

Empirical investigation on the application of marketing practices in Micro and Small enterprises (MSEs)

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Abstract

The primary aim of this research was to investigate the marketing strategies and practice of Marketing in Micro and Small enterprises (MSEs) for the purpose of identifying, clarifying and evaluating the nature of Marketing practice, persistent marketing problems and the role of marketing in achieving the goal business. Therefore to address the objective of this research project both second and primary data was consulted. The secondary data was consulted from international scientific literatures and journals, text books, reports and web sites. Primary data was collected from selected active MSEs operating in Mekelle city through questionnaire from MSEs in each kifleketemas and focused group discussion will be undertaken with SMEs agency-workers as well as Trade and Industry office on issues related to the topic of the research. After collecting the data descriptive analysis was employed; and SPSS software package will be used as analyzing software tool. The marketing function in MSEs is hindered by constraints such as poor cash flow, lack of marketing expertise, business size, tactical customer-related problems, and strategic customer-related problems. Due to improper implementation of marketing concepts, most MSEs were not effective in achieving their marketing objectives satisfactory and are unable generate higher sales. Successful marketing is driven by innovation, including marketing research that focused on firm-specific characteristics of innovation, and/or responding to changing environmental situation, product innovativeness.

Key words: marketing strategies, business goal, marketing concepts innovation, customers

Background of the study

The economic growth of developing countries can be sustained by the expansion of private sector, as they are the engine of growth. According to the previous studies it has been observed that the SMEs have become a crucial segment and a major section of private sector in developing countries. As such, it is important to accelerate the growth of SMEs in order to gain sustainable development in the country. But, according to the past research studies there is a high failure rate of SMEs in Ethiopia. According to the literature, there are several reasons affect for this high failure rate. Implementation of the correct strategies and the behaviour of entrepreneurs are important factors to be considered for the growth of SMEs.

Marketing theories applied to large enterprises are considered valuable for SMEs as well (Nwankwo & Gbadamosi, 2011). It is presumed that basic marketing principles are relevant to any kind of enterprise, regardless of its dimension (Gabrielli & Balboni, 2010). Some authors (Gilmore et al. 2001) agree that MSEs have specific features, differentiating them from large enterprises which are the object of those studies proposing marketing communication models. The marketing practises in MSEs are subjected to opposing forces: the external dynamics encourage efforts in marketing communication; internal factors restrain investments in this area. Keeping in mind the strategic and operative role played by marketing in any enterprise, the background of the present study is the debate on marketing and marketing communication.

According to earlier studies in this field (Nowak & Phelps, 1994), Successful MSEs are the ones taking the most advantage of the integration potential, thanks to their management flexibility and close relationship with customers. Studies carried out underline some of the aspects characterizing marketing in SMEs, such as: being affected by limited financial resources, lack of time and scarce marketing skills (Thrassou & Vrontis, 2006). Management often coincides with the enterprise owner who is usually more concerned with business and profits in general rather than with the impact modern marketing strategies has on the market. Management publications feature extensive research dealing with the challenges that SMEs need to tackle in order to survive despite their lack of resources and marketing skills, but only a few studies address marketing and marketing communication issues in SMEs. Most MSEs lacks a strategic marketing outlook, it is focused on short-term objectives to develop or maintain the level of sales; in marketing management a tactical, customer focused approach generally prevail.

The MSEs cannot generate revenue by selling same old products to the same old market in the same old way. There is vast possibility of changing marketing practices. Almost all MSEs are sailing in highly volatile market and facing cut throat competition. A few among them finding modern marketing applications is the answer to this problem. To make marketing technique to work, it needs to have proper planning and most of all commitment from all the people in the organization. The people at the decision making level need to consider various innovative marketing tools and adopt few or many on the basis of their workability.

MSEs are a central focus area in strategy, organizational and entrepreneurship research. Much research effort has been targeted particularly at investigating the factors affecting firm growth, but to date there is no comprehensive study to explain why some MSEs in Ethiopia are more profitable and successfully and why others are not. MSEs performance is much affected by marketing strategy, which involves choices along a number of dimensions. However most firms especially MSEs undertake little marketing research into the core of on Marketing strategies and practices in MSEs which ultimately results in a failure for most enterprise. Therefore the aim of this research project to identifying and evaluate the marketing practice scientifically along with identification of inherent marketing problems in MSEs. It tried to uncover the link between marketing practice and its impact on business performance of MSEs in Mekelle city and at last viable recommendations will be then forwarded. .

Objectives of the study

The overall objective of the study is to examine marketing practises and the role of marketing practises on firms' performance.

The specific objectives of the study are:

1. Assess the Impact of marketing activities in achieving firms marketing objectives
2. To assess the various marketing practices of MSEs.
3. To identify inherent marketing problems in MSEs.

Research methodology

Target Population

The target populations of the research are MSEs of Mekelle city. Theses include MSEs that are currently active, kifleketema's MSEs agency workers as well as each kifleketema's trade and industry office workers were target populations.

Sampling Technique and Sample Size

The data for achieving the objectives of the study was collected from different parties: from MSEs, MSEs agency workers, and Business experts from trade and industry offices and from customers of MSEs. Hence for each of the target population groups, different sampling techniques were employed.

To determine the sample size of MSEs that was considered for this study, MSEs agencies in each Kifleketem was contacted. Therefore total of 250 sample size were selected on a proportional stratified sampling technique for there were 5 sectors. Lastly a concerned employee from kifleketema's Trade and Industry office and MSE agencies and business owners were invited to focus group discussion to solicit expertise's idea and their experiences on the present marketing practice of the enterprises. Hence a total 30 relevant respondents were participated in the focus group discussion.

Research design

The research design used in this study is both descriptive statistics and inferential statistics. A descriptive survey is a research technique in which information is gathered from a sample of population by use of a questionnaire. Inferential statistics was applied for the quantitative outputs that are produced through multiple regression, correlations and. As a result an inference was made in the later cases.

Data type and source

Both primary and secondary data was used to examine the existing marketing strategies and to determine marketing factors that influence MSEs business performance. The most convenient and economical data collection instrument in descriptive survey is questionnaire. Collecting data through questionnaire is quite popular because it requires low cost even when the universe is large and large samples can be made use of and thus the results can be made more dependable and reliable.

Structured questionnaires used for MSEs to collect primary data. The closed ended questions are normally structured for respondents to select their choices of statement from the list of questions presented to them. The popularity of closed ended method provides less effort by respondents to complete the questionnaires and it is easy for analysis. Structured Questionnaires designed for MSEs contained two sections and the first section consisted of 4 demographic characteristic questions and the second section consisted of items related to marketing variables such, product and service quality, image of SMEs, the pricing and communication strategies and the extent of relationship of firms with customers from primary source.

Both questionnaires were evaluated on a 5 point likert scale. This will range from 1= strongly disagree, 2= disagree, 3= neutral, 4= agree, to 5= strongly agree. The questionnaire was developed in English and will be translated into Tigrigna to ensure proper understanding of the content of the items in the questionnaire.

Focused group discussions were made among the MSEs agency works and Business experts of Trade and industry office. Secondary data will be collected from document such as journal, articles, and reports and other related sources.

Data processing and analysis

After collecting data from respondents it was processed and analyzed in accordance with the outline scheduled by researcher. In the first phase of data processing the researcher was edit the collected raw data to detect errors and omissions and to correct these when possible. Next to editing data in the field and in house, the subsequent phases were coding, classification and tabulation of collected data so that they are conformable to analysis. The researcher used descriptive, statistical and econometric analysis methods to analyze the collected and processed data. For the analysis statistical program for social sciences (SPSS) will be used.

The researchers applied different instrument to address the outlined objectives of the research. A). To assess the impact of marketing strategies on business performance, bivariate correlation and standard multiple regression analysis using IBM SPSS software was used. Modern marketing strategies and practices (product, pricing, and communication and placement strategies) of MSEs are independent marketing variables and the firms' performance is dependent variables (profit, sales volume, market share). Regression analysis is the appropriate technique because of its ability to predict the "effects of more than one independent variable on one dependent variable using principles of correlation and regression" (Kerlinger & Lee, 2000, P.52). Preliminary analyses were conducted to indicate if there were any violations of the assumptions of multicollinearity, normality, and reliability test was conducted. To indicate if multicollinearity was violated, the tolerance, VIF and condition indexes were evaluated from a Colinearity Diagnostics table in SPSS. To test the assumption of normality, a Normal P-Plot of Regression Standardized Residuals was conducted for each of four marketing mixes.

C) In order to address the remaining research objectives various tools were used. This includes information that was solicited in the focused group discussion from MSEs agency workers and Business experts of Tigray Trade and industry office. Secondly a comprehensives and systematic study and synthesis of scientific literatures, MSEs reports, and reports obtained from Tigray Micro and Small Enterprise agencies and reports of Tigray trade and industry office used for understanding the existing marketing practices and inherent marketing problems in MSEs and its influence to enhance the firm's business performance.

Literature

Marketing practices in MSEs

It is all well and good having a product or service idea, but will it prove to be a profitable business? Too many businesses are set up without thinking about this essential question. The answer revolves around the most important person in any business – the consumer. Marketing is the process of matching the needs of the consumer to the capabilities and resources of the firm. Marketing, then, is about making profits by anticipating and meeting the needs of the customer. First and foremost, though, marketing is an attitude of mind about satisfying the customer rather than a set of sales techniques, and to understand the customer you need to take what is called *a marketing perspective*. However, whilst the customer is the most important person in any business, you need to be clear about what that term means. The customer is the buyer of the product or service.

Understanding customer and consumer needs and motivations is central to marketing for small firms. Take as an example why people might buy a mundane item like a drill: they do not buy it for aesthetic qualities; they buy it because they want to drill a hole, perhaps to fix something to the wall. If there happens to be a more efficient or easier way of making holes or fixing things to walls, the drill manufacturer will be in trouble.

In marketing terms customers buy BENEFITS. They do not buy features or characteristics of a product or service. We do not buy oil for our cars because we like it, but because it makes the engine run smoothly, extends the engine's life and reduces our repair bills. What is more, the benefits that customer's value may be different to those valued by the consumers of a product or service. That expensive pen is rarely bought just as a writing implement (for the consumer), but more usually as a gift – which reflects warmly on the giver (customer). Understanding the differences between the FEATURES of a product or service and the BENEFITS that it offers the customer is the cornerstone of marketing. The distinction is as important for product design as it is for advertising and promotion. The customer is really only interested in benefits. The features simply prove to the customer that he will receive those benefits. However, that customer is actually buying a whole package of benefits that the product or service has to offer.

Result and discussion

Result from MSEs and discussion

A questionnaire was used to collect primary data. The respondents were business owners or those involved in the start-up and day to day running of these businesses. The data gathered was analysed and presented using descriptive statistics. Primary data was captured using Census and Survey Processing System (CSPRO) package and processed using Statistical Package for Social Sciences (SPSS) for windows and Microsoft Excel.

Up to 50 percent of the respondents in this study considered their businesses performance to be deteriorating while 41.9 percent considered their business successful with only 2.5 percent respondents saying their businesses were very successful (see Figure 1).

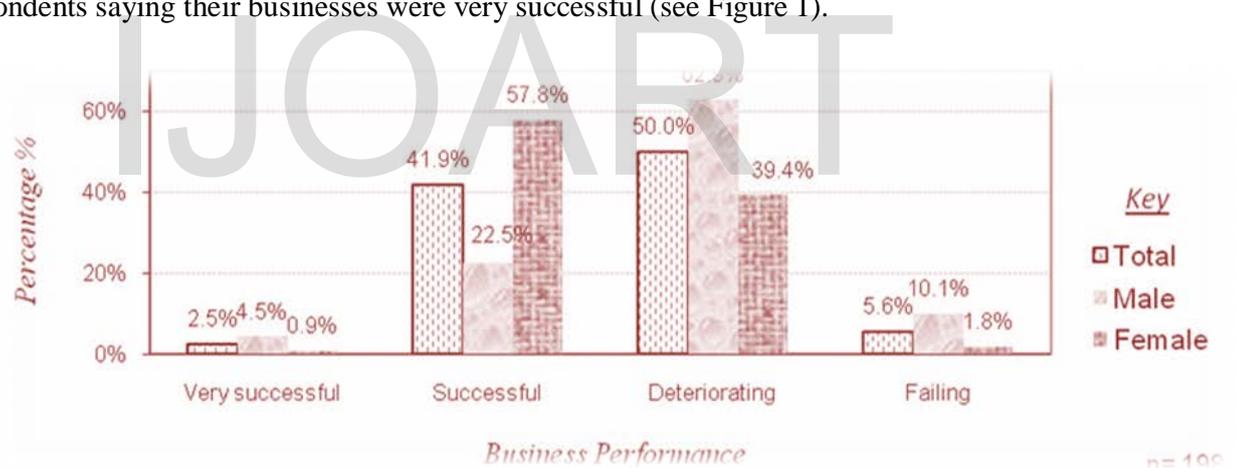
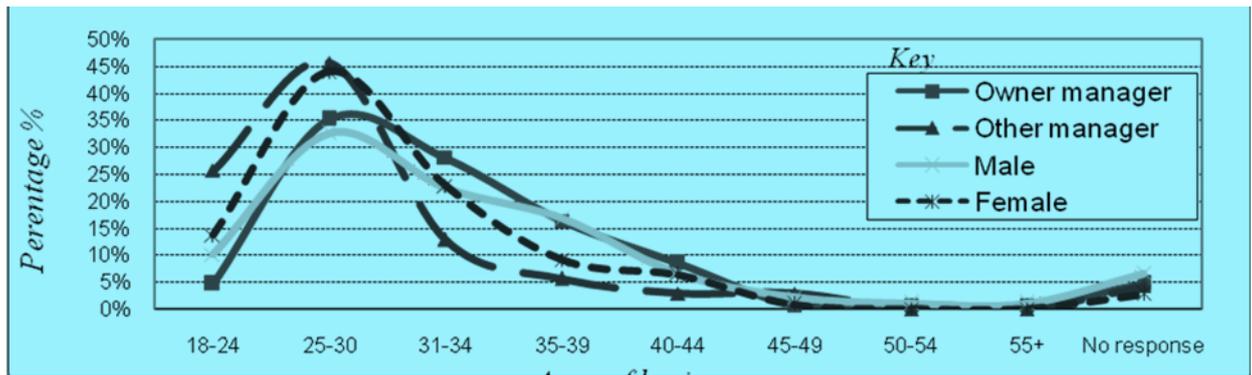


Figure 1. Business performance of respondents

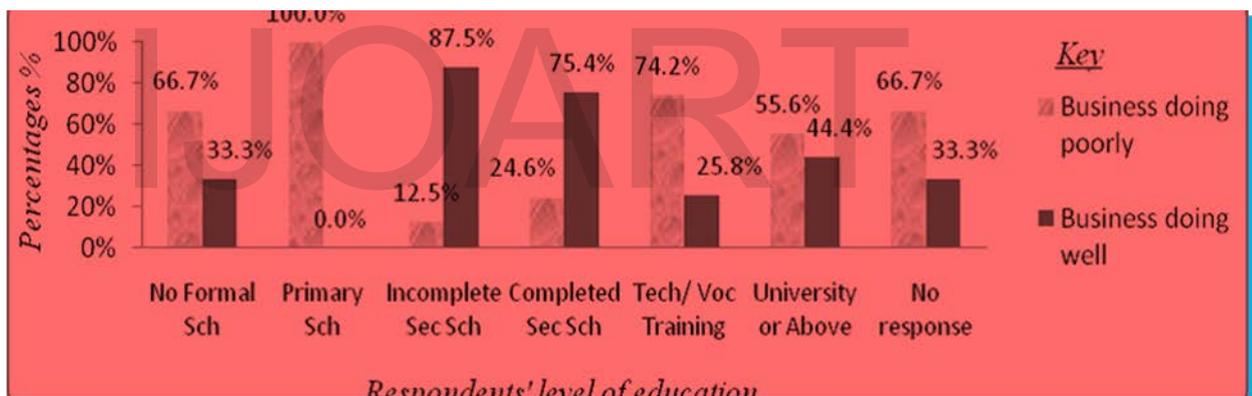
Majority of the managers and business owners fell within 25-34 year age bracket. Clearly, most micro and small enterprises are owned and mainly run by people in their late 20s and early 30s as shown in Figure 2 below).

FIGURE 2: Age distribution by business position



Level of education and business performance: Majority of the respondents (47 percent) had post secondary school or vocational training followed by those who had completed secondary school (28.8 percent). Compared to owner managers, more employee managers (65.7 percent) had higher qualifications in post secondary school or vocational training compared to owner managers (36.7 percent). Only a small proportion of the respondents (4.5 percent), had reached university level or above (see Figure 3). It can be inferred that small and micro businesses are dominated by people with relatively low levels of education.

FIGURE 3: Relationship between performance and level of education



Analysis to determine if there was a relationship between business performance and level of education did not provide conclusive results. Overall, more (75.4 percent) of those respondents who had received technical or vocational training said their business performance was deteriorating. This may imply that that formal education is not a critical factor in business success (See Figure 3 above). 51 percent of the respondents said they had received some specific training in the area of their business as compared to 49 percent who had not received business specific training.

The study sought to determine if there is a relationship between business performance and level of training in the line of business. The results show that 49.5 percent of those who had received training in their areas of business reported that their businesses were doing well. Given that 51 percent received training and nearly all of them (49.5 percent) said their businesses were doing well, one may conclude that relevant training can produce positive results in the running of businesses (See Figure 4). The figure below also shows that 60.8 percent of those not trained reported that their businesses were doing poorly as compared to 39.2 percent who reported that their businesses were doing well without training. It can be inferred that there is a negative relationship between lack of training and business performance.

FIGURE 4: Training versus business performance



The role of marketing mix impact on the marketing objective is assessed below

Preliminary analyses were conducted to indicate if there were any violations of the assumptions of multicollinearity, normality, and reliability test was conducted. To indicate if multicollinearity was violated, the tolerance, VIF and condition indexes were evaluated from a Colinearity Diagnostics table in SPSS (See table below). The tolerance values for each of the seven DELES scales ranged from .3202 to .421 which are not less than .20; thus, further verifying that the assumption is not violated. This was verified by the VIF values which ranged from 4.147 to 6.025 which are under 10 suggesting that the assumption of no multicollinearity is tenable. The condition index indicated values ranging from 15.035 to 18.473. All the six variables values are below 30 so none of which suggest serious multicollinearity problems. Based on the results of the tests, the assumption of no multicollinearity is tenable.

To test the assumption of normality, a Normal P-Plot of Regression Standardized Residuals was conducted for each of the marketing mix variables. For all four variables, Normal P-Plots of Regression Standardized Residuals were examined. The points lied in reasonably straight lines, therefore, the assumption of normality was found tenable.

Graph 1. Normal p- plot of the regression standardized residuals below)

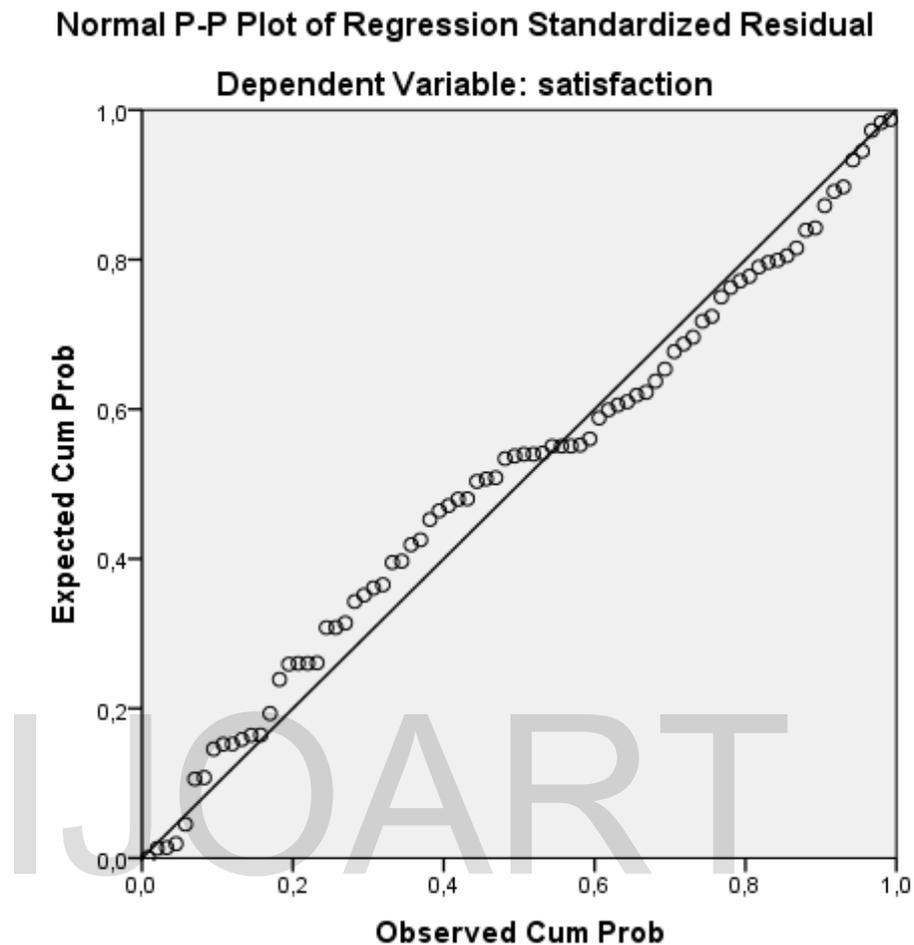


Table 5 Summary of the regression analysis

Variables	Coefficients ^a						Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF	
	B	Std. Error	Beta					
(Constant)	-5,249	1,628		-4,508	,001			
Product strategy	,314	,070	,227	2,983	,004	,302	3,204	
Pricing strategy	,305	,099	,168	2,706	,005	,421	5,025	
Promotion strategy	,256	,024	,145	2,419	,000	,344	3,200	
Placement strategy	,140	,047	,076	2,004	,003	,316	4,147	

a. Dependent Variable: marketing objectives

To determine the impact of the marketing mix strategies of small business on marketing objective, descriptive statistics, and violations of assumptions, standard multiple regression analysis and t tests were conducted. The findings suggest business enterprises with well

integrated marketing mix strategies (product, pricing, and promotion and placement strategies) play predominant role in achieving marketing objective.

Results of focused group discussion

The core of the discussion stress on SMSs main challenge the following paragraphs tired to highlighted theses issues in detail. The main challenges businesses face reported were competition, insecurity, debt collection, lack of working capital and power interruptions were reported as the top five challenges facing micro and small businesses.

Not every business reported that they were experiencing business challenges. Among the focused group discussion participated in the survey reported various business challenges. Competition was ranked as the most pressing (38 percent) followed by insecurity and lack of credit with 18 percent and 7 percent of the respondents respectively. However, it is important to note that whereas competition was acknowledged by majority of respondents. This implies that competition is not the same across the business sectors. It is also possible that entrepreneurs have accepted competition as a way of doing business since the market is liberalised

Business owners participated in the discussion were asked how they handle the challenges faced, most respondents reported that different challenges called for different approaches. Below are some of the responses adopted to counter various challenges.

Competition: Out the entire participant who mentioned competition as a challenge, 20 percent mentioned it among their top three. When asked how they counter their competitors, 30.2 percent of the respondents mentioned good customer service followed by discount offers (which vary according to client), which was mentioned by 18.3 percent as the remedy. 7.9 percent of the respondents reported that they use price as a competitive edge by selling more cheaply than their competitors. Selling a variety of products was mentioned by only 6.3 percent of the respondents. Offering credit facilities, selling of quality goods and services and offering customer's additional services like free training were mentioned by 5.6 percent, 4 percent and 3.2 percent of the respondents respectively. Using price to compete may mean lower profits, even if it may translate into higher volumes. However, this strategy can be employed by everybody hence spelling a death knell for the business given the fierce competition in the small business sector.

Poor security: Security threats pose a great challenge to businesses and many business owners and managers. 36 percent of respondents ranked poor security among the top three challenges their businesses face. Out of these, 37.5 percent make use of security firms or guards to safeguard their businesses. Approximately 22.2 percent of them close early to avoid thugs while 6.9 percent opt to carry their stocks home while some sleep in their business premises as a security measure. This implies higher cost of doing business as they respond to the security challenges.

The following are the most inherent marketing problem stated in the focused group discussion.

- Lack of marketing research
- Poor location/business site studies
- Little knowledge of customers' characteristics
- Lack of keeping customer records
- Lack of follow up on customers
- Lack of market segmentation

- Lack of product/service marketing
- Lack of clear pricing policy and strategy
- Lack of demand forecasting
- Lack of knowledge of low-cost marketing strategies
- Poor customer relationship
- Lack of knowledge of market
- Poorly trained sales staff
- Lack of marketing expertise
- Lack of money to buy advertising space and time
- Inability to extend credits to customers
- Lack of knowledge of sources of marketing information
- Misperception of marketing benefits

Conclusion

The marketing can function effectively only when the commitment from the management and people in the organization comes. The SMEs can easily bring in the innovative marketing practices as they don't have layers between the decision makers and the people who implement these decisions. The SMEs need to formulate their goals clearly and then evaluate the various innovative marketing alternatives on the basis of their capabilities and resources. SMEs' innovative marketing strategy can work, if it is based on clearly formulated marketing programme to reach the potential and existing customers. The 80-20 principle need to be considered by the SMEs before formulating CRM strategy. The successful working of any organization immaterial of its size of operation depends on the people working there. They shall staff educated business professionals that appreciate use modern business running systems that improve the overall efficiency of the organization. Making regular inspection and rectifying measure to correct marketing problems and matching their qualities of products and services with the target markets need is crucial if MSEs ensure sustainable and profitable business.

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