Marketing Problems and the Performance of Selected Small and Medium Enterprises (SMEs) in Southern Senatorial District of Cross River State, Nigeria

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Abstract

The study examined the relationship between marketing problems and performance of selected Small and Medium Scale Enterprises in southern senatorial district of Cross River State. The study sought to investigate the marketing problems of SMEs and its impact on the profit-margin as well as the sales volume of small and medium enterprises. Survey design was employed. The area of study was Calabar Metropolis, while the study frame were owners and managers of SMEs. The sample size of the study was 150 and data was collected with the use of structured questionnaire. The instrument was content-validated, while the test-retest method was used to confirm the reliability. Data analysis was done electronically by the use of Statistical Package for Social Science (SPSS) version 21. The findings highlighted in the study were; there is a significant relationship between the marketing problems experienced by SMEs and the increase in their profit margin and sales volume. The study recommends that managers of SMEs should be adequately educated on the principles and practice of marketing. 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.

Keywords: Micro, Small and Medium Enterprises, Marketing problems, Performance, Profit

Introduction

Small scale enterprises are common in many countries depending on the economic system in operation. They constitute an important part of a country's business system. Small scale business means different things to different people and has different characteristics in different parts of the world. Hence, there is no specific and generally accepted definition of small firms. Some authors use two factors or criteria in their definitions, that is, number of staff and capital, while others use more factors such as land, capital, number of employees, annual sales turnover, value of assets, net profit, management/marketing skills and the issue of dominance in its field of operation. Using number of staff, a medium-sized business has fewer than 500 employees in the United States, 250 in the European Union (EU), and fewer than 200 in Australia (Wikipedia, 2015).In Nigeria; for instance, there are so many definitions of micro, small and medium-size enterprises (MSMEs) from different bodies, organizations and institutions. This further confirms the issue of 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. On the other hand the National Policy on Micro, Small and Medium Scale Enterprises defines SMEs against 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 defines SMEs as enterprises which employ less than 200 persons and possess assets which value excluding land and building is less than ₦300 million. Generally, small businesses 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 contributions of SMEs to the national economy are well documented in the literature. Ogechukwu (2001) has listed some of them as follows:

- SMEs generate employment for a lot of Nigerians. 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.
- It has encouraged self-employment for many 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.
- Through the establishment of man-power development support schemes, and their involvement in 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.
- It has reduced the 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.

- Small scale industries have stimulated rural development and the achievement of a meaningful level of broad economic. 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.
- It 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.
- It 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.

Marketing and Small Medium Enterprises

Marketing is the key purpose of every business. Drucker, (1985) states that because the purpose of business is to create and keep customers, it has two central functions: marketing and innovation. The basic function of marketing is to attract and retain customers at a profit. Marketing facilitates the exchange process by providing a variety of marketing activities that benefit customers and other stakeholders. It involves adjusting the whole activity of a business to the needs of the consumers and other stakeholders. Marketing is a business philosophy which emphasizes consumer needs, interpretation of those needs for the mutual benefits of both the consumer and the marketer, delivery of want-satisfying goods and/or services, and continued effort to ensure the consumers' satisfaction. Marketing involves creating value to meet customers' needs and managing relationships between the marketer and his target markets (Ebitu, 2012). Building customer relationships and satisfaction is at the very heart of modern marketing (Kotler and Armstrong, 2004). We therefore define marketing as a set of activities as well as processes responsible for identifying needs, creating, communicating, delivering and exchanging superior values and building mutually beneficial relationships with customers and other stakeholders (Ebitu, 2012:3).

Small and medium scale enterprises are in business to innovate and create new organization or products, services and ideas to the society for profit. Marketing has a crucial role to play in order to make entrepreneurs (those who own and run SMEs and large businesses) succeed in their quest to satisfy their target markets and also make profits. The duty to create customers, inform them of the availability of the enterprise's goods and services and actually get customers to purchase the goods and services or ideas of SMEs in the function of marketing. According to Onah and Allison (2007: 127-8), Marketing also enables the entrepreneur to identify the goods and services the customers' needs before he goes into production. Marketing helps the entrepreneur to determine the size of the market and classify them into segments and then choose the segments to satisfy, and adopt strategies to satisfy the segments chosen. Marketing provides the enterprise with information about market opportunities as well as related threats and based on the organization's strengths and weaknesses, certain strategic actions are taken to exploit the opportunities and/or deal with threats in the enterprise's environment. In a study of the attitude of sixty (60) small scale entrepreneurs to marketing, Idiaghe (1998) reports that 95 percent of them said that marketing was important or very important to their organization and it was rated as the most important of all the business functions. The same research rated these five marketing sub-functions as the most important with new product development (78.9 percent), Sale Management (77.1 percent), Research and Development (73.8 percent), Public Relations (70.5 percent) and Transportation (62 percent) in that order. Common marketing techniques for SMEs according to Walter (1990) in Etim (2010) include networking, word of mouth, customer referrals, yellow pages, directories, television, radio, outdoor advertising, print media, e-mail marketing and internet. Although some of these techniques are expensive, if properly utilized they can catapult SMEs to a greater height.

Marketing Problems and SMEs in Nigeria

Marketing problems are simply those marketing factors that can impede, disrupt or hinder the growth, development and expansion of the firm in its effort to satisfy its target market and also create value for the organization. Small businesses face myriads of problems. Some of the problems which are relative to their size include epileptic power supply, lack of capital, inefficient management, difficulty in employing skilled manpower, fraud, inability to analyze market opportunities, advertising and marketing problems, research and production inefficiencies, problems of standardization, poor quality products, etc.

In particular, the basic marketing problems include inability to apply modern marketing techniques and strategies, difficulty in managing the firm's advertising and other promotional tools, competition from large firms, lack of adequate research, poor and mundane production technology, lack of adequate financing of marketing activities, poor quality products and problems of standardization, warehousing, inventory control, and poor transportation facilities, branding/packaging, financing and credit facilities, risk bearing among others. Stull, Myers and Scott (2008) give these factors as marketing problems, namely: problem of standardization, competition from large scale businesses, poor sales promotion and poor bargaining power. Walt (2013) is of the opinion that lack of raw materials, scarcity of expertise labour, lack of finance and poor marketing strategies are the basic marketing problems of small scale businesses. He added that with these problems SMEs are placed at a disadvantaged position to face the onslaught of large scale enterprises in terms of quality, cost, research or assess marketing scenarios/changes which are taking place in the market in terms of taste, likes and dislikes, competition, technology etc. He concluded that SMEs do not possess the requisite expertise to adjust their operations to the changed situations. Poor advertising and non-utilization of other promotional tools may not attract the right caliber of customers to patronize the business. Specifically, Scott (2003) in Tom (2014) posits that as a result of the inability of small scale enterprises to advertise appropriately or effectively, they encounter the following problems

a) Difficulty in attracting customers
b) Difficulty in attracting quality employees
c) Difficulty to growth
d) Difficulty to compete with bigger companies, and
e) Difficulty to diversify

Tom (2014:6) also added that all these problems have led to under performance of small scale enterprises in Calabar and Nigeria at large. One major marketing problem facing small business enterprises in Nigeria is lack of understanding and application of marketing concept. Most Nigerian small business owners equate 'marketing' to 'selling' and this is reflected in their various dysfunctional business behaviour against customer satisfaction and good business and marketing orientation. They lack the knowledge and skills of basic marketing ingredients-marketing research, market segmentation and marketing planning and control (Ayozie, Oboreh, Umukoro & Ayozie, 2013). They added that the outcome of this is poor quality products, unawareness of competition, poor promotion, poor distribution, poor pricing methods, and that SMEs are not marketing-oriented and market-focused. Research on small businesses and their marketing activities have been largely limited to their explanation of certain types of behaviour observed in small businesses (Hannon & Artherton, 1998) or in the search for factors that are missing or present barriers in small businesses accounting for their apparent inability to use marketing ideas or concepts that were often developed for large businesses (Freel, 2000). Marketing theory development in SMEs has been somewhat limited and often relies on the application of classical marketing models to smaller businesses (Chaston & Mangle, 2002). The development of theories to explain the behaviour of SMEs towards marketing have generally been qualitative and descriptive (Carson, 1990) and few have been rigorously tested in practice.

Research Hypotheses

The study sought to investigate the marketing problems of SMEs and its impact on the performance of selected small and medium enterprises in Calabar. The research hypotheses are stated below:

Ho$_1$:   There is no significant relationship between marketing problems of SMEs and increase in profit of SMEs.
Ho$_2$:   Marketing problems of SMEs is not significantly related to the firm's sales volume.

Research Methodology

The study was carried out in Cross River State. Cross River State is located in the South-South geo-political zone of Nigeria. Specifically, the survey was carried out in Calabar Metropolis. Calabar Metropolis comprises of Calabar South and Calabar Municipality. Calabar Metropolis was chosen as the study area because it harbours many small and medium scale business enterprises. The inhabitants of Calabar Metropolis are hospitable and the local government area are also known for tourism and business-friendliness.This study employed the survey research design. The study employed the convenience sampling design and the sample size was 150Small and Medium Scale Enterprises.

This is because the researchers carefully selected business owners who understood the questionnaire and can respond with little or no difficulty. 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 150 questionnaires distributed, 122were properly completed and returned; 13 questionnaire were discarded because they were not properly completed while 15 questionnaires were not returned.

Hypothesis One

Table 1: Correlation of Marketing Problems of SMEs and Increase in Profit of SMEs

		MARKETING_PROBLEMS	INCREASE_IN_PROFIT
MARKETING_PROBLEMS	Pearson Correlation	1	.408**
	Sig. (2-tailed)		.000
	N	122	122
INCREASE_IN_PROFIT	Pearson Correlation	.408**	1
	Sig. (2-tailed)	.000	
	N	122	122

**. correlation is significant $P<0.05$

The result in Table 1 shows the Pearson Product Moment Correlation of marketing problems of SMEs and increase in profit of SMEs. With probability value (0.000) less than 0.05 significance level, it reveals that there is a significant relationship between the marketing problems experienced by SMEs and the increase in their profit margin.

Hypothesis Two

Table 2: Correlation of Marketing Problems of SMEs and Increase in Sales Volume of SMEs

		MARKETING_PROBLEMS	INCREASE_IN_PATRONAGE
MARKETING_PROBLEMS	Pearson Correlation	1	.260**
	Sig. (2-tailed)		.004
	N	122	122
INCREASE_IN_PATRONAGE	Pearson Correlation	.260**	1
	Sig. (2-tailed)	.004	
	N	122	122

 **. correlation is significant $P<0.004$

The result in Table 2 shows the Pearson Product Moment Correlation of marketing problems of SMEs and increase in sales volume of SMEs. With probability value (0.004) less than 0.05 significance level, it reveals that there is a significant relationship between the marketing problems experienced by SMEs and the increase in their sales volume.

Discussion of Findings

The study reveals that there is a significant relationship between marketing problems experienced by SMEs and the increase in their profit margin. This finding is supported by Basil (2005) in a study of the marketing problems faced by 300 SMEs. His study revealed that "SMEs sector in Nigeria is replete with major marketing problems which have contributed to their poor performance some of which include: weak demand for products arising from low and dwindling consumer purchasing power, limited access to long-term capital, high cost of even short-term financing, poor partnership spirit, low-level capacity in management, marketing and technical know-how as well as low level knowledge of legal and regulatory practices, policies and accounting practices, illegal levies, street urchins' harassments, over-dependence on imported raw materials and spare parts, incidence of multiplicity of regulatory agencies and taxes that have always resulted in high cost of doing business and poor corporate governance and low level of entrepreneurial skills."These factors play a crucial role in the profit margin of Small and medium scale enterprises because they contribute to the high operating cost of the SMEs thereby resulting in low profit margins.

The findings of this study also reveal that there is a correlation between marketing problems faced by SMEs and their sales volume. In a study conducted by Ogwo (1991) in Ayozie, Oboreh, Umukoro & Ayozie, (2013), this was conspicuously exposed. Most Nigerian small business owners equate 'marketing' to 'selling' and this is reflected in their various dysfunctional business behaviour against customer satisfaction and good business and marketing orientation. They lack the knowledge and skills of basic marketing ingredients – marketing research, market segmentation, and marketing planning and control. The outcome of this is poor quality products, unawareness of competition, poor promotion, poor distribution, and poor pricing methods. Again, Ayozie, et. al. (2013) mentioned that only very few Nigerian small manufacturers are aware of the nature of competition facing them. They estimate their success only through sales revenue without considering also their market share. Even, some do not know their market segments on which to focus their operations. This has a tremendous effect on their sales volume.

Conclusion, Recommendations and Scope for Future Research

Small and Medium Scale Enterprises are a common feature in the Nigerian economy. It is believed and even verified that SMEs play very important role in the economic growth of the country. However, there are a plethora of problems faced by SMEs in Nigeria which affect their business performance. Most of these problems are marketing-related some of which include inability to apply modern marketing techniques and strategies, difficulty in managing the firm's advertising and other promotional tools, competition from large firms, lack of adequate research, poor and mundane production technology, lack of adequate financing of marketing activities, poor quality products and problems of standardization, warehousing, inventory control, and poor transportation facilities, branding/packaging, financing and credit facilities, risk bearing among others; These problems are capable of impeding, disrupting and hindering the growth, development and expansion of the firms in its effort to satisfy its target market and also create value for the organizations.

This study was an attempt to examine if these marketing problems affect the performance of SMEs in the southern senatorial district of Cross River State. The study proved that marketing problems affect the performance of SMEs negatively in terms of profit and sales volume. It has been observed that most of these problems are due to the fact that most of the managers of the SMEs are not knowledgeable about the principles and practice of marketing. It is therefore recommended that managers of SMEs should be adequately educated on the principles and practice of marketing. 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.The result of this study can be applied to other sector of the Nigerian economy. Hence, further study can be done to expand the scope of this study to include SMEs and multi-national companies not just in Cross River State but in Nigeria as a whole.

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