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## THE ROLE OF MARKETING-MIX STRATEGIES ON GROWTH OF MICRO AND SMALL ENTERPRISES IN MERU COUNTY-KENYA

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### ABSTRACT

*In Kenya, the small and micro enterprise sector plays a significant role in employment creation, poverty alleviation and income generation. The sector annually absorbs a large number of unemployed Kenyans and supports about 75% of the country's workforce (vision 2030). However, the sector is faced with many problems relating to marketing mix. This leads to business stagnation or failure. This study reveals the important role played by the marketing mix strategies in the growth of Micro and Small Enterprises programmes (SMEP). The study was carried out in Igembe south District with respondents drawn from customers served by SMEP. The research focused on business managers operating manufacturing, wholesale, retail, open air and service businesses. The bio-data revealed that majority of MSE managers were over 40 years (41.5%) had over 10 years experience in business (42.6%) and few have undertaken marketing skills training (26.5%) while informal market research was undertaken by 40.8%. The study revealed that the place and price strategies were the most important in MSE growth as compared to product and promotion strategies. It was further revealed that the prices were determined by the manufacturer or distributors and that micro and small enterprise (MSE) manager had less influence. The study concludes that the products offered are determined by the customers and that MSE managers indeed rely heavily on personal selling and public relations which were limiting in effect.*

### KEYWORDS

growth, marketing mix, macro enterprises, small enterprises.

### INTRODUCTION

Governments world over have continued to turn their attention to micro and small business enterprises as the main engine of economic development and growth. This is because during the early stages of economic development, MSEs embodied unique opportunities for creating employment and wealth. The national Baseline Survey (1999), for example, revealed the existence of some 1.3 million MSEs employing as many as 2.4 million Kenyans (ICEG, CBS, KREP, 1999). In realizing the important role of small business enterprises alot of support has been extended to this sector to help it develop. Some of the initiatives developed include the Development Finance Company of Kenya (DFCK,) Industrial and Commercial Development Corporation (ICDC), Kenya Industrial Estate (KIE), Youth development Fund, Women Development Fund and Kenya Industrial Training Institute (KITI) to provide financial and educational support to small business enterprises. Besides, there are many non- governmental organizations and donor agencies currently operating in Kenya with the aim of stimulating sustainable development of small business enterprises through provision of loans, technical assistance, marketing, training and extension services. The British government through its Department of International Development (DFID) has over the years increased its spending towards the development of small business enterprise in Africa. However, notwithstanding this contribution and effort expended to the development of these entities, all does not auger well in this growth sector. According to National MSE Baseline Survey (1999), it is estimated that only about five percent survive the fifth year after inception. Several reasons have been suggested to explain this, chief among them fierce competition these firms encounter after inception. Therefore, the main question of interest is what has prevented these firms from succeeding in this environment? Previous studies have shown lack of capital, qualified personnel and lack of market as the main cause of business mortality in Kenya. Odera (1989) argues that marketing related activities like prices, styles output and lack of advertisement among small scale enterprises were major problems. This study sought to find out whether these enterprises utilize the marketing mix elements of product, price, place and promotion, and if they do utilize such elements, which ones in particular?

### REVIEW OF LITERATURE

#### MARKETING CONCEPTS

Five concepts have been adopted by marketing managers in the running of their businesses (Kotler and Armstrong, 2006). Production concept holds that consumers prefer products that are widely available and inexpensive. The product concept has it that consumers will buy products with innovative features. The selling concept holds that consumers cannot buy products if left alone. Hence, buyers spend a lot of time and resources in aggressive selling and promotional activities. The marketing concept is consumer focused and holds that firms develop products to satisfy consumer needs. The societal concept is an integrated approach which holds that all factors need to be considered in marketing. Hence, the firm should determine needs, wants and interest of target markets. The above concepts will influence the choice of marketing mix strategy efforts of firms.

#### MARKETING MIX CONCEPTS

The theory of marketing is founded on what is often referred to as the marketing mix elements (4ps). This mix consists of products, price, placement and promotion. According to Ferrel (1982), these four elements are called marketing decision variables because a marketing manager can vary the type and amount of these elements.

#### PRODUCT

A product can be defined as anything offered to consumers for possible purchase and consumption. It includes physical objects that are tangible as well as the intangible such as services (Kibera, 1997). Small business enterprises usually provide products and services as customers' demand. Variable elements such as size, shape, colour and packaging among others can be changed to make products quite different from those of competitors. Small business enterprises can use such programs of developing products like extensions, promoting alterative uses, designing new benefits for existing customers, promoting use of related products and packaging in different sizes.

#### PRICE

From a marketing perspective price is the value placed on a good or service by customers at some point in time. It goes by many others names including rent , tuition fees, fares, salaries and wages (Kibera 1998). According to Kotler (2001), marketers use any of the three approaches in setting prices: cost plus, demand

based and competition oriented pricing strategies. In cost plus pricing strategy, marketers set prices by totaling their costs and adding a reasonable margin. In the case of demand oriented pricing strategy, marketers whether in large or small firms charge high prices when and where demand for a product is strong and a low price when and where demand is weak. The relevant price range is determined by the buyers' capability and willingness to pay (demand) and the sellers' cost of producing and distributing the product. It is actually arrived at through negotiation and this is a widely used pricing strategy by Kenya's small businesses. Competition based pricing strategies occur where the manager may decide to charge a price which is higher or lower than the competition by a certain percentage. However, there is a school of thought that pricing should be based on analyzing the product's competitive advantages, the user's perception, the target market and that managers should focus on cost cutting at a level that allows a healthy profit (Peter & Donnelly, 1992).

**PLACE**

A channel of distribution refers to the route or path followed by a product as it moves from the producer to the consumer (Kibera, 1998). In Kenya, most intermediaries are small businesses which are normally family owned and are used by large businesses as sources of raw materials and as outlets for manufactured products.

According to Assael (1985), the simplest channel is that of the producers selling direct to the consumer. When the market intermediaries are used, the process is referred to as indirect marketing. The choice of the channel of distribution depends on factors such as customer characteristics, size of the market, geographical dispersion of the customers and their buying habits. In the case of Kenya, the purchasing power is low and under-stocking in small outlets is high as compared to developed countries (Meredith et al, 1982). Other factors considered are perishability, degree of product standardization, and whether the product is targeted for industrial or household use. Highly perishable products like agricultural products require short channels although this is not always the case in Kenya because of poor infrastructure. Producer characteristics, financial status, product mix past channel experiences and the desired degree of channel control should also be considered.

**PROMOTION**

Effective promotion requires understanding the market one is trying to reach, who the customers are, where they come from, when they buy and why buy from them (Meredith et al 1982). Kinnear (1994) defines promotional strategy as a controlled, integrated program of communication methods and materials designed to present an organization and its products to prospective customers, to communicate need satisfying attributes of products to facilitate sales and thus contribute to long run profit. The marketing mix communicates to consumers. For instance, the physical product itself communicates a great deal to the consumer as do the parts of the extended product such as the brand name, shape, size and colour. The physical appearance and quality of the product send signals to the consumers as to what the product should mean to them. The price of the product also communicates to the consumers. These are promotion tools which can be used by both large and small businesses to attract new customers and maintain current ones.

**THE EMPIRICAL REVIEW**

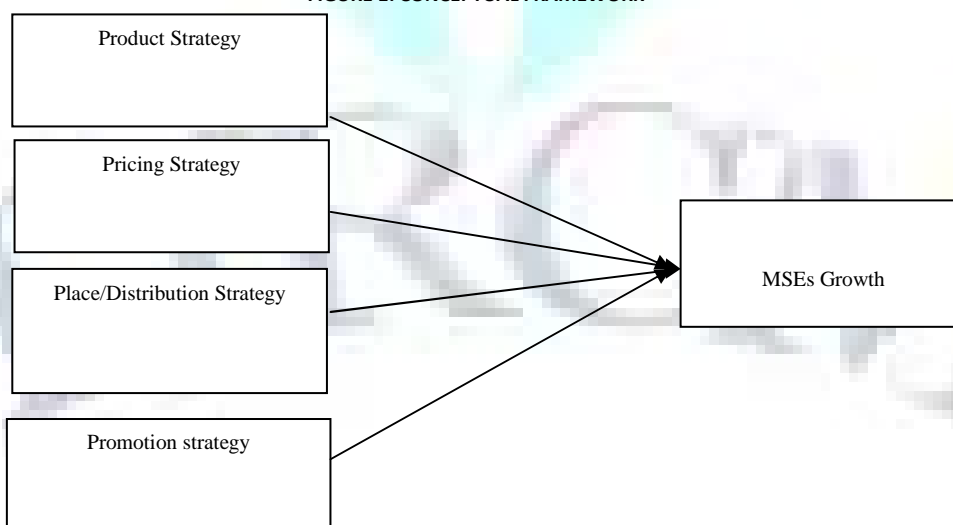
Many studies have been conducted on the marketing mix in various industries. For example studies carried out by Parker and Torries (1993) found out that small business enterprises were also being used to achieve broad development objectives. These included: promotion of national and regional socio-economic development, alleviation of poverty and employment creation. Further they provide several social economic linkages, facilitation of transition to market economy and promotion of a competitive economic structure.

Wairachu (2001) carried out a study in the petroleum industry to establish the extent to which petroleum companies used marketing strategies in liberalized economy. The study targeted seven oil marketing companies. The study concluded that only 35% of the companies utilized marketing mix strategies. He recommended a more structured marketing department in the petroleum companies.

Kagwiria (2004) sought to determine the extent to which Kenyan universities practiced education marketing. She studied all the public and private universities in Kenya. The study found out that public universities were reluctant in marketing their services while private utilized all the 7Ps of service marketing. She recommended more effort by public universities in marketing their education services.

A study by Matwere (2004) sought to establish the extent to which marketing mix variables were utilized in the sugar industry in Kenya. He found out that among the 4Ps, price was the most challenging for the sugar marketers while place and promotion strategies were fairly utilized by the firms. In another study in the insurance industry, Kyevea (2005) conducted a survey of marketing mix used by life insurance companies in responding to the challenges of HIV/AIDS. The main objective was to determine the extent to which insurance companies use marketing mix variables and the factors influencing their choice of the marketing mix to use. The study found that most of the insurance companies (78%) utilized the 7ps of service although the order in which they were utilized varied from company to company. The first priority was given to product benefits, price, distribution, promotion, people, process and physical evidence in that order. Customer needs was the major factor that influenced the choice of the mix to use in a particular market. However, the foreign owned companies seemed to be better in utilization of the marketing mix as compared to their local counterparts.

**FIGURE 1: CONCEPTUAL FRAMEWORK**



The growth of MSEs is dependent on the product pricing, place and price strategies used. The growth of MSEs is measured by the sales turnover. If the MSE are not located in the right market, prices are not attractive and products are not delivered to the customers, the MSEs cannot succeed in realizing target growth. In addition to these, the product offered must be communicated to the buyers using the right promotion mix.

**IMPORTANCE OF THE STUDY**

SMEs may use the findings to improve their marketing strategies. Such enterprises will be able to identify the marketing mix elements that they can effectively use to promote their goods and services. In this way they will be able set proper marketing strategies in order to achieve market share, to grow in size and



achieve higher profits. It may also be of value to the government agencies and Voluntary organization such as foreign companies and international aid agencies in general and to the ministries of Youth Affairs, Finance, Commerce and Industry all of which have an interest in helping the development of the small business and the intermediate sector.

## STATEMENT OF THE PROBLEM

The role played by small business in Kenya, especially since 1980's to date cannot be overemphasized. However, in spite of their important contribution to the Kenyan economy, the significant efforts made by the government, the donor community the MFIs and other private sector organizations to support and promote the development of MSEs in Kenya, MSEs have continued to experience constraints which contribute to their failure, stagnation or slow growth. Several challenges and problems are mentioned. Chief among them is recent external trade liberalization in Kenya which opened the Kenyan market to intense competition from foreign firms, a move which was disastrous to many Kenyan firms. Those MSEs which could not "swim" actually "sank" (World Bank, 2004). The problem has arisen possibly due to lack of application of the marketing mix strategies which often spur growth and profitability. Being such an important sector, with a potential to grow, the large number of people involved and the risk of failure and stagnation this call for an investigation as to what prohibits MSEs from achieving their potential. Studies by Wairachu (2001) and Kaguira (2004) concentrated on other facets of challenges faced by MSEs. However, none of them has investigated the role of marketing mix on the growth of MSEs in Meru County. This study is therefore designed to evaluate the role of marketing mix strategies on the growth of MSEs.

## OBJECTIVES

The general objective of this study was to investigate the role of marketing mix strategies in the growth of MSEs Meru county and the specific objectives were to:

1. Investigate the role of Product Strategies in the growth of MSEs in Meru County
2. Investigate the role of Pricing Strategies in the growth of MSEs in Meru County
3. Investigate the role of Distribution Strategies in the growth of MSEs in Meru County
4. Investigate the role played by Promotion in the growth of MSEs in Meru County

## HYPOTHESES

H<sub>0</sub>- There is no relationship between the MSEs Growth and effective marketing mix strategies

H<sub>1</sub> – There is a relationship between the MSEs Growth and use of effective market mix strategies.

## RESEARCH METHODOLOGY

A descriptive research design was employed to investigate the role of marketing mix in the growth of MSEs in Kenya. The target population of the study consisted of 940 Small and Micro Enterprises in Meru County. This list was obtained from the SMEP coordinating office in the District. SMEP was selected because it was the longest serving micro finance institution in Kenya. Stratified proportionate random sampling technique was used to obtain a sample of 94 MSEs, which represented 10 percent of the target population. The questionnaires were used to collect general information on the MSEs operators and the marketing mix strategies used as well as challenges faced when implementing the same. Statistical Package for Social Scientists (SPSS) was used in the quantitative analysis process and data was presented in frequency tables and percentages. In addition, The Chi-square was used to test the hypotheses. The qualitative data was analyzed using content analysis, where the common themes were presented in form of a discussion.

## RESULTS & DISCUSSION

### PRODUCT STRATEGY

TABLE 1: PRODUCT TYPE

	Frequency	percentage
Consumer goods	59	62.8%
Industrial goods	7	7.4%
Service	28	29.8%
No response	0	0
<b>TOTAL</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary Data (2008)

The table 1 shows the type of products MSEs Offer. The consumer goods category was dominant. This means that most MSEs engage in the sale of foodstuffs for household consumption and a few offer services such as hotels, salons and barber shops. This can be attributed to the ease with which they enter such business such as low capital required and cheap premises and licensing and ready market.

The number for industrial goods (7.4%) was very low possibly due to the fact that such businesses require substantial capital to venture into.

TABLE 2: PRODUCT DETERMINANT

	Frequency	percentage
Manufacturer	8	8.5%
Customers	60	63.8%
Self	22	23.4%
Not sure	4	4.4%
<b>TOTAL</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary Data (2008).

The table 2 reveals the products for a specific market are not determined by the business operator or the manufacturer, but the demand for what MSE operators can offer to them for a price.

TABLE 3: PRODUCT AVAILABILITY

	Frequency	Percentage
Products availability	58	61.7%
Products not available	33	35.1%
No response	3	3.2%
<b>TOTAL</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary Data (2008)

The information reveals that (61.7%) had products available when required by Customers while 35.1% did not have the products. The results present an interesting scenario where 35.1% indicated that products were not available when required by the customers. The MSE owners argued that the tendency not to stock a variety of products was meant to avoid dead stock.

**TABLE 4: PRODUCT MARKETABILITY**

	Frequency	Percentage
Don't sell fast	37	39.4%
Sell fast	49	52.1%
No response	8	8.5%
<b>TOTAL</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary Data (2008)

Table 4 reveals that 52.1% of the respondents felt that their products sell fast while 39.4% do not sell as fast as anticipated by the business operators. Further investigation revealed that the high level of competition made it difficult to sell products as fast as planned. The respondents felt that the failure to engage in market research and lack of marketing skills were some of the main factors that contribute to poor marketability of products. To succeed, the business managers will have to reinvent their marketing strategies such as provision of quality products, sales promotion and attractive prices.

**TABLE 5: PRODUCT PACKAGING**

	Frequency	Percentage
Provided product package	49	52.1%
No product package	37	39.4%
No response	8	8.5%
<b>TOTAL</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary Data (2008)

The results of table 5 revealed that 52.1% provided their customers with packaged products while 39.4% did not. Those who package their products view it as an incentive that makes the customer feel appreciated and loyal to the businesses. The respondents felt that provision of paper bags was an extra cost which if factored in would be transferred to the customers.

#### PRICING DECISIONS

Pricing is a very essential component of determining growth or failure of a business. If price levels are not right, the result will be either reduced sales as a result of customer dissatisfaction or losses when cost are not adequately covered.

**TABLE 6: COMPETITION LEVEL**

	Frequency	Percentage
Very stiff	38	40.4%
Fair	33	35.1%
Am not sure	18	19.1%
No response	5	5.3%
Total	94	100%

Source: Researcher's Primary Data (2008)

From the information given in table 6 above, 40.4% reported stiff competition, 35.1% rated it as fair, 19.1% were not sure and 5.3% did not respond. In charging the prices of product, MSEs need to consider the competitors' prices and the reaction of customers on the same. This is because customers are sensitive to price changes and base their judgment on the prices the competitors charge for similar products. MSEs have a tendency to charge their prices when market leaders change it other than basing it on demand or cost.

**TABLE 7: PRODUCT PRICE DETERMINANT**

	Frequency	Percentage
Manufacturer	9	9.65%
Distributor	33	35.1%
Customers	17	18.1%
Business owner	31	33.0%
No response	4	4.3%
Total	94	100%

Source: Researcher's Primary Data (2008)

The prices of products are dictated to by the price of manufacturers, distributors and the expectations of the customers. From the data provided by table 7, 35.1% reported that distributors determined product prices while 33% of the business owners determined the same. If the product prices are not satisfactory to the customer, they tend to switch to other businesses. The business owner cannot however reduce prices below certain limits because they have already been determined by the manufacturer or the middlemen.

**TABLE 8: EFFECT OF PRODUCT COST ON PRICING**

	Frequency	Percentage
Yes	71	75.5%
No	16	17.0%
No response	7	7.4%
Total	94	100%

Source: Researcher's Primary Data (2008)

The data in table 8 reveals that the cost of purchasing products determines the price of products. This comprised 75.5% while those who did not consider it were 17.0%. The results confirm that the cost to consider when pricing a product is the purchase value of the same product. The business owner must look for ways of reducing cost so that he can increase margin such as buying goods in bulk to benefit from economies of scale as well as indentifying cheap sources of credit and cheap products.

**TABLE 9: DEMAND FOR PRODUCTS AND PRICING**

	Frequency	Percentage
Demand influences price	53	56.4%
Does not influence price	32	34.0%
No response	9	9.6%
<b>TOTAL</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary Data (2008)

The data in table 9 reveals that most of the prices offered by SMEs are influenced by demand. There is a tendency for business to increase prices when there are an increase in demand for certain products.

PLACE DECISIONS

TABLE 10: BUSINESS LOCATION

Location	Frequency	Percentage
Within Municipality	51	54.3%
Outside Municipality	25	26.6%
No response	18	19.1%
<b>TOTAL</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary data (2008)

Businesses within the municipality are more popular than those outside the municipality because of the high concentration of buyers. The tendency to locate more businesses within the municipality can be attributed to the concentration of customers with a higher purchasing power, which result in increased sales and profits.

TABLE 11: DISTRIBUTION LEVEL

	Frequency	Percentage
Producer	1	1.1%
Retailer	59	62.8%
Agent	8	8.5%
Wholesaler	6	6.4%
Broker	3	3.2%
No response	14	14.9%
<b>TOTAL</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary Data (2008)

A big majority of MSE owners are involved in retail businesses where they were directly dealing with the buyers. The agents who constituted 8.5% were also significant as providers of products to the retailers. Therefore, the levels of distribution of products are few. This means that the MSEs cannot deal directly with the manufacturers but they rely on the middlemen or suppliers who are appointed agents of the manufacturers.

PROMOTION STRATEGY

TABLE 12: PROMOTION ACTIVITIES

	Advertising		Sales promotion		Public relations		Personal selling	
	Freq	%	Freq	%	Freq	%	Freq	%
To a great extent	3	3.2%	5	5.3%	16	17%	24	25.5%
To some extent	3	3.2%	1	1.1%	25	26.6%	19	20.2%
To a little extent	2	2.1%	19	20.2%	8	8.5%	8	8.5%
To no extent	24	24.5%	11	11.7%	7	7.4%	5	5.3%
Not applied	62	65.9%	58	61.7%	38	40.4%	38	40.4%
<b>Total</b>	<b>94</b>	<b>100%</b>	<b>94</b>	<b>100%</b>	<b>94</b>	<b>100%</b>	<b>94</b>	<b>100%</b>

Source: Researcher's primary data (2008)

Table 12 shows the various promotion activities and their importance in relation to increase in sales. It is evident that the sales increase in MSEs is influenced more by other factors besides promotion activities. Generally, the data points out that public relations and personal selling contribute to sales increase in MSEs. The data reveals that MSEs should strive to use the promotional activities so as to remain competitive. Therefore, the marketing mix efforts MSEs should be geared towards influencing demand for products.

TABLE 13: MARKETING SKILLS

	Frequency	Percentage
Contribute to sales increase	55	58.5%
No effect on sales	26	27.7%
Not necessary	13	13.8%
<b>TOTAL</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary Data (2008)

The information in Table 13 clearly portrays that most of the MSE owners felt that good marketing skills were responsible for increased sales. This constitutes 58.5% as compared to 27.7% who indicated that such skills had no effect on sales. Businesses like any other income generating activity require some skills, which can be learnt formally or informally. Therefore, marketing skills are necessary for business growth. With increased sales turnover a business can meet its operational costs and make some profits which can be ploughed back.

TABLE 14: 4Ps OF MARKETING

Priority	Product		Place		Promotion		Price	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
1	9	9.6%	19	20.2%	9	9.6%	17	18.1%
2	17	18.1%	10	10.6%	15	16.0%	10	10.6%
3	10	10.6%	16	17.0%	10	10.6%	21	22.3%
4	18	19.1%	10	10.6%	21	22.3%	8	8.5%
Not sure	40	42.6%	39	41.5%	39	41.5%	38	40.4%
<b>TOTAL</b>	<b>94</b>	<b>100%</b>	<b>94</b>	<b>100%</b>	<b>94</b>	<b>100%</b>	<b>94</b>	<b>100%</b>

Source: Researcher's Primary Data (2008)

The information in Table 14 shows that price is given higher priority by business owners/managers. However, the data further reveals that the number of those who could not prioritize the 4Ps was around 40%. This shows that the 4Ps are of equal importance and are used to complement each other.

RELATIONSHIP BETWEEN MSE GROWTH AND MARKETING MIX STRATEGIES

An independent sample t test was used to investigate the relationship between growth and the product as the independent variable. The inferential analysis indicated that there is no significant relationship between growth and product, price and Place each with p = 0.001. The results however indicated that there was a significant relationship between the MSE growth and promotion variable with P= 0.561 more than alpha value 0.05. Thus the null hypothesis is accepted.

SUMMARY OF FINDINGS AND CONCLUSION

Majority of the businesses have been in existence for more than 10 years (42.6%). This length of time is enough to give them enough experience in applying in marketing mix. It was revealed that majority of the MSEs owners engaged in farming and only joined the business because did not specialize in any of the two. The research confirmed that the pricing of products was determined by the manufacturers, competitors or the supplier and that the business managers had to estimate the product costs carefully. The sales trend of 27.7% as stable and 29.8% as stagnant presents scenario of poor performance or businesses that are just

surviving. This is aggravated by the increased expenditure 67%. The promotion activities in MSEs were carried out by the operators (66.0%), while the distributors and manufacturers seen play an insignificant role in the activity. The most popular forms of promotion are personal selling and public relations. Advertising was the most un-popular form of promotion mainly due to the financial implications while word of mouth was mostly used.

The study reveals that the growth of MSEs in Kenya can be attributed to the effective utilization of the place/ distribution, price and product strategies or decision. At the practitioners' point of view, the promotion strategy did not contribute to business growth. This is because many SMEs did not have time and money to engage in the promotion activities. Therefore, sales can be made whether promotion activities are carried out or not. From the study we conclude that the adoption of marketing mix is critical to their growth.

## RECOMMENDATIONS

From the results of the study, the researcher recommends the following:

1. It should be made mandatory for all institutions providing credit to MSEs to train MSE operators in marketing skills.
2. The government should play a significant role in enabling the MSEs to compete effectively in the market either through business skills development, favorable policies and affordable financial support and other incentives.

## SCOPE FOR FURTHER RESEARCH

- Promotion strategies were found to be poorly implemented by the respondents. This, being a vital element in marketing, calls for further research to find out how else the activity was carried out.
- Competition was rated as serious threat to the survival of MSE in Kenya. This calls for further research to establish how MSEs deal with the stiff competition.
- The study focuses on the 4Ps and recommends further study on the people, physical facilities and process (3Ps) and their contribution to business growth.

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