EMPIRICAL ASSESSMENT OF THE EFFECTIVENESS OF MARKETING STRATEGY ON THE MARKET PERFORMANCE OF AGRIBUSINESS IN NORTHEASTERN NIGERIA

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Abstract

Marketing strategy is indispensable strategy in bridging the gap between the accelerating complexities of market demand and the capacities and abilities business firms serving the market. Thus, the aim of this study is to determine the effectiveness of marketing strategies adopted by micro, small and medium agribusiness in Nigeria. The study examined the effects of market penetration, market expansion, product expansion and market diversification strategies on the performance of agribusiness in Nigeria. To achieve this, a total number of 385 questionnaire were administered on micro, small and medium agribusiness in Gombe, Taraba and Yobe States of Northeastern Nigeria. Consequently, 268 valid response were keyed into *Statistical Package for Social Science (SPSS)* to analyze the data. The result showed that market penetration strategy significantly and positively affect the performance agribusinesses. Similarly, market expansion strategy substantially influences the performance of agribusiness in Nigeria. Product expansion strategy adopted by agribusinesses in Nigeria are effective in enhancing performance. However, market diversification was found to be insignificant in influence the performance of agribusiness in Nigeria. Consequently, this study recommended that agribusiness in Nigeria must recognize and develop market diversification strategies that would allow them achieve and sustain flourishing business in this dynamic and competitive operating environment.

Keywords: Agribusiness, Marketing Strategy, Performance

Introduction

Small and medium agri-prenuers are being confronted by an overflowed marketing demands that suit the survival needs of today's global competitive business environment. According to Auma and Waithaka (2020) for an organization to efficiently maintain or improve its competitive position, it must frequently adapt and updates its offerings. However, strategies adopted by most agribusiness are not in consonant with the proliferation of smart global media channels, disrupting effects of technology oriented customers and customers contact points (Kukartsev, Tynchenko, Danilchenko, Eremeev and Bayko 2019). Bridging the gap between these accelerating environmental complexities and the abilities of small and micro agri-preneurs demands effective marketing strategies (Day, 2011).

Therefore, agribusiness must reconfigure the strategic management team to adequately possess those influential skill-sets in product, relationship and knowledge management (Kaliappen and Hilman, 2017, Ibeh, 2003). It has been established that the development of competitive performance in agrarian production is efficient with effective strategic management tools such as marketing strategy and commercial activities (Mandych et al., 2018). Marketing strategy is very essential in meeting customer's demands (Hornibrook & Fearne, 2003), enable firm achieve lower cost due from economic of scale and enhance performance (Hove and and Tarisai, 2013, Azar, 2011). Consequently, Ramachander and Venkatesh (2010) maintained that agribusinesses must adopt a marketing strategy that suit the current changes in consumer mindset of low price, high quality and on time trends.

Shafeek (2009) opined that marketing is one of the strategic activity that links firm's product to its customers. Therefore, this function must be properly and effectively performed to survive, sustain and grow in this competitive market environment. According to Shafeek (2009) to create adequate survival opportunities, micro and small agribusiness firm must answer these essential strategic questions: "what market are we targeting, and with what product?" Answering these questions requires effective marketing strategy. Marketing strategy has been

described by Ross and Whalen, (1999) as a firm's strategy for preparing market penetration plan, getting information to profile potential customers, prepare market competitive profile and determining market regulations. In agribusiness marketing strategy is an essential tools for building strong and stable relationship with customers (Tsekouropoulos, Koliouska and Andreopoulou 2017, Gunderson, Boehlje, Neves, and 2014). Creating marketing strategy provides agribusiness firms with options which effectively suit their values, strategic orientation, selling orientation and customer relationship (Bensemann and Shadbolt 2015).

Although, the contributions of agriculture in Nigeria to the development of the economic have been appreciated over the years, the performance of agribusinesses in the market are incomparable. This has been attributed to poor market identification and development as well as low product quality (SMEDAN, 2021). Nevertheless, limited literature exist on effectiveness of marketing strategies of micro, small and medium agribusinesses in Nigeria. Therefore, this study aims to investigate the effectiveness of marketing strategies adopted by agribusiness in Nigeria. The facts that Nigerian agribusinesses operates in an intense competitive global business environment, firms within this operating environment must put in place several market penetration strategies to help them survive, grow and remain competitive within their industry. To achieve this, Kukartsev et al. (2019) opined that agribusiness can effectively operate in this global business environment with implementation of Ansoff matrix strategy which consist of four marketing strategies: market penetration strategy, market expansion strategy, product development strategy and diversification strategy.

Market penetration strategy entails offering a set of old product in existing market served by the firm (Kukartsev et al., 2019). Market penetration strategy are usually employed by business firms who desired to use up unused resources and opportunities like unutilized firm's capacity (Njomo and Oloko 2016). The major four objectives of any market penetration strategy are sustaining or growing the market share of existing products; fortifying supremacy of growth markets; restructuring of matured market by driving out competitors; or increasing the usage of product by existing customers (Mwangi and Waithaka 2020). The goals of this strategy is

increase sales or number of sales. Kukartsev et al. (2019) maintained that to attained the goals of increase sales, a business must expand its market share, opening new opportunities for consumers in using the product, increase number of purchase of goods and increase the frequency of purchase of goods by the customers. Market penetration strategy is an effective strategy impacting positively on performance of business firms (Alkasim et al., 2018). Auma and Waithaka (2020) reported that market penetration growth strategy positively affects organization's performance. Similarly, Mwangi & Waithaka (2020) reported that market penetration strategy significantly and positively impacted on the performance agrochemical firms.

Market expansion strategy demonstrates firm's strategy to take its existing product to new market. Bang and Joshi, (2008) conceptualized market expansion strategy as a firm's strategy for increasing primary demands of it product by converting non-customers into its customers and by increasing the rate of usage and purchasing volume of its existing customers. Kukartsev et al. (2019) urged that this strategy is suitable for businesses competent in the field of marketing activities; that have adequate experience and opportunities for active advertising campaigns, relates with customers and building new distribution channels as well as conquering new market segment. Accordingly, there are three strategic tasks in market expansion, these are; defining market scope in terms of competitors and customers, creation of willingness and ability among existing and potential customers, and the effectively fulfillment of target market demands in sustainable manner (Bang and Joshi, 2008). An essential antecedent to market expansion is that potential customers have access to the firm's offerings. This however, depends on the willingness of the firm to looks beyond the activities of competitors and willingness to target underserved and/or untapped market segments (Silva and Silva 2021).

Product expansion strategy refers to a marketing strategy where existing customers were offered updated product with new, more attractive and contemporary features. Product expansion strategy involves modernization of current product by given them new functions and properties, the creation of new product generation, improving the quality of existing product and releasing of fundamentally new product to the market (Kukartsev et al., 2019). Product

expansion strategy are usually employed in an industry where markets is flats or growing sluggishly and rivalry among competing firms in the market is intense. Firms in this kind of environment normally attempt to create new markets by extending their product line or by adding a product or offering that are complimentary to the core product (Benjamin et al., 2008). Product expansion strategy may be suitable growth strategy if the strength of the firm is related to its specific customers rather than the specific product itself. Hence firm in this situation can leverage its strengths by developing a new product targeted to its existing customers (Mwiti 2011).

Market diversification strategy refers to business goals of offering new product to new markets. Profitability are the major rational of businesses taking the path of diversification. Kukartsev et al., (2019) posit that diversification allows firm to achieve greater financial stability as a result of the distribution of risks among numerous line of business and industries. Business firm may decide to diversify in order to survive the effects of changing business environment (Nyangiri and Ogollah, 2015), foster efficiency in the application of resources and explore investment opportunities (Emel and Yildirim, 2016; Hasby et al., 2017), increase profitability (Karimi, 2013), create economies of scale to discover market options and opportunities as a turnaround (Sindhu et al., 2014). Generally, firms diversify in order to enhance and sustain better competitive position in the market (Krivikapic et al., 2017). Consequently, diversification enables firms to expend its excess resources for better economic yield (Ayeni, 2013). Empirically, Oladimeji and Udosen (2019) established the significant positive effects of diversification on firm's return on assets, return on investment and return on equity. Therefore, this study hypothesizes that:

H1: *Market penetration strategy positively relate to the performance of agribusiness in Nigeria*

H2: Market expansion strategy positively relate to performance of agribusiness in Nigeria

H3: Product expansion strategy positively relate to performance of agribusiness in Nigeria

H4: Market diversification strategy positively relate to performance of agribusiness in Nigeria

Methodology

A quantitative research method was adopted to collect data from agri-businesses operating in the study area. To achieve this, a survey questionnaires were administered on owners/managers of selected businesses in Gombe, Taraba and Yobe States of northeastern Nigeria. A total number of 385 questionnaire were administered on agri-penuers in these three states. Consequently, 279 questionnaires were filled and reverted back to the researchers. Nevertheless, physical verification of the returned questionnaires identified four (4) incomplete or mutilated responses, hence discarded. The 275 valid responses remaining were keyed into statistical package for social science (SPSS) for validity and identification of outliers. The outcomes of the analyses reveals seven (7) univariate outliers whom statistical values are greater or equals ± 3.29, thus removed from the data sets (Tabachnick and Fidell, 2007). Accordingly, the statistical outcomes of the Mahalanobis distance test reveals no multivariate outliers. Consequently, the outstanding 268 valid response were used for the regression analyses.

Results

Reliability Test

Reliability testing in a quantitative survey aims at determining that the items of construct measurement are generating requires information consistently. This entails that an outcome from a particular variable measurement are consistent over time. Commonly, in establishing reliability through SPSS a Cronbach's Alpha are used. Hair, et al., (2017) maintained that reliability of a measurement items of a variable are established when the statistical value its Cronbach's Alpha tested is 0.70 and above. From table 1 below it is evident that all the variables in this study has values greater than 0.70, hence their reliabilities were established.

Table1: Reliability Test

Variables	Cronbach Alpha	Number of items
Performance	0.840	7
Market penetration strategy (MPS)	0.850	7
Market expansion strategy (MES)	0.717	8
Product Expansion Strategy (PES)	0.813	7
Market Diversification Strategy (MDS)	0.758	6

Multicollinearity Test.

Multicollinearity has been defined as a quandary which occurred where variables in a given research extremely correlate with one another at a statistical value of more than 0.9 (Tabachnick and Fidell, 2007). Nevertheless, Sekaran and Bougie, (2013) maintained that multicollinearity is not a predicament to a study that aims to predict the value of explained variable or the relationship between the explanatory variables. However, to ensure that variables under study in this research were not extremely correlated, multicollinearity was evaluated. Normally, variance inflation factor (VIF) and tolerance level are the most commonly used techniques to assess multicollinearity issue in quantitative research (Sekaran and Bougie, 2013). The standard rules for evaluating multicollinearity establishes that a VIF value of 5 or more and a tolerance level of 0.20 and below respectively represent a potential multicollinearity issues (Hair, Sarstedt, Ringle, and Mena, 2012). The VIF value of 5 and above and tolerance level of 0.20 and below (Hair, et al., 2012) was adopted in this study to determine the multicollinearity of variables under study.

Table 2: Multicollinearity Test

Variables	Tolerance Level	Variance Inflation Factor
MPS	.478	3.610
MES	.755	1.325
PES	.330	2.691
MDS	.341	2.931

Note: MPS = Market Expansion Strategy; MES = Market Expansion Strategy, PES = Product Expansion Strategy, MDS = Market Diversification Strategy

From table 4.2, all the variables under have tolerance level more than 0.20 and VIF less than 5. Therefore, the issue of multicollinearity is not a problem in this study.

Testing Hypothesis

In testing the hypotheses established for this study a regression coefficient of SPSS were employed. The statistical value of regression analyses in table 2 below indicates that market

penetration strategy (MPS) significantly and positively influences the performance of agribusiness. Similiarly, market expansion strategy (MES) positively affects the performance of agribusiness considerably in Nigeria. According, product expansion strategy (PES) has impacted positively and significantly the market performance of agriprenuers in Nigeria. However, market deversiifcation strategy (MDS) has no significant effect on the performance of agribusinesses in Nigeria.

Table 3: Hypotheses Test

Paths	Standard Error	Beta Coefficient	T-Statistics	P-Value
MPS -> PERF	.184	.416	2. 976	.003
MES -> PERF	.100	.264	3.891	.001
PES -> PERF	.212	.506	3.091	.002
MDS -> PERF	.153	.106	1.051	.294

Discussion

From the result presented in table 4.2 above, H1 which stated that market penetration strategy positively relate to the performance of agribusinesses in Nigeria has been established and accepted as shown by the statistical value of the regression analysis (β=0.416, t= 2.979, p< .003). The result agrees with the findings of Auma and Waithaka, 2020, Mwangi and Waithaka 2020, and Alkasim et al., 2018). This results indicates that less than one percent changes in markets penetration strategy adopted by agribusiness in Nigeria positively brings a changes of 41 percent in market performance of these entrepreneurs. Market penetration strategy is therefore a significant strategy that help business compete effectively in today's rapidly changing competitive environment. Through this strategy agribusinesses commits more resources in promotional activities and develop efficient pricing strategy that allow them offers more of their existing product to the market they served which generate substantial increase in sales and number of sales. This agreed with the view of Kukartsev et al., (2019) which maintained that market penetration strategy helps firms expand its revenue by selling more of its old product in the existing market.

Accordingly, the second hypothesis (H2) which stated that market expansion strategy positively relate performance of agribusiness in Nigeria was confirmed by the statistical result (β=0.264, t= 3.891, p< .001) as showed in table 4.2 above. This confirmed the survey reports of Silva and Silva 2021) which reported that market expansion strategy positively affects performance of agribusiness in developing economies. The result demonstrates that a less than one percent changes in market expansion strategy employed by agribusiness in Nigeria entails a positive changes of twenty six percent in their overall market performance. Consequently, this marketing strategy is an essential firm's strategy that help attract and bring non-customer of a firm's product to active customer. Bang & Joshi, (2008) hypothesized that market expansion strategy enable firms increases the demands of its product by converting non-customers into its customers and by creating new usage and enhancing purchasing capacity of its existing customers.

Consequently, business firm need to define its market scope in term of competitors and customers as a famous steps in successful market expansion strategy (Bang and Joshi, 2008). Accordingly, this study maintained that in untapped and underserved markets of developing economies the conditions necessary to establish exchange with potential customers may not necessarily exist. The potential customers may not easily recognize the need, or may not have the ability pay and to use the firm's product, hence creation of willingness and ability to buy a given product is another strategic task in effective implementation of market expansion strategy. Firm need not only to select appropriate value proposition, but also develop appropriate value communication and delivery mechanism to effectively ensure potential customers easily have access to its products. McKinsey Global Institute (2007) reported that businesses in developing economies need not only offering products at appropriate price with acceptable features, but also design an efficient distribution, logistics and service networks to reach out to customers in all market segments. Market expansion strategy enable firm align its main success strategies with market needs and customer expectations and ensure efficient value delivery to customers.

Hypothesis 3 (H3) of this study which hypothesized that product expansion (PES) positively relates to the performance of agribusiness in Nigeria has been equally accepted as demonstrated by the statistical value of the regression analyses (β=0.264, t= 3.891, p< .001). In this study product expansion strategy was found to be positively and significantly relates to the performance of agribusiness in Nigeria. This finding supported the results of extant literature who reported that product expansion strategy substantially improves market performance of business firms (Mwiti 2011). Product expansion strategy is therefore, an indispensable strategy that allow agribusiness modernize its current product either through creating new functions and properties, the introduction of new product generation. According to Kukartsev et al., (2019) firms uses product expansion strategy to improve the quality of existing product and/or releases fundamentally new product to the market so as to enhance market performance.

Nevertheless, hypothesis 4 (H4) which stated that market diversification positively relates to the performance of agribusiness in Nigeria has not been supported by the statistical results of the regression analysis (β=0.501, t= 1.051, p< .294). This mean that market diversification has no significant relationship with the performance of agribusiness in Nigeria at 5% alpha. Contrarily to the existing literature (Oladimeji and Udosen 2019) which found that market diversification has significant effects on firm's performance. Although businesses engaged in diversification so as to survive and guard the effects of negative changes from operating environment, (Nyangiri & Ogollah, 2015), nurture efficiency in the utilization of resources and explore more investment opportunities (Hasby et al., 2017), agribusinesses in Nigeria may be skeptical to these promising thought due their nature and volatility of their operating environment. Therefore, the insignificant effects of market diversification strategy on market performance of agribusiness may be as result of the facts that many agribusinesses in Nigeria are still younger in age with limited resources, which may be why they prefer to develop themselves in their operating industry rather than investing in different industry which might requires additional commitment of resources.

Conclusion

The outcomes of this research proved that market penetration strategy is an essential operating strategy that helps agribusinesses develops better competitive position that enhances their performance in this competitive operating environment. Agribusinesses employ market penetration strategy to use up their unexploited resources and opportunities such as capacities to sustain and increases the market share of their existing products, invigorate control over their market growth, streamlined their matured market by pushing out competitors, and increasing the usage of their product by existing customers to achieve greater turnover. Accordingly, market expansion strategies such as logistic and service networks allows agribusinesses in Nigeria develop market strategies that take into consideration customer's expectation and efficient value delivery to bring into line all underserved or new customers. Similarly, agribusinesses through product expansion strategy were able to offers modernized or contemporary new products with new design, functions or properties that improve quality of value creation to their customers. However, a number of studies have inveterate the momentous positive effects of diversification in creating effective mechanism of minimizing the effects of changes on sustaining competitive position, and fostering efficient resource deployment.

The result established by this study may be influence by other peculiar factors within the environment of the study. Therefore, the study recommended that:

1) Micro and small agribusiness sustain and enhances their market penetration, market development and product expansion strategies to keep an improved competitive market performance in this dynamic operating environment.

2) Agricultural entrepreneurs in Nigeria must recognize and develop diversification strategies that would allow them achieve and sustain flourishing business in this dynamic and competitive operating environment.

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