

Promotional Strategies as Determinant of Small and Medium Scale Enterprises productivity in South-West, Nigeria

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Abstract

This study examined the promotional strategies as determinant of small and medium scale enterprises productivity in South-West, Nigeria. Specifically, the study determined the views of SME owners in South-West Nigeria on: promotional strategies and small and medium scale enterprises productivity. Also, the effect of location on productivity of SMEs in South-West, Nigeria. This study adopted the descriptive survey research design. This design allowed the researcher to collect information from owners and managers of Small and Medium Enterprises that were considered being a true representation of the population of the study. The total population for the study comprised 26,744 business owners/managers of registered small and medium scale businesses in six states (Lagos -11,663; Ogun - 1,794; Osun - 7,987; Ekiti - 1,029; Ondo -2,272 and Oyo - 1,999) in South West, Nigeria (National Bureau of Statistics, 2015). A sample of 1,446 business owners/managers was used for the study (this comprises 1,363 small enterprises owners and 83 medium enterprises owners). This study had revealed that there was a significant effect on small and medium scale enterprises productivity in South-West, Nigeria. There was a significant difference in SMEs productivity based on locations in South-West, Nigeria. Based on the outcome of this research, this study recommended that owners/managers of small and medium scale enterprises should endeavor to utilize various promotional strategies that is best applied to their environment in order to enhance productivity.

Keywords: marketing strategies, productivity, promotional strategies, small and medium scale enterprises

JEL: M31, M51

Introduction

Small and Medium Enterprises (SMEs) are the engine of economy growth and development in the world over, Nigeria inclusive. They constitute the most viable and veritable vehicle for self-sustaining industrial development (Oyebamiji, Kareem and Ayeni. 2013). In Nigeria, SMEs are struggling to survive under intense competitive environments both domestic and international. Therefore, a change in productivity of a system results from the combined effect of all the factors contributing to the SME's performance (Roslas, 1948).

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In effect, SMEs productivity becomes the attainment of the highest level of performance with the lowest possible expenditure of resources. It represents the ratio of the quality and quantity of products to the resources utilized. It is evident in the literature on productivity that almost all the definitions of productivity centre on outputs and inputs. Unfortunately, definition of either output or input or both may sometimes pose more difficulty to the understanding of what productivity is. For output, it is in the form of goods if visible and services if invisible. Input on the other hand is less easily defined. Since production (creation of goods and services) is a team effort thereby making the demand for inputs to be interdependent, various elements (inputs) are involved in the production of output.

There are several marketing strategies that can take any small and medium enterprises from mediocre to success when utilized correctly. Breaking into a new business climate and finding customers is hard work, but when equipped with innovative ideas and proven techniques, financial markets sales personnel can become extremely successful (Small and medium enterprises operators need to provide a quality product with good packaging that satisfies customer needs, offering affordable price and engaging in wider distribution and back it up with effective promotion strategy in order to survive the pressure from global market.

The importance of promotional strategies to business productivity cannot be over-emphasised. Promotion is one of the marketing mixes that many researchers usually assess in terms of relationship with a market share to find whether sound promotion would increase sales and profit. Promotion is relatively effective to the campaigns of competitors (Thirkel & Dau, 1998: Mercan et al, 2020). Small and medium enterprises need to understand the importance of promotional strategies. Business promotion is an active process which needs to be scrutinized for getting the best results. This has shown that promotion is a key element in putting across the benefits of product or service to the customers.

As stated by Enver, Venet and Burim (2012), strategy can be described as an action performed by the firm to achieve its business objectives. Also, strategy can be seen as a pathway to move a concept or an idea from the inventive state to the actual positioning in a competitive environment or as a roadmap to the planned result. The role of strategy is to put the business theory in action and help the business achieve desired results despite the environmental unpredictability. Strategy helps the business in the purposeful search for opportunities. Overall strategy forms a basis for success of the firm.

Well-designed marketing and promotional strategies is a way of providing quality product that satisfies customer needs offer affordable price and engaging in wider distribution and back it up with effective promotion strategy (Owomoyela *et al.* 2013). Promotion is the company's voice which sends out a brands message loud and clear to the audience. Various promotional strategies can promote and market a company's business depending on the goods, objectives and priorities

of the company. Promotion increases brand awareness, provides appropriate information, encourages customer-traffic, builds sales with profits and helps a company to introduce products easily in the ever-so-competitive market.

This study has identified some promotion strategies as free products, pull sales, price reduction, demos and sampling, push sales and combining push and pull strategies. Free products are giving away products to potential customers. Generosity catches people's attention. It is a free-prize-inside effect. Most people buy products with which they have a personal connection or that which are recommended by a trusted friend. Free products allow future customers the opportunity to hear about it, see the value, and then reward the producer for it. A pull strategy is a technique used to bring the customer to the products. Rather than pushing the business on the customer, pull strategy involves the use of pull tactics, or the communication of information, to attract the customer. Often these customers will start to market the business for you. Examples of pull strategy are: advertising and mass media promotion, word-of-mouth referral, sales promotions and discounts, customer relationship management, newspapers advertising and so on.

Price reduction allows customers to buy products at a lower price for a specified period. Price reduction can also be used to take attention away from a competitor. Demos and Sampling as some of the promotional strategies also determine the productivity of an enterprise. In line with the contemporary business environment, almost 50 percent of shoppers (when given free samples) often purchase products they normally would not have wanted to purchased. Samples are not commonly used in grocery stores to introduce a new food product. A demo is another form of sampling when a product or service is demonstrated during actual use. A small business such as a home improvement contractor could work with a local hardware store to show a home improvement project. Push Sales Strategy is the strategy that emanates from manufacturers who push their product through the supply chain to the consumers.

Incentives are offered that give each middle-carrier motivation to convince the next person to buy the product. Traditionally, this technique includes premiums, wholesale discounts and buy-back guarantees. Offering a bonus to a member of staff for selling the product or service of the-week is a push technique. Giving customers a free item for referring a friend to buy a product is also a push technique. Combining the Push and Pull strategies boosts sales. By combining the two methods as part of an overall promotion, business owners/ managers will be matching motivated buyers with an eager sale team to increase sales growth.

Business location (rural and urban areas) of an enterprise as one of the moderating variables, plays an important role in determining SMEs business productivity. Yassine (2013) defined location as a choice of where a business is to be located which could be small, medium and large cities or urban or rural locations. Selecting the best location for the business is one of the most important decisions involved in starting a business. The location will affect everything from

the amount of customer traffic, the costs involved, the availability of employees, plus many additional factors. Location is especially important to retail store owners. The location of the business is directly linked to whether or not the business will be productive. The proper location determines whether or not the customers will frequently patronized the business.

According to Kala and Guanghai (2010), the strategic location of the domestic firms has assisted them in achieve a positive performance. Location has provided domestic firms with strong force to prosper and succeed in their business. Also, the location can contribute to the image people perceive about the business. One of the major factors to consider when choosing a proper site is place. This is inclusive of the 4ps of marketing, namely: product, price, promotion and place. This is one of the most important factors as regards a location. The location must allow convenient access to all the customers, both current and prospective.

A good method to help in this decision is marking the location of the current and prospective customers on a map. It is also helpful to mark the location of the competitors on the map. Several studies have attempted to explain the role of location in business performance (for example: Liedholm, 2002; Harabi, 2003). Dahlqvist, Davidsson and Wiklund (2000) as cited in Yassine (2013) have argued that the geographic area in which a firm is located has implications on its access to markets and resources such as finance, skilled labor, subcontractors and other facilities.

If all these are the likely challenges that SME business may be facing, it then, implies that the much talked about economic depression of the nation may linger on for a while; and government efforts towards revitalizing the economy may be efforts in futility if something urgent is not done to reverse the situation.

Statement of the Problem

Promotional strategy has become a valuable tool for marketers and its importance has been increasing rapidly over the past few years. However, variations occur in the effects of promotional strategies based on the attractiveness of the concerned brand (Alvarez & Casielles, 2005,) and the location in which the business is cited. The presence of large, competitive and attractive sales promotions in Nigeria today can be traced majorly to the telecommunication industry. To enhance sale, business ventures need to carry out promotions in order to create awareness of their existence and their products among the prospective customers. They need to persuade customers to buy their products and maintain such customers. In selecting appropriate promotional mix, the groups must consider the target audience, the stage of the products, life cycle, characteristics of the products, decision stages of the products and the channel of distribution.

Purpose of the Study

The main purpose of the study was to determine the promotional strategies as determinant of small and medium scale enterprises productivity in South- West, Nigeria. Specifically, the study determined the views of SME owners in South-West Nigeria on:

- i. promotional strategies and small and medium scale enterprises productivity.
- ii. location and productivity of SMEs in South-West, Nigeria.

Hypotheses

The following null hypothesis was tested at 0.05 significance level:

H_{0_1} : Promotional strategies has no significant effect on small and medium scale enterprises productivity in South-West, Nigeria

H_{0_2} : Location has no significant effect on SMEs productivity in South-West, Nigeria.

Method

This study adopted the descriptive survey research design. Inferences about relationship among variables were made without direct intervention from concomitant variation of independent and dependent variables. The researcher chose this method in order to allow respondents to express their true opinion about variables in this study. This design allowed the researcher to collect information from owners and managers of Small and Medium Enterprises that were considered being a true representation of the population of the study. The total population for the study comprised 26,744 business owners/managers of registered small and medium scale businesses in six states (Lagos -11,663; Ogun - 1,794; Osun - 7,987; Ekiti - 1,029; Ondo -2,272 and Oyo - 1,999) in South West, Nigeria (National Bureau of Statistics, 2015).

A sample of 1,446 business owners/managers was used for the study (this comprises 1,363 small enterprises owners and 83 medium enterprises owners). Simple random sampling procedures was used to select the three (3) States for the study. Also, 10% of Small and Medium Enterprises was selected using simple random sampling technique.

For this study, two instruments were used for obtaining information concerning one dependent (criterion) variable of business productivity and one independent (predictor) variables of promotional strategies. A Demographic Data Form

was developed by the researcher and included with the instruments to collect necessary demographic information on name of enterprise, location of the industry (urban and rural area), gender, position held by the respondent in the organization and type of business the firm engaged in.

The instruments were structured questionnaire titled SMEs Productivity and "SMEs Promotional Strategies (SMEPM). The instrument contains three parts, 1, 2 and 3. Part 1 deals with demographic data of the respondents. Part 2 contains 26 Items on business productivity while part 3 deals with promotional strategies Face validity of the instrument was established using two experts in Technology and Vocational Education Department and one expert from Measurement and Evaluation Unit both in Olabisi Onabanjo University, Ago-Iwoye. Pilot test was used to ascertain the reliability of the instruments and data analysis using Cronbach alpha method yielded correlation coefficients of 0.80 and 0.84 for sections A and B and overall coefficients value of 0.82, meaning that the instrument was 82 percent reliable. The instrument was then administered to the respondents with the help of two research assistants who were adequately briefed. The analysis was carried out using SPSS version 19.

Results

Hypothesis

Ho₁: Promotional strategies has no significant effect on small and medium scale enterprises productivity in South-West, Nigeria.

*Table 1. Regression Analysis of Business Productivity and Promotional Strategies
of Small and Medium Scale Enterprises*

REGRESSION		ANOVA				
Model	Source	Sum of Squares	Df	Mean Square	F	Sig
R = .462 ^a	Regression	8937.44	1	8937.44	392.46	.000 ^a
R ² = .214	Residual	32883.91	1444	22.77		
Adj. R ² = .213	Total	41821.35	1445			

a. Predictors: (Constant), Promotional Strategies

b. Dependent Variable: Business Productivity

Table 1 above reveals that business productivity and promotional strategies yielded a coefficient of regressions (R) of 0.462 and a regression square of 0.214. This shows that 21.4 % of the total variance in business productivity is accounted for by promotional strategies. The table also indicates that the analysis of variance of the regression data

produced an F-ratio value of 392.46, significant at 0.05 level. This means that there was a significant effect on small and medium scale enterprises productivity in South-West, Nigeria. The null hypothesis was hereby rejected.

This result is consistent with the finding of Man, Lau and Chan (2002) which showed a significant negative correlation between promotional strategies and productivity. This is supported by Njoroge (2015) which established that customer relationship marketing strategies and technology based marketing strategies have a positive insignificant influence on the productivity of SMEs in Matuu town while innovative marketing strategies have a significant negative relationship with the productivity of SMEs in Matuu town.

Ho₂: Location has no significant difference on SMEs productivity in South-West, Nigeria.

Table 2. T-test Showing Significant Difference in SMEs Productivity based on Locations

Location	N	Mean	Std D	df	t	Sig	Remarks
Rural	741	36.15	5.80	1444	13.82	0.01	Significant
Urban	705	37.06	4.849				

The result in Table 2 revealed a significant outcome ($t = 13.829$, $P < 0.05$). This outcome implied that there was a significant difference in SMEs productivity based on locations. The mean score (36.15) recorded for rural areas is significantly different from the mean score of (37.06) recorded for urban areas at 0.05 level of significance. The difference was statistically significant. Hence, there was a significant difference in SMEs productivity based on locations in South-West, Nigeria. The null hypothesis was therefore rejected.

This result was supported by Yassine (2013) who had argued that the geographic area in which a firm is located has implications on its access to markets and resources such as finance, skilled labor, subcontractors and other facilities. The result of this study contradicted the finding of Mohammed and Nzelibe (2013) who reported that no difference in running of small and medium scale enterprises in rural and urban areas of Nigeria due to aforementioned problems.

Conclusion and Recommendations

This study had revealed that there was a significant effect on small and medium scale enterprises productivity in South-West, Nigeria. There was a significant difference in SMEs productivity based on locations in South-West, Nigeria. This result indicated that owners/managers of small and medium scale enterprises would excel and enhance their productivity

by effectively using promotional strategies which had proven to be an effective tool. Based on the outcome of this research, this study recommended that owners/managers of small and medium scale enterprises should endeavor to utilize various promotional strategies that is best applied to their environment in order to enhance productivity.

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