

**Effects of Marketing Strategies on the Financial Performance of
Construction Companies in Nairobi County**



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School in Partial Fulfillment for the Degree of Bachelor of Commerce of
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DEDICATION

I would like to dedicate this project report to my dear family.

DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the proposal contains no material previously published or written by another person except where due reference is made in the proposal itself.

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Kevin Gachiri

Signature:



Date:

9th DECEMBER 2024

Approval

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Date:

15/Jan 2025

ABSTRACT

The main objective of this study was to examine the effects of marketing strategies on the financial performance of construction companies in Nairobi County. Specific objectives included; to find out the impact of diversification strategy on the financial performance of construction companies in Nairobi County; to establish the effect of market penetration strategy on the financial performance of construction companies in Nairobi County; and to determine the effect of market development strategy on the financial performance of construction companies in Nairobi County. The study was supported by Marketing Mix Theory, Push and Pull Theory, and Market-Based View Theory. The researcher used a descriptive research design. The study targeted 217 marketing officials who work at construction companies in Nairobi County. Yamane's technique was conducted to obtain the sample size for this study. Questionnaires were used in this study to gather primary data. Descriptive analysis was utilized to analyze data, and SPSS version 28 was utilized as a tool for statistical analysis and data management. The researcher ensured validity and reliability of the study instruments. Finally, the researcher observed all ethical issues in research. The study revealed a positive correlation between diversification strategy and financial performance in construction firms in Nairobi County. Product variety growth, market share diversification, and the introduction of new goods significantly improved financial performance. Market penetration strategies have led to increased client acquisition rates and market shares, resulting in improved financial results. Market development strategies have also improved financial performance by expanding market presence and increasing income. Therefore, investing in diversification, market penetration, and market development strategies is crucial for construction companies in Nairobi County to enhance their financial performance. The research suggests that construction organizations should diversify their products and services by introducing new, unconnected goods and services to increase market share and benefit from economies of scale. They should differentiate their products based on their target market and financial constraints, communicate this differentiation to distributors, retail outlets, and end users, and examine marketing materials before distribution. Adopting market penetration strategies is crucial for financial growth. Marketing and finance managers should focus on building new distribution channels, executing a proper pricing plan, and market segmentation to meet client needs and increase patronage. The study focused on Nairobi County's construction forms and suggests future research on other counties, broadening the industrial scope to include manufacturing, retail, banking, investments, service, telecommunications, and insurance, and exploring previously unexplored factors.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Marketing involves exchanging valuable commodities or services, and firms must have a competitive edge to build relevant and long-lasting strategies (Paley, 2021). Market competitiveness in the modern business environment depends on a corporation's ability to create and execute plans, and competitiveness may influence the type of strategy chosen. A responsive work organization, built on cooperative relationships with external partners, is essential for a company's success (Othman & Harun 2021).

Construction companies in Kenya are vulnerable to competitive forces in the local market, with both domestic and foreign competitors lowering profit margins. To stay competitive and improve performance, construction companies must develop new marketing strategies (Kwak & Kim, 2022). The unpredictability of the business environment has increased competition, placing pressure on firms to increase and acquire competitive advantages through the implementation of suitable marketing strategies. The socio-technical systems (STS) theory, as proposed by Das & Jayaram (2007), explains how firms' technology and people are inextricably linked to the outside world. Service quality experts like Gillespie and Swan (2021) promote the use of technology to connect staff members with customers in marketing and sales. Integrating personnel and the right technology is necessary for a company to link itself and its surroundings through the design and implementation of marketing strategies.

1.1.1 Marketing strategies

According to Ferrell et al. (2022), marketing strategy refers to the process by which businesses respond to competitive market conditions, market forces, or internal and environmental factors in order to accomplish their goals in the target market. The conventional marketing strategy outlines a company's aim and objectives within a specific market niche. It is a collection of precise, reliable, comprehensive, realistic, specified, and legitimate acts aimed at achieving company objectives. The success of a company is significantly influenced by its marketing strategy, which aligns with the ideas presented in marketing literature (Morgan et al., 2019).

The diversification strategy involves expanding a firm's range of products or entering new markets to reduce risks and enhance financial performance. Firms tend to improve their overall financial performance by strengthening their competitive edge, launching new product lines, and venturing into unexplored areas. These actions can also help to manage market swings and

improve income streams (Morgan et al., 2019). Market penetration strategy aims to increase market share in current markets by employing techniques such as competitive pricing, marketing campaigns, and better customer service. According to Doole et al. (2019), this approach strives to increase sales volume and market presence, improving financial performance by maximizing income from present market segments. Market development strategy entails discovering and entering new markets using existing goods. Guchu (2022) indicated in his study that businesses use this method to broaden their geographical reach or target new client categories. By entering new markets, these businesses boost their sales base and improve their financial performance through increased market diversification and growth potential (Guchu, 2022).

1.1.2 Financial performance

Financial performance is an objective measure of a company's ability to generate income from its assets and resources. It provides insight into a company's overall financial health and can be used to compare industries or sectors (Seru & Sufi, 2021). Accounting data or stock market values can be used to gauge a company's financial success in making financial management decisions. Three perspectives are available for examining financial performance: income statement, balance sheet, and cash flow statement performance statements. Margin performance, also known as gross profit margin and net profit margin, is a measure of profitability based on cost effectiveness. Gross profit margin and net profit margin are popular measurements, examining the effectiveness of the selling process and the efficiency of operating, selling, distributing, investing, and financing expenditures (Seru & Sufi, 2021).

Financial performance can be evaluated in terms of profitability, liquidity, solvency, financial efficiency, and repayment capability according to Zada et al. (2019). Profitability is the amount a company makes from its productive assets, liquidity is the company's ability to pay debts, and solvency is the company's ability to cover all debts in the event of asset sale. Accounting ratios are used to analyse financial information, and return on assets (ROA) is a popular statistic used to gauge profitability. ROA is calculated as a percentage of a company's yearly earnings by its total assets (Seru & Sufi, 2021).

1.1.3 Construction Companies in Nairobi County

Construction companies in Nairobi County play an important role in developing Kenya's urban landscape, making considerable contributions to infrastructure, commercial buildings, residential complexes, and industrial facilities. Nairobi, Kenya's capital and commercial hub,

has seen significant urbanization, resulting in increased demand for building and related services. The sector includes a wide spectrum of entities, from major, well-established companies to small and medium-sized enterprises (SMEs) that work on both large-scale projects and smaller, localized ventures.

According to current data, Nairobi County has hundreds of registered construction enterprises, indicating a thriving economy that responds to both public and private sector demands. Large companies like as China Road and Bridge Corporation (CRBC), Epco Builders, and Cementers Ltd dominate the market, working on big infrastructure and commercial projects such as roads, bridges, and skyscrapers. Meanwhile, smaller enterprises and subcontractors concentrate on residential construction and smaller infrastructure projects, frequently meeting the rising population's housing requirements.

The sector has a large workforce, with thousands of trained, semi-skilled, and casual workers contributing to its growth. Nairobi's construction sector not only creates jobs but also promotes economic growth by raising demand for raw materials, machinery, and supporting sectors, cementing its position as a pillar of the local economy.

1.2 Problem Statement

Due to the present market globalization, businesses now view internationalizing their operations as a means of maintaining their competitiveness. Globally, marketing strategies have grown in importance as instruments that help organizations stay stronger and competitive in the marketplace. According to Gillespie & Swan (2021), strategy is a pattern of choices made on the distribution of resources within an organization. This captures views about acceptable and, more importantly, undesirable methods of accomplishing desired goals as well as those goals themselves. The examination of the market and its surroundings, consumer purchasing patterns, rivalry, and the requirements and capacities of marketing intermediaries are all implied by marketing strategy. The construction companies in Nairobi County is facing considerable problems in improving its financial performance in the face of increasing competition and market dynamics. Despite applying diverse marketing methods, financial results are varied and frequently unsatisfactory (Paley, 2021).

Numerous domestic and international research have been conducted on the necessity of marketing strategies for businesses. According to Covin et al. (2016), emergent and unintentionally developed marketing techniques are more common than intentional ones. According to Elbaná and Child (2017), uncertainty is an important factor that affects the

process of developing marketing strategies since it has a big impact on the process. Marketing segmentation, product strategies, distribution, pricing, marketing connection, and promotions are among the local marketing methods that Kenyan commercial banks employ, according to research done by Masika (2017). In research on the impact of strategic organizational practices on the manufacturing sector's performance in Kenya, Hassan (2018) found that strategic management practices were important factors influencing the manufacturing sector's performance.

However, none of these studies have examined the impact of strategies for marketing such as market diversification, market penetration, and market development on the financial performance of construction companies in Nairobi County. There exists a research gap that needs to be addressed, therefore, this study sought to determine the effects of marketing strategies on the financial performance of construction companies in Nairobi County.

1.3 Research Objectives

The main objective of this study was to examine the effects of marketing strategies on the financial performance of construction companies in Nairobi County.

Specific Objectives:

- i. To assess the impact of diversification strategy on the financial performance of construction companies in Nairobi County.
- ii. To establish the effect of market penetration strategy on the financial performance of construction companies in Nairobi County.
- iii. To determine the effect of market development strategy on the financial performance of construction companies in Nairobi County.

1.4 Research Questions

- i. What is the impact of diversification strategy on the financial performance of construction companies in Nairobi County?
- ii. To what extent does market penetration strategy affect the financial performance of construction companies in Nairobi County?
- iii. What is the effect of market development strategy on the financial performance of construction companies in Nairobi County?

1.5 Justification of the Study

1.5.1 Legislators

The government and industry authorities will gain essential knowledge on how marketing plans may be implemented, enabling them to establish policies that will direct and motivate other organizations, both inside and outside of the sector, to carry out their objectives in an ethical manner. The study's findings might be used by policymakers to pinpoint and rectify holes in the current marketing plans. This will boost the competitive edge of the construction companies and help them perform better.

1.5.2 Future Researchers

This study adds to the body of knowledge on marketing strategies in the context of global competitive issues. It specifically adds to the growing corpus of research on the strategies employed by construction companies across the globe to not only maintain and strengthen their competitive positions but also gain new market share both domestically and abroad in the face of an increasingly competitive global market.

1.5.3 Management of construction companies

This study will be a great resource for the management and employees of the various as they design and utilize their competitive strategies in the current dynamic and ever-changing business climate. This study will provide light on potential obstacles to strategy formulation and implementation as well as suggestions for avoiding them.

1.6 Scope of the study

The study examined effects of marketing strategies on the financial performance of construction companies in Nairobi County. The study was limited to construction companies' firms locate in Nairobi County. The researcher gathered data from various marketing departments of the companies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section covers theories of the study, empirical review, research gaps, conceptual framework and also operationalization of the variables.

2.2 Theoretical review

The study is supported by marketing mix theory, push and pull theory and market-based view theory.

2.2.1 Marketing Mix Theory

Borden is credited with creating the marketing mix theory, according to Grönroos (1994). To make crucial choices that result in the implementation of a marketing strategy, the idea is still applied today. A marketing mix theory aims to structure the whole marketing strategy around the behaviours, needs, and psychological makeup of the intended audience. The Marketing Mix Theory integrates several elements to fortify and stabilize a product's brand and facilitate sales of the good or service. The Four P's—products, pricing, promotion, and place—are the components that are united by this. Subject to the internal and external limitations of the marketing environment, the marketing manager can regulate these four Ps. In order to produce perceived value and elicit a favourable reaction, the objective is to make decisions that centre the four Ps on the target market's customers (Darmawan & Grenier, 2021).

When physical goods made up a bigger share of the economy in the early years of the marketing idea, the marketing mix framework was very helpful (Mintz et al., 2021). Some writers have tried to expand the utility of marketing by putting out a fifth P, such as packaging, people, process, etc., in light of the greater diversity of goods and markets as well as the increased integration of marketing within businesses today. Nonetheless, the 4 Ps are still often the foundation of the marketing mix today. Its simplicity and its limitations notwithstanding, this framework is still widely used, and several marketing textbooks are structured on it.

In Application to this study, the 4 Ps that make up Marketing Mix Theory are essential to understanding marketing strategies. Promotion is essential to a market penetration plan. Targeted advertising and sales promotions are useful tools for construction companies in Nairobi County to increase brand awareness and draw in new business, which will improve their bottom line. Hence the theory supports market penetration strategy variable.

2.2.2 Push and Pull Theory

There are two ideas related to customer service: the "Push" theory and the "Pull" theory. Businesses and organizations have most frequently used the push pull idea in their marketing procedures. If the client or the business begins the action determines if it is push or pull. Zmud (1984) states that Fredrick Winslow Taylor created the push-pull theory in 1911 while working on "The Principles of Scientific Management." Businesses heeded his advice and began concentrating on outperforming their rivals in terms of efficiency. As a result, it became possible to identify the demands of the possible clients and provide the solutions to them. Market-driven solutions in today's world might occasionally be perceived by the client as invasive or ignored as a result of information overload. A lot of businesses are switching from a push to a pull mentality. In other words, they give the answers and information in a format that is generally accessible, letting the client choose the one that best meets their demands (Prabawa & Pertiwi, 2020).

A fundamental assumption for pushing solutions (i.e., goods, information, etc.) to clients is that the company or organization can predict the client's demands ahead of time and have the answer ready (Cooper & Kleinschmidt, 2015). Businesses that prioritize the push theories frequently do so in an effort to boost productivity. They think that if they write the penultimate user manual, for example, they will address every query the client may have and hence reduce the amount of communication the customer needs to do with the company. Additionally, by employing a push model, the company may restrict the locations in which services are offered, perhaps improving the effectiveness of support staff training. Implementing this paradigm has become increasingly challenging as firms fear they may be compromising efficiency for effectiveness.

Push and Pull Theory is applicable to market development strategies. For example, "pull" methods like targeted advertising and brand building might attract new client segments in various geographic locations. Construction companies in Nairobi County can extend their client base and enhance their financial performance by increasing demand and awareness in new areas.

2.2.3 Market Based View Theory

The Market-Based View (MBV), put out by Bain (1968), which contends that industry variables and external market orientation are the main drivers of a firm's success, served as the foundation for this investigation. The firm's market-based perspective (MBV) emphasizes the

connection between an organization's internal and external strategy. Grant (1991) states that the initial fundamental premise is that enterprises within an industry allocate strategically important resources uniformly. The second premise relates to these resources' mobility, which is quite mobile in the MBV (Varadarajan, 2020). Consequently, a company's capacity to capitalize on imperfections in the market where it offers its products or services is essential to its growth. In other words, a business needs to decide where in the market it can best position itself to either influence or defend against competing pressures (Varadarajan, 2020).

According to Porter (2008), a competitive advantage in the MBV may be attained by carrying out strategically important tasks more affordably than rivals or in a distinctive manner that appeals to clients. As a result, the MBV demonstrates that the four market expansion strategies under investigation—pricing, distribution, diversification, and differentiation—can be pursued independently or in tandem with the ultimate goal of outperforming rival players and establishing a strong position within the sector (Tarihoran et al., 2023).

The Market-Based View (MBV) Theory stresses that market conditions and competitive factors are the primary drivers of a firm's performance. In terms of diversification strategy, MBV proposes that construction companies in Nairobi County can improve their financial performance by entering sectors with low competition or strong demand. These businesses can benefit from favourable market conditions by strategically diversifying their goods or markets, increasing profitability and growth.

2.3 Empirical review

2.3.1 Diversification Strategy and Financial Performance

The impact of diversification strategies on the performance of Kenyan commercial banks was examined in the Mwangi (2016) research. The 42 Kenyan commercial banks that were registered were the target population, and the sample size was determined by using the census technique. There was use of both primary and secondary data. The survey found that one common tactic used to diversify product offerings is mobile and online banking. Furthermore, two important marketing techniques Kenyan commercial banks may employ to improve their performance are adding new features to the current product (price) and branding/rebranding the majority of the current goods and reintroducing them to the market.

Mehmood et al. (2019) looked at how corporate diversification strategies affected business performance in South Asia. A crucial factor taken into account was the variety of products offered by companies in Bangladesh, India, Pakistan, and Sri Lanka. The findings showed that

while having different products, including loans and bank accounts, had a negative effect in India, they had a favourable influence on performance in Bangladesh, Pakistan, and Sri Lanka. The rationale offered was that agency-related issues and a lower use of company assets existed in India.

The impact of product diversification on the financial performance of particular banks in Kericho Town was examined by Kenyuru et al., (2016). In Kericho Town, commercial banks were the subject of this investigation. The Commercial Banks' whole workforce was the focus of the investigation. The results showed that although horizontal product diversification approach had a positive and substantial association with financial performance, vertical product diversification and bank financial performance had a significant and positive relationship. The study suggested that the bank diversify its offerings, paying particular attention to the unexplored opportunities that arise from conglomerate diversification.

The impact of diversification strategy on the financial performance of several Kenyan commercial banks was examined by Otieno and Moronge (2014). 40 senior managers, 200 middle managers, and 360 junior employees from Kenya's four commercial banks made up the research population. The study focused on upper management and junior employees, gathering data from four chosen banks using stratified sampling. Through consultations with experts, validity was confirmed. With the use of descriptive and inferential statistics, SPSS was used to evaluate both primary and secondary data. The findings showed that innovativeness, new markets, information flow, and technology all have a big impact on financial performance.

2.3.2 Market Penetration Strategy and Financial Performance

Market penetration strategies and organizational growth in the Kenyan soft drink industry were studied by Wainaina & Oloko (2016), and their results supported the existence of a relationship between the two. Their findings indicated that the promotional approach had a positive association with organizational growth, whereas the pricing and distribution strategies showed negative relationships with it. According to the study's findings, every market penetration strategy is required for organizational growth, and each one works best when combined with the others to enhance market share, market penetration, and organizational growth.

Mwangi (2018) looked at the impact of market penetration strategies on the operational efficiency of a subset of Kenyan milk processing businesses in different research. The results of the study showed a strong and positive relationship between these firms' performance and their approach to market penetration. These firms prioritized techniques like as providing

higher-quality goods and services, promoting their brands, lowering costs, and expanding their distribution networks. The scope of this analysis was restricted to milk processing businesses rather than the whole agricultural sector. Market penetration, market expansion, mergers and acquisitions (which integrate internal and external development methods) were the factors utilized to study growth strategies. But the focus of this study will be solely on the internal growth tactics used by the agrochemical sector.

Nyaga and Muema (2017) studied the impact of penetration pricing strategy on the profitability of insurance companies in Kenya. The target group comprised 45 insurance companies. The study examined data from 2008 to 2012, and the sample consisted of 900 workers. Purposive sampling was employed to choose two workers from each of the insurance firms. According to the study, there was a favourable correlation between the firm's profitability and penetration price.

Murguiyia (2018) studied how market penetration strategies affected organizational development in Kenya's steel sector. A cross-sectional research approach was employed in the study. 48 steel businesses that operate in the Kenyan market made up the sample population. The primary data was gathered through questionnaires, while the secondary data came from published sources such as periodicals, journals, and evaluations of websites. The results show that market penetration tactics have a big impact on the steel industry's organizational expansion.

2.3.3 Market Development Strategy and Financial Performance

Research on Market Development Strategy and Financial Performance was conducted by Koks and Kilika (2016). The study found that there is a favourable relationship between company performance and investments made in product development strategies by businesses that invest in market development strategies. The paper goes on to say that while this method does affect company success, the link is contingent upon the overall characteristics of the market that encourage product uptake

Mbithi et al., (2015) studied the effects of market development strategies in the sugar industry in Kenya. The results demonstrated that a firm's capacity utilization may be affected by 8.6% and sales volume by 5.6%, respectively, by a market development plan. The study concluded that, given the low degree of significance of the data, businesses should take into account variables other than market expansion strategy that affect sugar company success. Market development strategy, particularly through new geographical regions, was shown to have a

negative influence on insurance business performance, according to Mwau, Oloko, and Muturi's (2016) study on the impact of market growth strategy on insurance firm performance in Kenya. The study came to the conclusion that businesses need to exercise extreme caution when deciding which markets to join if they want to prosper, with the exception of those that benefit from the loyalty of reputable brands.

The link between success in the banking business and new product development was investigated by Fong, Lo, and Ramayah (2014). A cross-sectional survey research approach was used in the study. Customers who had been with their local banks in Malaysia for a year made up the target respondents. Primary data was gathered through the use of questionnaires. The results show a link between performance and new product innovations, including firm image, brand strength, innovativeness, and quality.

2.4 Summary of literature and research gaps

Table 2. 1: Summary of literature and research gaps

Author & Year	Research Topic	Methodology	Findings	Research Gaps	Focus of the study
Mehmood et al. (2019)	Impact of corporate diversification strategies on business performance in South Asia	Mixed methodology	Corporate diversification strategies had a significant positive impact business performance	The study used mixed methodology	The study used quantitative methodology
Mwangi (2016)	Impact of diversification strategies on the performance of Kenyan commercial banks	Mixed methodology	The survey found that one common tactic used to diversify product offerings is mobile and online banking.	The study was conducted in Banking sector	The study was conducted in construction companies in Nairobi County

Wainaina & Oloko (2016)	Market penetration strategies and organizational growth in the Kenyan soft drink industry	Quantitative methodology	Findings indicated that the promotional approach had a positive association with organizational growth, whereas the pricing and distribution strategies showed negative relationships with it.	The study focused on marketing strategies on organizational growth	The study focused on marketing strategies on financial performance.
Koks and Kilika (2016)	Market Development Strategy and Financial Performance	Quantitative methodologies	study found that there is a favourable relationship between company performance and investments made in product development strategies	The study focused only on development strategies.	This study researched Diversification Strategy, Market Penetration Strategy and Market Development Strategy

2.5 Conceptual framework

A conceptual framework provides a systematic approach to assessing the relationships between variables in research or theoretical models. According to Mugenda (2019), it serves as a foundation for identifying, defining, and organizing concepts that will affect empirical research and theoretical advances in several disciplines.

Independent variables

Dependent variable

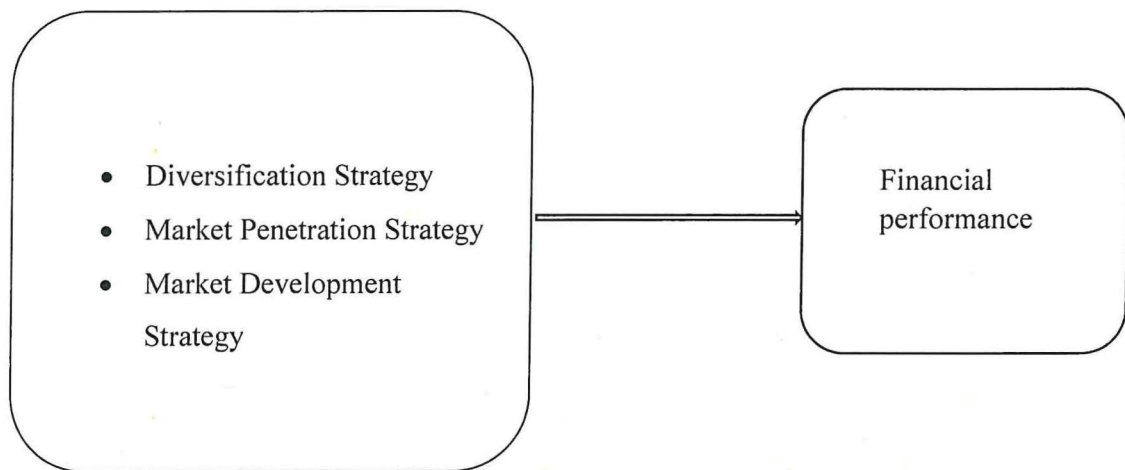


Figure 2. 1: Conceptual framework

2.5.1 Operationalization of study variables

Table 2. 2: Operationalization of study variables

Variable	Indicators	Measurement Scale	Tools of Analysis
Diversification Strategy	<ul style="list-style-type: none"> • Product Range Expansion • Revenue from New Products • Market Share Diversification 	Likert scale	Descriptive and inferential statistics
Market Penetration Strategy	<ul style="list-style-type: none"> • Customer Acquisition Rate • Sales Volume Increase • Market Share Growth 	Likert scale	Descriptive and inferential statistics
Market Development Strategy	<ul style="list-style-type: none"> • New Market Entry • Geographical Expansion • Revenue from New Markets 	Likert scale	Descriptive and inferential statistics
Financial performance	<ul style="list-style-type: none"> • Sales Revenue Growth • Profit Margin • Return on Assets 	Likert scale	Descriptive and inferential statistics

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on outlining the methods that was used to conduct the study.

3.2 Research Design

According to Stangor (2014), research design is the overarching strategy or plan that integrates the various components of a study in a logical and coherent way, ensuring that the research question is effectively addressed. Data for the study was gathered using a descriptive research approach. Nelson (2013) defines a descriptive research design as a methodological approach that involves gathering, describing, and organizing data using graphs and charts to provide a clear picture.

3.3 Population and Sampling

3.3.1 Population

Kothari (2017) defines population as the entire set of objects, subjects, and individuals from which a study's findings are derived. The target population for this study was 217 construction companies in Nairobi County. The study aimed to target 217 marketing officials at construction companies in Nairobi County.

3.3.2 Sampling

Mugenda and Mugenda (2003) argue that a manageable sample size improves practicality and efficiency in quantitative research. In this study, the researcher sampled marketing executives from construction enterprises in Nairobi County to examine the influence of marketing techniques on financial results. Using Yamane's technique, the sample size was determined to be 141 of the total 217 marketing officials, assuring an appropriate representation of the population. To do this, the researcher used basic random sampling, which ensures that each official has an equal chance of selection. This strategy improves impartiality and reduces selection bias, allowing the results to more accurately represent the broader population's perspectives on the relationship between marketing methods and financial success in the construction business.

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = desired sample size

N = population size

e = margin of error (often 0.05 for a 95% confidence level)

$$217 / \{1 + (217 * 0.05^2)\}$$

Thus; Sample size is 141 respondents.

3.4 Data Collection Methods

3.4.1 Data Collection Instruments

This study used questionnaires to collect primary data, with closed-ended questions based on a Likert scale with five points. The questionnaires consisted of two parts: demographic information in the first segment and respondents' views on the research variables in the second segment. These questionnaires were considered excellent instruments for first-hand and in-situ data collection.

3.4.2 Data Collection Procedure

After completing the research proposal, supervisor permission was sought, and 10% of the workforce from construction companies in Nairobi County participated in a pilot test. After a week, responses were gathered for data analysis.

3.5 Data Analysis

Data analysis involved data entry, coding, and decision-making. It involves synthesizing research data to evaluate hypotheses. Inferential statistics like regression and correlation analysis assessed the effect of the independent variable on the dependent variable. Descriptive analysis analyzed frequencies, percentages, means, and standard deviation. The Statistical Package for the Social Science (SPSS) version 28 was used for data management and analysis, with tables and figures for data display.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

3.6 Research Quality

3.6.1 Validity

Pretesting helps identify errors and ensures validity in test results. The research instrument is validated in construct, face, and content validity. A pilot study with a small number of workers evaluated the study's representativeness. Construct validity ensured data analysis aligns with investigation goals. Face validity ensures objectives are met, and findings are confirmed by a panel of reviewers and discussants.

3.6.2 Reliability

A tool's reliability is determined through repeated testing, with a Cronbach Alpha test result of 0.7 or above indicating consistency. This test measures within-itemized evenness and scale uniformity. A high alpha value indicates appropriate consistency, while the opposite is also true. The Cronbach Alpha of measurement value must exceed the advised 0.7 in social sciences.

3.7 Ethical Issues in Research

This study involved contacts with individuals from various sectors of the construction companies in Nairobi County, ensuring integrity and discipline in data gathering. Data was handled discreetly and objectively, and research results were communicated without bias or modification. Proper citation of sources was necessary to avoid copying and meet study goals.

CHAPTER FOUR

PRESENTATION OF RESEARCH FINDINGS

4.1 Introduction

This chapter highlights the findings of the study gathered from the respondents.

4.2 Response Rate

The researcher distributed a total of 141 questionnaires to the respondents, of which 116 were completed out and sent back. This indicated 82% response rate. According to Babbie (1990), a response rate of 60% is good, 70% is very good, and 50% is adequate for analysis and reporting from manual surveys.

Table 4. 1: Response Rate

Category	Frequency	Percentage
Response	116	82%
Non-response	25	18%
Total	141	100

4.3 Reliability Test

Table 4. 2: Reliability Test

Variable	Cronbach Alpha	Comment
Diversification Strategy	0.705	Reliable
Market Penetration Strategy	0.710	Reliable
Market Development Strategy	0.788	Reliable
Financial performance	0.710	Reliable

The study instrument's reliability was tested using Cronbach's coefficient alpha (α), as suggested by Amin (2005). Overall, the test's constructions seem to be sufficiently reliable, as indicated by Cronbach's alpha values greater than 0.7. Diversification Strategy had 0.705, Market Penetration Strategy had 0.710, Market Development Strategy had 0.788 and financial performance had 0.710. All variables attained the threshold; hence the measurements were accepted.

4.4 Demographic Data

Table 4. 3: Demographic Data

	Category	Frequency	Percentage (%)
Gender	Male	68	59%
	Female	48	41%
Age group	Less than 25 years	10	9%
	25 – 34 Years	33	28%
	35 – 44 Years	41	35%
	45 years and above	32	28%
Educational Level	Diploma	30	26%
	Bachelor's Degree	57	49%
	Master's Degree	29	25%
Work Experience	Less than 5 years	22	19%
	5-9 years	41	35%
	10- 15 years	34	30%
	Above 16 years	19	16%

According to the respondents' gender distribution, males made up the majority (59%), while women made up 41%. Based on the total number of male and female respondents, the table shows that there were more male respondents than female respondents.

The age distribution of the study participants is shown in the results. Among the participants, 28% were between the ages of 25 and 34, 35% were between the ages of 35 and 44, 28% were above the age of 45, and 9% were under the age of 25. According to the statistics, the respondents' ages were evenly dispersed, with a greater percentage of younger people.

The statistics showed that 49% of participants had a bachelor's degree, 25% had a postgraduate degree, and 26% had a certificate. According to these results, most respondents had a bachelor's degree or above.

According to the study's findings, 19% of participants had served for fewer than five years, 35% for five to nine years, 30% for ten to fifteen years, and 16% for sixteen years or more.

4.5 Descriptive Analysis

4.5.1 Diversification Strategy

Table 4. 4: Diversification Strategy

Statement	Mean	STD
Our financial performance has improved as a result of our product variety growth.	3.836	0.913
New product revenue has made a substantial contribution to our financial performance.	3.603	1.149
Our market share's diversification has increased our company's profitability.	3.983	1.030
The financial benefits of diversification have been realized by our company.	3.698	0.971
The introduction of new goods has improved our standing as a market competitor.	3.888	1.036

Table 4.4 shows that diversification approach improves financial performance in Nairobi County's construction enterprises. The majority of respondents believed that increased product diversity has enhanced financial performance (mean = 3.836, SD = 0.913). New product revenue was also shown to provide a considerable contribution to financial success (mean = 3.603, standard deviation = 1.149). Furthermore, market share diversification increased profitability (mean = 3.983; SD = 1.030). Companies indicated financial gains from diversification (mean = 3.698, standard deviation = 0.971), and adding new items increased competitiveness (mean = 3.888, SD = 1.036).

The findings agree with those of Mwangi (2016) who examined the impact of diversification strategies on Kenyan commercial banks' performance, finding that diversification strategy had a positive effect on financial performance. Mehmood et al. (2019) also found that diverse products, such as loans and bank accounts, positively influenced performance.

4.5.2 Market Penetration Strategy

Table 4. 5: Market Penetration Strategy

Statement	Mean	STD
Our market penetration techniques have resulted in a rise in our client acquisition rate.	3.966	1.038
Due to our attempts to penetrate new markets, the volume of sales of our current items has increased.	3.871	1.009
Our market share has increased noticeably as a result of market penetration.	4.276	0.910
With penetration techniques, we have successfully expanded into current markets.	4.060	0.926
Strategies for market penetration have greatly improved our financial results.	3.776	1.072

Table 4.5 shows that market penetration approach improves financial performance. The majority of respondents believed that penetration strategies raised customer acquisition rates (mean = 3.966, standard deviation = 1.038) and current item sales volumes (mean = 3.871, SD = 1.009). Market share increased considerably as a result of market penetration initiatives (mean = 4.276, standard deviation = 0.910). Respondents also reported effective market development in current markets utilizing these tactics (mean = 4.060, SD = 0.926), with considerably improved financial results (mean = 3.776, SD = 1.072).

The findings agree with those of Wainaina & Oloko (2016) who found a positive relationship between market penetration strategies and organizational growth in the Kenyan soft drink industry, and also those of Mwangi (2018) who found a strong positive relationship between market penetration strategies and operational efficiency in milk processing businesses.

4.5.3 Market Development Strategy

Table 4. 6: Market Development Strategy

Statement	Mean	STD
Our financial performance has improved as a result of entering new markets.	4.000	1.055
Growing geographically has helped our company's income.	4.139	0.936
Our overall financial performance has increased thanks to revenue from recently expanded areas.	3.862	1.134
Our company has effectively used development tactics to increase its market presence.	3.672	1.028
Strategies for market development have improved our company's financial results.	3.888	1.036

The results in Table 4.6 demonstrate that market development methods have a major impact on financial success. Respondents reported greater financial performance after entering new markets (mean = 4.000, SD = 1.055) and increased revenue from geographical expansion (mean = 4.139, SD = 0.936). Revenues from recently expanded sectors improved overall financial performance (mean = 3.862, standard deviation = 1.134). Respondents recognized the efficient application of development techniques to promote market presence (mean = 3.672, SD = 1.028) and financial outcomes (mean = 3.888, SD = 1.036).

The findings are in agreement with those of Koks and Kilika's (2016) study that found a positive relationship between company performance and product development strategies. Mbithi et al.'s (2015) study in Kenya's sugar industry showed that market development strategies can affect capacity utilization and sales volume, suggesting businesses should consider other variables for success.

4.5.4 Financial performance

Table 4. 7: Financial performance

Statement	Mean	STD
Over the previous year, our sales income has increased steadily.	3.716	0.902
Our company's profit margin has increased as a result of successful marketing tactics.	3.534	1.017
Our marketing initiatives have improved our company's return on assets.	3.767	0.954
Our whole financial performance has been positively impacted by marketing initiatives.	3.655	0.970
We have experienced considerable financial growth as a result of our present marketing initiatives.	4.147	0.837

Table 4.7 demonstrates the financial benefits of marketing tactics for construction enterprises. Respondents reported consistent improvements in sales income during the previous year (mean = 3.716, SD = 0.902). Successful marketing tactics boosted profit margins (mean = 3.534, STD = 1.017), whereas marketing activities increased return on assets (mean = 3.767, STD = 0.954). Marketing activities had a good impact on overall financial performance (mean = 3.655, standard deviation = 0.970), and current marketing initiatives resulted in considerable financial growth (mean = 4.147, SD = 0.837).

4.4 Correlational Analysis

Table 1: Correlational Analysis

		Financial performance	Diversification Strategy	Market Penetration Strategy	Market Development Strategy
Financial performance	Pearson Correlation	1			
	Sig. (2-tailed)	.000			
Diversification Strategy	Pearson Correlation	0.254	1		
	Sig. (2-tailed)	0.006			
Market Penetration Strategy	Pearson Correlation	0.098	0.256	1	
	Sig. (2-tailed)	0.297	0.006		
Market Development Strategy	Pearson Correlation	0.526	0.114	0.049	1
	Sig. (2-tailed)	< .001	0.222	0.598	.000

*. Correlation is significant at the 0.05 level (2-tailed).

The research findings indicate that there exists a significant weak positive correlation between Diversification Strategy and financial performance ($r=0.254$, $p=0.006$). There exists a non-significant weak positive correlation between Market Penetration Strategy and financial performance ($r=0.098$, $p=0.297$). Also, there exists a significant strong positive correlation between market development strategy and financial performance ($r=0.526$, $p=< .001$).

4.6 Regression Analysis

Table 2: Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	0.561	0.315	0.297		0.556
<i>a. Predictors: Diversification Strategy, Market Penetration Strategy, Market Development Strategy</i>					

The model summary shown on Table 11 shows that diversification strategy, market penetration strategy, and market development strategy explain 31.5% of the variance in financial performance and other factors not studied here accounting for 68.5%.

Table 3: Anova

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	15.912	3	5.304	17.162	< .001
	Residual	34.616	112	0.309		
	Total	50.528	115			
<i>a. Dependent Variable: Financial Performance</i>						

The ANOVA on Table 12 reveals a significant model ($F = 17.162$, $p < .001$), suggesting that diversification strategy, market penetration strategy and market development strategy significantly predicts financial performance.

Table 4: Regression analysis coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	0.998	0.458		2.181	0.031
Diversification Strategy	0.179	0.077	0.190	2.341	0.021
Market Penetration Strategy	0.023	0.076	0.024	0.296	0.767
Market Development Strategy	0.510	0.080	0.503	6.383	< .001

$$Y = \beta_0 + 0.179X_1 + 0.023X_2 + 0.510X_3 + \varepsilon$$

The regression coefficients on Table 3 indicate that diversification strategy has a positive and significant effect on financial performance ($p = 0.021$). Thus, a rise of one unit in diversification strategy increases financial performance by 0.179 units, thus moderate importance.

The regression model indicate that market penetration strategy has a positive and insignificant effect on financial performance ($p = 0.767$). Thus, a rise of one unit in market penetration strategy increases financial performance by 0.023 units.

The regression model indicate that market development strategy has a positive and significant effect on financial performance ($p = < .001$). Thus, a rise of one unit in market development strategy increases financial performance by 0.510 units, thus moderate importance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The section covers the summary of the findings, conclusions of the study, recommendations of the study and the limitations of the study.

5.2 Summary of the Findings

5.2.1 Diversification Strategy

The study revealed that diversification in construction enterprises improves financial performance. Most respondents believe increased product diversity enhances financial performance, with new product revenue contributing significantly to financial success. Market share diversification increases profitability, and adding new items increases competitiveness. Most companies also reported financial gains from diversification. The research findings indicate that there exists a significant weak positive correlation between Diversification Strategy and financial performance ($r=0.254$, $p=0.006$). The regression coefficients show that diversification strategy significantly impacts financial performance, with a one-unit increase increasing it by 0.179 units, indicating moderate importance.

5.2.2 Market Penetration Strategy

The study revealed that market penetration strategies significantly enhance financial performance. Respondents reported increased customer acquisition rates and current item sales volumes, significantly increased market share, and effective market development in current markets. These tactics also resulted in significantly improved financial results. There exists a non-significant weak positive correlation between Market Penetration Strategy and financial performance ($r=0.098$, $p=0.297$). The regression model shows that market penetration strategy positively impacts financial performance, with a one-unit increase increasing it by 0.023 units.

5.2.3 Market Development Strategy

The study found that market development methods significantly impact financial success. Respondents reported better financial performance after entering new markets and increased revenue from geographical expansion. Revenues from recently expanded sectors improved overall financial performance. The efficient application of development techniques promoted market presence and financial outcomes. There exists a significant strong positive correlation between market development strategy and financial performance ($r=0.526$, $p=<.001$). The

regression model reveals a significant positive impact of market development strategy on financial performance, with a one-unit increase indicating moderate importance, $p = <.001$.

5.3 Conclusions

This study concludes that there is a positive and significant association between diversification strategy and financial performance. The study established that financial performance improves the result of product variety growth. The study concluded that product revenue has significantly improved the financial performance of construction firms in Nairobi County. The study established that market share diversification increases firm profitability and also the introduction of new goods improves market competitions of the construction firms in Nairobi. Thus, these results imply that in order for Construction Companies in Nairobi County to improve Financial Performance, they must invest in diversification strategy.

This study concludes that there is a positive and significant association between market penetration strategy and financial performance. The study concludes that market penetration strategies have resulted in a growth in client acquisition rate in construction firms in Nairobi County. The study also established that penetrate into new markets has increased market shares. The study established that with penetration techniques, the construction firms have successfully expanded their current markets, hence increased sales. Finally, the market penetration strategies have greatly improved the financial results of construction firms in Nairobi County as indicated by the findings. Thus, these results imply that in order for Construction Companies in Nairobi County to improve Financial Performance, they must invest in market penetration strategy.

This study concludes that there is a positive and significant association between market development strategy and financial performance. The study concluded that financial performance construction firms in Nairobi County has improved as a result of penetrating into new markets. The Construction company's growth in geographical areas has significantly improved its income, based on the finding of the study and overall financial performance has significantly improved. Market development strategies have effectively expanded the construction firms' market presence and improved its financial results. Thus, these results imply that in order for Construction Companies in Nairobi County to improve Financial Performance, they must invest in market development strategy.

5.4 Recommendations

This research recommends that construction organizations opt to enter new markets by introducing new goods and services that are considerably unconnected and have no technological or commercial parallels in order to increase their market share and eventually benefit from economies of scale. This study recommends that construction companies focus on offering new and unrelated items or services to their existing customers. This study suggests that construction businesses diversify by adding new items to current products in similar areas and serving similar clients via the same distribution system.

The report recommends construction companies choose a differentiation approach that is aligned with their target market and financial restrictions, and then focus on developing goods along that dimension. They should convey this differential to distributors, retail outlets, and end users, as well as examine marketing materials before to distribution. The researcher also recommends that adopting market penetration strategies is critical for financial growth, and that the specific strategies chosen will complement each other in some way, so they should be included in the company's marketing plan in order for the firm to remain competitive and grow market share through market penetration, resulting in financial growth.

The study's findings on market development strategy led to the recommendation that marketing and finance managers should employ the construction of new distribution channels as a strategy for increasing client patronage. To retain high consumer patronage, managers should prioritize the execution of a proper pricing plan. The quest of meeting client demands and increasing patronage should also be accomplished through market development, among other growth tactics.

5.5 Suggestions for Further Studies

The study concentrated on construction firms on Nairobi County. The researcher recommends that other studies can be conducted on other counties. Future research might investigate the influence of marketing strategies on financial success by broadening the industrial scope to include manufacturing, retail, banking, investments, service, telecommunications, and insurance. The report also proposes that more research be conducted on previously unexplored factors.

5.6 Limitations of the Research

For collecting information, the researcher employed a structured questionnaire that included closed-ended questions. Even though the researcher made sure that every question was

carefully considered and even gave the respondent the option to use a Likert scale to indicate how much they agreed or disagreed, closed-ended questions restricted the range of answers that could be provided and forced the respondent to answer the questions in accordance with the researcher's selections. This may have resulted in the exclusion of some data that could have been crucial regarding the performance and market development plan of the global pharmaceutical corporations. The study concentrated on the field's marketing managers, who were always occupied with the routine tasks that the company's upper management had assigned them. Because of this, it was challenging to plan suitable times for distributing the questionnaire. Nevertheless, as previously intended, material was ultimately gathered and examined.

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APPENDIX I: INTRODUCTION LETTER

Strathmore University,

P.O. Box 59857-00200,

Nairobi, Kenya.

26th August 2024

Dear Respondent,

I am an undergraduate student at Strathmore University in Nairobi, currently undertaking a research study as part of the requirements for completing my Bachelor's degree. My research topic is titled "Effects of Marketing Strategies on the Financial Performance of construction companies in Nairobi County."

Attached to this letter is a questionnaire designed to collect data for this study. I kindly request your assistance in filling it out. Please be assured that this is an academic research endeavour, and all information provided will be treated with the utmost confidentiality.

Thank you in advance for your time and cooperation.

Yours sincerely,

Kevin Gachiri

APPENDIX II: QUESTIONNAIRE

Section A: Background Information

Please tick as appropriate

1. Indicate your Gender:

Male { }

Female { }

2. Indicate your Age:

Less than 25 years

25 – 34 Years { }

35 – 44 Years { }

45 years and above { }

3. Indicate your highest level of education

Diploma { }

Bachelors Degree { }

Master's Degree { }

4. Indicate your work experience:

Less than 5 years { }

5-9 years { }

10- 15 years { }

Above 16 years { }

Section B: Research Variables

Diversification Strategy

Indicate the extent you agree or disagree with the following statements regarding diversification strategy, where; Strongly agree=5, Agree=4, Disagree=3, Strongly Disagree=2, and Not at all =1.

Statement	1	2	3	4	5
Our financial performance has improved as a result of our product variety growth.					
New product revenue has made a substantial contribution to our financial performance.					
Our market share's diversification has increased our company's profitability.					
The financial benefits of diversification have been realized by our company.					
The introduction of new goods has improved our standing as a market competitor.					

Market Penetration Strategy

Indicate the extent you agree or disagree with the following statements regarding market penetration strategy, where; Strongly agree=5, Agree=4, Disagree=3, Strongly Disagree=2, and Not at all =1.

Statement	1	2	3	4	5
Our market penetration techniques have resulted in a rise in our client acquisition rate.					
Due to our attempts to penetrate new markets, the volume of sales of our current items has increased.					
Our market share has increased noticeably as a result of market penetration.					
With penetration techniques, we have successfully expanded into current markets.					

Strategies for market penetration have greatly improved our financial results.					
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Market Development Strategy

Indicate the extent you agree or disagree with the following statements regarding market development strategy, where; Strongly agree=5, Agree=4, Disagree=3, Strongly Disagree=2, and Not at all =1.

Statement	1	2	3	4	5
Our financial performance has improved as a result of entering new markets.					
Growing geographically has helped our company's income.					
Our overall financial performance has increased thanks to revenue from recently expanded areas.					
Our company has effectively used development tactics to increase its market presence.					
Strategies for market development have improved our company's financial results.					

Financial performance

Indicate the extent you agree or disagree with the following statements regarding financial performance, where; Strongly agree=5, Agree=4, Disagree=3, Strongly Disagree=2, and Not at all =1.

Statement	1	2	3	4	5
Over the previous year, our sales income has increased steadily.					
Our company's profit margin has increased as a result of successful marketing tactics.					
Our marketing initiatives have improved our company's return on assets.					
Our whole financial performance has been positively impacted by marketing initiatives.					

We have experienced considerable financial growth as a result of our present marketing initiatives.

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