MARKETING STRATEGIES AND THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN AKWA IBOM STATE, NIGERIA

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ABSTRACT: The study examined the impact of three marketing strategies (product quality, marketing communication and relationship marketing) on the performance of selected Small and Medium Scale Enterprises in Akwa Ibom State, Nigeria. The study was motivated by the fact that SMEs in Akwa Ibom State find themselves in a competitive environment and may not know which marketing strategy is effective in improving their business performances. The study adopted the survey method. 240 questionnaires were issued to SMEs in the three senatorial districts of the State. This formed the sample of the study. The data obtained was analysed using Pearson Product Moment correlation analysis which was computed electronically by the use of Statistical Package for Social Science (SPSS) version 21. The study revealed that there is a significant impact of product quality strategy and relationship marketing strategy on the profitability and increased market share of SMEs in Akwa Ibom State. The study recommends that SMEs should invest so much in product quality rather than in advertisement as this would enhance the firm’s profitability. Also, the customers should be valued and treated as kings as cordial relationship between firm and customers results in the increase of the organizations market base.

KEYWORDS: Small Medium Enterprises, Marketing Strategies, Performance, Relationship Marketing, Product Quality, Marketing Communications.

INTRODUCTION

Strategy is the way, method, technique or plan which an individual or organisation intends to exploit in achieving success in the marketplace or the society. Gleuck (1984) as cited in Achumba (2000:2) defines strategy as a unified, comprehensive and integrated plan relating the strategic advantage of the firm to the challenges of the environment. He added that organizations that desire not only to survive but also to improve their marketing effectiveness and efficiency must learn how to create and improve sound marketing strategy.

Marketing strategy has become an important tool globally for any organization to remain in competitive market environment and wax stronger. Marketing strategy is a vital prerequisite of Industry's ability to strengthen its market share and minimize the impact of the competition (Adewale, Adesola, & Oyewale, 2013). Owomoyela, Oyeniyi, and Ola, (2013) also see marketing strategy as way of providing quality product that satisfies customer needs, offering affordable price and engaging in wider distribution and back it up with effective promotion strategy. (Adewale et al, 2013).

Marketing strategy draws its strength from the overall corporate strategy. It may be defined as those marketing programmes and tactics designed to achieve the objectives of an organization. A marketing strategy outlines the strategic direction and tactical plans that marketing teams must implement to support the company’s overall objectives (Ebitu, 2015: 278).
strategy articulates the best uses of a business resources and tactics to achieve its marketing objectives. It states which opportunities are to be pursued by an organization, indicates the specific markets towards which activities are to be targeted, and identifies the types of competitive advantage that are to be developed and exploited (Weitz & Weasley, 1988 in Dibb, Simkin, Pride & Ferrel, 2006: 37)

SMEs in Akwa Ibom State find themselves in a competitive environment both locally and globally, hence effective marketing strategies are required to improve the business performances of the SMEs. This paper examines three marketing strategies (product quality, marketing communication and relationship marketing) and their impact on performance of SMEs in Akwa Ibom State.

LITERATURE REVIEW

Definitions of micro, small and medium-size enterprises (MSMEs) vary from different bodies, organizations and institutions in Nigeria. This confirms that there is no specific and generally accepted definitions of micro, small and medium-sized enterprises. An SME according to the Central Bank of Nigeria is one whose capital employed excluding land is between ₦1 million and ₦150 million and employs not more than 500 persons. The National Policy on Micro, Small and Medium Scale Enterprises defines 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 (MSMEs) as follows:

- **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.

- **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 a staff strength from 11 to 100.

- **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 a staff strength from 101 to 300.

- **Large Scale Industry**: Industry with asset base of over ₦200 million excluding cost of land but including working capital and/or a staff strength of more than 300.

Other definitions from other agencies like Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN, 2003), Small and Medium Industries and Equity Investment Schemes (SMEIES), National Association of Small and Medium Scale Enterprises (NASME) etc. are slightly different from each other. This paper takes the position of Ebitu, Basil & Ufot, (2015) in defining SMEs as enterprises which employ less than 200 persons and possess assets which value excluding land and building is less than ₦300 million.

SMEs are usually associated with little capital outlay, minimal fixed assets, highly localized in the area of operation, and often with unsophisticated management structure (Ebitu, Basil and Ufot, 2015). Baumback (1992:4) says characteristically small businesses are those units that are actively managed by its owners, highly personalized, largely local in the area of operation,
of relatively small size within the industry and largely dependent on sources of capital to finance its growth. The basic distinguishing factors between small scale and large scale enterprises are as follows:

i. The size within the industry is relatively small as compared to large scale enterprises.

ii. The firm is owned and financed by an individual or a group of individuals. Capital requirements for small scale enterprises are small and usually within the reach of indigenous entrepreneurs.

iii. Small scale enterprises are either run on household basis and serve local population or cut across states and ethnic boundaries.

iv. The manager/proprietor handles and supervises the financing, production, marketing and personnel of the enterprises.

v. The manager/proprietor may not be able to raise short term capital needs of his business from the organized financial market, instead he relies heavily on personal savings or loans from friends, relations or money lenders.

vi. The enterprise is generally poorly equipped as the small firm feels reluctant to accept outside help owing to prejudice or fear that information about the enterprise might reach the tax authorities or a nearby competitor.

vii. The level of the owner/proprietor may be low with consequent of low level of business market analysis.

The contribution of SMEs to the national development cannot be overemphasized. Ogechukwu (2001) has mentioned some of those contributions to include:

• *Generation of employment for the citizenry:* Many unemployed people and youth have found employment in small scale industries. A lot of retail shops, cottage, restaurant, poultry farms, telecommunication and telephone shops have been established and managed profitably by Nigerians who would have been unemployed till date. The entrepreneurs have in turn, provided jobs for other Nigerians who serve as support, technical and administrative staff for them.

• *Encouragement of self-employment and entrepreneurship amongst youths both in the rural and urban areas:* The spirit of successful entrepreneurship has taken over the mind of Nigerians, who believe in themselves and in the goal of self-employment, instead of relying on government jobs. In the telephone, retail and rental jobs, a lot of youths and other Nigerians have remained self-employed. Their businesses have expanded to the level of employing some other unemployed people.

• *Establishment of man-power development support schemes:* Through the training and retraining of entrepreneurs, SMEs have provided a pool of potential entrepreneurs and business people who are well equipped to start and successfully manage industries whether small or large, not only in Nigeria but overseas. Successful business people in Nigeria like the Aliko Dangotes, the Ibrus, Mike Adenuga, the Orji Kalu etc. started as
small and medium scale enterprises, before the growth of their various businesses into conglomerates.

- **Reduction of dependence of government and large firm’s salaries employment**: This is evidenced from the liberalization policy of the government in the telecommunication and education sectors as a lot of companies have been established to provide support to staff and employment for Nigerians.

- **Rural development and the achievement of a meaningful level of broad economy**: To reduce the migration from rural to the urban centres, some infrastructural facilities which promoted small scale industries were provided in the rural areas such as the provision of access road, increased improvement in communication facilities like telephone, postal services, and internet facilities, construction of industrial layout and estates, and the provision of electricity and water expansion schemes.

- **Upgrade in social status**: SME has upgraded the social status of Nigerian youths by showcasing them as very successful entrepreneurs and operators of small scale industries. This is evidenced in many success stories of small scale industries as recorded by the print and electronic media houses.

- **Dignity of labour**: SMEs has uplifted the dignity of labour. There is the spirit of “me too”, “I can do it” attitude, people deriving joy in working for themselves and seeing their businesses grow to conglomerates.

**Problems of SMEs**

SMEs in Nigeria are not without problems. These enterprises face problems ranging from insufficient capital, lack of efficient manpower, inefficient management, fraud, inability to analyse and capture market opportunities, marketing problems, research inefficiencies, production problems such as poor standardization and low quality products to mention but a few. These problems no doubt adversely affect the performance of SMEs. A study by Ebitu (2015) exposed 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 SMEs’ profit margin and their sales volume.

Ebitu (2015) further observed that most of these problems were as a result of the fact that most of the managers of the SMEs are not knowledgeable about the principles and practice of marketing. He recommended that if managers of SMEs in southern Nigeria are adequately educated on the principles and practice of marketing then there will be a marked improvement in performance of SMEs. Also, the position of marketer or marketing manager as the case may be, should be occupied by one who is a qualified marketing professional because this would reduce the risks involved in making certain marketing decisions and in turn, will lead to impressive business performance of SMEs.

Dzisi & Ofosu (2014) posits that although SMEs experience difficulties in absorbing and coping with obstacles, they need to develop an ability to deal with the ever increasing challenges in the global market (Leopoulos, 2006). As a step, these organizations should activate marketing strategies and tactics that can help them take decisions on a number of
variables to influence mutually-satisfying exchange transactions and relationships (Taiwo, 2010).

Marketing Strategies and Performance of SMEs

Spillan and Parnell (2006) acknowledged that the links between strategy and performance have been substantiated at firm and functional levels, although there is often overlap between the two. At the business level, strategy typologies—also referred to as gestalts, frameworks, and archetypes—identified several generic strategic approaches and were developed and utilized as a theoretical basis for identifying strategic groups in industries. Porter’s (1985) generic strategy typology also infers competitive and marketing dimensions and has been widely tested. According to Porter, a business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. Presumably, differentiated businesses should emphasize marketing as a means of distinguishing their products and services from those of their rivals. Likewise, Porter’s focus orientation is consistent with the marketing themes of product positioning and target marketing.

According to Haghighinasab, Sattari, Ebrahim and Roghanian, (2013) performance can be measured based on growth, market share and profitability. The higher the indices the greater the performance of the business and vice versa. Ardjouman and Asma (2015) further defined performance in terms of output such as profitability or quantified objectives. This means that performance of SMEs has to do with both behaviour and results. This explanation covers achievements of anticipated levels as well as objective review and setting. When the behaviour of management is right, then the anticipated levels of output would be achieved and vice versa for failure. When behaviours of management towards marketing strategies are geared on a right direction, then this positively affect the performance of SMEs. Some strategies which could affect performance of businesses are the product quality, marketing communication and relationship marketing.

Product Quality Strategies

According to Kotler and Armstrong (2006), a product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. A quality product mean different things to each consumer. It is a challenge for all firms is to set their quality level and ensure that it meets the expectations of their target market. In general quality is made up of tangible features (features that can be seen) e.g. performance, appearance, strength and intangible features such as reputation and exclusivity. Product influences have a significant impact on business performance (Adewale et al, 2013). However, in all circumstances a product’s quality should be consistent with other elements of the marketing mix. For example a premium based pricing strategy will require a quality product to support the price tag (Learnmarketing, 2015). Again, total quality management could serve as a marketing strategy which impacts on business performance. Martinez-Lorente, Dewhurst and Gallego-Rodriguez (1999) asserts that total quality management (TQM) is perhaps the leading management approach that companies employ to improve their product and service quality with the aim of improving typical measures of business performance (e.g. increased profits, increased market share, reduced costs). They further noted that consumer perception of quality not only results from an evaluation of the intrinsic quality attributes of the product (e.g.
performance, reliability, durability) but is also affected by the marketing mix (e.g. price, advertising, warranties) adopted by the company selling the product.

**Marketing Communication Strategies**

Marketing communications (or promotion) may be defined as a planned persuasive technique that communicates favourable information about products, services, institutions, ideas, etc. to a target audience for attention. The goal of marketing communication is to increase understanding of marketing information and influence the acceptance of a company’s offerings (Ebitu, 2012: 14-15). Cornelissen (2009), defines marketing communications as consisting of advertising, direct marketing, sales promotion, personal selling, and marketing public relations that are used by a company to communicate with its customers and prospects. A study by Adewale, Adesola, and Oyewale, (2013) revealed that the relationship between promotion consideration and business performance is significant, but they are inversely related. This may be due to the consumer perception that heavily promoted products could be problematic products of poor quality, with passed expiry dates, and from clearance stocks. Consumers may also perceive that heavier promotions also mean that the products are sold at higher prices, which will turn-off consumers who are in the low-cost segment of the consumer market. Mumel, Hocevar and Snoj, (2007) posits that the marketing communication activity that correlates most with the business performance of a company especially SMEs is price reduction. They further confirmed that the frequency of using printed advertisements in newspapers as a marketing communication strategy demonstrates the strongest correlations with separate business performance variables. SMEs which use printed advertisements in newspapers more frequently demonstrate higher net business results for the accounting period, net sales and net return on assets, but lower customer loyalty.

It is true that television advertising may be beyond the reach of SMEs in Akwa Ibom State due to inadequate finances. However, they may be able to take advantage of advertising through the internet using social networking sites such as Facebook, twitter, YouTube, etc. Word-of-mouth advertising may also be helpful to existing and upcoming SMEs.

Another study by Mumel et al (2007) showed that there is a significant correlation between the number of marketing communication activities a company uses and their net sales and customer loyalty. However, companies aspiring for better business 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 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. Again, it is much easier to adjust the frequency of use of marketing communication activities than to adjust the number of marketing communication activities the company uses.

**Relationship Marketing Strategies**

Customer Relationship Management (CRM) is a facet of relationship marketing that focuses on customer loyalty and long-term customer engagement rather than shorter-term goals like customer acquisition and individual sales. The goal of relationship marketing (or customer relationship marketing) is to create 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). Customers remain loyal to firms that provide
them greater value and satisfaction than those they expect from competing firms. Also improved market share, sales and profitability will accrue to the firm. Simply put, relationship marketing is the art of developing a close and personal relationship with your customers. This is because anybody can start a business but not everybody can build a strong customer relationship. Some relationship marketing strategies as suggested by Martins (2015) are:

- Make every customer interaction count.
- Follow-through on commitments and claims about products or services.
- Offer benefits and product value that responds to the customer’s desires.
- Treat customers as individuals who are respected and valued.
- Listen to customers.
- Build a strong brand identity.
- Surround your customers with valuable information.
- Create a user-friendly website.
- Reward loyal customers.

Creating long lasting relationships helps to ensure long-lasting customers and repeat sales. Customers want to know and feel that they are valued and appreciated as an individual. Showing existing customers that you value and appreciate them encourage them to refer other potential customers which may be their colleagues, friends, relatives, and others to your business (Martins, 2015).

RESEARCH METHODOLOGY

The study was carried out in Akwa Ibom State. Akwa Ibom State is located in the South-South geo-political zone of Nigeria. It comprises 31 local government areas. Uyo is the State Capital. The state is made up of three senatorial districts. According to National Micro, Small and Medium Enterprises Collaborative Survey, (2010) there are 447,589 small and medium scale enterprises in Akwa Ibom State. 80 small and medium scale enterprises were selected from two local governments in each senatorial district. Thus, making a total sample of 240 SMEs for this study. The survey was carried out in major urban centers which include Uyo, Eket, Ikot Ekpene, Abak, Ikot Abasi, and Oron. These areas were chosen because the tempo of economic activities being carried out by SMEs to meet the demands of the consumers is very high.

This study employed the survey research design and the simple random sampling procedure. The statistical tool employed in this study is the Pearson Product Moment Correlation analysis which was computed electronically using SPSS version 21.
DATA ANALYSIS AND RESULT OF FINDINGS

Out of 240 questionnaires distributed, 197 were properly completed and returned; 43 questionnaires were not returned. Three hypotheses were formulated and tested as follows:

Hypothesis One

There is no significant relationship between product quality strategy and the profitability of SMEs in Akwa Ibom State.

Table 1: Correlation of product quality strategy and profitability of SMEs.

<table>
<thead>
<tr>
<th>Quality</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
<th>Profitability Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>1</td>
<td>.164*</td>
<td>192</td>
<td>.023</td>
<td>190</td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td>.164*</td>
<td>1</td>
<td>190</td>
<td>.023</td>
<td>195</td>
<td></td>
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</tbody>
</table>

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

The result in Table 1 shows the Pearson Product Moment Correlation of product quality strategy and the profitability of SMEs in Akwa Ibom State. With probability value (0.023) less than 0.05 significance level, it reveals that there is a significant relationship between the product quality strategy and the profitability of SMEs in Akwa Ibom State.

Hypothesis Two

Marketing communications strategy does not have a significant impact on the growth of SMEs in Akwa Ibom State.

Table 2: Correlation of marketing communications strategy and growth of SMEs.

<table>
<thead>
<tr>
<th>Marketing_Com munications</th>
<th>Marketing_Communications</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.011</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.876</td>
<td>1</td>
</tr>
<tr>
<td>N</td>
<td>197</td>
<td>195</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.011</td>
<td>1</td>
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<tr>
<td>Sig. (2-tailed)</td>
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<td>N</td>
<td>195</td>
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</table>

The result in Table 2 shows the Pearson Product Moment Correlation of marketing communications strategy and the growth of problems of SMEs in Akwa Ibom State. With
probability value (0.876) greater than 0.05 significance level, it reveals that marketing communication strategy does not have a significant impact on the growth of SMEs in Akwa Ibom State.

Hypothesis Three

*Relationship marketing strategy is not significantly related to increase in market share of SMEs in Akwa Ibom State.*

Table 3: Correlation of relationship marketing strategy and increase in market share

<table>
<thead>
<tr>
<th>Relationship Marketing</th>
<th>Market Share</th>
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<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.166*</td>
</tr>
<tr>
<td>N</td>
<td>194</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.021</td>
</tr>
<tr>
<td>N</td>
<td>193</td>
</tr>
</tbody>
</table>

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

The result in Table 3 shows the Pearson Product Moment Correlation of relationship marketing strategy and increase in market share of SMEs in Akwa Ibom State. With probability value (0.021) less than 0.05 significance level, it reveals that there is a significant relationship between relationship marketing strategy and increase in market share of SMEs in Akwa Ibom State.

**DISCUSSION OF FINDINGS**

The study reveals that there is a significant relationship between the product quality strategy and the profitability of SMEs in Akwa Ibom State. This findings is supported by the position of Adewale et al, (2013) which states that product influences and total quality management could serve as marketing strategy which impacts on business performance. In Akwa Ibom State, the SMEs agreed that product quality factors responsible for the increase in market share of their businesses includes reliability of the product, warranties and guaranties issued to customers and a situation where the price is commensurate with the quality of the product.

The findings of this study also reveals that marketing communication strategy does not have a significant impact on the growth of SMEs in Akwa Ibom State. In a study conducted by Adewale, Adesola, & Oyewale, (2013) this was confirmed as their study revealed that the relationship between promotion consideration and business performance is significant, but they are inversely related. This may be due to the consumer perception that heavily promoted products could be problematic products of poor quality, with passed expiry dates, and from clearance stocks. Consumers may also perceive that heavier promotions also mean that the products are sold at higher prices, which will turn-off consumers who are in the low-cost segment of the consumer market. In Akwa Ibom State, communications strategies such as
newspapers, price reduction and word of mouth communication were not very relevant to the growth of SMEs in the State.

The findings of this study also reveals that there is a significant relationship between relationship marketing strategy and increase in market share of SMEs in Akwa Ibom State. According to Martins (2015) creating long lasting relationships helps to ensure long-lasting customers and repeat sales. Showing customers that you value and appreciate them encourages them to refer other potential customers which may be their colleagues, friends, relatives, and others to your business. As further supported by Rouse (2015), the goal of relationship marketing (or customer relationship marketing) is to create 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. SMEs in Akwa Ibom State have found this strategy to be effective because they acknowledged that the firm’s business performance especially the market share improves when the firm values and respects customers; give gift packs to loyal customers occasionally and discuss with customers in a bid to get their view on features and quality of products and services.

CONCLUSION AND RECOMMENDATIONS

Small and medium scale enterprises face a plethora of problems, one of which is stiff competition in a dynamic environment. In this situation, most SMEs find it difficult to apply strategies that will boost the performances of their business. The study examined factors such as product quality strategy, marketing communications strategy, and relationship marketing strategy. These strategies if well implemented have the potentials of improving the business performances of SMEs in Akwa Ibom State with regards to profitability, improved market share and growth of such SMEs.

This study examined marketing strategies that affect the performance of SMEs in Akwa Ibom State. From the result of this study the following were recommended:

1. Firms should produce or procure their products from reliable suppliers who deal on quality products. This will in turn assure the customers of the value for their money.

2. Since resources of SMEs in Akwa Ibom are limited, they should not spend so much on advertisement of their offering. Word of mouth promotion may just suffice. However, the word of mouth promotion will work efficiently if customers perceive the firm’s products as having high quality.

3. Finally, the SMEs should not underestimate the power of relationship marketing as it has the ability to enlarge a firm’s market share. SMEs should value and respect customers’ opinions, practice the art of giving gifts to loyal customers and take customers feedback very seriously.

When all these are implemented, SMEs in Akwa Ibom State may have set themselves up to welcome period of boom in their businesses.
REFERENCES


