INFLUENCE OF ENTREPRENEURIAL MARKETING ON THE GROWTH OF SMES IN KIAMBU TOWN-CBD, KENYA

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ABSTRACT

The study sought to find out the influence of entrepreneurial marketing strategies on the growth of SMEs in Kiambu Town-CBD, Kenya. Specifically, the study addresses the following objectives: To investigate the extent to which product development strategy influences the growth of SMEs in Kiambu Town-CBD, Kenya; To identify how pricing strategy influences the growth of SMEs in Kiambu Town-CBD, Kenya; To determine the extent to which promotional strategy influences the growth of SMEs in Kiambu Town-CBD, Kenya and; To find out how distribution strategy influences the growth of SMEs in Kiambu Town-CBD, Kenya. This research adopted a descriptive research design; the researcher used a questionnaire as the primary data collection instrument. The questionnaire was designed to give a brief introduction. This included analysis of data to summarize the essential features and relationships of data in order to generalise from the analysis to determine patterns of behaviour and particular outcomes. Before processing the responses, the completed questionnaires were edited for completeness and consistency. The findings of the study reviewed that product development strategy (P-value=0.001<0.005), Pricing strategy (P-value=0.003<0.005), Promotional strategy (P-value=0.004<0.005) and Distribution strategy (P-value=0.045<0.005), further evidence show that product development strategy was the key critical factor of entrepreneurial marketing that influences growth of SMEs in Kiambu-CBD. The study therefore recommends that owner entrepreneur manager should utilize product development as a strategy for growth of the business.
Keywords: Influence of Entrepreneurial Marketing on the Growth of Smes.

Introduction

Marketing is a central concern of entrepreneurial research, even though entrepreneurs are not typically marketing experts (Jones, 2010). A number of literature streams in management and strategy have stressed the crucial function played by marketing in constructing and sustaining competitive advantages (Bettiol et al., 2011). According to Collinson and Shaw (2001), entrepreneurship can look to marketing as the key function within the firm, which can encompass innovation and creativity. Since the mid-1980s a steady stream of research has examined the marketing/entrepreneurship interface in small and medium-sized enterprises (SMEs) and much of that work has concentrated on issues surrounding the implementation of marketing in entrepreneurial companies (Hill & Wright, 2000). The term Entrepreneurial Marketing (EM) has come to describe the marketing activities of small and new ventures (Kraus et al., 2010).

EM represents an exploration of ways in which entrepreneurial attitudes and behaviors can be applied to the development of marketing strategy and tactics (Kurgun et al., 2011). The interest on it has been in existence for a number of decades, but many scholars (e.g., Uslay & Teach, 2008; Fillis, 2010) argue that the research has been U.S. centric, and that the Nordic school of thought has a lot to offer for research progress. Moreover, Hills and Hultman (2011) argue that although the research on EM is 30 years old, many important questions still are waiting for an answer. There is especially need for research on the links between interpretation of environment and EM application (Hills & Hultman, 2011). Whereas research now emphasizes EM techniques in SMEs (Collinson & Shaw, 2001), there can be significant differences in the application of marketing in entrepreneur-led and non-entrepreneur-led firms. EM is, ultimately, an individual style of doing business shaped by the situation-specific worldview of the individual entrepreneur (Fillis, 2010).

According to Gilmore (2011), the term “entrepreneurial” refers to the overall activities and behavior of entrepreneurs, which includes behavior that is competitive and drives the marketing process. Entrepreneurial marketing is a concept which so far has been hard to grasp (Kurgun et al., 2011). According to Bjerke and Hultman’s (2002) definition, “entrepreneurial marketing is
the marketing of small businesses growing through entrepreneurship.” It is something that has long been practiced especially in small firms and for many entrepreneur-led companies it is something which is “second nature (Collinson and Shaw, 2001). Understanding EM is based on knowing how SME owner/managers or entrepreneurs do business and how they make decisions, deliver their market offering in the market place within the constraints of limited resources, expertise, impact, and size (Gilmore, 2011). It is noted that EM is a matter of degree and various combinations of the underlying dimensions result in marketing that is more or less entrepreneurial (Lin & Smyrnios, 2007). Gilmore (2011) concludes that entrepreneurial marketing is subject to external change factors, it is driven by the entrepreneur, it is opportunistic, intuitive and if the firm is to survive, it is profit driven. According to Hills and Hultman (2011), EM is the result of entrepreneurial interpretation of information, decision-making, and marketing actions.

**Statement of the Problem**

Reports from Republic of Kenya (RoK) show that Small medium Enterprises are critical drivers of Kenya economy contributing over 70% of GDP (RoK, 2014). Small and Medium enterprises (SMEs) are increasingly seen as engines of economic growth of the country, contributing 75% of GDP and constituting 90% of the private sector. This is because they contribute to sustained creation of employment approximated to be 2.5 million, improve living standards and ensure social and political stability (Hatega, 2007).

Ngugi (2013) shows that most SMEs in Kenya do not celebrate their third anniversary. World Bank (2014) shows that SMEs in Kenya do not graduate into large enterprises. This failure of SMEs in Kenya lead to job losses threatening economic development and Kenya realization of vision 2030. Previous studies show that marketing strategy is a known variable in developed economies that influence growth of SMEs. Would lack of entrepreneurial marketing strategy be the cause of high collapse rate of the SMEs in Kenya (Rok, 2005)

Past statistics indicate that three out of five businesses in SMEs sector fail within the first few months of operation (Kenya National Bureau of Statistics, 2007). However, it is generally recognized that SMEs face unique problems, which affect their performance in terms of growth and profitability and, hence, diminish their ability to contribute effectively to sustainable
development (Kimuyu, 2008). According to the Economic Survey (2006), the SMEs sector contributed over 50 percent of new jobs created in the year 2005. In addition to its importance in creating jobs, the small enterprise sector contributes 33% of the value-added in manufacturing and the retail trade in Kenya.

According to Oyugi (2009) the dismal performance of many SMEs can be attributed to the employed marketing strategy which leads to declined business growth. Mugo (2010) observed that many SMEs in Kiambu Town find it challenging to offer high quality products with good packaging at competitive prices in strategic locations that are convenient to the target market. This lowers the level of customer satisfaction and leads to low sales turnover and declined profit margin which results to stagnated business growth.

Despite the significance of SMEs in country’s economic development, there lacks a specific study within the local context that has managed to address the contribution of entrepreneurial marketing on the growth of SMEs in Kenya and Kiambu Town in particular. This study therefore aimed at filling the missing knowledge gap by establishing the influence of entrepreneurial Marketing Strategy on growth of SMEs with specific reference to Selected Small and Medium Enterprises (SMEs) in Kiambu Town-CBD, Kenya

Objectives of the Study

General Objective
The general objective of the study was to examine the influence of entrepreneurial marketing on the growth of SMEs in Kiambu Town-CBD, Kenya.

Specific Objectives

i. To establish the extent to which product development strategy influences the growth of SMEs in Kiambu Town-CBD, Kenya.

ii. To examine how pricing strategy influences the growth of SMEs in Kiambu Town-CBD, Kenya.

iii. To determine the extent to which promotional strategy influences the growth of SMEs in Kiambu Town-CBD, Kenya

iv. To examine how distribution strategy influences the growth of SMEs in Kiambu Town-CBD-Kenya.
Literature Review

Kirzner’s ‘alert’ Theory of Entrepreneurship

Kirzner (1967) focused on answering the question on whether a market economy works and if it does so what is the process that leads the economy towards an equilibrium? Kirzner claims that initially the economy is in an disequilibrium and the competition among ‘alert’ entrepreneurs leads to equilibrium. Kirzner realizes that markets are not always clear. There is no perfectly informed representative agent and for change to occur the entrepreneurs need incentives and this incentives comes from the difference among agents in terms of information and knowledge (Gunning, 1992).

According to Kirzner (1973) an improvement in the technique of production or shift in preferences leads to change (disequilibrium) in the market where initially there was equilibrium. If there is equilibrium in the market there is nothing for the entrepreneurs to do and no exchange and profit opportunities for them since everybody will be able to carry out his initially determined exchange plans. But whenever the change has occurred, some planned activities will not be realized. Kirzner (1982) states there is no room for entrepreneurial discovery and creativity: the course of market events is foreordained by the data of market situation and for the system to create profit opportunities for entrepreneur there is need for an exogenous shocks constantly hitting the economy.

For Kirzner (1993) understanding the role of the entrepreneurs is essential to understanding how errors get corrected in the market and understanding the role of alertness is essential to understanding how it is that entrepreneurs come to identify these errors. As he explains, in the world where knowledge is necessarily dispersed and individuals are necessarily ignorant of all changes that occur in markets, alert entrepreneurs discover profit opportunities (i.e. opportunities to buy at low price and sell at a high price) and thus drive the market process toward equilibrium. The above instigated the second research question (Kirzner, 1993).

Schumpeterian theory of Innovation

Schumpeter distinguished innovation as the function of the entrepreneur. Since that there has been the “unfortunate” discontinuity between the orthodox microeconomics and the
Schumpeterian entrepreneurship. Schumpeter was the most influential Harvard professor in the 1930s and 1940s. Schumpeter has been mentioned as the father of entrepreneurship and (irregular) growth theories. Schumpeter is today more important than never earlier. Today, entrepreneurs are powerful players in the global markets. Because enterprises dominate the global markets of commodities, they can collectively determine the rules of the game in the core market segments. The global economy is in expansion. We need new radical innovation and, thereby, economic growth. There are one billion young people (15-24 years old), 80% in developing countries, in the labor market with few opportunities for productive work. Capacity-building is the major instrument that the World Youth Report 2005 by the UN stresses.

Schumpeter (1949) termed these entrepreneurial innovations “New Combinations” (Ibid.). Since tradition and routine stifled change, Schumpeter held that innovations tend to be undertaken by new firms. Thus in Schumpeter’s theory of innovation, entrepreneurial changes in business activity created an environment conducive to further change. Innovations were copied, applied in similar and related lines, and even transferred to other non-related fields. Through this widespread entrepreneurial copying, significant innovations transformed entire sectors of the economy. One consequence of extensive imitation was “that innovations do not remain isolated events, and are not evenly distributed in time, but that on the contrary they tend to cluster, to come about in bunches, simply because some, and then most, firms follow in the wake of successful innovation”(Ibid). The result, the Austrian economist concluded, was that innovation pushed capitalist economic development forward not evenly, but rather “by jerks and rushes.” It was “a distinct and painful process” (Ibid). The above instigated the third research question.

In preparation for a product launch, a business must choose whether to invest in traditional advertising such as print, outdoor and online advertising, or other forms of promotion including email and fliers. Purchasing media space on television and radio networks is another delivery method for promoting a launch. Other businesses choose to rely on viral marketing, creating interest in a product online and allowing social networks and individual customers to promote the product through conversation. Promotional marketing follows a predetermined schedule, which lays out a time line for advertising campaign launches in various media and defines the
promotional angle so that all marketing for a product launch can be consistent (Schumpeter, 1949).

**Resource Based Theory**

Resource-based view has become one of the most influential and cited theories in the history of management theorizing. It aspires to explain the internal sources of a firm’s sustained competitive advantage (Kraaijenbrink, Spender, & Groen, 2010). It was Penrose who established the foundations of the resourced-based view as a theory (Roos & Roos, 1997). Penrose first provides a logical explanation to the growth rate of the firm by clarifying the causal relationships among firm resources, production capability and performance. Her concern is mainly on efficient and innovative use of resources. She claimed that bundles of productive resources controlled by firms could vary significantly by firm, that firms in this sense are fundamentally heterogeneous even if they are in the same industry (Barney & Clark, 2007). Wernerfelt (1984) took on a resource perspective to analyze antecedents of products and ultimately organizational performance and believed that “resources and products are two sides of the same coin” and firms diversify based on available resources and continue to accumulate through acquisition behaviors.

The knowledge based literature of the firm fosters and develops the resource based theory in that it considers knowledge to be the most complex of an organization’s resources (Alavi & Leidner, 2001). The currently dominant view of business strategy – resource-based theory or resource-based view (RBV) of firms – is based on the concept of economic rent and the view of the company as a collection of capabilities. This view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making. Ganotakis & Love (2010) used the Resource Based Theory (RBT) to explain the importance of human capital to entrepreneurship. According to RBT, human capital is considered to be a source of competitive advantage for entrepreneurial firms. Ownership of firm-specific assets enables a company to develop a competitive advantage. This leads to idiosyncratic endowments of proprietary resources (Peppard & Rylander, 2001). According to RBT, sustainable competitive advantage results from resources that are inimitable, not substitutable, tacit in nature, and synergistic (Barney, 1991). Therefore, managers need to be able to identify the key resources and drivers of performance and value in their organizations.
The RBT also states that a company's competitive advantage is derived from the company's ability to assemble and exploit an appropriate combination of resources. Such resources can be tangible or intangible, and represent the inputs into a firm's production process; such as capital, equipment, the skills of individual employees, patents, financing, and talented managers. As a company's effectiveness and capabilities increase, the set of available resources tends to become larger. Through continued use, these “capabilities”, defined as the capacity for a set of resources to interactively perform a stretch task or an activity, become stronger and more difficult for competitors to understand and imitate. (R&D expenditures) and can be used to augment future production possibilities. The above instigated the second/first research question.

Empirical Review

A study by Jones (2010) on entrepreneurial marketing in small businesses in UK proposed further development of the concept of entrepreneurial marketing towards the concept of entrepreneurial marketing orientation. Drawing on the earlier research and scales in the entrepreneurial orientation, market orientation, innovation orientation and customer orientation literatures, the study proposed a conceptual model for entrepreneurial marketing that identifies the components of such a model, together with specific indications of the overlap between scales in the different areas. This model implicitly suggested that marketing in SMEs is intertwined with other activities and behaviours in the small business enterprise, and argued that in order to understand marketing in SMEs it is essential to understand its context, specifically in relation to customer engagement, innovation and entrepreneurial approaches to marketing.

Kotler (2003) study on entrepreneurial marketing in USA identified that entrepreneurial marketing is based upon how marketing practices becomes more formalized. The study noted that three stages of marketing practice are identified as organizations grow. Entrepreneurial marketing is related to the first development phase where the level of entrepreneurship is high and the degree of formalization of marketing practices is low. Later and in a more mature stage (second and third stage), marketing practices become formulated marketing. Kotler study noted that small companies achieve success, they inevitably move toward more formulated marketing Roper (1997) carried out a study that focused exclusively on product innovation in German, ascertained that the output of innovative SMEs grew significantly faster than non-innovative SMEs implying that innovative products contributed to faster growth of firms.
Hulya (2011) carried out a study in Turkey to identify major dimensions of entrepreneurial marketing concept in boutique hotels and determine to what extent current marketing approaches in boutique hotels seem to be consistent with the entrepreneurial marketing approaches. The major motivation of this research was stemmed from the fact that the empirical examination of the notion of entrepreneurial marketing from the viewpoint of boutique hotels has received scant attention in the relevant literature. The research was conducted with semi-structured interview method in nine boutique hotels located in the province of Izmir in Turkey. Based on seven dimensions of entrepreneurial marketing concept, a unique semi structured interview form was designed. Results pointed out that entrepreneurial marketing concept which carries great importance for boutique hotels has been well adopted and put into effective use by boutique hotels.

Ramsey, E (2012). Entrepreneurial marketing in SMEs in Ireland to present research evidence on the impact of internet-based technologies (IBTs) on the customer relationship management (CRM) activities (i.e. e-CRM) of SMEs in Ireland. The methodology involved a mixed methods approach incorporating an online questionnaire, qualitative in-depth interviews and projective techniques was adopted. Factor analysis was carried out on 286 respondents, which led to communication with customers and the management of customer information being distilled as key areas within e-CRM in SMEs. Findings showed that to a varying extents, SMEs were adopting relatively simple IBTs to improve customer communication and information management capabilities and to create competitive advantage through e-CRM. SMEs find the communication aspect of e-CRM easier, but struggle to integrate customer information into their decision making. In all, e-CRM tends to be ad hoc rather than strategic in SMEs.

A study by Miller (2009) found out that new product development strategy influences the growth of SMEs in many African countries. The study noted that innovativeness contributed to new product development in many African countries such as South Africa, Nigeria and Kenya. Baker (2008) conducted a study on enterprise success factors in Small and medium enterprises (SMEs) Gauteng, South Africa, it was concluded that a lack of technical and managerial skills

Zimmerer, Searborough and Wilson (2008) carried out a study on enterprise development. The study finding is confirmed (Rogerson, 2008) by 90% of a sample of 1000 entrepreneurs who
believe that Small and medium enterprises (SMEs) failure is due to a lack of technical and managerial skills. The above discussions brings out that no empirical study has been carried out to establish the influence of marketing strategies on the growth of SMEs in Nairobi County, Kenya. Varadarajan and Jayachandran (1999), in their seminal marketing strategy review, Their review article frequently refers to intangible market based assets (capabilities) such as brand equity and customer equity propose a way forward in terms of understanding and explaining firm behavior in the realm of deploying marketing resources for competitive advantage.

Data Analysis/Findings

Regression Analysis

Multiple regression equation was carried out to measure relationship between independent variables (Product development strategy, pricing strategy, Promotional strategy and distribution strategy) and dependent variable (Growth of Small and Medium Enterprises). Co-efficient of determination ($R^2$) and correlation co-efficient reveal that: $R=0.91$: $R^2=0.83$, Showing that the four independent variables had a strong relationship.

Table 4. 7: Model summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
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<tr>
<td>1</td>
<td>0.91</td>
<td>0.828</td>
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Predictors: (Constant), X1, X2, X3, X4

Source: Research, 2014

a. Predictors: (Constant), Product development strategy, pricing strategy, Promotional strategy and distribution strategy

b. Growth of Small and Medium Enterprises

R shows correlation coefficient, which revealed relationship between independent variables (Product development strategy, pricing strategy, Promotional strategy and distribution strategy) and dependent variable (Growth of Small and Medium Enterprises). The statistics of the model summary of the R show that the four independent variables were significant in contributing to the growth of small and Medium Enterprises.
The four independent variables that were studied, explain 91% of variance in Entrepreneurial marketing on the growth of small and Medium Enterprises in Kiambu town-CBD as represented by the R. This therefore means that other factors not studied in this research contribute 9% of variance in the dependent variable. Therefore, further research should be conducted to establish the influence of entrepreneurial marketing on growth of small and medium enterprises.

The findings of the study show that Product development strategy had the highest influence because the P value was 0.001 followed by pricing strategy with 0.003, Promotional strategy with 0.004 and lastly distribution strategy with a P value of 0.045

Table 4.9: Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>T-calculated</th>
<th>P-value</th>
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<tr>
<td></td>
<td></td>
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<tr>
<td>B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>4.421</td>
<td>7.648</td>
</tr>
<tr>
<td></td>
<td>Product development strategy</td>
<td>3.199</td>
<td>3.375</td>
</tr>
<tr>
<td></td>
<td>Pricing Strategy</td>
<td>3.175</td>
<td>3.355</td>
</tr>
<tr>
<td></td>
<td>Promotional Strategy</td>
<td>2.554</td>
<td>3.276</td>
</tr>
<tr>
<td></td>
<td>Distribution Strategy</td>
<td>2.363</td>
<td>3.234</td>
</tr>
</tbody>
</table>

Source: Research, 2014

a. Predictors: (Constant), Product development strategy, pricing strategy, Promotional strategy and distribution strategy
b. Growth of Small and Medium Enterprises
From the regression findings, the substitution of the equation \( Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 \) becomes:

\[ Y = 4.421 + 3.199X_1 + 3.175X_2 + 2.554X_3 + 2.363X_4 \]

Where \( Y \) is the dependent variable (Growth of Small and Medium Enterprises), \( X_1 \) is the Product development strategy, \( X_2 \) is pricing strategy variable, \( X_3 \) is Promotional strategy variable and \( X_4 \) is distribution strategy.

The results of the multiple regression model reveal that product development strategy had a coefficient of 3.199, \( T \) calculated of 3.375 which is greater than \( T \) critical value of 2 and a \( P \) value of 0.001 which is less than 5%. Pricing strategy had a coefficient of 3.175, \( T \) calculated of 3.355 and \( P \) value of 0.003. Promotional Strategy had a coefficient of 2.554, \( T \) calculated of 3.276 and \( P \) value of 0.004. Distribution strategy had a coefficient of 2.363, \( T \) calculated of 3.234 and \( P \) value of 0.045. The value of each independent variable coefficient determines the extent to which the independent variable influences of entrepreneurial marketing on the growth of SMEs in Kiambu Town-CBD, Kenya.

The coefficients values hence shows that product development strategy followed by pricing strategy then promotional strategy and lastly distribution strategy influence of entrepreneurial marketing on the growth of SMEs in Kiambu Town-CBD, Kenya respectively. These findings collaborate with findings by Jones (2010) that pricing strategy and new product development strategy are the major influences of entrepreneurial marketing that affects the growth of SMEs. It can therefore be inferred that product development strategy followed by pricing strategy then promotional strategy and lastly distribution strategy influence of entrepreneurial marketing on the growth of SMEs in Kiambu Town-CBD, Kenya.

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