

Effect of Marketing Mix Strategy on Performance of SMEs Evidence from Selected Manufacturing Enterprises in Southern Region, Ethiopia

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Abstract: *Marketing strategy has been a focus of organizations and a tool for attaining overall firm performance. This study investigates the effect of marketing strategy on business performance of selected small and medium manufacturing enterprises in Southern, Ethiopia. The researcher has employed causal research design. To collect primary data self-administered questionnaires were distributed to 250 owner/managers of SMEs by using purposive sampling followed by stratified random sampling. Pearson correlation and multiple regression were used to analyze the data. The correlation analysis result revealed positive significant relationship between product ($r=0.406, \alpha=.01, p=0.000$), price ($r=0.347, \alpha=.01, p=0.000$), promotion ($r=0.403, \alpha=.01, p=0.000$) and performance of small and medium manufacturing enterprises (SMMEs), whereas the relationship between place and SMEs performance was found significantly negative ($r=-0.188, \alpha=.01, p=0.003$). The independent variables jointly explained 29.5% of variation in performance of SMEs. Recommendations were made to SMEs to produce innovative (new design, feature, varieties) products, charge affordable prices and disseminate tailored promotion. Further researches can be extended by measuring the performance of SMEs combining financial and non-financial indicators. Yet, negative relationship between place and performance calls up for the future research.*

Keywords: Performance, Product, Price, Place, Promotion

1. Background of the Study

Marketing is a major stakeholder in new product development, customer management, and value/supply chain management and marketing strategy provides concepts and processes for gaining a competitive advantage by delivering superior value to the business's customers. Marketing strategy has become important tool globally for any organization to remain competitive and stronger enough. Therefore, to deal with the current challenges, the businesses must design and implement more distinctive and purposeful marketing strategies (Jain, 1997).

Hooley (2013) sees strategy as a pattern of resource allocation decisions made throughout an organization. This encapsulates both desired goals and beliefs about what are acceptable and most critically unacceptable means for achieving them. He also argued that strategy implies that the analysis of the market and its environment, customer behavior, competitive activities, need and capabilities of marketing intermediaries. Marketing strategy must focus on delivering greater value to customers and the organization at a lower cost (Cowden, 2009).

Marketing strategy is a vital prerequisite of organization's ability to strengthen its market share and minimize the impact of the competition. Marketing mix strategy consists of product, price, promotion, and placement strategies that influence organizational performance (Foroughi, 2012). Marketing is about customers; customers are an essential component of a marketing system (Kotler et al. 2005). Regardless of type and size, marketing strategies are very important for all organizations.

All over the world, whether developed or developing countries, small and medium enterprise play an extremely important part in modern economy, proving to be the most

attractive and tremendous innovative system (Avasilicai, 2009 and Druker, 2009). The vital contribution to small and medium enterprises in economic development is a reality unanimously recognized. Showing their economically and socially beneficial effects led to the consideration of the small and medium sector as a field of strategic interest for the economy (Avasilicai, 2009).

In Ethiopian context government has historically supported the growth of micro, small and medium enterprises (MSMEs), especially growth-oriented businesses, through various policy interventions. For instance, the government formulated a national micro and small enterprises development and promotion strategy in 1997 (revised in 2011) to create an enabling environment for the sector. The Government of Ethiopia identified growth-oriented MSMEs based on their potential for job creation, poverty reduction, local raw material utilization and ease of transformation to medium and large scale businesses in a short period of time. Furthermore, MSMEs were placed at the heart of the first industrial policy strategy in 2002. Similarly, within the framework of the government's five year economic development plans, including growth and transformation plan (GTP) I and II, the expansion and development of small and medium enterprises have systematically been a key strategic priority. It has also identified the development of micro, small and medium enterprises as a key industrial policy direction for creating employment opportunities for millions of Ethiopians. The World Bank Group (2015) supports these Ethiopian government's efforts to create jobs through analytical studies and investment operations. However, all this is not sufficient and much more remains to be done to unleash the full potential of these sectors (World Bank Group, 2015). According to Central Statistically Agency (2006) small and medium enterprises (SMEs) in Ethiopia 3.4% and 90% have contribution country GDP and employment

Volume 8 Issue 12, December 2019

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opportunity respectively. Based on the agency survey in Ethiopia majority of citizens getting job depend on SME's and its contrition to GDP is too low, meaning there is ineffectiveness of the sector to national economy growth. Unless otherwise these enterprises develop contextualized marketing strategies, government intervention alone cannot increase the contribution of SMEs to the economy. Emmanuel A. (2014) said that effective use of marketing strategies could help small and medium enterprises (SMEs) managers in gaining competitive advantages and achieve superior performance.

Even if the title was researched abundantly, there is no sufficient researches done in Ethiopian context with regard to the effect of marketing mix strategies on performance of small and medium manufacturing enterprises. Therefore this study was conducted on the effect of marketing mix strategies on performance of SMEs with special consideration of manufacturing enterprises. Explanatory variable has measured by using the common four marketing mix elements whereas performance has been measured by non-financial measures like; market share, innovation and number of employees. Previous researchers have used financial indicators to measure performance of business venture. The over-reliance on financial measures of performance has meant that SMEs management's attention is directed towards the results of past actions rather than towards determinants of success (Chavan, 2009). Given their lagging nature, financial measures only inform managers of what happened in the past, thus, do not provide any forward-looking information or indication of future performance (Kaplan, 2012). In addition, over-reliance on financial measures results in a scenario whereby critical decisions are made without a proper appreciation of their implications (Gijssels, 2012). Furthermore, it does not present a broad or complete picture of the SMEs' performance, neither does it ensure accuracy, neutrality and relevance of these measures in a dynamic business environment. Even when the ultimate goal is maximizing financial performance, financial measures may not capture long-term benefits from decisions made now (Kaplan, 2012). Financial performance measures also typically fail to relate to a business' corporate strategy and may be counterproductive by inducing managers to maximize short-term performance at the expense of their business' long-term effectiveness and competitiveness (Zigan et al., 2010). By contrast, non-financial performance measures can be better indicators of future financial performance and they can provide forward looking information on a business performance (Gallani et al., 2015). Non-financial measures of performance of the firm includes, customer measures, employee measures, quality measures, innovation and development of human capital measures. Therefore, the researcher was used non-financial measures which provide forward looking information on a business performance.

2. Empirical Review

A research conducted by Bintu M. (2017) & Ebitu E. (2016) on the effect of marketing mix strategy on enterprises performance, the result implies that when high quality product is produced by business organizations, appropriately priced and promoted, efficient distributed

will lead to higher business performance, in term of profitability, increase market share, customer satisfaction and market expansion. Gbolagade A. (2013) studies on impact of marketing strategy on business performance; the result implies that the high quality product produced by business enterprises, the effective channel of distribution employed by business enterprises, the affordable price charged, the higher the business performance will recorded; However, the relationship between business performance and promotion was negative but significant.

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. The relation between product and performance revealed by the study of (Gbolagade, et al, 2013) product influences have a significant impact on business performance. A study conducted by Emmanuel A. (2014) confirmed positive effect between marketing strategies, 4Ps of marketing elements and SMEs performance.

Marketing mix elements (i.e. Product, Promotion, Place and Price) were significant joint predictors of business performance in term of profitability, market share, return on investment, and expansion (Gbolagade, et al, 2013). Owomoyela et al, (2013) they establish significant relationship between price and business performance. The price you set for your product or service plays a large role in its marketability. The study also indicates that price consideration has a significant positive impact on business performance (Gbolagade, et al, 2013) and this researcher has proved placement consideration is seen to be another factor having an impact on business performance. Kotler (2008) discovers that promotions have become a critical factor in the product marketing mix which consists of the specific blend of advertising, personal selling, sales promotion, public relations and direct marketing tools that the company uses to pursue its advertising and marketing objective. Aremu (2012) the study revealed that marketing strategies actually related with the environment which consequently increases the growth of organizations

A research done by (as cited in Gbolagade, 2013, Amine et al., 2001) revealed that between promotion and business performance have positive significant relationship. A done by Owomoyela et al, (2013) the result indicated that place or distribution has negative significant effect on business performance.

According to Emmanuel A, (2014) study result there is a positive relationship between high marketing strategies and improvement in the small business performance and this study has pointed out marketing strategies, 4Ps of marketing element are important for SMEs to survive. Ishar A. (2017) impact of marketing mix strategies on performance, the study result shown that product, price, place and promotion have positive impact on business performance. Pricing has a strong effect on organizational performance (Samuel O., 2012). According to David et al (2013 as cited in Smile D., 2014) the study found that marketing strategy (product, price, promotion and place) were significantly independent and joint predictors of

business performance Bintu M. (2017). Based on the aforementioned review the following conceptual framework for the present study was developed.

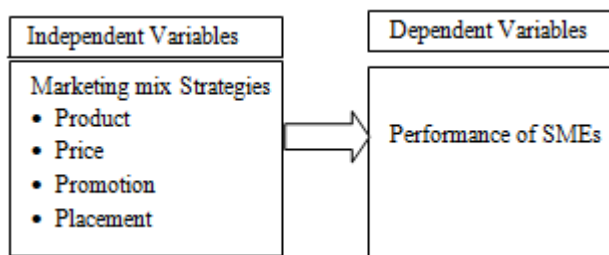


Figure 1: Conceptual Framework

Source: (Researchers, 2019)

3. Methodology of the study

The research used causal research design to revealed cause and effect relationship of variables. The study was cross-sectional in a sense that relevant data were collected at one point in time. The researcher purposively selected three towns from southern region of Ethiopia; namely Hawassa, Sodo and Arba Minch towns. 726 small and medium manufacturing enterprises were taken as a target population in the mentioned towns. 258 owners/managers of enterprises were participants of the study. These sample participants were selected by stratified random sampling technique. Primary data were collected using likert scale questionnaire developed by the researcher himself, 250 were returned. The data were analyzed by Pearson correlation and multiple linear regression tools using SPSS version 20. To manage the population as respondent the

researcher has been determined representative sample size by using the know Yamane Taro (1967) sample size determination formula as follow;

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{726}{1 + 726(0.05)^2}$$

$$n = 258$$

Model specification

Model specification refers to the determination of which independent variables should be included in or excluded from a regression equation.

$PE = \beta_0 + \beta_1 (\text{Product}) + \beta_2 (\text{Price}) + \beta_3 (\text{Promotion}) + \beta_4 (\text{place}) + \mu$ population

$PE = b_0 + b_1(\text{product}) + b_2(\text{price}) + b_3(\text{promotion}) + b_4(\text{place}) + \varepsilon$ sample

PE-performance of enterprises, β_0 & b_0 is constant value of performance

$\beta_1, \beta_2, \beta_3$ & β_4 – coefficient of independent variable for population mean

b_0, b_1, b_2, b_3 & b_4 – coefficient of independent variable for sample mean

4. Discussion of Results and analysis

This section deals with the analysis and discussion of data collected from the field survey by means of questionnaire. Out of 258 questionnaires distributed, 250 were properly completed and returned; 8 questionnaires were not returned.

Table 1: Correlation between marketing mix strategies and SMEs performance (n=250)

		Product	Price	Promotion	Place	Performance
Product	Pearson Correlation	1				
	Sig. (2-tailed)					
Price	Pearson Correlation	.392**	1			
	Sig. (2-tailed)	.000				
Promotion	Pearson Correlation	.191**	.284**	1		
	Sig. (2-tailed)	.002	.000			
Place	Pearson Correlation	.287**	.512**	.252**	1	
	Sig. (2-tailed)	.000	.000	.000		
Performance	Pearson Correlation	.406**	.347**	.403**	-.188**	1
	Sig. (2-tailed)	.000	.000	.000	.003	

** . Correlation is significant at the 0.01 level (2-tailed).

Hypothesis 1: Product strategy has significant relationship with performance of small and medium manufacturing enterprises.

As per table 1, result Pearson correlation co-efficient of product strategy and enterprises performance was $r = 0.406$ with $\alpha = 0.01$, $p\text{-value} = 0.000$. This it implies that product strategy related positively and significantly with performance of enterprises since the $p\text{-value}$ is less than 0.01 level of significance. This result is consistent with finding of (Bintu M., 2017, Gbolagade A., 2013, Emmanuel A., 2014, Ishar A., 2017). According to Cohen (1988) the strength of relationship of product strategy and SME's performance is medium. Lastly the null hypothesis was accepted and the alternative hypothesis was rejected.

Hypothesis 2: Price strategy has significant relationship with performance of small and medium manufacturing enterprises.

As per the survey result in table 1, the Pearson correlation value of price strategy and enterprises performance is $r = 0.347$ with $\alpha = 0.01$, $p\text{-value} = 0.000$. From this result one can infer that price strategy and enterprises performance are positively correlated and statistically significant since $p\text{-value}$ is less than 0.01 significance level. This study also supported by (Bintu M., 2017, Owomoyela et al, 2013, Samuel O., 2012) there is significant relationship between price and business performance. In line with Cohen (1988) guideline the strength of relationship between variables is moderate/medium level. Finally, null hypothesis was accepted whereas alternative hypothesis was rejected.

Hypothesis 3: promotion strategy has significant relationship with performance of small and medium manufacturing enterprises.

Result intable 1, revealed that Pearson correlation coefficient for promotion strategy and performance of small and medium manufacturing enterprises was $r = 0.403$ with $\alpha=0.01$, $p\text{-value}=0.000$. Thus, it implies that promotion strategy has positive and significant relationship with performance of small and medium manufacturing enterprises since the $p\text{-value}$ is less than 0.01. Therefore, null hypothesis was accepted whereas the alternative hypothesis was rejected. This result congruent with (Mumel et al. (2007 and Amine et al., 2001) studies. But Ebitu (2016) and Owomoyela et al. (2013) finding became contrary as marketing communication strategy does not have a significant impact on the performance of SMEs. According to Cohen (1988) correlation guideline thestrength of relationship between promotion strategy and performance is moderate.

Hypothesis 4: Place strategy has significant relationship with performance of small and medium manufacturing enterprises.

Table 1, result indicated that the relationship of place strategy and performance of small and medium manufacturing enterprises was $r = -0.188$ which means the relationship was negative and significant since $p\text{-value} = 0.003$ is less than α value= 0.01. According to Cohen (1988) correlation strength guideline placement strategy and enterprises performance havea weak/small relationship. According to table result null hypothesis was accepted whereas alternative hypothesis was rejected. This result supported by Owomoyela et al, (2013) the result indicated that place or distribution has negative significant effect on business performance but contrary with (Emmanuel A., 2014, Gbolagade A., 2013 and Ishar A., 2017) place strategy has significant positive relation with business performance

Table 2: Multiple regression analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.543a	.295	.284	.58747

a. Predictors: (Constant) Product, Price, Promotion and Place

Regression is attempted to explain the variation in a dependent variable because of the variation in independent variables. Regression is thus an explanation of causation. If the independent variable(s) sufficiently explain the variation in the dependent variable, the model can be used for prediction.

Hypothesis 5: Marketing mix strategies have effect on performance of small and medium manufacturing enterprises

As a result, revealed in table 2, the value of R Square is 0.295. From this figure one can conclude that the explanatory variables jointly explained 29.5% the enterprises performance. The remaining percent of the change in SMME's performance caused by other factors which are not included in this study. Accordingly hypothesis testing revealed that null hypothesis accepted but alternative hypothesis rejected. The finding of this study is in line with

the study of Gbolagade, et al, (2013) who found that product, promotion, place and price were significant joint predictors of business performance.

Table 3: Coefficients of product, promotion, place and price

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.475	.360		1.320	.188
Product	.379	.075	.297	5.048	.000
Price	.274	.103	.176	2.653	.009
Promotion	.288	.052	.313	5.534	.000
Place	-.087	.083	-.066	-1.051	.294

a. Dependent Variable: Performance

$$\text{Performance} = 0.475 + 0.379(\text{Product}) + 0.274(\text{Price}) + 0.288(\text{Promotion}) - 0.087(\text{Place})$$

According to table 3, the enterprise performance increased by 0.475 units if marketing mix strategy, 4p, remain zero. But performance increase by 0.379, 0.274 and 0.288 units if product, price and promotion strategies increase by one unit respectively and vice versa. Performance of enterprises decrease by 0.087 unit if place strategy increased by one unit and vice versa.

5. Conclusion

Strategy formulation is motivated by the need to enable the company to maneuver through turbulent business environment. This study investigates the effect of marketing mix strategies on enterprises performance with special reference to the selected small and medium manufacturing operators in Hawassa, Sodo and Arba Minch towns in the southern region of Ethiopia. In the context of this study product, price and promotion strategies were found significantly and positively related with performance of enterprises. But distribution strategy in contrast was found negatively related with SMEs performance. The relationship between marketing strategies: product($r=0.406$, $\alpha=.01$, $p=0.000$), price ($r=0.347$, $\alpha=.01$, $p=0.000$), promotion ($r=0.403$, $\alpha=.01$, $p=0.000$) and performance of small and medium manufacturing enterprises is positive and significant. But the relationship between place and SMEs performance was found significantly negative ($r=-0.188$, $\alpha=.01$, $p=0.003$). The independent variables jointly explained 29.5% of variation in performance of SMEs. Product, price and promotion have positive effect on the enterprises performance therefore, managers of these business ventures needs to work vigorously on improving of marketing mix strategies. The place strategy can't give additional positive effort to enterprises operation; thus, they should re-investigate the way they distributing product to buyers.

6. Recommendation

Small and medium manufacturing enterprises should be produced goods with new design, feature, variety, & make capable to perform and give additional service. While doing business SMEs need to adopt reasonable price to customers, give price discount, take into account the customers value they give to product while setting price of products and enterprises should conduct tailor promotion by using social

media, word of mouth, visual, audio, face-to-face channels and should participate on voluntary activities to take remarkable marketing position. In addition, enterprises owners or managers needs to revise the way they distributing products right now since the relationship between place and SME's performance is negative. Owner/manager of SMEs should develop and implement seriously the product, price, promotion and place strategies. Policy makers should take in to account the way enterprises apply specific marketing mix strategies when formulate enterprise policy. Local government or educational institutions should initiate, facilitate and give timely trainings to business enterprises connecting to marketing strategies.

7. Future Research Implication

Future researchers advised to conduct study on the effect of marketing mix elements on performance of all sectors of small and medium enterprises. Researches can be extended by measuring the performance of SMEs combining financial and non-financial indicators. Yet, negative relationship between place and performance calls up for future research investigation to reach on generalization.

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