Effect of Application of Marketing Mix Strategy on Performance of Small and Micro Scale Enterprises in Osun State, Nigeria

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Abstract: The purpose of this study was to examine the application of marketing mix strategy and its effects on organizational performance of small and micro scale enterprises in Osun State. The study sought to investigate the effect of the application or otherwise on performance indicators like profit level, sales volume, and market coverage. The study was conducted on three purposefully selected areas of Osun state namely; Ile-Ife, Ilesa and Osogbo. Primary data were used for this study. The primary data were collected through the use of the questionnaire. Descriptive statistics such as frequency distribution, percentages, and arithmetic mean were used to highlight the variables and non-parametric statistics were used to test the hypotheses. The result of the finding revealed that application of marketing mix strategy to a very large extent, boosts performance of small and micro scale enterprises. About 72% (146) of the sampled population had high application and 138 of them agreed that performance indicators were on the increase. From the findings, the study concludes that application of marketing mix strategies by enterprises goes a long way to improve performance of these enterprises.

Keywords: Application, Marketing mix, Effects, Performance, Strategy, Small Scale Enterprises.

INTRODUCTION

The competitive pressures and market challenges confronting businesses in a wide range of industries worldwide are unusually complex, and the propensity for failure has never been greater. Developing effective strategies in this environment of constant change is key requirement for corporate success. Market-driven organizations develop closely coordinated business and marketing strategies which consist of deciding on the scope and purpose of the business, its objectives, and the initiatives and resources necessary to achieve the objectives. [1].

The common marketing decision variables available are conveniently classified and identified as the 4Ps of marketing. These include product, price, promotion and physical distribution (place). The 9-Ps or extended marketing mix is marketing strategy tool that expands number of controllable variables from the four in the original marketing mix model to seven. The traditional marketing mix model was primarily directed and useful for tangible products. The 7Ps model is more useful for service industries and arguably also for knowledge-intensive environments. The extended marketing mix comprises of the 9Ps.These include product, price, promotion, place, people, process, physical evidence, payment, and packaging.

For Megginson, Byrd and Megginson [2], marketing mix, which is the proper blending of the basic element of product, price, promotion and place into an integrated marketing program, has to be effectively employed and methodologically managed by small and micro businesses to achieve a better overall performance.

In both developed and developing countries, the traditional sector which is made up of small and micro scale enterprises, had served and continues to serve as the springboard for launching a vibrant modern industrial sector[3]. The best way of explaining the role of small scale industries, he stated, is to underscore its role in the economy of Nigeria. Such roles include the creation of employment opportunities, reduction of regional economic imbalance, mobilization and utilization of otherwise idle resources, development of entrepreneurship and serving as training ground for larger businesses. Other roles may include the conservation of foreign exchange and stemming of rural urban migration.

While these enterprises occupy an important place in the economy, it is discouraging to observe that many of them that enter the business world in Nigeria and in other parts of the world every year fail rather than succeed. While they remain significant contributors to the economic and social well being of all countries, they continue to be plagued by poor performance levels and high failure rates, despite government assistance and interventions.

Solutions to this failure rates have been proffered in areas of finance, educational level of owners with little or no effort taken to look in the area of marketing strategies of these businesses. This paper, therefore, investigated selected small and micro scale businesses in Osun State to ascertain the effectof application of marketing mix strategy on organizational performance of these enterprises. The purpose of this paper, therefore, was to;

Aanalyze the application of marketing mix strategies and its effects on the performance of small and micro scale enterprises in Osun State.

Hypothesis

The following research hypothesis was tested:
1) Ho: There is no significant relationship between application of marketing mix strategy and organizational performance of micro and small scale enterprises in Osun State.

METHODOLOGY

The study was conducted on registered micro and small scale enterprises in Osun State. The questionnaire was the instrument used for data collection. The population of the study consists of registered small scale and micro scale enterprises in three major commercial cities of Osun State totaling 792. The towns covered by the researcher are Ile-Ife, Osogbo, and Ilesa. A total of 254 enterprises were covered by the researcher. Descriptive and non-parametric statistics were used to analyze the data and test the relationship between the variables of the study.

The following table shows the population distribution of the enterprises in the three cities of the study.

Table 1 Population Distribution of Micro and Small scale Enterprises

Commercial Towns	Population		Micro Enterprises		Small scale Enterprises	
	Total	Sample	Total	Sample	Total	Sample
Ile-Ife	338	108	248	80	90	28
Ilesa	256	82	223	72	32	10
Osogbo	198	64	180	57	18	7
Total	792	254	651	209	140	45

Source: *Publication of Osun State Ministry of Commerce, Industry and Co-Operatives (2004)*

Measurements of Variables
Independent variable

Marketing mix strategy is the independent variable of the study. In measuring this variable, the following parameters were considered, the extent to which the organizations use marketing mix strategies to improve their performance. The marketing mix strategies were product, pricing, promotion and distribution.

To determine how often a marketing mix strategy is applied, the total grade weight was divided by the number of variables. The interval below describes how level of application was chosen after division of the total grade weight by number of variables.

X= Total Grade Weight
        Number of Variables

For $1 < X < 2$ = Never
$2 < X < 3$ = Rarely
$3 < X < 4$ = Sometimes
$X \geq 4$ = Frequently

Therefore, any enterprise that used the four variables – product, price, promotion and distribution frequently had a total of 16 weights which is considered to be applying the variables highly.

Dependent Variable

Organizational performance was the dependent variable of this study. To measure this variable, a set of performance indicators were selected by the researcher. Performance indicators include sales volume, profit level, and market coverage. A display of the scale and the performance variables is as shown in Table 2 below.

Table-2: Scale and Performance Variables

	DS	D	S	I	IS
Sales (turnover)	1	2	3	4	5
Profit level	1	2	3	4	5
Market coverage	1	2	3	4	5

Descriptive statistics were used in the presentation and analysis of data. The statistics used were frequencies, percentages, and arithmetic mean. Spearman's rank order correlation and regression analysis techniques were used in testing the hypotheses. These were used to test the relationship between the dependent variable (organizational performance) and independent variables (marketing mix strategies). Model fit for regression to observe the relationship between the dependent variable (i.e. performance) and independent variables (i.e. product, pricing, promotion, and distribution) is

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Where;

Y= Performances of the micro and small scale enterprises,

a = intercept,

$b_{1,2,3,4}$ = the coefficients of the independent variables,

$X_{1,2,3,4}$ = the independent variables,

e = error term

X1= product mix strategy,

X2= pricing mix strategy,

X3= promotion mix strategy,

X4= distribution mix strategy.

This model tests the effect of application of marketing mix strategies on performance indicators such as profit level, sales volume, and market coverage.

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA
Marketing Mix Strategy and Performance

The objective which sought to analyze the effect of the application of marketing mix strategies on the performance of small and micro scale enterprises in Osun State was achieved using the questions on the behaviour of performance indicators such as profit level, sales volume, and market coverage as described and analyzed in Tables 3, 4, 5, 6 and 7.

The data revealed that 68% of the enterprises with high application of marketing mix strategies (136) with mean score of 2.1 agreed that, performance was good while 2% (8) of them agreed respectively that performance was average and poor. The enterprises that had average application of the marketing mix strategy 39 (20%) with mean score of 0.4, eight percent of them (17) agreed that performance was good; two percent (4) agreed performance was average and nine percent (18) said that performance was poor. The enterprises with low application of marketing mix strategies are 17 (8%) with mean score of 0.2, 16 of them agreed that performance was good and only 1 agreed that performance was poor. These findings agree with Askhia [4], who observed that to achieve profitable exchange, small and micro scale enterprises must make efficient marketing decisions continually.

It was observed however that enterprises with low application of marketing mix strategies also were able to register high performance in the variables under study. This agrees with the position of Okafor [5] that small businesses may use other marketing strategies like local market strategy for business expansion. Local market strategy is used by a company that distributes its products in markets located in the same area as the producer. The environment is known, operational adjustments are easy to make due to faster and familiar feedback and tastes of the market. As such, apart from marketing mix strategies, small businesses especially those involved in service organizations like restaurants, retail outlets and professional consultants, might be using other strategies to boost performance.

Table 3:Effects of Marketing Mix Strategies on Profit Level

Extent of Marketing mix Application	Profit level								Mean score
	Decreasing 1		Static 2		Increasing 3		Total		
	F	%	F	%	F	%	F	%	
Low	1	0.5	0	0	16	8	17	8.5	0.2
Average	18	9	4	2	17	8.5	39	19.5	0.4
High	4	2	4	2	136	68	144	72	2.1
Total	**23**	**11.5**	**8**	**4**	**169**	**84.5**	**200**	**100**	**2.7**

Source: Author's Research, 2010

Table 4: Effect of Marketing Mix Strategies on Sales Volume

Extent of application of marketing mix	Sales volume								Mean Score
	Decreasing 1		Static 2		Increasing 3		Total		
	F	%	F	%	F	%	F	%	
Low	1	0.5	0	0	16	8	17	8.5	0.2
Average	7	3.5	18	9	14	7	39	19.5	0.4
High	4	2	8	4	132	66	144	72	2.1
Total	**12**	**6**	**26**	**13**	**162**	**81**	**200**	**100**	**2.7**

Source: **Author's Research, 2010**

Table 5: Effect of Marketing Mix Strategies on Market Coverage

Extent of application of marketing mix	Market coverage								Mean score
	Decreasing 1		Static 2		Increasing 3		Total		
	F	%	F	%	F	%	F	%	
Low	1	0.5	0	0	16	8	17	8.5	0.2
Average	6	3	16	8	17	8.5	39	19.5	0.4
High	4	2	4	2	136	68	144	72	2.1
Total	**11**	**5.5**	**20**	**10**	**169**	**84.5**	**200**	**100**	**2.7**

Source: **Author's Research, 2010**

Table 6: Effect of Marketing Mix Strategies on All the Performance Indicators

Extent of application of marketing mix	Performance indicators in group								Mean score
	Poor 1		Average 2		Good 3		Total		
	F	%	F	%	F	%	F	%	
Low	1	0.5	0	0	16	8	17	8.5	0.2
Average	18	9	4	2	17	8.5	39	19.5	0.4
High	4	2	4	2	136	68	144	72	2.1
Total	**23**	**11.5**	**8**	**4**	**169**	**84.5**	**200**	**100**	**2.7**

Source: **Author's Research, 2010**

Test of Hypothesis

Ho: There is no significant relationship between the application of Marketing Mix strategy and organizational performance of small and micro scale enterprises inOsun State.

This hypothesis was used to test for strength of relationship between the independent variable, marketing mix strategies and dependent variable, performance. In testing this hypothesis, the independent and dependent variables, application of marketing mix strategies and organizational performance were subjected to inferential statistical analysis using spearman rank-order correlation and regression analysis. There were four types of marketing mix strategies (product, price, promotion, and distribution) which represent the independent variables.

The dependent variable (organizational performance) scores were generated from responses on questions asked on performance indicators such as profit level, sales volume and market coverage in the questionnaire. Spearman rank-order correlation was

computed to test for significant relationship between the extent of application of marketing mix strategies and organizational performance of business enterprises in Osun state. The result of the analysis is presented in Tables 7, 8 and 9.

The result of the Spearman rank order correlation analysis showed that most of the enterprises that apply the marketing mix variables highly recorded increase in performance indicators. However, regression analysis was used to test the effect of marketing mix variables on performance. On regressing the independent variables on the dependent variable, the result showed that the increase in performance indicators, price and distribution, might be due to other factors outside the marketing mix variables. From the result of the regression analysis, it was evident that two of the marketing mix variables (pricing and distribution) are inversely related to performance. For instance, pricing (B= -0.070) at 0.398 and distribution (B= -0.114) at 0.293 have negative effect on performance. An increase in any of the two marketing mix variables would bring about greater decrease in performance

indicators. For instance, 1% increase in pricing mix variable would bring about 7% decrease in performance indicators while 1% increase in distribution mix variable would bring about 11.4% decrease in performance indicators. This result may be due to the fact that the enterprises were not systematic in their application of the pricing and distribution mix strategies. This result concurs with the notion of Acquah and Mosimanegape [6] that one of the factors that affect performance of small businesses is management incompetence. From the result of the field work, a lot of the enterprises enter the market at the existing market price without considering other factors that might bear on price like cost of production and distribution.

Since the enterprises did not follow pricing or distribution standard or strictly adhere to the principles of marketing, it explains why pricing and distribution mix strategies were inversely related to performance. The result of the regression analysis also showed that marketing mix variables, product and promotion are positively related to performance. For instance product (B= 0.328) at 0.002 and promotion (B= 0.327) at 0.000 have positive effect on performance. One percent increase in product variable would bring about 32.8% increases in performance indicators while 1% increase in promotion mix variable would bring about 32.7% increase in performance indicators. This result agrees with the findings of Asikhia [4] that an insight into the customers desires vis-a- vis the product benefits is important for small business survival as it enhances performance of the enterprise.

Table 7: Cross Tabulation of Marketing Mix Strategy and Collective or Aggregate Performance

Marketing mix strategies	Aggregate Performance in group							
	Poor		Average		Good		Total	
	F	%	F	%	F	%	F	%
Low	0	0	0	0	16	8	16	8
Average	18	9	4	2	16	8	38	19
High	4	2	4	2	138	69	146	73
Total	22	11	8	4	170	85	200	100

Source: Author's Research, 2010

Table 8: Test of Hypothesis

Variables	Value	Asymp. Std Error	Approx.	Approx. sig
Interval by Interval Pearson's R	.270	.063	3.919	.000
Ordinal by Ordinal Spearman correlation	.383	.072	5.788	.000
Number of valid cases	200			

Source: Author's Research2010

The data in Table 9 which is the regression analysis revealed that two of the marketing mix variables - product and promotion- had a linear relationship with performance i.e product (B= 0.328) and promotion (B= 0.327) at 0.002 and 0.000

respectively. On the other hand, the two remaining marketing mix variables, price and distribution were inversely related to performance i.e price (B= -0.070) and distribution (B= -0.114) at 0.398 and 0.293 respectively.

Table 9: Results of Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.044	.271		3.853	.000
	Produc Product	.328	.103	.254	3.190	.002
	Pricing Pricing	-.070	.083	-.075	-.848	.398
	Promotion Promotion	.327	.074	.374	4.427	.000
	Distribution Distribution	-.114	.108	-.090	-1.055	.293

Source: Author's Research Survey, 2010   **Significant at $p \leq 0.05$**

Application of product and promotion mix strategies highly boosted the performance of the enterprises that use it. This was noted in the increases in performance indicators like profit level, sales volume and market coverage. An enterprise that regularly promotes its products by way of advertising, personal selling and sales promotion is bound to experience increase in sales and as such subsequent increase in profit provided that the pricing policy is also standardized and distribution strategy harmonized to suit the nature of the business. In line with the above, the enterprises that have very good product also showed increase in these performance indicators. This shows significant relationship between the extent of application of marketing mix strategies and performance. As such the null hypothesis is rejected.

This result agrees with the findings of Atijosan [7] where he noted that out of all activities necessary to support customer orientation and patronage, none is as pivotal as marketing decisions which is the systematic and intensive study of all those facts, opinions and judgement that influence the successful marketing of a product or service.

CONCLUSIONS

The extent of application of these marketing mix strategies by small and micro scale enterprises in Osun state was investigated and was considered to be high considering that majority of the enterprises (71.5%) investigated applied the variables frequently. About 57 enterprises (28.5%) of the total respondents had low and fair application, while 146 enterprises (71.5%) applied the variables frequently.

Frequent application of marketing mix strategies in businesses does affect performance of such enterprises that apply them. Out of the 75% of the enterprises (144) that applied the marketing mix variables frequently, 68% (136) agreed that performance indicators were on the increase. Four of the enterprises said that irrespective of high usage of these variables, behaviour of performance indicators remained static while the remaining four (4) said that performance indicators were on the decrease. Application of marketing mix strategy had a positive effect on the performance of the enterprises that used them. For the few enterprises that did not register any positive changes in the performance, it is assumed that they were concentrating more on pricing and distribution mix strategies which did not bring about any positive change in performance indicators. Some other factors which impact on business performance might also be responsible for the negative effect on performance.

On the above findings, the study concludes that application of marketing mix strategies by enterprises goes a long way to improve performance and that high concentration on product and promotion mix strategies improved performance while pricing and distribution mix strategies had a negative effect on performance. Following from this, micro and small scale business enterprises in Nigeria perform poorly because they fail to apply appropriate marketing mix strategies.

Recommendations

Based on the finding of the study and the subsequent conclusion drawn from it, the following recommendations are made. For the business enterprises to harness the best out of these strategies, they must employ a more systematic and coordinated approach to the application of the strategies. Specific resources must be allocated for the use of these strategies, they must be monitored and evaluated on timely basis and the best combination of them for each enterprise must be adapted.

From the test of regression analysis, enterprises are advised to continue the application of product and promotion mix strategies which yield greater increase in performance while they study pricing and distribution mix strategies to find out how best to use them to bring about better performance .

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