

**THE EFFECT OF MARKETING STRATEGY ON SMALL AND MEDIUM ENTERPRISES PERFORMANCE IN ETHIOPIA (IN CASE OF WOLKITE TOWN)**



**COLLEGE OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF MARKETING MANAGEMENT**

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Department of marketing management graduate program unit the effect of marketing strategy on small and medium enterprises performance in Ethiopia: in the case of Wolkite town

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## **ACRONYMS**

**STP**; segmentation, targeting, positioning

**SWOT**: strength, weakness, opportunity, treats

**4PS**: product, price, place, promotion

**SME**: small and medium enterprise

**CO**; customer orientation

**GTP**; growth and transformation plan

**RBV**; resource based value

**RM**; relationship marketing

**ROA**; return on asset

**ROE**; return on equity

**SD**; standard deviation

## **Abstract**

Marketing strategies constitute one of the key functional strategies that Small and Medium Enterprises (SMEs) adopt to enhance performance. This study is aimed to examine the effect of marketing strategy on SMEs performance in Wolkite town. By taking the research objectives and

questions into considerations, only quantitative research approach and both descriptive research design were used. The study was delimited to proportionate stratified and purposive sampling techniques. The findings of descriptive statistics have shown that the mean score of marketing strategy variables i.e. STP, product, price, promotion, place, customer orientation, and relationship marketing inclined to agreement. Relatively relationship marketing had a higher strong relationship with performance. Likewise, the empirical findings of the multiple regression indicated that, only six of the predictor variables STP, Product, Promotion, Place, Customer Orientation, and Relationship Marketing have a positive and significant effect on the Performance of SMEs but, price is not.

**Key words:** Marketing Strategy, Product, Price, Promotion, Place, Customer Orientation, Relationship Marketing, Small and Medium Enterprises, Performance

## **CHAPTER ONE:**

### **INTRODUCTION**

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

Many organizations are attempting to use the marketing as their strategic approach in terms of Competition. Marketing strategy has become important tool for any organization to remain in the competitive Market environment and be stronger. Aremu and Lawal (2012) see 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. Strategy implies that the analysis of the market and its environment, customer buying behavior, competitive activities and the need and capabilities of marketing intermediaries. Marketing strategy, therefore, can be defined as a method by which a firm attempts to reach its target markets. It starts with market research, developing the vision about the market(s), selecting market targets strategies, design positioning strategies, setting objectives and implementing the marketing programs to meet the value requirements of the target markets (Mustapha, 2013). It is a logic which customer needs, attitudes and competitors' products are assessed and continues through into advertising, promotion, distribution and where applicable, customer servicing, packaging, sales, and distribution. Marketing strategy must focus on delivering greater value to customers and the firm at a lower cost (Chiliya, Herbst, and Roberts-Combard, M., 2009). Owomoyela, Oyeniyi, and Ola (2013) also see marketing strategy as the way of providing a quality product that satisfies customer needs, offering affordable price and engaging in wider distribution and back it up with effective promotion strategy

## 1.2. Statement of the Problem

Marketing is considered as a key element for any successful business, irrespective of its size, sector, the nature of its work and even its aims and objectives (Akroush, 2003). The ultimate goal of any business is to be successful and remain in business, profitably. And it's a number of hidden fact that the success or failure of an organization depends on its marketing strategies. Marketing is also a dynamic lesson, and not just stuck at one point, it's developing from time to time. So, marketers should be able to adjust to changing market condition through the major controllable and tactical elements of marketing mix i.e. product, price, place, and promotion (Weldegebriel; 2011).

In most of the developing countries, the effect of marketing strategies on the performance of small and medium enterprises is one of the key issues since they are less productive and they face many constraints (Davies H., 2004). But in many cases, they face the constraints of technological backwardness, lack of human resource skills, weak management system, and entrepreneurial capabilities, unavailability of appropriate and timely information, insufficient use of information technology, poor product quality etc. As a result, there exists a low level of marketing strategies on the performance of small and medium enterprises.

The relationship between marketing strategies and organization's performance in Ethiopia is under-researched. The meager amount of empirical evidence that exists about the marketing strategy-performance relationship mostly focus on the marketing strategies of other business sectors/contexts. For instance, Lidia Samuel (2015) study has revealed that the marketing strategy variables have made the impact on the financial performance of the Bank. However, such as price, place, people, and promotion are stronger predictors. However, the finding of the study will test in the context of the banking industry; so it is difficult to generalize the finding of this study in the context of SMEs.

In Ethiopia, in the context of SMEs, Assegedech (2004) has studied "Marketing Strategies for Micro and Small Enterprises" and her work identified that the marketing problems such as lack of product diversity, pricing problems, lack of awareness how to compete in the market, limited business management and salesmanship ability, limited capacity to promotional activities, and lack of market-related knowledge are hindering the development of MSE. However, her study will reveal the relationship between marketing strategy and performance.

In general, even if in different parts of the world various research studies have been conducted

on the subject matter (The effect of marketing strategies on performance, in SMEs context); it is difficult to generalize the finding of the study in the Ethiopia SMEs" context without empirical testing. But, there is no research undertaken on the effect of marketing strategies on SMEs performance in all area this is limitation because every place have not the same strategy enterprise activity.

Therefore, this study will aim to examine the effect of marketing strategy on performance of Small and Medium Enterprises in Wolkite.

### **1.3. Research Questions**

#### **1.3.1. Main Research Question**

❖ To what extent do the marketing strategies affect the performance of Small and Medium Enterprises (SME) in Wolkite?

#### **1.3.2. Sub-Research Questions**

The study was tried to answer the following specific research questions:

❖ To what extent do the segmentation, targeting, and positioning strategies affect the Performance of SMEs?

❖ To what extent does the product strategy affect the performance of SMEs?

❖ To what extent does the price strategy affect the performance of SMEs?

❖ To what extent does the place strategy affect the performance of SMEs?

## **1.4. Objective of the Study**

### **1.4.1. General Objective**

The main objective of the research is to examine the effect of marketing strategies on the Performances of Small and Medium Enterprises in Wolkite.

### **1.4.2. Specific Objectives**

The specific objectives of the study are:

- ✓ To examine the effect of place strategy on the To examine the effect of STP strategies on the performance of the SME;
- ✓ To examine the effect of product strategy on the performance of the SME;
- ✓ To investigate the effect of price strategy on the performance of the SME;
- ✓ performance of the SME

The findings of the study might be useful for Small and Medium Enterprises, academicians, stakeholders, and researcher who are looking for the marketing strategies-performance relationships in SME context. Accordingly, the study might be served as an input for the managers and/or owners of SME in making decisions about identifying the key variables to develop marketing strategies and understanding the effect of marketing strategy on performance of the enterprise that can be used to achieve the organizational goals and objectives.

It also serves as an input for policy maker (organizations and individuals) concerned with formulating SME“ marketing strategies. Likewise, the findings of the study may give the stakeholders in the area the opportunity to gain relevant information about the effect of marketing strategy on the performance of the small and medium enterprise. Finally, the findings of the study are to be expected to stimulate research interests among

Academics and students to further investigate in the area of marketing strategies and performance in SME sector.

### **1.7. Delimitation/Scope of the Study**

The study was delimited conceptually, geographically as well as methodologically. Thus, the study was tried to examine the effect of marketing strategies (STP, product, price, promotion, place, customer orientation, and relationship marketing) on Small and Medium Enterprises performance. The performance of SME was evaluated from the only perspectives of profitability, sales growth, brand awareness, and customer satisfaction. The study was focused on registered small and medium enterprises that engaged in the manufacturing, trade, services, construction, and urban agriculture sectors. But not seen or check the other parallel activity with SME which are factors. So by taking the research objectives and questions into considerations, I was tried to study by filling this gap by using an explanatory research design. As the sampling technique, the study will delimit to proportionate stratified and purposive sampling techniques. So to conduct the study primary and secondary data were used.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1. Introduction**

This chapter reviews the issues regarding marketing strategy which provides an insight into the area of the study. In this chapter, the theoretical, empirical and conceptual literature which focused on the research objectives is reviewed hereunder.

#### **2.2. Theoretical Review**

##### **2.2.1. What is Strategy?**

How strategy is defined has been the subject of extensive research since the 1960s. Chandler (1962) described strategy as the process of determining the organization's long-term goals and objectives, of adopting a course of action and allocating sufficient resources. This traditional and implicitly rational definition of strategy was later challenged by Mintzberg's (1978) and Mintzberg and Waters' (1985) contention that strategy was more a pattern of action resulting from whatever intended (deliberate) or unintended (emergent) strategies were realized.. Strategy is what the firm does much more than what a firm says it is going to do to compete in the marketplace. As Mintzberg (1978) concludes, "strategy is not just a notion of how to deal with an enemy or a set of competitors or a market, as it is treated in so much of the literature and in its popular usage. It also draws us into some of the most fundamental issues about organizations as instruments for collective perception and action".

According to Tony Proctor (2000), a strategy is a plan that integrates an organization's major goals, policies, decisions and sequences of action into a cohesive whole..

##### **2.2.2. Definitions of marketing strategy**

Marketing strategy is a broad concept, defined and conceptualized in different ways by different authors. Marketing strategy is the means by which marketing goals are achieved. Marketing strategy implies integration of all functions in moving any type of goods or services from production to the final user.

**Table 1: Definitions of Marketing Strategy**

Authors	Definitions
<b>Drucker (1973)</b>	“Strategic marketing as seen as a process consisting of analyzing environmental, market competitive and business factors affecting the corporation and its business units, identifying market opportunities and threats and forecasting future trends in business areas of interest for the enterprise, and participating in setting objectives and formulating corporate and business unit strategies. Selecting market target strategies for the product markets in each business unit, establishing marketing objectives as well as developing, implementing and managing the marketing program positioning strategies in order to meet market target needs”
<b>Kotler (1990)</b>	“The broad principles by which the business unit expects to achieve its marketing objectives”
<b>Bovee &amp;Thil (1992)</b>	“Marketing strategy is the overall plan for choosing a target and succeeding within it through product, pricing, distribution and promotional choices”
<b>Slater and Olson (2001)</b>	“Marketing strategy is concerned with decisions relating to market segmentation and targeting, and the development of a positioning strategy based on product, price, distribution, and promotion decisions.”
<b>Varadarajan (2009)</b>	“Marketing strategy refers to an organization’s integrated pattern of decisions that specify its crucial choices concerning products, markets, marketing activities and marketing resources in the creation, communication and/or delivery of products that offer value to customers in exchanges with the organization and thereby enables the organization to achieve specific objectives.”

#### 2.2.4. Marketing Strategy Models

Both the practitioners and theoreticians need evidence and frameworks for analysis of the current status of the firm in order to elucidate reasons for poor performance of the organization for devising a competitive marketing strategy (Ham brick & Schechter, 1983). It helps to analyze market information facilitating quicker adaptation to changes. Many authors have introduced various marketing strategy models that take an iterative cyclic path starting from the formulation of mission and objective, analysis of the internal and external environment of the business followed by strategy formulation and implementation. The strategy formulation process use models and frameworks such as Porter’s five forces model, Boston Consultancy Group (BCG) matrix, GeneralElectric (GE) /McKinsey matrix, Ansoff Matrix,

Strength Weakness Opportunity Threat (SWOT) analysis and McCarthy's marketing mix model for initial analysis of the business. The literature on marketing strategy formulation is often complemented by strategic management in this area.

Porter (1979, pp. 137–145) suggests, by taking into account a variety of factors, the five most significant of which are:

1. The bargaining power of suppliers
2. The bargaining power of customers
3. The threat of new entrants to the industry;
4. The threat of substitute products or services
5. The rivalry among current competitor

#### ***2.2.4.1. Porter's Three Generic Competitive Strategies***

##### **2.2.4.1.1. Cost Leadership Strategy**

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a larger market at the lowest prices (David, 2011). Characteristics of cost leadership include, low level differentiation, aim for average customer,

use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them (Grant, 2000). Cost leadership strategy is advantageous: it protects the organization from new entrants because a price reduction can be used to protect it from new entrants (Dess and Davis, 1984). According to Porter (2008) a firm can set its prices above the industry average prices of its competitors so that it can be able to generate profits for itself or on it can set prices lower than the other players in that industry so that they can be able to maintain or increase their marketshare. However, the risk of cost leadership is that competitors may reap from the technology, nullifying the firms accumulated cost reductions (Porter, 2008).

##### **2.2.4.1.2. Differentiation strategy**

Differentiation is one of Porter's key business strategies (Reilly, 2012). When applying this strategy, a company focuses its efforts on offering a unique product or service. Since, the product or service is unique; this strategy provides high customer loyalty. By differentiating a product the customer

expectations are achieved (Stone, 2005). To achieve successful differentiation strategy firms ensure that product quality, appearance or after sale service are able to meet the consumer requirements.

A firm should also consider other methods such as superior service to its clients, its distribution capabilities or system of delivery (Porter, 2006).

#### 2.2.4.1.3. Cost Focus Strategies

In the focus strategy, a firm targets a particular segment of the market (Bauer and Colgan, 2011; Hyatt, 2011). The firm can choose to focus on a selected customer group, product range, geographical area, or service line in order to increase its market share (Davidow and Uttal, 2009). A successful focus strategy (Porter, 2010) relies upon a market segment big enough with a growth potential but not of no importance to other rivals.

#### **2.2.4.2 Matrix. *An off Product /Market***

##### 2.2.4.2.1. Market Penetration Strategy of Existing Markets

Here the strategy amounts to increasing sales of existing products while at the same time trying to maintain current margins of profitability on sales. When the market is expanding this may be accomplished with nominal outlays of marketing expenditure by getting more first-time users to buy the product or to increase product usage of existing buyers or to increase the frequency of use. In a saturated market, extra sales may only be generated as a result of increased market share.

##### 2.2.4.2.2. Market Development Strategy

Finding new markets does not guarantee long-term or short-term profitability but economies of scale in producing for the market or in supplying the market will contribute to profitability. However, there may well be barriers to entry to the market which means that neither short-run nor long-term contributions to overall profitability are attractive. A logical avenue of growth is to develop new markets by duplicating the business operation, perhaps with minor adaptive changes. In the case of market expansion, the same expertise and technology and sometimes even the same plant and operations facility can be used

Useful segments:

Usage: the non-user can be an attractive target

Distribution system: new markets can be reached by opening up additional distribution channels

Age: pulling in additional age categories in the population

#### 2.2.4.2.3. Product Development Strategy

The introduction of new products can have a positive impact on sales growth. Initially, Profitability may not increase since there may be substantial research, development and launching costs associated with the venture which have to be recouped. Longer-term rates of return on investment which are at least equal to the current rate of return on capital employed are required from new products. This may not be possible and firms may have to accept the Possibility or even certainty of lower profitability, just to stay in business.

#### 2.2.4.2.4. Diversification Strategy

Diversification involves moving simultaneously into new products and new markets. It is a risky Strategy but with careful selection of the right kind of businesses, considerable improvements in profitability can be experienced. It can take place into related or unrelated products. A firm in microcomputer production might move into making personal telecommunications equipment. The synergy may be in marketing or even in production. Diversification represents an opportunity for growth and revitalization. It is the strategy of entering markets different to those in which the firm currently operates. A diversification strategy can be implemented by an acquisition (or merger), new business venture or strategic alliance.

### 2.2.5. Dimensions of Marketing Strategy

A successful marketing strategy depends upon addressing a number of questions; whom the company is going to target, what the company is going to produce, how much is the price to be charged, how the product is delivered, how the company is going to promote their product, how they create long term relationship with customers, etc.

#### 2.2.5.1. Market Segmentation, Targeting, and Positioning

##### a. Market Segmentation

Market segmentation and the identification of target markets, however, are an important element of each marketing strategy. The term “market segmentation” refers to subdividing a market along with some commonality, similarity, or kinship. The buyers’ wants, needs, resources, locations, buying attitudes and buying practices may vary within a market. The company must consider these differences among the customers if it wants to efficiently match a product or service to

their unique needs

## **b. Market Targeting**

After dividing the market into segments, the company must choose the specific segments by evaluating the attractiveness of them and determining which ones it wants to target the product or service to. To ease the selection process, there are two different ways to evaluate the segments: segment attractiveness and company fit. The evaluation of segment attractiveness includes the observation of right size and growth characteristics. For example, a segment that has a high growth rate and a high-profit margin, or a smaller and less attractive segment that may be potentially more profitable (Kotler et al, 2005).

## **c. Positioning**

Positioning is the use of marketing to enable people to form a mental image of your product in their minds (relative to other products). Positioning is how the product or service is to be perceived by a target market compared to the competition. It answers the question: “Why will someone in the target market(s) buy my product or service instead of the competitions?” An equivalent question is: “What should be the perceived value of my offering compared to the competitions?” (Kotler, 2007)

### **2.2.5.2. Marketing Mix Strategy**

“Winning companies satisfy customer needs and surpass their expectations economically, Conveniently and with effective communication” (Kotler and Keller, 2009, pp. 63) Planning a detailed marketing mix is the next step after choosing an overall competitive Marketing strategy. With the marketing mix, the company controls tactical marketing tools and most of all influences the demand for its product (Kotler et al., 2005, pp. 33-34).

#### **2.2.5.2.1. Elements of Marketing Mix Strategies**

### **i. Product Strategy**

The classification of a product is very broad, but simply put it is “anything that can be offered to a market to satisfy a want or a need”. The product can be tangible; for example, physical goods, or intangible, such as services, experiences, persons, properties or organizations. The marketing mix starts with the product as it is the most important part and other elements are tied around it (Kotler and Keller, 2009, pp. 358, 382).

## **ii. Price Strategy**

According to (Kotler, 2005), price is the amount of money charged for a product/service or the total values that consumers exchange for the benefits of having or using the product or service. Each product or service must have a price it is sold to a user, customer or end-consumer. Price plays a major role in the buyer's mind. Depending on the product or service offered, the price can be set for one price to all, or modified according to the company's decisions and pricing strategy.

## **iii. Promotion Strategy**

Marketing communications also called promotion mix, which includes the various Communication techniques such as advertising, personal selling, sales promotion, and public relations/product publicity available to marketer is combined to achieve targeting audiences in an attempt to influence attitudes and behaviors. The ultimate response, of course, is purchase and satisfaction. Therefore, with a promotion mix, the company communicates with its customers, intermediaries and the public (Kotler et al., 2005, pp. 719).

## **iv. Place Strategy**

Producing, pricing and promoting the product may not count for much unless the company is able to deliver superior value to the customer, and thus actually reaching its market. To guarantee availability the product must be delivered at the right time, at appropriate quantity and at the right place for the customer (Kotler et al., 2005, pp. 897; Rope 2005, pp. 248).

### ***2.2.5.3. Customer Orientation Strategy***

Day (1994) defines customer orientation as “Superior skills of understanding and satisfying Customers. Transforms marketing into a potent competitive weapon, shifting organizational values, beliefs, assumptions, and premises towards a two-way relationship between customer and the firm.” Narver and Slate (1990) explain customer orientation as “Sufficient understanding of one’s target buyers to be able to create superior value for them continuously.

#### **2.2.5.4. Relationship Marketing Strategies**

Relationship marketing brings long-term financial benefits to an organization. It is a means to an End and is based upon two economic arguments. First, it is more expensive to win a new customer than it is to keep an existing customer. Second: the longer the association between the company and the customer, the more profitable the relationship for the firm. Relationship marketing evolves ties between the organization and its customers to improve feedback and develop customer loyalty. Customers are open to the pressures of competitive promotions and may readily switch brands or store.

. Some relationship marketing strategies as suggested by Martins (2015) are:

- ☞ Make every customer interaction counts.
- ☞ Follow-through on commitments and claims about products or services.
- ☞ Offer benefits and product value that responds to the customer's desires.
- ☞ Treat customers as individuals who are respected and valued.
- ☞ Build a strong brand identity.

#### **2.2.6. Performance**

Performance, as a concept, is a subject open to wide variability as it is a somewhat imprecise word when it functions as a placeholder in research (Folan, et.al, 2007). The lack of agreement on a definition creates confusion and clearly limits the potential for generalizability and comparability of research in this area (Franco-Santos, et.al, 2007). Terms of profitability, sales, customer satisfaction, and brand awareness.

### **2.3. Empirical Review**

#### **2.3.1. Empirical Literature Review-General**

The empirical evidence of the effect of marketing strategy on the performance of the business is mixed. In some studies, individual elements of the marketing mix are shown to have a significant effect on market share and profitability (Miller and Camp, 1985; MacMillan and Day, 1987; Tsai, MacMillan and Low, 1991). In another study using the same database, marketing had no significant effect on corporate venture performance (Robinson, 1990).

### **2.3.2. Empirical Literature Review-Ethiopian Context**

In Ethiopia, there is little empirical literature conducted on the subject in view of the context and scope pursued by the researcher. Accordingly, among the research conducted in the Ethiopia context:AssegdechS (2004) has studied “Marketing Strategies for Micro and Small Enterprises” and her work identified that the marketing problems such as lack of product diversity, pricing problems, lack of awareness how to compete in the market, limited business management and salesmanship ability, limited capacity to promotional activities, and lack of market-related knowledge are hindering the development of MSE.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Description of the Study Area**

The study was conducted in Wolkite town. Wolkite town is the capital the center of GU rage zone. Which found at equal (center) from AA to Jimma by oromifa language Wolkite means equal.

#### **3.2. Research Design/Type**

The research design is the conceptual structure within which research was conducted; it constitutes the blueprint for the collection, measurement and analysis of data. There are three types of research design, namely; exploratory, descriptive, and explanatory (Kothari, 2004). By taking the research objectives, time, income into consideration, descriptive Research designs was used. As stated by Kothari (2004), descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group. Hence, in this study, it was used to describe the demographic and general information of the respondents and enterprise.

#### **3.4. Sampling Design**

A sample design is a definite plan for obtaining a sample from a given population. It refers to the technique or the procedure the researcher would adopt in selecting items for the sample. Sample design may as well lay down the number of items to be included in the sample i.e., the size of the sample. Sample design is determined before data are collected (Kothari, 2004). Accordingly, the target population, sampling frame, sampling technique, sample size, and sampling procedure of the study are discussed hereunder.

#### **3.5. Target population**

A population can be defined as all people or items (unit of analysis) with the characteristics that one wishes to study. The unit of analysis may be a person, individual, organization, country, object, or any other entity that researchers wish to draw scientific inferences about (Kelley, Clark, Brown, & Sitzia, 2003). Accordingly, the target populations of the study was registered small and medium enterprises operating within the three sub-cities in Wolkite

### 3.5.1. Sampling Technique

In this study, the stratified and purposive sampling techniques used in combination. The research preferred stratified sampling technique based on Kothari (2004) statement that, “If a population from which a sample is to be drawn does not constitute a homogeneous group stratified sampling technique is generally applied in order to obtain a representative sample. In this technique population is divided into several sub-populations that are individually more homogeneous than the total population (the different sub-populations are called strata)”. Therefore, the stratum in this study was the Wolkite small and medium enterprise. These are: manufacturing, trade, service, construction, and urban agriculture. In general, since each stratum is more homogeneous than the total population, the researcher is able to get more precise estimates of the sample for each stratum and by estimating more accurately each of the component parts and get a better estimate of the whole; in brief, stratified sampling results in more reliable and detailed information (Kothari, 2004, pp. 63). Besides to the stratified sampling technique, purposive sampling technique was used to select the Respondents from each stratum. This technique needed to choose members of the population to participate in the study purposively based on researcher’s own judgments” to answer research questions and/or achieve research objectives

### 3.5.2. Sample Size

As a general rule, one can say that the sample must be of an optimum size i.e., it should neither be excessively large nor too small (Kothari, 2004). Sample size can be determined using certain formula in the case of quantitative study, whereas, in qualitative study, determining sample size is entirely a matter of judgment, there are no set rules (Cohen, Manion, and Morrison, 2000). Thus, to get a representative sample for the population, Yemane (1967) finite and large Population sample size formula with 95% confidence level was employed. According to the information obtained from Wolkite MSEDB, there were total of 3,000 SMEs in three kebele operating in 5 sectors which include: Manufacturing (50), Trade (1,500), Service (150), Construction (100), and Urban Agriculture (1,200). The formula used to obtain the sample size is:

$$n = \frac{N}{1+N(e)^2}$$

**Where:**  $n$  represents sample size,  $N$  represents total number of population size, and  $e$  represents sampling error/level precision. Based on information from Wolkite town market and investment

office total population in SME is 3,000 then based on the form: 
$$n = \frac{3,000}{1 + 3,000(0.05)^2} = 353$$

Therefore, based on the above formula the sample size of the study is 353 SMEs.

stratified sampling (PSS) formula ( $n_i = N_i/N * n$ ) was used.

stratified sampling (PSS) formula ( $n_i = N_i/N * n$ ) was used.

**Where:**  $n_i$  represents sample size taken from each stratum/sector,  $N_i$  total no. of population of each stratum/sector,  $n$  total sample size of the study, and  $N$  total population size

**Table 2: Sample Size of the Respondents from each Stratum**

S/n	Strata (Sector)	Activities of SMEs	Total no. of SME in 3 kfleketemaas	Sample From each
1	Manufacturing	Textile & garment, leather & leather product, food processing & beverage, metal	50	5.8
2	Construction	Sub-contracting, building materials,	100	11.7
3	Service	Transport, cafe, restaurant, store service, packaging, beauty salon, electronics,	150	17.65
4	Trade	Wholesale, retailer, raw material supply, etc	1,500	176.5
5	Urban Agriculture	Animal husbandry, apiculture, horticulture,	1,200	141.2
	<b>Total</b>		<b>3,000</b>	353

### **3.5.3. Sampling Procedure**

employ proportionate stratified sampling technique to allocate the sample size of each stratum through the method under which the sizes of the samples from the different strata are kept proportional to the sizes of the strata. Then, the non-probability method which is purposive sampling technique was employed to choose the respondents among the strata based on the judgments of the research; because this sampling technique was helped to capture the opinion and judgments of management/ owners of the SME towards the market.

### **3.4. Data Sources and Types**

The study used both primary and secondary source of data. The primary source of data was the responses collected from the owner and/or manager of SMEs. On the other hand, the secondary source of the data gathered from different books, articles, journals, and different reports of SMEs to support the primary data.

### **3.5. Data Collection Instrument and Procedure**

A questionnaire is a research instrument consisting of a set of questions (items) intended to capture responses from respondents in a standardized manner (Sauders et.al, 2003)..

The questionnaire was prepared in line with the objectives of the study and structured into three sections. The first section of the questionnaire may concern with obtaining some demographic and general data about the respondents and enterprises. While, the second section dealt with investigating the marketing strategies dimensions i.e. STP strategy, product strategy, price strategy, promotion strategy, place strategy, relationship strategy, and customer orientation in small and medium enterprises. The third section of the questionnaire dealt with the performance measurements in SME, The questions were structured in close-ended type and responses to the questions measure by scale where: Strongly Agree (SA)= 5; Agree (A)= 4; Neutral (N)=3, Disagree (D) = 2; and Strongly Disagree (SD) =1. The Likert scale was used to make the questions easier for respondents to answer in a simple way and permit an efficient use of statistics for the interpretation of data. The questionnaire was first designed in English language and then translated into Amharic Language.

### **3.6. Data Analysis Methods**

The primary data was collected through self-administrated questionnaire, and analyzed using descriptive analyzes mainly to organize and summarize the demographic and general data of the respondents and enterprises. Descriptive statistics was used mainly to organize and summarize the demographic and general data of the respondents and enterprises. It was employed percentage, frequency, mean, and standard deviatdeviat

### **3.8. Demographic Characteristics of the Respondents**

Demographic factors are very important indicators of performance in any organization and are the basis for research questionnaire turnout. Even though demographic characteristics are not having great influence on this study, the research considers some of them which are believed to have correlation to the study.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

The main objective of the study has been to examine the Effect of Marketing Strategy on Small and Medium Enterprise Performance by formulating hypothesis with the seven independent variables. In order to meet the objective of the study, the data that were gathered from the primary source using questionnaire was analyzed, presented, and interpreted in this section.

#### 4.1. Data Editing and Coding

Once the primary data was collected, prior to the analysis, the questionnaire was reviewed and it was to certify that if questionnaires were filled appropriately. Any incomplete or missing responses were rejected from the subsequent analysis. The steps which stated in the data analysis section such as coding, eliminating coding and data entry error, known as “clearing the data”, Rubin & Babbie (2010) was performed in this research

#### 4.2. The Questionnaire Response Rate

The questionnaires were physically distributed to SMEs owners and/managers of SMEs operating in Bekur kifleketema, adiss and Gubrye kifleketemas. From the total of 353 questionnaires 341 were collected and the remaining 12 (3.2%) were not responded. The nominal response rate of the collected questionnaires was (96.8%); however, out of these due to incompleteness and missing values only 332(94.3%) were usable for further analyses and the remaining 9 (2.5%) were discarded. According to Rubin & Babbie (2010), a response rate of 70% is “very good” for further assessment. Therefore, in this case, the response rate of 94.3% is significant.

Questionnaire response rate Table 3

Sample size	353
Collected	341
Un collected	12
Discarded	9
Usable	332
Response rate	94.3%

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### 4.3 Descriptive analysis

#### 4.4.1. Demographic Characteristics of the Respondents

Demographic factors are very important indicators of performance in any organization and are the basis for research questionnaire turnout. Even though demographic characteristics are not having great influence on this study, the researcher considers some of them which are believed to have correlation to the study. Hence, the demographic characteristics of gender, age, education, experience, size of the enterprise, sub-sector of the enterprise, number of employees, total capital of the enterprise, the extent to use marketing strategy are emphasized.

variable	category	frequency	Percentage %
gender	male	240	70.6
	female	101	29.4
	Total	341	100
age	<b>21-30</b>	161	47.1
	31-40	140	41.18
	41-50	40	11.72
	Total	341	100
education	diploma	100	29.4
	degree	161	47.1
	Above degree	80	23.5
	Total	341	100
Size of enterprise	small	101	29.4
	medium	240	70.6
	Total	341	100
subsector	manufacture	20	5.88
	Trade	141	41.18

	service	60	17.64
	construction	40	11.72
	Urban agriculture	80	23.5
	Total	341	100
No of employee	<50	121	35.3
	51-100	200	58.82
	>100	20	5.8
	Total	341	100
capital	100,000-200,00	180	52.9
	201,000-300,000	121	35.3
	>300,00	40	11.8
	Total	341	100
The extent to use	low	64	18.82
	moderate	200	58.82
	large	77	22.36
	Total	341	100

The table above is designed to display the respondent's demographic and general information outcome. When we look at the first demographic distribution of sex of the respondents, 70.6% of them were male and 29.4% of them were female. This shows that the majority of the respondents were male and one can generalize that the majority of SMEs were owned and/or managed by male.

From the same table above, when we see the age of the respondents, the majority of the respondents fall within 21-30 age bracket which accounted for 47.1%, followed by the age group of 31-40 which accounted for 41.18%. The rest 11.72% were found between the age brackets of 41-50 years. This implies that the majority of the respondents who owned and/or managed the SMEs were youngsters. Therefore, from this result, the researcher understood that the young aged managers and/or owners are strong to offer more skills and they were viewed as being productive in their area of specialization. With respect to the educational status of the respondents, 47.1% of them were First Degree holders, 29.4.6 were certificate Diploma, 23.5% of them were second/Master's Degree

and above holder. Therefore, this result implies that the majority of the respondents were possessed a high level of education and have know-how/understanding about the marketing strategy concepts. With regards to the size and sub-sectors of the enterprise, the majority of the respondents were from medium-size enterprises which accounted for 70.6% which followed by the small enterprise which accounted for 29.4%. The majority of the enterprises were engaged in trade sub-sector which accounted for 41.18%. While, the remaining 23.5%, 17.5%, 11.72%, and 5% of them were engaged in urban agriculture, service, construction and manufacture sub-sectors.

With respect to the number of employees and total capital, most of them have 51-100 employees which accounted for 58.82% and followed by the enterprise having <50 employees which accounted for 35.3%. While 5.8% >100 employees. On the other hand, with regards to total capital, more than half of them have the total capital of 100,000- 200,000 which accounted for 52.9%. While, 35.3% of them have a total capital of Birr200, 001-300,000 and the remaining 11.8% have >300,000 Birr.

From the same table 5 above, with regards to the extent of the enterprises to use marketing strategy, the majority of them were using the marketing strategy to the moderate extent which accounted for 58.8%; whereas, 22.36% large, and 18.82% of them were using the marketing strategy to the low extent, very great extent. Therefore, this result implies that the respondents have know-how about marketing strategies and fair enough to evaluate the marketing strategies of SMEs.

#### **4.4.2. Descriptive Analysis of the Variables**

Descriptive statistics were used to describe the basic features of the data in a study. It provides simple summaries about the sample and the measures. The researcher used descriptive statistics to present quantitative descriptions in a manageable form; each descriptive statistic reduces lots of data into a simpler summary (Gelman, 2007). Respondents were asked to rate their insight on a five-point Likert scale ranging from 1 being „Strongly Disagree“ to 5 „Strongly Agree“ for marketing strategy and performance dimensions. Accordingly, the result of descriptive statistics (mean and standard deviation) of each variable is presented in the table below;

## **CHAPTER FIVE**

### **SUMMARY OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATION**

The researcher has tried to examine the Effect of Marketing Strategy on Small and Medium Enterprises Performance in this study. This chapter presents the major findings of the study, conclusions, recommendations, and limitations and suggestions for future research. Accordingly, the first section of this chapter described the findings of the study that presents a brief summary, and the conclusion drawn from it. Lastly, the followed section of this chapter reveals the recommendations for the findings and highlights the direction for further studies.

#### **5.1. Summary of Major Findings**

Regarding the demographic characteristics of the respondents and general information: The majority of the respondents were male (70.6%) and the rest 29.4% were females. Out of the total

respondents, more than half (47.1%) of them were aged in the range of 21-30 followed by the age bracket of 31-40 which accounted for 41.18%.

The majority (47.1%) of them were First Degree holders, 29.4% were certificate Diploma, . Regarding the size of the enterprise, the majority (70.6%) of them were from medium-sized Enterprises, 29.4% small enterprise.

Regarding the sub-sectors, the majority (41.18%) of them were engaged in Trade. While the remaining 23.5%, 17.64%, 11.72%, and 5.8% of them were engaged in urban agriculture, service, construction, and manufacturing sub-sectors.

With respect to the number of employees they have, most of them (58.82%) have 51-100 employees. While 35.3 % < 50 and 5.8% > 100 employees, respectively.

## **5.2 Recommendations**

The researcher forwards the following recommendations based on the research findings and the conclusions drawn in the previous sections. SMEs should develop market segmentation, targeting and positioning strategy so that it can give tailored service to their customers and serve them better according to their needs. The SMEs should give consideration to product strategy since customers do really look at Product attributes such as quality, features, design, and style. Therefore, SMEs should produce the quality product in order to get competitive advantage over the large enterprise. The SMEs should ensure that the products and/or services are effectively and adequately communicated to the public using the right mix of promotion strategies because promotion is also found to strongly predict the performance of the SMEs. Place strategy is also another important element which strongly predicts the performance of SMEs. Hence, the SMEs should increase the accessibility and convenience of its location and ensure availability of multiple distribution options. Nowadays, customers have become more demanding and more particular about what they want. Hence, in order to get the competitive advantage, during the marketing strategy planning process the needs and wants of current and potential customers should be considered through the customer orientation strategy. So, SMEs owners and/or managers should focus primarily on the needs and preferences of their customers, and serve customers efficiently in order to have a superior performance. The SMEs should not underestimate the power of relationship marketing as it has the ability to enlarge a firm's sales, profitability, customer satisfaction, and brand awareness.

Therefore, SMEs should value and respect customers' opinions, practice the art of giving gifts to loyal customers and take customers feedback very seriously. Customers today are more demanding and willing to switch to other providers due to price. Therefore, even if the price strategy has the insignificant effect in this case, SMEs should set their prices against this background and charge acceptable price as well as communicate customers in an easily understandable way.

Different workshops and conferences can be set up to further empower SMEs to teach them about product, price, promotion, place, customer orientation, relationship marketing strategies etc.<sup>85</sup>

### **5.3 Limitations and Suggestions for Future Research**

The findings of this study will provide a platform for a variety of future research efforts. In this study, only small and medium enterprises were taken into consideration. So, it is recommended that a similar study will be undertaken using large enterprises of the same sector and make a comparative analysis. It is also recommendable to examine the research model of this study in other sectors which will be helpful for generalization purposes. Hence, a potential area of future research is to examine the effect of marketing strategy on another industry performance, especially in the Ethiopian context. This research is also limited in that it only focused on the performance of firms measured on profitability, sales, customer satisfaction, and brand awareness. Therefore, future researchers could also study the effect of marketing strategies on ROI, market share, growth, ROA, ROE, and others measures (marketing, financial, and non-financial measurements).

Furthermore, mediating/moderating factors affecting the relationship between marketing

Strategies and performance were not included in this study. According to Akroush (2003), company marketing assets and capabilities and company marketing experience are found to have the most influential effect and are the master moderators on the relationships between the marketing strategy components and the company's performance. This provides an opportunity for a research endeavor including these moderators.

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## **Appendix I**

### **English Version Questionnaires Wolkite university college of business and economic**

Marketing Management Graduate Program Dear Respondent,

My name is Elyas Gelaw, I am a graduate student in the field of Marketing Management at Wolkite University. I would like to seek your assistance in completing the attached questionnaire which forms a basic part of my BA thesis. The purpose of this research is to study "The Effect of Marketing Strategy on Small and Medium Enterprises Performance in the Case of Wolkite". Therefore, your genuine and honest response is very important for the success of the research and the researcher would like to thank you for your cooperation in advance.

Kindly be assured that all information that you provide will be kept strictly confidential and used

for academic purpose only. If you require any further information, want feedback on the study or unclear situation please contact me by the following address;

Email: elyagelaw@gmail.com phone; 0929467514

Thank you in advance for your Space Time and Cooperation!

General Instruction:

No need to write your name.

Instruction is given at the beginning of each part of the questionnaire.

Part I: Demographic and General Information Question

Please put the tick “√” mark under the choice, write your opinion on the blank space

1. Gender: Male      Female

2. Age 21-30 year's    31-40 yea    41-50 years

3. Educational status: Certificate Diploma 1st Degree 2nd Degree and above If others, please specify\_\_\_\_\_

4. What is size of your Enterprise: Small Medium If others, please specify\_\_\_\_\_

5. What type/sub-sector is your business/enterprise engaged in?

6. Manufacturing Trade Service Construction Urban Agriculture

7. How many employees your enterprise has?

< 50 51-100 >100

8. What is your total capital (in ETB)?

100,001-200,000 200,001-300,000 >300,0

9. To what extent does your business enterprise uses the marketing strategy (STP/Segmentation, targeting and positioning/, product, price, promotion, place, relationship marketing and customer orientation) to attract and keep customers?

Low extent Low extent Moderate extent Great extent

Part II: Marketing Strategy Related Questions

Please indicate how much you agree or disagree with each of the following statements by circling the number that best represents your opinion. 1 indicates strongly disagree (SDA), 2 indicates disagree (DA), 3 indicates neutral (N), 4 indicates agree (A), and 5 indicates strongly agree (SA).

S/no	Statementans	S	D	N	
		A	S A	A	
		A			
2.1 .Segmentation, Targeting, and Positioning (STP) Strategy					

1,Focusing on a one or specific market segment canbe beneficial to the Small Medium Enterprise
2,Market segmentation helps us to adjust specific n market

4,Targeting can enable us to focus of the precise need of the target segment
5,Targeting can permit us to determine the amount of price to offer
6,Market targeting can assist us to develop and sustain an appropriate marketing mix
7,Market positioning can help us to build our image
8,Market positioning can help us to create proper appeals in the minds of the target market/s.
9.,Positioning can allow us to fulfill the requirements of our target market/s
2.2. Product Strategy
1, We provide a wide range of product/service.
2,, The product or service portfolio of our enterprise is up to the customers“ expectations.
3, Providing better quality products/services helps us to meet our customers”“ needs.
4, We employ the most advanced technology than our competitors.
5, We introduce and develop new products/services based on customers“ needs.
6, We build our brand reputation by providing a distinctive service quality.
2.3. Price Strategy
1, Our pricing strategy pays attention to the competition and act accordingly.

2,	The new product pricing strategy encourages customers willing to try new products easily.
3,	We are offering discounts on the basis of loyalty.
4,	The price charged are commensurate to the quality of service offered.
5,	The prices are well communicated and easily understandable.
6,	Our pricing strategy helps us in maximizing our profit.
2.4.	Promotion Strategy
1,	We use different advertising media to promote our products/services.
2,	We offer various sales promotions such as gifts, discounts etc.
3,	Sponsoring special events such as sports, charities and the like help us to promote products/services of the SME
4,	Participating on exhibition, trade fair, etc help us to sell and promote the products and services
2.5.	Place Strategy
1,	Place strategy improves accessibility towards the customers.
2,	Place strategy is able to give location benefits to customers.
3,	We are offering discounts on the basis of loyalty.
4,	The price charged are commensurate to the quality of service offered.
2.4.	Promotion Strategy
1,	We use different advertising media to promote our products/services.
2,	We offer various sales promotions such as gifts, discounts etc.
3,	Sponsoring special events such as sports, charities and the like help us to promote products/services of the SME
2.5.	Place Strategy

1, Place strategy improves accessibility towards the customers.
2 Place strategy is able to give location benefits to customers.
3, The place strategy matches the demand and supply to functions well.
4, Place strategy is able to serve our customers well in time
2.6. Customer Orientation Strategy
1, We believe in obtaining client or customer feedback on the services offered.
2, Information regarding quality of the products and services gives the leverage on marketing efficiency
3, Customer requirements are incorporated in the overall customization of the products to meet customer preferences
4, We value customer feedback „they come first
5, We have a strong team that is tasked with obtaining and addressing customer concerns
2.7. Relationship Marketing Strategy
1, A good and positive relationship with customers promotes customers loyalty
2, Good customer relationship provides increased value to new and existing customers
3, Customer relationship marketing attracts and keeps the customers in the organization.
4, Maintaining and enhancing customer relationships is an important aspect of our business.
Part III: Small and Medium Enterprise Performance
1, Our sale is better as compared to other competitors.
2, Our marketing strategies enable us to attain customer satisfaction
3, Our customers have better brand awareness.

4, The profit of our enterprise is better as compared to other competitors

THANK YOU!