

Effect of Holistic Marketing on Performance of Dairy Processors in Kenya

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Abstract: Milk is one of the agricultural products which are widely consumed worldwide. It is also considered as one of the best sources of animal protein. Besides, it serves as a source of income to practitioners in the dairy industry. This is in compliance with economic and social pillars of Kenya vision 2030. Agriculture is the mainstay of Kenyan economy representing 24% of the GDP and contributing to 65% of Kenyan total export. The dairy industry contributes 14% of the agricultural GDP and 3.5% of total GDP in Kenya Milk processors firms are Key actors in promotion and development of the dairy industry in Kenya. The dairy processors carry out secondary and tertiary production by adding value to milk through sourcing, processing, distribution and accessing both domestic and foreign markets, hence are considered crucial actors in the dairy industry. The rapid growth of industry and dynamism of the business environment has been accompanied by a couple of challenges. Among the challenges experienced by the dairy processing firms are: seasonality of production, low productivity, limited agricultural technology, high cost of processing, marketing competition in the local and export market, poor infrastructure. Holistic marketing calls for a well balanced set of related marketing activities with wider scope and objectives in response to fundamental changes and challenges in marketing environment. The paper analysis the effect of holistic marketing on performance of dairy processors in Kenya.

Keywords: Relationship Marketing, Internal Marketing, Integrated Marketing, Social Responsibility, Discretionary Effort, Performance.

I. INTRODUCTION

Holistic marketing is a concept based on development, design and implementation of programs, processes and activities that recognize the breadth and interdependence of the components; relationship marketing, internal marketing, integrated marketing; social responsibility and discretionary effort [6], [7]. Kotler and Keller [8] add that, holistic marketing recognizes that “everything matters” and that a broad integrative perspective is necessary to attain the best results. Murphy [11] stated that the mission of an organization should intentionally aim at creating value for all the stakeholders through mutually beneficial and enduring relationships based on integrity and respect. Further to this, performance appraisal results to relationship marketing that incorporate triple bottom line philosophy significantly enhancing business financial performance beyond that achieved by a customer relationship marketing orientation. Valdo & Marina [15] argue that internal marketing requires that everyone in the organization buy into the concepts and goals of marketing and engage in choosing, providing, and communicating customer value. Further to this, the marketing department is responsible as buyers to whom customer oriented jobs are sold resulting to employee satisfaction, customer satisfaction and enterprise satisfaction.

Ainsworth, Faisal and Soad [1] agree that internal marketing has highly positive significance on job satisfaction and employee commitment which in turn influences employee identification through its impact on both job satisfaction and employee commitment. Employees who are satisfied with their job reflect the same to the external customers as they serve them hence a cordial relationship and intent to repeat purchase and royalty. According to Persmacker, Geuens and Bergin [12], good marketing is integrated marketing and two principles are important in integrated marketing namely

interaction and synergy. In interaction marketing, marketing mix namely product, price, promotion and distribution have to be designed in such a way that the effect of the tools are mutually reinforcing. Customer satisfaction is likely to be in any or all of these elements and have to be integrated in a way that they are all significant in what the customer buys. Marketing instruments have to be combined in such a way that the company's offering is consistently marketed. All the efforts have to work in the same direction and not conflict with each other.

Jari, Eric and Heikki [5] argue that proactive marketers are the most genuine group in implementing environmental marketing voluntarily and seeking competitive advantage through environmental friendliness. The progressive company's example should be the direction towards sustainable development in business and societal welfare. Persmacker et al. [12] agree that organizations are part of the larger society and are accountable for that society for their actions. The organisations are obliged to factor social responsibility as part of beneficial activities to the organisation and the society as the immediate customers. Employee engagement is the degree to which employees praise their organization to others, perform above and beyond what is expected of them and persist in the face of adversity. Accordingly, this determines the extent to which they report putting in discretionary effort and capacity to retain talents [4]. The only way organizations can earn discretionary effort is through the effective use of positive reinforcement. Further to this, positive reinforcement is any consequence that increases the probability of the behaviour that it follows [2].

II. THEORY AND HYPOTHESIS

The study was anchored on partial theory of holistic firm. This theory was revised by the America Marketing Association (AMA) in December 2007 and approved again in July 2013. The theory focuses on holistic marketing at the firm level as opposed to past studies focusing marketing at departmental level. Kotler and Keller [7] agree that holistic marketing comprise of five components namely: relationship marketing, integrated marketing, internal marketing social responsible marketing and Discretionary effort. According to Kotler and Keller [7], "everything matters in holistic marketing". This statement concurs with holistic marketing which integrates all the components, skilfully synergizing them with objective of realizing performance of the dairy processors. The purpose of the study was to analyze the effect of holistic marketing on performance of dairy Processers in Kenya. Consistent with this objective, the hypotheses of the study were:

Ho₁: There is no significant relationship between relationship marketing and performance of dairy processors in Kenya.

Ho₂: There is no significant relationship between internal marketing and performance of dairy processors in Kenya.

Ho₃: There is no significant relationship between integrated marketing and performance of dairy processors in Kenya.

Ho₄: There is no significant relationship between social responsibility and performance of dairy processors in Kenya.

Ho₅: There is no significant relationship between discretionary effort and performance of dairy processors in Kenya.

III. METHODOLOGY

Research design

Descriptive research design guided the study. According to Saunders, Lewis and Thornhill [13], descriptive research is concerned with specific predictions, describing the characteristics of particular individual and a group or situation. Kothari & Garg [9] state that the design helps answer the questions: What the study is about; Why the study is being conducted; where the study will be carried out; what type of data is required; where the required data can be found; what period of time the study will be conducted; what the sample design will be; what technique of data collection will be used; How the data will be analyzed and in what style the report will be prepared. We therefore adopted descriptive research design.

Target population

Target population refers to an entire group of individuals, events or objects having a common observable characteristic. It is all that conforms to a given specification [10]. The target population was the dairy processing firms in Rift valley and Central regions of Kenya. A list of the dairy processors was provided by the Kenya Dairy Board (KDB). The KDB is the organ in Kenya charged with licensing the dairy operators of all categories and ownership. Kenya Dairy Board was therefore most reliable source of this information. Rift valley and central regions of Kenya produce 78% of the total quantity of milk in Kenya. The two regions were purposively picked entirely on performance grounds and in compliance with the study objective.

Sampling size and sampling technique

The study adopted purposive sampling technique. A census of 14 dairy processing firms in Rift valley and central regions was picked. Rift valley and central regions of Kenya produce 78% of the milk in Kenya hence highest performers in conformance of the study objectives. Kothari & Garg [9] state that Purposive sampling involves deliberate selection of a particular unit of the population and is normally used when the researcher wishes to isolate a sample that has the qualities or characteristics which are required for the study. Kothari & Garg [9] add that purposive sampling is ideal when the population of study is scattered over a large geographical area as is the case in the country Kenya.

Table 1: Sampling size

	Rift valley	Central	Total
Parastatal	1	-	1
Cooperatives	1	2	3
Private	3	7	10
Total firms	5	9	14

Data collection methods and instruments

The method of data collection found most convenient was drop and pick. A self administered questionnaires based on a five degree of likert scale: strongly agree, agree, neither agree nor disagree, disagree and strongly disagree was used.

Administration of Research Instruments

The researcher used the drop and pick method of the questionnaire to each of the 14 dairy processing firm's general managers. The questionnaire was picked the same day of dropping or later depending on the respondent's convenience.

Pilot Testing

Pilot test was conducted in two mini dairy processing companies within the locality of the dairy processors. This was 14.3% of the target population. Babbie [3] agrees that this is a good representation.

Reliability

Reliability test for the data collection instruments was done using the Cronbach's formula to measure the internal consistency of the instrument. Cronbach alpha (α) is the most commonly used measure of internal consistency reliability. Zikmund, Babin, Carr and Gnffin [16] state that this is a better test of reliability and the higher the coefficient the better the results. The value of Cronbach Alpha for relationship marketing was 0.64, internal marketing 0.68, integrated marketing 0.72, social responsibility 0.74 and discretionary effort 0.70. A coefficient of 0.6 and above is considered a good measure of reliability [14]. All coefficients were therefore acceptable as shown on table 2.

Validity tests

Validity was achieved during the pilot testing of the research instruments administered to two mini dairy firms from the locality of the dairy processors. This helped the researcher to identify any ambiguous and unclear statements in the questionnaire and correcting before administering it to the sampled population. The objective was to ensure that the questionnaires were measuring and collecting what was intended.

Table 2: Reliability test

Variable	Cronbach's Alpha(α)	Number. of Items
Relationship marketing	0.64	5
Internal marketing	0.68	5
Integrated marketing	0.72	5
Social responsibility	0.74	5
Discretionary effort	0.62	5

IV. DATA PROCESSING AND ANALYSIS

Experience in the Industry

The highest experience of the milk processors was over 40 years comprising of 50% of the total, followed by 29% - 21-30 years, 14% less than 10 years, and the lowest, 17% - 11-20 years. Majority of the firms, 69% had a considerable experience of over 21 years and 14% of the firms; however had an experience of less than 10 years.

Processing of Milk in Litres

Milk processors are those firms licensed for the operations based on the amount of milk processed, consistency in processing throughout the year and the ability to pay for the license (KDB, 2014). Out of 14 milk processors, 67% processed above 3000 litres, 33% processed 2001-3000 litres. A fluctuation of milk from suppliers to processors was affected by seasonality, competition from other milk processors especially large ones and market challenges.

Number of employees

Out of 14 milk processors, the highest 43% engaged over 100 employees, 7% had 61-100 employees, 21% had 41-60 employees and 29% of the processors employed 21-40 employees.

Manager's Level of Education

Out of 14 processors, majority, 79% of the firm managers' highest level of education was degree, 22% were master degree holders. None of the managers responded to the level of diploma or secondary school certificate.

Processor's Average Monthly Turn Over

The findings showed that, Out of 14 dairy processing firms, 60% had the highest turnover of above 20 million Kenya shillings, 30 % had 5-10 million Kenya shillings and 10% less than 5 million Kenya shillings per month. The data confirms the high potentiality of turnover to dairy processing firms.

Processors Correlation Analysis

Internal marketing and discretionary effort, Relationship marketing and discretionary effort, relationship marketing and social responsibility registered the highest correlation coefficients of 0.79, 0.65 and 0.62 respectively. Integrated marketing and discretionary effort, internal marketing and integrated marketing had fairly strong correlation coefficients of 0.46 and 0.44 respectively. The other pair of explanatory variables had relatively lower correlation coefficients with social responsibility and discretionary effort the lowest (0.18) as shown on table 3. All pairs of independent variables had however positive correlation coefficients thus interdependency and synergy is evident and in conformance with [6].

Table 3: Pearson's Coefficient of Correlation between independent variables

	X1	X2	X3	X4	X5
X1	1	0.29	0.38	0.62	0.65
X2		1	0.44	0.15	0.79
X3			1	0.34	0.46
X4				1	0.18
X5					1

Where: X1: Relationship marketing, X2: Internal marketing, X3: Integrated marketing, X4: Social responsibility. X5: Discretionary effort

Correlations coefficient between the dependent variables and independent variables

As shown on table 4, the generated Pearson's correlation coefficient showed that, all the explanatory variables had positive correlation coefficient with the response variable. In ascending order the correlation coefficients of the independent and dependent variable were: Internal marketing 0.53, Integrated marketing 0.50, Discretionary effort 0.23, Relationship marketing 0.05 and Social responsibility with a negative correlation coefficient of -0.04. Social responsibility was considered an expense and addition to cost by the processors hence avoided. Social responsibility had therefore negative correlation coefficient.

Table 4: Coefficient Correlation between the Dependent and Independent variables.

Pearson's correlation coefficients of independent and dependent variables					
	Relationship marketing	Internal marketing	Integrated marketing	Social responsibility	Discretionary effort
Daily Industry Performance	0.045	0.529	0.501	-0.040	0.229

Hypothesis test

The p-value for each term was used to test the null hypothesis that, if the coefficient was equal to zero, the variable had no effect. A small p-value typically ≤ 0.05 indicated strong evidence against the null hypothesis, so the null hypothesis was rejected. Conversely, a larger (insignificant) p-value suggested that changes in the predictor were not associated with changes in the response. Five null hypotheses were tested on criteria of either to accept or reject. The P values for the variables were: relationship marketing (0.05), Internal marketing (0.01), Integrated marketing (0.04), Social responsibility (0.03) and Discretionary effort (0.01). All the variable's p-values were \leq to the standard alpha ($\alpha=0.05$). Thus, the decision to reject the null hypotheses and conclude that there was a significant relationship between holistic marketing components and performance of dairy processors in Kenya.

Standard Error (Std Error)

If the regression were performed repeatedly on different datasets, that contained the same variables, standard error would represent the standard deviation of the estimated coefficients. The generated data on table 5 shows a close range of standard error of the independent variables as: Relationship marketing (0.334), internal marketing (0.258), integrated marketing (0.259), social responsibility (0.254) and discretionary effort (0.312). Two variables relationship marketing and discretionary effort showed a close range of standard deviation of 0.334 and 0.312 respectively. The other three, internal marketing, integrated marketing and social responsibility showed almost same standard error of 0.258, 0.259 and 0.254 respectively.

t- Ratio

This is the ratio of coefficient divided by the standard error, which tells us how large the coefficient is relative to how much it varies in repeated sampling. If the coefficient varies a lot in repeated sampling, then it's t-statistic will be smaller, and if it varies little in repeated sampling, then the t-statistic will be larger. The t-Ratios for the processor's dependent variables in ascending order were: Discretionary effort (-2.990) social responsibility (-2.478) relationship marketing (2.245), integrated marketing (2.3240 and internal marketing (3.565). In this case discretionary effort and social responsibility would vary a lot in repeated sampling from one firm to the other. Most firms consider them as expenses and so are usually practiced by firms according to their capabilities in resources.

Table 5: Multiple Linear Regressions for Processors

	Estimate	Std. Error	t ratio	pr (> t)
(Intercept	-0.020	0.856	-0.024	0.981
x1	0.751	0.334	2.245	0.05
x2	0.921	0.258	3.565	0.01
x3	0.601	0.258	2.324	0.04
x4	-0.630	0.254	-2.478	0.03
x5	-0.932	0.311	-2.990	0.01

Residual standard error: 1.22 on 8 degrees of freedom, Multiple R-squared: 0.73, Adjusted R-squared: 0.56, F-statistic: 4.356 on 5 and 8 DF, P-value: 0.033

Where: x1: Relationship marketing, x2: Internal marketing, x3: integrated marketing, x4: Social responsibility, x5 Discretionary effort.

The p-value was 0.033 which was less than the standard alpha 0.05. The decision was that, there was a significant relationship between holistic marketing variables and performance of the dairy processors in Kenya. The regression model was strong confirmed by multiple R² of 0.73. The regression coefficient estimates were high in ascending order:

Discretionary effort (-0.932) Social responsibility, (-0.630), integrated marketing (0.601), Relationship marketing (0.751) and Internal marketing (0.921). Social responsibility and Discretionary effort are considered an addition to cost and are usually avoided by businesses hence the negative coefficient estimates.

V. DISCUSSION

Majority of the firms, 69% had a considerable experience of over 21 years in dairy processing Majority 67% firms processed above 3000 litres of milk daily. A fair number of processors, 43% engaged over 100 employees an indicator of potentiality in employment opportunities and processing manager's level of education was high 79% at degree and 22% at master degree level. The findings showed that Managers were in a position of implementing decisions based on application of management decisions leading to performance of the dairy processing firms Majority of the processing firms had a monthly turnover of above Ksh.20 million which confirms the potentiality to the dairy processors. All the independent variables were interdependent and contributed to each other leading to performance of the dairy processing firms. All variables contributed to performance of the dairy processors as indicated by the correlation coefficients in table 3. However, social responsibility had a negative correlation coefficient as processors considered it as an expense and hence avoided it.

The $p > |t|$ of the independent variables were: Relationship marketing (0.05) Integrated marketing (0.04). Social responsibility (0.03), Internal marketing (0.01). Discretionary effort (0.01). The values were ≤ 0.05 the standard alpha hence they were deemed significant and the conclusion that, all the explanatory variables had a significant relationship with the dependent variable. The regression estimates for the independent variables were: Relationship marketing (0.75), Internal marketing (0.92), integrated marketing (0.60), Social responsibility (-0.63) and Discretionary effort (-0.93). Social responsibility was considered as an expense and only those firms with financial capability practiced it. On the other hand the employees level of education had a match of the job they are employed for hence discretionary effort was not prioritized hence the negative regression estimate.

VI. CONCLUSION

The study results led to the conclusion that there was a statistically significant effect of holistic marketing on performance of dairy processors in Kenya. The variables of holistic marketing were correlated but at varying degrees. However the interdependence and synergy of the variables resulted to the significant effect in the overall performance of the processors as confirmed in the multiple regression coefficient values, table 5. Therefore resources channelled towards implementation of holistic marketing would lead to rewarding results to the dairy processors. The high coefficient of determination R^2 showed that the variations in the dependent variable were explained by the variation in the dependent variables.

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