

Entrepreneurial Marketing Practice: The Effect on Growth of Small and Medium Scale Business in Ekiti State

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ABSTRACT

Entrepreneurial marketing (EM) practices have been identified as one of the important key ingredients for growth in small and medium enterprises. (SMEs). The success or failure of SMEs is said to rest in part on the nature and types of marketing practices they employ. The objective of the study is to determine the effect of product development strategy and pricing strategies on growth of small and medium enterprises (SMEs) in Ekiti State. Survey design was employed in which questionnaires were used to collect primary data from the respondents. The population made up of owners/managers of small and medium enterprises in Ekiti State while simple random techniques was used to select 150 samples size who participated in the study and inferential statistics including chi-square was adopt to test the hypothesis. The findings revealed that there is relationship between product development strategy, pricing strategy and the growth of small and medium enterprises. It was recommended that comprehensive training on product innovation for the SMEs owners/manager on entrepreneurship and always adopts pricing strategies.

KEYWORDS: *Entrepreneurial, Marketing, Growth, Small & Medium Enterprises, Product and Pricing*

INTRODUCTION

EM practices add involve a process by which firms derive strategies to enable them foresee and respond innovatively to the dynamic business environment, adding that such efforts inevitably improve the competitiveness of business firms and eventually their performances.

Entrepreneurial marketing (EM) seems to succeed in a highly fluctuating environment as experienced in Ado-Ekiti. Most often, before any formal marketing planning is concluded, new condition would have arisen to render the plan ineffective. Arsalan et. al. (2011), remark that EM is effective within fluctuating and changing environments which limit opportunities for formal planning. Good marketing is intrinsically entrepreneurial. It is coping with uncertainty, assuming calculated risks, being proactive and offering attractive innovation relative to competitors. And good entrepreneurship is inherently marketing oriented.

The impact of small and medium scale enterprises in developing the economic of developed and

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developing nations have always been known. But as Naelati and Sobrotulimti (2014) opines, EM practice affect growth, however little has been established on which of the entrepreneurial marketing practices influence on long term growth of SMEs and extent of its impact. Attempts in this regard have always resulted in mixed, conflicting, inconsistent and inconclusive findings.

Entrepreneurial marketing practices however differ from continent to continent, countries to countries, cities to cities and sector to sector in relation with social, cultural and economic backgrounds of every given area (Ghour, Khan, Malik and Razzaq, 2011). Even in the same company, different approaches of entrepreneurial marketing practices are used in different dimensions and phases of company's life (Gummesson, Kuusela & Narvanen 2014). The differentiation of entrepreneurial marketing among space, time and effectiveness of marketing practices could be the distinction for any firm or business in a particular environment (Kelson, 2014).

This paper becomes inevitable so as to unravel entrepreneurial marketing practices that are most applicable at a particular place and time. Hence, the paper addressed effect of entrepreneurial marketing practices on the growth of SMEs in Ado-Ekiti. This paper is examine the effect of product development strategy on the growth of SMEs in Ado-Ekiti and examine how pricing strategy affects the growth of SMEs in Ado-Ekiti.

LITERATURE REVIEW

Concept of Entrepreneurial Marketing

An understanding of entrepreneurial marketing practices is clearer when marketing and marketing practices are properly conceptualized since the two concepts come together to form one (Sunday & Agbo, 2015). Kotler (2013) defines marketing as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. The process of marketing is therefore finding way to provide people with products and services that they either need to function normally or desire to improve their well-being.

Evidence abound that show that the application of the entrepreneurial concept and tool make marketing to achieve high level of success in the marketplace. Entrepreneurs, in their character of innovativeness have found the use of marketing principles and strategies very effective in engendering success in entrepreneurial practice. Subsequently, there is a high rate of adoption of marketing principles in the entrepreneurial practices all over the world and the eventual development of Entrepreneurial Marketing (EM). A review of Literature reveals that the need for entrepreneurship is greatest in SMEs where firms face diminishing opportunity streams, as well as rapid changes in technology, consumer needs social values and political roles. The same is true when firms are confronted with unpredictable resource needs, lack of long-term control over the environment, increased resource specialization, rapid resource obsolescence and employee demands for independence.

According to Gilmore et al. (2013), the term “entrepreneurial” refers to the overall activities and behaviour of entrepreneurs, which includes behaviour that is competitive and drives the marketing process. Entrepreneurial marketing is a concept which so far has been hard to grasp (Kinyua 2014). According to Hultman (2011) definition, “entrepreneurial marketing is the marketing of small businesses growing through entrepreneurship”. It is something that has long been practiced especially in small firms and for many entrepreneur led companies it is something which is “second nature. Understanding

EM is based on knowing how SME owner/manager or entrepreneurs do business and how they make decisions, deliver their market offering in the market place within the constraints of limited resources, expertise, impact and size (Gilmore, et al. 2013). It is noted that EM is a matter of degree and various combinations of the underlying dimensions result in marketing that is more or less entrepreneurial. Gilmore et al. (2013) concludes that entrepreneurial marketing is subject to external change factors, it is driven by the entrepreneur, it is opportunities, intuitive and if the firm is to survive, it is profit driven. According to Hills and Hultman (2011), EM is the result of entrepreneurial interpretation of information, decision making and marketing actions.

Small and Medium Scale Enterprises

There are many definition of small scale business. Among scholars, it observed that there is no universally accepted definition of small scale business.

Important of Small Business in Nigeria

The small business has been recognized as the vibrant force in an economics system because it has the greatest potential in the development of nations economy. The importance of small-scale is that, it can grow into big business if well managed.

Accordinf to Liedholm et. al. (1994), most of the “big business” started at small business and most of the nation work force are gainfully employed through the management of small business. These are the importance of small-scale business.

1. **Innovation:** A small business units provides the major source of new idea and innovative: small enterprises have shown to be innovation.
2. **Distributes products of big business:** Big Business depends on small business to supply its raw material and to distribute its product.
3. **Provision of services:** Small business offers different kinds of services. They provide consultancy services to organization and personalized services individual.
4. **Efficient performance:** Economic theories acknowledge that the benefit of large-scale production can sometimes become misleading especially when the overhead cost becomes unmanageable.
5. **Fills the “cracks” of business interstice:** The flexible nature of small business makes it possible for them to fill the crack between large volume business. It has the advantage of meeting highly.
6. **Small-scale business also allow for self-employment and job security:** small scale

industries usually creates new jobs opportunities for the growing number of young school learners and unskilled which eventually gives rise to thugery, hooliganism, stealing and all forms of evil deeds.

Problems of Small Business in Nigeria

Small scale industries in Nigeria are faced with many problems. These problems can be categorized as finance, Technical, Management skill, Inadequate sales, competitive weakness, High cost of raw materials and lightening e.t.c. The problems are as follow;

- 1. Finance:** The key problems of most small scale industries are how to finance it. The firm has to borrow money to carry it long term projects like purchase of capital equipment, which will have to be paid back with huge amount of interest
- 2. Technical:** Small scale industries are faced with technical problems such as being unable to employ high level of technical staff and these can adversely affect the operational activities of small scale business.
- 3. Poor Management Skill:** This major and most frequent cause of business failure. This maybe due to the lack of experience, lack of management “know how” or unbalance management training.
- 4. Inadequate sales:** A businessman may discover a niche but without investigation to ensure that it has potential for growth he pungenes to it. After the initial funfair, the business stagnates for lack of potential for growth
- 5. Competitive weakness:** This can show itself in many ways. The small business operates if in competition with bigger firm to operates at a higher average cost than competitors.
- 6. High Cost Of Raw Material:** This increase in the cost of raw material is also problem to small scale business.
- 7. Lightening:** Small scale business are affected by poor supply of electricity to the business, this is a problem affecting their effective operation.

Growth

According to Becchetti & Trovato (2002), growth is the product of an internal process in the development of an enterprise and an increase in quality and/or expansion. “growth is defined as a change in size during a determined time span”. According to Davidsson & Henreksson (2002), a company growth is essentially the result of expansion of demands for products or services. “it first results in growth in sales and consequently in investments in additional production factors to adapt itself to new demands”

(Davidsson & Henreksson 2002). However, Davidsson et. al. (2010) researched entrepreneurs ideas on growth and listed the following: increase in sales, increase in the number of employees, increase in profit, increase in assets, increase in the firm’s value and internal development. Internal development comprises development of competence, organizational practices in efficiency and the establishment of professional sales process. This was the most important index for entrepreneurs that participated in the research. However, increase in the number of employees was not necessarily considered a sign of growth.

Product development strategy and Growth of SMEs

Product development strategy, in this, the firm tries to grow by developing and improve products for the present market. According to Watts et al. (2008) the most suitable growth strategies for a small firm are those concerning product development ad market development. Becchetti & Trovato (2002) share the same view suggesting that high growth can best be achieved by identifying new markets for existing products or by developing new products or services for existing customers. In this way SMEs can evolve from having a established core activity into more complex businesses. Nooteboom (2004) suggests that SMEs pursue product innovation strategies in emerging markets and marketing innovation strategies in mature niche markets.

Pricing strategies and Growth of SMEs

Price management is a critical element in marketing and competitive strategy and a key determinant of performance. Pricing strategy is where large and small businesses compete in rating pricing in the market in order to win customers. This is an essential component of marketing. However, SMEs compete in placing favourable price to their customer as a way of retaining their customers as well as attracting other potential customer through networking basing on pricing. According to Bauer and Colgan (2001), lower prices lead to high demand and, therefore, to a large market. Though most of the managers perceive this is not good strategy for growth since customers may have perception that the product or service of low price is standard one.

Several studies have been done on pricing strategies, each giving it different approach, use different methodology and hence resulting to varied findings. Paul and Ivo (2013) related price strategies and price setting practices by use of survey method and hypothesis testing on 95 respondents, showed that price strategies and price setting are related because strategies are implemented through price setting

practices. Ruiliang (2009) on his study on pricing strategies and firm performances under alliance brand through game-theoretic model demonstrated that optimal pricing and brand management strategies exist for firms in a competitive market.

METHODOLOGY

In this paper, survey design was adopted in which questionnaires and interview was employed to obtain information about the opinions of owners/managers of SMEs in Ekiti-State. The sample size of 150 was selected from the population using random sampling technique. The data collected for the study was analyzed using inferential statistics and chi-square to test the hypothesis.

RESULT AND DISCUSSION

A total number of one hundred and eighty (180) questionnaires were administered; out of which one hundred and forty-nine (150) were duly filled and retained. The analysis was based on the one hundred and forty-nine (150) questionnaires that were retrieved.

Entrepreneurial marketing practice for this paper include: Product development Strategy and Pricing strategies. Descriptive statistics in respect of respondents’ view on the EM practices is as presented below:

Hypothesis One

- H₀: Product development strategy has no significant relationship with growth of SMEs in Ekiti State.
- H₁: Product development strategy has significant relationship with growth of SMEs in Ekiti State.

Table 1: product development strategy influence growth of SMEs in Ekiti State

	Observed N	Expected N
Strongly Disagree	9	37.5
Disagree	42	37.5
Agree	75	37.5
Strongly Agree	24	37.5
Total	150	
Test Statistics		
Chi-Square	70.000 ^a	
Df	3	
Asymp. Sig.	.020	

Decision Rule: Reject H₀ if the p-value <0.05. otherwise do not reject. Since the P-value (0.000) <0.05.therefore, reject null hypothesis. Based on the above decision, the research concludes that product development strategy has significant relationship with growth of SMEs in Ekiti State.

Hypothesis Two

- H₀: pricing strategies has no significant relationship with growth of SMEs in Ekiti State.

- H₁: Pricing strategy has significant relationship with growth of SMEs in Ekiti State.

Table 2: Pricing strategies influence growth of SMEs in Ekiti State

	Observed N	Expected N
Strongly Disagree	8	37.5
Disagree	41	37.5
Agree	77	37.5
Strongly Agree	24	37.5
Total	150	
Test Statistics		
Chi-Square	70.000 ^a	
Df	3	
Asymp. Sig.	.000	

Decision Rule: Reject H₀ if the p-value <0.05. otherwise do not reject. Since the P-value (0.000) <0.05.therefore, reject null hypothesis. Based on the above decision, the research concludes that pricing strategy has significant relationship with SMEs in Ekiti State.

Discussion

The findings shows that: Production development strategy positively affects the growth of SMEs. This result agrees with the findings of Mohammed and Rashid (2012) who affirmed that positive relationship exist between production and strategy dimensions (PDS) and SMEs growth. According to the authors, PDS is crucial and has come a niche for firm performance. Similarly, Halmajan (2011) asserted in his study that there is significant relationship between product development strategy and business growth. The results of these authors further collaborate the finding of this study that PDS has significant positive relationship with SMEs growth and performance.

Table 2 revealed that pricing strategy has positive effects on the growth of SMEs. This finding is inline with that of Adina (2011) who studied pricing strategy capability and business performance. A re-conceptualization and empirical validation. Adina (2011) addressed the above issue by re-conceptualizing market segmentation as a dynamic capability, identifying the components of a firm’s pricing strategy capability and determining its influence on business performance. He suggested that pricing strategy plays a significant role in enhancing business performance.

Conclusion

The paper examine the effect of Entrepreneurial marketing practice on the growth of SMEs in Ekiti State. It is safe to conclude that product development strategy and pricing strategy all have positive effects on the growth of SMEs in Ekiti State. Therefore

SMEs may be better if they formulate appropriate strategies.

Recommendations

From the findings of this study, the following recommendations are made:

1. There is need for a comprehensive training on product innovation for the SME owners on entrepreneurship traits among them. This will help them to compete effectively with each other. Training will help to acquire skills for personal entrepreneurial; development which will facilitate the growth of their enterprises.
2. SMEs owners should always adopt pricing strategies capable of assisting the firm owners in achieving competitive advantage in the industry and strengthen them towards growth in the industry.

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