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GROWTH STRATEGIES AND PERFORMANCE OF FOOD AND BEVERAGE MANUFACTURING FIRMS IN NAIROBI COUNTY, KENYA

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ABSTRACT

The performance of food and beverage manufacturing firms in Nairobi County has been on a decline in recent years. According to the Kenya National Bureau of Statistics (KNBS) Economic Survey of 2023, the growth rate of the food and beverage manufacturing sub-sector slowed from 4.3% in 2020 to 2.9% in 2022. The main objective of this research was to determine the effect of growth strategies on the Performance of food and beverage manufacturing firms in Nairobi County, Kenya. Specifically, the study focused on the effect of market penetration on performance of food and beverage manufacturing firms in Nairobi County, Kenya and the effect of Market development on performance of food and beverage manufacturing firms in Nairobi County, Kenya. The study employed descriptive research design. According to KAM (2022) report, there are 76 are food and beverage manufacturing firms in Nairobi City County, Kenya. This study therefore targets 456 management employees working in the 76 food and beverage manufacturing firms in Nairobi City County, Kenya. The study's sample size was reached at using Krejcie and Morgan sample size determination formula. The sample size was 209 respondents. Stratified random sampling was applied in selecting the sample for this study. The study then used simple random sampling in selecting the sample. Questionnaire was used for data collection. Administration of the questionnaires was done by the research assistant using the drop and pick later techniques. The study used a total of 21 individuals in the pilot test. Quantitative data collected was analyzed using descriptive statistics techniques such as means, standard deviation, frequencies and percentages. SPSS version 23 was used to analyze the quantitative data. Qualitative data will be analyzed using content analysis and presented in prose form. The study also analyzed the data using inferential statistics which include correlation and regression analysis. The study concludes that market penetration has a positive and significant influence on the performance of food and beverage manufacturing firms in Nairobi County, Kenya. In addition, the study concludes that market development strategy has a positive and significant influence on the performance of food and beverage manufacturing firms in Nairobi County, Kenya. Based on the findings, the study recommends that the management of food and beverage manufacturing firms should prioritize strategies that enhance market penetration—such as expanding distribution channels, investing in targeted marketing campaigns, and optimizing pricing models—to boost sales volume and align with consumer behavior trends, thereby improving overall firm performance.

Key Words: Growth Strategies, Market Penetration, Market Development, Performance of Food and Beverage Manufacturing Firms

Background of the Study

The concept of strategy has been defined differently by various scholars. According to Johnson (2019), a strategy is the long term objective of the organization that is achieved through correct utilization of resources and hiring of competent staff so as to fulfill the expectations of the stakeholders. Moreover, strategy is defined as a notion that integrates all the main objectives of a firm and policies to form interrelated systems for effective functioning of an organization (Mintzberg & Lampel, 2019). Furthermore, strategy is labelled as the formation of an excellent situation of tradeoffs in competition that is prone to risk (Porter, 2019).This encompasses activities that are consistent and complement each other well in effort optimization. Therefore, strategy can be viewed as a projected course of actions that are conducted by an organization in a bid to achieve the set objectives hence strategy can help insurance companies in gaining competitive advantage over its competitors.

Growth strategy is defined as a well-articulated vision that shows the direction in which a business intends to go and the approaches that will be used to get there (Fink & Kraus, 2019).The growth strategies are usually incorporated in the goals and objective of an organization and are usually aimed at gaining a bigger market share. According to Andrews (2019), a growth strategy is a predetermined plan that is developed and implemented with the aim of improving the performance of a firm or a business. Storey (2019) positions that a growth strategy is a set of activities that are put together to enable long-term survival of a firm, accomplishment of the goals of a business and the enhancement of activities carried out in the firm. Furthermore, Westerlund and Leminen (2018) assert that growth strategy is a means in which organizations to achieve its objective which is to increase in size, volume and turnover. Thompson (2019) on the other hand postulates that business growth strategy entails the creation and execution of measures that will lead to increased profit in the business, appeal more customers, enable successful business operation with other competitors in the sector and enhance the financial and market performance of an organization. Mckeown (2019) summarizes a growth strategy as a situation that shapes the future and the human attempt to get to desirable ends with available means.

Growth strategies play a vital role in organizations and businesses as it gives them a platform to establish the direction in which they want their business to go and determine the means of achieving their goals (Gibcus & Kemp, 2019).Growth strategies allow organizations to grow their business operations through market penetration and product diversification in order to improve their performance. Additionally, growth strategies allow organizations to access new markets, expand their geographical reach, and acquire front line technology, matching skills and key capabilities (Gilinsky, McCline & Eyler, 2019). In doing so, they increase their shareholders' or investors' value. Therefore, growth strategies form part of the factors of change management in an organization hence affects the operations of the firm and business performance. The growth strategies that are common to most organizations include; product development, market penetration strategy, market development, diversification and acquisition. This study will focus on product development, market penetration strategy, market development and diversification.

Product development strategy involves the modification of an existing product or how the product is presented, or formulation of an entirely new product that satisfies a newly defined customer want or market niche (Greve, 2018). Market penetration strategy is a growth strategy whereby a business entity engages in activities with an aim of increasing its market share by exploiting its present product range in its present market. A business entity aims to penetrate deeper into the market so as to capture a larger share of the market**.** This growth strategy is the least risky among other growth strategies since it leverages many of the firm's existing resources and capabilities (Fink & Kraus, 2019).Market development strategy involves selling existing products into new markets. According to Brien (2019), market development strategy creates growth through the introduction of current products to new markets. He adds that this strategy is used when a company has identified markets that were previously unidentified or when it wants to expand its market reach. Diversification is a growth strategy that involves creating new products or product lines, new services or new markets, involving substantially different skills, technology and knowledge. Diversification is the most risky of the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm. However, diversification maybe a reasonable choice if the high risk is compensated by the chance of a high rate of return. Other advantages of diversification include the potential to gain a foothold in an attractive industry and the reduction of overall business portfolio risk (Henderson & Cockburn, 2015).

Manufacturing firms in Kenya are a vital component of the country's economy, contributing significantly to industrialization and economic development. The sector is considered one of the Big Four Agenda pillars under Kenya's Vision 2030, which aims to transform Kenya into a newly industrializing, middle-income country. The manufacturing sector is diverse, encompassing various sub-sectors such as food and beverages, textiles and apparel, chemicals, construction materials, and consumer goods (Luvusi, & Muthoni, 2019).

The manufacturing sector contributes approximately 7.5% to Kenya's Gross Domestic Product (GDP), according to recent reports from the Kenya National Bureau of Statistics (KNBS). The sector is also a major employer, providing jobs to millions of Kenyans directly and indirectly through associated industries such as logistics, wholesale, and retail trade. The food and beverage sub-sector is particularly significant, as it not only supports agriculture by adding value to raw agricultural products but also plays a crucial role in ensuring food security and meeting the growing consumer demand for processed foods and drinks (Mwiti, 2023).

Despite its importance, the manufacturing sector in Kenya faces several challenges that hinder its growth and potential. High production costs, driven by expensive energy, raw materials, and logistical inefficiencies, have made it difficult for Kenyan manufacturing firms to compete with cheaper imports. The sector also struggles with regulatory hurdles, including complex and sometimes inconsistent policies that create uncertainty for investors. Additionally, the sector has been hit hard by global economic disruptions such as the COVID-19 pandemic, which disrupted supply chains and reduced consumer demand, leading to a slowdown in production (Gecheo, Thuo & Byaruhanga, 2022).

Statement of the Problem

Manufacturing firms play a crucial role in the economic development of any country by driving industrialization, creating employment opportunities, and contributing to GDP growth. In Kenya, the manufacturing sector is considered a key pillar under the Vision 2030 development blueprint, aiming to increase its contribution to GDP from the current 7.5% to 15% by 2030 (Rono & Moronge, 2018). Food and beverage manufacturing firms, in particular, are vital as they not only provide essential consumer goods but also stimulate agricultural production, supply chain activities, and export revenues. The sector is instrumental in addressing food security, enhancing value addition in agriculture, and fostering technological innovation (Gecheo, Thuo & Byaruhanga, 2022).

However, the performance of food and beverage manufacturing firms in Nairobi County has been on a decline in recent years. According to the Kenya National Bureau of Statistics (KNBS) Economic Survey of 2023, the growth rate of the food and beverage manufacturing sub-sector slowed from 4.3% in 2020 to 2.9% in 2022. This downward trend is attributed to challenges such as increased production costs, stiff competition from imported goods, and disruptions in supply chains caused by the COVID-19 pandemic. Furthermore, the Kenya Association of Manufacturers (KAM) reported a decline in profit margins among these firms, with some experiencing up to a 20% reduction in revenue over the last three years. This performance decline threatens the sector's sustainability, with potential adverse effects on employment and economic stability (Mwiti, 2023).

Growth strategies, such as market penetration, product development, market development, and diversification, are critical for enhancing the performance of manufacturing firms. These strategies enable firms to expand their market share, innovate new products, enter new markets, and diversify their product portfolios, which can lead to improved financial performance and competitiveness. However, there is limited empirical evidence on the effectiveness of these growth strategies within the context of food and beverage manufacturing firms in Nairobi County (Luvusi, & Muthoni, 2019). This study, therefore, sought to determine the effect of growth strategies on the performance of these firms, providing insights that could guide future strategic decisions in the sector.

General Objective

The main objective of this research was to determine the effect of growth strategies on the Performance of food and beverage manufacturing firms in Nairobi County, Kenya.

Specific Objectives

(i) To determine the effect of market penetration on performance of food and beverage manufacturing firms in Nairobi County, Kenya.

(ii) To ascertain the effect of Market development on performance of food and beverage manufacturing firms in Nairobi County, Kenya

Theoretical review

Porter's Theory of Competitive Advantage

This theory was developed by Porter (1980) in his work about competitive strategies. This theory emphasizes on the firm's ability to formulate and execute strategies that will enable it to increase its competitive advantage over the rivals in the industry. Competitive advantage can be described as the value a firm creates for its buyers that surpasses the firm's cost of creating it (Porter, 1998). He states that this value is what buyers are willing to pay and that superior value can be achieved in two ways: Through cost leadership whereby a firm offers lower prices than rivals for equivalent benefits or through differentiation whereby a firm provides novel benefits that offset a higher price.

According to Porter (1998), the overall cost leadership strategy aims at achieving cost leadership in the entire organization through a set of practical policies designed to achieve this objective. Porter indicates that this strategy can be achieved through sustained pursuit of reduction of costs based on experience, setting up of facilities that are scale-efficient, strict cost and overheads control, avoiding marginal customer accounts, minimization of costs in departments such as advertising, research and development, service, and sales. Differentiation strategy involves differentiating the firm's products. This requires that the products be perceived as being unique in the entire industry. The approaches to this strategy may take the form of technology, networking with the dealers, design/brand image, and customer service. Porter argues that differentiation strategy can create a defensible position for the firm because it creates brand loyalty and lowers price sensitivity. The focus strategy involves focusing on a specific line of product segment, buyer groups, or physical market. The main aim of differentiation strategy is maximization of sales revenue in a particular segment as a result of serving the target market more efficiently than the competitors.

Generic strategies have been applied in a number of empirical studies. Leitner and Guldenberg (2009) use the generic strategies in examining the performance of Australian SMEs. Yamin, Gunasekaran, and Mavondo (1999) empirically investigated the link between strategy, competitive advantage, and performance of manufacturing organizations in Australia. Arasa and Loice (2014) studied the influence of the generic strategies on the performance of telecommunication firms in Kenya. In this perspective, this study intends to adopt Porter's generic strategies in assessing the market penetration of the insurance companies in Kenya. This theory was significant to the current study as it guides on how the competitive strategies are examined using a structured approach and how these strategies influence sales and consequently profitability.

This theory is significant to the market penetration variable in the current study as it guides on how the competitive strategies are examined using a structured approach and how these strategies influence market penetration in form of sales and profitability. These structured approaches of market penetration include; differentiation, market segmentation, promotional strategies and penetration pricing.

Dynamic Capabilities Theory

Dynamic capabilities theory was developed by David Teece, Gary Pisano and Amy Shuen in 1997 (Teece, Pisano, & Shuen, 1997).The dynamic capabilities approach arose from a key shortcoming of the resource based view of the firm. Teece et al. (1997) defined dynamic capabilities as the ability to integrate, build and reconfigure internal and external competencies to address rapidly changing environment. Capabilities enable firms to utilize their resources effectively. An example of a capability is the ability to bring a product to the market faster than competitors. Such capabilities are embedded in the routines of the organization and are not easily documented as procedures and thus are difficult for competitors to replicate. The firm's resources and capabilities together form its distinctive competencies. These competencies enable innovation, efficiency, quality, and customer responsiveness, all of which can be leveraged to create a cost advantage or a differentiation advantage (Porter, 2017).The applicability of the firm's bundle of resources and capabilities to a particular industry setting, will determine its competitive advantage. Dynamic resources help a firm adjust its resource mix and thereby maintain the sustainability of the firm's competitive advantage (Barney, 2016).

A study by Irene (2015) used dynamic capabilities theory to explain how insurance companies use market development strategy to enhance their competitive advantage. The study established that market development practices influence performance insurance companies with the major influence being caused by market segmentation. Aliata, et al., (2017) found that sales promotion through new packaging was the highest ranked promotional mix element with regards to its effect on sales volume of banks in Kenya and dynamic capabilities theory was used to explain the need for new packaging in a dynamic environment. A survey conducted by Kyeva (2015)on the marketing mix used by life insurance companies in Kenya in responding to the challenge of HIV/AIDs pandemic adopted the dynamic capabilities theory in explaining the 7ps(product benefits, price, place, promotion, people, process and physical evidence) of service marketing in a changing environment.

Dynamic capabilities theory explains the market development strategy in this study because market development creates growth through the introduction of current products to new markets. It is used when a company has identified markets that were previously unidentified or when it wants to expand its market reach which is the main idea of dynamic capabilities theory. A number of tactics used to enter and develop a new market for existing products include turning to new and untapped geographical areas, introducing new pricing procedures to attract new target audiences and creating new distribution channels can to offer products in new ways and to new customers. In conclusion, sustainable competitive advantage is the outcome of resource selection, accumulation and deployment (through organization capabilities) and is based upon the premise of firm's resource heterogeneity.

Conceptual framework

Young (2019) defines conceptual framework as a diagrammatic representation that shows the relationship between dependent variable and independent variables and when clearly articulated it has a potential adequacy in assisting the researcher to make meaningful ensuing findings.

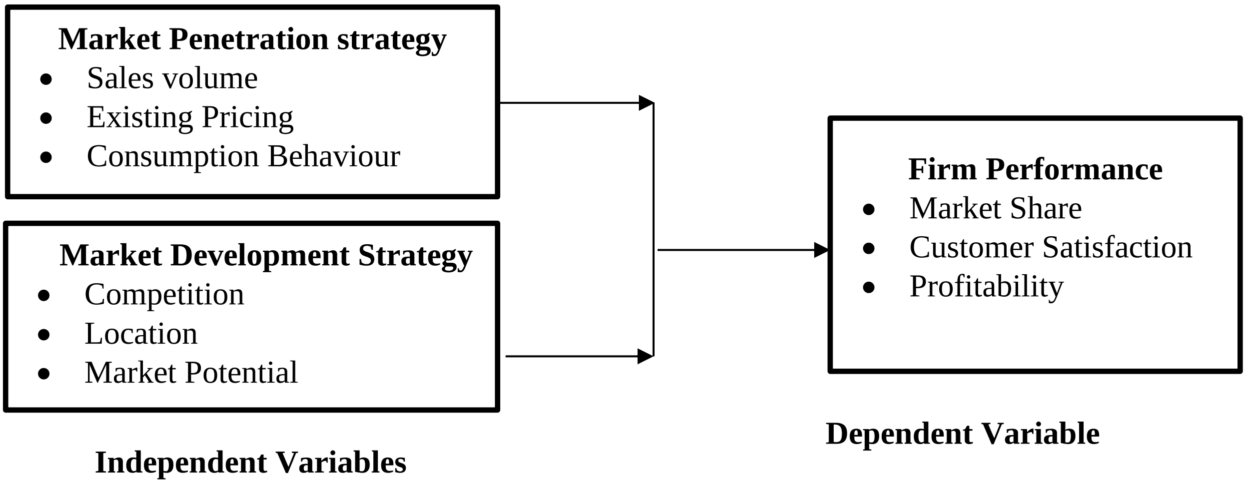

Figure 2. 1: Conceptual Framework

Market Penetration Strategy

A Market Penetration Strategy is a business approach aimed at increasing a company's share of existing markets with its current product or service offerings. The primary objective is to boost sales and gain a larger market share within the current target market by attracting new customers or encouraging existing customers to purchase more frequently or in greater quantities (Ansoff & Donnell, 2018). Sales volume refers to the quantity of products or services sold by a company within a specific period. It is a critical indicator of a firm's market performance and overall business health (Sink, 2019). Higher sales volumes typically signify strong demand and successful market penetration strategies, while lower sales volumes might indicate challenges such as insufficient market reach or ineffective marketing efforts. To increase sales volume, companies often focus on expanding their customer base through targeted marketing campaigns, improving product availability, and offering promotions or discounts (Fink & Kraus, 2019). Analyzing sales volume trends helps businesses understand consumer behavior, assess the effectiveness of their sales strategies, and make informed decisions about production levels, inventory management, and market expansion efforts (Wanjiru & Ngugi, 2019).

Existing pricing is the strategy a company employs to set the cost of its products or services based on various factors such as production costs, market demand, competitor pricing, and perceived value (Ansoff & Donnell, 2018). Effective pricing strategies are crucial for balancing profitability with competitiveness. Companies often use pricing models like cost-plus pricing, competitive pricing, or value-based pricing to determine the optimal price point (Agostini, 2019). Adjustments to existing pricing may be necessary to respond to market conditions, such as changes in production costs or shifts in consumer demand. For instance, introducing promotional discounts or revising pricing structures can stimulate demand and boost sales volume, while maintaining competitive pricing ensures that the firm remains attractive to potential customers in a competitive market (Ansoff & Donnell, 2018).

Consumption behavior refers to the patterns and preferences of consumers regarding how they purchase and use products or services. Understanding consumption behavior is essential for developing effective marketing and sales strategies (Fink & Kraus, 2019). Factors influencing consumption behavior include cultural trends, economic conditions, social influences, and individual preferences. By analyzing consumption behavior, companies can tailor their product offerings, pricing strategies, and promotional activities to better meet the needs and preferences of their target audience. For instance, if data shows a growing preference for healthier food options, a food and beverage manufacturer might focus on developing and marketing products that align with this trend. Insights into consumption behavior help businesses anticipate changes in market demand, enhance customer satisfaction, and drive sales growth by aligning their strategies with consumer expectations (Sink, 2019).

Market Development

A Market Development Strategy is a business approach aimed at expanding a company's market reach by introducing existing products or services into new geographic regions or new customer segments. The goal is to grow the company's market share and revenue by tapping into untapped or under-served markets. This strategy focuses on finding new markets for current offerings, rather than developing new products (Voss & Voss, 2020). Competition refers to the presence of other firms in the same market that offer similar products or services. Understanding the competitive landscape is crucial for any market development strategy, as it influences how a company positions itself and differentiates its offerings. Intense competition can drive companies to innovate and improve their products, adjust pricing strategies, and enhance customer service to maintain or grow their market share. To effectively navigate competition, firms must analyze their competitors' strengths, weaknesses, market strategies, and customer feedback. This analysis helps identify gaps in the market, opportunities for differentiation, and potential threats. By developing a competitive advantage—such as unique product features, superior quality, or exceptional customer service—companies can better position themselves to attract and retain customers in both existing and new markets (Zott & Amit, 2019).

Location plays a critical role in market development, affecting both the accessibility of products to consumers and the operational efficiency of a business. Selecting the right geographic areas for expansion involves evaluating factors such as the local infrastructure, transportation networks, and proximity to suppliers and customers. In new market regions, the location can impact distribution costs, delivery times, and overall logistical effectiveness. Additionally, a firm must consider local regulations, economic conditions, and market demand specific to the location. For instance, entering a densely populated urban area might offer high sales potential but also come with higher competition and costs. Conversely, expanding into less saturated or emerging regions might present opportunities for growth with potentially lower initial costs and competition. Strategically choosing locations that align with market potential and operational needs can significantly enhance the success of a market development strategy (Mbithi Muturi, & Rambo, 2018).

Market potential refers to the capacity of a new market to generate revenue and growth opportunities for a company. It is determined by factors such as the size of the target market, growth trends, consumer demand, and economic conditions. Assessing market potential involves analyzing demographic data, purchasing power, and market trends to estimate the demand for the company's products or services (Kim & Clark, 2019). A high market potential indicates a promising opportunity for expansion, with potential for significant sales and profitability. Conversely, a market with limited potential might require more cautious entry or a different approach to market development. By thoroughly evaluating market potential, companies can make informed decisions about where to focus their expansion efforts, allocate resources effectively, and tailor their strategies to maximize returns and achieve sustainable growth (Rono & Moronge, 2018).

Empirical Review

Market Penetration and Organization Performance

Study by Chandola and Fu (2019) examined China Smartphone Companies ' market penetration approach for India Market: A multi-case research. Following the most common methodology of multi-case study methodology construction theories, distilled research results on the effective set of marketing policies from interviews with executives of four famous Chinese cell phone manufacturers/brands entering the Indian market. Similarities in the company's business models were quite obvious in the results linked to their customer segment(s) strategy of creating innovative products that could afford them. The findings have also been shown to a big extent resemblance in their conduct with regard to customer relationship management. However, the research used a multi-case study methodology that could lead to a higher restriction of the study conclusion.

Wallsten (2017) conducted an econometric analysis of telecom competition, privatization, and regulation in Africa and Latin America. The investigation suggested that higher penetration rates imply better performance. On the other hand, in more mature markets market performance is typically measured by the intensity of competitive conduct. Implying that more advanced sectors will be more efficient, yielding lower price-cost margins.

Kotler (2019) argued that setting a low initial price indicates that the company wants to penetrate the market fast and gain high volume quickly. The company wants to capture a large market share with minimal economic efforts for the customer. The companies which are using this kind of strategy set the price as low as possible to attract as many customers as possible. After winning a large volume they can decrease their falling costs which will lead to a higher long run profit. The company uses price as a competitive weapon to win a market position and market shares from the other competitors, which will help them to establish a market brand in the industry. They enter the market with the strategy to get a lot of customers, which will help the company decrease their cost and therefore way become a cost leader in the market.

Luvusi, and Muthoni (2019) assessed the influence of market penetration strategy on the performance of Telkom Kenya limited in Nairobi City County. The environmental conditions of many companies have changed rapidly. This study aimed at investigating the influence of market penetration strategy on the performance of Telkom Kenya Limited in Nairobi City County. The study adopted a descriptive research design. The selected target population was Telkom Kenya Limited in Nairobi Region. The total population was 75 respondents comprising of 5 marketing managers and 70 support staff. This study carried out a census of 75 respondents. Primary data was collected using questionnaires comprising of both structured and unstructured questions. Quantitative data was analyzed using descriptive statistics such as mean and standard deviation and presented using tables, figures and charts. Inferential statistics were analysed using correlation analysis and multiple regression analysis. The study concluded that Telkom Kenya takes advantage of low prices to increase product demand and increase market share through market penetration strategy.

Mwiti (2019) investigated the use of market penetration approaches by Essar Telecom Kenya. The investigator used main and secondary data gathered using questionnaires and schedules for interviews from managers in 5 functional units. The research also discovered that pricing strategies were used by the business to penetrate the market. It also found that the business takes market segmentation as one of the ways of expanding its market share. However, The study focused on the growth of Essar telecom Kenya.

Market Development and Organization Performance

A study on strategic orientation and firm performance in an artistic environment building on the market orientation research was explored by (Voss & Voss, 2020). The study examined the impact of three alternative strategic orientations—customer orientation, competitor orientation and product orientation—on a variety of subjective and objective measures of performance in the nonprofit professional theater industry. The study instituted a two-stage research design in conjunction with Theatre Communications Group (TCG), a national service organization for the nonprofit professional theater field. To test the hypotheses, the study conducted a series of regression analyses that substituted the various performance measures as dependent variables. For each performance measure, the study conducted a hierarchical, moderated regression analysis that tests for independent and interaction effects for the hypothesized moderator. The results indicated that the association between strategic orientation and performance varies depending on the type of performance measure used (Voss & Voss, 2020). However, the most unambiguous result was that a customer orientation exhibits a negative association with subscriber ticket sales, total income, and net surplus/deficit. The study's focus on a single artistic industry limited the generalizability of the findings.

The study by Zott and Amit (2019) examined the fit between a firm's product market strategy and its business model. Data was collected on a sample of firms that had gone public in Europe or in the United States between April 2006 and May 2015. The study randomly sampled 170 firms on their business model characteristics and product market strategies. Analysis for the study was done through descriptive statistics, confirmatory factor analysis and partial least squares regression. The study manually collected dataset and found that novelty-centered business models—coupled with product market strategies that emphasize differentiation, cost leadership, or early market entry—can enhance firm performance. Data suggested that business model and product market strategy are complements, not substitutes (Zott & Amit, 2017). The study was however limited in addressing how business models evolve and in particular how they co-evolve with the product market strategy of the firm.

Mbithi Muturi, and Rambo (2018) studied the effect of market development strategy on performance in sugar industry in Kenya. There is undeniable interest in the adoption of marketing strategy in almost all sectors of economies to counter growing local and global competition. This study investigates the performance implications of using majorly two market strategy approaches; developing new market segments and extending geographically. Specifically, the study uses a model in which market development strategy indicators are regressed on performance measures. The relationship between marketing development strategy and firm performance and given mixed outcomes with developing new market segments being found to have influence on sales volume and total turnover though not statistically significant while extensions into new geographical areas having influence in sales volume with statistically significant results. Based on the outcome both extending to new regions and developing new market segments does not result to increased profitability but increased market share which would eventually positively affect profitability. Rebranding, promotions, different quantity packaging enables accessing new segments of the market while opening outlets or agencies could boost extending geographically for sugar companies. This study contributes significantly to the current marketing strategy literature by examining how the two aspects of marketing strategies relates different performance measures in the context of sugar industry

RESEARCH METHODOLOGY

Research Design

The study employed descriptive research design. This research design assists the researcher to establish whether there exists a significant association between the variables at a particular point in time (Mugenda & Mugenda, 2008). According to Creswell and Clark (2019) a descriptive design is a design whose main concern is 'what, how and who' which is the concern of this research study. Descriptive research design was used in this study because it allows collection of information as is without manipulating it. It also allows information to be collected through asking of questions to the sample selected for the research, using standard procedure of questioning with the focus of identifying the association of the variables (Saunders *et al*, 2019).

Target Population

According to Orodho, (2019) target population is a well-defined or specified set of people, group of things, households, firms, services, elements or events which are being investigated. Target population should suit a certain specification, which the research is studying and the population should be homogenous. Mugenda and Mugenda, (2021), explain that the target population should have some observable characteristics, to which the research intends to generalize the results of the study. According to KAM (2022) report, there are 76 are food and beverage manufacturing firms in Nairobi City County, Kenya. This study therefore target 456 management employees working in the 76 food and beverage manufacturing firms in Nairobi City County, Kenya.

Sample and Sampling Techniques

Sample refers to a part of or fraction of population that is being investigated upon. It can also be defined as a group of individuals who are engaged or participating in a study. Wilson (2019) defined it as selected elements such as objects, subjects or people that participate in a particular study. Samples are used to reflect the entire attributes of a given population under investigation such that the study's findings can be generalized to the entire population. A good sample size should be enough to adequately represent the characteristic of the population being studied. Sahu (2019) notes that the best sample should give enough data on the population and this data should be adequate and capable of being analyzed easily.

The study's sample size was reached at using Krejcie and Morgan sample size determination formula (Russell, 2019). Using this formula a representative sample was obtained. The study's total population is 456.

The formula used for arriving at the sample size is;

$$n = \frac{x^2NP(1-P)}{\left(ME^2(N-1)\right) + (x^2P(1-P))}$$

Where:

n=sample size

x^2=Chi-square for the specified confidence level at 1 degree of freedom

N=Population size (456)

P = is the proportion in the target population estimated to have characteristics being studied. As the proportion was unknown, 0.5 was used.

Chuan and Penyelidikan (2016) indicate that the use of 0.5 provides the maximum sample size and hence it is the most preferable. 437.9424/2.1004

ME=desired margin of Error (Expressed as a proportion)

$$\frac{1.96^2 456 * 0.5 * 0.5}{(0.05^2 * 456) + (1.96^2 * 0.5 * 0.5)}$$

$$n = 209$$

Data Collection Instruments

Questionnaire was selected in gathering information to be used in the study. According to Chandran *e, al.* (2018) a questionnaire is a measuring tool intended at communicating to the researcher what he/she requires and obtaining information from the respondents with the focus of attaining the objective of the study. Kothari (2019) stated that structured questionnaires best suits a descriptive study because of ease of use and the skills needed are less.

Creation of the questionnaire was done in line with the objective of the study and it comprised both open and closed ended questions. Through the open-ended questions, the study obtained responses that are more structured and therefore facilitating recommendations that are tangible. Through the open-ended questions, the researcher is able to measure various attributes and therefore obtain responses that are varied. Areas that are not covered by the closed ended questions were covered by the open-ended questions.

Pilot Test

Pilot study facilitates pre-testing and validation of the questionnaire. The main aim of the pilot test is testing how reliable the data collection tool is. The study used a total of 21 individuals in the pilot test which represent 10% of study sample size. Findings of pilot test were not included in the actual study.

Data Analysis and Presentation

To facilitate data analysis, the collected data was coded and entered into SPSS software. The study collected both quantitative and qualitative data. Quantitative data collected was analyzed using descriptive statistics techniques such as means, standard deviation, frequencies and percentages. SPSS version 23 was used to analyze the quantitative data. Qualitative data was analyzed using content analysis and presented in prose form.

The study also analyzed the data using inferential statistics which include correlation and regression analysis. Pearson R correlation was used to measure strength and the direction of linear relationship between variables. If the Correlation coefficient is zero, then it suggests the variables are not related, if the value is ±1 the variables are strongly associated (Hair et al., 2010). Multiple regression models were fitted to the data in order to determine how the independent variables affect the dependent variable. It was used to determine the effect of growth strategies on performance of food and beverage manufacturing firms in Nairobi County, Kenya.

RESEARCH FINDINGS AND DISCUSSIONS

Descriptive statistics

Market Penetration and Organization Performance

The first specific objective of the study was to determine the effect of market penetration on performance of food and beverage manufacturing firms in Nairobi County, Kenya. The participants were requested to indicate their level of agreement on various statements related to market penetration and performance of food and beverage manufacturing firms in Nairobi County, Kenya. A five point Likert scale was used Whereby 1 represent strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree. The results were as shown Table 4.1.

From the results, the respondents agreed that their firm implements targeted marketing campaigns to increase market penetration. This is shown by a mean of 3.915 (std. dv = 0.776).As shown by a mean of 3.908 (std. dv = 0.836), the respondents agreed that they utilize various promotional strategies, such as discounts and special offers, to attract new customers. Further, with a mean of 3.870 (std. dv = 0.972), the respondents agreed that their company expands its distribution network to reach more customers. The respondents also agreed that they regularly analyze market data to refine our market penetration strategies. This is shown by a mean of 3.812 (std. dv = 1.005).

As shown in the results, the respondents agreed that their marketing efforts are focused on capturing emerging market segments. This is shown by a mean of 3.802 (std. dv = 0.608). As shown by a mean of 3.786 (std. dv = 0.897), the respondents agreed that their firm successfully increases its market share through effective market penetration strategies. From the results, the respondents agreed that they observe an improvement in their profit margins due to successful market penetration strategies. This is shown by a mean of 3.743 (std. dv = 0.973).As shown by a mean of 3.675 (std. dv = 0.821), the respondents agreed that their increased market share enables them to negotiate better terms with suppliers.

Table 4. 1: Market Penetration and Organization Performance

	Mean	Std. Dev.
Our firm implements targeted marketing campaigns to increase market penetration	3.915	0.776
We utilize various promotional strategies, such as discounts and special offers, to attract new customers.	3.908	0.836
Our company expands its distribution network to reach more customers	3.870	0.972
We regularly analyze market data to refine our market penetration strategies.	3.812	1.005
Our marketing efforts are focused on capturing emerging market segments.	3.802	0.608
Our firm successfully increases its market share through effective market penetration strategies.	3.786	0.897
We observe an improvement in our profit margins due to successful market penetration strategies.	3.743	0.973
Our increased market share enables us to negotiate better terms with suppliers.	3.675	0.821
Aggregate	**3.814**	**0.819**

Market development and Organization Performance

The second specific objective of the study was to ascertain the effect of Market development on performance of food and beverage manufacturing firms in Nairobi County, Kenya.The participants were requested to indicate their level of agreement on various statements related to market development and performance of food and beverage manufacturing firms in Nairobi County, Kenya. A five point Likert scale was used Whereby 1 represent strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree. The results were as shown Table 4.2.

From the results, the respondents agreed that their firm actively seeks new market opportunities beyond their current customer base. This is shown by a mean of 3.955 (std. dv = 0.172). As shown by a mean of 3.855 (std. dv = 0.839), the respondents agreed that they regularly conduct market research to identify potential new markets for their products. Further, with a mean of 3.842 (std. dv = 0.898), the respondents agreed that their company invests in developing new products tailored to emerging market needs. The participants agreed that they engage in strategic partnerships or alliances to enter new market segments. This is shown by a mean of 3.815 (std. dv = 0.112).

As shown in the results, the respondents agreed that their marketing efforts are designed to appeal to different demographics and regions. This is shown by a mean of 3.758 (std. dv = 0.969). As shown by a mean of 3.723 (std. dv = 0.732), the respondents agreed that their firm develops new distribution channels to reach untapped market segments. From the results, the respondents agreed that market development initiatives leads to an increase in their sales volume in new regions. This is shown by a mean of 3.711 (std. dv = 0.812). As shown by a mean of 3.678 (std. dv = 0.811), the respondents agreed that their market development efforts contribute to overall business growth and stability.

Table 4. 2: Market development and Organization Performance

	Mean	Std. Dev.
Our firm actively seeks new market opportunities beyond our current customer base.	3.955	0.172
We regularly conduct market research to identify potential new markets for our products.	3.855	0.839
Our company invests in developing new products tailored to emerging market needs.	3.842	0.898
We engage in strategic partnerships or alliances to enter new market segments.	3.815	0.112
Our marketing efforts are designed to appeal to different demographics and regions.	3.758	0.969
Our firm develops new distribution channels to reach untapped market segments	3.723	0.732
Market development initiatives leads to an increase in our sales volume in new regions.	3.711	0.812
Our market development efforts contribute to overall business growth and stability.	3.678	0.811
Aggregate	**3.865**	**0.598**

Performance of Food and Beverage Manufacturing Firms

The participants were requested to indicate their level of agreement on various statements related to performance of food and beverage manufacturing firms in Nairobi County, Kenya. A five point Likert scale was used Whereby 1 represent strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree. The results were as shown Table 4.3.

From the results, the respondents agreed that their firm's financial performance benefits from effective cost control measures. This is shown by a mean of 3.917 (std. dv = 0.896). As shown by a mean of 3.902 (std. dv = 0.896), the respondents agreed that their firm's financial stability increases as a result of strategic business decisions. Further, with a mean of 3.864 (std. dv = 0.915), the respondents agreed that they have a strong competitive position in the local food and beverage industry. In addition, the participants agreed that they effectively differentiate their products from those of their competitors. This is shown by a mean of 3.842 (std. dv = 0.785).

As shown in the results, the respondents agreed that they establish strong relationships with key customers and distributors. This is shown by a mean of 3.711 (std. dv = 0.985). From the results, the respondents agreed that their firm actively addresses customer complaints and issues in a timely manner. This is shown by a mean of 3.699 (std. dv = 0.834). As shown by a mean of 3.685 (std. dv = 0.922), the respondents agreed that their production processes are optimized for cost-efficiency and productivity. The respondents also agreed that quality control measures in their production processes leads to a reduction in defects and waste. This is shown by a mean of 3.589 (std. dv = 0.871).

Table 4. 3: Performance of Food and Beverage Manufacturing Firms

	Mean	Std. Dev.
Our firm's financial performance benefits from effective cost control measures.	3.917	0.896
Our firm's financial stability increases as a result of strategic business decisions	3.902	0.896
We have a strong competitive position in the local food and beverage industry.	3.864	0.915
We effectively differentiate our products from those of our competitors	3.842	0.785
We establish strong relationships with key customers and distributors.	3.711	0.985
Our firm actively addresses customer complaints and issues in a timely manner.	3.699	0.834
Our production processes are optimized for cost-efficiency and productivity	3.685	0.922
Quality control measures in our production processes leads to a reduction in defects and waste.	3.589	0.871
Aggregate	**3.785**	**0.905**

Correlation Analysis

This research adopted Pearson correlation analysis determine how the dependent variable (performance of food and beverage manufacturing firms in Nairobi County, Kenya) relates with the independent variables (market penetration, Market development, product development and diversification). The findings were as depicted in Table 4.4.

From the results, there was a very strong relationship between market penetration and the performance of food and beverage manufacturing firms in Nairobi County, Kenya (r = 0.828, p value =0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Muhoya (2022) who indicated that there is a very strong relationship between market penetration and organization performance.

Moreover, there was a very strong relationship between market development and the performance of food and beverage manufacturing firms in Nairobi County, Kenya (r = 0.838, p value =0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the findings of Koech, Boit and Maru (2021) who indicated that there is a very strong relationship between market development and organization performance.

Table 4. 4: Correlation Coefficients

		Organization Performance	Market Penetration	Market Development
Organization Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	182		
Market Penetration	Pearson Correlation	.828**	1	
	Sig. (2-tailed)	.001		
	N	182	182	
Market Development	Pearson Correlation	.838**	.297	1
	Sig. (2-tailed)	.001	.060	
	N	182	182	182

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (market penetration and Market development) and the dependent variable (performance of food and beverage manufacturing firms in Nairobi County, Kenya).

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.851. This implied that 85.1% of the variation in the dependent variable (performance of food and beverage manufacturing firms in Nairobi County, Kenya) could be explained by independent variables (market penetration and Market development).

Table 4. 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.923[a]	.851	.853	.10482

a. Predictors: (Constant), market penetration and Market development

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 111.37 while the F critical was 2.422. The p value was 0.002. Since the F-calculated was greater than the F-critical and the p value 0.002 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of market penetration and Market development on performance of food and beverage manufacturing firms in Nairobi County, Kenya.

Table 4. 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.028	2	6.014	111.37	.002[b]
	Residual	3.668	179	.027		
	Total	115.695	181			

a. Dependent Variable: Performance of food and beverage manufacturing firms
b. Predictors: (Constant), market penetration, Market development

The regression model was as follows:

$$\mathbf{Y = 0.342 + 0.397X_1 + 0.387X_2 + \varepsilon}$$

According to the results, market penetration has a significant effect on performance of food and beverage manufacturing firms in Nairobi County, Kenya β_1=0.397, p value= 0.003). The relationship was considered significant since the p value 0.003 was less than the significant level of 0.05. The findings are in line with the findings of Muhoya (2022) who indicated that there is a very strong relationship between market penetration and organization performance

The results also revealed that Market development has a significant effect on performance of food and beverage manufacturing firms in Nairobi County, Kenya β1=0.387, p value= 0.002). The relationship was considered significant since the p value 0.002 was less than the significant level of 0.05. The findings are in line with the findings of Koech, Boit and Maru (2021) who indicated that there is a very strong relationship between Market development and organization performance

Table 4. 7: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.342	0.089		3.843	0.002
Market Penetration	0.397	0.097	0.398	4.093	0.003
Market Development	0.387	0.097	0.389	3.990	0.002

CONCLUSION AND RECOMMENDATIONS

Conclusions of the Study

The study concludes that market penetration has a positive and significant influence on the performance of food and beverage manufacturing firms in Nairobi County, Kenya. Findings revealed that sales volume, existing Pricing and consumption Behaviour influence the performance of food and beverage manufacturing firms in Nairobi County, Kenya

In addition, the study concludes that market development strategy has a positive and significant influence on the performance of food and beverage manufacturing firms in Nairobi County, Kenya. Findings revealed that competition, location and market Potential influence the performance of food and beverage manufacturing firms in Nairobi County, Kenya

Recommendations of the Study

Based on the findings, the study recommends that the management of food and beverage manufacturing firms should prioritize strategies that enhance market penetration—such as expanding distribution channels, investing in targeted marketing campaigns, and optimizing pricing models—to boost sales volume and align with consumer behavior trends, thereby improving overall firm performance.

In addition, the study recommends that the management of food and beverage manufacturing firms should actively pursue market development strategies by exploring new geographical markets, strategically selecting business locations, and conducting thorough market potential assessments to gain a competitive edge and enhance firm performance.

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