MARKETING STRATEGIES: DO THEY INFLUENCE THE GROWTH OF SMALL AND MEDIUM ENTERPRISES IN KENYA?

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Abstract: *Small and medium enterprises (SMEs) play a critical role in the Kenyan economy, contributing 3% of GDP, creating 30% of private sector jobs and employing 6.4 million people. However, this far-reaching importance has not been realized due to the fact that SMEs face phenomenal challenges, statistics showing a failure rate of 46%. The study aimed to investigate the effect of marketing strategies on growth of SMEs in Ruiru Sub-County, Kenya. A quantitative descriptive research design which is cross sectional was adopted. The target population was made up of 12,917 SMEs of which 175 were sampled using stratified sampling technique. The research tools comprised of structured questionnaires. The findings, 85.7% of the businesses practice marketing strategies and 53.7% of the strategic decisions were made by the owner-managers. A unit increase in marketing strategies significantly increased the growth of the SMEs by 0.147 units, increased customer base and resulted in branch expansion. The study recommendations: First, businesses can benefit and grow if managers adopted and applied marketing strategies. Second, marketing strategies can leverage growth, while government and policy makers could do well to train owner-managers. Third, academic practitioners should redesign and launch small business management curricula rich in functional strategic management.*

Keywords: *Small and medium enterprises, marketing strategies, promotional strategies, customer base*

Introduction

Globally, just as it is in Kenya, small and medium enterprises (SMEs) play critical role for the economy as major source of employment, poverty reduction, provision of competitive and infrastructural support to bigger firms (Kenya National Bureau of statistics (KNBS, 2016). In Kenya, they are 7.5 million SMEs operating that contribute 3% of Gross domestic product (GDP), employ 6.4 million people, an average of 80% of total workforce and create 30 percent of jobs each year (KNBS, 2017). Research findings however show that SMEs in general suffer from high mortality rates at 46% (KNBS, 2016).

Growth and survival of small businesses is more positively affected by strategic planning and owner-managers' ability to harness and manage the internal organizational resources and operations (Ganotakis and Lindsay, 2016; Erdem and Erdem, 2011). The ideal expectation in large firms is the conceptualization and operationalization of the three main levels of strategy, that is corporate, business and functional strategy levels (Agwu and Onwuegbuzie, 2017; Erdem and Erdem, 2011). Strategies formulated and implemented at the functional level of SMEs have great potential to turn around the growth of the small firm (Abosede, Obasan and Alese, 2016; Dsizi and Ofusu, 2014; Erdem and Erdem, 2011).

Marketing strategies are an important pillar to the growth of SMEs (Etemad, 2019; Stokes and Wilson, 2018; Ivercian, Miclea and Potra, 2016). Marketing strategy as a functional strategy can extend SMEs life span, deliver superior customer service and improve competitiveness (Timmons, Spinelli and Adams, 2018; Agwu and Onwuegbuzie, 2017; Dzisi and Ofusu, 2014). Despite its importance, marketing is poorly understood and practiced in SMEs (Franco, 2014) For all SME owner-managers, a clear understanding of marketing strategy, products on offer, the prices, distribution and marketing communication is a must for SMEs to grow (Morgan, Whitler, Feng and Chari,2019; Franco, 2014).

Marketing strategy is a strategic plan in SMEs that goes beyond merely doing marketing routines and is responsible for attracting new and more customers, growing overall customer base, increasing sales revenue, enhancing overall marketing communication and entrenching SME's physical discoverability and visibility. Clearly, with such innovative and strategic management approaches SMEs will continue to be a force for good in supporting livelihoods and for wealth creation. Despite such positives, SMEs mortality rate of 46% hampers and jeopardizes this sector (Douglas, Douglas, Muturi, Ochieng, 2017; KNBS, 2017; KIPPRA, 2013). Even with governmental interventions the failure rate of SMEs continues unabated. It begs the question therefore what ails SMEs and what would be the way forward and to a solution? Empirical evidence shows that managerial and strategic challenges are the main problem, among others (Irungu and Arasa, 2017; Ndiaye, Razak, Nagayev and Ng, 2018). Adopting, crafting and implementing marketing strategies such as those expanding the customer base and promotional strategies among other related strategies would leverage growth of SMEs (Agwu and Onwuegbuzie, 2018; Ivercian, Miclea and Seran, 2016; Dzisi and Ofusu, 2014; Morgan, Whistler, Feng and Chari, 2019). The main objective of this paper was therefore to analyze the effect of marketing strategies on the growth of SMEs in Ruiru Sub-County, Kenya.

Literature Review

The Resource-Based View Theory is a business principle which theorizes that firms have superior performance than others even when operating in an equalised business environment (Wernerfelt, 1984). This theory rests on the underpinning fact that a firm's competitive advantage is achieved when the firm applies both the intangible and tangible resources (Barney, 1991). This theory has wide applications in entrepreneurship and SMEs in that the intangible assets mentioned here include business planning, strategic capacity, owner manager's leadership capabilities, business education, experience, decision making, organization capacity and such other internal resources all at the reach of small business owner-managers (Alvarez and Barney, 2007). Marketing strategy is part of firms' decision making process, an integral component of business planning, a critical internal asset and the lifeblood for SMEs' survival (Morgan, Whistler, Feng, Chari, 2019; Etemad, 2019; Franco, 2014). The rationale and relatedness in the Resource-Based Theory is that SMEs like large firms possess the strategic capability to manage internal resources and to strategically connect to the external resources. The ensuing synergy has promise for better competitive advantage and a prospect for SMEs growth especially when internal capabilities are put to gainful use in crafting and applying functional strengths such as marketing strategy (Irungu and Arasa, 2017; Agwu and Onwuegbuzie, 2017; Alvarez and Barney, 2007).

Marketing Strategies on Growth of SMEs

In a study conducted at KwaZulu Natal, in South Africa, Sitharam and Hoque (2016) noted that performance and growth of SMEs correlated positively with managerial competencies and ability to formulate and implement even simple managerial strategies. The application of marketing strategies, education, knowledge, managerial experience and start-up experience were all noted as important internal inputs (Sitharam and Hoque, 2016). The formulating and application of marketing strategies is important as managerial competency

and skills shortage affects the performance of small businesses (Sitharam and Hoque, 2016). For the SMEs to grow, owner managers should have basic management knowledge, marketing skills and knowledge of formulating and implementing simple marketing and other strategies (Sitharam and Hoque, 2016; Marjanova and Stojanovski,2012).

In a study on entrepreneurial marketing in SMEs, Franco,Santos, Ramalho and Nunes(2014) showed that marketing as strategy is an important component for business success and that marketing is one of the biggest managerial challenges that SMEs have to contend with. Based on the qualitative approach method that study outlined the critical place of entrepreneurial marketing in SMEs, clarifying indeed that for SMEs to succeed and grow owner manager competencies in marketing management is desirable.

In another study conducted in the Romanian and Maltese lands by Ivercian, Miclea and Seran (2016) showed that marketing is indeed practiced in SMEs, only that SMEs owner managers tended to have short term marketing objectives to ward off threats or secure prevailing opportunities. The study further showed that in some SMEs marketing although practiced is largely informal with weak strategic approaches. Still this study spotlighted the importance of thorough understanding which gives rise to the need for sensitization and training.

Dsizi and Ofusu (2014) carried out a study to examine the effect of marketing strategy on the performance of SMEs in Eastern Region of Ghana. The study adopted the survey research method and had a sample of 363 SMEs from a population of 900. The study was based on two variables, traditional and non-traditional marketing strategies and established that the chosen marketing strategies had significant impacts on SMEs' profitability, awareness and market share. Izvercian, Miclea and Seran (2016) showed that good planning at SME level is important to entrench applications of marketing strategy. The study of Dzisi and Ofusu(2014) agrees well with a related study by Agwu and Onwuegbuzie (2018) that adopting and applying strategic management practices such as marketing strategy causes improvements in SME performance.

Agwu (2018) conducted a research study to analyse the impact of strategic management on business performance of SMEs in Lagos State, Nigeria. Based on data collected from 120 respondents by way of questionnaires and analysed by incorporating descriptive statistics and regression analysis, the researcher established that indeed strategic approaches impacted significantly in increasing the number of customers, sales volumes and overall performance. Agwu and Onwuegbuzie (2017) discussed marketing strategy as one of the priority functional level strategies that can help SMEs achieve organizational goals and growth. Ivercian, Miclea and Seran (2016) also highlights the beneficial significance of marketing management practices on SMEs performance and growth.

Methodology

The study analysed how marketing strategies influence the growth of SMEs in Ruiru Sub-County, Kenya. The research study adopted descriptive research design. The study population was 12,917 SMEs, 176 sampled out using the stratified sampling and the Slovin's formula (Slovin, 1960) with 92.5% confidence interval. Questionnaires were developed and deployed to collect likert scale questions, multiple choice and the demographics of the owner-managers in the selected SMEs. The National Commission for Science, Technology and Innovation in Kenya gave the research permit after ethical considerations. Data validity was observed by undertaking a pilot testing with 10 respondents from the target population who offered insights on areas to improve the data collection tool.

Data analysis was performed in Statistical Package for the Social Sciences using descriptive statistics, frequencies and percentages, and inferential statistics, Chi-square test, independent samples t-test, correlation analysis and the linear regression analysis to test for the linear relationship between marketing strategies and growth of the SMEs. Normality and multicollinearity tests were also performed as the diagnostic tests necessary for the analysis.

Data Analysis and Results

The section presents the data analysis, results and findings from the study. Data collection was via 178 questionnaires of which 175 were filled and collected, a response rate of 98.9%. A response rate of 80% or more is statistically acceptable (Herman and Chiu, 2014). A reliability test for the consistency of the measures based on Cronbach Alpha is 0.728 for the 6 items on marketing strategies, which is within the acceptable threshold of 0.7 and above. The demographic characteristics of gender, education level and age of the respondents were presented in Table 1 to show the general distribution of the sample selected.

Table 1: Demographic Characteristics of the Respondents

Variable	Frequency	Percent (%)
Gender		
Male	74	42.3
Female	101	57.7

Age		
Below 20 years	5	2.9
21-30 years	104	59.4
31-40 years	43	24.6
41-50 years	17	9.7
Above 50 years	6	3.4
Level of Education		
Primary	9	5.1
Secondary	48	27.4
College	68	38.9
University	50	28.6

In table 1, 57.7% of the respondents are female and 42.3% are male. For the age, 59.4% are 21-30-year-old while 24.6% are 31-40 years of age. The business owners with college level of education is 38.9%, with 28.6% having university level of education and 27.4% with secondary level of education. The majority of the male respondents, 95% and female respondents, 93% had secondary and above level of education. These demographic characteristics compare with other research studies conducted in Kenya (Kavoo-Linge, 2015).

Table 2: Relationship between Increased Customer Base and Promotional Strategies

Statement	Percentage					Mean	Std. Dev.
	No Extent	Small Extent	Some Extent	Great Extent	Very Large Extent		
Increase customer base	19.4	5.7	18.9	22.3	19.4	3.19	1.455
Increase promotional activities	21.7	7.4	21.7	17.1	18.9	3.05	1.471

Table 2 shows the relationship between increased customer base and promotional strategies. For every level of promotional strategy there is a reasonable and commensurate increase in sales revenue. For example, "some extent" increased promotional strategies by 21.7%; those of "great extent" by 17.1% and of "very great extent" by 18.9%. Conversely increases in customer base also tend to trigger increases in promotional strategies and related activities. In table 2 customer base increases at "some extent" by 18.9%, and 22.3% those at "great extent" 17.1% and those at "very large extent" 19.4%. These corresponding increases point to the fact that the strategies exhibit a correlated relationship as changes in similar responses are almost equal in response percentages. Furthermore, the two strategies applied together have a leveraging effect on growth of SMEs in Ruiru. These positive pointers are supported by related studies by Agwu and Onwuegbuzie, (2017) and Ddizi and Ofusu, (2014).

Table 3: Descriptive statistics for sales revenue growth and growth in branches

Sales revenue growth (%)					
	No growth	1-24	25-49	50-74	Growth > 75
Frequency	14	61	39	41	20
Percent (%)	8	34.9	22.3	23.4	11.4
Growth in branches					
	< 2	2 - 4	5 -10	> 10	
Frequency	141	29	3	2	
Percent (%)	80.6	16.6	1.7	1.1	

In table 3, the highest percentage at 34.9% of the SMEs had a 1-24% growth in sales revenue, 22.3% and 23.4% of the SMEs with 25-49% and 50-74% growth in sales revenue respectively. On the growth in branches, 80.6% of the SMEs had less than 2 branches while 16.6% of the SMEs had 2 to 4 branches. The growth in branches is low whereby such findings compare well with Sitharam and Hoque (2016) study that SMEs face formidable challenges to grow.

Table 4: Chi-square test for the Customer Base and Promotional Strategies

Chi-square test	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	188.427[a]	16	0.000
Likelihood Ratio	91.427	16	0.000
Linear-by-Linear Association	91.322	1	0.000
N of Valid Cases	149		

a. 9 cells (36.0%) have expected count less than 5. The minimum expected count is 0.87.

In table 4, a Chi-square test is performed to find the relationship between customer base and promotional activities undertaken by the SMEs. A significant relationship (p<0.000, Chi-square=144.405, df=16) between customer base and promotional activities is evident. SMEs that increased their promotional strategies had an increase in customer base and the findings are statistically significant. These findings are in line with Dsizi and Ofusu (2014) and Agwu and Onwuegbuzie (2018) whose study revealed that there is a relationship between marketing strategies and overall performance and between strategies.

Table 5: Levene's Test for Equality of Variances (t-test)

Levene's Test for Equality of Variances		t-test for Equality of Means				95% CI	
F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
2.927	0.089	-2.380	150	0.019	-1.436	-2.628	-0.244

In table 5, An independent sample t-test was performed to compare the owner-managers who conduct marketing strategies and how they affect the promotion of their products. The test shows a significant difference between SMEs that conduct marketing strategies and those that do not conduct (p=0.019, t=-2.38). The mean difference between SMES that conduct and those that do not conduct marketing strategies is -1.436 (Marketing strategies mean=3.1, No marketing strategies mean=1.67). The Levene's test for equality of variances is not significant, showing that the variance is the same among the SMEs that conduct and those that do not conduct marketing strategies (p=0.089, F=2.927). Therefore, the SMEs that conduct marketing strategies have an increased promotional activity for their products and this enhances the growth of the SMEs in Ruiru Sub-County. These findings agree well with Agwu (2018) and Abosede (2016) whose study showed that marketing strategies have a positive impact on SME performance.

Table 6: Chi-square for Sales revenue growth and Growth in number of branches

Chi-square test	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.148[a]	12	0.048
Likelihood Ratio	20.431	12	0.059
Linear-by-Linear Association	8.628	1	0.003
N of Valid Cases	175		

a. 12 cells (60.0%) have expected count less than 5. The minimum expected count is 0.16.

In table 6, A Chi-square test was performed to find out the relationship between sales revenue growth and growth in the number of branches. The test shows that there is a significant relationship (p=0.048, Chi-square=21.148, df=12) between sales revenue growth and growth in number of branches.

Growth of SMEs and Marketing strategies

The Kolmogorov-Smirnov normality test was performed on the growth of the SMEs (df=175, p=0.113), and the data satisfies the assumption for the normality. Multicollinearity test shows a VIF of 1.056 for the marketing strategies ruling out the possibility of multicollinearity among strategies the marketing items. The ANOVA test for linearity (p<0.001) shows a linear relationship between SME growth and marketing strategies. The study data satisfies the assumptions for the linear regression model (Smith, 2015; Wilson 2014).

Table 7: Linear Regression Model and Coefficients Summary

		Statistic	P-value
R		0.309	
R Squared		0.095	
Adjusted R Squared		0.090	
F-Statistic (df1, df2)	(1, 173)	18.208	0.000
Pearson correlation		0.309	0.000
	Coefficients	t-value	P-value
Constant	1.627	4.697	0.000
Marketing Strategies	0.185	4.013	0.000

In table 7, a unit increase in marketing significantly increases growth of SME by 0.185 units (p<0.001, t=4.013). In the absence of marketing strategies, the SMEs growth rate is significant by 1.627 units (p<0.001, t=4.697). The regression model has an R squared of 9.5% (F (1,173), p<0.001) and this calls for other variables to increase the explanatory power of the functional strategies in SMEs such as financial and human resource strategies. Evidently, SMEs in the selected location practices marketing strategies that enhance the growth of the SMEs.

In summary, for the marketing strategies, customer base and promotional activities positively influence each other. Sales revenue and growth of branches in the growth of SMEs influence each other positively too. An interaction between marketing strategies and growth of SMEs is positive and significant. Those owner-managers who practice marketing strategies observe growth in their SMEs. These findings are in agreement with Agwu (2018) that marketing strategies practiced at SMEs positively drive growth of SMEs. This finding aligns well with Hung (2016) and Al-Nady, Al-Hawary and Alolayyan (2013) that practice of strategic management positively impacts on growth of SMEs.

Conclusions

Marketing strategies are common and practiced by the SMEs in Ruiru Sub-County in Kenya. The strategies significantly influence the overall growth of the SMEs evident in the customer base and promotional activities applied. In policy recommendation, the study enhances our understanding that marketing strategies are crucial for growth of SMEs apart from government support, financing, infrastructure and the environmental conditions. Governments can increase SMEs training on marketing strategies to shift the mortality rate among the SMEs and contribute to the much needed job creation in the country. Governments, service providers and other policy makers can train and sensitize SME owner-managers through training incentives on how to formulate and implement functional strategic management. This would result in well managed SMEs that are growth orientated and will contribute greatly to the economy at county and national levels. The study has enhanced research in the area of SMEs in Kenya and role of marketing strategies. Further research can be undertaken to include financial and human resources strategies together with marketing strategies and analyze how they interrelate as functional strategies in the growth of SMEs.

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