

**THE EFFECTS OF MARKETING STRATEGIES ON SALES PERFORMANCE  
OF SMALL AND MEDIUM ENTERPRISES IN KENYA**

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**DECLARATION**

This project is my original work and has not been submitted for a degree in any other University.

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## **DEDICATION**

This study is dedicated to my siblings Brian, Doreen and my friend Dr. Allan Barasa who have inspired and provided me with moral support throughout this process. I also dedicate this research to my father Mr. Fobiano Muola who has been my mentor and biggest inspiration. Thank You for being a wonderful dad.

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## **ABBREVIATIONS**

**SME:** Small and Medium Enterprises

**CBD:** Central Business District

**SPSS:** Statistical Package for Social Sciences

**MSEK:** Micro and Small Enterprises Authority of Kenya

**SACCO:** Savings and Credit Co-operative Societies

## ABSTRACT

Small and medium enterprises in Kenya are shrinking rapidly. Competition is stiff within the small and medium enterprises and product performance has not been effective compared to the last decade. The challenge currently being faced is how small and medium enterprises marketers respond by creatively introducing small and medium enterprises policies, instruments and marketing techniques to serve as a basis for the country's sustained economic development. This study sought to establish the effects of marketing strategies on sales performance of small and medium enterprises in Kenya. The study was guided by the marketing mix theory and theory of push and pull. This research adopted a descriptive research survey to determine the effects of marketing strategies on sales performance of small and medium enterprises in Kenya. This study's target population were small and medium enterprise managers operating at the Central Business District in Nairobi. To come up with an appropriate study sample, the study utilized stratified sampling technique where the small and medium enterprise owners were classified into different business areas including food and restaurants and other non-food item businesses. The study intended to use a sample size of 50 small and medium business managers within the Nairobi CBD which were duly registered by the County Government being 10% of the population. This research collected primary data using questionnaires. The questionnaires comprised of both open and closed ended in line with the objectives of the study. Data collected was analyzed using descriptive statistics. Data analysis was done using Statistical Package for Social Sciences (SPSS version 21.0). The study concludes that considerable number of SMEs in Nairobi County had adopted product development strategies, adoption of product development strategies resulted to a positive significant effect on the sales performance of small and medium enterprises in Kenya. Product development strategy helps SMEs achieve business goals, such as entering new markets, selling more to existing customers or winning business from competitors. Pricing strategies had a positive significant effect on the sales performance of small and medium enterprises in Kenya. However, pricing the product too low or too high can have unintended consequences sales. Pricing strategies give SMEs the flexibility in setting prices and win new business or maintain prices and increase the profit margin. Promotional strategies had a positive significant effect on effect on the sales performance of small and medium enterprises in Kenya. The study further concludes that employment of promotional strategies helped to keep customers informed of what the firm offered, promotional strategies informed clients or customers on both the price where to get the product and the price. Place strategies had a positive significant effect on the sales performance of small and medium enterprises in Kenya. Location-based marketing is one of the best ways to convert foot traffic and online traffic into new customers. Location-based marketing helps to remove barriers to sales. The study recommends that SMEs in Kenya should continually embrace product development strategy as this strategy provided a framework for creating new products or improving the performance, cost or quality of existing products. The SMEs should continually adopt pricing strategies (market penetration pricing, premium pricing, price skimming and economy pricing) as these tactics were found to have a positive impact on sales performance. Although a successful pricing strategy can increase revenue and profitability, careful planning is also essential to minimize the risk of costly mistakes related each specific strategy. SMEs must continually embrace promotion strategies.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

Marketing is generally considered as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return (Cavusgil & Zou, 2004). A strategy on the other hand is a firm's game plan for competition and survival in a turbulent environment. According to Mohamed et al., (2014) a marketing strategy is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales. Sales performance is the sum of all efforts that it takes to deliver a product or service, therefore is measured in terms of items produced and services performed within a given time period. 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 (Kisaka, 2012). Key small and medium enterprises marketing strategies will always include an in-depth review of the value of follow-up. All successful sales intermediaries understand that consumers need to be contacted again and again in order to make a vital connection.

Marketing strategies and sales performance have been grounded on marketing mix theory and theory of push and pull. Marketing mix theory is still used today to make important decisions that lead to the execution of a marketing plan. The idea of a marketing mix theory is to organize all aspects of the marketing plan around the habits, desires and

psychology of the target market (Grönroos, 1994). The theory of push and pull is applied in today's market; pushing solutions is sometimes seen by the customer as intrusive or overlooked by the customer as the solution gets lost due to information overload. Pulling solutions has always been a part of most organizations. A customer would visit the organization and ask questions and someone would answer them. Financial institutions that emphasize the push theories often do so to increase efficiency. They believe that if, for instance, they create the penultimate user manual that will cover all the questions the customer might have; they will limit the amount of contact the customer needs to make to the financial institutions (Zmud, 1984). This study will focus on the effects of marketing strategies on sales performance of small and medium enterprises in Kenya. The topic on marketing strategies was chosen as an effort to find out whether different marketing strategies undertaken by the small and medium enterprises in Kenya has any effect on the sales performance.

The number of small and medium enterprises in Kenya is shrinking rapidly. Competition is stiff within the small and medium enterprises and product performance has not been effective compared to the last decade (Otieno, 2015). Most small and medium enterprises have sharpened their marketing strategies as a mechanism to guarantee the success of their business in future. The challenge thus facing the small and medium enterprises is the need for diversification of their products better tailored and suited to meet the needs and development of the country. For while the small and medium enterprises can play a very significant and critical role in a nation's developmental process, the challenge currently being faced is how small and medium enterprises marketers respond by creatively introducing small and medium enterprises policies, instruments and marketing

techniques to serve as a basis for the country's sustained economic development (Njoroge, 2015).

### **1.1.1 Marketing Strategies**

Marketing strategy is the fundamental goal of increasing sales and achieving a sustainable competitive advantage (Rotich, 2016). Marketing strategy includes all basic, short-term, and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company and the formulation, evaluation and selection of market oriented strategies and therefore contributing to the goals of the company and its marketing objectives. Market penetration strategy is also known as concentrated growth strategy since a company can thoroughly develop and exploit their knowledge on a specific market. Ataman (2010). Companies do this so that they can expand their customer base. This is possible through size of purchase, maximum rate of product obsolescence, getting new product users, advertising and offering inducements.

Product development comes as a result of changes in clients' preferences, high competition and advanced technology. These can be regarding products in the market, innovations made on the products or existing products that have been improved. Successful product development strategies are as a result of leveraging three internal elements, technical advantage and experience, marketing savvy and better understanding of the customer. (Onyango, 2016). Market development strategy for a given product is accomplished when a product has gained new clients in a new geographic segment with new institutional segments O'Leary-Kelly & Flores (2002). Finally, product diversification; which is a corporate strategy aims at entering new market segments. This

is the most uncertain section since the business goes in without any experience in the new market and is also uncertain if the product will be successful. Market penetration is key in market penetration since the business works on convincing current clients to new products that they are not used to. This is a great place to start because these clients already know and use the company's products and services. Therefore, a relationship that can be expanded has been established earlier.

Marketing methods, especially those that were used traditionally as a blueprint in business activities are gradually fading from markets and innovative methods. According to Cooper and Kleinschmidt (2015) small and medium enterprises need to adopt more modern technological marketing tool such as mobile marketing to improve on their performance since most small and medium enterprises use traditional forms of marketing to reach potential customers and to entrench their brands and only few of them use modern technology in marketing their products and services.

### **1.1.2 Sales Performance**

Sales performance alludes to the volume of offers accomplished inside a predefined period contrasted with predetermined sales levels (Rotich, 2016)). Accomplishing more noteworthy sale execution is the most essential part of sales pioneers as it specifically impacts on their key execution pointers. Sales performance has been conceptualized to incorporate both the result and behavioral measurements (Cavusgil & Zou, 2004)). Sales results have dependably been seen by execution situated sales representatives as proof to their behavioral execution and therefore a positive relationship has been found to exist between occupation association segment of responsibility and sales performance. In

today's dynamic working business environment, organizations that depend on poor information to settle on key deal sales performance decisions, risk being rendered clumsy by the opposition. As organizations develop more idealistic about open doors for development, the weight is on for deals staff to meet ever-higher income.

As businesses grow more optimistic about opportunities for growth, the pressure is on for sales organizations to meet ever-higher revenue targets. For these reasons, optimizing sales performance in economy calls for a more rigorous and data-driven approach to foundational sales processes, including strategic planning, territory allocation, resource planning and compensation programming. Performance can be defined as the extent of actual work performed by an individual or to what extent the actual work is shown by an individual (Cooper & Kleinschmidt, 2015). In an era of intensifying competition and fierce negotiations with buyers, tactical selling approaches simply don't work. The key to sales success is creating value the buyer is not currently considering in their decision making.

### **1.1.3 Small and Medium Enterprises in Kenya**

SME's in Kenya represent a vital part of the economy, being the source of various economic contributions through the generation of income, providing new job opportunities, introducing innovations, stimulating competition and engine for employment (Mohamed et al., 2014). According to Njoroge (2015), the enterprises sector in Kenya is an important and fast-growing sector employing 42 per cent of the working population and accounting for 75 per cent of all modern establishments in Kenya as at 2011. Small and medium enterprises dominate in majority of the sectors, including



wholesale and retail trade, restaurants, hotels, community and social services, insurance, real estate, business services, manufacturing, agriculture, transport and communication and construction.

According to Otieno (2015) the enterprise sector in Kenya is critical and strategic in attaining vision 2030 and is one of the crucial components of the economic pillar and is central in national strategies for stimulating economic activity and reducing unemployment and poverty. However, according to (Ataman et al., 2010), small and medium Enterprise sales' performance in Kenya over the last decade has not been impressive. Several marketing strategies have been implemented in the enterprise sector aiming at increasing sale performance of enterprise

## **1.2 Research Problem**

The current globalization of markets has made business to see the internationalization of their activities as a way of remaining competitive. Marketing strategies have become important tools globally for any organization to remain in competitive market environment hence stronger. Epetimehin (2011) sees strategy as a pattern of resource allocation decisions made throughout an organization. This encapsulates both desired goals and beliefs about what is acceptable and most critically unacceptable means for achieving them. Marketing strategy implies that the analysis of the market and its environment, customer buying behavior, competitive activities, their needs and capabilities of marketing intermediaries.

In Kenya, the contribution of small and medium enterprises sector has been momentous but despite their significance, most small and medium enterprises are faced with the

threat of failure with past statistics indicating that three out five fail within the first few months (Rotich, 2016). The mortality rate of small and medium enterprises in Kenya remains very high and affects both start-ups and older established small and medium enterprises. Statistics indicate that the high failure rates of small enterprises are largely attributed to weaknesses in financial management and marketing. The alarming rate of small business failure is a major concern hence the need to investigate their marketing strategies and determine if they have effect on sales performance.

Studies have been done related to marketing strategies. Ayedun et al., (2014) carried a study on effect of marketing strategies on corporate performance of estate surveying and valuation firms in Kaduna metropolis of Nigeria. The study revealed that there is a positive relationship between marketing strategies adopted and corporate performance of the firms. Further Aliata et al., (2012) did a study on influence of promotional strategies on banks performance. A positive relationship was found to exist between promotional strategies expenditure and bank performance. Spending on promotional mixes individually had little effect on bank performance. Ataman (2010) carried a study on long-term effect of marketing strategy on brand sales. The study found that the long-term effects of discounting are one-third the magnitude of the short-term effects and the ratio is reversed from other aspects of the mix, underscoring the strategic role of the tools in brand sales. Epetimehin (2011) further did a study on the impact of relationship marketing on the performance of insurance organizations. Findings of the study revealed that relationship marketing practices have been playing a dominant role in improving the performance of insurance and increasing customers' satisfaction through service quality.

Marketing strategies and performance studies have also been done in Kenya. Mwai (2015) carried out a study on factors that influence sales and marketing strategies adopted by commercial banks. The study found out that corporate strategy, organizational culture, target market and consumer behavior all influence the choice of sales and marketing strategies of the bank to a very large extent. Magunga (2010) also did a study on effects of marketing strategies on the performance of insurance companies in Kenya. The study registered a positive relationship exists between product innovation as a marketing strategy and firm's performance. Muthengi (2015) also did a study on effects of marketing strategies on sales performance of commercial banks in Kenya. The findings of the study indicated an overall significance of the marketing variables adopted, although not much effect was seen when a marketing variable is compared with bank performance in isolation of other variables. Therefore, there have been few studies in Kenya on marketing strategies and its effects on sales performance of small and medium enterprises. This, therefore, creates a proper avenue to fill the gap that other researchers have left. The study tries to focus on effects of marketing strategies on sales performance of enterprises in Kenya which then leads to the question; what are the effects of marketing strategies on sales performance of small and medium enterprises?

### **1.3 Research Objective**

The main objective of this study was to establish the effects of marketing strategies on sales performance of small and medium enterprises in Kenya.

### **1.5 Value of the Study**

This study will be of significance to small and medium enterprises owners since most of them aim to maximize profitability and the owner's interest. Thus, this study will help small and medium enterprises owners and managers to identify the necessary marketing strategies to enhance their sales performance. In addition, the study will be of importance to marketing agencies. This is because marketing agencies provide marketing services to various organizations. Therefore, this study will help them to identify the specific marketing practices, which enhance performance of enterprises.

Additionally, policy makers like the government and other stakeholders around the world have been developing strategies to improve the performance and sustainability of small and medium enterprises. Therefore, this study will highlight the effect of marketing strategies on small and medium enterprises performance. The findings may be used to generate new policies and revision of the existing policies. Further, the study will provide additional knowledge and literature on marketing strategies and performance of small and medium enterprises. Future researcher and scholars may use the research findings to carry out their own studies.

To the academicians the study will contribute to the body of knowledge which will benefit scholars and researchers and simulate further research in this field of strategy implementation. Researchers could also be able to borrow from the findings of this study and may even further the study by varying the various variables used to get more precise results. This study will add to the existing body of knowledge on this very important topic of market strategies. To this extent it will be beneficial to future academic researchers who may wish to understand how different institutions carry out this process.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of the related literature on effects of marketing strategies as presented by various researchers, scholars, analysts and authors. The chapter also provides the theories underpinning the study.

#### **2.2 Theoretical Foundation**

This section examines the various theories that were used to inform the study on the effects of marketing strategies on sales performance. The study was guided by the following theories; marketing mix theory and theory of push and pull.

##### **2.2.1 Marketing Mix Theory**

According to Grönroos, (1994) the theory of Marketing Mix was coined by Borden. The theory is still used today to make important decisions that lead to the execution of a marketing plan. The idea of a marketing mix theory is to organize all aspects of the marketing plan around the habits, desires and psychology of the target market. Marketing Mix Theory combines a number of components in order to strengthen and solidify a product's brand and to help sell the product or service. The components combined by this are products, price, promotion and place forming the Four P's. These four P's are the parameters that the marketing manager can control, subject to the internal and external constraints of the marketing environment. The goal is to make decisions that centers the four P's on the customers in the target market in order to create perceived value and generate a positive response.

The marketing mix framework was particularly useful in the early days of the marketing concept when physical products represented a larger portion of the economy (Grönroos, 1994). Today, with marketing more integrated into organizations and with a wider variety of products and markets, some authors have attempted to extend its usefulness by proposing a fifth P, such as packaging, people, process, etc. Today however, the marketing mix most commonly remains based on the 4 P's. Despite its limitations and perhaps because of its simplicity, the use of this framework remains strong and many marketing textbooks have been organized around it.

### **2.2.2 Push and Pull Theory**

The Push and Pull theory of customer service are two theories, the "Push" theory and the "Pull" theory. The theory of push pull has been most often applied to marketing processes by businesses and organizations. Push or pull is defined by whether the customer or the business initiates the activity. According to Zmud (1984) the theory of push and pull was developed in 1911 by Fredrick Winslow Taylor in his work on "The Principles of Scientific Management." Business took his ideas to heart and started focusing on becoming more efficient than their competition. This led to determining the needs of the potential customer and pushing the solutions out to those customers. In today's, market pushing solutions are sometimes seen by the customer as intrusive or overlooked by the customer as the solution gets lost due to information overload. Many companies are moving away from the push theory to a pull theory. That is, they are providing the information and solutions in a generally accessible format and allowing the customer to determine what best suits their needs.

One of the base assumptions about pushing solutions (products, information, etc.) to customers is that the business or organization can anticipate the needs of the customer in advance of the need and prepare the solution ahead of time (Cooper & Kleinschmidt, 2015). Organizations that emphasize the push theories often do so to increase efficiency. They believe that if, for instance, they create the penultimate user manual that they will cover all of the questions the customer might have and thereby limit the amount of contact the customer needs to make to the organization. As well, by using a push model the organization can limit those areas for which service is provided which again might provide efficiency in the training of support personnel. This model has become more difficult to implement as organizations are believe they may be sacrificing effectiveness for the efficiency.

Pulling solutions have always been part of most organizations. A customer would visit the organization and ask questions and someone would answer them. In the case of "pull," the customer initiates the request for a solution rather than merely choosing a solution from the solutions offered by the organization (Zmud, 1984). This is being used more often as consumers have begun to distrust the solutions provided directly by organizations and wish to do the research themselves. This model requires the business or organization to provide as much materials as possible in as many formats as possible and hope that the customer discovers the solution. This is not an efficient model from the customer's or the organizations point of view but it is effective in many cases.



## **2.3 Market Strategies**

There are various marketing strategies used by small and medium enterprises to enhance their sales performance and to market their products and services. This study examines the customer relationship marketing strategy, innovative marketing strategies and the technology based marketing strategies.

### **2.3.1 Product development Strategies**

Brassington and Pettitt (2016) states that regardless of a product being a new innovation, an update of a familiar product or an imitation of a competitor product, it needs careful considerations and planning to make sure suits the customers' needs and wants, it should have a significant competitive advantage and should be accepted in the marketplace. Van Auken, Madrid-Guijarro, Garcia- Perez-de-Lema (2015) states that innovation facilitates how small and medium businesses respond to market changes and maintain their competitive advantage. Organizations identify customer's wants and develop products to satisfy them; or develop environmentally responsible products that have fewer effects than competitor's. This increases the perceived quality of the firm's products, market share as well as customer satisfaction.

### **2.3.2 Pricing Strategies**

An acceptable price change is determined by the buyer's willingness and ability to purchase a product, and the seller's cost of producing and distributing the product. Price discrimination is a common method used by organizations where products are of different prices depending on the quality, thus products of high quality are priced higher than other products thus scooping the crème of the market and eventually more profit for the

organization. The organization can show that a portion of the price goes to a worthy cause such as scholarships and donations to the needy in the society. Makgoe (2015) states that the location of the small and medium enterprises can have an effect on costs. Therefore, the quality of the transportation system is a key factor, as the enterprises should be able to deliver the product as agreed. The implications of transport costs would, therefore, increase the suppliers' final price which makes it extremely difficult for medium enterprises to get business deals or contracts. However, pricing has become increasingly vital as the basis for competition within Kenyan medium enterprises. This means that businesses use pricing as a strategy for local medium enterprises. Therefore, this might have a negative impact or take the enterprises out of business. Organizations that have inadequate market orientation are much likely to price their commodity by checking the competition or marking up their costs to attain a set profit margin (Doyle, 2009). There are good odds that these businesses will hurt their customer value, market share and profit margins.

### **2.3.3 Promotion Strategies**

Van Scheers and Radipere (2014) believe that advertising has been a means to aid small and medium enterprises and differentiate them from the competition. Clow and Barack (2014) highlight that most small businesses do not have the funds to broadcast a marketing message to millions of potential clients. After developing a product, set the best market price and identify an appropriate channel for distribution, an organization must promote it to potential buyers. It's important for the entrepreneur to notify the potential buyers about the product's obtainability or to inform the consumer, using promotion media such as radio, print, or television. The entrepreneur must carefully

examine each and every alternative medium and evaluate not only the costs but also the effectiveness of the medium in meeting the set objectives. According to Carson & Gilmore (2015), a common constraint facing many smaller firms is lack of promotional activity to help them compete with larger organizations. One way of dealing with this challenge is forming an alliance with other organizations by forming business network. If the organizations create a marketing programme, each customer or prospect will be in a position to directly tell other potential customers about company offering. The company can leverage on eco-friendly promotion strategies through use of internet instead of print media. In addition, it is vital to be transparent to enable customers to easily find out whether the promoted information is correct.

#### **2.3.4 Place Strategies**

Market access and potential competitiveness are key challenges facing medium enterprises. Small and medium enterprises, aiming the international markets, face difficult decisions with regards to the choice of governance modes. A major influence on the changing structure, performance and location of retailing is the operational environment in which retail firms must function. This environment encompasses social, economic, technological and political elements which generate a culture to which retailers respond with managerial decisions. The location of the firm in relation to its target market will influence the performance of the firm because of the cost of delivering the goods and services to consumers (Cavusgil & Zou, 2014). It is very critical that a medium enterprise select a location that will serve the customers in a cost-effective manner to reduce on the overheads.

## **2.4 Market strategies and Sales Performance**

The aim of strategy is to establish a sustainable and profitable position against the forces that determine industry competition. Doyle (2009) defined strategy as a unified, comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization. Luostarinen and Gabriellsson (2006) point out that sales and marketing strategies may be adopted to combat competition, to improve the position of the company in the market or to grow the business. The type of strategy required will depend on several factors but the main influences include: number and power of competitors, company strengths, size of business, financial position, and government influences. Doyle (2009) added that marketing strategy aims to communicate to customers the added value of products and services.

Marketing is a major issue in business performance and innovation with significant influence on business strategy. Good marketing supports sales and expansion and contributes significantly to the growth of market share in competitive markets (Marjanova & Stojanovski, 2012). Studies have established that marketing strategies play an important role in enhancing the sales performance for instance, Taiwo *et al.*, (2010) found that strategic marketing practices have a significant impact on performance variables and that they interact with the different components to facilitate performance. Santos-Vijande *et al.*, (2012) also analyzed the organizational antecedents of marketing capabilities and their impact on business performance and established that marketing capabilities exert a significant and positive effect on clients' satisfaction and loyalty,

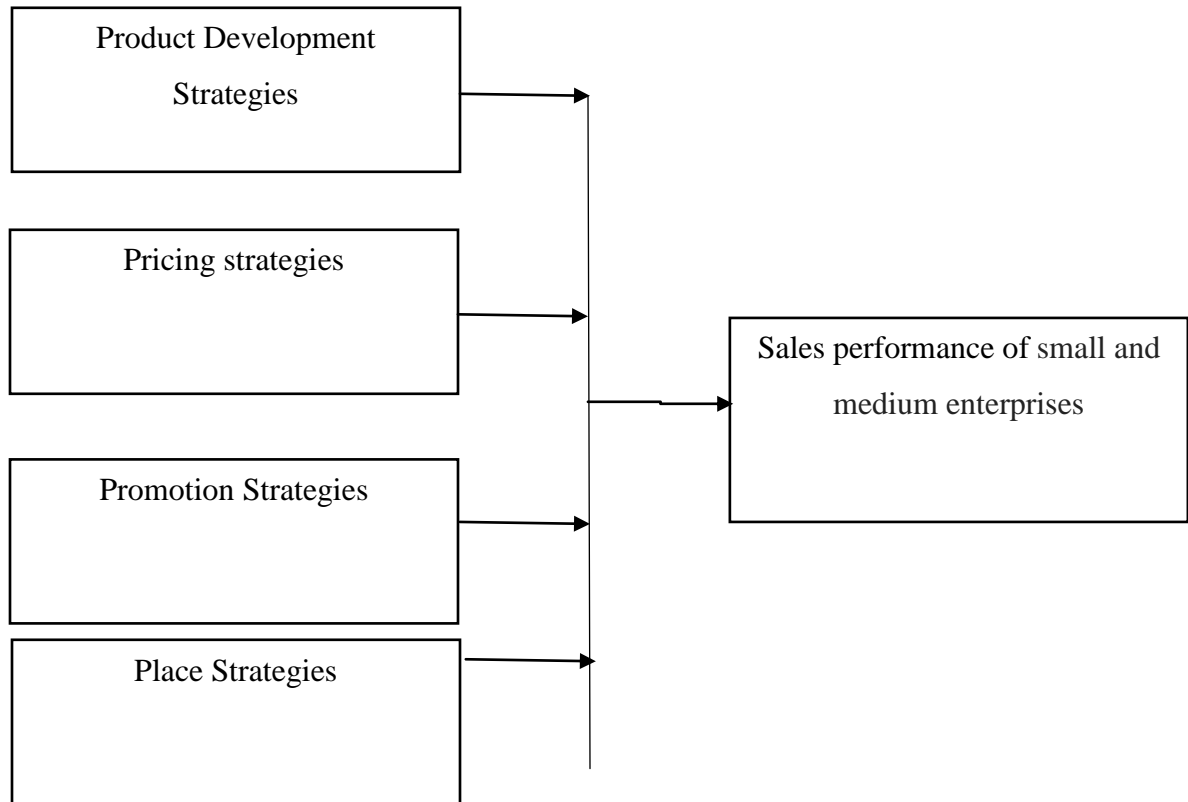
which ultimately lead to better organizational performance in terms of sales, profit, and market share. Ardjouman & Asma (2015) also explored marketing management strategies adopted by small and medium enterprises in Cote d'Ivoire to improve their performances and established that there is a high level of awareness of the significance roles played by marketing management strategies in the performance of small and medium enterprises.

## **2.5 Conceptual Framework**

A conceptual Framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical aspects of a process or system being conceived. The interconnection of these blocks completes the framework for certain expected outcomes. The framework is used in research to outline possible courses of action or to present a preferred approach to an idea or thought. The conceptual framework is a diagrammatical presentation of variables in the study. The framework illustrates the interrelationship between dependent and independent variables. The independent variables include: Product Development marketing strategies, Promotion marketing strategies, Pricing Marketing Strategies and Place Marketing Strategies while the dependent variable is the sales performance of small and medium enterprises in Kenya.

**Independent variables**

**Dependent variable**



**Figure 2.1: Conceptual Framework**

**2.6 Empirical Review and Research Gaps**

Ebitu (2016) did a study on Marketing strategies and the performance of enterprises in Akwa-Ibom State, Nigeria. The study was motivated by the fact that SMEs in Akwa Ibom State find themselves in a competitive environment and may not know which marketing strategy is effective in improving their business performances. The study adopted the survey method. 240 questionnaires were issued to SMEs in the three senatorial districts of the State. The study revealed that there is a significant impact of product quality strategy and relationship marketing strategy on the profitability and increased market share of SMEs in Akwa Ibom State. Further, Ardjouman & Asma (2015) investigated the Marketing management strategies affecting performance of

enterprises (SMEs) in Cote d'Ivoire. The study adopted an exploratory and descriptive survey research design. The findings of this study revealed that there is a high level of awareness of the significance roles played by marketing management strategies in the performance of SMEs. Ebitu et al., (2015) did a study on Marketing problems and the performance of selected enterprises (SMEs) in Southern Senatorial District of Cross River State in Nigeria. 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 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.

Kisaka (2012) carried out a study on relationship between marketing strategies and the performance of savings and credit societies in Mombasa district. The study used a descriptive research design to evaluate the effects of the marketing strategies on the performance of SACCOs. The target population constituted the chief executive officer, the marketing manager and the loans manager/officer. A census population of 84 respondents was considered for this study. The findings of the study revealed a causal relationship between marketing strategies and the performance of SACCOs. Most of these organizations pursue strategies like product differentiation, niche marketing as they pursue to be perceived as the cheapest in the markets in terms of cost. Njoroge (2015) studied on Marketing strategies and the performance of enterprises in Matuu town, Machakos County, Kenya. To achieve the study objectives, the study used a descriptive research design and the population of interest comprised all the small and medium enterprise in Matuu town, Machakos County. A sample of 86 SMEs was selected by

using simple random and stratified sampling methods. The study established that customer relationship marketing strategies and technology based marketing strategies have a positive insignificant influence on the performance of SMEs in Matuu town while innovative marketing strategies have a significant negative relationship with the performance of SMEs in Matuu town. Locally, studies have been done on Market strategies, however from the above literature little has been done on effects of marketing strategies on sales performance of small and medium enterprises hence the research gap.



## 2.7 Summary of Literature Review and Research Gap

Author and Years	Topic of study	Area of study	Findings	Research gap
Ebitu (2016)	Marketing strategies and the performance of enterprises in Akwa-Ibom State, Nigeria	Marketing strategies	There is a significant impact of product quality strategy and relationship marketing strategy on the profitability and increased market share of SMEs in Akwa Ibom State	The study did not investigate the effect of marketing strategies on sales performance.
Ardjouman & Asma (2015)	Marketing Management Strategies Affecting Performance of Enterprises (SMEs) in Cote d'Ivoire	Marketing Management Strategies	There is a high level of awareness of the significance roles played by marketing management strategies in the performance of SMEs	The study did not investigate the effect of marketing strategies on sales performance
Ebitu et al.,(2015)	Marketing Problems and the Performance of Selected Enterprises (SMEs) in Southern	Marketing	There is a significant relationship between the marketing problems experienced by SMEs and the increase in their profit margin and sales	The study does not incorporate the marketing strategies in performance.

	Senatorial District of Cross River State in Nigeria		volume	
Kisaka (2012)	Relationship between marketing strategies and the performance of savings and credit societies in Mombasa district	Marketing strategies	A causal relationship between marketing strategies and the performance of SACCOs	The study was a critique of whether there is a relationship between marketing strategies and performance
Njoroge (2015)	Marketing strategies and the performance of enterprises in Matuu town, Machakos County, Kenya	Marketing strategies	Customer relationship marketing strategies and technology based marketing strategies have a positive insignificant influence on the performance of SMEs in Matuu town while innovative marketing strategies have a significant negative relationship with the performance of SMEs in Matuu town	The study did not investigate on relationships rather than challenges of marketing strategies and performance.

Kiiru (2015)	Dynamic capabilities, strategic orientation and competitive advantage of small and medium-retail enterprises in Kenya	Dynamic capabilities and strategic orientation	Small and medium-retail enterprise's competitive advantage is directly influenced by the deployment of strategic dynamic capabilities	The study did not investigate on challenges of dynamic capabilities and organizational competitive advantage
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## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter sets out various stages and phases that are to be followed in completing the research. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. The following subsections were included; research design, population, data collection and finally data analysis.

#### **3.2 Research Design**

Kothari (2004) defines research design as framework that shows how problems under investigation are solved. A descriptive survey is a design that involves establishing what is happening as far as a particular variable is concerned. This research adopted a descriptive research survey to determine the effects of marketing strategies on sales performance of small and medium enterprises in Kenya. As noted by Mugenda and Mugenda (2003), descriptive design is the precise measurement and reporting of the characteristics of the phenomena under investigation and describes phenomena, situations and events. This is mainly because the focus of the research is to gain an understanding and insight on the effects of marketing strategies on sales performance of small and medium enterprises.

#### **3.3 Target Population**

In this study the target population were small and medium enterprise managers operating at the Central Business District in Nairobi. The number of small and medium enterprises was extracted from the Micro and Small Enterprises Authority of Kenya (MSEK). Micro and Small Enterprises Authority of Kenya (MSEK) is the best source for this information as it is the official regulator of small and medium enterprises in Kenya. To come up with an

appropriate study sample, the study utilized stratified sampling technique where small and medium enterprise managers were classified into different business areas including food and restaurants and other non-food item businesses. The rationale behind the selection of the stratified sampling was because the businesses are evenly distributed across the Central Business District and this ensured collection of unbiased data. This helped to enhance the chances of participation among potential participants (Kothari, 2004).

### **3.4 Sample Size**

Sample size is a smaller set of the larger population (Cooper and Schindler, 2006). Determining sample size is a very important issue for collecting an accurate result within a quantitative survey design. According to Saunders *et al.*, (2007), no survey can ever be deemed to be free from error or provide 100% surety and error limits of less than 5% and confidence levels of higher than 95% is regarded as acceptable. According to Mugenda and Mugenda (2003), a sample size of between 10-30% is representative enough for the population if objectively selected and the elements are more than 30. According to the County Government of Nairobi, there are about 1,200 small and medium enterprises registered and operating within the Central Business District. The study used a sample size of 50 small and medium enterprise managers within the Nairobi CBD which were duly registered by the County Government being 10% of the population. Mugenda and Mugenda (2003) argued that if well selected, a sample of between 10-30% of the population is adequate for generalization of findings to the whole population.

### **3.5 Data Collection**

This research collected primary data using questionnaires. The questionnaires comprised of both open and closed ended in line with the objectives of the study. A five-point Likert scale was used for closed ended questions. The questionnaire contained two sections each. The first

section sought to establish the respondents' demographic data while the second section sought to establish the respondents' opinions on the effect of marketing strategies on sales.

### **3.6 Data Analysis**

Before processing the responses, data preparation was done on the completed questionnaires by coding, entering and cleaning the data. Data collected was analyzed using descriptive statistics. The descriptive statistical tools helped in describing the data and determining the respondents' degree of agreement with the various statements under each factor. Data analysis was done using Statistical Package for Social Sciences (SPSS version 21.0) and Microsoft excels to generate quantitative reports which were presented in the form of tabulations, percentages, mean and standard deviation.

## CHAPTER FOUR

### DATA ANALYSIS, INTERPRETATIONS AND PRESENTATION

#### 4.1 Introduction

This chapter discusses the interpretation and presentation of the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study.

##### 4.1.1 Response Rate

The study targeted a sample size of 50 respondents from which 47 filled in and returned the questionnaires making a response rate of 94%.

**Table 4.1: Response Rate**

	<b>Questionnaires Administered</b>	<b>Questionnaires filled &amp; Returned</b>	<b>Percentage</b>
Respondents	50	47	94

*Source: (Survey Data, 2017)*

This response rate was satisfactory to make conclusions for the study as it acted as a representative. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. Based on the assertion, the response rate was excellent.

##### 4.1.2 Reliability Analysis

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved the sample respondents. Reliability analysis was subsequently done using Cronbach's Alpha which measured the internal consistency by establishing if certain items within a scale measures the same construct. Gliem and Gliem (2003) established the Alpha value threshold at 0.7, thus forming the study's benchmark. Cronbach Alpha was established for every objective which formed a scale.

**Table 4.2: Reliability Analysis**

Scale	Cronbach's Alpha	Number of Items
Product development strategies	0.820	4
Pricing strategies	0.845	4
Promotion strategies	0.875	5
Place strategies	0.855	4

*Source: (Survey Data, 2017)*

The table shows that promotion strategies had the highest reliability ( $\alpha = 0.875$ ), followed by place strategies effects ( $\alpha = 0.855$ ), pricing strategies ( $\alpha = 0.845$ ), and product development strategies ( $\alpha = 0.820$ ). This illustrates that all the four variables were reliable as their reliability values exceeded the prescribed threshold of 0.7.

## 4.2 Background Information

This section investigated respondents' background information. Specifically, the areas demographics assessed included the gender category, the period which the business has been in operation and business ownership.

### 4.2.1 Gender Category

The study sought to determine the gender category of the respondents; this was done in view of ensuring that genders were equitably engaged in this research. Results are shown in Table 4.3

**Table 4.3: Gender Category**

Gender	Frequency	Percentage
Male	41	87.2
Female	6	12.8
<b>Total</b>	<b>47</b>	<b>100</b>

*Source: (Survey Data, 2017)*



Results obtained show that (87.2%) of SMEs in Nairobi county were headed by males with only 12% being headed by females. This implies that the management of small and medium enterprises were commonly dominated by males.

#### 4.2.2 Period Which the Business Has Been in Operation

Respondents were requested to indicate the period which business has been in operation.

This was sought in view of ensuring Results are shown in Table 4.4

**Table 4.4: Period Which Business Has Been in Operation**

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>
Less than 1 year	5	10.6
2-5 years	9	19.1
Over 5 years	33	70.2
<b>Total</b>	<b>47</b>	<b>100</b>

*Source: (Survey Data, 2017)*

Results obtained show that (70.2%) had been in operation for more than 5 years, 19.1% of the SMEs involved had been in operation for a period of 2 to 5 years whereas 10.6% had been in operation for less than a year. This implies that most of that business had been in operation for a considerable period which implies that they were able to provide credible information relating to the study topic.

#### 4.2.3 Type of Business Ownership

The study sought to determine the type of business in terms of ownership. Results are shown in Table 4.5.

**Table 4.5: Type of Business Ownership**

	<b>Frequency</b>	<b>Percentage</b>
Sole proprietor	8	17.0
Partnership	19	40.4
Company	20	42.6
<b>Total</b>	<b>47</b>	<b>100</b>

*Source: (Survey Data, 2017)*

Results obtained show that (42.6%) of the firms were registered under company class, 40.4% were under partnership while 17.0% were registered under sole proprietor class. This implies that various business registered under various classes were fairly involved in this study.

### **4.3 Marketing strategies and sales performance of SMEs in Kenya**

#### **4.3.1 Product Development Strategies**

This section investigates some of the product development strategies adopted by the small and medium enterprises.

The research sought to establish the extent to which respondents agreed with the following statements relating to the product development strategies. Results are shown in Table 4.6

**Table 4.6: Product Development Strategies**

<b>Statements</b>	<b>Mean</b>	<b>Std deviation</b>
SMEs offer a broad product line	4.32	0.36
SMEs have products with a broad market appeal	3.75	0.21
SMEs are efficient in meeting customer wants	4.11	0.14
SMEs developed and test their products to confirm their adaptability and suitability to the target customers.	3.85	0.85

*Source: (Survey Data, 2017)*

From the study results, majority of the respondent agreed SMEs offered a broad product line (Mean = 4.32, STD dev = 0.36) and that SMEs are efficient in meeting customer wants (Mean = 4.11, STD dev =0.14). The findings are in support of the research by Doyle (2009) that the power of product development has helped SMEs to endure competitiveness. The findings also conform to Njoroge’s (2015), argument that product innovation process provides the means for safeguarding and improving quality and also for saving costs.

The study further revealed that SMEs developed and tested their products to confirm their adaptability and suitability to the target customers (Mean = 3.85, STD dev = 0.85) and that SMEs have products with a broad market appeal (Mean =3.75, STD dev = 0.21). The findings are in line with Acquah and Yasai-Ardekani (2008) who found out that product differentiation strategy enhanced organizational performance. The study also conforms with Otieno (2015) that SMEs should learn, adopt and reorient themselves to the changing environment product innovation process.

#### 4.3.2 Pricing Strategies

The study sought to establish the extent to which respondents agreed with the following statements relating to product pricing strategies. Results are shown in Table 4.7

**Table 4.7: Product Pricing Strategies**

<b>Strategies</b>	<b>Mean</b>	<b>Std deviation</b>
Pricing is a basis for competition among micro and mall enterprises	4.10	0.14
SMEs have quality transportation to deliver their products to the markets.	4.22	0.25
SMEs price are higher as compared to standard quality	2.01	0.76
Market orientation of a product is important for product pricing	3.99	0.15

*Source: (Survey Data, 2017)*

From the study results, majority of the respondent agreed that SMEs have quality transportation to deliver their products to the markets (mean = 4.20, STD dev =0.25), pricing is a basis for competition among micro and small enterprises (mean = 4.02, STD dev =0.14). The findings concur with the research by Wambua (2014), found a strong correlation (0.7) between the premium pricing strategy and firms' market share.

The study further revealed that Market orientation of a product is important for product pricing (Mean = 3.99, STD dev = 0.15). Respondents disagreed that SMEs prices are higher as compared to standard quality (Mean =2.01, STD dev = 0.76). The findings are in line with the research by Kiprotich (2012), concluded that price skimming strategy is designed to help businesses maximize sales on new products.

### 4.3.3 Promotion Strategies

The research sought to establish the extent to which respondents agreed with the following statements relating to promotion strategies. Results are shown in Table 4.8.

**Table 4.8: Product promotion Strategies**

<b>Statements</b>	<b>Mean</b>	<b>Std deviation</b>
Existence of promotion strategies	3.75	0.21
SMEs advertise their products through various media	4.25	0.22
SMEs focus on customers' needs and integrating all activities of the organization to satisfy those needs	3.80	0.47
SMEs promotional strategy elicit attention, interest, desire and action	4.05	0.14
SMEs introduce new products in design and style	3.96	0.39

**Source:** (Survey Data, 2017)

From the study results, majority of the respondent agreed that the family business advertised their products through various media (Mean = 4.25, STD dev =0.22) and that SMEs promotional strategy elicit attention, interest, desire and action (Mean =4.05, STD dev =0.14). The findings are in support of the research by Ong'ong'a (2014), who concludes that the enterprises should focus more of its effort on promotion strategy because there was a significant level of effect of promotion strategy on the number of customers, customer loyalty and quality of service.

The study further revealed that SMEs introduced new products in design and style (Mean =0.96, STD dev =0.39) SME's focus on customers' needs and integrating all activities of the organization to satisfy those needs (Mean = 3.80, STD dev =0.47) and that SMEs had adopted of promotion strategies (Mean = 3.75, STD dev = 0.21). The findings are in line with the research by Kiprotich (2012), concluded that promotion strategy is designed to help businesses maximize sales on new products and services; price skimming involves setting rates high during the introductory phase.

#### **4.3.4 Place Strategies**

The research sought to establish the extent to which respondents agreed with the following statements relating to place strategies. Results are shown in Table 4.9

**Table 4.9: Place Strategies**

<b>Place Strategies</b>	<b>Mean</b>	<b>Std deviation</b>
SMEs are accessible to customers	4.15	0.81
SMEs have a reliable channel of distribution for their products	3.95	0.36
Location of the small and medium enterprise affects performance and distribution of the product.	4.20	0.23
Place strategy outline how and where the SMEs will place their products or services to gain market share.	3.65	0.47

*Source: (Survey Data, 2017)*

From the study results, majority of the respondent agreed that location of the small and medium enterprise affects performance and distribution of the product (Mean = 4.20, STD dev =0.23) and SMEs are accessible to customers (Mean = 4.15, STD dev = 0.81). The findings are in support of the research by Cavusgil & Zou, (2014) adoption of place strategies in the entrepreneurships offers a promising way to face the ever-increasing challenges and competition.

The study further revealed that SMEs have a reliable channel of distribution for their products (Mean = 3.95, STD dev =0.36) and that place strategy outline how and where the SMEs will place their products or services to gain market share (Mean =3.65, STD dev = 0.47). The findings are in line with the research by Cavusgil & Zou, (2014) the location of the firm in relation to its target market is very critical.

### 4.3.5 Performance

The study sought to establish the extent marketing strategies adopted by enterprises influence the performance of SMEs. Results are shown in Table 4.10

**Table 4.10: Extent to which marketing strategies influence Performance of SMEs**

	Frequency	Percentage
Large Extent	32	68.1
Moderate Extent	9	19.1
Minimal extent	6	12.8
<b>Total</b>	<b>47</b>	<b>100</b>

*Source: (Survey Data, 2017)*

Results obtained show that majority of the respondents 68.1% opined that marketing strategies adopted by enterprises influence the performance of SMEs to large extent, 19.1% indicated to a moderate extent whereas 12.8% indicated to a minimal extent. This implies that marketing strategies adopted by enterprises influence the performance of SMEs to a large extent.

The study further sought to determine the extent in which the business performance has grown in the following areas due to adoption of marketing strategies. Results are shown in Table 4.11

**Table 4.11: Performance of SMEs**

Performance	Mean	Std deviation
Net profit	4.15	0.11
Number of employees	3.98	0.25
Sales volume	4.30	0.14
Market share	4.35	0.36

*Source: (Survey Data, 2017)*

Results obtained show that adoption of marketing by family owned SMEs had resulted to increased market share, (mean = 4.35, STD dev =0.36) increased sales volume (mean = 4.30, STD dev =0.14), net profit (mean = 4.15, STD dev = 0.11) and increased number of employees (mean = 3.98, STD dev =0.25). Respondents also reported that adoption of marketing strategies also resulted to enhanced customer satisfaction, product and service quality, customer loyalty and customer retention. The study findings concur with the findings of Spanos and Lioukas (2001) who argued that there existed a positive evidence of the relationship between pricing strategies and market performance.

#### **4.4 Pearson Correlation Analysis**

After the descriptive analysis, the study conducted Pearson correlation analysis to indicate a linear association between the predicted and explanatory variables or among the latter. It thus helps in determining the strengths of association in the model that is, which variable best explained the relationship between marketing strategies and sales performance of small and medium enterprises in Kenya



**Table 4.12: Correlations Table**

		Performance of SMEs	Product development strategies	Pricing strategies	Promotion strategies	Place strategies
Performance of SMEs	Correlation Coefficient	1.000	.563	.731	.602	.614
	Sig. (2-tailed)	.	.001	.003	.002	.000
	N	47	47	47	47	47
Product development strategies	Correlation Coefficient	.563	1.000	.142	.037	.001
	Sig. (2-tailed)	.001	.0012	.000	.003	.002
	N	47	47	47	47	47
Pricing strategies	Correlation Coefficient	.731	.142	1.000	.046	.008
	Sig. (2-tailed)	.003	.011	.004	.000	.000
	N	47	47	47	47	47
Promotion strategies	Correlation Coefficient	.602	-.037	.046	1.000	.124
	Sig. (2-tailed)	.002	.000	.001	.	.002
	N	47	47	47	47	47
Place strategies	Correlation Coefficient	.614	.001	.008	.124	1.000
	Sig. (2-tailed)	.000	.001	.003	.000	.
	N	47	47	47	47	47

*Source: (Survey Data, 2017)*

On the correlation of the study variable, the researcher conducted a Pearson moment correlation. From the finding in the table 4.12, the study found a strong positive correlation between sales performance of SMEs and product development strategies as shown by correlation factor of 0.563, this strong positive relationship was found to be statistically significant as the significant value was 0.001 which is less than 0.05. The study also found strong positive correlation between performance of pricing strategies and sales performance of SMEs as shown by correlation coefficient of 0.731, this too was also found to be statistically significant at 0.003 confidence level. Wambua (2014), found a strong correlation (0.7) between the premium pricing strategy and firms' market share.

The study further found a strong positive correlation between performance of promotion strategies and sales performance of SMEs as shown by correlation coefficient of 0.602, this

too was also found to be statistically significant at 0.002 confidence level and finally the study also found a strong positive correlation between performance of place strategies and sales performance of SMEs as shown by correlation coefficient of 0.614 at 0.000 level of confidence. The findings concur with Franks and Sharma and Dayaratna (2004), who found out that strong positive correlation between place strategies and performance of family business.

#### **4.5 Discussion**

The study found that a considerable number of SMEs in Nairobi County had adopted product development strategies, there existed a strong positive significant correlation between sales performance of SMEs and product development strategies (correlation factor = 0.563), results also show that SMEs offered a broad product line (mean = 4.32,) and that SMEs are efficient in meeting customer wants (mean = 4.11). The findings are in support of the research by Doyle (2009) that the power of product development has helped SMEs to endure competitiveness. The findings also conform to Njoroge's (2015), argument that product innovation process provides the means for safeguarding and improving quality and for saving costs. The study further revealed that SMEs developed and test their products to confirm their adaptability and suitability to the target customers (mean = 3.85) and that SMEs have products with a broad market appeal (mean = 3.75). The study also confirms with Otieno (2015) that SMEs have to learn, adopt and reorient themselves to the changing environment product innovation process.

The study found that considerable number of SMEs in Nairobi County had adopted pricing strategies. Inferential statistics show that there existed a strong positive significant correlation between sales performance of SMEs and pricing strategies (correlation factor = 0.731). The study investigated some of the product pricing strategies adopted by the small and medium enterprises. Results show that most of the SMEs have quality transportation to deliver their

products to the markets (mean = 4.20), pricing is a basis for competition among micro and small enterprises (mean = 4.02). The findings concur with the research by Wambua (2014), found a strong correlation (0.7) between the premium pricing strategy and firms' market share.

The study further revealed that market orientation of a product is important for product pricing (Mean = 3.99) SMEs prices are standard as compared to standard quality (Mean =4.01, STD dev = 0.76). The findings are in line with the research by Kiprotich (2012), concluded that price skimming strategy is designed to help businesses maximize sales on new products.

Results show that SMEs had promotion strategies. Adoption of promotion strategies had a significant positive effect on sales performance (correlation coefficient = 0.602, significant value = 0.00). Descriptive results show that considerable number of SMEs advertised their products through various media (mean = 4.25) and that SMEs promotional strategy elicit attention, interest, desire and action (mean = 4.05). The findings are in support of the research by Ong'ong'a (2014), who concludes that the enterprises should focus more of its effort on promotion strategy because there was a significant level of effect of promotion strategy on the number of customers, customer loyalty and quality of service.

The study further revealed that SMEs introduced new products in design and style (mean = 0.96) SMEs focus on customers' needs and integrating all activities of the organization to satisfy those needs (Mean = 3.80) and that the SMEs had adopted of promotion strategies (Mean = 3.75). The findings are in line with the research by Kiprotich (2012), concluded that promotion strategy is designed to help businesses maximize sales on new products and services; price skimming involves setting rates high during the introductory phase.

Results show that SMEs had place strategies. Adoption of place strategies had a significant positive effect on sales performance (correlation coefficient = 0.614, significant value = 0.000). Descriptive results show that location of the small and medium enterprise affects performance and distribution of the product (mean = 4.20) and that SMEs are accessible to customers (mean = 4.15). The findings are in support of the research by Cavusgil & Zou, (2014) adoption of place strategies in the entrepreneurship offers a promising way to face the ever-increasing challenges and competition. The study further revealed that SMEs have a reliable channel of distribution for their products (mean = 3.95) and that place strategy outline how and where the SMEs will place their products or services to gain market share (mean = 3.65). The findings are in line with the research by Cavusgil & Zou, (2014) the location of the firm in relation to its target market is very critical.

The study established that marketing strategies adopted by enterprises influence the performance of SMEs to large extent. Adoption of marketing by family SMEs had resulted to increased market share, (mean = 4.35,) increased sales volume (mean = 4.30), net profit (mean = 4.15,) and increased number of employees (mean = 3.98). Respondents also reported that adoption of marketing strategies also resulted to enhanced customer satisfaction, product and service quality, customer loyalty and customer retention. The study findings concur with the findings of Spanos and Lioukas (2001) who argued that that there existed a positive evidence of the relationship between pricing strategies and market performance.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objectives of the study. The sought to establish the effect of marketing strategies on sales performance of small and medium enterprises in Kenya.

#### **5.2 Summary of the Findings**

The study findings show that considerable number of SMEs in Nairobi County had adopted product development strategies, there existed a strong positive significant correlation between sales performance of SMEs and product development strategies, SMEs offered a broad product and that SMEs are efficient in meeting customer wants. The findings are in support of the research by Doyle (2009) that the power of product development has helped SMEs to and while enduring competitive. The findings also conform to Njoroge's (2015), argument that product innovation process provides the means for safeguarding and improving quality and for saving costs. The study further revealed that SMEs developed and test their products to confirm their adaptability and suitability to the target customers and that SMEs have products with a broad market appeal. The study also confirms with Otieno (2015) that SMEs should learn, adopt and reorient itself to the changing environment product innovation process.

Results obtained show that considerable number of SMEs in Nairobi County had adopted pricing strategies. Inferential statistics show that there existed a strong positive significant correlation between sales performance of SMEs and pricing strategies. Results show that

most of the SMEs have quality transportation to deliver their products to the markets, pricing is a basis for competition among micro and small enterprises. The findings concur with the research by Wambua (2014), found a strong correlation (0.7) between the premium pricing strategy and firms' market share. The study further revealed that market orientation of a product is important for product pricing; SMEs prices are standard as compared to standard quality. The findings are in line with the research by Kiprotich (2012), concluded that price skimming strategy is designed to help businesses maximize sales on new products.

Results show that SMEs had promotion strategies. Adoption of promotion strategies had a significant positive effect on sales performance (correlation coefficient = 0.602, significant value = 0.00). Descriptive results show that considerable number of SMEs advertised their products through various media and that SMEs promotional strategy elicit attention, interest, desire and action. The findings are in support of the research by Ong'ong'a (2014), who concludes that the enterprises should focus more of its effort on promotion strategy because there was a significant level of effect of promotion strategy on the number of customers, customer loyalty and quality of service.

The study further revealed that SMEs introduced new products in design and style (mean = 0.96) SMEs focus on customers' needs and integrating all activities of the organization to satisfy those needs (Mean = 3.80) and that the SMEs had adopted of promotion strategies (Mean = 3.75). The findings are in line with the research by Kiprotich (2012), concluded that promotion strategy is designed to help businesses maximize sales on new products and services; price skimming involves setting rates high during the introductory phase. Results show that SMEs had place strategies. Adoption of place strategies had a significant positive effect on sales performance (correlation coefficient = 0.614, significant value = 0.000). Descriptive results show that location of the small and medium enterprise affects

performance and distribution of the product and that SMEs are accessible to customers. The findings are in support of the research by Cavusgil & Zou, (2014) adoption of place strategies in the entrepreneurship offers a promising way to face the ever-increasing challenges and competition. The study further revealed that SMEs have a reliable channel of distribution for their products and that place strategy outline how and where the SMEs will place their products or services to gain market share. The findings are in line with the research by Cavusgil & Zou, (2014) the location of the firm in relation to its target market is very critical. The study established that marketing strategies adopted by enterprises influence the performance of SMEs to large extent. Adoption of marketing by SMEs had resulted to increased market share, increased sales volume, net profit and increased number of employees. Results also show that adoption of marketing strategies also resulted to enhanced customer satisfaction, product and service quality, customer loyalty and customer retention. The study findings concur with the findings of Spanos and Lioukas (2001) who argued that that there existed a positive evidence of the relationship between pricing strategies and market performance.

### **5.3 Conclusion**

Based on the study results, the study concludes that considerable number of SMEs in Nairobi County had adopted product development strategies, adoption of product development strategies resulted to a positive significant effect on the sales performance of small and medium enterprises in Kenya. Product development strategy helps SMEs achieve business goals, such as entering new markets, selling more to existing customers or winning business from competitors.

The study concludes that pricing strategies had a positive significant effect on the sales performance of small and medium enterprises in Kenya. However, pricing the product too

low or too high can have unintended consequences sales. Pricing strategies give SMEs the flexibility in setting prices and win new business or maintain prices and increase the profit margin.

The study concludes that promotional strategies had a positive significant effect on effect on the sales performance of small and medium enterprises in Kenya. The study further concludes that employment of promotional strategies helped to keep customers informed of what the firm offered, promotional strategies informed clients or customers on both the price where to get the product and the price.

The study concludes that place strategies had a positive significant effect on the sales performance of small and medium enterprises in Kenya. Location-based marketing is one of the best ways to convert foot traffic and online traffic into new customers. Location-based marketing helps to remove barriers to sales. Once a customer is physically close to business store, the retailer acquires better chance of persuading them to purchase from store or outlet

#### **5.4 Recommendations**

Based on the study analysis the study recommends that SMEs in Kenya should continually embrace product development strategy as this strategy provided a framework for creating new products or improving the performance, cost or quality of existing products.

The SMEs in Kenya should continually adopt pricing strategies (market penetration pricing, premium pricing, price skimming and economy pricing) as these tactics were found to have a positive impact on sales performance. Although a successful pricing strategy can increase revenue and profitability, careful planning is also essential to minimize the risk of costly mistakes related each specific strategy.



SMEs must continually embrace promotion strategies. This is based on the evidence that Promotional and marketing strategies helped SMEs utilize the skills of its employees and stakeholders especially in developing creative approaches to sales and customer service. Promotional and marketing strategies are also important for guiding the business into the development of financial goals.

SMEs should find a strategic market location; the location site must be convenient to the customer. The location must also be easily accessible and should provide the customer with a feeling of safety upon their arrival and exit.

### **5.5 Recommendations for Further Research**

This study sought to establish the relationship the effect of marketing strategies on sales performance of small and medium enterprises in Kenya, Other studies may also focus on determinants of customer loyalty in the SME sector in Kenya. There is need to investigate the relationship between pricing strategies and sales performance of SME sector in Kenya.

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## APPENDIX I: QUESTIONNAIRE

I am a student at the University of Nairobi carrying out a research on marketing strategies and the sales performance of small and medium enterprises (SMEs) in Kenya. This research is academic in nature and any information provided will be treated with utmost confidence and will be used for academic purposes only.

Please tick and fill where appropriate

### Section A: Background Information

1. Indicate your gender

Male ( ) Female ( )

2. Indicate the period your business has been in operation

Less than 1 year ( ) 2-5 years ( ) Over 5 years ( )

3. Indicate the type of business

Sole proprietor ( ) Partnership ( ) Company ( )

### Section B: Product Development Strategies

4. This section aims at establishing the product development strategies adopted by the small and medium enterprises. Use the following scale as appropriate

**1- Strongly disagree 2- Disagree 3 – Neutral 4 - Agree 5 – Strongly agree**

Statements	1	2	3	4	5
SMEs offer a broad product line					
SMEs have products with a broad market appeal					
SMEs are efficient in meeting customer wants					
SMEs develop and test their products to confirm their adaptability and suitability to the target customers.					

**Section C: Pricing Strategies**

5. Evaluate the following statements on pricing strategies. Use the following scale as appropriate.

**1- Strongly disagree 2- Disagree 3 – Neutral 4 - Agree 5 – Strongly agree**

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Pricing is a basis for competition among micro and mall enterprises					
SMEs have quality transportation to deliver their products to the markets.					
SMEs price are higher as compared to standard quality					
Market orientation of a product is important for product pricing					

**Section D: Promotion Strategies**

9. Evaluate the following statements on promotion strategies. Use the following Scale as appropriate

**1- Strongly disagree 2- Disagree 3 – Neutral 4 - Agree 5 – Strongly agree**

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Existence of promotion strategies					
SMEs advertise their products through various media					
SMEs focus on customers’ needs and integrating all activities of the organization to satisfy those needs					
SMEs promotional strategy elicit attention, interest, desire and action					
SMEs introduce new products in design and style					

**Section D: Place Strategies**

9. Evaluate the following statements on place strategies. Use the following Scale as appropriate

**1- Strongly disagree 2- Disagree 3 – Neutral 4 - Agree 5 – Strongly agree**

<b>Statements</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
SMEs are accessible to customers					
SMEs have a reliable channel of distribution for their products					
Location of the small and medium enterprise affects performance and distribution of the product.					
Place strategy outline how and where the SME's will place their products or services to gain market share.					

**Section E: Performance**

10. To what extent do marketing strategies adopted by enterprises influence

Performance of SMEs

Not at all ( )

Minimal extent ( )

Moderate extent ( )

Large Extent ( )

11. Please indicate the extent in which your business performance has grown in the following areas

Due to marketing. Use the following scale as appropriate

**1- Not at all 2 - Minimal extent 3 – Moderate extent 4 – Large Extent 5- Very large extent**

<b>Performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Net profit					
Number of employees					
Sales volume					
Market share					

12. Indicate other marketing strategies, which your organization uses

.....  
 .....