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The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 10, Iss.1, pp 687 – 698. March 12, 2023. www.strategicjournals.com, ©Strategic Journals

MARKET DEVELOPMENT AND MARKET EFFICIENCY OF SELECTED FOOD AND BEVERAGE FIRMS IN LAGOS STATE, NIGERIA

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Accepted: March 2, 2023

ABSTRACT

Food and Beverage (F&B) industry is a paradox box of innovation and creativity. The Nigerian Food and Beverage firms are experiencing challenges of intense competition and growth and development as a result of poor implementation of growth strategies especially market development which have led to poor market efficiency. Despite the importance of market development strategies, it is not clear on how market development strategies affect the market efficiency of firms in the Nigerian Food and Beverage (F&B) firms sub sector. This study, therefore, focused on the effect of market development on market efficiency of selected food and beverage firms in Lagos State, Nigeria. The study adopted a survey design, the population is given as 12, 495 regular employees of six selected F&B firms in Lagos State, Nigeria. The research advisor sampling table was used to select a sample size of 491 from the population while data was collected using a valid and reliable questionnaire with a Cronbach alpha value greater than 0.7. The data were analyzed using descriptive and inferential tools. Multiple Regression Analysis was used to determine the impact of the variables using the Statistical Package for Science Solutions (SPSS) version 24. Market development had significant effect on market efficiency of selected F&B firms (β = 0.921, t = 48.870, R^2 = 0.845, p-value = 0.001). The study concludes that market development has a significant effect on market efficiency of selected F&B firms in Lagos State, Nigeria. It is therefore encouraged that market development strategies such as marketing research, feasibility studies, and other related efforts must be ensured by the concerned persons in the Food and Beverage (F&B) firms to ensure that the level of efficiency of these firms is maintained and improved in line with current practices and changing trends.

Keywords: *Market Development, Market Efficiency, Food and Beverage Companies*

CITATION: Okegbemiro, S. A., & Akinlabi, B. H. (2023). Market development and market efficiency of selected food and beverage firms in Lagos State, Nigeria. *The Strategic Journal of Business & Change Management,* 10 (1), 687 – 698.

INTRODUCTION

For organisation to survive and remain competitive in today's aggressive and unprecedented environment, it is imperative to understand and possess adequate knowledge of the competitive factors that reshapes the behaviour of the environment (Moneme, & Nzewi, 2017). Abubakar and Mohammad (2019) conferred that Food and Beverage (F&B) industry especially the Food and Beverage (F&B) firms industry can either fail or excel depending on their adoption to competitive trends through adoption of innovation and technology. The rapid advancement in technology might place organisation in a precarious situation of uncertainty when developing new products (Moneme, & Nzewi, 2017). Thus, advent of technology in the digital world is persistently disrupting productive business activities and processing in the Food and Beverage (F&B) sector such that its effect on customers engagement and performance of most key actors in the F&B industry cannot be disregarded (Azigbo, 2019). Nwosu, Awurum, and Okoli (2015) urged Nigerian Food and Beverage (F&B) firms' attentiveness to technological innovation as it affects product design, quality, and distribution of services.

According to Food Health Systems Advisory (2019), the Nigerian Food and Beverage industry comprises of smallholder farmers, few multinationals, small and medium-scale enterprises, inconsistent and inefficient raw material distribution and supply chains and an informal market. The industry clearly represents Africa's biggest market for food and other edible products. In 2018, packaged foods did not perform well in Nigeria due to the inability to cope with growth in modern retail channels, lack of capacity to serve growing urban population, changing lifestyles of consumers and inability to get proper raw materials. Furthermore, these challenges faced by the industry before and during the year 2018 are multiple and varied (FHSA, 2019). Critical ones among them have been identified and discussed in the said report. The report also presents a SWOT analysis of packaged foods in Nigeria and summarizes the contributions of foodstuffs to Commodity Price Index (CPI) and Terms of Trade (TOT) in Nigeria for the year 2018. In Nigeria, many organisations are often affected by the risks associated with growth, and this results to declining in profits -leading to liquidation and folding-up of business activities, therefore compelling some of these organisations to adopt other growth strategies (Adeleke, Onodugo, Akintimehin, & Ike, 2019). Many companies in Nigeria find it difficult to compete with their foreign counterparts, partly because of their inability to innovate. While the multinationals enjoy necessary incentives that would encourage all round business growth, most local industries lack necessary ingredients such as size of firm, resources (financial, human), legal protection, innovation efficiency in the areas of diversification, flexibility to respond to market changes and incentives to use existing and modern technology (Onikoyi, 2017).

In market development strategy, is strategic step taken by companies used to tap the untapped market. In this strategy existing products are sold into a new market (Muchele, & Kombo, 2019). This strategy is used when regional businesses seek expansion, when new markets are opening or a new use of product is discovered (Dugguh, Aki, & Isaac, 2018). Hussain, Khattak, Rizwan, and Latif (2014) stated that organisation can either export its existing products or market them in a new region to increase market share. According to Mbiti, Muturi, and Rambo (2015), a mixed outcome exists between market development strategy and performance. Based on the outcome, extension into new regions and development of new market segments does not result to increased profitability but rather increase market share.

LITERATURE REVIEW

Market Penetration

In present days, firm's environment is dynamic and thus, organizations experience a constant need to change to adapt to the new environments. Therefore, strategy is a central concern for every organization. Even in the relatively stable environments, an organization is bound to be faced with continuous choices to be made. Absanto and Nnko (2013) posited that firms seek to gain a competitive edge through adoption market penetration strategy. Consequently, Dugguh, Aki and Oke (2018) described that market penetration influence firm growth, expansion and help to cushion against external shocks. Slater and Narver (2016) averred that market penetration requires concentration on increasing the sales of the current product/service market share in the existing market. Additionally, Muturi and Rambo (2015) confirmed that market penetration strategy had a significant influence on the performance and increase market share in the competitive industry. Consistently, Luvusi and Muthoni (2019) concluded that market penetration strategy increases firm competitive advantage and promotes sustainable market share. However, Mwangi and Waithaka (2020) articulate further that market penetration is the most significant predictor of firm performance in Agrochemical companies. Consistently, Akintoye (2015) findings suggest that market penetration strategy pay off with a lower risk and boost company market share.

Sen and Rajagopal (2015) postulated that market penetration has posed several challenges to organisations targeting customers in different regions. It involves high risk investments, high trade penetration barrier and complex management (Tien, 2019). Contrarily, Hussain, Khattak, Rizwan and Latif (2014) viewed market penetration strategy as the simplest and a good option for companies willing to increase their sales without exiting its original product market at the cost of existing rivals. Ignor Ansoff deemed the strategy the safest growth option used when firms intend to gain more usage from its existing customers and seek to attract customers in an existing market. Masterson and Pickton (2014) assumed that this strategy is perceived by companies as an uphill task for product launches and service delivery, particularly in markets where competitors already exist. Nwanjiru and George (2015) likened market penetration strategy to consolidation strategy where market share is maintenance of market share rather than growth is sought because it increases leverage on firms existing resources and capabilities.

Kukartsev, Fedorova, Tynchenko, Damlichenko, Eremeev and Bokyo (2019) stated the purpose for organizations adoption of penetration strategy to include increase in number of sales without drifting from the original market strategy, market expansion, increase in customers purchasing power, opening new use for existing products, increase in market share. Hutzschenreuter, Kleindienst, Groene and Verbeke (2014) suggested that this strategy is to attaining competitiveness through sustainable market share. Similarly, Gecheo, Thou, and Byaruhanga (2016) affirmed that market penetration strategy correlates positively with organizational competitiveness and allows firm opportunity to align its resources with the goal of increase revenue and market share. While using this strategy, companies need to adopt a low-cost strategy to attract customers and keeps competitors out. However, during market penetration, company must be sure that none of the competitors are going to set the price of products lower than them, when this occurs; the strategy is doomed to fail.

Growth Rate

The body of knowledge on firm competitive advantage and growth strategies is minute, the methodologies employed by the scanty studies provided some inconclusive results and does not consider Ansoff Growth strategies but focused more on the relationship between other applicable growth strategies and organizational competitiveness. Growth rate refers to the rate at which variables in an organisation such as earnings has been or is expected to grow (FTE, 2008). Growth rate refers to the percentage change of a specified variable within a specific period with a stipulated context which acts as benchmarks. An organisations growth rate measures the percentage increase in the value of a variety of markets in

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which an organisation operates (Zack, 2009). An organisations growth rate can be achieved/improved on by boosting the organisations top line or revenue of the business with greater product sales or by increasing the bottom line or profitability of the operation by minimizing costs (Xesha, Iwu, Slabbert, & Nduna, 2014). Growth rate refers to the percentage change of a specified variable within a specific period with a stipulated context which acts as benchmarks. Growth rate refers to the rate at which variables in an organisation such as earnings has been or is expected to grow (FTE, 2008). An organisations growth rate measures the percentage increase in the value of a variety of markets in which an organisation operates (Zack, 2009). An organisations growth rate can be achieved/improved on by boosting the organisations top line or revenue of the business with greater product sales or by increasing the bottom line or profitability of the operation by minimizing costs. Organisations are seen as living organisms and therefore, they possess same characteristics with living organisms. In other words, organisations also have life cycle, they are formed (born), grow to maturity, decline, and finally die of age.

Empirical Review

Market Development and Marketing Efficiency

Market development was discovered to foster efficiency in the use of resources and create investment opportunities (Emel & Yildirim, 2016; Hasby, Buyung, & Hasbudin, 2017). Aktan, Iren and Omay (2019) examined market development and efficiency using nonlinear panel root tests. The study found that that there exists a meaningful relationship between different level of economic/market development and the weak form of market efficiency since the use of linear models may result to wrong conclusion in the analysis of the relationship between market development and efficiency. A similar study conducted by Czarniewski (2019) showed that organisation can outsmart competitors when a strong customer-based relationship is built. However, due to the complexity of human nature, building a customer-based relationship is somewhat challenging and sometimes difficult to maintain (Willas, 2020).

The study carried out by Dike (2016) emphasized that stock market development plays an important role in generating gains in terms of economic growth. The study found the existence of a positive relationship between stock market development and economic growth while hinging their arguments on the fact that the stock markets promote economic development mainly through the specific direct or indirect services they perform. Similar study by Ayodele and Oyerinde (2015) showed that there exists a long-run relationship between market capitalization, volume of transactions and market turnover. However, the direction of causality between the capital market measures and economic growth is mixed, unidirectional from economic growth to market capitalization and no directional relationship between market turnover and volume of transactions. Berstembayeva, Mazhitov, Lukpanova, and Dairabayeva (2018) stated that the present state of the securities market does not fully fulfil its purpose and the stock market capitalization does not increase at a rapid rate. Also, the market is not sufficiently effective since it cannot ensure fair pricing, free access of investors to the market and the protection of investors' interest.

Mbithi, Muturi and Rambo (2015) revealed a mix outcome in the study of market development and performance. The mixture results from market imperfection, overconfidence, representative bias, overreaction, and information bias, emanating from human error in reasoning and information process (Boundless, 2021). Tangus and Omar (2017) studied the effects of market expansion strategies on the performance of commercial banks with result showing strong correlation coefficient between firm performance and market expansion strategies. When properly implemented, market expansion strategy determines the success and failure of firm's performance.

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Bayar, Kaya, and Yildirim (2014) emphasized on the increasing role of market development to economic growth using Johansen-Juselius co-integration test and Granger causality test, the empirical results indicated a long-run relationship between economic growth and stock market capitalization, total value of stocks traded, turnover ratio of stocks traded and also there is unidirectional causality from stock market capitalization, total value of stocks traded and turnover ratio of stocks traded to economic growth. Contrasting this is the work of Tsauri (2016) where an insignificant long-run relationship was identified between stock market development and economic growth in Belgium. In the Nigerian context, Oluwatosin, Adekanya, and Yusuf (2013) disclosed that capital market has the potential of growth inducement, but it has not contributed meaningfully to the economic growth of Nigeria because of low market capitalization, low absorptive capitalization, liquidity, and misappropriation of funds, among others. Titan (2015) concluded that testing marketing efficiency is difficult resulting from change in market/economic conditions. Rono and Moronge (2015) examined effect of growth strategies on the competitiveness of firms in Kenyan cement industry with discovery that the growth strategies had enhanced increased efficiency and increased production capacity and market share. However, respondents were neutral on whether the growth strategies enhanced increased production capacity, quality of products and if the company has reached its key market.

Therefore, the study hypothesized that:

Ho_1: Market development has no significant effect on market efficiency of selected Food and Beverage (F&B) firms in Lagos State Nigeria.

Theoretical Review

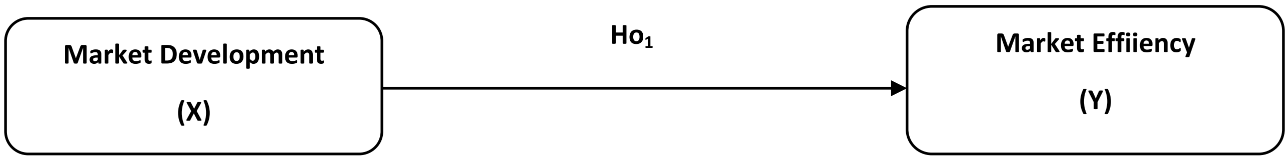
Dynamic Capabilities Theory (DCT)

The term Dynamic Capabilities Theory (DCT) was first coined by Teece in 1990 and further research on in 1997. The theory appeared as an alternative approach to solve some of the weaknesses of RBV theory (Galvin, Rice & Liao, 2014). It was introduced due to its ability to respond to rapid technological change and in solving challenges in the business environment. The theory explains the ability of firms to integrate, build and reconfigure internal and external competences to address occurrences in a rapid changing environment (Teecee, Pisano, & Shuen, 1997). Since the work of Teece, Pisano and Shuen in 1997, the concept of DCT has been the fundamental discussion in related management fields and has offered attractive research opportunities, and ample interest in its applications has grown rapidly (Kurtmollaiev, 2017).

Douma and Scheuder (2002) describe it as a bridge between the economics-based strategy literature and evolutionary approaches to organization. Kurtmollaiev (2017) viewed dynamic capabilities as an ability-based approach and the regular actions of creating, extending, and modifying organization resource base. Samudin and Ismail (2019) stated that dynamic capability describes firm competitive advantage from the perspective of dynamic and fast-moving environment and has received much attention from the international business scholar since 1990s. However, the process of maintaining competitive advantage is limitless and it is the dynamic process. However, maintaining competitiveness is a limitless process that requires continuous approaches and strategies. DCT goes beyond the idea that sustainable competitive advantage is based on a firm's acquisition of valuable, rare, inimitable and non-substitute (VRIN) resources. Dynamic capabilities are responsible for enabling organizations to integrate, marshal and reconfigure their resources and capabilities to adapt to rapidly changing environments. Thus, DCT are processes that enable an organization to reconfigure its strategy and resources to achieve sustainable competitive advantages and superior performance in rapidly changing environments. Despite the wealth of studies discussing the idea of DCT, to advance the theory further requires a collective effort on the part of researchers both to illustrate concepts related to the theory and how to link them with empirical practices within organizations (Bleady, Ali, & Ibrahim, 2018).

The introduction of dynamic capability theory is not to replace the existing theory of resource-based view (RBV), it extended the current usage of RBV in explaining the firm competitive advantage in dynamic environment. When the firm decided to expand the business outside the home country, the firm needs to be adaptable to the changes and willing to make a change for its sustainability (Samudin, & Ismail, 2019) From a practical perspective, over the last three decades, the rapid rate of technology change, the shortened product life cycles, the process of globalization, and the blurring industry boundaries make the business environments increasingly dynamic. Whether and how firms' dynamic capabilities lead to their competitive advantage and improved firm performance has been a core issue in the discussion of scholars (Zhou, Zhou, Feng, & Jiang, 2017).

Research Conceptual Model



Independent Variable **Dependent Variable**

Figure 1: Conceptual Model

Source: Author's Research Model (2023)

METHODOLOGY

The study adopted a survey design, the population is given as 12, 495 regular employees of six selected F&B firms in Lagos State, Nigeria. The research advisor sampling table was used to select a sample size of 491 from the population while data was collected using a valid and reliable questionnaire with a Cronbach alpha value greater than 0.7. The data were analyzed using descriptive and inferential tools. Multiple Regression Analysis was used to determine the impact of the variables using the Statistical Package for Science Solutions (SPSS) version 24.

Pilot Study

A pilot study was conducted using the regular staff of the following Food and Beverage (F&B) companies in the food and beverages industry: Tyson Foods, Real Milk Nigeria limited, Givanas Group of Companies, and Mojo Beverages Nigeria Limited, all in Lagos, given they share similar attributes with selected Food and Beverage (F&B) firms for the main study. The sample size used for the pilot study was 49, representing 10% of the sample size for the study. Tyson Foods (12), Real Milk Nigeria limited (13), Givanas Group of Companies (12), and Mojo Beverages Nigeria Limited (12). Simple random sampling was used to select respondents from the sampling unit.

Measures

The scale for this study had been an ordinal interval scale numbered from 1 to 6. The response options in the questionnaire covers, Very High (VH) = 6, High (H)= 5, Partially High (PH) = 4, Partially Low (PL) = 3, Low (L)= 2, Very Low (VL) = 1 (Onyango, 2017; Kering, 2015; Kamukana, 2013; Asamoah, 2014; Maweu, 2012).

Table 1: Summary of Sources of Research instrument

S/N	Variables	Number of items	Sources of Research Instrument
1	Market Development	5	Tangusl & Omar (2017).
2	Market Efficiency	5	Cherotich (2017)

Source: Researchers Survey (2023)

Reliability

The reliability of an instrument is based on the degree of consistency, stability, repeatability and precision with the appropriate measure (Tepthong, 2014). Cronbach's Alpha was used to determine the internal consistency and reliability of the items in the instrument. Cronbach's Alpha analysis ranged between 0 and 1, whereby a value of 1.0 indicated perfect reliability. The Cronbach's alpha coefficient of > 0.7 but < 1 was computed using a sample of the questionnaire completed by selected staff of selected Food and Beverage (F&B) firms industries in a pilot test. Results of the reliability tests are reported in Table 2 below.

Table 2: Reliability Results

S/N	VARIABLES	ITEMS NO.	Cronbach's Alpha (θ)	CR	REMARKS
1	Market Development	6	0.771	0.942	**Accepted**
2	Market Efficiency	6	0.780	0.944	**Accepted**

Source: Researchers Compilation (2023)

DATA ANALYSIS AND RESULTS

The researcher administered 491 copies of a questionnaire to staff of the six selected Food and Beverage (F&B) firms in Lagos State, Nigeria. A total of 441 copies of the questionnaire were fully returned and appropriately filled. This represents a response rate of 89.8%. The remaining 50 copies of the questionnaire did not meet the criterion of acceptance for data analysis due to incomplete and mixed responses. These spoilt copies of questionnaire were removed from further analysis. The response rate was considered adequate as it surpasses the sample size number calculated having made provision for non-response rate. Mugenda (2003); and Saunders et al. (2007) posited that a response rate of 50% is adequate, 60% good while 70% is considered very good. With a response rate of 89.8%, the response was considered adequate for data analysis.

Restatement of Research Hypothesis

Ho: Market development strategy has no significant effect on market efficiency of selected Food and Beverage (F&B) firms in Lagos State, Nigeria.

To test hypothesis two, simple linear regression analysis was conducted. The independent variable was market development while the dependent variable was market efficiency. Data for variables were created by adding together responses of all the items under the variables to generate composite scores for each variable. The regression test results are presented in Table 3.

Table 3: Summary of simple line regression analysis for effects of market development strategy on market efficiency of selected Food and Beverage (F&B) firms in Lagos State Nigeria.

Coefficients[a]					
Model Two $y_2 = \beta_0 + \beta_2 x_2 + \varepsilon i$	**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	0.345	0.083		4.133	0.001
MDST	0.921	0.019	0.919	48.870	0.001

a. Dependent Variable: ME

b. R = 0.919[a] R^2 = 0.845   Adj. R^2 = 0.844

Source: Researchers' Findings 2023

Interpretation

Table 3 represents results of regression analysis to determine the effect of market development strategy on market efficiency of selected Food and Beverage (F&B) firms in Lagos State, Nigeria. The results on the table showed that market

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development strategy has a positive and significant effect on market efficiency of selected Food and Beverage (F&B) firms in Lagos State, Nigeria(β = 0.921, t = 48.870, p-value = 0.001). This implied that selected Food and Beverage (F&B) firms put in place market development strategies that enables them to sell their existing products in a new market. The t value was greater than the critical value (48.870>1.96) which implies that market development strategy has a significant effect on market efficiency of selected Food and Beverage (F&B) firms in Lagos State Nigeria. In addition, the result revealed that market development strategy explains almost 84.5% of the variation in market efficiency of selected Food and Beverage (F&B) firms, while other factors not studied in this research contribute 15.5% of market efficiency of selected Food and Beverage (F&B) firms. The P-value of 0.001 (below 0.05) means that market development strategy affects market efficiency, therefore it is significant at the 5% level of significance. The simplified equation for simple linear regression becomes is thus expressed:

ME = 0.345 + 0.921MDST………………………….. eq. i

Where:

ME = Market Efficiency; MDST = Market Development Strategy

The equation revealed that market development strategy has a significant effect on market efficiency. The findings from the table indicated that market efficiency would be at 0.345 holding market development strategy constant at zero. The result further shows that every unit increase in market development strategy will increase market efficiency of selected Food and Beverage (F&B) firms in Lagos State by 0.921. The implication is that there exists a significant relationship between market development strategy and market efficiency of selected Food and Beverage (F&B) firms in Lagos State, Nigeria. The study therefore established that market development strategy employed by the selected Food and Beverage (F&B) firms promotes their market efficiency. The null hypothesis (H_02) which states that market development strategy has no significant effect on market efficiency of selected Food and Beverage (F&B) firms in Lagos State, Nigeria, is therefore rejected.

DISCUSSION OF FINDINGS

From the table result of the regression analysis to determine the effect of market development strategy on market efficiency of selected Food and Beverage (F&B) firms in Lagos State, Nigeria, showed that market development strategy has a positive and significant effect on market efficiency of the selected firms (β = 0.921, t = 48.870, p-value = 0.001). This implied that selected Food and Beverage (F&B) firms put in place market development strategies that enabled them to sell their existing products in a new market. This result agreed with the reports of the following: market development was discovered to foster efficiency in the use of resources and create investment opportunities (Emel & Yildirim, 2016; Hasby, Buyung, & Hasbudin, 2017); and Aktan, Iren and Omay (2019) who examined market development and efficiency using nonlinear panel root tests. The study found that that there existed a meaningful relationship between different level of economic/market development and the weak form of market efficiency since the use of linear models may result to wrong conclusion in the analysis of the relationship between market development and efficiency.

The study carried out by Dike (2016) emphasized that stock market development plays an important role in generating gains in terms of economic growth. The study found the existence of a positive relationship between stock market development and economic growth while hinging their arguments on the fact that the stock markets promote economic development mainly through the specific direct or indirect services they perform. Similar study by Ayodele and Oyerinde (2015) showed that there exists a long-run relationship between market capitalization, volume of transactions and market turnover. However, the direction of causality between the capital market measures and

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economic growth is mixed, unidirectional from economic growth to market capitalization and no directional relationship between market turnover and volume of transactions. Berstembayeva, Mazhitov, Lukpanova, and Dairabayeva (2018) stated that the present state of the securities market does not fully fulfil its purpose and the stock market capitalization does not increase at a rapid rate.

Mbithi, Muturi and Rambo (2015) revealed a mix outcome in the study of market development and performance. The mixture results from market imperfection, overconfidence, representative bias, overreaction, and information bias, emanating from human error in reasoning and information process (Boundless, 2021). Tangus and Omar (2017) studied the effects of market expansion strategies on the performance of commercial banks with result showing strong correlation coefficient between firm performance and market expansion strategies. When properly implemented, market expansion strategy determines the success and failure of firm's performance. Chirotich (2017) concluded that market, development involved taking advantage of technological advances to provide quality product to consumers and further increase market share.

Bayar, Kaya, and Yildirim (2014) emphasized on the increasing role of market development to economic growth using Johansen-Juselius co-integration test and Granger causality test, the empirical results indicated a long-run relationship between economic growth and stock market capitalization, total value of stocks traded, turnover ratio of stocks traded and also there is unidirectional causality from stock market capitalization, total value of stocks traded and turnover ratio of stocks traded to economic growth. Rono and Moronge (2015) examined effect of growth strategies on the competitiveness of firms in Kenyan cement industry with discovery that the growth strategies had enhanced increased efficiency and increased production capacity and market share.

Thus, the null hypothesis that market development strategy had no significant effect on market efficiency of selected Food and Beverage (F&B) firms in Lagos State, Nigeria was rejected. The alternative hypothesis that market development strategy affected market efficiency of the selected Food and Beverage (F&B) firms in Lagos State of Nigeria was accepted which meant that market development strategy had significant effect on the market efficiency of the selected Food and Beverage (F&B) firms companies in Lagos State, Nigeria.

CONCLUSION AND RECOMMENDATION

This study explored the effect of market development on market efficiency of selected food and beverage firms in Lagos State, Nigeria. The study concludes that market development had a significant effect on the market efficiency of selected food and beverage firms in Lagos State, Nigeria

Market development was found to have a significant effect on the market efficiency of selected Food and Beverage (F&B) firms in Lagos State, Nigeria. It is therefore encouraged that market development strategies such as marketing research, feasibility studies, and other related efforts must be ensured by the concerned persons in the Food and Beverage (F&B) firms to ensure that the level of efficiency of these firms is maintained and improved in line with current practices and changing trends.

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