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# Understanding Proximity Mobile Payments Adoption in South Africa: A Perceived Risk Perspective

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## ABSTRACT

Although existing literature claims that consumers are ready for proximity mobile payments, the reality is that adoption is still low in South Africa. Service providers' attempts to translate this potential into profit is hindered by consumers' perception of risks associated with proximity mobile payments. The purpose of this study was to investigate the perceived risk dimensions as possible inhibitors of proximity mobile payment adoption, as well as to investigate the role of gender differences, drawing from the perceived risk and push-pull theories. Using a convenience sample, data was collected from South African smartphone users, from whom 284 valid online surveys were obtained. The standard regression analysis reveals that financial-security and performance risk are predictors of proximity mobile payment adoption, and that product risk is not a significant predictor, at least in the South African context. The findings also reveal that both genders feel more or less the same about the influence of risk factors on the adoption of mobile proximity payments, except for performance risk. The results also show that females are more concerned about the performance of proximity mobile payments than males. The study provides tangible insights that service providers and marketers can use to guide application development and communication with consumers. A contribution is also made to the limited empirical research on the influence of proximity mobile payment risks on adoption during crisis times.

JEL classification: M31, L81

Keywords: financial-security risk, performance risk, product risk, proximity mobile payments, adoption intention, perceived risk theory

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## 1. INTRODUCTION

The use of proximity mobile payments continues to grow unabated. While about 72% of consumers were already accustomed to using proximity mobile payments in 2019 in America, the number rose by 29% to 92.3 million in 2020, and is now projected to surpass 100 million by 2025 (Kats, 2021). Southern Africa registered over 50 million new mobile payment accounts in 2019 alone (GSMA, 2019). Suffice to say that the COVID-19 pandemic accounts for a significant change in consumer shopping behaviour and in how they pay for goods and services. Despite consumers becoming increasingly more comfortable with these new buying habits, several factors are inhibiting stronger growth and adoption. The ubiquity of mobile phones means that consumers do not need to carry wallets with cash or cards; instead, they can conveniently use their mobile phones to complete purchases (Zhou, 2013). Nevertheless, when compared with cash or cards, consumers view mobile payments as involving greater risk and uncertainty, which can prevent them from adopting them (Zhou, 2013).

There are two types of mobile payments: proximity and remote mobile payments (Dahlberg et al., 2015). Proximity mobile payments involve purchasing goods at the point of sale using a smartphone application (app) (Pidugu, 2016; Qasim & Abu-Shanab, 2016). Proximity mobile payments use technologies such as radio frequency identification (RFID), quick response (QR) codes, and near field communication (NFC) (Zhou, 2013). On the other hand, for remote mobile payments, consumers use their short message service (SMS) to complete online purchases, internet payment services, and mobile banking (De Kerviler et al., 2016; Zhou, 2013).

Proximity mobile payments are of particular interest in the context of South Africa for several reasons. There is a myriad of mobile payment apps available in the country, the most popular of which is SnapScan. According to Pymnts (2017), a Mastercard survey revealed that 31% of respondents used mobile payments, and 70% of them used apps such as SnapScan, Zapper, FlickPay, and Gust Pay. This study focuses on proximity mobile payments that are applicable to the commonly used apps in South Africa because few studies have investigated why the adoption levels have been low.

These reasons for the transition from cash to digital payments could be divided into push and pull factors. Drawing from the push-pull framework (Wu et al., 2017), negative factors can push people away from using a technology while positive factors can pull people to a technology. Thus, the push-pull framework can be used to understand switching behaviour, which – in the context of this study – is switching from using cash to digital payments. There are several factors that could contribute to push factors within the South African context. First, South Africa has the highest number of COVID-19 infections and deaths on the continent (Galal, 2021). As a way of containing the spread of the virus, the South African government imposed a wide range of restrictions. Reports indicated that the need for social distance and the fear of banknotes as possible virus transmitters have accelerated the adoption of digital payments (Toplin, 2021). Second, there has been an unprecedented rise in contact crimes in South Africa in recent years. Cash withdrawal from automated teller machines (ATMs) is increasingly becoming an easy target for criminals in South Africa, in part due to increased usage and accessibility day and night (BusinessTech, 2021). There has also been an increase in cases where people get robbed in broad daylight, and 1.1 million of these types of cases were recorded in 2019/20 alone (Statistics South Africa, 2020). Based on these statistics, it would be logical for one to believe that there has been a faster transition to digital payments, yet the reality is somewhat disappointing, as only about 6.4 million out of a total of 20 million smartphone users are expected to be users of proximity mobile payments by 2023 (O'Dea, 2020).

Several factors could pull people towards mobile payments. Given that the mobile penetration rate exceeds 90% (Silver & Johnson, 2018), South Africans have immense potential to become significant users of proximity mobile payments. More importantly, there is a widespread

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availability of 4G/5G networks and access to free WiFi in hotspots across cities of South Africa, coupled with a stable regulatory framework (Killian & Kabanda, 2017). As such, one would expect proximity mobile payments to be commonplace, yet the reality on the ground is not commensurate.

Existing literature points to several barriers to the use of mobile payments. Among the top barriers is users' perception of risk, which apparently prevents service providers from translating this potential into profit and consumers from feeling comfortable using their mobile phones to pay for services (eMarketer, 2021; Humbani & Wiese, 2018). Thus, this study addresses the following research question: To what extent can consumers' perception of risk deter them from adopting and using proximity mobile payments? Answering this question is crucial as service providers will fail to make returns on their investments if consumers do not adopt and continuously use the payment apps (Oliveira et al., 2016).

This study is grounded in the perceived risk theory, which states that the level of risk consumers perceive a purchase to have will influence their actual purchase behaviour (Tian-Que, 2012). The perceived risk theory is appropriate for this study for two reasons. First, given the lack of familiarity with proximity mobile payments and their relative infancy in developing countries such as South Africa, it is likely that consumers will form a negative attitude towards proximity mobile payments, affecting their adoption (De Kerviler et al., 2016; Slade et al., 2015). Second, the adoption of innovative services is influenced more by perceived losses than by perceived gains (Yang et al., 2015). Prior studies indicated that several risks are associated with mobile payments (Ariffin et al., 2018; Yang et al., 2015). This study investigates the impact of perceived financial, security, product, and performance risk factors on the adoption of proximity mobile payments in the context of an emerging market. Further investigation of these factors is warranted as they have been found in previous studies to be significant negative predictors of mobile technology adoption (Ariffin et al., 2018; Kshetri & Acharya, 2012; Liu et al., 2012; Yang et al., 2015). Since these studies were predominantly conducted in Asia and Europe, there is a knowledge gap as the contexts are politically, technologically and culturally different from that of South Africa, which is characterised by a high crime rate, unstable networks, and regular load shedding (interruption of electricity supply) (eNCA, 2019; Kelly, 2020). To understand the degree to which the perception of risk hinders the adoption of proximity mobile payments, it was important to investigate the phenomenon in modern times in a South African context with a view to recommending ways to increase adoption.

Gender has been a significant variable in the consumption behaviour literature, such that understanding gender differences could be valuable to marketers in developing marketing strategies for each group (Hamza & Shah, 2014; Zhang et al., 2018). According to Zhang et al. (2018, p. 4), males and females have different perceptions of and behaviour towards mobile technology "due to their different socially constructed cognitive structures to encode and process information". Since gender has been shown to affect consumption behaviour across different contexts, it was prudent to investigate whether gender differences affect perceptions of risk, with a view to further the understanding of proximity mobile payment adoption.

Thus, the primary objective of this study was to determine the influence of risk factors on the adoption of proximity mobile payments and to determine whether gender differences play a role in risk perceptions. More specifically, the study aimed to investigate the relationship between financial, security, product, and performance risks and the intention to adopt proximity mobile payments by targeting consumers aged 18 years and older who own a smartphone. Furthermore, the study aimed to determine if gender differences impact consumers' perception of risk with a view to recommending practical targeting insights for practitioners.

The contributions of this study were examined from both theoretical and practical perspectives. First, the study contributes to previous quantitative research on mobile payment risks by heeding the call of Slade et al. (2015) that scholars should investigate proximity and remote mobile

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payment separately, as the risks affecting the two modes of payments differ significantly. Second, the study drew from both the push-pull theory and the perceived risk theory to add to the body of existing knowledge on the influence of perceived risks on the adoption of proximity mobile payments from an emerging market perspective. Practically, the study provides valuable insights to marketers and service providers on how to circumvent the proximity mobile payment risks that consumers see as a reason to avoid using them so as to devise strategies that increase adoption. More so, the findings may provide invaluable insights to management on how to segment markets according to gender differences.

The remainder of this research paper consists of the following five sections: a literature review; a description of the conceptual model; the research methodology; the interpretation of the results; and insights to management on how to consider the element of risk in developing proximity mobile payment apps that consumers will actually use.

## 2. LITERATURE REVIEW

### 2.1. Overview of Mobile Payments in South Africa

A recent study by Mastercard found that 73% of banked consumers are ready to pay with their phones and that 44% of informal merchants are interested in proximity mobile payment apps (Deloitte, 2019). However, only 14% of point-of-sale terminals support contactless payments in South Africa, and more than 50% of consumers still use cash to conduct transactions (Pymnts, 2017). Thus, it is important to understand the slow uptake of proximity mobile payments in South Africa in order to inform appropriate marketing strategies that can enhance adoption.

A recent report indicated that of the available proximity mobile payment service providers, the most popular is Masterpass (65%), followed by SnapScan (19%) and Zapper (16%) (Arde, 2019). Through Masterpass, Mastercard organised the market and facilitated the adoption of QR code technology by partnering with major banks and two proximity mobile payment service providers (Zapper and SnapScan) (Deloitte, 2019). As a result, major banks, such as Standard Bank, Absa, Nedbank and Capitec, all provide Masterpass applications that can be used to pay any merchant that displays a Masterpass, Zapper, SnapScan, or Pay@ QR code (Arde, 2019). Many mobile food delivery apps available in South Africa, including Uber Eats, Checkers Sixty60, UCOOK and Woolworths, also use proximity mobile payment technology.

### 2.2. Adoption of Mobile Payments

Islam et al. (2011) defined ‘adoption’ as a consumer’s intention to continue using a product. Straub (2009) described ‘adoption’ as a consumer’s choice whether to accept or reject an innovation. Adoption takes place when mobile payments align with consumers’ values and beliefs in addition to meeting their expectations (Humbani & Wiese, 2019). This study defines ‘adoption’ as the process consumers go through from initially becoming aware of a mobile payment app to downloading and using the app.

### 2.3. Conceptual Framework, Theoretical Background, and Hypotheses

The perceived risk theory was first introduced to the marketing world by Bauer (1960), and has since been used to study consumer behaviour in various contexts, including internet banking, smart home technology, mobile payments, and online shopping (Ariffin et al., 2018; Hubert et al., 2019; Roy et al., 2017).

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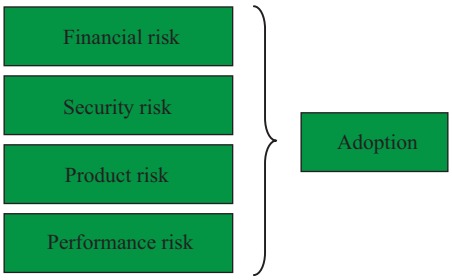
According to Bauer (1960), every decision that consumers make will involve risk as they cannot predict with absolute certainty the consequences of a decision; and in some cases, those consequences may be unpleasant. Accordingly, researchers have identified various types of consequences that form the sub-dimensions of risk. For instance, Ariffin et al. (2018) investigated the adoption of online shopping using six sub-dimensions of perceived risk, namely product, psychological, time, security, financial, and social risks. Similarly, Liu et al. (2013) used psychological and financial risks in addition to privacy risk and performance risk to investigate NFC payment adoption. This illustrates the multi-dimensional nature of the construct 'perceived risk'.

Perceived risk could be high in the context of South Africa, which is characterised by a high crime rate and regular load shedding, as previously alluded to, which potentially increases the security and performance risks that consumers perceive proximity mobile payments to have. This is supported by Kshetri and Acharya (2012), who reported that developing countries are likely to be affected more by security risks than developed countries because of lack of proper cybercrime legal frameworks and enforcement mechanisms. In this regard, financial, security, product, and performance risks were investigated in this study owing to their significant negative influence on consumers' intention to adopt mobile technologies, as depicted in this study's proposed conceptual model in Figure 1.

**Figure 1**
Proposed conceptual model of the adoption of mobile payments




## 2.4. Perceived Risk Factors That Influence the Adoption of Proximity Mobile Payments

### *2.4.1. Financial risk*

Yang et al. (2015) defined financial risk as the probability of a mobile app user suffering monetary loss caused by the usage of the mobile payment app. Consumers experience uncertainty because using proximity mobile payments requires them to give out confidential information, such as their bank card details and personal details. This uncertainty is rooted in the potential of a consumer's bank card details being stolen through hacking or malicious software being embedded in the QR codes, resulting in the consumer losing money (Ariffin et al., 2018).

According to Liu et al. (2012), financial risk has become one of the most significant risk dimensions that influences mobile payment adoption. Similarly, Yang et al. (2015) found that of the five dimensions of risk addressed in their study, financial risk had the strongest negative influence on the adoption of mobile payments. However, both Liu et al. (2012) and Yang et al. (2015) conducted their study in the context of China; so further research into financial risk is warranted to establish whether the same is true in the South African context.

There is a general consensus among scholars that females are generally more risk averse than males (Zhang et al., 2018; Yang & Lee, 2010). Lwoga and Lwoga (2017) reported that Tanzanian females in the agricultural sector are more susceptible to financial risk because of lack of knowledge about mobile payments and because they are considered less innovative compared to males. Based on the above, it is hypothesised that:

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$H_{1a}$: There is a negative relationship between financial risk and the adoption of proximity mobile payments.

$H_{1b}$: Males and females differ with regard to their perceived financial risk of proximity mobile payments.

### *2.4.2. Security Risk*

Owing to insufficient standards and regulations, various proximity mobile payment service providers such as Zapper and SnapScan have different levels of security (Pinchot et al., 2016). Thus, consumers are concerned about whether their chosen proximity mobile payments service provider has the appropriate security measures in place to be able to protect their sensitive information.

Ariffin et al. (2018) defined 'security risk' as a loss that occurs when hackers compromise the security of the consumer's online transaction. Consumers will only use the service if they believe their information is safe. As a result, security risk is a direct determinant of mobile payment adoption (Oliveira et al., 2016; Thakur & Srivastava, 2014).

Developing countries such as South Africa are likely to be affected more by security risks than developed countries because of their underdeveloped cyber-related legal framework and antivirus industry (Kshetri & Acharya, 2012). Issues of security are a pressing concern in South Africa, which has the third-highest crime rate in the world (World Population Review, 2020). There is a general agreement among scholars that security risk will have a significant negative impact on consumers' willingness to use mobile commerce (Ariffin et al., 2018; Oliveira et al., 2016).

Reports indicated that Tanzanian females in the agricultural sector are more concerned with security risks, primarily due to lack of adequate knowledge about mobile payments and inappropriate security features in the country (Lwoga & Lwoga, 2017). Many of these females fear the risk of fraud, such as swapping of SIM cards and password leakage, during a transaction. Based on the above, it is hypothesised that:

$H_{2a}$: There is a negative relationship between security risk and the adoption of proximity mobile payments.

$H_{2b}$: Males and females differ with regard to their perceived security risk of proximity mobile payments.

### *2.4.3. Product Risk*

According to Marriott and Williams (2018), one of the constraints consumers have to overcome when buying a product using the internet is the technical complexity involved. As the risk associated with buying the product increases, the likelihood of consumers purchasing on the internet decreases (Marriott & Williams, 2018). In this study, 'product risk' is defined as the potential to experience a loss because consumers are unable to use a product if it does not work as intended or when a lack of information about the product causes uncertainty. Product risk has mainly been studied in the context of online shopping and has been found to negatively impact consumers' intention to purchase online (Ariffin et al., 2018; Bhatti et al., 2018; Han & Kim, 2017; Pheng et al., 2019).

Thakur and Srivastava (2014) investigated the influence of product risk from the perspectives of security, privacy and monetary risks. As previously alluded, females are more risk averse than males (Zhang et al., 2018), and therefore, this study assumes that they are more likely to be vulnerable than males when it comes to security and monetary risks.

The concern that consumers have is how to return a product and how to get their money back should the product fail to meet their expectations. However, this study assumes that product risk

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will have a minimal impact on consumers' adoption intention given that this study focuses on proximity mobile payments (where you can see what you buy) as opposed to remote payments (which can be done online while away from the store). Based on the above, it is hypothesised that:

$H_{3a}$: There is a negative relationship between product risk and the adoption of proximity mobile payments.

$H_{3b}$: Males and females differ with regard to their perceived product risk of proximity mobile payments.

#### *2.4.4. Performance risk*

When consumers use a product, they expect it to fulfil the purpose for which they obtained it, and therefore, they have a level of expectation based on how they think the product will perform (Chen et al., 2018). These expectations become the standards against which consumers evaluate a product's performance, and dissatisfaction may result if these standards are not met (Chen et al., 2018).

According to Chen and Tsang (2019), 'performance risk' refers to the proximity mobile payment app or mobile phone not performing as intended during a transaction. This non-performance occurs owing to factors such as mobile phones having limited processing capability and a small screen size (Yang et al., 2015). The speed and availability of a network connection also influence how proximity mobile payment apps perform (Yang et al., 2015). The concern about network connections is especially relevant in South Africa, owing to the detrimental effect that load shedding has had on mobile phone signals (eNCA, 2019). Thus, consumers are faced with the never-ending battle of trying to find a strong enough connection to enable them to use proximity mobile payment apps, and this has created an environment of persistent uncertainty that is not conducive to proximity mobile payment adoption.

According to Zhang et al. (2018), females have an emotional attachment to mobile services while males are more task oriented. Male consumers find proximity mobile payments to be quite easy to use compared to females (Lwoga & Lwoga, 2017). This suggests that males are less likely to be hindered by the perception of performance risk than females.

Yang et al. (2015) and Chen and Tsang (2019) found that performance risk negatively influences consumers' willingness to adopt mobile payments. Based on the above, it is hypothesised that:

$H_{4a}$: There is a negative relationship between performance risk and the adoption of proximity mobile payments.

$H_{4b}$: Males and females differ with regard to their perceived performance risk of proximity mobile payments.

## 3. METHODOLOGY

### 3.1. Research Design, Sampling, and Population

The study population consisted of South Africans aged 18 years and older who have mobile phones that support proximity mobile payment apps.

A cross-sectional study aims to determine the prevalence of a phenomenon, which helps obtain the overall picture at one point in time (Kumar, 2019). The combination of a cross-sectional study and a quantitative research design allows a study's findings to be more generalisable to the population (Quinlan et al., 2015). A descriptive research design helps to better describe and validate a specific phenomenon that has been researched before (Omair, 2015). Thus, by using a descriptive research design in this study, previous proximity mobile payment risks could be investigated further, which is especially important in South Africa, where such research is scarce.

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Thus, a cross-sectional study was used in support of a quantitative and descriptive research design to investigate the perception of the risks of proximity mobile payments in the context of South Africa.

This study used a survey method, as surveys can reach a large geographical area to make the findings more generalisable to the population (Siers, 2017). Specifically, this study used an online survey, which offers additional benefits such as quicker collection of responses, saving costs, and simplifying the transfer of data while protecting against data loss (Lefever et al., 2007). This study used a non-probability sampling method based on convenience sampling, owing to it being easy to carry out and saving time and costs. A similar study by Bhatti et al. (2018) that investigated mobile payment risks used convenience sampling, thus making it appropriate to be used in the context of this study.

### 3.2. Questionnaire and Data Collection

A self-administered online questionnaire consisting four sections was developed for this study. The first section was a brief description of the purpose of the study. The second section contained screening questions to ensure the respondents' suitability. The third section measured the consumers' perception of financial, security, product, and performance risk as well as their adoption intention. The fourth section collected demographic information.

In total, 20 scale items were adapted from previous studies of new mobile technologies. More specifically, the eight scale items used to measure financial and performance risk were adapted from the scale items of Featherman and Pavlou (2003); four scale items from Dai (2007) were adapted to measure product risk; four scale items from Liébana-Cabanillas et al. (2015) were used to measure adoption; and lastly, the four scale items used to measure security risk were adapted from Pinchot et al. (2016). In adapting the scale items for this study, the wording of the scale items was slightly changed to suit the context of the study. In the above studies, all the measures exhibited both validity and reliability as Cronbach's alpha values ranged from 0.7 to 0.9. A seven-point Likert response format was used to measure the scale items, where 1 was *strongly disagree* and 7 was *strongly agree*.

Before collecting the data, the questionnaire was tested among 20 respondents to ensure instrument validity. Qualtrics, an online survey platform, was used to administer the questionnaire. A hyperlink to the Qualtrics questionnaire was sent via WhatsApp groups and posted to Facebook.

## 4. RESULTS

### 4.1. Sample Profile

The demographic profile of the respondents in terms of gender, age and race is outlined in Table 1. Of the 284 respondents who took part in the research study, females (58.45%) constituted the majority of the participants. The respondents were aged between 18 and 71, and the largest group was aged 20–29 (44.72%). Of the 73.24% who preferred to answer the monthly household income question, the majority of the participants earned up to R45 000 per month (46.84%). In terms of race, education, and province, white (69.37%) respondents, those with a university degree (62.32%), and respondents living in Gauteng province (64.44%) were the largest groups respectively. Lastly, respondents' usage behaviour with proximity mobile payment apps showed that the majority of the respondents had downloaded (63.38%) and used (66.55%) proximity mobile payment apps at the time of the survey.

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**Table 1**
Sample Profile of Respondents

| Variable | Response categories | N | Percentage |
|---|---|---|---|
| Gender | Male | 90 | 31.69 |
| | Female | 166 | 58.45 |
| | Other | 28 | 9.86 |
| Age | 20–29 | 127 | 44.72 |
| | 30–39 | 71 | 25 |
| | 40–49 | 21 | 7.39 |
| | 50–59 | 19 | 6.69 |
| | 60–69 | 13 | 4.58 |
| | Other | 33 | 11.62 |
| Race | African | 38 | 13.38 |
| | Coloured | 5 | 1.76 |
| | Indian | 10 | 3.52 |
| | White | 197 | 69.37 |
| | Other | 34 | 11.97 |

### 4.2. Exploratory Factor Analysis

To assess the convergent and discriminant validity of this study's data and to investigate its underlying dimensions, an exploratory factor analysis (EFA), applying principle axis factoring with varimax rotation, was conducted (Hair et al., 2019). To determine whether the data is appropriate for an EFA, Bartlett's test of sphericity should be significant ($p < 0.05$) and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy value must be equal to or greater than 0.6 (Pallant, 2016). The data was suitable for factor analysis as the KMO was above 0.6 (MSA = 0.957) and Bartlett's test of sphericity was significant ($p < 0.05$) (Pallant, 2016; Tabachnick & Fiddell, 2013).

The EFA resulted in the extraction of four factors with eigenvalues greater than 1, explaining 61.31% of the variance. Factor 1 consisted of six items that were aimed at measuring financial risk and security risk, respectively, but instead loaded on to one factor. This factor was then labelled 'financial-security risk'. The resultant new financial-security risk factor involved adjusting $H_1$ and $H_2$.

The remaining three factors, product risk (four items), performance risk (four items) and adoption (four items), were labelled accordingly and are presented in Table 2 along with the number of items that loaded for each factor and the mean score and standard deviation for each item.

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**Table 2**
Validity and reliability

| Construct | Mean | Std. dev. | Factor loadings | CR | AVE | α |
|---|---|---|---|---|---|---|
| **Financial-security risk** | **3.60** | **1.374** | | **0.9** | **0.5** | **0.900** |
| Using a mobile payment app would lead to the potential fraud of my bank account. | 3.92 | 1.644 | 0.822 | | | |
| Using a mobile payment app subjects my bank account to financial risk. | 3.83 | 1.642 | 0.809 | | | |
| My signing up for and using mobile payment apps would lead to a financial loss for me. | 3.08 | 1.525 | 0.622 | | | |
| I don't feel secure about my transactions performed using a mobile payment app. | 3.40 | 1.887 | 0.664 | | | |
| I do not think that my personal payment information is kept safe when I use a mobile payment app to pay for a purchase. | 3.55 | 1.697 | 0.661 | | | |
| I am concerned about someone intercepting my payment information or other data if I use my mobile payment app. | 4.07 | 1.817 | 0.615 | | | |
| Product risk | 4.66 | 1.383 | | 0.8 | 0.6 | 0.868 |
| It is difficult for me to judge a product's quality adequately before buying it. | 4.46 | 1.826 | 0.776 | | | |
| It is not easy for me to compare the quality of similar products. | 4.24 | 1.825 | 0.820 | | | |
| The product purchased may not work as expected. | 5 | 1.390 | 0.724 | | | |
| I fear that I might not receive the equivalent quality of a product or service that I purchased. | 4.93 | 1.457 | 0.721 | | | |
| Performance risk | 4.17 | 1.390 | | 0.8 | 0.5 | 0.889 |
| The mobile payment app's performance may not match its advertised level. | 4.30 | 1.581 | 0.643 | | | |
| The mobile payment app's servers may not perform well and process payments incorrectly. | 3.86 | 1.647 | 0.666 | | | |
| The mobile payment app might not perform well and create problems when I try to pay. | 4.39 | 1.631 | 0.809 | | | |
| The mobile payment app may be unstable or blocked. | 4.11 | 1.568 | 0.750 | | | |
| Adoption | 4.68 | 1.528 | | 0.8 | 0.6 | 0.878 |
| I intend to use a mobile payment app to make a purchase. | 4.91 | 1.800 | 0.824 | | | |
| I will use a mobile payment app instead of other alternatives such as cash or card. | 4.28 | 1.966 | 0.806 | | | |
| I intend to download a mobile payment app in the next few months. | 4.08 | 1.831 | 0.687 | | | |
| I am willing to use mobile payment apps in the future. | 5.44 | 1.510 | 0.732 | | | |

### 4.3. Validity and Reliability

The results of the EFA proved support for both convergent and discriminant validity, as the factor loadings surpassed 0.5 (Field, 2013; Hair et al., 2019). The convergent validity was further

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evaluated by analysing the composite reliability (CR) and the average variance extracted (AVE). The findings in Table 2 met the criteria for internal consistency reliability of 0.7 and above for both composite reliability and Cronbach's alpha values for each construct as suggested by Pallant (2016). The scale items were representative of each construct as the AVE exceeded the cut-off point of 0.5, thus supporting convergent validity (Fornell & Larcker, 1981).

### 4.4. Regression Analyses

A standard multiple regression analysis was performed to test whether the independent variables of financial-security, product, and performance risks negatively predicted proximity mobile payment adoption. The assumptions of multiple regression were investigated prior to performing the analysis, and the findings showed that there were no violations of the assumptions (Pallant, 2016), as indicated below:

- Based on the equation of Tabachnick and Fiddell (2013), $N > 50 + 8m$ (m = number of independent variables), the final realised sample size of 284 was appropriate as it was above the minimum sample size of 74 respondents.
- The correlations between the independent variables did not exceed 0.9, and the collinearity diagnostics findings indicated that the tolerance values were less than 0.10, while the variance inflation factors were below 10 (Pallant, 2016). Thus, multicollinearity and singularity were not present in this study.
- The assumption of normality, linearity, and homoscedasticity was confirmed in this study as the normal probability plot's data points formed a relatively straight diagonal line and the scatterplot showed an approximately rectangular distribution (Pallant, 2016).
- The Mahalanobis distance was inspected to determine the existence of possible outliers, which for this study should not exceed 16.27 as this study used three independent variables (Pallant, 2016). According to Pallant (2016), Cook's distance should not exceed 1, which was the case in this study.

Based on all of the above, a standard multiple regression analysis was performed to conclude the significance of the factors as predictors of proximity mobile payment adoption. The adjusted R-square values for the model are shown in Table 3.

**Table 3**
Model summaryb

| Model | R | $R^2$ | Adjusted $R^2$ | Standard error of the estimate |
|---|---|---|---|---|
| 1 | 0.484[a] | 0.235 | 0.226 | 1.285 |

a. Predictors: (Constant), Total financial insecurity, Total product risk, Total performance risk.
b. Dependable variable: Total adoption

As shown in Table 3, model 1 had an adjusted R-square of 0.226, which meant that the three factors explained 22.6% of the variance in the adoption of proximity mobile payments. This low percentage may indicate that there are other risk factors not investigated in this study that potentially predict the adoption of proximity mobile payments.

The findings in Table 4 indicate that the model predicted the adoption of proximity mobile payments, and the findings of the analysis of variance (ANOVA) test conducted in this study indicate that the regression model was significant ($p < 0.00$) (Pallant, 2016).

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**Table 4**
ANOVA[a]

| Model | Sum of squares | df | Mean square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 139.158 | 3 | 46.386 | 28.089 | 0.000[b] |
| Residual | 454.125 | 275 | 1.651 | | |
| **Total** | **593.283** | **278** | | | |

Table 5 contains the p-value, t-value, and coefficients ($\beta$-value) that determine the significance of the independent variables as predictors of proximity mobile payment adoption.

**Table 5**
Coefficientsa

| Model | Standardised coefficients beta-value | t-value | p-value |
|---|---|---|---|
| Constant | | 21.763 | 0.000 |
| Financial-security risk | –0.338 | –5.345 | 0.000 |
| Product risk | 0.051 | 0.858 | 0.392 |
| Performance risk | –0.233 | –3.508 | 0.001 |

It is evident from Table 5 that financial-security risk ($\beta$ = -0.338, $p < 0.05$) and performance risk ($\beta$ = -0.233, $p < 0.05$) were both significant predictors of proximity mobile payment adoption. Conversely, product risk ($\beta$ = 0.051, $p > 0.05$) was found to be an insignificant predictor. The findings show that financial-security risk was the strongest contributor to adoption, followed by performance risk.

## 4.5. Hypotheses Testing

The study first tested four hypotheses on the relationship between the predictors and the adoption of proximity mobile payments. The results of the factor analysis identified three predictors thereof. The resultant three hypotheses are shown in Table 6.

**Table 6**
Findings of the hypotheses testing

| Alternative hypotheses | Result |
|---|---|
| $H_1$: There is a negative relationship between financial-security risk and the adoption of proximity mobile payments | Supported |
| $H_2$: There is a negative relationship between product risk and the adoption of proximity mobile payments | Not supported |
| $H_3$: There is a negative relationship between performance risk and the adoption of proximity mobile payments | Supported |

Figure 2 is a visual representation of the findings that resulted from performing a standard multiple regression analysis to test the hypotheses.

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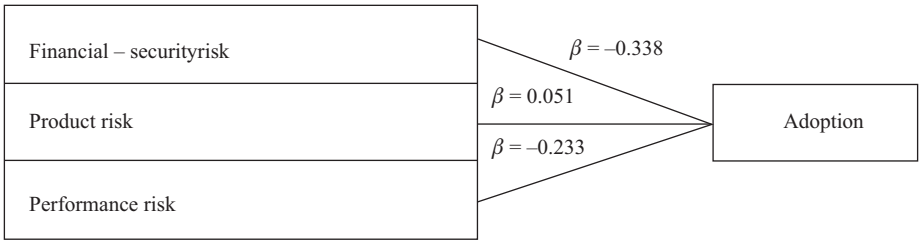
**Figure 2**
The extent to which risk dimensions predict proximity mobile payment adoption




## 4.6. Results of Gender Differences

The study also tested if statistical differences emerged between males and females as regards the relationship between perceived risk factors and adoption of proximity mobile payments. The independent samples T-test was performed and the results in Table 7 indicate only one significant difference between the scores of males (M = 3.843; SD = 1.309) and females (M = 4.266; SD = 1.421) with regard to the performance risk factor: (t (250) = –2.33; p = 0.021, two tailed). The magnitude of the difference in the means (mean difference = –0.41, 95%) was very small (eta squared = 0.02). Thus, there was support for $H_{4b}$ only.

**Table 7**
Independent samples T-test results with respect to gender differences

| Variable | Gender | Mean | Std. dev. | DF | t | p-value |
|---|---|---|---|---|---|---|
| Financial-security risk | Male<br>Female | 3.382<br>3.707 | 1.389<br>1.378 | 251 | –1.79 | 0.075 |
| Product risk | Male<br>Female | 4.466<br>4.724 | 1.386<br>1.368 | 251 | –1.42 | 0.156 |
| Performance risk | Male<br>Female | 3.843<br>4.266 | 1.309<br>1.421 | 250 | –2.33 | **0.021** |

## 5. DISCUSSION AND IMPLICATIONS

The paper presents modest contributions to the ongoing debate on the risk factors that predict the adoption of proximity mobile payments as well as the role that gender plays in the process. Proximity mobile payments are still a relatively new phenomenon in developing countries and still in the infant stages of their development (De Kerviler et al., 2016).

The first objective of the study was to determine the influence of risk factors on the adoption of proximity mobile payments. The findings indicate that financial-security and performance risks are significant predictors of the adoption of proximity mobile payments, while product risk emerged as an insignificant factor. Although most studies address financial risk and security risk separately, in this study the two factors loaded together to make one factor as both factors speak to losses of either information or money that consumers may suffer in completing transactions. The findings of this study are in line with previous research in which performance, financial and security risks were found to have a significant negative influence on the adoption of proximity mobile payments (Chen & Tsang, 2019; Yang et al., 2015). Similarly, Liu et al. (2012) and Ariffin et al. (2018) also found financial risk and security risk to be the most significant predictors of online purchase intention.

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Contrary to prior findings by Han and Kim (2017) and Pheng et al. (2019), product risk was found to be an insignificant predictor of proximity mobile payment adoption. A plausible explanation might rest with the nature of proximity mobile payments in which consumers are able to touch and see the product before purchase, thus eliminating what is commonly experienced when shopping online (Pheng et al., 2019).

The findings make both academic and practical contributions. Firstly, from a theoretical standpoint, the study drew from two theoretical perspectives (push-pull and risk theories). According to the best knowledge of the authors, no other study has based their research on the two theories to understand the adoption of mobile payments in an African perspective. Secondly, the study adds to the existing body of academic knowledge on the adoption of proximity mobile payments from an emerging market perspective by incorporating factors that have been used less often in a developing country. More so, there seems to be not much of a difference between males and females in the South African context when it comes to their overall perception of risks in general.

From a practical perspective, the results raise noteworthy managerial implications. As expected, South Africa's overall environment of uncertainty, caused by persistent crime (World Population Review, 2020), has resulted in financial-security being a major concern for consumers. To overcome barriers to adoption, service providers can educate consumers on the safety features of proximity mobile payments so as to gain consumer confidence. For example, service providers can use their business websites to disseminate pertinent information by creating a frequently asked questions and answers page or via a 'welcome' email sent out when new consumers sign up. Welcome emails have an 86% higher open rate than other marketing emails and give service providers the chance to set consumers' expectations (Klongerbo, 2018). So, consumers' expectations about safety can be set from the start, positioning the service provider as a brand that consumers can trust with their financial and private information (Cohen, 2018).

Furthermore, consumers' financial loss concerns arising from potential hacking or fraud through the proximity mobile payment apps can be overcome with a guarantee that the service provider can offer refunds that are equivalent to the loss. Offering a guarantee boosts consumer confidence to trust the level of protection provided in proximity mobile payments (Alton, 2017). South Africa's high crime rate and underdeveloped cyber-related legal framework require service providers to respond quickly to consumer queries (World Population Review, 2020). In the event of the theft of the consumer's mobile phone, service providers can quickly provide a remote deactivation of the account to prevent anyone from using it. Furthermore, working with the government to legislate cybercrime would ease consumers' security concerns. More importantly, proximity mobile payments can also be offered as the solution to fears over contact with contaminated surfaces during the COVID-19 pandemic in service providers' promotional materials.

The findings on performance risk should also be considered to enhance managerial decision-making. Performance concerns can arise from the possibility of the app malfunctioning or not working as intended (Yang et al., 2015). This is particularly true for South Africans who experience regular load shedding (irregular supply of electricity) and social unrest. Consumers fear that if a transaction is incomplete for any reason, they may lose their money in the process. Since the advent of mobile payments in South Africa, it is not clear if consumers can recover their losses after an incomplete transaction. It may be prudent for service providers to work closely with stakeholders in the ecosystem, such as app developers, banks and mobile network operators, to resolve these issues and create an environment that is conducive to mobile payments. For example, banks are more trusted than any other service provider in the ecosystem with respect to security, which also makes them an ideal partner with which to collaborate in integrating the proximity mobile payment apps into mobile banking apps, thus reducing consumers' financial-security concerns (Haripersad & Sookdeo, 2018).

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As expected, it is not surprising to note that product risk does not deter consumers from engaging in proximity mobile payments. Product risk occurs when a purchased product does not perform to customer expectations (Ariffin et al., 2018). As reported by Marriott and Williams (2018), product risks are considered much higher in online environments as consumers are not physically present in store to make a full judgement regarding the quality of the product. In the case of proximity mobile payments, consumers can check the product physically in store, ask questions from the sales people, and even request a product demonstration if applicable to inform their purchase. Hence, the ability to evaluate a product before purchase makes product risk an insignificant factor in the adoption of proximity mobile payments.

The study also investigated the impact of gender differences on the risk factors and adoption of proximity mobile payments. As indicated, the findings reveal that both genders felt more or less the same about the risk factors and their influence on the adoption of mobile payments, except for performance risk. The results show that females are more concerned about the performance of mobile payments than their male counterparts. The results tally with findings of Marriott and Williams (2018), who reported that females are more strongly influenced by overall performance risks than males. It seems that females in South Africa fear losing their hard-earned money because of unforeseen circumstances such as internet breakdowns caused by consistent load shedding or depletion of data bundles that can result in the unsuccessful processing of transactions. Since proximity mobile payments require the physical presence of the consumers, merchants could provide WiFi hotspots that are not influenced by load shedding to ensure successful completion of transactions.

## 6. LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study has limitations that are worth noting, such as its single-country context. Similar studies could be extended to other emerging economies to develop comparisons that reveal if South African consumers are unique or are similar to consumers in different emerging economies (Humbani & Wiese, 2018). As this study was cross-sectional, a longitudinal study could provide a more complete understanding of the interrelationships among the constructs (Solem, 2015). More so, the use of convenience sampling limits the generalisability of the findings to a wider population.

Further limitations of this study include the focus on three main constructs to identify the adoption intention of respondents. Future studies can investigate a more comprehensive list of risk factors, such as time risk, psychological risk, social risk, that potentially hinder the adoption of proximity mobile payments for a more complete analysis.

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# The Effect of Corporate Social Responsibility on Brand Awareness: Evidence from the Insurance Sector in Zimbabwe

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## ABSTRACT

The aim of this study was to establish the effect of corporate social responsibility (donations, sponsorship and community involvement) on brand awareness within the insurance sector in Zimbabwe. Data was gathered from 350 insurance customers using a structured questionnaire with Likert-type questions. The findings show that corporate social responsibility positively influences brand awareness. The study contributes to studies that proved a significant relationship between corporate social responsibility and brand awareness in sectors other than the insurance sector. Thus, insurance firms are advised to seriously plough back proceeds to their communities.

JEL classification: M-Business Administration and Business Economics; Marketing; Accounting; Personnel Economics

Keywords: corporate social responsibility, brand awareness, insurance sector, Zimbabwe

## 1. INTRODUCTION

Corporate social responsibility is one duty the community expect organisations to undertake (Makanyeza, Chitambara, & Kakava, 2018). Globally, corporate social responsibility costs are now part of corporate budgets for organisations that want to be visible and plough back to the

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community (Helm, 2007). In this regard, corporates in Zimbabwe's insurance sector are not spared. The insurance companies in Zimbabwe have since adopted the concept of corporate social responsibility and they are now going on board in implementing programmes and activities associated with corporate social responsibility initiatives. Such initiatives are undertaken to confirm that organisations within the insurance sector are concerned with the welfare of the public (Chaplin, 2016).

As corporate engage in corporate social responsibility activities, they do so to meet the demands for corporate governance ethics (Kanji & Agrawal, 2016). There is now increased global pressure on firms to conduct corporate social responsibility activities because the community is now assessing firms based on their corporate social responsibility activities (Makanyeza et al., 2018). Consumers purchase decisions are influenced by the level of corporates' involvement in corporate social responsibility activities (Barnett et al., 2006; Lopez-Fernández & Mansilla, 2015). Corporate social responsibility activities are regarded as one of the avenues to advance brand awareness activities of the organisation and also as a way to differentiate a corporate from others that are not involved in corporate social responsibility activities (Dowling, 2004; Mattera, Baena, & Cervino, 2014).

Brand awareness is important to any business because it is the level by which customers recollect, recognise and recall a particular organisation among competitors (Amiri & Maroofi, 2016; Thompson, Stegemann, & Sutton-Brady, 2006). Brand awareness is also regarded as the ability of the customers to classify a specific brand and think of its elements which include advertisement, logo, product and tagline (Thompson et al., 2006). Additionally, Keller (1993) stresses that brand awareness strengthens remembrance concerning the ability to identify and memorise a particular brand under diverse situations or settings (Hankinson, 2007; M'zungu et al., 2010). Thus, corporate social responsibility is regarded as one of valuable tools that drives brand awareness (Lai, Chiu, Yang, & Zhou, 2010; Resnick, 2008; Simon, 2008).

Information from the Insurance and Pension Commission (IPEC) of Zimbabwe indicates that the number of short-term insurers as at 2019 was 18. This poses stiff competition within the insurance industry in Zimbabwe signifying the need for brand awareness. Therefore, brand awareness is necessary for all corporates, especially insurance organisations. Obasi (2010) emphasised the need for insurers to take their businesses seriously since insurance includes pooling risk to ease the burden of the insured in case of an anticipated eventuality, hence large sums of moneys are paid.

The concept of insurance was first practiced in European countries, however, today it has spread all over the world including developing countries such as Zimbabwe. Insurance has many branches that comprise asset and life insurance. Among the short-term insurance facilities in Zimbabwe, motor insurance is the most dominant. However, due to the economic crunch in Zimbabwe, the purchasing power of the motoring public continues to decline (IPEC, 2015). The third party insurance scheme is the most common package for the majority, hence only the elite and corporates afford comprehensive insurance (IPEC, 2019). Furthermore, the number of vehicles being insured continue to decrease and those who are insuring their vehicles are taking basic cover to meet the regulatory requirements (Zimbabwe Road Traffic Act, 1962) and this makes third party insurance scheme compulsory (IPEC, 2019). Also, the insurers are affected by the price ceiling and price floors set by the Insurance Council of Zimbabwe (ICZ), hence, the insurers are offering standardised products due to lack of product differentiation (IPEC, 2019). The intensification of problems surrounding the insurers increased competition within the insurance industry and corporates are left with no option than to grab the existing market and create brand awareness initiatives through corporate social responsibility programmes (M'zungu et al., 2010). Competitive pressure continues to mount from new entrants that continue to introduce new schemes in an effort to grab the market.

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Some corporates are making frantic efforts to move away from the traditional marketing strategies such as advertising in order to create brand awareness and brand loyalty through sponsorship (Amiri & Maroofi, 2016). Modern insurance firms are focussing on improving corporate social responsibility activities through becoming event sponsors within their communities (Chaplin, 2016). For example, Zimbabwe has witnessed Sanctuary Insurance sponsoring Zimbabwe Cricket team games. Also, Nicoz Diamond got involved in corporate social responsibility through sponsoring the Think Tank Competition. Even the leading and global insurer, Old Mutual, has sponsored a marathon race in Zimbabwe which also included the Paralympic Games. In doing so, the insurance firms present a picture of being good corporate citizens that observe ethical morals and giving back to the community within their environment (Keller, 1993). Most insurers started these initiatives as a moral obligation but there has been a mindset shift and they have seen great marketing opportunities to further brand awareness and brand loyalty goals (Keller, 2003). Corporate social responsibility and brand awareness relationship remains not properly mapped. The purpose of this study is to establish the effect of corporate social responsibility on brand awareness using the insurance sector.

## 2. THEORETICAL FRAMEWORK

### 2.1. Corporate Social Responsibility

Baker (2010) describes corporate social responsibility as the technique in which corporates organise, plan, coordinate and control processes of business to yield and create positive impression on the society. Corporate social responsibility is also defined as the corporate's social activities, community involvement, socially responsible employee relations, and engagement in environmental issues (Hillenbrand & Kevin, 2007; McAlister & Ferrell, 2010). The corporate social responsibility concept was first recognised in the 18$^{th}$ century with little competition among firms (Schwartz & Carroll, 2003). Corporate social responsibility created new ideas in terms of the corporate's impact on the society (Jalleh & Donnovan, 2006). However, the scope and nature of corporate social responsibility transformed over years (Ackerman & Bauer, 1976). Philosophers such as Adam Smith argued that the establishment of business ushered the rise in corporate social responsibility. It is further proposed that corporate social responsibility is a traditional or classical model which describes how best the society's needs can be met in the marketplace by individuals and organisations (Webb, Mohr, & Harris, 2008).

In the USA, the awareness of corporate social responsibility is dated back to the beginning of the 20$^{th}$ century (Baker, 2010). Corporate social responsibility is categorised into three important turning points in its evolution, that is in the entrepreneurial era, which describe how businessmen built industrial empires without observing social and competitive practices (Carroll, 1979). This forced the American government to impose laws that direct business to assist the community beyond maximisation of profit (Carroll, 1979). Roller and Lavrakas (2015) described the second phase as associated with the depression of 1929–1930s, when the USA economy was in the hands of large organisations. The USA government enacted laws to protect smaller businesses and investors, hence corporate social responsibility of corporates was more defined. The third turning point occurred during the social unrest in the 1960s and was referred as the land mark in USA because of social unrest (Carroll, 1979). This gave way to the decision by the USA government to redefine organisational practices and sensitise organisations that they are responsible to the society and businesses started to accept the corporate social responsibility role over time (Windsor, 2019). In today's world, corporate social responsibility is now viewed as more than a constraint, cost or charitable act but a source of competitive advantage, innovation and opportunity (Porter & Kramer, 2006).

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Corporate social responsibility is also categorised in four facets, i.e. legal, economic, discretionary and ethical programmes of a corporate to meet the expectations and values of the society (Knox & Bickerton, 2003). Kang, Germann and Grewal (2016) claim that corporate social responsibility comprises activities that safeguard public safety, environment and health. Corporate social responsibility actions go further than community involvement and charitable activities as it addresses issues to do with human resource policies, environmental management issues and strategic investment for a better future (Gillis, 2006). Businesses in the 21st century have embraced and invested more resources in various corporate social responsibility activities (Bogner, 2017). In this study, we are going to focus on three forms of corporate social activities, namely sponsorship, donations and community involvement and they are going to be discussed in detail.

### 2.2. Sponsorship

Sponsorship is the acquisition of rights in order to directly associate with a product for the reason of obtaining benefits related to the association or affiliation (Pronschinske, Groza, & Walker, 2010; Richard, 2007). Sponsorship is also defined as two-way mutual beneficial partnership between two parties (Markwick & Fill, 1997). Sponsorship involves two parties which include the sponsor, who contributes in any agreed form in expectation of being linked with specific assets, and sponsee – assets that offer value through the association (Etzel et al., 2014). Pronschinske et al. (2010) suggest that sponsorship is an investment in exchange for rights to be associated with a highly publicised event or organisation. Social corporate sponsorship normally generates a positive brand for the sponsor (Obasi, 2010). Sponsorship is based on the postulation that the association improves the corporate image and that the sponsor may provide services and goods or money in exchange for the association provided by the sponsorship (Gwinner, Larson, & Swanson, 2009).

Sponsorship is in four types which include arts, educational, programme and sport sponsorship (Gillis, 2006). Sport sponsorship is an investment in sports organisations to assist the general corporate goals, promotional and marketing strategies (Baker, 2010). The sponsor provides resources to the sponsored organisation or individual for undertaking sporting activities (Sullivan, Ortez, & Mission, 2017). Sports sponsorship connects the organisation and the targeted audience who have the passion and aspiration to a specific sport (Gillis, 2006). Sport sponsorship is a form of organised advertising which is not cluttered (Bogner & Barr, 2000). The highest proportion of commercial sponsorship within most communities is in the form of sport sponsorship (Pelsmacker, Janssens, Sterckx, & Mielants, 2006). The association between a sporting event and an organisation is reflected through sport sponsorship (Gillis, 2006). Brand associations can be deployed when a brand is linked to a well-known celebrity through endorsement or associated with a particular sporting event by way of sponsorship (Keller, 2003). Corporates use sports sponsorship by embracing celebrity endorsement for players, hence increase the corporate's brand awareness. Due to the changes in marketing as a result of technology, marketers communicate with their target audience in various languages and this can be done by adopting sports sponsorship (Keller, 2009). The more firms spend on sponsoring sports, the more likely is the return on such investment (Thompson et al., 2006).

Sponsorship can be in the form of a television programme sponsored by a corporate and the rationale is that televised sponsorship shows the actions by the advertisers who want their name to be associated with a particular television programme (Fox, Helliar, Veneziani, & Hannah, 2013). Television programme sponsorship is applied to show contents in association with a specified organisation or brand (Roller & Lavrakas, 2015). Firms use television programme sponsorship to appeal to a large consumer audience, communicating brand image and brand information as well informing consumers on the organisation and its services, and hence create brand awareness (Hossain et al., 2019).

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Educational sponsorship comes in different ways such as sponsoring students at different levels of education (Dean, Raats, & Shephered, 2008). So, educational sponsorship includes providing funding for students' fees and other educational needs for students to achieve their educational goals (Schram-Klein et al., 2016). This gives room for mutual benefit and knowledge and information exchange which will benefit both parties (Simmons & Becker-Olsen, 2006). The organisation will be fulfilling its social responsibility but in turn attracts stakeholders, which generates goodwill and improves corporate image (Wu & Lin, 2014). Educational sponsorship also adds value to the image of the organisation and creates brand awareness (Knox & Bickerton, 2003). In Zimbabwe, corporates such as Econet Wireless sponsor education through their subsidiaries Capernaum Trust and J.M. Nkomo Scholarship Fund.

Arts sponsorship is another way firms sponsor popular arts and it is now a global phenomenon (Stokburger-Sauer & Hofmann, 2017). Cultural events can be used by firms so that they can generate the required brand awareness (Lauritsen & Perks, 2015). Fans with strong passion for the event appreciate corporates that sponsor, hence they become attached to corporate brands (Gogolin, Dowling, & Cummins, 2017; Wu & Lin, 2014).

Sponsorship produces better results than other promotional activities and creates a strong perception in the customers' minds due to its association with the offering (Rifon, Royne, & Carlson, 2014). The major reason for sponsorship is to intensify brand awareness which in turn enhances brand image (McAlister & Ferrell, 2010; Smith, 2009). Sponsorship attracts public approval and creates positive perception towards the organisation and hence improves brand awareness and corporate image (Bhattacharya & Sen, 2004; Hildebrand, Sen, & Bhattacharya, 2011; Lau, 2010). Customers believe that corporates do sponsorship to support the community and not self-interest (Dean, Raats, & Shephered, 2008). However, sponsorship activities must be in line with other corporate objectives (Simmons & Becker-Olsen, 2006). The rationale of reaching target audience using sponsorship is more effective in creating brand awareness (Groza, Pronschinske, & Walker, 2011; Gupta, 2013; Webb et al., 2008). An empirical study by Jalleh, Donovan, Giles-Corti and Holman (2002) confirmed that sponsorship impacts on brand awareness and brand attitude.

### 2.3. Donations

Corporate donations emanate in material or financial support for the improvement of social well-being of the community (Dean et al., 2008). Donation of equipment and food has an enormous effect on brand awareness because these are evident and tangible products that make an organisation viewed as doing charity to the community (Gupta, 2013). Donations should not be viewed in monetary terms only, but in environmental and community relations stewardship (Yang & Basile, 2019). Donation as part of corporate social responsibility is mainly charitable giving and can be recognised from its products, hence it can be made as either a conditional or unconditional act (Kolodinsky, Madden, Zisk, & Henkel, 2010).

Conditional donations are referred to as cause-related marketing aimed at improvement of business performance and envisage the purchase of the firm's goods or services (Groza et al., 2011). Conditional donations are based on donating only in relation to revenue generated by the company (Duncan & Fiske, 2015). Firms can create partnership relations if they realise the importance of non-profitability cause and a positive reaction by customers (Kolodinsky et al., 2010). Scholars such as Dean et al. (2008) propose that conditional donations are meant to cushion the sales of an organisation. Conditional donations are believed to serve the economic interests of corporates and the pure humanitarian cause (Kolodinsky et al., 2010).

Unconditional donations are based on the actual love to assist fellow men and firms donate without attachment to their sales or revenue (Du, Bhattacharya, & Sen, 2010). Such donations can be made to any organisation or individuals of the firm's choice (Smith, 2009). Some organisations

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donate a part of their employees' time to serve the community and customers will get attached to such donations (Lanier & Saini, 2008). This way of donation is rated the least significant as it does not relate to any corporate objective (Carroll, 1979). Brands are often identified and associated by customers based on donations (Du, Bhattacharya, & Sen, 2010). Consumer behaviour and attitude towards a brand can be improved through donations (Groza et al., 2011). The community assumes that as the business is achieving its goals it must also embrace the needs of the society, and by doing so consumers become loyal to such brands through repeat purchases (Smith, 2009). Unconditional donations such as volunteer activities, charities and educational programmes are expected to improve firm performance through improved brand awareness (Makanyeza et al., 2018).

### 2.4. Community Involvement

Corporate social responsibility is one of the important pillars of community involvement (Thompson et al., 2006). Community involvement includes clean up campaigns, tree planting or any community projects (Lanier & Saini, 2008). Usually there is a commercial reason for each organisation to be involved in community-based corporate social responsibility and usually it is always related to its type of business (Gwinner et al., 2009). Corporates undertake those activities that bring mutual benefit for themselves and the society (Loo et al., 2006). Roller and Lavrakas (2015) notes that a progressive technique that helps to increase brand awareness is community involvement. Organisations can be easily noticed by the community through participating in community programmes (Mattera, Baena, & Cerviño, 2014; Wang et al., 2006).

### 2.5. Brand Awareness

Brand awareness is a customer's ability to identify a particular brand and remember various elements such as the product, logo, tagline and advertisement (Bhattacharya & Sen, 2004; Bogner, 2017; Lauritsen & Perks, 2015). Hossain et al. (2019) described brand awareness as how much a customer or prospect recalls or recollects a particular company and its goods. Similarly, Keller (1993) claims that brand awareness is the strength of memory-related ability to remember and identify the firm's products or brands under different conditions.

Brand awareness results from an organisation's activities that comprise donations, corporate social responsibility, community involvement and sponsorship (Hossain et al., 2019; Jalleh et al., 2002; Keller, 2003). Keller (2009) further stresses that philanthropy through sponsorships involves supporting a cause in the hope of achieving greater brand awareness and target market appreciation. Similarly, Hossain et al. (2019) claim that sponsorships influence the way customers accept certain brands, thus impacting the consumer awareness status. The main idea behind firms donating to their surrounding communities is to establish their presence and promote their brands (Lauritsen & Perks, 2015). Jalleh et al. (2002) assert that corporations sponsor events with an intention of earning public esteem, thus marketing their brand. Groza et al. (2011) are of the opinion that consumers have positive perceptions of businesses that undertake charitable sponsorship to the community. Likewise, Mohr et al. (2001) and M'zungu et al. (2010) underlined that a firm can create brand awareness by reaching its target audience through sponsorships, donations and community involvement.

## 3. DEVELOPMENT OF RESEARCH HYPOTHESES AND RESEARCH MODEL

There is a general consensus in literature that corporate sponsorship is related to brand awareness (Groza et al., 2011; Gupta, 2013; Jalleh et al., 2002; Mohr et al., 2001; Webb et al., 2008). Another study was conducted by Jalleh et al. (2002) on the impact of sponsorship on

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brand awareness and brand attitudes. The results confirmed that sponsorships can influence both brand awareness and brand attitudes. Likewise, Groza et al. (2011) and Gupta (2013) settled that sponsorship is a good way of creating brand awareness. Therefore, it is hypothesised that

$H_1$: *Sponsorship positively influences brand awareness in the insurance sector in an emerging market.*

Previous studies carried out elsewhere concluded that donations have a positive influence on brand awareness (Dean, 2013; Makanyeza et al., 2018; Yang & Basile, 2019). In their study, Yang and Basile (2019) settled that donations are a way of giving to the community either conditionally or unconditionally. They further concluded that consumer behaviour and attitude towards a brand is influenced by the organisation by way of donations. Similarly, Makanyeza et al. (2018) found out that donations may improve firm performance and this is due to brand awareness built by such activities related to donations. Likewise, Dean (2013) concluded that the main activities done by companies to create brand awareness is charitable giving. Thus, it can be hypothesised that

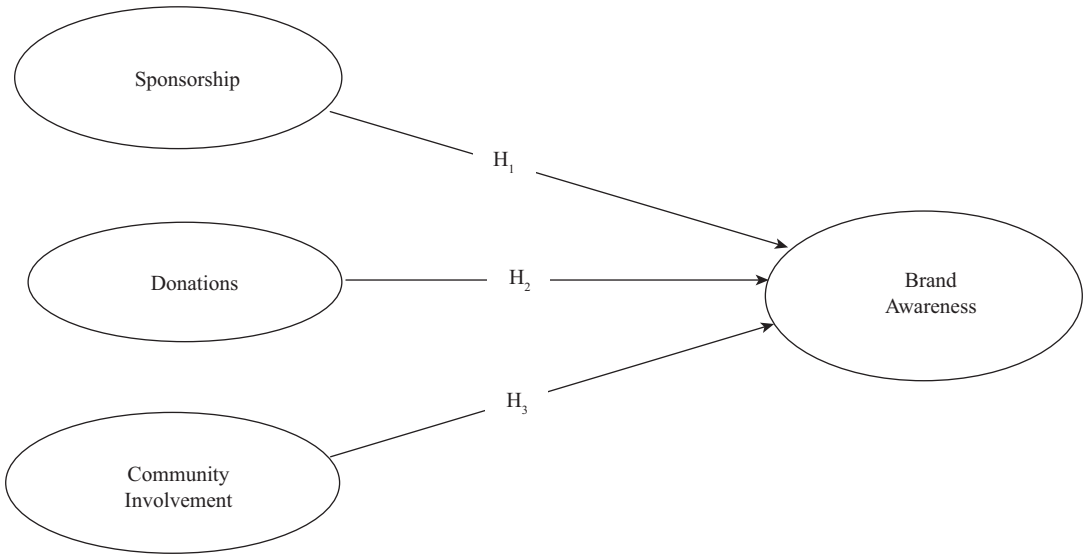
$H_2$: *Donations have a positive influence on brand awareness in the insurance sector in an emerging market*.

Literature confirms that community involvement positively impacts brand awareness (Craven et al., 2016; Gwinner et al., 2009; Mattera et al., 2014; Thompson et al., 2006). Gwinner et al. (2009) conducted a study to prove that community involvement is undertaken by firms to associate themselves with the community initiatives. It was concluded that corporates gain in some way through community involvement and this is evidenced by the boost of corporate image and brand adoption (Gwinner et al., 2009). Similarly, Mattera et al. (2014) concluded that corporates become noticed by the community if they are involved in community activities. Based on such views, it is hypothesised that

$H_3$: *Community involvement positively impacts brand awareness in the insurance sector in an emerging market*.

Based on the forgoing hypotheses, the following research model in Figure 1 is suggested:

**Figure 1**
Research model

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## 4. RESEARCH METHODOS

### 4.1. Questionnaire Design and Measures

Data was gathered using a structured questionnaire with Likert-type questions. The Likert scale that ranged from 1 (Strongly disagree) to 5 (Strongly agree) was used to measure items under each construct. Items scales used in the study were borrowed from existing previous related studies (Amiri & Maroofi, 2016; Makanyeza et al., 2018; Mattera, Baena, & Cerviño, 2014) and they were modified to suit the requirements of this study. Five sections of the questionnaire comprised these sections: demographics, sponsorship (SOP), brand awareness (BRA), community involvement (COM) and donations (DON).

Sponsorship was measured using financing of educational scholarships, workshops funding, sponsorship of sporting, cultural and arts events. Brand awareness measurement encompassed recalling corporates that donate or fund various programmes and recognising corporates that donate to the community. Community involvement focussed on participating in community activities like clean-up campaigns, community involvement programmes in firms' programmes as well as donating to the elderly and homeless people. Donations comprised financial offerings to the needy, fundraising to cushion community programmes and donating labour to projects that required skilled labour.

### 4.2. Sampling and Data Collection

The target population comprised motor insurance customers in Harare, Zimbabwe. Harare was chosen as a better representation of the total population because this is where most insurance firms operate from (Mabenge et al., 2020). Convenience sampling was employed in selecting the sample for the study. A cross-section survey of 350 insurance customers was undertaken. Questionnaires were distributed to walk-in customers in various insurance companies within Harare. Out of a total of 400 questionnaires, 350 (87.5%) were returned and were usable. Table 1 shows demographic data gathered during the study.

**Table 1**
The study demographics

| Characteristic | | Frequency | Percent (%) |
|---|---|---|---|
| Age | Less than 30 | 55 | 15.7 |
| | 30–39 | 180 | 51.4 |
| | 40–49 | 65 | 18.6 |
| | 50–59 | 40 | 11.4 |
| | 60+ | 10 | 2.9 |
| Gender | Male | 284 | 81.1 |
| | Female | 66 | 18.9 |
| Length of business relationship | 0–5 | 245 | 70.0 |
| | 6–10 | 90 | 26.0 |
| | Above 10 years | 15 | 4.0 |
| Type of insurance scheme | Third party | 295 | 84.3 |
| | Comprehensive | 50 | 14.3 |
| | Full cover | 5 | 1.4 |

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The majority (51%) of insurance customers in this study were aged between 30–39. Male participants constituted the majority (81%), with females making up 19%. The majority of respondents (70%) had a business relationship of less than 5 years with their insurance firms. The majority of insurance customers (84%) were third party insurance customers.

## 5. ANALYSIS AND RESULTS

### 5.1. Scale Validation

Before structural equation modelling was performed in AMOS, scale validation was conducted using exploratory factor analysis (EFA), discriminant validity, and convergent validity. Data analysis was performed using SPSS version 20 and AMOS version 20. Kaiser-Meyer Olkin (KMO) measure and Bartlett's Test of Sphericity were used to test sample adequacy. The sample satisfied minimum requirements as recommended (KMO = .527, Approx. Chi-Square = 16 042.387, Degrees of Freedom = 290, $p < 0.001$) (Field et al., 2012; Pallant, 2005). Yong and Pearce (2013) recommended that Bartlett's Test of Sphericity should be significant at $p < 0.05$ while the KMO statistic should be at least 0.5. Varimax Rotation was used to conduct factor analysis. Rotation converged in 10 iterations and the total variance explained by the data was 65.410%.

Bagozzi and Yi (1988) recommended that acceptable factor loadings should be more than 0.6. Therefore, DON1 and DON2 were the only two items deleted as a result of factor loadings below 0.6 or double loadings respectively.

Maximum Likelihood Estimation (MLE) was used to estimate the measurement model as commended by Field (2009). Convergent validity was measured using measurement model fit indices, reliability, standardised factor loadings, critical ratios and average variance extracted (AVE). Minimum conditions for convergent validity conditions were fulfilled. Thus, the measurement model indicated a good fit (CMIN/DF 3.238; GFI .836; AGFI .772; NFI .780; TLI .705; CFI .514; RMSEA .028). Reisinger and Mavondo (2007) recommended that a satisfactory good model should exhibit a $\chi 2/DF$ that falls within the scale of 0–5 with lesser values indicating a better fit. Additionally, Hooper et al. (2008) emphasised that values of NFI, TLI, GFI, AGFI and CFI specify a good fit when they are closer to 1, and RMSEA must be between 0.05 and 0.10 for it to be satisfactory.

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**Table 2**
λ, IIR, CR, α and CRel

| Constructs | Items | λ | IIR | CR | α | CRel |
|---|---|---|---|---|---|---|
| Donations | DON3 | .798 | .808 | – | .746 | .819 |
| | DON4 | .851 | .863 | 7.865*** | | |
| Community involvement | COM1 | .833 | .689 | – | .818 | .879 |
| | COM2 | .865 | .709 | 12.354*** | | |
| | COM3 | .894 | .780 | 15.758*** | | |
| | COM4 | .793 | .678 | 11.325*** | | |
| Sponsorship | SOP1 | .854 | .745 | - | .894 | .905 |
| | SOP2 | .839 | .726 | 14.745*** | | |
| | SOP3 | .795 | .878 | 13.186*** | | |
| | SOP4 | .801 | .803 | 11.784*** | | |
| Brand awareness | BRA1 | .789 | .626 | - | .854 | .887 |
| | BRA2 | .787 | .789 | 10.250*** | | |
| | BRA3 | .845 | .754 | 11.002*** | | |
| | BRA4 | .798 | .772 | 10.251*** | | |

Note: – CR is fixed; *** $p < 0.001$

As shown in Table 2, all constructs had Cronbach's alphas (α) and composite (CRel) reliabilities with a cut-off point of above 0.6 (Leech et al., 2014). Additionally, all items had standardised factor loadings (λ) above the recommended cut-off point of 0.6 (Pallant, 2005). Critical ratios (CRs) were suitably large and significant at $p < 0.001$. Furthermore, all individual item reliabilities (IIRs) were greater than 0.5 as commended by Leech et al. (2014). All constructs had averages (AVEs) greater than 0.5 (Fornell & Larcker, 1981).

## 5.2. Discriminant Validity

In order to measure discriminant validity, AVEs were compared against squared inter-construct correlations (SICCs). Table 3 shows that minimum conditions to fulfil the requirements were achieved since all AVEs were greater than their corresponding SICCs (Edward, 2013).

**Table 3**
Mean (M), standard deviation (SD), AVEs and SICCs

| Construct | M | SD | DON | BRA | COM | SPON |
|---|---|---|---|---|---|---|
| Donations | 3.561 | 1.614 | **.745** | | | |
| Brand awareness | 4.574 | .976 | .514 | **.732** | | |
| Community involvement | 4.189 | .831 | .352 | .387 | **.792** | |
| Sponsorship | 3.912 | .897 | .498 | .475 | .397 | **.673** |

Note: Diagonal elements in bold represent AVEs

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### 5.3. Research Hypotheses Tests

The structural equation modelling (SEM) technique in AMOS Version 20 was used to test the hypotheses ($H_1$, $H_2$ and $H_3$). The maximum likelihood estimation (MLE) was used to estimate the structural model (Pallant, 2005). The structural equation modelling technique was adopted since it has the ability to determine relationships while at the same time determining whether or not there is a general fit between the research model and observed data (Leech et al., 2014). The structural model showed suitable model fit indices (CMIN/DF 2.075; GFI .835; AGFI .778; NFI .754; TLI .723; CFI .614; RMSEA .026). The results of hypotheses testing are presented in Table 4. The results confirm that $H_1$, $H_2$ and $H_3$ were all supported. This confirms that sponsorship, donations and community involvement have a positive effect on brand awareness in the insurance sector in an emerging market.

**Table 4**
Hypotheses tests results

| Hypothesis | Hypothesised relationship | SRW | CR | Remark |
|---|---|---|---|---|
| $H_1$ | Sponsorship →Brand awareness | .930 | 4.463*** | **Supported** |
| $H_2$ | Donations → Brand awareness | .553 | 1.887*** | **Supported** |
| $H_3$ | Community involvement → Brand awareness | .422 | 3.564*** | **Supported** |

Notes: SRW standardised regression weight, CR critical ratio, *** significant at $p < 0.001$

## 6. DISCUSSION AND IMPLICATIONS

### 6.1. Theoretical Implications

There is a dearth of studies focussing on the effect of corporate social responsibility on brand awareness, especially within the public domain and particularly within the insurance sector. Thus, this study was carried out to close this knowledge gap. Therefore, this study sought to contribute to the current body of corporate reputation knowledge by examining the effect of corporate social responsibility on brand awareness.

The study proved that sponsorship positively influences brand awareness in the insurance sector in an emerging market. Thus, organisations that sponsor community programmes are able to market their brand names. This implies that if insurance companies get involved in sponsoring community programmes, they are likely to market their brand names and enjoy competitive advantage. Sponsorship of programmes comprise financing of educational scholarships, community workshops funding, sponsorship of sports, cultural and arts events. The finding offers an important contribution to the current body of corporate reputation knowledge because right now, there is a dearth of proof in the public domain as regards this phenomenon.

Donations were found to positively influence brand awareness in the insurance sector in an emerging market. Thus, insurance firms that donate to the community are able to market their brand names and products. This implies that firms that involve themselves in donations to the community preach better about their brand names and products. If organisations make donations to the community, customers within the same community are able to recall brand names of such donors. Firms making donations stand a better chance to acquire new customers and retain loyal customers. Donations could be in the form of money, goods or services. The findings of the study prove the prevailing understanding in literature that donations positively influence brand awareness (Hosain et al., 2019; Shwartz & Caroll, 2008). The study further established that community involvement positively influences brand awareness in the insurance sector in an

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emerging market. Thus, the extent to which insurance organisations get involved in community activities influences brand awareness. This implies that insurance brand awareness increases as the firm participates more in community activities. Involvement in community activities compels organisations to participate in activities like clean-up campaigns, charity walk or run, participate in a national giving or remembrance day, plant trees, flowers, or other plants and host fundraising events among other events. The study findings corroborate the existent literature in that community involvement positively influences brand awareness (Gwiner et al., 2009; Lichtenstein et al., 2014; Roller, 2015).

### 6.2. Practical Implications

It is vital for insurance firms to understand factors that positively influence brand awareness. Firms within the insurance sector should contemplate participating more in public television programme sponsorships and educational sponsorship, which are more effective.

Insurance firms should also consider increasing donations of goods such as food and health equipment as respondents highlighted the importance of companies to embark on such activities. Customers also stressed that donations have a positive effect on the attitude towards a brand. Hence, insurance firms may use donations as a way of establishing their presence in the industry and the community. Insurance firms can also make use of donations to advertise products and services so as to create brand awareness.

As insurance companies get involved more in community activities, they should consider building brand awareness through taking part in religious activities, environmental projects, sports, recreation and fundraising projects. Such involvement could result in building a strong rapport, building recognition of the organisation, increasing the awareness of the firm's brand, cultivating trust in the firm's operations and also creating a culture of positivity among customers.

## 7. FURTHER RESEARCH IMPLICATIONS

The study focused on the insurance sector only, hence generalisations of the results may be difficult. The results could be improved by extending future studies to other sectors in Zimbabwe and beyond. Other variables like marketing communications and firm performance could be incorporated in future studies as this could enrich the results.

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# Marketing Strategies and Export Performance of Fresh Produce Firms in Kenya

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## ABSTRACT

The study objective was to examine the role of marketing strategies on export performance of fresh produce firms in Kenya. A major stream of research has considered marketing strategy and performance within the context of a domestic economy. A census survey was carried out among all the 100 fresh produce firms that were ordinary members of the Fresh Produce Export Association of Kenya (FPEAK) as at 31st June 2019. The study utilized a positivist approach. Primary data were collected using a structured questionnaire. A descriptive cross-sectional study design was adopted.

The results of regression analysis revealed that the relationship between marketing strategies and export performance was positive and statistically significant. To policy makers, the study recommends regional and bilateral trade agreements that seek to increase the market share for fresh produce firms. To management practice, the study provides guidelines on how to design and implement sustainable but competitive marketing strategies for the export market. For future research direction, the study recommends additional moderating/mediating variables that may influence export performance.

JEL classification: M30, M31, N57, N77

Keywords: marketing strategies, export performance, marketing mix, exports

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## 1. INTRODUCTION

Globalization and intense competition have created many business opportunities for organizations eager to expand. As a result, more firms are increasingly pursuing international markets to safeguard their market position, increase their market share as well as boost corporate revenue in the long term (Chang & Fang, 2015). Marketing strategy has been identified as one of the intrinsic components behind the success of firms in export markets (Fang & Zou, 2009). It constitutes various marketing mix elements that translate marketing planning into practices. Entering new territories and conducting business in less familiar environments is however not easy. Hence, there is growing interest among businesses in understanding factors that contribute to the success of local firms in foreign markets.

Exporting remains the most preferred mode of foreign market entry particularly among small and medium-sized enterprises (SMEs). Jones (2001) contends that it is the first step to internationalization. This is because it involves low risk, requires minimal financial commitment and permits greater flexibility and ability to adapt when compared to other modes of entry (Leonidou, Katsikeas, & Coudounaris, 2010). At the macro level, export business impacts critical areas such as foreign exchange earnings, employment opportunities and enhances societal prosperity (Abou-Strait, 2005). At the micro level, on the other hand, export trade is considered a strategic business tool used to boost corporate growth, diversify business risks and even take on foreign competitors (Okpara, 2010). Despite the potential gains that accompany export trade, many firms seem to have little knowledge on how to maximize the benefits derived from export business.

## 2. RESEARCH PROBLEM

The fresh produce industry has continued to experience unprecedented growth to become one of Kenya's leading export earner. In 2018, export earnings from this industry grew to Kshs 153.68 billion, a 33% growth over 2017 earnings (Kenya National Bureau of Statistics, 2018). Despite this rapid and sustained growth, the above figures represent only 4% of the produce exported, which is way below the industry potential. Further, it is estimated that more than 4.5 million Kenyans benefit directly from the fresh produce industry and another 3.5 million benefit indirectly through trade and other related activities (KDLC, 2010). An increase in export performance would result in improved nutrition, more foreign exchange earnings and income generation opportunities. Despite the significance of fresh produce firms to the economy, knowledge on how to develop and implement marketing strategies for the export market remains scarce. Furthermore, studies that examine the role of marketing strategies in influencing export performance within the fresh produce industry are few. This study therefore sought to investigate how fresh produce firms can develop and implement competitive marketing strategies for the export market.

## 3. EMPIRICAL LITERATURE REVIEW

### 3.1. Marketing Strategies and Export Performance

Empirical studies on the link between marketing strategy and export performance are many. However, divergent and inconsistent findings have been reported. Sousa and Bradley (2008) collected data from 301 exporting firms in Portugal. The study results indicated that price had a significant impact on export performance. A similar outcome was obtained by Chung (2008), who conducted a survey on a sample of 78 SMEs in New Zealand. These two studies examined

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pricing in isolation from the other marketing mix variables. The current study took into account the 4Ps of marketing strategies as a unified whole, resulting in a clearer view of marketing strategy, particularly in an export marketing context. Sezgin, Uray and Burnaz (2015) did a survey of 100 clothing firms located in Istanbul, Turkey. The findings from the study revealed that marketing strategies contributed to the success of Turkish clothing firms in international markets. The study findings were however limited to the Turkish clothing industry, hence the results could not be generalized beyond this scope. In Chile, Bianchi and Garcia (2007) carried out an investigation on three sectors, namely: fruit, salmon and wine. Data was collected using secondary sources as well as qualitative methods. Top performers revealed that emphasis on product quality, promotion and product diversification contributed to the success in export performance. Similarly, Namiki (2008) examined the marketing strategy and export performance relationship of US electronic export firms. Out of a sample of 316 manufacturers of electronics, 99 (31%) responded. The results from the study revealed existence of a close link between a firm's marketing strategy and export performance. Studies by Bianchi and Garcia (2007) and Namiki (2008) were exploratory in nature, thereby limiting generalization of findings to the entire population.

In Nigeria, Ogbu (2015) carried out a study on the marketing strategies adopted by quantity survey firms. Focus group discussions as well as secondary sources of data were obtained. The findings from the study depicted that marketing strategies are key to attaining higher firm performance. In another study, Nthege (2019) conducted a survey on 64 manufacturing firms in Kenya. The results from the study established that marketing strategies influenced performance. Studies by Nthege (2019) and Ogbu (2015) were confined to performance within the domestic market. The current study extends previous marketing strategy-performance relationship by investigating marketing strategies within an international context.

In another study, Odiko (2018) considered the role of marketing strategy in international performance of 270 tour firms in Kenya. The findings from the study revealed that success in international markets depends on the firm's marketing strategy. The study findings were confined to the tourism industry, which is a different environment from the fresh produce industry. In Malaysia, Adis (2010) examined the role of marketing strategy in influencing export performance. The research findings revealed that all the 4Ps of marketing strategy did not influence performance of firms in foreign markets. These results were however limited to firms in Malaysia within the wood furniture industry. Shoham and Kropp (1998) carried out an evaluation in the United States on the marketing mix and international performance relationship. The study results revealed that marketing elements had a negative effect on export performance except for channel support which had a positive relationship. This study was characterized by a (5%) response rate, which was considered low for a mail survey. The use of small samples questions external validity and generalization of findings, hence the need for a more rigorous empirical research.

In Canada, Coviello, Winklhofer and Hamilton (2006) collected data from 242 firms in the accommodation industry. The findings from the study revealed that contemporary marketing practices (CMP), specifically network marketing, data base marketing and e-marketing, did not have any influence on performance. This study was in the service industry and conceptualized marketing strategies along the contemporary marketing practices framework (CMP). The current study was in the goods industry and conceptualized marketing strategies using the traditional 4Ps believed to be the theoretical framework for developing marketing strategies. Most of the empirical studies have dealt with one element of the marketing mix, were conducted in developed economies, were exploratory, used small samples resulting in inconsistent findings. Hence the need to investigate the marketing strategy and export performance relationship using a more rigorous research.

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### 3.2. Export Performance

Export performance is the extent to which an organization's objective is achieved by selling goods/services in overseas markets (Cavusgil & Zou, 1994). On their part, Navarro, Losada, Ruzo and Diez (2010) contend that export performance is the consequence of an organization's action in international markets and is considered one of the key indicators of success in foreign markets. To capture export performance, two principal measures are used: objective and subjective measures. Objective indicators can also be seen as financial metrics such as revenue, profit, sales volume measures often expressed in monetary terms. The subjective measures are indicators such as customer loyalty, quality of services and firm reputation which provide performance information in non-monetary terms. They particularly focus on meeting customer expectations, satisfaction and marketing activities (Köksal & Kettaneh, 2011).

Export literature has viewed measures of export performance from different perspectives. Zou, Taylor and Osland (1998) introduced the EXPERF scale, which measured performance using three basic dimensions, namely: financial, strategic and satisfaction. Later on, Lages and Lages (2005b) proposed the STEP scale which measured export performance for a single product or product line in the short term. The STEP scale was however limited to the use of subjective performance indicators. Okpara's (2009) scale used five items, namely: export profits, sales volume, export growth, operations and overall export performance in the last three years.

In the current study, export performance was measured using one objective measure, namely return on assets (ROA), and two subjective indicators, namely export market share and customer retention rate. ROA is a measure of how efficiently the firm uses its assets to generate profits. The main indicators are net income and total assets. ROA was adopted in this study as it enables the comparison of firms in the same industry, but of different sizes. The export market share and customer retention rate were based on the premise that a positive disposition towards a product is a measure of subsequent long-term use (Lages & Sousa, 2010).

### 3.3. Marketing Strategy

Marketing strategy as defined by Kotler (2011) is a road map that outlines how the firm is going to achieve its marketing objectives in a competitive business environment. Rad and Akbari (2014) agree that marketing strategy is a guide used by firms to allocate resources, differentiate themselves while satisfying customer needs better than competition in a specific market segment.

Thus, from the above definitions, marketing strategy is centered around identifying a target market and satisfying customers in those segments better than competition. The focus on a particular market segment results in more experience, which is communicated to the customer through low prices, products differentiation and product quality.

The concept of marketing strategy revolves around a set of controllable tools, namely product, price, promotion and place used by a firm to influence buyer response. In this study, marketing strategy can be seen as a tool used by firms to differentiate themselves from competition, build market reputation and establish strong relationships with customers. Marketing strategy was the independent variable with product, price, place and promotion as its indicants.

### 3.4. Product Strategies

Products are goods and services offered in the market to satisfy a need or want (Kotler & Armstrong, 2014). Product is the most significant element of the marketing mix which must be properly developed to meet the needs of the consumers and achieve the firm's objectives. Apart from the actual goods and services, attributes such as the physical appearance, packaging and labeling information make up what the customer is actually buying and are used to enhance

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customer experience (Belch & Belch, 2007). To achieve success, managers should think about product development on three levels. The first is the core product which answers the question of product benefits to the customer. The second level is the actual product which refers to product quality, design, brand name that enhances the core product. The third level is the augmented product which refers to additional non-tangible benefits such as after-sales service, warranties, free delivery that a firm can offer to influence consumer purchase decision (Kotler & Armstrong, 2005). According to Mohammad, Wang and Sunayya (2012), marketers should identify products features and attributes that enhance consumer experience and convert them into a unique selling proposition. A unique product provides a firm with a competitive advantage over its rivals. This study hypothesized that:

*$H_1$: Product strategies adopted by firms have no significant influence on their export performance.*

### 3.5. Pricing Strategies

Price represents the amount of economic outlay that consumers should give up to engage in a given transaction. Price determines the profits earned as well as the competitiveness of a product in the market. It however remains one of the most challenging decisions in marketing due to increased competition (Myers, 1997). According to Blattberg and Scott (1990), price features such as discount, allowances, and credit terms should be thought of well in advance. Price is not only used as an element of financial sacrifice but also to communicate product quality. A highly priced product may result in poor sales, while a lowly priced product may be misleading on product attributes such as performance, quality (Hinterhuber & Liozu, 2013). A pricing strategy takes into account market conditions, elasticity of product, customer perspectives and competition (Cram, 2006). Consequently, this study posits that:

*$H_2$: Pricing strategies have no significant influence on marketing strategies adopted by firms.*

### 3.6. Promotion Strategies

Kotler (1989) described promotion as a set of activities used to increase consumer awareness, boost sales and build brand loyalty in the target market. Shimp (2003) agrees that promotion activities boost sales in the short term and are used to convince customers to choose one brand over another. The promotion element consists of elements such as advertising, public relations, sales promotion, personal selling, direct marketing, events and sponsorship (Belch & Belch, 2007). Additional promotion elements include influencer marketing, podcasting, branded entertainment (Satish, 2006). The incorporation of the promotional elements is called integrated marketing communication or IMC. Kotler (1977) posits that for marketers to effectively communicate with customers, they need to first study and understand consumer behavior. For the purposes of this study, the focus will be on international trade fairs. This was grounded on previous export literature that used international trade fairs as indicators of promotion strategy. According to Madsen (1987), the majority of studies that used international trade fair as an indicator established a positive association between promotion and export performance. International trade fairs are believed to reduce buyer uncertainty and culture differences. Hence, this study put forward the following hypothesis:

*$H_3$: Promotion strategies adopted by firms have no significant influence on their export performance.*

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### 3.7. Place (Distribution) Strategies

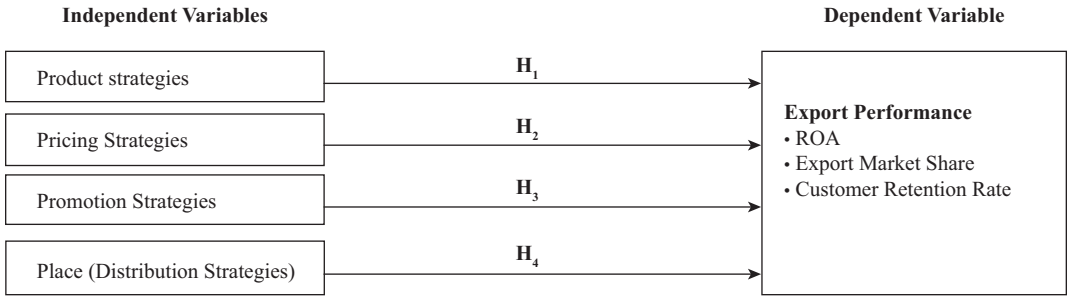
Place as defined by Palmer (2011) is the decisions and actions related to making products or services available for consumption. Bowersox and Closs (1996) describes distribution as another name for place and confirms that it is the mechanism by which a good or service is made available for consumption. Wholesalers, retailers, distributors and the internet are examples of distribution channels. Mallen (1977) argues that the type of distribution channel depends on the distribution goals which can be classified into minimum distribution costs, maximum bargaining power and optimum access to markets. In an international business context, factors such as culture, government restriction, competition, increased distance (both physical and psychic) result in more complex distribution channel relationships than those in domestic markets (Rosenbloom, 1990). The following hypothesis was tested:

*$H_4$: Distribution has no significant influence on firms' export performance.*

### 3.8. Conceptual Framework

The conceptual model presented in Figure 1 is derived from concepts discussed in the literature review. The model depicts the relationship between marketing strategy elements, namely product, price, promotion, place, and export performance.

**Figure 1**
Conceptual Model




## 4. RESEARCH METHODOLOGY

### 4.1. Population of the Study

The population of the study was developed from the Fresh Produce Exporters Association of Kenya (FPEAK) website, a source that provides regularly updated information of its members, firm demographics as well as contact person. A total of 100 fresh produce firms that were members of the association as at 31st June 2019 were selected for the study. FPEAK is a body that promotes export activities through overseas exhibitions, providing market information, technical support and training. Fresh Produce Exporters Association of Kenya (FPEAK) has been used in related studies (Wanjiru, 2018; Kabano, 2017).

Fresh produce firms are spread across the country, but are predominant in Nairobi, which is the main industrial hub of Kenya. Given the relatively small size of the population, a census study was undertaken on all 100 fresh produce firms. Israel (1992) argues that a census technique is preferred when the population is made up of 200 or fewer members. The Chief Executive Officers, Managing Directors or Top Line Managers in charge of export operations were the key informants in each fresh produce company. The choice of respondents was influenced by their roles within the firms, which indicated that they had the knowledge and understanding about the firm's marketing strategies.

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### 4.2. Questionnaire Design and Administration

A semi-structured questionnaire adapted from previous empirical surveys was used to collect data on the key study variables. However, some questions were modified to suit the specific research objectives. The advantage of consulting questionnaires used in previous studies is that they are less susceptible to misinterpretation and can also be used to compare findings. The questionnaire consisted of five major sections. Section 1 collected background information on both the firm and respondent. Section 2 focused on marketing strategies and was measured using four dimensions (product, pricing, distribution and promotion). The last section focused on export performance and used measures such as export market share, customer retention rate and ROA.

### 4.3. Operationalization of the Study Variables

Each study variable was operationalized using measures developed from previous studies. Marketing strategies is the independent variable and was measured using 28 attitudinal attributes derived from previous studies, an extensive review of literature and export marketing text books (Njeru, 2013; Morgan, Katsikeas, & Vorhies, 2012). However, several modifications were made to take into account specific characteristics within the fresh produce industry. Export performance is the outcome variable and was measured using subjective/perceptual measures as has been used in several other studies (Lisboa, Skarmeas, & Lages, 2013; Murray, Gao, & Kotabe, 2011). Several factors support the use of subjective measures. First, differences in market characteristics, technology intensity may lead to an unfair comparison of financial data which may have different meaning to various firms. Second, most studies adopt perceptual measures to measure financial performance since secondary information is often not available for public consumption (Lages & Lages, 2004; Kimwomi, 2014). Third, according to Katsikeas et al. (2000), indicators of performance are more complementary than mutually exclusive. Therefore, subjective measures were adopted in this study.

### 4.4. Validity Tests

Validity refers to whether or not a test accurately measures what it purports to measure (Saunders, 2011). There are various methods used to test validity, namely: content validity, face validity and convergent validity (Babbie, 2010). To evaluate content validity, ten fresh produce firms were randomly selected and thereafter a pilot study was conducted. According to Hair, Ringle and Sarstedt (2011), a pretest of 5 to 10 respondents is useful in identifying flaws in a questionnaire. Feedback was requested on all items of the questionnaire including length, cognitive aspects, layout and order of the questionnaire. The findings from the pilot revealed that eight out of the ten fresh produce firms had reservations about providing actual financial data on return on investment (ROA). In other instances, respondents had difficulty in understanding certain questions. Based on the feedback, some of the questions were rephrased and questions on financial data were assessed with the help of a Likert-type scale.

Construct validity provides the researcher with confidence that the items in the survey instrument measure the constructs they propose to measure. In practice, constructs are not readily observable items. In this survey, construct validity was established using an exploratory factor analysis (EFA). Hare and Neumann (2008) argue that factor analysis reduces the overall number of observations into a few variables that can best explain the constructs under investigation. To determine the appropriateness of the sample for EFA, Kaiser-Meyer Olkin (KMO) measure, sample size and Barlett's test of sphericity were used. Other studies that have adopted factor analysis to determine construct validity include Mokhtar, Yusoff and Arshad (2009) and Owino (2014).

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**Table 1**
Kaiser-Meyer Olkin (KMO) and Barlett's Test

| Factors | KMO Test | Barlett's test of Sphericity | | |
|---|---|---|---|---|
| | | Approx Chi-Square | df | Sig |
| Product Strategy | .703 | 88.291 | 36 | .000 |
| Pricing Strategy | .696 | 49.864 | 15 | .000 |
| Promotion Strategy | .799 | 126.766 | 21 | .000 |
| Place Strategy | .762 | 160.926 | 15 | .000 |

Source: Primary Data (2020)

The output contained in Table 1 reveals that the KMO measure of sampling adequacy for each construct ranges between .696 for price strategy and .799 for promotion strategy, suggesting that the proportion of variance may be as a result of underlying factors. Bartlett's test of sphericity was $p < 0.05$, an indication that the items were statistically significant. Finally, the sample size requirement was met at 69 responses. Having satisfied the minimum key requirements, it was deemed acceptable to proceed with the exploratory factor analysis (EFA).

### 4.5. Exploratory Factor Analysis (EFA)

Table 2 contains factor loadings with varimax rotation for all the 20 items used to measure marketing strategies. Four significant factors emerged from the analysis explaining 67.595% of the total variance (eigen values >1). The factor loadings ranged from 0.886 to 0.580. Items in each factor were carefully examined so that only items with consistent meaning were retained for measuring the factors. In this study, items with factor loadings above 0.5 were retained for further analysis (Meyer, Gamst, & Guano, 2013). Appropriateness of the four factor solution was supported by a scree test.

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**Table 2**
Rotated Component Matrix for Measures of Marketing Strategies (N = 69)

| Items | Factor 1 Product Strategy | Factor 2 Pricing Strategy | Factor 3 Promotion Strategy | Factor 4 Distribution Strategy |
|---|---|---|---|---|
| **P09** | .848 | | | |
| **P05** | .811 | | | |
| **P06** | .738 | | | |
| **P03** | **.727** | | | |
| **P07** | .677 | | | |
| **PR1** | | .850 | | |
| **PR2** | | .795 | | |
| **PR3** | | .778 | | |
| **PR6** | | .740 | | |
| **PR4** | | .580 | | |
| **PRO2** | | | .886 | |
| **PRO4** | | | .884 | |
| **PRO3** | | | .798 | |
| **PRO5** | | | .730 | |
| **PRO7** | | | .671 | |
| **D2** | | | | .861 |
| **D3** | | | | .814 |
| **D6** | | | | .782 |
| **D1** | | | | .667 |
| **D5** | | | | .619 |
| **Eigen Values** | 3.672 | 3.012 | 1.718 | 1.364 |
| **% Variance** | 25.331 | 20.956 | 12.218 | 9.09 |
| **Cumulative %** | 25.331 | 46.287 | 58.505 | 67.595 |

Extraction Method: Principal Component Analysis. Based on eigenvalue > 1. Rotation Method: Varimax with Kaiser Normalization

## 4.6. Reliability Tests for the Extracted Factors

Chakrabartty (2011) viewed reliability as the extent to which an assessment tool produces results that are free from errors. When a measure is reliable, the results are more accurate and it is possible to make comparisons among variables. Cronbach's alpha coefficient was used to ascertain reliability and summary findings presented in Table 3.

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**Table 3**
Summary of Reliability Scores

| Variable | No. of Items | Cronbach's Alpha |
|---|---|---|
| Product Strategy | 5 | 0.762 |
| Pricing Strategy | 5 | 0.705 |
| Promotion Strategy | 5 | 0.781 |
| Place (Distribution) Strategy | 5 | 0.734 |
| Export Performance | 3 | 0.696 |

Source: Primary Data (2020)

Cronbach's alpha values for the constructs ranged from 0.781 (Promotion Strategy) to 0.696 (Export Performance), suggesting that the test items were highly correlated and the questionnaire could therefore be used for further analysis. Hair, Black, Babin, and Anderson (2010) argue that in the social sciences field Cronbanch's alpha value of 0.6 and above is considered acceptable.

## 5. STUDY RESULTS AND FINDINGS

Out of the 90 questionnaires dispatched, only 69 questionnaires were returned, translating to a total of 76.7% response rate. This was considered adequate and compares well with other studies on export performance. Brouthers and Nakos (2005), who studied 112 Greek-owned companies, obtained a response rate of 34%. Julian and Ahmed (2005) studied 122 Queensland export ventures attained an 18% response rate.

### 5.1. Descriptive Statistics for Marketing Strategies

This study sought to describe marketing strategies used by fresh produce firms to meet company objectives. To measure marketing strategies, the 4Ps, namely product, price, place and promotions, were identified (Kotler, 2011). Participants used a scale of 1 to 5, with 1 representing not at all (1) and (5) very large extent. Thereafter, feedback was analyzed using mean score and standard deviation. The following subsections present a summary of the output.

#### *5.1.1. Product Strategies*

Product characteristics influence the marketing strategies adopted by firms (O'Cass & Julian, 2005). Mohammad, Wang and Sunayya (2012) argue that marketers should identify products characteristics that enhance consumer experience and convert them into a unique selling proposition. A total of five items were used to assess product strategy. Each attribute was rated on a scale ranging from 1 to 5 where (1) represented not at all and (5) depicted very large extent.

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**Table 4**
Mean Score and Standard Deviation for Measures of Product Strategies

| Product Strategies | N | Mean Score | Std. Deviation |
|---|---|---|---|
| **1.** The firm has a lot of experience with the product range | 69 | 4.35 | .682 |
| **2.** The company deals with products that are of superior quality | 69 | 4.28 | .639 |
| **3.** The company provides quality products with a high degree of consistency | 69 | 4.20 | .778 |
| **4.** The company has the capacity to meet the changing customer demands when required | 69 | 3.67 | .740 |
| **5.** The company offering are clearly differentiated from that of competitors | 69 | 3.33 | .780 |
| **Average Score** | **69** | **3.97** | **.072** |

Source: Primary Data (2020)

The output in Table 4 shows that a large number of the participants agreed that "the firm had a lot of experience with product range" as shown by the high mean score (M = 4.35, SD = .682). According to Barkema and Drogendijk (2007), experience promotes the development of skills needed to succeed in foreign markets. That would also explain the high mean scores for items 2, 4 and 5 where firms are able to produce high quality goods, meet customer changing demands, with a high degree of consistency.

### *5.1.2. Pricing Strategies*

Pricing strategies are the policies adopted by firms to determine the amount to charge for goods and services. It is the only element of the marketing mix that generates sales and profits (Murray et al., 2011). Five items were used to evaluate pricing strategies used by fresh produce firms. Each attribute was rated on a scale ranging from 1 to 5 where (1) represented not at all and (5) depicted very large extent.

**Table 5**
Mean Score and Standard Deviation Measures of Pricing Strategies

| Pricing Strategies | N | Mean Score | Std. Deviation |
|---|---|---|---|
| **1.** The company considers market demand to determine export prices | 69 | 3.58 | 1.090 |
| **2.** The company does an effective job of pricing its products | 69 | 3.26 | 1.038 |
| **3.** The company monitors competitors' prices and price changes | 69 | 2.94 | 1.474 |
| **4.** The company effectively communicates pricing information to customers | 69 | 2.90 | 1.363 |
| **5.** The company quickly responds to competitors' pricing actions | 69 | 2.75 | 1.230 |
| **Average Score** | **69** | **3.09** | **1.24** |

Source: Primary Data (2020)

The output in Table 5 reveals that participants seemed to agree that firms consider "market demand to determine export prices" as depicted by the high mean score (M = 3.58, SD = 1.034). Participants also seemed to agree that firms did an "effective job of pricing products" (M = 3.26, SD = 1.038). Price seems to be an important element within the fresh produce industry, due to high mean scores in items 2, 4 and 5.

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### *5.1.3. Promotion Strategies*

Promotion strategies describe ways in which firms seek to inform and persuade their target market.

For the purposes of this study, the focus was on international trade fairs. A high mean score suggests strong agreement, while a low mean score suggests disagreement amongst the respondents.

**Table 6**
Mean Score and Standard Deviation for Measures of Promotion Strategies

| Promotion Strategies | N | Mean Score | Std. Deviation |
|---|---|---|---|
| **1.** The company frequently uses international trade fairs to seek new markets | 69 | 4.09 | .588 |
| **2.** International trade fairs are intended to attract new customers | 69 | 3.93 | .734 |
| **3.** International trade fairs foster a conducive business environment, policies, tariffs and trade agreements | 69 | 3.77 | .807 |
| **4.** International trade fairs are intended to retain existing customers | 69 | 3.71 | .893 |
| **5.** International trade fairs are intended to transmit timely market information | 69 | 3.48 | .994 |
| **Average Score** | | **3.79** | **.80** |

Source: Primary Data (2020)

The findings in Table 6 indicate that participants seemed to agree that "international trade fairs are intended to seek new markets" as evidenced by the high mean score (M = 4.09, SD = .59). Respondents also concur that international trade fairs are intended to "provide timely market information" (M = 3.93, SD = .73). A possible explanation would be that trade fairs reduce buyer uncertainty and culture differences (Madsen, 1987).

### *5.1.4. Place (Distribution) Strategies*

Distribution is an integral component of the marketing mix that ensures availability of products/services at the right place and time (Vorhies & Morgan, 2005). As with the other marketing mix components, five items were used to identify distribution strategies. Each attribute was rated on a scale ranging from 1 to 5 where (1) represented not at all and (5) depicted very large extent. Table 7 contains a summary of the findings.

**Table 7**
Mean Score and Standard Deviation for Measures of Place (Distribution) Strategies

| Distribution Strategies | N | Mean Score | Std. Deviation |
|---|---|---|---|
| **1.** The company attracts and retains the best suppliers | 69 | 4.23 | .573 |
| **2.** The company has a strong working relationship with its suppliers | 69 | 4.10 | .622 |
| **3.** The company is selective when choosing suppliers | 69 | 4.10 | .689 |
| **4.** The company provides a high level of service support to suppliers, e.g. providing seeds, timely information, etc. | 69 | 3.86 | .862 |
| **5.** The company is able to sell directly to end users in export markets | 69 | 3.75 | 1.008 |
| **Average Score** | **69** | **3.58** | **1.13** |

Source: Primary Data (2020)

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The output in Table 7 revealed that participants agreed that firms "attract and retain the best suppliers" as depicted by the high mean score (M = 4.23, SD =.573). Respondents also agreed that "a strong working relationship with suppliers" was an important attribute as shown by the high mean score (M = 4.10, SD = 0.622). A possible explanation would be that suppliers within the fresh produce industry are an important link between exporters and the final consumer.

### 5.2. Summary of Marketing Strategies

To evaluate the significance of marketing strategies among fresh produce firms, a questionnaire consisting of four sections, namely product, price, place and promotion, was used and a summary of the findings is presented in Table 8. A high mean score indicates the extent to which the construct was implemented by fresh produce firms.

**Table 8**
Mean Score and Standard Deviation for Measures of Marketing Strategies

| Marketing Strategies | N | Mean Score | Std. Deviation |
|---|---|---|---|
| Product | 69 | 3.97 | 0.07 |
| Promotion | 69 | 3.79 | 0.80 |
| Place | 69 | 3.58 | 1.13 |
| Price | 69 | 3.09 | 1.24 |
| **Average Score** | | **3.60** | **0.82** |

The output displayed in Table 8 shows that product strategies accounted for the highest mean score (M = 3.97, SD = 0.07) followed by "promotion", which had a mean score of M = 3.79 (SD = .86). "Place" accounts for a mean score of M = 3.58 (SD = 1.13) while "price" had the least mean score of M = 3.09 (SD = 1.24). The average mean score for the marketing strategies construct was M = 3.60 (SD = 0.82). These findings suggest that although the 4Ps made a significant contribution to the design of marketing strategies. Product comes first in terms of relative importance of the marketing mix elements.

### 5.3. Diagnostic Tests

Statistical tests are based on the assessment of underlying assumptions. For multiple linear regression, assumptions that were of primary concern were those of linearity, normality, absence of multicollinearity and homoscedasticity. All the above tests were carried out and satisfied before carrying out the regression analysis. To estimate the link between the marketing mix elements and export performance within the fresh produce industry in Kenya, marketing mix elements, namely product. pricing, promotion and place, were regressed against the dependent variable, i.e. export performance (conceptualized as a composite score of export market share, customer retention rate and return on assets (ROA)). The above analysis was conducted at 95% confidence level (0.05) and p values were used to establish the level of significance. When p values were less than or equal to 0.05, the null hypotheses was rejected in favor of the alternate hypothesis. Alternatively, when the p value was greater than 0.05, then the null hypothesis was accepted.

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## 6. HYPOTHESIS TEST RESULTS

**Table 9**
Results of Regression Analysis
Coefficients Results on the Relationship Between Marketing Strategies and Export Performance

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| .1 | (Constant) | –4.273 | 1.206 | | –3.543 | .001 | | |
| | Product | .689 | .285 | .281 | 2.418 | .018 | .702 | 1.424 |
| | Price | .373 | .265 | .161 | 1.406 | .004 | .721 | 1.386 |
| | Place (Distribution) | .393 | .182 | .240 | 2.160 | .035 | .773 | 1.294 |
| | Promotion | .553 | .241 | .232 | 2.299 | .025 | .937 | 1.068 |

[a] Dependent Variable: Export Performance

The p values for product (.02) < 0.05, price (.00) <0.05, place (distribution) (.04) < 0.05 and promotion (.02) < 0.05 suggest that all the elements, namely product, price, place and promotion, made a statistically significant contribution to the model and were therefore good predictors of export performance. The standardized beta value for product is .281, for price it is .161, for place (distribution) it is .240 and for promotion it is .232. Product has the largest impact amongst the independent variables.

**Table 10**
Model Summary on the Relationship between Marketing Strategies and Export Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1. | .626[a] | .392 | .353 | .835 |

[a] Predictors: (Constant), Product, Price, Place (Distribution), Promotion,

Dependent Variable: Export Performance

Source: Primary data

The results in the table revealed that the $R^2$ value for model 1 is 0.392, which implies that 39.2% of the variation in export performance could be explained by marketing strategies.

**Table 11**
ANOVA Results on the Relationship between Marketing Strategies and Export Performance

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 28.734 | 4 | 7.183 | 10.294 | .000[b] |
| | Residual | 44.659 | 64 | .698 | | |
| | Total | 73.393 | 68 | | | |

[b] Predictors: (Constant), Product, Price, Place (Distribution), Promotion,

Dependent Variable: Export Performance

Source: Primary data

The F statistic is used to test the significance of the regression model. The ANOVA results shown in the table indicate that the model significantly predicts export performance: F (4, 64) = 10.294, p (.00) <.05. This is evidenced by the p value which is less than .05 for the predictor variables.

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**Table 12**
Summary of the Hypothesis Results

| Research Hypothesis | P value | Decision |
|---|---|---|
| $H_1$: Product strategies adopted by firms have no significant influence on their export performance | .02 | Null hypotheses was rejected |
| $H_2$: Price strategies adopted by firms have no significant influence on their export performance | .00 | Null hypotheses was rejected |
| $H_3$: Promotion strategies adopted by firms have no significant influence on their export performance | .02 | Null hypotheses was rejected |
| $H_4$: Place strategies adopted by firms have no significant influence on their export performance | .04 | Null hypotheses was rejected |

## 7. DISCUSSION OF FINDINGS

The current study sought to establish the link between marketing strategy and export performance of fresh produce firms in Kenya. The results established that the four elements, namely product, price, place and promotion, of marketing strategy influenced performance of fresh produce firms in the export market. The findings from regression analysis revealed that 39.2% of the variation in export performance could be explained by marketing strategies while 60.8% of the variability could be determined by other factors not captured in the model. This results are consistent with findings of previous research. For instance, Batavia and Kolachi (2012) argued that marketing strategies were crucial in ensuring competitiveness of firms in foreign markets. Similar results were obtained by Sezgin, Uray and Burnaz (2015), who examined the link between marketing strategy and export performance of Turkish clothing firms.

These results further established that product strategy made the largest contribution to export performance. A possible explanation would be that the key customers for fresh produce firms were essentially resellers; for this reason, when product-related advantages (quality, consistency) were achieved, export customers were willing to pay premium prices translating to higher profits. Another possibility could be stringent measures imposed on aspects such as traceability and good agricultural practices (GAP).

A finding that was not anticipated was the relatively low mean of the price element compared to the other marketing elements, namely product, place and promotion. It appears that fresh produce firms did not use price as a competitive weapon. A possible explanation could be that the demand for fresh produce in the export market could be inelastic, where changes in the price of fresh produce did not influence demand. This usually applies to products that are classified as necessities and do not have substitutes.

## 8. CONCLUSION

This study made a contribution to export literature by looking at the relationship between marketing strategies and export performance of fresh produce firms in Kenya. Several conclusions are drawn from the study findings. The first is that marketing strategies made a significant and positive contribution to export performance of fresh produce firms in Kenya. The results also revealed that among the four elements of marketing strategy, fresh produce firms in Kenya regard product strategy as the most significant element when developing and implementing the marketing mix strategy.

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From the practitioners point of view, the findings from this study confirmed that marketing strategies had a positive influence on export performance. For this reason, managers should increase export performance by developing and implementing competitive marketing strategies. However, the degree of emphasis placed on the 4Ps varies with more emphasis placed on the product strategy.

At the policy level, the government and key stakeholders can stimulate regular export business at the firm level by lobbying for regional and bilateral trade agreements that seek to increase markets for fresh produce firms.

## 9. RECOMMENDATION

Although the findings in this study contribute to the understanding of the relationship between marketing strategies and export performance, a broader study that includes more developing countries/multiple industries would provide an important extension to this study and would also help in the generalization of research findings.

This study focused on identifying the role of marketing strategies (product, price, place and promotion) in achieving export success within the fresh produce industry. Due to the nature of product, the findings could not be generalized to the service industry, which displays unique characteristics such as intangibility and heterogeneity.

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# APPENDIX A

## CODES AND ITEMS USED IN THE STUDY

| CODES | Items of Product Strategies |
|---|---|
| P01 | The company has the ability to engage in value addition to its products |
| P02 | The company ventures in products that have a broad market appeal |
| P03 | The company offering is clearly differentiated from that of competitors |
| P04 | The company offers a broad product variety |
| P05 | The company deals with products that are of superior quality |
| P06 | The company provides quality products with a high degree of consistency |
| P07 | The company has the capacity to meet the changing customer demands when required |
| P08 | The firm has strong concerns about developing brand identity |
| P09 | The firm has a lot of experience with the product range |
| **CODES** | **Items of Pricing Strategies** |
| PR1 | The company considers market demand to determine export prices |
| PR2 | The company does an effective job of pricing its products |
| PR3 | The company monitors competitors' prices and price changes |
| PR4 | The company quickly responds to competitors, pricing actions |
| PR5 | The company effectively communicates pricing information to customers |
| PR6 | The company knows the competitors' pricing tactics |
| **CODES** | **Items of Pricing Strategies** |
| PRO1 | The company frequently attends international trade fairs in Europe and UAE |
| PRO2 | International trade fairs are intended to attract new customers |
| PRO3 | International trade fairs foster a conducive business environment, policies, tariffs and trade agreements |
| PRO4 | International trade fairs are intended to seek new markets for the company produce |
| PRO5 | International trade fairs are intended to retain existing customers |
| PRO6 | International trade fairs involve the company targeting a specific market segment(s) or customer |
| PRO7 | International trade fairs are intended to provide timely market information |
| **CODES** | **Items of Place (Distribution) Strategies** |
| D1 | The company has a strong working relationship with its suppliers |
| D2 | The company attracts and retains the best suppliers |
| D3 | The company provides a high level of service support to suppliers, e.g. providing seeds, timely information, etc. |
| D4 | The company is able to sell directly to end users in export markets |
| D5 | The company provides training to its suppliers |
| D6 | The company is selective when choosing suppliers |

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# The Effectiveness of Gamification in the Online and Offline Qualitative Marketing Research

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## ABSTRACT

Gamified market research tools help to increase respondents' engagement and obtain more in-depth results. Up till now the effects of gamification have been tested in the offline environment. The COVID-19 pandemic changed the world of the qualitative research and also triggered a need to replicate some previously presented effects. The article shows the results of two experiments proving the effectiveness of gamified approach to the qualitative advertisement and product concept testing in an online environment. The experimental groups with a narrative context added to a question regarding the first impression after viewing an advertisement or reading a product concept provided more elaborated answers to the open-ended questions than the control groups with a standard task. What's important, for the advertisement test the effect was significant for both online and offline conditions, whereas in the case of the product concept test only the online variant proved the superiority of the gamified task.

JEL classification: M310, M370, M300

Keywords: gamification, marketing research, online research

## 1. INTRODUCTION

The use of game elements in the marketing research helps to acquire and retain the respondents' attention making them more engaged in the process. There are numerous results proving the effectiveness of gamification used in brand, communication and customer experience studies (Ścibor-Rylski, 2019, 2020). Previous research was conducted mainly offline using a questionnaire with regular vs. gamified questions. The time of the COVID-19 pandemic forced a rapid change in how the marketing research was conducted – especially in the qualitative domain, where face to face contact dominated until 2020. Market research agencies have been running focus group and individual interviews online for over 1.5 years now and they needed to adapt proven tools to the new reality. A wooden table has been replaced with an online virtual co-working space provided by Miro or Mural platforms, paper questionnaires checking the first impressions in the process of evaluating the concepts of advertisements and products have been digitalized.

These new challenges in adapting the research methods to online requirements were an inspiration to replicate in a new, online environment some of the previous results showing the

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superiority of gamified tasks in the advertisement evaluation as well as to compare online and offline effects of the use of gamification in the new research field: product concept testing.

The goal of this paper is to present the results of two experiments designed to recreate a natural market research situation of the advertisement and product concept evaluation. The main research focus was to compare the participants' effectiveness in two conditions: regular question and gamified one in offline vs. online formula.

The first experiment was designed as an online replication of an effect published last year (Ścibor-Rylski, 2020a). The second experiment used the same methodology and gamification approach but the marketing research area has been changed.

The main research question referred to the comparison of the effect sizes of the use of gamification in an online and offline variant of the study.

## 2. LITERATURE REVIEW

### 2.1. Gamification in the Marketing Research

Gorączka and Protasiuk (2020) distinguish three levels of gamification in the marketing research:

- Surveytainent: not related to any game mechanics, mostly graphical improvement of a questionnaire enhancing the respondent's experience of taking part in research.
- Soft gamification: the use of the game mechanics elements in research. The essential components of this level are: feedback, narration, challenge and competition.
- Hard gamification: the ultimate level of gamification in marketing research – it is basically running a study as a game. Specially designed board and narrative games are used in qualitative research and appealing online games increase the respondents' engagement in the quantitative approach.

All the levels of gamification mentioned above help researchers to increase respondents' engagement in the process – more appealing tasks make people more motivated. Harrison (2011) shows that the use of gamification leads to higher involvement and openness to discussion and sharing thoughts. Better motivation results in an increased completion rate and more positive experience – research participants consider the process more enjoyable (Triantoro, Gopal, Benbunan-Fich, & Lang, 2020; Zichermann & Cunningham, 2011). 'Soft gamification' of questionnaires results in more elaborated responses – adding a narrative context to a research question significantly increases the average number of generated items (e.g. brand associations or image traits) when compared to the regular approach (Puleston & Rintoul, 2012; Ścibor-Rylski, 2018, 2019).

Next crucial benefit of gamifying the marketing research processes is the depth of collected data (Bailey, Pritchard, & Kernohan, 2015). Applying 'hard gamification' makes respondents immerse in the research and induces a 'hot' behavioural state facilitating the process of recreation of the motivations and the reasons behind consumers' choices as well as emotional states. Playing a game makes people more efficient in recalling some elements from the past – e.g. detailed memories of their customer journeys (Ścibor-Rylski, 2020b).

### 2.2. Gamification Online

Gamification in the marketing research serves similar goals as in education – it is a tool to increase participants' engagement and motivation, transforming the flow of a not very exciting activity into a rewarding task that activates a dopamine loop: "challenge-achievement-reward loop

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promotes the production of dopamine in the brain, reinforcing our desire to play" (Zichermann & Cunningham, 2011, p. 4). The research in the field of education proves that turning the process of learning into a game makes students more engaged and motivated (da Rocha Seixas, Gomes, & de Melo Filho, 2016; Homer, Jew, & Tan, 2018). The COVID-19 pandemic had a great impact on the learning process and also the use of a gamified approach to education. Nieto-Escamez & Roldán-Tapia (2021) present a review of the research aimed at enhancing online learning by improving participants' motivation and engagement. In most cases, a gamified approach was considered effective and engaging, and also fun.

Year 2020 changed also the way in which companies run marketing research – especially in the qualitative approach. Online methods became everyday practice. The raising popularity of online focus groups and marketing research online communities (MROCs – Baldus, 2013) puts new challenges to the application of gamification in the qualitative field of the market research and also requires careful scientific verification of the effects of the use of gamified tasks in such an environment. The use of game elements in quantitative online surveys is already a subject of researchers' focus (Downes-Le Guin, Baker, Mechling, & Ruyle, 2012; Bailey, Pritchard, & Kernohan, 2015; Puleston, 2011), but it is still an unexplored territory in the online qualitative research. The research presented in this paper may be considered as a first step to verify the effectiveness of gamification in this field.

## 3. DATA AND METHODS

### 3.1. The Research Goal and Operationalization of the Dependent Variable

The results of two experiments will be presented in this part:

1. Online replication of a study on the effectiveness of gamification in the communication research (Ścibor-Rylski, 2020a),
2. A study on the effectiveness of gamification in the product concept testing research both in online and offline conditions.

In both experiments, the same method of gamifying the task was used – a narrative context was included in the question about the first impression regarding an advertisement or a product concept. The participants in the offline condition were gathered in a lecture room. The online version was sent to the respondents as a Google Forms link. Both versions of the questionnaire were identical.

The dependent variable was defined as the research participants' engagement reflected in their effectiveness. The indicator of the dependent variable was the number of words used by the participants in their statement about the first impression.

### 3.2. The Hypothesis and the Research Question

As a result of the literature review presented above, a general hypothesis was formulated:

**Hypothesis:** employing the gamification technique based on adding a context to a question improves engagement of the research participants, resulting in better effectiveness.

Additionally, due to a lack of previous studies regarding the use of online gamification in the qualitative marketing research, a research question was asked:

**Research question:** Is there any moderating effect of the condition (online and offline) of running marketing research on the effectiveness of gamification?

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### 3.3. Research Methodology – Communication Research

The results of the original experiment proved the effectiveness of a gamified approach in qualitative advertisement testing in an offline condition (Ścibor-Rylski, 2020a). The experimental group with a narrative context added to a question regarding the first impression was more effective than the control group with a standard task. The number of words written by the participants was used as an indicator of the dependent variable. The average word count for the control group was M = 37.77, while the participants from the experimental group wrote ten more words on average (M = 47.79). The difference was statistically significant: $t(57) = 2.05$; $p < 0.05$; $d = 0.53$.

The online replication of this experiment was conducted via Google Forms among 67 students of the Faculty of Management of the University of Warsaw.

The participants were split into two groups:

– control (no gamified techniques were used)
– experimental (with a gamified question – a narrative context added).

As in the original research, the participants were asked to watch a commercial – a TV advertisement of Castorama – a DiY retailer (Castorama Polska, 2018). The ad lasted 45 seconds and its plot was focused on a story of two neighbours falling in love. The brand inspired the male character to accomplish a project – create a roof garden that helped him charm his female neighbour.

After watching the commercial, the participants were asked to fill out a form with only one question. Its content was different in the control and in the experimental group.

The control group was simply asked about their first impressions. They received the following instruction:

*"Watch the commercial and write down what you think about it."*

In the experimental group, a narrative context was introduced to the question. It is considered as one of the components of 'soft gamification' (Gorączka & Protasiuk, 2020). They received the following instruction:

*"Imagine you work for an advertisement agency and you are working on a new campaign. Your biggest rival working for a competitor's brand has just created a new ad – somehow you managed to watch it before the official premiere. You need to react as soon as possible to design a relevant commercial as a response and not to fall behind. You want to share your thoughts with the creative team and your management. Watch the commercial and write down what do you think about it."*

No time limit was imposed. The next subchapter presents the results of the comparison between two groups. As in the original experiment, the indicator of the effectiveness of gamification was the word count in each participant's statement.

### 3.4. Results – Communication Research

The average word count of the statements was calculated in each group. The experimental group (N = 28) used more words: M = 38.97; SD = 30.61 compared to the control group (N = 31): M = 96.82; SD = 76.77.

T-test was used to analyse the significance of the difference. It revealed a statistically significant difference and an average effect size: $t(51) = 4.27$; $p < 0.001$; $d = 1.08$. The results are presented in Chart 1.

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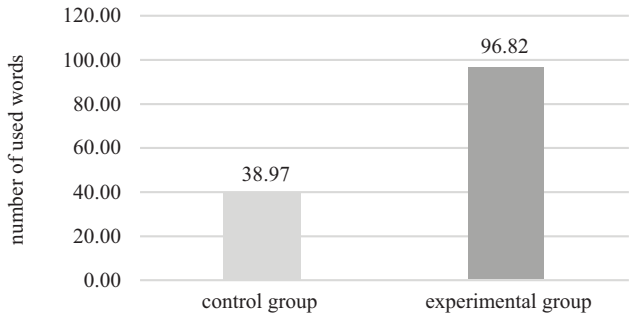
**Chart 1**
Differences in the average number of words used by the control and experimental groups




The group with the narrative gamification technique using an extended context generated significantly longer statements than the control group. The effect was replicated but what is surprising is the size of the effect. The results of the control groups in both online and offline conditions are similar, whereas there is a big difference in the case of the performance of the gamified groups. Also the size of the standard deviation in the experimental group in an online condition shows that there was no coherence in the length of the statements: some participants wrote very long first impressions (over 100 words, in some cases even 200 words) and some could be considered as standard observed in an offline experiment (40–50 words).

Such a surprising result was an inspiration to run another experiment focused on the comparison of the effectiveness of gamification used in two conditions: online and offline. This time, the research was focused on the product concept testing and gathering the consumers' first impressions.

### 3.5. Research Methodology – Product Concept Research

The experiment was conducted among 134 students of the Faculty of Management of the University of Warsaw.

Two independent variables were defined:

– research condition: online via Google Forms vs offline in a lecture room
– gamification: control group (no gamified techniques were used) vs experimental (with a gamified question – a narrative context added).

Table 1 summarizes the number of participants in each research condition.

**Table 1**
The number of participants in each research condition

| | Control group | Experimental (gamified) group | Total |
|---|---|---|---|
| Online | N = 43 | N = 32 | N = 75 |
| Offline | N = 28 | N = 31 | N = 59 |
| total | N = 71 | N = 63 | N = 134 |

The participants were asked to read the concept – a detailed description of a fictional product: smartphone case with a built-in charger. The concept was built in a classic way: with consumer insight, benefit and reason to believe:

Consumer insight:

*You are a busy person who constantly uses the phone in your work. Unfortunately, the battery cannot withstand a full day of intensive use. Power banks are a solution, but they are a tangle of cables and another item that you have to carry and remember to charge.*

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Benefit:

*ChargeCase will appear on the market – a special case that extends the battery life of your phone. It is fully compatible with most phone models, and is also light and aesthetic. It can be personalized by selecting any graphic theme or photo. ChargeCase does not block the charging input, so you do not have to remove it when charging the phone and it charges simultaneously with it. Extends battery life by up to 100%.*

RtB:

*Modern cells used by ChargeCase allow you to store large amounts of energy in a very small, completely flat battery, so that the phone does not increase its size and you do not have to bother with the charging process.*

After reading the concept, the participants were asked to fill out a form with only one question. Its content was different in the control and in the experimental group.

The control group was simply asked about their first impressions. They received the following instruction:

*"Read the product description and write down what you think about it."*

In the experimental group, a narrative context was introduced to the question. The participants received the following instruction:

*"Imagine you are a researcher participating in the design thinking process. You work in two teams that develop prototypes that are independent of each other. The participants of the second group have just finished the design session and sent you a ready idea for the product – your task is to provide them with your feedback, which will be used to optimize the concept. Read the product description and write down what you think about it."*

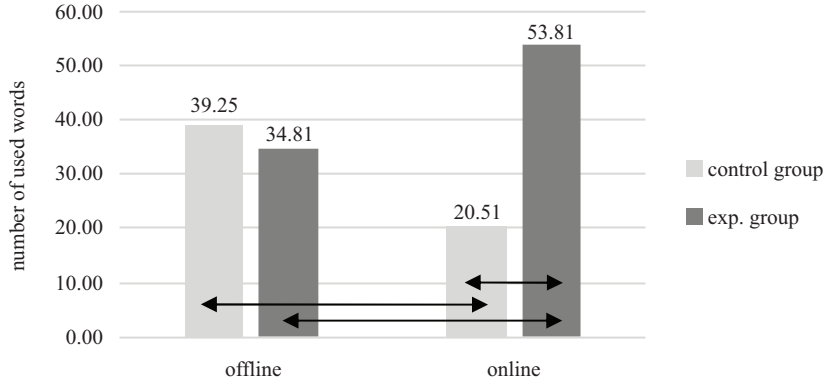
No time limit was imposed. The next subsection presents the results of the comparison between two groups.

### 3.6. Results – Product Concept Research

The average word count of the statements was calculated in each group. In the offline condition, the average number of words in the control group (M = 39.25; SD = 16.83) was slightly higher than in the experimental group (M = 34.81; SD = 17.46). In the online condition, the average number of words in the control group (M = 20.51; SD = 17.99) was lower than in the experimental group (M = 53.81; SD = 54.64).

Two-way ANOVA was used to analyse the results. It revealed a statistically significant interaction effect with a medium effect size: $F(1, 130) = 12.30$; $p < 0{,}001$; $\text{eta}^2 = 0.09$. The results are presented in Chart 2. The arrows indicate significant simple effects.

**Chart 2**
The interaction effect




The analysis of the simple effects:

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The simple effect of the offline condition is not significant:

$F(1, 130) = 0.31$; $p = 0.58$. There is no significant difference in the words used by the control and the experimental group in the offline task.

The simple effect of the online condition is significant and strong:

$F(1, 130) = 21.52$; $p < 0.001$; $eta^2 = 0.14$. In the online task, the experimental group used significantly more words than the control group.

The simple effect of the control group is significant and rather weak:

$F(1, 130) = 6.30$; $p = 0.013$; $eta^2 = 0.05$. In the control group, the participants used significantly more words in the offline than in the online condition.

The simple effect of the experimental group is significant and rather weak:

$F(1, 130) = 6.02$; $p = 0.016$; $eta^2 = 0.04$. In the experimental group, the participants used significantly more words in the online than in the offline condition.

Summing up – the gamification of the task was effective only in the online condition. What is surprising is that the control group performed better in the offline than in the online condition. The results pattern in the experimental group was reversed – the participants were more effective in the online task.

### 3.7. Discussion of the Results

The analysis of the results of both experiments partially confirmed the hypothesis. Gamified tasks make people more engaged and thus more effective, but there is evidence that this effect is moderated by the condition of the task, which answers the research question. In the case of online experiments, both in advertisement and in product concept research, the experimental group achieved higher word counts than the control group. When done offline, the effect was maintained but also impaired only for the advertisement test and there were no differences between the groups in the case of the product concept test.

Another interesting observation is the huge difference between the control and experimental group in the online variant of advertisement research. Comparing both experiments, the regular, not gamified groups both achieved a similar length of performance (average around 38 words), but in case of the experimental groups the differences are vast – online participants reacted to the gamified task with the average of almost 97 words compared to over 47 in the offline mode. Such a finding needs a thorough examination and replication, but one of the possible explanations might be the fact that people in the online variant were filling out the form in their free time without any mental limitations. Perhaps the gamified task was so involving as a role-playing experience that they allowed themselves to be carried away with the flow. The participants of the offline variant were asked to fill out the form during a lecture in a lecture room. Such an environment, the presence of other people and observation of their performance might limit the facilitation of the role-playing, narrative experience or even eliminate it in some types of tasks – like in the case of the evaluation of the product concept. The reason for the failure of the gamified task in this kind of assignment might be the specificity of concept testing and its verbal form. It is possible that in a more rigid offline condition, the participants were able to empathize with the role only when confronted with non-verbal material in a form of an appealing love story presented in the advertisement. Reading a product concept might not be such a strong trigger of narrative flow. This hypothesis needs further examination.

The presence of other people increases vigilance and arousal which might facilitate the performance of simple, psychomotor tasks using well-trained skills (Zajonc & Sales, 1966). A complex, narrative and individual assignment requiring full concentration and the use of imagination might result in the impairment of the performance of the experimental offline groups

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in both commercial and product concept tasks (Baron, 1986). This result might have a big impact on the use of gamified techniques in focus groups – both offline and online.

The results of the control group in the product concept test experiment shows that in the case of online tasks the performance declines compared to the offline condition. It is a proof that the use of gamified techniques might be a solution to increase respondents' engagement, which is significantly lower when standard marketing research tasks are applied.

## 4. CONCLUSIONS

The new results in the field of the use of gamification in marketing research confirm that it is an effective tool to increase the participant's engagement. Online replication of the effect provided a result of great importance – the COVID-19 pandemic accelerated the process of digitalization of qualitative research. Proving that gamification works and is even more effective in online tasks opens new possibilities for market researchers. The next research step is to test gamified tasks in online, qualitative consumer communities. A safe environment, no time pressure and natural activity of writing opinions on the Internet make it a perfect environment for the use of gamification. Such communities usually exist several days, which does not create time pressure and allows the researcher to test different, more complicated and sequential gamified tasks – not only narrative but also those using challenge, feedback and competition.

Another important research direction would be an experiment designed to verify the hypothesis regarding the social inhibition effect – is online gamification effective only for individual tasks? How about online focus groups where the participants are aware of the presence of other people? These questions need to be answered in future research.

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