

Effects of Marketing Strategies on the Performance of Small Business Entrepreneurs in Aba, Nigeria

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Abstract: - Small business entrepreneurs operate in a very competitive environment in Nigeria which invariably affects their survival. This study specifically examined the effect of marketing strategies (product quality, relationship marketing, pricing and marketing communication) on the performance of selected small business entrepreneurs engaged in laundry and dry-cleaning business in Aba Metropolis, Abia State, Nigeria. The study adopted the survey research design. A total of 120 questionnaires were distributed to laundry and dry-cleaning service operators. 90 were completed and returned, thus forming the sample size of this study. Data obtained were presented in table form and analyzed using simple percentage analysis method. Findings of the study revealed that product quality strategy, pricing strategy and relationship marketing strategy had significant effect on the business performance of small business entrepreneurs while marketing communication had no significant effect on the business performance of small business entrepreneurs in Aba, Nigeria. Thus, the study recommended amongst others the need for small business entrepreneurs to ensure that their products and services are of very high quality, command friendly prices and as well maintain close relationship with their clients.

Keywords: Business, Entrepreneur, Marketing Strategy, Clients.

I. INTRODUCTION

Small scale businesses are seen in every nooks and crannies of Nigeria today. This may not be unconnected to the unemployment situation in Nigeria. Small business has been widely acknowledged as the springboard for sustainable economic growth in Nigeria. It is not usually very easy to define small business as there are no universally accepted definitions all over the globe. According to Adidu & Olannye (2006), different countries have different basis of defining small and medium scale enterprises (SMEs), some on capital investment, while others on the basis of management structure. Again, we have many definitions as there are many scholars or authors on this subject. However, there exist some qualitative indices that are common to most definitions: size of capital, number of employees, annual turnover etc. The Small Business Administration (SBA) in the United States of America (USA), measures SME as one which possesses at least two of the following criteria:

- i. Managers are also owners
- ii. Area of operation mainly local
- iii. Owners supply the capital
- iv. Small in size within the industry.

To Adidu & Olannye (2016), Small and Medium Enterprises (SMEs) are those businesses whose capital investment does not exceed ₦5 million (including land and working capital) or whose turnover are not more than ₦25 million annually. The Central Bank of Nigeria (2010) as cited in Funsho, Lukman, Awe & Alabi (2015) defined SME as one whose capital employed excluding land is between ₦1million and ₦150million and employs not more than 500 persons.

According to Olayinka & Joseph (2013), there has been an increased interest in the promotion and development of small businesses since the 1970s, due to the inability of government and organizations to employ the Nation's teeming population. This situation has led to the strengthening of individuals' self sustaining and self reliant effort in recognizing that dynamic and growing small scale businesses can substantially contribute to a wide range of national development objectives and goals. It is on note that many Nigerians have recorded successes in their various areas of small business endeavours. However, the obvious remains that more entrepreneurial dreams have either been aborted at the conception stage or during the early years of the business due to various challenges facing Nigerian entrepreneurs. Among these challenges are: inadequate finance, stiff competition and poor marketing strategies, poor record keeping, wrong location, poor planning, inadequate infrastructural facilities, lack of skilled manpower and a host of others such as weak demand for their products and wide spread harassment of Small and Medium Scale Enterprises (SMEs) by some government officials over unauthorized levies. Many scholars believe finance is a major problem facing small scale entrepreneurs in Nigeria (Moses, 2010; Osisioma, 2014; Ebitu, 2016).

For small business entrepreneurs to stay afloat in business in the face of obvious challenges facing them as enumerated above, they must get their marketing strategies right. Marketing strategy globally has become a veritable tool in the hand of organizations to remain in a competitive business environment.

Achumba (2000), sees strategy as unified, comprehensive and integrated plan relating the strategic advantage of firm to the challenges of the environment. Marketing strategy is the method, manner, technique, or plan by which a firm or individual intends to exploit in maintaining success in the market place. Firms that desire not only to survive but also to

improve on their marketing effectiveness and efficiency must learn how best to create and improve sound marketing strategies (Adewale, Adesola & Oyewale, 2013).

However, the focus of this study is based on the problem of weak demand for the products and services of the small scale businesses as a result of the poor marketing strategies adopted in their businesses. Ebitu, (2015) posited that in the southern part of Nigeria, marketing problems such as difficulty in managing firm's advertising, lack of adequate marketing research, unawareness of competition, poor branding and packaging, low level of knowledge on business market analysis, poor promotion, poor segmentation strategy, poor pricing technique and unplanned distribution contribute negatively in affecting Small and Medium Enterprises' (SMEs) sales volume and profit margin.

Based on the foregoing, the specific objectives of the study is to examine which of the marketing strategies among relationship marketing strategy, product quality strategy, price strategy, and marketing communication strategy significantly affect the performance of small business entrepreneurs in Aba metropolis, Abia State, Nigeria, using laundry and dry-cleaning business operators as our case study.

II. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Micro, Small and Medium scale industry

The National policy on Micro, Small and Medium Scale Enterprises defined Small and Medium Scale Enterprises (SMEs) with respect to the backdrop of number of persons employed and assets possessed. The National Council on Industry defined Micro, Small and Medium Enterprises (SMEs) as follows;

1. Micro/Cottage Industry

Industry with asset base of not more than ₦1.5 million excluding cost of land, but including working capital and a staff strength of not more than 10.

2. Small Scale Industry

Industry with asset base of more than ₦1.5 million but in excess of ₦50 million excluding cost of land, but including working capital and /or staff strength from 11 to 100.

3. Medium Scale Industry

Industry with asset base of more than ₦50 million but not in excess of ₦200 million, excluding cost of land but including working capital and/or staff strength of 101 to 300.

2.1.2 Relationship Marketing Strategy

Martins (2015) posited that relationship marketing is the art of developing close and personal relationship with a person's customers. Anyone can establish a business but not everyone

can build a strong customer relationship. Showing existing customers that you appreciate and value them will encourage and propel them to refer other potential customers – their friends, colleagues, relatives and others, to your business. Customers remain loyal and committed to business that provide them greater value and satisfaction. Customer Relation Management (CRM) focuses on customer loyalty and long term customer engagement rather than short-term goals such as individual sales and customer acquisitions. Thus, relationship marketing strategy aims at creating strong, even emotional, customer connections to a brand that can lead to ongoing business, free word-of-mouth promotion and information from customers that can generate leads (Rouse, 2015).

2.1.3 Product Quality Strategy

The positive correlation between product quality and sales (performance) should be reason enough to make quality a top priority in a business strategy. The trust, credibility and loyalty that come from happy customers build repeat sales and ignite positive recommendations about a product that helps a business reach new audiences. According to Kotler & Armstrong (2006) as cited in Olayinka & Joseph (2016), posited that a product is anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or need. It is the duty of a business to set its quality level and ensure that it meets the expectation of their target market. A product's quality need to be consistent with other elements of marketing mix. For instance, a premium based pricing strategy will require a quality product to support the price tag. It is important to note here that consumer perception of quality not only results from an evaluation of the intrinsic quality attributes of the product – performance, reliability, durability, but is also affected by the marketing mix (e.g. prices, advertizing, etc) adopted by the firm selling the product.

2.1.4 Marketing Communication Strategy

Marketing communication strategy is defined as the entire range of activities a firm or individual engages in that favourably assist the firm or individual to market its products or services to the target audience. This includes everything from paid marketing to media relations (public relations). According to Cornelissen (2009), marketing communication strategy consists of activities such as advertizing, direct marketing, sales promotion, personal selling and public relations that are used by firms to communicate with their customers and prospects.

2.1.5 Pricing Strategy

Price can be stated as the actual or rated value of a valuable product or service which is up for exchange. Kotler, Ang, Leong & Jan (2005) defined price as the amount of money paid for a product. Price is also seen as a cost of producing, delivering and promoting the product charged by an organization (Kotler, 2007). The price set for a product or service plays a prominent role in its marketability. Jones

(2007) posited that the pricing for products or services that are more commonly available in the market is more elastic, thus, meaning that unit sales will move up or down more responsively in response to price changes. Scholars like Zeithami (1998) believe that monetary cost (price) is one major factor that influences consumers' perception of a product value.

2.2 Empirical Reviews

Below are some empirical reviews of works on the subject matter of study:

In the study by Ebitu (2016), he examined the impact of three marketing strategies (product quality, marketing communication and relationship marketing) on the performance of selected small and medium scale entrepreneurs in Akwa Ibom State, Nigeria. The study adopted the survey method. Data obtained were analyzed using Pearson product moment correlation analysis. Findings showed that there was a significant impact of product quality strategy and relationship marketing strategy on the profitability of SMEs in Akwa Ibom State.

Adewale, Adesola & Oyawale (2013), in their study, revealed that the relationship between promotion consideration and business performance is significant, but they are inversely related. This may be as a result of the perception of some customers that heavily promoted products could be problematic products of poor quality, with passed expiry dates and from clearance stocks.

The study by Mumel, Hocevar & Snoj (2007) revealed that there is a significant correlation between the number of marketing communication activities a company uses and their net sales and customer loyalty. However, they noted that companies aspiring for better performance should concentrate more on the frequency of using specific marketing communication activities and not so much on how many marketing communication activities they should use. This is so because according to research, the frequency of using certain marketing communication activities correlates with the number of business performance variables and this results in more options to improve certain business performance indicators.

Adewale, Adesola & Oyawale (2013) investigated the impact of marketing strategy on business performance with special reference to the selected SMEs in Oluyole Local Government Area, Ibadan, Nigeria. The survey research design was used in the study. Correlation coefficient and multiple regression analysis were used to analyze the data. The results showed that the independent variables (product, promotion, place, packaging and after sales services), were significant joint predictors of business performance in terms of probability, market share, return on investment and expansion.

Cross (2018) investigated the effects of marketing strategies on organizational performance: A study of Nigerian Bottling Company Kaduna. A survey research design was employed in

the study and data were obtained using questionnaires. Pearson Moment Product Correlation Coefficient was used to test the hypotheses. Findings revealed that promotions, pricing, distribution and product standardization and adaptation had significant impact on sales, customer and financial performance of firms.

A study by Preetan & Kahn (2011) examined the impact of marketing strategies on business performance of SMEs in India. A survey questionnaire was used to gather data from 205 SMEs in Delhi Metropolis of India. The simple regression was used to analyze the data collected. The results indicated that market segmentation, promotion, product quality and relationship marketing had significant impact on business performance of SMEs in India. Thus, the study recommended that India SMEs should embrace marketing in all of its firms and adopt effective marketing strategies to gain competitive advantage in the industry.

III. METHODOLOGY

This study was carried out in Aba metropolis, Abia State of Nigeria using small scale entrepreneurs engaged in laundry and dry-cleaning services. The survey research design was adopted. A total of one hundred and twenty (120) laundry and dry-cleaning service operators were identified and close-ended questionnaire were administered on them, Ninety (90) of them completed and returned their questionnaires, hence our sample size. Data obtained from the questionnaires were presented in table form and analyzed using simple percentages for descriptive results.

IV. ANALYSIS OF DATA AND RESULTS

Below is the presentation and analysis of data used in the study

Table 4.1: Analysis of data

Responses	Number of respondents	Percentage
Gender of small business ownership		
Male	87	97
Female	3	3
Challenges in Business		
Finance	45	50
Excessive Competition	12	13
Multiple Tax/Levies	10	11
Fraud	3	3
Poor Record keeping	5	6
Inadequate facilities/machines	15	17
Adoption of Marketing Strategies		
Yes	80	89
No	10	11

Mode of Strategy Adopted		
Product Quality Strategy	30	33
Relationship Marketing Strategy	20	22
Pricing Strategy	25	28
Marketing Communication Strategy	15	17
Effects of Strategy on Business Performance		
Product Quality Strategy		
Significant	75	83
Moderately Significant	10	11
Insignificant	5	6
Relationship Marketing Strategy		
Significant	60	67
Moderately Significant	22	24
Insignificant	8	9
Pricing Strategy		
Significant	65	72
Moderately Significant	23	26
Insignificant	2	2
Marketing Communication Strategy		
Significant	25	28
Moderately Significant	12	13
Insignificant	53	59

Source: Field Data, 2019

From the above table, the survey revealed that 97% of the owners of laundry and dry-cleaning services examined are male while 3% of them are female entrepreneurs. This situation explains the level of female ownership of small businesses in Nigeria.

The descriptive analysis of the results of this survey also revealed that several challenges face small business entrepreneurs in the conduct of their businesses. A good number of the respondents (50%) are of the opinion that inadequate finance remains the major challenge of small businesses in Nigeria. Others include; inadequate facilities and machines (17%) such as washing machines, driers, tagging guns, pressing irons and others, excessive competition (13%), multiple levies by Government authorities (11%), poor record keeping (6%), and fraud committed by staff of these businesses (3%).

The survey also revealed that 89% of the respondents knowingly adopt market strategies in their quest to increase the fortunes of their businesses while 11% of them do not adopt any marketing strategy. From the survey, 33% of the respondents adopt product quality strategy, 28% adopt pricing strategy, 22% adopt relationship marketing strategy, while 17% adopt marketing communication strategy.

On the effect of the various marketing strategies on business performance, the survey revealed that 83% of small business entrepreneurs are of the opinion that product quality strategy is highly significant on their business performance; 11% of them see product quality strategy as being of moderate significance on their business performance while 6% believe that it is not significant on their business performance. 67% of respondents are of the view that relationship marketing strategy has significant effect on business performance, 24% see it as having a moderate significance while 9% of them believe it is of no significance in their business performance. Under the pricing strategy, 72% of the respondents affirm that it has a significant effect on their business performance while 20% are of the view that it exerts a moderate significance on business performance. 4 % believe that pricing has no significant effect on the performance of their businesses. Furthermore, 28% of the respondents see marketing communication as having a significant effect on business performance, 13%, as having moderate significance and 59%, as being insignificant on business performance.

4.1 Findings of the Study

From the analysis of data used in the survey research and based on the objectives of our study, the following findings were made:

1. Product quality strategy has a significant effect on business performance of small business entrepreneurs.
2. There is a significant effect of pricing strategy on business performance of small business entrepreneurs.
3. Relationship market strategy exerts a significant effect on business performance of small business entrepreneurs.
4. There is no significant effect of marketing communication strategy on business performance of small business entrepreneurs.

V. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Small business entrepreneurs face a lot of challenges in their business operations in Nigeria as a result of the harsh and competitive business environment in which they operate. These challenges hamper their progress and performances. This study examined the marketing strategies adopted by these small businesses and their effects on business performance. Product quality strategy, pricing strategy, and relationship marketing strategy were found to have significant effect on business performance of small business entrepreneurs in Nigeria while marketing communication strategy had no significant effect on business performance in Nigeria.

5.2 Recommendations

Based on the foregoing, the study recommended as follows:

1. Small business owners should always ensure that their product and services are of very high quality. This will also guarantee customer loyalty, patronage and increased profit, as customers are ensured of great value for their money.
2. Pocket-friendly prices are recommended for small business entrepreneurs for their products and services so long as these prices cover their cost of production.
3. A small business entrepreneur has the need to create or develop close and personal relationship with their customers. Listen to customers, reward loyal customers, surround customers with valuable information and at all times, build a strong brand identity.
4. Small business entrepreneurs are advised to use the less costly marketing communication tools such as fliers, word-of-mouth adverts, flex banners as well as advertizing through the internet using social media sites such as facebook, youtube, whatsApp, Instagram, etc. This will enable them reach a wide range of people at lower cost.

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