ISSN 2348-3156 (Print)
International Journal of Social Science and Humanities Research ISSN 2348-3164 (online)
Vol. 11, Issue 4, pp: (348-354), Month: October - December 2023, Available at: www.researchpublish.com

CUSTOMER ORIENTATION AND PERFORMANCE OF SELECTED FAST MOVING CONSUMER GOODS COMPANIES IN NAIROBI CITY COUNTY, KENYA

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DOI: https://doi.org/10.5281/zenodo.10142714

Published Date: 16-November-2023

Abstract: **Over the past four years, Kenya's fast-moving consumer products industry has faced a number of difficulties, one of which is the decline in customers' purchasing power brought on by the dollar's unavailability in the country's economy. Between 2016 and 2022, the market revenue associated with the FMCG sector grew significantly, and this trend is anticipated to continue until 2029. However, the COVID-19 pandemic has affected the fast-moving consumer goods (FMCG) sector globally, impacting the balance between production and consumption and leading to a notable decrease in FMCG performance. Therefore, this study sought to investigate the effect of customer orientation on the performance of selected fast moving consumer goods companies in Nairobi City County, Kenya. Using a descriptive survey research design, the study focused on 40 Kenyan fast-moving consumer goods companies with operations in Nairobi. Purposive and basic random sampling techniques were used for the sampling process. A total of 87 respondents were included in the sample size after 29 organizations were specifically chosen, and two marketing executives and one operational staff member were picked from each company's FMCG division. To ascertain whether the research instruments were applicable, a pilot study was carried out ahead of the main study with a portion of the study participants. Multiple linear regression and descriptive statistics were used to analyze the data. The study concluded that productivity can be increased by giving priority to client orientation. Additionally, customer orientation can be used to guarantee that workers are satisfied with organizational procedures, which will ultimately result in better performance. The study recommends that since inter-functional coordination has the most effect on performance, businesses in the industry should prioritize it. By doing this, the organizations' departments would be guaranteed to work together efficiently and share resources and information.**

Keywords: **Customer Orientation, Organizational Performance.**

1. INTRODUCTION

Companies in the FMCG sector in the majority of prosperous nations constitute the primary industry in the manufacturing domain, notwithstanding their unsatisfactory performance characterized by a sluggish decline in profits and market share (FAO, 2018). The obstacles presented by ineffective market orientation execution and competitive strategy flaws are the root cause of the poor performance trends. According to Audax (2018), performance has declined for multinational companies in the food and beverage industry in the United States. This is probably because of the fierce competition and the sluggish progress made in customer and market orientation. About 14 million people work in the FMCG industry in Europe, and UK manufacturers enjoy a great reputation around the world for their creativity, quality, and place of origin.

The Fast-Moving Consumer Goods (FMCGs) subsector is a growing and dynamic one that is currently experiencing fierce competition in several African countries, particularly South Africa, Kenya, and Nigeria (Klynveld, Peat Marwick, and Goerdeler [KPMG], 2014; Osundina, 2014). Zwingina and Opusunju (2017) claim that there has been a noticeable rate of collapse in Nigeria's manufacturing sector, especially in the FMCGs sector, and a persistent decline in profit levels. Inadequate corporate innovation, insubstantial power and infrastructure frameworks, poor market oriented execution, and a mismatch between organizational information and environmental planning are some of the reasons for this. FMCGs in Kenya are a combination of local businesses and multinational organizations.

Manufacturing in Kenya has its roots in the colonial era. Nevertheless, the manufacturing of Fast Moving Consumer Goods (FMCGs) gained more prominence after the country gained independence (EPZA, 2004). However, it is worth noting that the expansion of FMCGs was relatively sluggish during this period. This can be attributed to the lack of consumerism and the prevailing informal retail culture. Additionally, the inadequate infrastructure and the low economic power of customers also played a role. Currently, there are numerous local-owned FMCGs in the manufacturing sector. In recent years, several multinational companies have ceased their manufacturing operations and have shifted their focus solely to product distribution from other countries. Initially, FMCGs were dominated by packaging, food, and personal care products. However, the category has since diversified with the inclusion of a wide range of products (www.kam.com).

The market revenue connected to the FMCG market has increased significantly between 2016 and 2022, according to the FMCG Market Research report of 2022. It is projected that this pattern will continue until 2029. But the COVID-19 epidemic has negatively impacted the world market for fast-moving consumer products, upsetting the balance between supply and demand in China, Japan, Europe, North America, and other regions, which has led to a decrease in performance (Market Research Report, 2022).

According to a 2021 GeoPoll survey on FMCG customers in Kenya, quality was the main factor that consumers took into account when making selections about what to buy. After this, brand came in second and price came in third. Remarkably, in every category with the exception of beverages, the emphasis on quality was about 20% higher than that of brand or price. This suggests that a significant number of urban Kenyan consumers prioritize quality above all else when purchasing FMCG products. Moreover, the findings highlighted that over 40% of consumers base their decisions on the brand name, particularly when buying beverages. In contrast, in the categories of cleaning, cosmetics, hair care, dental hygiene, and hair care items, brand came in second. Respondents did consider price when it came to food and soap, although to a lesser extent. However, as an overall observation, it is noteworthy that 15% of respondents deemed price as the most essential factor (GeoPoll, 2021).

2. STATEMENT OF THE PROBLEM

Since its introduction in the 1990s, market orientation has been the subject of much research, and many academics regard it as an important theoretical framework. Prior studies have examined the ideas of market positioning, market orientation, and innovation, as well as how they affect different aspects of the company. Any company, no matter what its size or degree of operation, wants to maximize performance, and this is also true for businesses in the Fast-Moving Consumer Goods market. The contribution of private and state manufacturing enterprises to Kenya's Gross Domestic Product and job opportunities for its citizens is substantial. According to statistics from KIPPRA, manufacturing companies in Kenya contributed 13% to economic development and 18% to job creation.

The consumer products industry, which is the cornerstone of Vision 2030, has not improved despite the Kenyan government's best efforts to enact laws in this direction (World Bank, 2014). In addition, the industry's contribution to the GDP of the country decreased from 9.6% in 2011 to 9.2% in 2012, with a gradual decline in its development rate from 3.4% to 3.14% (Kenya National Bureau of Statistics, 2021).

Based on production capacity, Kapa Oil Refineries holds a market share of about 12%, while Unilever Kenya is ranked third with 9% (Euromonitor, 2015). In Kenya, Coca-Cola maintained its hegemony in the soft drink industry as of 2018, controlling about 70% of the market. Kevian and Excel Chemicals, two local businesses, contributed 5% and 2% of the market revenue, respectively (Euromonitor, 2018). By 2020, East African Breweries Limited would hold 90% of the Kenyan market, solidifying its dominant position in the country. As a result, its post-tax profits for the upcoming fiscal year have decreased by 39%. The earnings fell to roughly Ksh.7 billion (or 64.4 million USD) in 2019 from an estimated value of Ksh.11.5 billion in 2018 (Euromonitor, 2020).

In the context of variations in the operational effectiveness of Fast Moving Consumer Goods (FMCG) companies, there has been a discernible rise in globalization, coupled with rapid transformations in the business landscape. These developments have contributed to significant volatility in the way organizations conduct their transactions. To a considerable degree, these alterations have exerted a substantial influence on the performance of these organizations, which has been marked by diminished productivity and employee satisfaction. Consequently, this dynamic has engendered challenges within business units as they endeavor to align their internal resources with their strategic objectives in order to preserve competitiveness and attain superior performance levels (Nganga, 2017). In an effort to foster a market-oriented approach, these organizations have adopted various measures such as prioritizing profitability, focusing on competitors, fostering cross-functional collaboration, and emphasizing customer-centricity. Despite the concerted efforts made by these organizations, the outcomes have been less than satisfactory, prompting the need to assess the impact that each market orientation approach would have on performance.

According to Lukas and Ferrel (2018), finding new opportunities and making sure that strategies are aligned are two ways to determine a company's strategic direction stance. In addition, the market, networking, business, and opponent strategies should be considered. To focus on environmental trends that could affect a company's capacity to boost customer satisfaction compared to competitors, a company needs to have a strong market orientation (Anders, 2013).

Objective of the Study

i. To determine the effect of customer orientation on the performance of selected FMCGs companies in Nairobi City County

Hypothesis

H_0: There is no significant relationship between market orientation and performance of selected fast moving consumer goods companies.

3. LITERATURE REVIEW

Theoretical Literature Review

Stakeholder Theory

The stakeholder theory, which discusses morality and values in organizational management, served as the study's compass. A stakeholder approach explores and suggests methods by which management could take those groups' interests into account. R. Edward Freeman provided the first detailed description of it. According to the notion, labor unions, local governments, political parties, civic organizations, suppliers, customers, and financiers are among the other parties participating in a corporation's administration.

Given their ability to directly impact the company and its stakeholders, rivals are also viewed as stakeholders (Lin, 2018). It looks at how values and ethics fit into corporate governance. The level of society politics adds to the viewpoints on strategy that are based on markets, resources, and stakeholders. In reality, the stakeholder hypothesis may promote a positive feedback loop that ultimately increases returns for stakeholders.

Abrams made the first case for the importance of stakeholders in 1954. He maintained that businesses had an obligation to maintain good relations with all stakeholders, including clients, employees, and the broader public, in addition to stockholders. A discussion of the company's and each manager's own social duty came after the acknowledgement of stakeholders.

An increasing body of research supports the idea that stakeholders in a corporation are connected to one another both directly and indirectly (Rowley, 1997). It is even feasible for different stakeholders to collaborate in order to resolve pressing problems. Since the interests of all stakeholders do not always coincide, coordination is necessary to guarantee the long-term prosperity of all parties. According to the stakeholder hypothesis, businesses must use their marketing know-how to improve the well-being of all parties involved. Therefore, it is each company's responsibility to provide priority to its stakeholders and effectively mediate disputes between different groups.

The current study's context makes it abundantly evident that an effective market orientation can affect results. A company that exhibits a certain degree of market orientation is somewhat receptive to any investor or matter that might have an impact on its long-term success, particularly if these stakeholders have an impact on rivals and clients. There is some early evidence, according to Maignan, Ferrell, and Hult (1999) that market orientation strategies that focus on all stakeholders can be advantageous to a business. Current study indicates that FMCG companies are more likely to see enhanced performance when they adopt market orientation with consideration for all of the firm's stakeholders.

Empirical Literature Review

Ogbonna and Ogwo's (2013) study aimed to look into the performance and market orientation of insurance companies in Nigeria. The primary data source for the study was thirty insurance firms. Market orientation and business success were positively correlated, according to the regression study's findings. The effects of the firm's size or management structure as mediators were not investigated in this study. This created a gap that necessitated more investigation into the ways in which business ownership affects the way in which market orientation and firm performance interact.

Zhou et al. (2017) evaluated the effect of customer value with respect to a company's market orientation and, as a result, competitive advantage predicated on innovation advantage and market advantage. This study's population consisted of managerial staff in mid-sized Thai enterprises, and it employed a descriptive survey design. Primary1 data gathering tools were employed, with a focus on using interviews and questionnaires. The study found that a firm's degree of orientation determines its capacity to have a competitive advantage based on innovativeness and market differentiation. On the other hand, a firm's advantage in market distinctiveness is adversely affected by competitor orientation. Currently, a great deal of research has been done on the relationship between market orientation and success, but the results have been inconsistent, making it difficult to draw firm conclusions. The current study focused on market orientation and how it affects FMCG companies' performance in Kenya. It also highlighted profit-oriented strategies, cross-functional cooperation, rival focus, and customer focus.

Menguc and Auh (2018) carried out a study that examined how to leverage market orientation and innovativeness to create dynamic capabilities at the firm level. A total of 735 big industrial enterprises in Australia were the subject of this investigation. The results of the study indicate that when market orientation is combined with complementary resources like innovativeness, its impact on performance is amplified. The study found that market orientation preceded dynamic capacities. According to related studies by Asikia (2010) and Njeru (2013), market orientation has a favorable impact on performance in African contexts. Given the above-mentioned research' generality, the current investigation was conducted to address any gaps.

Hussain, Ishamail, and Shah (2017) examined the relationship between customer focus and entrepreneurial orientation and the performance of SMEs in Johor, Malysia. Both primary and secondary material were collected for the data using a correlational strategy. It has been shown that client orientation has a huge impact on business performance. Autonomy and competitive antagonism both play a significant role. The study's multi-industry scope allowed for the generalization of its findings. Additionally, the study only included one respondent at a time during data collection, in contrast to other recent research that focuses on FMCGs, whose operating environments differ from SMEs.

4. RESEARCH METHODOLOGY

The study focused on 40 Kenyan fast-moving consumer goods companies with operations in Nairobi and used a descriptive survey research design. Simple random sample techniques were used for the purpose of sampling. Purposely, 29 companies were chosen, and within each company's FMCG division, two marketing executives and one operational staff member were selected, resulting in a sample size of 87 respondents. To ascertain whether the research instruments were applicable, a pilot study was carried out ahead of the main study with a portion of the study participants. Multiple linear regression and descriptive statistics were used to analyze the data.

5. FINDINGS

Table 1 displays the customer orientation descriptive statistics results.

Table 1: Customer Orientation

	Mean	Std. Dev.
Putting the needs of the consumer first allows for increased productivity.	3.81	1.318
The company has invested a lot of money in strategies for employee satisfaction.	4.13	1.100
Customer orientation can be used to ensure that employees are comfortable with organizational procedures.	3.49	1.453
Products can be developed with the input of customers in mind..	3.58	1.330
We have made a lot of effort to increase our market share.	4.07	1.237
Employee happiness is used as a performance measure in the organization.	3.93	1.130
Aggregate Mean and Std. Dev.	**3.84**	**1.261**

It was determined, in accordance with the results shown in the above table, that customer orientation makes it possible to achieve increased productivity. A mean of 3.81 was used to represent this. The majority of businesses have made significant investments in employee satisfaction initiatives, as seen by the average score of 4.13. The results also indicated that, on average, 4.07 percent of respondents agreed that businesses have made efforts to increase their market share. The average score for employee satisfaction, which is used as a performance indicator, is 4.07. Fast-moving consumer products companies' performance is directly connected with their customer-focused approach, suggesting that organizations might observe significant improvements in their overall performance by using this strategy.

The aggregate mean of the statements was 3.84, suggesting that the statements with higher means converged while the statements with lower means diverged. These results are comparable to those of Hussain, Ishamail, and Shah (2017), who examined the relationship between SMEs' performance and their customer orientation and entrepreneurial orientation. Their research revealed that competitive aggression, customer focus, and autonomy are all significant factors that significantly affect a company's performance.

6. RESULTS OF INFERENTIAL STATISTICS

Correlation Analysis

Correlation analysis was done to find out what kinds of interactions the study variables have with each other as they associate and relate inside the study. Pearson correlation was used to illustrate the value of correlation. The importance of these links was evaluated at a 95% confidence level.

Table 2: Correlation Analysis

		Customer Orientation	Performance
Customer Orientation	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	72	
Performance	Pearson Correlation	.097	1
	Sig. (2-tailed)	.094	
	N	72	72

The correlation factor is a measure of how strongly two variables interact1. It spans the +1 to -1 range. This suggests that a Pearson correlation study needs to be done in order to determine the relationship between the several parameters and performance. The data in the table shows that the dependent variable and consumer orientation have a modest but positive correlation (0.094), with a P value of 0.097, which is greater than 0.05.

Regression Analysis

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.394[a]	.158	.110	.730

According to Table 3's findings, 11% of the variation in the dependent variable (Performance of selected FMCGs in Nairobi, Kenya) is represented by the modified R-Square value of 0.110 can be explained by the independent variable (customer orientation). 89% is explained by additional characteristics not included in this study.

Table 4: Analysis of Variance

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	200.145	1	200.145	240.416	.001[b]
	Residual	2.115	70	.533		
	Total	**202.260**	**71**			

The findings demonstrate the accuracy of the F 240.416. The P value was 0.001 below the 0.05 cutoff. This suggests that the model was significant at the 95% confidence level. The sample data provides sufficient evidence for the validity of the regression model because the p-value1is below the significance threshold. Because of this, it is now simpler to identify biased modeling by highlighting concerning patterns in residual plots.

Table 5: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.301	.632		2.058	.039
	Customer Orientation	.079	.091	.092	.861	.043

The data indicates that if customer orientation is kept at zero, the performance of a subset of Nairobi's FMCGs would be 1.301. The performance scores of the chosen Kenyan FMCG companies will grow by 0.79 points for every unit increase in customer orientation.

This was the study model;

$= a + \beta 1\ X_1 + e)$

The fitted model became

Organizational performance = 1.301+0.079 (customer orientation)

Additionally, since 0.043<0.05, the results show that customer orientation was significant. Thus, it was determined that the null hypothesis, which asserts that the success of specific FMCGs in Nairobi, Kenya is not statistically correlated with customer orientation, was not substantiated. These findings are consistent with those of Njeru (2013), who discovered that in an African context, customer orientation has a favorable effect on performance.

7. CONCLUSIONS

The study concluded that customer orientation has a major impact on the success of selected FMCG companies in Nairobi County. The study's conclusions suggest that increasing customer orientation can boost efficiency. Customer orientation can also be used to ensure that employees are satisfied with organizational procedures, which may result in improved performance. Because it influences how their products are made with customers in mind, it is crucial that firms make an effort to get client feedback.

8. RECOMMENDATIONS

Businesses in the industry should place a strong emphasis on inter-functional coordination because performance is most affected by it. By doing this, it would be ensured that all organizational departments collaborate and share resources and information. Higher performance outcomes can be attained when interfunctional collaboration is encouraged, which will benefit the business and its clients. Fast-moving consumer products organizations ought to allocate resources towards research and development to determine how client orientation can be leveraged to enhance overall performance and preserve market share. They will gain a better understanding of how to counter their rivals while preserving a healthy level of rivalry thanks to this. Businesses must make the investment in effective accounting systems to improve their cash monitoring capabilities and gain a competitive advantage. These kinds of initiatives have the potential to boost profit margins while lowering expenses for businesses.

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International Journal of Social Science and Humanities Research ISSN 2348-3164 (online)
Vol. 11, Issue 4, pp: (348-354), Month: October - December 2023, Available at: www.researchpublish.com

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