

ε = Error term

RESULTS AND DISCUSSIONS

Response Rate

59 questionnaires were distributed to the respondents, out of which 45 were correctly answered. This represented an overall successful response rate of 86.5%.

Reliability test results

Reliability of the research instrument was ascertained by computing cronbach's alpha coefficient. The cronbach's alpha coefficient was 0.962 indicating that the instrument was very reliable.

Descriptive analysis on Product's Promotion

The researcher requested that respondents to indicated their level of agreement or disagreement on product's promotion and performance. The analysis of the findings is as shown in the table 1 below.

Table 1: Product's Promotion

Statement	N	Mean	Std. Deviation
Our sales have observed an upward trend over the past five years due to presence of sales personnel	45	4.556	0.503
Profitability has decreased due to employment of sales personnel	45	3.689	1.328
Advertising has increased our sales volumes over the past five years	45	3.644	0.857
Advertising has affected our profitability positively	45	4.089	0.596
Attending exhibitions have increased our profitability	45	4.089	0.668
Sales promotion is our main line promotion strategy	45	4.089	0.701
Price promotion is not one of our promotion strategies	45	4.511	0.661

Source: Research Data, 2024

Data was gathered by making use of five point likert scale where number one (1)=strongly disagree,

number two (2)=disagree, number three (3)= neutral or moderate extent, number four (4)= agree

and number five(5)=strongly agree. The questionnaire participants were required requested to specify agreement or disagreement levels with the product's promotion indicators based on the five-point Likert scale. The Likert scale is preferred because it permits the research participants to express their views and perceptions on the extent of agreement or disagreement with specific independent set statements. Of the five responses gotten, contain a numerical value used to assess the attitude or perception investigated. The strongly agree or disagree have been employed to infer a variable which has a mean score of 0 to 2.5 on the constant Likert scale while to a moderate extent have been interpreted using a mean score of 2.5 to 3.4 on a constant Likert scale. Both agree and strongly agree have been interpreted using a mean score of 3.5 to 4.4 and 4.5 to 5.0 respectively on a constant Likert Scale. The standard deviation greater than 1.0 denote a significance variation on the effect of the variable amongst the participants. Table 7 indicates those strongly agreed said that the sales have observed an upward trend over the past five years due to presence of sales personnel as shown by a mean of 4.5556 and a standard deviation of .50252 and that the price promotion is

not one of our promotion strategies as shown by a mean of 4.5111 and a standard deviation of .66134. The study also indicated that those agreed indicated that the sales promotion is our main line promotion strategy as shown by a mean of 4.0889 and a standard deviation of .70137, that the attending exhibitions have increased our profitability as indicated by a mean of 4.0889 and a standard deviation of .66818, that the advertising has affected our profitability positively as shown by a mean of 4.0889 and a standard deviation of .59628, that the profitability has decreased due to employment of sales personnel as shown by a mean of 3.6889 and a standard deviation of 1.32840and that the advertising has increased our sales volumes over the past five years a s indicated by a mean of 3.6444 and a standard deviation of .85694. The findings of the study conclude that majority of the participants agreed that product's promotion influenced performance.

Regression Analysis

To determine the influence of product promotion on performance, linear regression analysis was done. The results were as follows:

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.889 ^a	.790	.767	.187

Source: Research data, 2024

Table 2 show that product promotion contributes about 76.7% of the variation in performance among start-up chemical companies in Nairobi County.

The analysis of variance (ANOVA) was used to determine whether the data used in the study is significant. From the ANOVA statistics, the processed data, which is the population parameters, had a p-value= 0.001 which shows that the data is ideal for making a conclusion on the

population's parameter as the value of significance (p-value) is less than 5%. This shows that product promotion, product's distribution, product itself and product's price affected organizational performance.

Analysis of Variance

Analysis of variance was done to determine the significance of the regression model. The results are presented in Table 3:

Table 3: Analysis of Variance ANOVA^a

Model	Sum of Squares	Df	Mean Square	F	P-Value
Regression	23.002	5	4.600	38.101	0.001
Residual	4.709	39	0.121		
Total	27.711	44			

Source: Research Data, 2024

The Anova results indicated yielded $p < 0.05$ implying that the regression model was significant and fit for prediction.

Table 4: Regression Parameter Estimate**Table 4: Coefficients of Regression Equation**

Model	Unstandardized Coefficients		Standardized Coefficients	t	p-value
	B	Std. Error	Beta		
(Constant)	2.498	0.307		8.137	0.001
Product promotion	0.269	0.048	0.261	5.604	0.001

Source: Research Data, 2024

Product itself is a statistically significant predictor of organizational performance as shown by ($\beta = 0.269$, $P = 0.000$). This shows that product itself had a significant positive effect on organizational performance. This implies that a unit increase in product itself will result to increase in performance of start-up chemical companies in Nairobi. The findings collaborate with those of previous scholars who established that product promotion is a predictor of organizational performance (Tasie, Sanou & Ogunleye, 2017; Jelimo et al., 2024; Edler & Fagerberg, 2017)).

CONCLUSIONS

From the findings of this study, it can be concluded that the product promotion is positively related to the sales volume in start-up chemical manufacturing firms in Nairobi County. Increase in product promotion leads to increased sales and consequently improved organizational performance in chemical start ups firms. Based on these findings, the management of chemical start-ups should upscale their product promotions since they are associated with increased sales.

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