

**UTILIZATION OF PROMOTION MIX ELEMENTS BY SMALL
BUSINESS ENTERPRISES: THE CASE OF NAIROBI
EASTLANDS**

BY
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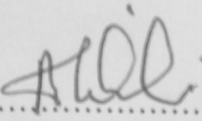
**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTERS OF BUSINESS AND ADMINISTRATION**

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DECLARATION

This Research project is my original work and has not been presented for a degree in any other university.

Signed..... 

Date..... 20/3/2009

BENJAMIN MWANZIA MULILI

To my mother, Kasiva Mulili

Who gave almost all she had for the sake of my education

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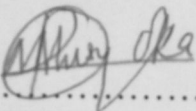
My wife, Emily Nalinda, and

My son, Stephen Nalinda

For their love, encouragement, patience and dedication to my well being during the

whole period of my study.

This research project has been submitted for examination with my approval as the university supervisor.

Signed..... 

Date..... 20/3/2001

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The whole process of undertaking this project from the start to its completion proved to be quite difficult. However, several people assisted me in various ways. It is my beautiful pleasure to extend my sincere gratitude to all of them.

Special thanks go to my supervisor, Dr. R.M. Mueyoka, who patiently and unconditionally guided me through the research. Without his dedication, tireless efforts, encouragement and support, this project would not have been possible.

To my mother, Kasiva Mulili

Who gave almost all she had for the sake of my education

My wife, Emilly Ndinda, and

My son, Stephen Ndua.

For their love, encouragement, patience and dedication to my well being during the whole period of my studies.

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The whole process of undertaking this project from the start to its completion proved to be quite difficult. However, several people assisted me in various ways. It is my heartfelt pleasure to extend my sincere gratitude to all of them.

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ABSTRACT

This study was conducted with the objective of finding out the level of utilization of the promotion mix elements of advertising, sales promotions, publicity and public relations as well as personal selling among small business enterprises operating in Nairobi Eastlands. The study also set to find out the factors that determine the usage of the promotion mix elements and the problems encountered by the managers/operators of the small businesses in the process of promoting their goods and services to the customers.

To achieve the above objectives, primary data was collected from 60 respondents selected from certain parts of the city. Earlier studies show that small business enterprises in the city of Nairobi are not crowded in one region but are rather clustered in certain parts. The respondents for this study were selected from Gikomba, Kamukunji, Dandora, Kariobangi North, Ngara, and Kariokor administrative zones of the city of Nairobi.

The enterprises to be interviewed from each region were chosen using a clustered random sampling method. The researcher initially got the list of the enterprises from the welfare associations to which these enterprises belonged. He then selected the names of the respondents to be interviewed randomly from the lists provided. Only permanent small business enterprises were interviewed because business development projects target such enterprises; they are also easier to trace, are more accessible, reliable and easier to monitor.

CHAPTER ONE

The primary data was collected through a personally administered structured interview guide and analyzed through a computer package, SPSS. The chi-square test was used to test the relevance of the promotion mix elements to the small business enterprises.

The findings from data analysis led to the following conclusions:

- 1) The usage of the promotion mix elements of advertising, personal selling, sales promotions and public relations was found to be very minimal among the small business enterprises. Most such enterprises relied on order taking and convincing the customers within the business premises mainly did promotion. However, almost all the enterprises seemed to understand the benefits of a satisfied customer.
- 2) The most extensively used promotion mix elements among the small business enterprises are personal selling (order taking and using field sales persons occasionally) and advertising in posters, signboards, in-house leaflets and newspapers.
- 3) The promotion of the goods and services from small business enterprises is hindered by lack of skilled staff, inadequate knowledge on how to promote the goods and services, lack of finance and inadequate managerial skills.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Governments throughout the entire world have continued to turn their attention to small business enterprises as the main engine of economic development and success. This is especially because attempts to establish large industries as a way of promoting economic development have failed to improve the lot of the majority of the population. Indeed small businesses are now viewed as an important element in even and equitable economic development (Harper and Soon, 1979).

These small business enterprises have become more and more important when we consider that many countries in the sub-Saharan Africa and especially Kenya have in recent years been experiencing rapid population growth coupled with slow economic growth. This has worsened the economic and social situations in these countries. For instance, Kenya's population grew by 3.7% in 1996/97 yet the economic growth over the same period was 3.1% and below in later years (NSE, 1997). The result of this scenario was poor living standards, unemployment and a general rise in poverty. Moreover, economic trends like the recession of 1996-1998 affected economies like Japan, United States, and Germany among others. As a result many businesses have not been able to expand due to the trickle effect resulting from the above trends.

And as if to add insult to injury the Kenyan government has been implementing the World Bank – International Monetary Fund (IMF) sponsored Structural Adjustment Programs (SAPS) since the mid – eighties. These SAPS have had the objective of transforming the economy from being state run to being market driven and have been implemented in such ways as privatizing non strategic state enterprises, restructuring of strategic state enterprises and corporations, and liberalization of both domestic and foreign trade. In this process of reducing state control and making the economy more market driven an intensive and fierce competition has arisen. Such competition is forcing both large and small business enterprises to critically evaluate their internal and external environments with the aim of developing more effective and competitive strategies (Kibera, 1997).

This situation has become even worse in the 1990s with the emergence of business strategies like Business Process Reengineering (BPR) which have resulted into restructuring in many companies. The consequences of restructuring included laying off or retiring employees earlier than the required retirement age. A large number of the affected individuals have had to turn into self-employment as a way of making ends to meet. Nevertheless, survival in these hard economic times has not been the only reason why many people have ended up in the small business enterprises sector. Interestingly, some individuals are reaping huge profits from the same sector.

Many small business enterprises have remained relatively small despite the many government sessional papers and support including all the support from other interested parties. Many researches have been undertaken to explain the reasons for the poor

performance of this sector. This study had the major objective of finding out whether these enterprises utilize the promotion mix elements of personal selling, advertising, sales promotion and public relations; and if they did utilize such elements which ones in particular?

1.2 The role of Small business enterprises

Small business enterprises contribute substantially to economies not only in Africa but also in many other continents. In fact, the small enterprises sector is regarded as highly opportunistic and flexible and has been described as the most accessible and competitive of African economies (World Bank, 1989). In Africa alone for instance, in 1989 it was estimated that the informal sector alone accounted for about 20 percent of total output and over 20 percent of the total labour force and these ratios were expected to rise over time (UNECA 1989). In Kenya, the fact that small business enterprises can play a major part in economic development and employment creation has received much support from the Kenyan Government. Their importance has been highlighted in Sessional Papers No.1 and No.2 (Government of Kenya, 1986 and 1992 respectively), the sixth and the eighth National Development Plans (1989-1992 and 1997-2001 respectively). According to the Government of Kenya (1994) these enterprises:

"Create job opportunities; promote national productivity; enable the entrepreneur to acquire certain skills important thereafter for national development; help in expanding national trade; provide materials and components to other industries; promote rural development, hence reducing rural urban migration; and supply goods and services to customers at a reasonable price".

The National Poverty Eradication Plan (Government of Kenya, 1999) recognizes the informal sector as becoming an increasingly important feature of the Kenyan economy.

Reports by a 1997 *Economic Survey* indicated that about 1.2 million people were engaged in the urban informal sector in 1994 compared to about 1.7 million people in 1996.

Studies carried out by Aleke-Dondo (1989) found out that small and micro-enterprises (SMES) or the informal sector received much attention because of the following reasons:

- a) Between 1983-1987 employment grew faster in the informal sector than the formal sector.
- b) Mostly local goods are used as raw materials thus they provide market for local produce and supplies, which is relevant to the government's efforts and also saves foreign exchange. Moreover, goods and services generated in this sector have low foreign exchange content.
- c) The sector improves the economic position of many school "drop outs" and women (who own and manage micro enterprises) by providing a source of income for them.
- d) The sector augurs well with the Kenyanization of the economy as the sector is predominantly Kenyan owned and operated.
- e) The sector focuses on the strategy of District Focus for Rural Development, which ensures equitable development of all the regions in Kenya and the reduction of rural - urban migration.
- f) This sector is quite dynamic thus making a proper forum for future industrialization.

Further studies carried out by Parker and Torries (1993) found that small business enterprises were also being used to achieve the following broad development objectives:

- ◆ Promotion of national and regional socio-economic development
- ◆ Alleviation of poverty and assistance of the disadvantaged members of the society
- ◆ Employment promotion
- ◆ Provision of socio-economic linkages
- ◆ Facilitation of transition to market economy
- ◆ Promotion of a more flexible, innovative and competitive economic structure

Thus the small businesses which are a big majority are potentially very important to the general development of the national economy. Their role in employment creation can be seen more clearly when we consider that about 500,000 school leavers join the labour market each year while only about 200,000 jobs are created in the formal sector annually. According to the 8th National Development Plan (1997-2001) the sector is expected to contribute 25.6% of the 1.6 million jobs targeted. Indeed the small business enterprises have continued to be the main source of employment with an annual growth rate of 15 percent. The sectors share in total wage employment rose from 56 percent in 1995 to 64 percent in 1998 (Central Bank of Kenya, 1999). And according to the National Baseline Survey (1999) there were about 1.3 million MSEs in Kenya employing an estimated 2.4 million people. The average income of the enterprises that had been surveyed was about Ksh. 6,000 per month, or 2.5 times higher than the minimum legal monthly wage for general labourers, which in 1999 was Ksh. 2,363.

The share of the MSE sectors contribution to the GDP was estimated at 18.4% in the same year.

Indeed the Kenyan government has realized the important role of small business enterprises and consequently a lot of help and encouragement has been extended to this sector to help it develop. The government has set up such agencies as Development Finance Company of Kenya (DFCK), Industrial and Commercial Development Corporation (ICDC), Kenya Industrial Estates (KIE), and Kenya Industrial Training Institute (KITI) to provide financial and educational support to small business enterprises.

Besides, there are over 100 non-governmental organizations and donor agencies currently operating in Kenya with the aim of stimulating sustainable development of small business enterprises in the country. These organizations are preoccupied with the provision of credit (loans) and such services as technical assistance, marketing, training, and extension services (also known as client or business development/support services) to the small business enterprises. The British government through its Department for International Development (DFID) has over the years increased its spending towards the development of small business enterprises in Africa from sterling pounds 0.3 million in 1992-93 to 10.1 million sterling pounds in 1996-97 (IDS 1998).

Small business enterprises also make more efficient use of inputs, raw materials, capital and labour as compared to big ones. Moreover, they can be used as places of learning and training for people at all levels of functions (Directors, managers, workers etc.), a capacity that could be used in other sectors of the economy.

Many small business enterprises are found in the rural areas of Kenya where small -scale farmers are making reasonable contribution to the national economy by producing cash crops such as coffee, pyrethrum, wheat, cotton, rice, and sugar cane. Some of these crops earn the economy the much-needed foreign exchange. Others are “opening up” those relatively backward rural areas to modern economic system by introducing businesses in the rural areas.

And due to the low amount of capital required for the investments as well as the firms ability to operate profitably even at small volumes of production, small business enterprises encourage savings among the lower income groups and can be established to supply small segments of the market in remote areas with little development infrastructure.

Earlier empirical studies carried out in 1992 by the Kenya government further revealed that micro-enterprises (with ten or fewer employees) a majority of which are to be found in the informal sector, comprised 910,000 Kenyans firms and employed more than two million people (GOK, 1992). Therefore they dominate the business environment. The small-scale businesses (employing between 11-50 workers) are almost non existent (Gray et al 1996).

Available data shows that enterprises of this size currently account for 1.2% of Kenya’s total and yet they are necessary if vertical growth is to be realized. This situation is referred to as the “missing middle” and is said to stunt economic development (Esbin, 1994).

Although many studies have been done on various aspects of small business enterprises, none have addressed the issue of promotion in the small business enterprises in Nairobi Eastlands. Nevertheless, several studies have recommended the need for small-scale enterprises to undertake promotional activities (Harper, 1984; Odera, 1989). For instance Odera (1989)

found out that education, price, styles, output and lack of promotional activities among small-scale enterprises were major problems. She recommended measures to increase awareness among consumers.

The scope of this study is limited to the small business enterprises and considers only the extent to which promotion is used in the marketing of their goods and services.

1.3 STATEMENT OF THE PROBLEM

The roles played by small business enterprises in Kenya, especially since 1980's to date, cannot be overemphasized. Nevertheless these enterprises have had to contend with a multitude of problems and challenges. Of particular concern is the recent external trade liberalization in Kenya which opened the Kenyan market to intense competition from foreign firms. The results have been reported to be disastrous to many Kenyan firms, both small and large. Those which could not 'swim' actually 'sank' (Government of Kenya, 1997).

Since small businesses play a vital role in a country's development, every attempt should be made to assist them as far as their needs are concerned. Nevertheless the many problems these enterprises face have forced the majority of them to remain relatively stagnant.

Several studies have been carried out in an effort to investigate the reasons behind the poor performance of small business enterprises (Child, 1972; Harper, 1974; Mwangi, 1975; Kessio, 1981; Mbuvi, 1983). For instance McCormick (1988) found out that small business enterprises face the problems of lack of capital, erratic supplies and uncertain demand.

However, most of these studies are a number of years old and therefore there is need to carry

out further study in this area. Moreover, none of these studies have addressed the issue of promotion in small business enterprises in Nairobi Eastlands.

This study addresses the question of the extent to which the small business enterprises in Kenya utilize the promotion mix elements of advertising, personal selling, sales promotions and public relations to market their goods and services in the face of competitive environmental conditions.

In carrying out this study the researcher wishes to answer the following two questions:

- 1) How well do the owners/operators of small business enterprises utilize the promotion mix elements?
- 2) Are there any special problems that encounter these enterprises when using the promotion mix elements?

1.4 OBJECTIVES OF THE STUDY

The objectives of this study are:

1. To determine the extent to which small business enterprises utilize different promotion mix elements to market their goods and services.
2. To identify the problems encountered by small business enterprises in the process of promoting their goods and services.

1.5 IMPORTANCE OF THE STUDY

The findings of this study will be of importance to a number of interest groups. Firstly small business enterprises can use it to improve the promotion aspect of their marketing mix. Such enterprises will be able to identify the promotion mix elements that they can effectively use to promote their goods and services. In this way they will be able to set proper promotional strategies in order to achieve a greater market share, to grow in size and to achieve higher profits.

Secondly, it is hoped that the study will be of great use to individuals who wish to invest in the small business enterprises sector as it will help them to know the kind of problems they would face in the marketplace. It will also assist them to know the extent to which they can use particular promotional tools in order to meet the growing challenges of competition from other similar enterprises and from the large, often foreign multinational firms competing globally.

Thirdly, it is expected that this study will be of importance to the government in general and to the ministries of Finance, Commerce, and Industry all of which have an interest in helping the small business enterprises. Voluntary organizations like foreign companies and international aid agencies that also have an interest in helping small businesses will find this study invaluable. Similarly, government agencies that have been set up with the aim of helping the development of the small businesses and the intermediate sector will also benefit from this study. Such agencies include the Industrial and Commercial Development Corporation (ICDC), Kenya Industrial Estates (KIE), Kenya National Trading Corporation (KNTC), and Rural Industrial Development Centre (RIDC) among others.

Lastly, the paper will be of importance to individual persons and scholars who have an interest in the studies of small business enterprises in the future - particularly in the field of promotion.

1.6 CONCEPTUAL AND OPERATIONAL DEFINITIONS

a) Business: The term business can be defined as an enterprise which provides goods or services that people need and at the same time gives the suppliers of the materials or labour, and the owner sufficient payment for the supplies, hours of work or investment that they have provided (Harper, 1974).

b) Promotion: The original connotation of promotion in Latin was to move forward. More recently the meaning of promotion has narrowed so that it refers to communication undertaken to persuade others to accept ideas, concepts or things (Engel et al., 1991). The objective of marketing promotion is to cause favorable behavioral change. This theme is repeated by Stanton and colleagues (1991) who define promotion as an attempt to influence by informing, persuading and reminding the market of a product and the organization.

Promotion helps to create widespread awareness about the products (goods and services) of an enterprise and to enhance the image of the enterprise. The main ways through which small business enterprises as well as other institutions can use to communicate include personal selling, sales promotion, advertising, public relations and publicity.

c) Small business enterprise: The definition of a small business enterprise is not straightforward as the word small is a relative term perceived differently by various authors

in different countries. This is the position taken by Ekpenyong (1992) and Scarborough and Zimmerer (1991) in their definition of small business enterprise. In fact, one study found more than 50 different definitions in 75 countries (USAID, 1983). The definitions used various measures of size depending on the purpose and the persons doing the measuring. Some of the yardsticks commonly used included the total number of employees, total investment, and sales turnover (Kibera, 1996).

The definitions vary across the globe. For instance in the United States, Britain and Canada, small-scale business is defined in terms of annual turnover and the number of paid employees. In the United States in particular, the Small Business Act of 1953 defines a Small Business as one which is independently owned and operated and not dominant in its field of operation. This includes all manufacturing firms with up to 250 employees and all retailers and wholesalers with annual sales not exceeding US \$5million and US\$ 15million respectively (Hodgetts, 1982).

In Britain Small Scale business is defined as that industry with an annual turnover of 2 million pounds or less with fewer than 2000 paid employees.

In Japan, Small Scale industry is defined according to the type of industry paid up capital and number of paid employees. As such Small and Medium sized enterprises are defined as those in Manufacturing with 100 million Yen paid up Capital and 300 employees, those in the wholesale trade with 30 million Yen paid up Capital and 100 employees, and those in the retail service trades with 10 million Yen paid up Capital and 50 employees.

Going by the above definitions from various continents, it is evident that all businesses in the African continent are small when compared with their counterparts from the developed economies. In the case of Kenya, businesses with ten or fewer workers are called Micro enterprises, those with 11 to 50 workers are labeled small enterprises, and all firms employing 51 to 100 workers are categorized as medium sized enterprises (Gray et al 1996).

Belandress (1987) defines Small Scale enterprises as the manufacturing, industrial or non manufacturing service industries in which the owner/manager is not necessarily actively engaged in production but performs the varied tasks involved in guidance and leadership without the help of a specialized staff. The same author defines Micro enterprises as those small business enterprises which are mainly family based, unregistered by the government and lacking collateral or assets that are bankable.

According to a statement by the United States Committee for Economic Development, a small business will show two or more of the following characteristics:

1. There is ease of entry and exit into and from the sector.
2. The capital required is usually low and is supplied by the individual owner or a small group.
3. The area of operations is mainly local and the workers and the owners quite often are from one home.
4. Their size within the industry is relatively small though much depends on the country.
5. Management is independent and usually the managers are also the owners.

6. They depend majorly on manual labour and many are labour intensive.
7. They also depend on local resources and recycling of waste
8. The relevant skills needed are local and no intensive training is required. Moreover use of innovative technologies is predominant (Committee for Economic Development, 1978).

A conference on micro enterprises agreed that the term micro refers to very small income generating units, owned and managed by entrepreneurs who worked in it themselves, from which they derive most of their livelihood, which employ very few people if any, mainly relying on family members and using very little capital.

The Kenyan government in the past through the Ministry of Technical Training and Applied Technology narrowed the definition to include only technically based “Jua Kali” enterprises. It defined them as the rural urban non farming small enterprises usually comprising of 0-9 employees specialized in general servicing and production of a variety of items using indigenous technology. The micro enterprises are normally informal; not having fixed premises and often not properly registered.

The Kenyan Development Plan, 1980- 1993 states that a small business is a company with less than 50 employees and has an annual turnover of Ksh. 5 million. Since there is no consensus on what constitutes a small business enterprise this paper categorizes them into micro-enterprises (with ten or fewer employees) and small-scale enterprises (with 11-50 employees) both in the formal (modern) and informal (“Jua Kali” which literally means “harsh sun”) sectors. Such firms would, for purposes of this paper, be owned and managed

by entrepreneurs who may or may not be working themselves and who may use little capital (Kibera, 1997).

These businesses would be found in the agricultural sector (keeping of dairy cattle, poultry and bees, grain milling, selling fruits and vegetables, cash crops and cereals), manufacturing sector (furniture making, basket weaving, textile making, and printing), construction sector (wood construction, materials making, brick and block making, stone masonry, and retailing of building materials, painting and plumbing), transport sector (bus and matatu services, ox cart, donkey cart, and hand cart services, motor car and bicycle repairs and driving schools) and service sector including tourism (hotel and lodging, taxi services, recreation, etc), professional services (accountancy, legal, medical, and paramedical services) educational services (schools, training, and consultancy services) and agency work (Hodgets 1982; GOK 1994; Kibera 1997).

1.7 Overview of the project

This project is organized in five chapters. The first chapter gives an introduction on the small business enterprises and especially on their importance/role in the economy. The same chapter gives a brief outline of the problem studied, objectives of the study, definitions of working concepts and importance of the study.

The second chapter reviews literature pertinent to the objectives of the study. This is literature pertaining to the problems faced by small business enterprises and literature pertaining to the promotion mix elements.

The third chapter deals with the research design. A discussion of the population, the sampling plan, data collection method and data analysis technique is given in details.

Chapter four gives a summary of the data analysis and a discussion of the findings based on the stated objectives. The fifth and last chapter gives the conclusions, recommendations, limitations of the study and suggestions for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Problems faced by small business enterprises.

Despite the important role played by small business enterprises, it is generally recognized that they face unique problems that affect their survival, growth and profitability, and hence decrease their ability to contribute to sustainable development. These problems must be solved so as to enable these enterprises to succeed in their mission. Below are some of the research studies that reveal some of the problems faced by these enterprises. These problems give us an insight into understanding why promotional activities are important in the development of small business enterprises.

Garlick (1959) carried out a study in Ghana in which he established that capital was the major problem faced by the small business enterprises. He suggested more loans, low interest rates, more guarantees and more lenient security requirements to be the solution to this problem. Studies carried out in Northern India and the United States of America emphasize capital shortage as a major problem (Hirsch, 1961; Harper, 1974). Interestingly, Geertz (1974) found out that in Indonesia lack of capital was apparently not the main problem and that the lack of ability to organize into one enterprise the diverse range of economic activities that make up a small retail business was the main problem.

Studies carried out in Nyeri and Machakos districts by Harper (1974) concluded that capital was not really a constraint as most of the businessmen believed. The biggest problem faced was their failure to make the most efficient use of the existing capital. He recommended the

need for appropriate training of small-scale business owners in relation to the use of their capital.

Another study carried out by Mwangi (1975) found out that lack of capital was repeatedly mentioned more than any other problem. He also found out that the root cause of the problems facing small-scale traders was to be found in their cultural background and the inadequacy of business training and experience, high levels of dead and slow moving stocks, purchase of unnecessary prestigious equipment, uncontrolled withdrawal, and excessive credit.

Shortage of capital was concluded to be the principal problem facing small business enterprises in both the underdeveloped and the developed countries (McGrory, 1956; Parris, 1968; Marris and Sommerset, 1971).

In his study Kessio (1981) concluded that small businesses faced the problems of supply and transportation, financial management, insufficient number of customers, competition from other traders, lack of book-keeping knowledge, and persistent request by customers for credit purchases.

Mbuvi (1983) carried out a study in Machakos district with the aim of finding out the causes of failure in small businesses. He found out that businesses in this area were mainly confronted with two types of problems. First were the internal problems which were directly associated with the businessmen themselves and which were within their control. These problems included big family size, high school fees requirements and inadequate business management skills. Second were the external problems originating from the businesses' external environment. These were beyond the owners control and included the presence of

hawkers, prevalence of drought, and defective distribution and licensing system- where the distribution agents were not allocated trade credit and therefore were not able to carry sufficient stock to satisfy retailers needs.

According to Harper (1984) lack of demand was a major problem for most small-scale enterprises. He suggested that the marketing problems of these enterprises must be understood and addressed as part of the solution. While suggesting that the inability to market products effectively was a constraint, he recommended that the following issues be examined:

- government policies either as a source of support or harassment
- methods used by small enterprises to promote their products
- consumer awareness of the quality, quantity and price of products from small enterprises
- the ability of small enterprises to recognize and satisfy new demands examples of which are new hairstyles and new fashions.

Otieno (1988) observed that the major business problems on initiation included lack of adequate capital, finding suitable working premises, finding customers, getting tools and implements, getting raw materials, getting skilled workers, high license fees, and lack of trustworthy employees. He concluded that small-scale businesses suffer from inadequate institutional financing because of the aforesaid reasons, therefore making capital funds destined for such enterprises to lie idle.

A study carried out by McCormick (1988) found out that the demand for small scale manufactured goods affected both the growth rate and composition of output. She found out that small enterprises faced the problems of lack of capital, erratic supplies and uncertain demand. Although she did not specify the causes of these problems, she recommended that these enterprises be assisted to overcome these problems because they constituted the livelihood of many families and they provided simple consumer goods at reasonable prices.

Maalu (1990) carried out a study in Nairobi Eastlands with the aim of finding out the nature of business records kept by small-scale entrepreneurs and the factors influencing the nature of record keeping. He found out that 72.2% of micro enterprises sampled in his study kept no records or kept only the simple transaction records especially the cashbook. In the same study, Maalu ranked the factors influencing record keeping in order of their importance and the order was as follows: Education, mode of financing, business training, experience and nature of ownership. The insignificant factors from the study were found to be size (as measured by the number of employees), the industrial sectors in which the enterprises belonged and the age of the business.

Another study carried out in Kisumu town sought to find out the factors determining entrepreneurial behaviour (Ombok, 1990). In this study Ombok singled out the features of entrepreneurial behavior as risk taking, innovativeness, individual responsibility and knowledge of results. The study also established the factors that determine entrepreneurial behaviour to be education, experience, motivation, and commitment by investors, access to credit, ethnicity and political connections.

Ngahu (1999) records that entrepreneurs starting businesses with minimal resources face two major problems. The first major problem is how to manage the start up stage effectively in order to avoid failure, and the second is how to build the credibility needed in order to access other peoples resources, to allow for the ventures long term survival and growth. In Kenya lack of resources has become more evident and severe as poverty catches up with many people. This lack of access to productive resources coupled with the low purchasing power of customers severely inhibits the survival and growth of new ventures.

A baseline survey carried out in 1999 by K-REP showed that small business enterprises in both the rural and the urban areas face different problems in varying magnitudes as shown on the table below.

Table 1: Most severe constraints faced by MSE entrepreneurs in Kenya (%)

	Rural	Urban	All MSEs
Markets and competition	38.5	61.5	34.1
Lack of credit	43.7	56.3	18.4
Poor roads/transportation	65.6	34.4	7.2
Shortage of raw materials and stocks	49.4	50.6	6.8
Interference from authorities	19.2	80.8	6.0
Poor security	40.2	60.0	3.1
Lack of work sites	22.3	77.7	2.5
Lack of skilled labour	50.5	49.5	0.6
Power interruptions and inaccessibility			

to electricity	-	100	0.6
Poor access to water supply	59.2	40.8	0.5
Other	7.8	9.1	9.1
No problems	8	9.1	9.1
Total	-	-	100

Source: National MSE Baseline survey, 1999. (CBS, K-Rep, and ICEG)

The above figure shows that access to markets for small business enterprises products as well as access to finance constitute the most dominant and severe problems facing most small businesses surveyed in 1999. 34% of the enterprises cited difficulties arising from market saturation or low demand for products especially in urban settings.

It is worthy noting that many such studies emphasize the fact that most small business enterprises are faced by many problems which problems constraint their struggle to survive and to contribute to the national development

2.2 THE MARKETING MIX ELEMENTS

The study of marketing is founded on what is often referred to as the marketing mix elements (4P's). These are Product, Price, Placement and Promotion. According to Ferrel (1982), these four components are called marketing decision variables because a marketing manager can vary the type and amount of these elements. For instance a manager can adjust prices,

sizes, colors, shapes, and designs of products because of changes in economic conditions, consumer tastes and preferences, or government regulations.

The 4P's form the key decision areas in marketing and although they were originally designed for the manufacturing sector they have found wide application in the service sector.

Magrath (1986) observes that the 4P's are strategic weapons in the firm's market struggle against its rivals. The 4P's have to be coordinated to reinforce each other in a bid to satisfy the customers needs and wants profitably (See Table 2 below).

Table 2: The traditional elements of the Marketing mix (4P's)

	Sub elements of the 4P's
Product	<ul style="list-style-type: none"> Product line Packaging New product development Product quality After sales service
Price	<ul style="list-style-type: none"> Price level changes Quantity discounts Payment terms Published prices Pricing intelligence and trade discounts
Promotion	<ul style="list-style-type: none"> Advertising

	<p>Sales promotion</p> <p>Public relations and publicity</p>
Place	<p>Forward vertical integration</p> <p>Channel selection</p> <p>Channel support</p> <p>Customer service</p> <p>Direct marketing</p> <p>Personal selling</p>

Source: Adopted from Fray, A.W., Effective Marketing Mix, Dartmouth College, 1956 (as cited in Business Horizon, May – June 1986 PP. 45).

Below is a brief explanation of the 4 P's:

2.2.1 Product

A product can be defined as anything that is offered to consumers for possible purchase and consumption. It includes physical objects (e.g. cattle, houses, land), services (e.g. legal advice, travel), places (e.g. Nairobi National Park), people (e.g. Nelson Mandela, Bill Clinton), and ideas (e.g. public lectures, democracy and religion). This is the view taken by Kibera (1997) in his definition of a product.

Small business enterprises usually provide products and/or services as at and when demanded by customers. Closely related to this is the fact that the entrepreneurs are able to make

adjustments on the products or services as demanded by customers' ever changing needs and wants. Thus such variables as the size shape, colour, and packages among others can be changed to make the products quite different from those of competitors.

Quite often small business enterprises use primary demand strategies whereby they use such programs as developing product line extensions, promoting alternative uses, designing new benefits for existing customers, promoting use of related products and repackaging in different sizes. All these strategies aim at increasing the level of demand for a product form or class by current non-users or current users. The performance of these activities by the small business enterprises is nevertheless very much limited.

The use of selective demand strategies that are designed to improve the competitive position of a product, service or business is also common among small business enterprises in Kenya. This is achieved by using such strategies as advertising quality and familiarity, redesigning the product, providing special services, offering bundles of products, developing brand extensions or offering multiple brands, developing superior features on determinant attributes and promoting unique benefits, not attributes.

It has been argued that most small business enterprises' finished products are of poor design and poor quality due to a host of factors such as poor technology and skills, poor maintenance practices, inappropriate raw materials, insufficient exposure of operators, little or no institutional support in the areas of Research and Development, credit and finance (GOK, 1994). However, everybody does not share this negative view.

Product innovation

All businesses exist to provide certain goods or services and indeed no business can succeed without a viable product or service to sell. Product development is never a snap decision but a process involving many steps of decision making process. In general the main stages are idea generation, screening, business analysis, product development, test marketing and commercialization. Kenya has over the years developed its own new products including woven baskets, wood carvings, music targeted to both local and foreign markets and metallic/plastic/wooden gadgets mainly for the domestic market.

Product development strategies are categorized as either reactive or proactive. According to Boyd and Walker (1990) reactive strategies include a defensive strategy (where existing products are adjusted in such a way that they more effectively compete against recently introduced competitive goods and services), an imitative strategy (i.e. quickly copying attributes of the competitor's new product), a second-but-better strategy (i.e. improving on a competitor's new good or service), and a responsive strategy (i.e. reacting to consumer requests for an innovation). The proactive strategies include a R & D strategy which is predicted on identified consumer needs; entrepreneurial strategy which structures an organization in a way that will encourage innovativeness; and an acquisition strategy.

Introducing new goods or services is beyond the capacity of most small businesses particularly in Kenya. Some experts argue that small firms because of lack of time and money frequently neglect marketing research. Meredith et al (1987) echoes the same view when they say that most small enterprises cannot afford R & D needed to put a new product on the market.

According to Ngahu (1999):

".. most of the small enterprise innovations are based on imitative or dependent strategies which forces them to remain market nichers and followers serving the lower end of the market, or small segments. Moreover, the lack of continual change or improvement of the products and processes hampers competitiveness. The major obstacles hindering the continual improvement of these innovations are lack of finance, market information, technology, management skills, and technical support."

Scarborough and Zimmerer (1991) argue that small enterprises have no choice but to innovate given the fact that markets change too quickly and competitors move too fast. The same authors argue that because of the small business enterprises' organizational and managerial flexibility, they often can detect and act on new opportunities faster than large companies. Innovation is one of the greatest strengths of the entrepreneurs, and it shows up in the new products, unique techniques, and unusual approaches that they introduce.

Small business enterprises must minimize the risks associated with introducing new products. To do so they should be guided by the principles of simplicity (the new products should be user friendly), integrity (a good design is thought out from beginning to end), human focus (respect for the consumer complements design integrity), synergy (experience, knowledge, and talents of a team of professionals should guide product design), creativity (a creative environment must be provided by the small business owners and willingness to take calculated risks (Welter, 1989)

2.2.2 Price

From a marketing perspective price is the value placed on a good or service by customers at some point in time. It goes by many other names including rent for a house, tuition fees for education and training, fare for travel, and salaries as well as wages for employees.

Marketers use any of three approaches in setting prices: cost plus pricing, demand based pricing and competition oriented pricing strategies. In cost plus pricing strategy, marketers set prices by totaling their costs and adding a reasonable margin. Many small holders and the small informal sector manufacturers in Kenya usually face problems of determining the true costs of their products and therefore rarely use cost plus pricing strategy.

In the case of demand oriented pricing strategy, marketers whether in large or small charge high prices when and where demand for a product is strong and a low price when and where demand is weak. The relevant price range is determined by the buyers' capability and willingness to pay (demand) and the sellers' cost of producing and distributing the product. It is actually arrived at through negotiation/bargaining (haggling) and this is a widely used pricing strategy by Kenya's small businesses.

Competition based pricing strategies occur where the owner/ manager may decide to charge a price which is higher or lower than the competition by a certain percentage. It is an approach commonly used in Kenya particularly at the open air market places and in the "jua kali" sector where sellers can quickly and without any cash outlay learn how competitors are charging for almost identical products.

2.2.3 Place

A channel of distribution refers to the route or path followed by a product as it moves from the producer to the consumer. In Kenya most intermediaries are small businesses which are normally family owned. They are used by large businesses as sources of raw materials and as outlets for manufactured products.

The simplest channel is that of the producer selling direct to the consumer (direct marketing). When the market intermediaries are used, the process is referred to as indirect marketing.

The choice of the channel of distribution depends on many factors. One of them is the customer characteristics- size of the market, geographical dispersion of the customers, their buying habits in terms of quantities purchased per period and the outlets from which they purchase, and the composition of the market. In the case of Kenya, the purchasing power is low, understocking in the small outlets is common and services poor, and many consumers buy in different outlets and in relatively smaller quantities compared to developed countries.

A second factor is product attributes- product perishability, degree of product standardization, and whether the product is targeted at industrial or household user. Highly perishable products like agricultural products require short channels although this is not always the case in Kenya because of poor infrastructure.

Producer characteristics should also be considered- the marketers objectives, financial status, product mix, past channel experiences and the desired degree of channel control. In Kenya many farmers are able to grow their crops and rear animals which they sell to final consumers at the market places and or by the roadside. Also services such as legal advice,

medical treatment, insurance, real estate, and personal care are sold directly to the consumers in many parts of Kenya.

Marketers also need to consider middlemen characteristics- markets which the middlemen serve, financial requirements of the market intermediaries, services that they provide and their availability. In Kenya marketers have to mainly rely on open-air market places and small traditional full service shops to distribute their products in rural Kenya.

Small business enterprises mainly distribute their products near their bases of operation initially. Indeed the biggest challenge facing the “Jua Kali” sector is how to make its products available outside the immediate neighborhood of the manufacturing/processing site. Without wholesalers products will continue to be sold to a limited market.

2.2.4 Promotion

There is a general consensus that for one to appropriately promote a business, he or she must understand the market he/she is trying to reach, who the customers are, where they come from, when they buy and why they buy from him or her (Meredith et al 1982).

Kinnear (1991) defines promotional strategy as a controlled, integrated program of communication methods and materials designed to present an organization and its products to prospective customers; to communicate need satisfying attributes of products to facilitate sales and thus contribute to long run profit performance. This definition and those of promotion bring out the fact that communication is involved.

The communication process

Communication is a transactional process where meaning is exchanged through the use of symbols. It is also the sharing of meaning and requires five elements: a source, a message, a receiver, and the process of encoding and decoding (see figure 1 below).

The source may be a company or a person who has information to convey. The information sent by a source forms the message. For instance consumers who read, hear, or see the message are the receivers. The message is communicated by means of a channel-TV, radio, or a sales rep.

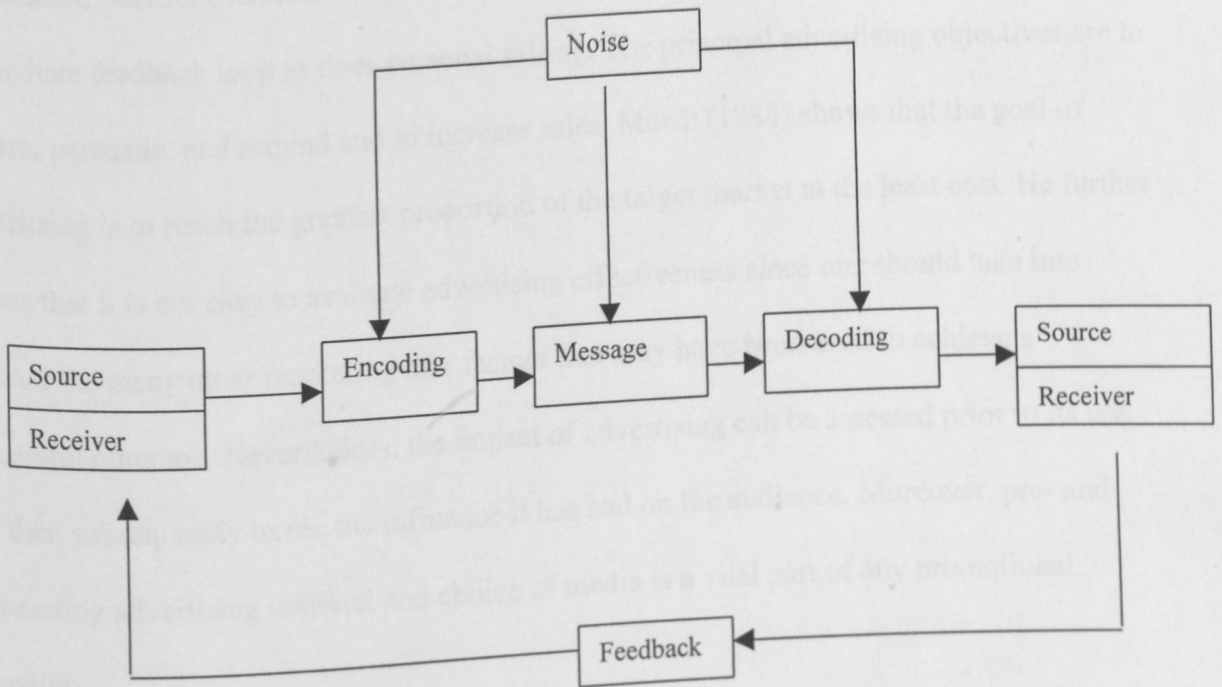
Encoding is the process of having the sender transform an abstract idea into a set of symbols while decoding is the process of having the receiver take a set of symbols, the message, and transform them back to an abstract idea.

For the message to be communicated effectively, the sender and receiver must have a mutually shared field of experience- similar understanding and knowledge. Feedback is the communication flow from the receiver back to the sender and indicates whether the message was decoded and understood as intended. Noise includes extraneous factors that can work against effective communication by distorting a message or feedback received.

The marketing mix elements communicate. In fact consumers are exposed to and actively use communication from all elements of the marketing mix. For instance, the physical product itself communicates a great deal to the consumer as do the parts of the extended product such as the brand name and packaging (including its shape, size, and colour). The physical look and quality of the product send signals or cues to the consumers as to what the product

should mean to them. Consumers also take cues from the price of a product. For example, a highly priced BMW car communicates the product's quality. Further, the distribution location communicates and a marketer needs to keep a clear fit between the product image and the distribution channel.

Figure 1: The Communication Process



Source: Adopted from Kinnear et al (1994).

Thus promotion involves a communication process. The promotion tools which large and small businesses can use to attract new customers and to maintain the current ones are advertising, personal selling, sales promotion, and public relations.

a) Advertising

Advertising refers to any paid non-personal communication in the mass media by an identified sponsor (Gordon 1995). The communication can be about an organization, good, service or idea. The paid aspect of this definition is important because the space for the advertising message normally must be bought. Advertising is non-personal because it involves mass media (e.g. newspapers, radio, TV, out door displays, magazines, premiums, direct mail, booklets, leaflets, and others), that are non-personal and do not have an immediate feedback loop as does personal selling. The principal advertising objectives are to inform, persuade, and remind and to increase sales. Marsh (1988) shows that the goal of advertising is to reach the greatest proportion of the target market at the least cost. He further argues that it is not easy to evaluate advertising effectiveness since one should take into account the many other marketing mix factors that may have been used to achieve a successful outcome. Nevertheless, the impact of advertising can be assessed prior to its use and then subsequently to see the influence it has had on the audience. Moreover, pre- and post-testing advertising material and choice of media is a vital part of any promotional campaign.

Advertising is beneficial because: -

1. It can be attention getting and also communicates specific product benefits to prospective buyers.
2. By paying the advertising space, a company can control what it wants to say and, to some extent, to whom the message is sent.

3. Advertising also allows the company to decide when to send its message (which includes how often).

4. Once the message is created, the same message is sent to all receivers in a market segment as the message is non-personal.

Yet advertising is disadvantageous in that the costs to produce and place a message are significant, and the lack of direct feedback makes it difficult to know how well the message was received. A good advert should be unique and distinctive, be simple and easy to understand; it should contain factual information; and should project positive images of the firm (Kibera, 1997).

b) Personal selling

Engel (1991) defines personal selling as the process of assisting and persuading a prospect to buy a good or service to act on an idea through use of person to person communication.

Ideally it involves the two-way flow of communication between a buyer and seller (e.g. an organization and its customers), designed to influence a person's or groups purchase decision, creating awareness or changing attitudes.

The major dimensions of personal selling are defining the tasks to be performed by a sales person; determining the sales message; establishing an appropriate sales force size designing the sales force structures; recruiting and selecting qualified salespeople; training them; compensating and supervising sales personnel.

The advantages of personal selling are: -

1. A sales person has control to whom the presentation is made.
2. The seller can see or hear the potential buyer's reaction to the message. If the feedback is unfavorable, the sales person can modify the message.
3. Feedback is instant. If the first efforts are off target, the skillful use of feedback offers the opportunity to try again and ultimately establish common ground.
4. Exposure is usually voluntary. This means that the customer is actively seeking information or help and hence will be receptive to processing what is said.

Personal selling is disadvantageous in that: -

1. Due to its high flexibility, different salespeople can change the message so that no consistent communication is given to all customers.
2. It is expensive – on a cost per contact basis, it is generally the most expensive of the four promotional mix elements.

With advances in telecommunications, personal selling also takes place over the telephone, through video teleconferencing and interactive computer links between buyers and sellers. Nevertheless personal selling remains a highly human intensive activity despite the use of technology.

Grosse and Hampell (1980) argue that imaginative advertising causes the fruit of potential customer relationship to grow and ripen. Some may fall out of their own accord, but the best fruit require individual picking. This means that personal selling should go hand in hand with other promotional efforts.

c) Publicity

This is normally a public relations activity. Publicity is communication in news story form regarding a firm and or its products, which is transmitted through mass media at no direct charge to the company. Organizations employ publicity to make people aware of a company's products, maintain a certain level of positive visibility with the public, promote a particular image, to overcome negative communication.

Publicity is highly credible but cooperation with the media may prove difficult and often calls for the company to purchase advertising space. Similarly, with publicity there is little control over what is said, to whom, or when. As a result, publicity is rarely the main component of a promotional mix.

The following publicity tools can be used: -

1. News release – it consists of an announcement regarding changes in the company or product line. The news release informs a newspaper, radio station, or other media on an idea for a story.

2. News conference – here representatives of the media are all invited to an informational meeting and advance materials regarding the content are sent.
3. Public service announcements (PSA)- non-profit organizations rely heavily on PSAs, which are free space or time, donated by the media.
4. Many high visibility individuals are used as publicity tools to create visibility for their companies, their products, and themselves.

The use of news releases, conferences, advertising, donations to charities, volunteer activities, endorsements and any other activities that may have an impact on public perceptions are usually coordinated for publicity purposes.

When used to counter adverse publicity, public relations must first be carefully researched to get the true facts to avoid over-reaction (Kotler, 1988).

d) Sales promotion

Sales promotions are short-term marketing activities aimed at inducing buying through the provision of incentives directed to prospects, for a short period. Sales promotions take many forms such as displays, shows, raffles, demonstrations, coupons, and draws. The table below provides a good summary of this area.

Table 3: Sales promotion alternatives

Kind of sales promotion	Objectives	Advantages	Disadvantages
Deals	Increase trial, retaliate against competition action.	Reduce consumers risk	Consumers delay purchases; reduce perceived products value.
Premiums	Build goodwill	Consumer like free or reduced price merchandise	Consumers buy for premium, not product
Contests	Increase consumer purchases; build business inventory	Encourage consumer involvement with product.	Require creative or analytical thinking
Sweepstakes	Encourage present customers to buy more; minimize brand switching	Get customer to use product and store more often.	Sales drop after sweepstakes.
Samples	Encourage new product trial.	Low risk for consumer.	High cost for the company.
Continuity programs	Encourage repeat purchases	Help create loyalty	High costs for the company
Point of purchase displays	Increase product trial; provide in store support for other promotions.	Provide good product visibility	Hard to get retailer to allocate high traffic space.

Rebates	Encourage customers to purchase; stop sales decline.	Effective at stimulating demand	Easily copied; steal sales from future; reduce perceived product value
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Source: Berkowitz (1994)

Sales promotions are used in conjunction with advertising or personal selling and are directed to intermediaries and ultimate consumers. The table above summarizes the sales promotion directed to final consumers.

Trade oriented sales promotion are sales tools used to support a company's advertising and personal selling directed to wholesalers, retailers, or distributors. They take the form of allowances and discounts, cooperative advertising and training of distributors' sales - force.

The common types of allowances are merchandise allowances, case allowance and finance allowance. Reimbursing a retailer for extra in store support or special featuring of the brand is a merchandise allowance while a case allowance is a discount on each case ordered during a specified time period. Finance allowance involves paying retailers for financing costs or financial losses associated with consumer sales promotions.

Cooperative advertising involves the manufacturer paying a percentage (e.g. 50%) of the advertising costs incurred by the retailer up to a certain dollar limit, which is based on the amount of purchases the retailer makes of the manufacturers' products. The manufacturer may also train the distributors sales force.

The objectives of sales promotion are to identify and attract new customers; introduce new products; increase total number of users for an established brand; induce present customers to buy more; maintain sales during off season periods; and to combat or offset competition.

The short-term nature of sales promotions often stimulates sales for their duration. However, gains are often temporary and sales drop off when the deal ends. Moreover advertising support is needed to convert the customer who tried the product because of a sales promotion into a long-term buyer. And if sales promotions are conducted continuously, they lose their effectiveness. Customers begin to delay purchase until a coupon is offered, or they question the product's value.

An effective promotional strategy must be guided by the marketing concept i.e. it must focus on consumer needs and integrate all activities of the organization to satisfy these needs. The promotional activities must be consistent with the needs of the consumer and integrated with the other elements of the marketing mix, and with other non-marketing functional areas of the organization.

2.3 THE PROMOTION OF SERVICES.

There are many definitions of services. For instance, the American Marketing Association (AMA) defines services as "activities, benefits and satisfactions which are offered for sale or are provided in connection with the sale of goods". Kotler defines a service as "any act that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product". This

study adopts the definition given by Berkowitz (1994) which defines services as intangible items such as airline trips, financial advice, or telephone calls that an organization provides to consumers and for which consumers exchange money or something of value such as their own times.

There are four unique elements of services that a marketer must take into account when developing a marketing program. These are intangibility, inconsistency, inseparability, and inventory (Berry, 1980; Kotler and Bloom, 1984; Kotler, 1988; Moutinho, 1991). These are referred to as the four Is' of services.

1. Intangibility – Services are intangible in the sense that they cannot be held, touched, or seen before the purchase decision. No physical possession results from the purchase of a service (Levitt, 1981). A major marketing need for services is to make them tangible or show the benefits of using the services.
2. Inconsistency – services depend on the people who provide them, when and where the services are provided (Moutinho, 1991). Since they cannot be standardized, their quality varies with each person's capabilities and day to day job performance.
3. Inseparability – in most cases the consumer cannot and does not separate the service from the deliverer of the service or the setting in which the service occurs. Provider-client interaction is a special feature of marketing services (Pezzulo, 1982)
4. Inventory – services are highly perishable. Unlike goods, the inventory costs of a service are more subjective and are related to idle production capacity, which is when the service provider is available but there is no demand.

2.4 DETERMINATION OF THE PROMOTION MIX.

The management of an enterprise has the duty of determining what combination of advertising, personal selling and other promotional tools will make an effective promotional program for the enterprise. Often times, this proves difficult since the executives do not know exactly how much the advertising or any other promotional tool will help achieve the goals of their marketing program. Sometimes it becomes ironical as expressed by West (1991) when he says, "half the money I spend on advertising is wasted. I wish I knew which".

Four factors have been given for consideration when deciding on the promotion mixes (Stanton 1981). These are the amount of money available for the promotion, the nature of the target audience, the nature of the product or service and the stage of the product life cycle. It is important that a company should carry out customer value analysis to determine the benefits the customers in a target market segment want and how they perceive the relative value of competing suppliers offers.

2.5 METHODS OF DETERMINING THE PROMOTIONAL BUDGET

The amount of money that a firm spends on its promotional campaigns differs depending on the tool of promotion used. Four basic methods are used to determine promotional budgets.

These are the affordable method, percentage of sales method, matching the competitors' expenditure, and objective and task method. The methods are frequently discussed in relation to advertising alone but they also apply to the total promotional budget.

2.6 SHORTCOMINGS OF THE MARKETING MIX ELEMENTS

Although the marketing mix elements (4P's) have been applied successfully to services such as banking, there exists a group of marketers who assert that the 4 P's are not enough. Such marketers include Cowell (1984) and they argue that the original marketing mix was developed for application in the manufacturing industries and that the traditional elements of the marketing mix are insufficiently comprehensive for service marketing. Such authors argue that another 3P's should be added for the service industry (Magrath, 1986; Bloom and Bittner, 1981 as cited in Jones, 1989). The 3P's suggested are personnel, physical facilities and process management (Table 4 and Fig. 2).

Personnel: The personnel are the key to the creation of the service and its delivery to the customer in a consistently acceptable fashion.

Physical facilities: These represent the environment in which the service is assembled and where the firm and the customer interact.

Process management: This refers to actual procedures, mechanisms, and flow of activities by which the service is delivered.

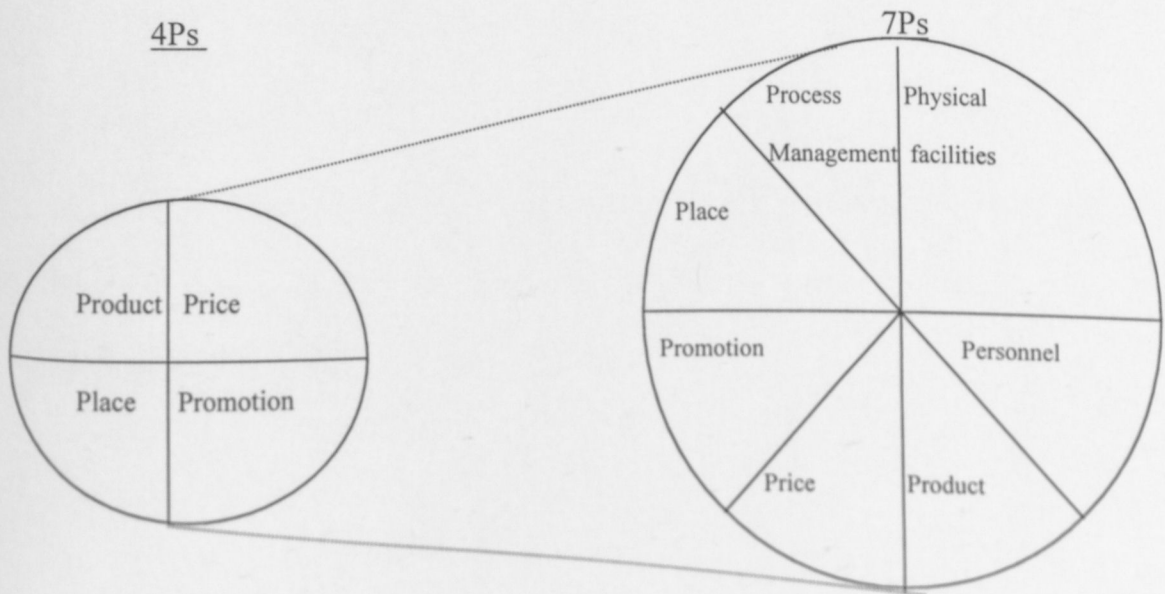
Table 4: Profile of the fully revised Marketing Mix (7P's)

		Sub elements of the 7 P's
Product	Quality Warranty	Brand name Label After sales service.
Price	Level Terms	Discounts Differentiation

Promotion	Advertising Sales promotion Publicity	Selling Public relations merchandising
Place	Location Coverage	Channel accessibility
Personnel	Personnel training Appearance Incentive Social skills	Attitudes Other customers
Physical facilities	Environment Layout Furnishings	Facilitating goods Tangible clues
Process management	Policies Mechanization Customer direction	Procedures Employee discretion Flow of activities

Source: Adopted from Jones, p: Service industries, Pitman, London, 1989, PP.256

Fig.2: Expanding the traditional Marketing mix for Service industries- An Organic Model



Source: Adopted from Magrath, J: "When marketing services, 4P,s are not enough". Business horizon, May/June, 1986

Despite the call to expand the marketing mix, many other scholars claim that the three new elements are already subsumed in two of the traditional 4P's of the marketing mix, that is, product and promotion (Jones, 1989).

This study will concentrate on the promotion mix element of the marketing mix and takes the view that the three new elements are already included in the traditional 4P's of marketing.

2.7 CONCLUSION

From the above literature review, it is evident that small business enterprises in Kenya have to undertake strong promotional activities. This will enable them to withstand the shocks of increased competition, to enlarge their market share, and to achieve higher profit margins. Otherwise, the majority of them will remain relatively small.

CHAPTER THREE

RESEARCH DESIGN

3.1 The Population

The population of study consisted of all the small business enterprises operating in Nairobi Eastlands, Kenya. These businesses can be found in manufacturing, merchandising and service sectors.

Nairobi Eastlands was chosen because of the following reasons:

- 1) Most promotional activities like advertising in Newspapers, Radios, TVs or sales promotional activities are more easily accessible to small businesses operating in Metropolitan cities like Nairobi compared to similar enterprises operating in the rural areas of Kenya.
- 2) This area houses a great fraction of Nairobi's population. In addition, most small business activities in Nairobi are found in this area (Odera, 1989).
- 3) It was convenient for the researcher

3.2 The Sample

The population of interest for this study was so large that a census was prohibitive in terms of time, monetary costs, and efforts expended. As such there was a need to take a sample for the study purpose.

The enterprises to be studied were from the following areas that were randomly selected from a list of administrative zones: Kamukunji, Dandora, Kariobangi North, Ngara, Gikomba ,and Kariokor.

Sampling Procedure For The Enterprises

The sampling procedure was cluster sampling. This method was chosen for several reasons:

1. Due to budgetary and time constraints, it makes the data gathering process more efficient.
2. Most small business activities are clustered in close geographic clusters.

The clusters consist of markets and/or shopping centres. Markets are either city council or open air type.

A total of 60 respondents were interviewed. These were chosen from the above clusters as follows:

<u>Area</u>	<u>No. of respondents</u>
Kamukunji	10
Dandora	10
Kariobangi North	12
Ngara	8
Gikomba	13
Kariokor	7
Total	60

Time and cost constraints guided the choice of this number. The enterprises interviewed were chosen through simple random sampling. The interviewer went to each of the above regions and approached the welfare associations that the small business owners had registered with as members for the list of their members. The researcher then randomly selected the names of the enterprises to be interviewed. Only permanent small business enterprises were chosen because most projects aimed at small business enterprise development prefer to target such enterprises. They are also easy to help since they are more accessible, reliable and easy to monitor their progress.

3.3 The Respondents

The respondents were the owners/managers, marketing/public relations' officers where they existed, and/ or any senior members of the enterprises who thoroughly understood their operations including the marketing function. Ideally the targeted respondents were the persons who performed the marketing functions of the respective enterprises.

3.4 Data Collection

The data for this study was collected using a questionnaire that consisted of three main parts (Appendix 2).

Part A consisted of questions aimed at obtaining general demographic, socio – economic and organizational data of both the respondents and the enterprises.

Part B of the questionnaire consisted of specific questions aimed at obtaining data for the first objective of the study, that is, the extent to which small business enterprises utilized the promotion mix elements.

The questionnaire was structured using an itemized rating scale whereby the respondents were required to select one of the finite numbers of categories that were ordered in terms of their scale positions.

Part C consisted of questions aimed at collecting data on the problems that small business enterprises encountered in the process of promoting their goods and services.

The questions were generated from previous empirical studies, theory, researcher experience and interviews with some owners/managers of the small business enterprises operating in Nairobi Eastlands. The researcher administered one questionnaire per enterprise using the observation and personal interviewing methods. Where necessary the researcher translated the questions to the respondents.

3.5 Data Analysis Technique.

Completed questionnaires were edited immediately after being filled. They were then checked again, coded, and keyed into the computer to facilitate statistical analysis.

This study was mainly descriptive in nature and hence descriptive statistics were used. Thus section A and C of the questionnaire were analyzed through the use of percentages, mean scores and tables. Three or four likert scales were used to determine the usage rate of the specific promotion mix elements, the factors used in determining the promotion mix elements to use, determinants of the promotional messages and whether or not the firm evaluated the promotional messages.

The chi-square test of association was used to test the relationship between the size of the enterprises, the period of operation, the ownership and the usage of the promotion mix elements used by the small business enterprises in Nairobi Eastlands.

The first section analyses the businesses interviewed and it also gives some information about the respondents interviewed. The second section presents data on the utilization of the promotion mix elements by the small business enterprises. The third section outlines the factors that influence the promotion mix elements by these enterprises. The last section presents findings on the problems encountered by small business enterprises in trying to promote their goods and services.

4.1 Profile of the respondents

In this study, 60 respondents were interviewed. These respondents operate their businesses in Eastland area, Kilimbe, Kariakoo, Ngara, Eastlands North, and Dandora areas of Nairobi. The researcher interviewed the small business owners or their spouses or managers who thoroughly understood the operations of the enterprises. Below are the research findings.

Table 5: Type of business activity

Type of business	Frequency	Percentage	Cumulative %
Manufacturing and selling	32	53.3	53.3
Wholesaling only	16	26.7	80.0
Trading	12	20	100.0
TOTAL	60	100	

Source: Research Data

CHAPTER FOUR

RESEARCH FINDINGS

This chapter is divided into three main sections that are related to the two main objectives of the study. The first section analyses the businesses interviewed and it also gives some information about the respondents interviewed. The second section presents data on the utilization of the promotion mix elements by the small business enterprises. The same section outlines the factors that influence the promotion mix elements by these enterprises. The last section presents findings on the problems encountered by small business enterprises in trying to promote their goods and services.

4.1 Profile of the respondents

In this study, 60 respondents were interviewed. These respondents operate their businesses in Kamukunji, Gikomba, Kariokor, Ngara, Kariobangi North, and Dandora areas of Nairobi.

The researcher interviewed the small business owners or their spouses or managers who thoroughly understood the operations of the enterprises. Below are the research findings.

Table 5: Type of business activity

Type of business	Frequency	Percentage	Cumulative %
Manufacturing and selling.	32	53.3	53.3
Merchandising only	16	26.7	80.0
Service	12	20	100.0
TOTAL	60	100	

Source: Research Data

From the above table, it can be deduced that 53.3% of the enterprises interviewed are manufacturing concerns. These engage themselves in selling what they have produced.

Included in this category are furniture making businesses, tailoring or dressmaking shops, and businesses engaged in making metallic items like Jikos, Sufurias and watering cans.

Merchandising concerns, which do not engage in any production, composed about 26.7% of the enterprises interviewed. These include supermarkets, wholesale/retail outlets, and bars.

Moreover, 20% of the enterprises interviewed were in the service sector. Among the service providers are commercial schools and colleges, salons and barbershops, consultancy firms and private hospitals as well as clinics.

Table 6: Length of time in the business

Length of time in years	Frequency	Percentage	Cumulative %
Below six years	19	31.7	31.7
Six to ten years	25	41.7	73.4
Over ten years	16	26.6	100.0
TOTAL	60	100.0	

Source: Research Data

Most of the small business enterprises interviewed are not more than 10 years old. In fact, 31.7% of the said enterprises are less than six years old, 41.7% have been operating for between six and ten years while 26.6% have been in existence for more than 10 years. A few of the enterprises were found to be more than 20 years old.

Table 7: Nature of ownership

Nature of ownership	Frequency	Percentage	Cumulative %
Individually owned	44	73.3	73.3
Family partnership	11	18.3	91.6
Non-family partnership	5	8.4	100.0
Total	60	100.00	

Source: Research Data

From the table above, it is clear that the majority of the enterprises interviewed (73.3%) were individually owned. Family partnerships accounted for 18.3% of the enterprises while non-family partnerships were found to be only 8.4%.

Table 8: Respondents characteristics

Respondents position	Respondents sex	Number	Percentage	Cumulative %
Owners	Male	37	61.7	61.7
	Female	8	13.3	75.0
Non-owners	Male	10	16.7	91.7
	Female	5	8.3	100.0
Totals		60	100.0	

Source: Research Data

Further, it was found that about three-quarters of the enterprises were managed by the owners as shown by the table above (table 8). The owners took the enterprises as their main source of income. 61.7% of the owner-managers interviewed were male while only 13.3% were female. The owner-managers were thus well placed to understand the operations of the enterprises. Overall, the female respondents comprised about 21.6% of the respondents. This

implies that men ran the majority of the enterprises interviewed (about 78.4%). Since 75.0% of all the respondents were the owner-managers, the information was deemed very relevant.

Table 9: Respondents level of education

Level of education	No.	%	Cumulative %
Primary	18	30.0	30.0
Secondary	25	41.7	71.7
College	13	21.7	93.4
University	4	6.6	100.0
Total	60	100.0	

Source: Research Data

The researcher found out that about 30.0% of the respondents had acquired primary level of education and 41.7% of them had been to secondary schools. It was also found that about 21.7% of the respondents had gone to colleges or polytechnics where they learned different skills some of which they were using to operate the enterprises. 6.6% of the respondents had been to the universities. The findings imply that most small business enterprises are mainly owned or run by people with relatively low levels of education. Since such people lack much formal education they run these businesses in informal ways and they lack visionary or adequate managerial skills.

Out of the 60 respondents interviewed, 96.7% had started with a workforce of not more than five employees the owner being included. This could be explained in terms of minimizing the expenses and risks associate with starting a business. Only 3.3% had started with more than five but less than eleven employees. None of the enterprises interviewed had started with

eleven or more employees. The implication here is that the majority of the small business enterprises are started by one or a few individuals and more people are added as the business expands. In fact none of the enterprises had started as small-scale enterprises; all of them had started as micro enterprises. It is also unfortunate that the majority of these enterprises remain micro enterprises and only about 16.7% of them were able to graduate into the small-scale level. This finding supports the argument in the literature review that although there are many micro enterprises there are very few small-scale enterprises thus creating a "missing middle" in the sense that there is missing link between the micro-enterprises and the medium sized enterprises.

Table 10: Number of current employees including the owner

Number of employees	Frequency	Percentage	Cumulative %
Between 1 and 5	33	55.0	55.0
6 to 10	17	28.3	83.3
11 and above	10	16.7	100.0
Total	60	100.00	

Source: Research Data

The table above shows that about 83.3% of the enterprises interviewed were operated by a number not exceeding ten employees with the owner being included. The data collected revealed that about 55% of the enterprises had between one and five employees, 28.3% had between six and ten employees while only 16.7% of the enterprises had more than ten employees. This implies that the majority of the businesses fall under the survival and micro-enterprises sector (83.3%) as defined by Farman and Lessik (1989).

All the small business enterprises interviewed were found to be engaged in selling. Some were manufacturing goods and selling them while others engaged themselves purely in merchandising activities. And yet others were in service provision. Interestingly, all of them were found to be using at least one element of the promotion mix. In fact, all of them were engaged in personal selling especially using order taking and some were found to be using field sales reps. Besides personal selling, the data collected revealed that some of the enterprises utilized advertising, sales promotion, and some elements of public relations. Thus it is clear that small business enterprises utilize the promotion mix elements in varying proportions.

4.2 Utilization of promotion mix elements by small business enterprises in marketing their goods and services.

The data collected in this study indicates that small business enterprises in Kenya use some of the promotion mix elements to a great extent while they tend to ignore others. The respondents were asked to rank the promotion mix elements in order of importance to them. This led to the construction of table 11 below.

The research findings indicate that overall, personal selling is rated by all the respondents as their most important promotion mix element followed by advertising, sales promotion and lastly public relations. In fact, most of the respondents relied only on personal selling especially order taking. This implies that most of the small business enterprises interviewed do not undertake any meaningful promotion of their businesses.

Table 11: Ranking of the promotion mix elements based on their relative importance

Promotion mix element	Ranking	Frequency	Proportion
Personal selling	1	60	100.0%
Advertising	2	15	25.0%
Sales promotion	3	7	11.7%
Public relations	4	4	6.7%

Source: Research Data

The data collected revealed that a small fraction of the enterprises interviewed used the print media to advertise. Only 3.3 % of the said enterprises used the radio, which is part of the part of the electronic media. Those which used the radio said that they used it because it has a wider audience compared to newspapers and the T.V. None of the enterprises was found to be using the other tools of the electronic media (i.e T.V, cinemas, videos) to advertise.

Among the print media, 61.7% of the enterprises interviewed said that they "most commonly used" posters or signboards attached or painted on their business premises. In house leaflets were found to be moderately used by 8.3% of the responding enterprises. Newspapers were rarely used by about 6% of the respondents while none of the enterprises interviewed was found to be using magazines. Some respondents were found to keep magazines, posters and pictures of some of the latest trends in their business. For instance, some barbershops and dressmaking businesses kept wall hangings of the latest haircut styles and fashions respectively.

The data collected also reveals that sales promotion is rarely used by the small business enterprises interviewed. For instance all the enterprises said that they had never participated in trade fairs and shows, exhibitions or give aways like giving free goods. They only displayed their goods only within their business premises or outside the shop floor.

Nevertheless special discounts were rarely used by 11.7% of the enterprises interviewed. And these special discounts are tied to the quantity purchased whereby a customer buying in large quantities would be given a special discount.

Big companies in the brewing industry (e.g. South African breweries and Kenya Breweries) were found to use some of the premises of the small business enterprises as venues for sales promotional events. In the process the host businesses would also have increased sales.

The fact that the small business enterprises do not use sales promotion a lot is mainly because most prices for the products of small business enterprises are not fixed but are arrived at through bargaining/ haggling thus making each price a 'special discount'.

Public relations as away of promoting business was found to be rarely used by a few of the enterprises (about 7%). And these ones used donations and contributions to social functions like wedding parties and harambees. Otherwise, the researcher found that none of the enterprises ever used annual sports, press releases, and speeches by guests, seminars, and sponsorship (e.g. of sports).

It is worthy pointing out that the enterprises had a desire to be perceived positively by the customers. This is achieved through customer satisfaction whereby timeliness, perceived quality, and courtesy are some of the tools used.

Table 12: Personal selling as used by small business enterprises

Promotion tool	Most commonly used		Moderately used		Rarely used		Never used		Total %
	No.	%	No.	%	No.	%	No.	%	
Order taking	60	100	-	-	-	-	-	-	100
Field sales reps	2	3.3	10	16.7	3	5	45	75%	100
All other employees having contact with the customers	29	48.3	14	23.4	11	18.3	6	10%	100
n=60									

Note: No.= number of mentions

From the above table it can be concluded that the most commonly used tools of personal selling are order taking and all other employees having contact with the customers (48.3%). Only about 3.3% of the enterprises interviewed were found to most commonly rely on field sales reps. Ideally the field sales reps go to sell the goods in other markets both in the rural and urban areas while others look for clients to be supplying them with the goods. Otherwise, about 16.7% of the respondents were found to make moderate use of field sales reps. It is worthy noting that the enterprises that were found to use field sales reps were mainly those in the manufacturing sector and included firms making clothes, leather products and furniture businesses. Overall, about 75% of the enterprises interviewed never used field sales reps.

Not all the enterprises allowed all their employees to come into contact with the customers. Talking to the customers is mainly done the person in charge of sales while such employees as the artisans (Fundis) engage themselves purely in their assignments. The researcher found out that about 10% of the enterprises did not allow other employees to come into contact with

customers while 23.4% of the enterprises allowed their employees moderate contact with the customers. This normally happens when the owner/manager is away and has left the necessary instructions.

The above findings point to the fact that although personal selling is the most widely used promotional tool by small business enterprises, its use is greatly limited to order taking.

The researcher found out that overall most of the small business enterprises interviewed did not set proper strategies in relation to their promotional messages. For instance, a great fraction of the respondents did not properly define their market segments and target customers (about 56.7%) and they sold to anyone who wanted to buy. The statistics also reveal that the majority of the small business enterprises did not know how often to communicate, where to communicate, estimate cost of the communication, what the expected results should be, evaluate elements of the promotion mix, evaluate competitor advertising and undertake media planning in order to determine the most effective way of communicating. This is more clearly explained by the table below (see table 13).

Table 13: Strategies in relation to promotion messages

Promotion message strategy	Always		sometimes		Not at all		Total
	No.	%	No.	%	No.	%	
Who to communicate with	14	23.3	12	20.0	34	56.7	100.0
Where to communicate	8	13.3	23	38.3	29	48.3	100.0
How often to communicate	11	18.3	7	11.7	42	70.0	100.0
Estimate cost of communication	9	15.0	14	23.3	37	61.7	100.0

What expected results should be	23	38.3	16	26.7	21	35.0	100.0
Evaluate elements of the promotion mix	8	13.3	24	40.0	38	63.3	100.0
Evaluate competitor advertising	15	25.0	11	18.3	33	55.0	100.0
Undertake media planning	6	10.0	9	15.0	45	75.0	100.0
n=60							

Source: Research Data

Table 14: Setting objectives on the promotion tools

Promotion tool	Objective setting				Total
	Yes	No	No.	%	
	No.	%	No.	%	%
Advertising	23	38.3	37	61.7	100.0
Field sales reps	15	25.0	45	75.0	100.0
Sales promotion	7	11.7	53	83.3	100.0
Public relations	4	6.7	56	93.3	100.0

Source: Research Data

The researcher went ahead to find out whether the enterprises had set objectives for advertising, sales promotion, public relations, and field sales people. The findings as presented in table 14 above reveal that small business enterprises that used field sales reps

had set objectives for them to achieve. Nevertheless, only 25% of the enterprises ever made use of such field sales reps. A total of 38.3% of the firms that advertised on the radio or in the newspapers had particular objectives while only 11.7% of the enterprises ever set sales promotional objectives. About 93.3% of the enterprises interviewed did not set public relations objectives. This is evidence to support previous findings that personal selling and advertising are still the most widely used promotion tools.

Table 15 Objectives set in relation to the promotion mix elements

Promotion objectives	No. of mentions	Percentage
To increase sales volume or make a profit	60	100.0
To be widely known	19	31.7
To beat competition	33	55.0
No specific objectives	-	-
n=60		

Source: Research Data

The researcher found out that all the enterprises made efforts to increase their sales volume. In fact, increasing sales and making a profit was the main objective for all the business enterprises. However, this objective was not expressly written down. 55% of the enterprises interviewed had the objective of beating competition while only 31.7% of the enterprises wanted to be known far and wide. Those that needed such publicity usually advertised in the radio or the newspapers.

Table 16: Promotion budget allocation methods

Methods mentioned	Frequency	Percentage
Competitor rates	7	11.7
Percentage of sales	-	-
Objective and task	15	25.0
Affordable method	6	10.0
No specific method	32	53.3
Total	60	100.0

Source: Research Data

In promoting their goods and services, the researcher found out that the small business enterprises used various promotion budget allocation methods. Though the majority of the respondents did not understand the textbook definitions of these methods, the researcher could tell from their explanations as to which method they were referring to. The findings are summarized in table 16 above.

The implication here is that the majority of the small business enterprises do not have any specific method of allocating their promotion budget. In fact, most of these enterprises do not perform any intensive promotion activities. Nevertheless, the statistics show that 11.7% of the enterprises used competitor rates, 25.0% used objective and task method while only 10% used the affordable method.

4.3 Problems encountered by small business enterprises in promoting their goods and services

In this study, the respondents were asked to name some of the problems they encountered in the process of running their businesses. This is because some of the general business

problems normally have a trickle down effect on the promotion process. The researcher then asked the respondents to rank the problems in order of their seriousness with number one being the most serious. The findings are summarized in the table below.

Table 17: Problems encountered by small business enterprises when promoting their goods and services

Problems	Number of times mentioned	percentage
Lack of capital	50	83.3
Keeping pace with changing customer demands	9	15.0
Inadequate managerial skills	25	41.7
Lack of access to technology	18	30.0
Power interruptions/rationing	41	68.3
Competition	43	71.7
Difficulty in getting the right raw materials	6	10.0
Low demand for their products	45	75.0
Untrustworthy clients	4	6.7
Harassment by police and city council	10	16.7
n=60		

Source: research data

From the above table, we can deduce that the small business enterprises interviewed experienced problems in the following order of seriousness:

1. Lack of capital
2. Low demand for their products
3. Competition from local and foreign goods

4. Power interruptions/rationing
5. Inadequate managerial skills
6. Lack of access to technology
7. Harassment by police and city council
8. Keeping pace with customer demands
9. Difficulty in getting the right materials
10. Untrustworthy clients

These problems were found to limit their business activities. More specifically, it was found that most small business enterprises do not heavily use the conventional promotion mix elements. This is because of reasons such as the low scales at which most of them operate, inadequate managerial skills, and lack of knowledge on how to promote their goods and services. Moreover, most of these enterprises mainly serve a particular geographical market segment especially using the nicheship strategy and many assume that customers know where to locate them. Sure enough, they get some customers who are driven by their needs to search for the products. But the above assumption is a fallacy considering that not all customers have perfect market information.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS.

5.1 SUMMARY

This study had two main objectives. The first one was to determine the extent to which small business enterprises in Nairobi Eastlands use the promotion mix elements in marketing their goods and services. The second one was to identify the problems encountered by these enterprises in the process of promoting their goods and services.

The data obtained from the responding enterprises was analyzed using frequency tables and percentages. A chi-square test was used to conduct pertinent statistical tests.

5.2 CONCLUSIONS

From the research findings presented in chapter four of this study, several conclusions may be drawn. These are discussed in light of the objectives of the study as are stated above.

5.2.1 Conclusions on the owners and the business enterprises.

From this section, it can be concluded that a greater proportion of the businesses interviewed are individually owned (73.3%) while family partnerships accounted for 18.3% of the said enterprises. Only 8.4% were non-family partnerships. The implication here is that most small business enterprises are mostly run as sole proprietorships and are thus excluded from all the advantages of partnerships or limited liability companies. This means that they operate with relatively less capital and fewer human resources and consequently many of them remain relatively small.

The majority of the small business enterprises were engaged in manufacturing and selling what they had produced (about 53.3%). These engaged themselves in activities such as furniture making, tailoring, dressmaking, metalworking (production of sufurias, jikos, watering cans, etc), and the making of leather or tire related products examples of which are leather/tire shoes and baskets. Merchandising concerns comprised about 26.7% of the enterprises while only 20% these businesses were in the provision of services and included chemists, doctors' dispensaries, salonists, consultants etc.

A great fraction of the businesses were relatively new starters since about 31.7% had been in operation for less than six years while another 41.7% had operated for between six and ten years. 26.6% of the enterprises interviewed were found to be more than ten years old.

Despite the fact that most of these enterprises had operated for a period exceeding five years (about 68.3%) the researcher observed that many of them still operate in either temporary structures or poorly maintained ones. This could be an indication that business performance is either poor or there is lack of good management objectives like achieving profitability and business expansion.

The majority of the businesspersons interviewed had started with less than six employees the owner being included (about 96.7%). The rest had started with between five and ten employees (including the owner) and none had started with more than ten employees. This implies that most small businesses are started by a few people who then add others as the business expands. The small business entrepreneurs also minimize the expenses and risks associated with business start up by keeping the initial employees very few.

A further classification of the businesses by the number of current employees revealed that over 80% fall under the survival and micro enterprise subsectors as defined by Farman and Lessik(1989). The researcher found out that only 16.7% of the enterprises interviewed had more than ten employees. This implies that although there are many micro enterprises there are very few small-scale enterprises. Since the small-scale enterprises are the ones expected to graduate into the medium sized enterprises there is a need for greater efforts to assist the micro enterprises to climb up the ladder. Similarly there is a missing link between the micro enterprises and the medium sized enterprises. This situation needs to be addressed seriously. Otherwise, most of the enterprises will remain small and there may be fewer and fewer medium sized industries in the future.

The researcher also found out that about three-quarters of the small business enterprises were managed by their owners. Female respondents comprised 13.3% of the owner-managers while male respondents comprised 61.7% of the owner-managers. Overall, the female respondents were only 21.6% of the total respondents. Male non-owner managers formed 16.7% of the respondents. From these findings, it can be concluded that most small business enterprises are run or managed by their owners and that the majority of these owners are male. Nevertheless, some individuals start these enterprises and entrust them to the care of someone else.

From the research findings we can deduce that people with different educational qualifications operate small business enterprises. More specifically, it was found that 30.0% of the respondents had acquired only primary level of education while 41.7% had acquired

secondary level of education. Those who had been to colleges comprised 21.7% of the respondents and graduates comprised about 6.6% of the respondents. This implies that people with relatively low levels of education operate most small business enterprises. This could be one of the reasons why they don't undertake intensive promotion of their goods and services, a factor which makes the majority of these enterprises to remain relatively small. Often times, such cadre of people are found to lack adequate managerial skills.

2.2.3 Utilization of the promotion mix elements.

The research findings also reveal that small business enterprises in Nairobi eastlands use some of the promotion mix elements more than others. Nevertheless, it is worthy noting that the majority of these enterprises promote their goods and services either passively or within a limited geographic area. For instance, many of them wait for the customers to bring themselves to the business premises after which they use personal selling to convince the customers to buy the goods or consume the services. The satisfied customers would then be expected to become loyal customers and also to bring their colleagues thus adding on to the chain of customers. The usage of wall paintings or signboards posted either on the building or a short distance away was also found to be predominant.

The respondents also indicated that they did not undertake intensive promotional campaigns because of lack of funds. Moreover, they claimed that the customers knew where to get certain goods. Normally, similar goods would be clustered in a certain region of each market place. In fact, some of these enterprises were going on relatively well by virtue of their location advantages. For instance anyone interested in metallic goods like boxes would be expected to visit Kamukunji area. However, this assumption is a fallacy considering that all

customers do not have perfect knowledge concerning where to get various products. Perhaps the low levels at which most of these enterprises operate and the fact that they serve a limited geographic area could better explain why they don't undertake intensive promotional campaigns. Ignorance of the process of promoting the goods and services also featured heavily.

5.2.3 utilization of the promotion mix elements.

The research findings further indicated that the majority of the businesses considered personal selling (especially order taking) as their most important promotion mix element followed by advertising, sales promotion and public relations. In fact public relations was unanimously ranked as the least used element among those enterprises interviewed. These enterprises considered the human aspect in marketing the goods and services very important hence the importance attached to personal selling.

The investigation to identify the most commonly used promotion tools in each promotion mix element revealed that in the case of personal selling order taking was used by all the enterprises while field reps were used by about 25% of the respondents. The usage of the field sales reps was most common among 3.3% of the respondents, moderately used by 16.7% of the respondents and rarely used by about 5% of the respondents. The implication here is that most small business enterprises (about 75.0%) do not use field sales reps.

Without the usage of field sales reps the products and services of most small business enterprises will continue to suffer from low demand. In fact, those who made use of field sales reps confessed that they did not suffer greatly from seasonal low demands.

Although the selling or promotion of the goods and services was found to be the domain of the owner/manager most of the enterprises allowed other employees to come into contact with the customers. This is because the employees quite often knew the prices at which the products are sold. However, some enterprises (about 10%) restricted their employees from coming into contact with the customers.

Thus order taking is the most common form of personal selling followed by all other employees having contact with the customers (48.3%) and last is the use of field salespeople. And from the above findings we can conclude that most small business enterprises do not perform major promotional activities outside the shop floor.

In the case of advertising, it was found that most of the enterprises used signboards and posters painted on or near their business premises. More specifically the research findings revealed that about 61.7% of the enterprise interviewed said they most commonly used posters or signboards. In-house leaflets were moderately used by 8.3% of the responding enterprises while newspapers were rarely used by about 6% of the respondents. The usage of the radio was found to be minimal as only 3.3% of them had used it (rarely though). None of the enterprises interviewed had ever used such tools of the electronic media as the T.V, Cinemas or Videos. The relatively high usage of the print media could be explained in terms of the low cost implications. Nevertheless, the usage of daily newspapers which have a national or international readership was found to be very low, a factor which could be attributed to low levels of education and training as well as inadequate managerial skills.

As far as sales promotion is concerned, 11.7% of the enterprises indicated that they only used special discounts once in a while. The usage of the special discounts was tied to the quantities purchased whereby a customer who buys in large quantities is given the discount. Ideally pricing for most small business enterprises' products is mainly through bargaining/haggling thus making each price a special discount. None of the enterprises interviewed had ever participated in trade fairs and shows, exhibitions or give aways in the form of free goods. The business premise is also used as the showroom where the goods are displayed either inside or outside the premises. This could be attributed to the low levels at which they operate, lack of finances and inadequate knowledge as to the usefulness of the sales promotional tools.

Public relations as a way of promoting the businesses was found to be rarely used by about 7% of the enterprises interviewed. Nevertheless all the enterprises understood the meaning of a satisfied customer. Timeliness and courtesy were some of the ways used to satisfy customers. Good relations with the customers would then result. The satisfied customers are then expected to purchase again and again while at the same time introducing new customers. Very few of the enterprises used donations and contributions to social functions as a way of achieving publicity and public relations. Otherwise the usage of such public relations activities as annual sports, press releases, speeches by guest speakers, seminars and sports sponsorship were found to be totally absent among the enterprises interviewed.

In determining the method of promotion to use, the factors most commonly considered were the availability of funds, market competition, profitability to be achieved, and the suitability

of the promotion tool. The type of customers, type of services, and the type of the message were moderately considered. The other factors like the product life cycle, staff skills, and enterprise image were either rarely considered or never used.

When asked to state some of the problems they faced and which could explain their poor performance, the findings revealed that all the enterprises had a preconceived business objective of making more sales and consequently increasing their profit levels. Nevertheless, 31.7% of the enterprises had the objective of being widely known while 55.0% wanted to beat competition. A point worthy noting is that most of these small business enterprises operate informally and they do not necessarily put down the objectives in writing.

The study further revealed that most enterprises rarely paid any attention on who to communicate with, where to communicate, how often to communicate, estimating the cost of the communication, or even what the expected results should be. In other words, they lacked proper market segments, market target, and specific communication or operating objectives. Similarly, the majority of the enterprises never paid due respect to evaluating the elements of the promotion mix, evaluating competitors advertising against their own or even undertaking media planning to identify the most effective way of reaching the customers.

Keeping pace with customer demands, those enterprises that carried out any meaningful promotional activities indicated that they considered competitors moves, what the enterprises wanted to achieve and the amount of money they could afford to put into promotion. This

implies that they used a combination approach, not a single approach, in setting the promotional budget.

When asked to state some of the problems they faced and which could explain their poor performance, the respondents cited many problems. These included harsh economic conditions, electric power rationing, low demand for their goods and services, lack of tools and equipment for producing the goods and services, and the use of archaic technologies. Besides these general problems, the respondents were asked to specify the problems that encountered them in the process of promoting their goods and services. The following problems were cited in order of their importance:

- 1) Lack of adequate capital.
- 2) Low demand for their products.
- 3) Competition from local and foreign goods.
- 4) Power interruptions/rationing
- 5) Inadequate managerial skills
- 6) Lack of access to technology
- 7) Harassment by police and city council authorities.
- 8) Keeping pace with customer demands.
- 9) Difficulty in getting the right materials.
- 10) Untrustworthy clients.

5.3 RECOMMENDATIONS

The following recommendations could be given arising from the study.

1. Given that lack of capital and demand for individual enterprise products or services are reportedly the most serious problems, attempts should be made to improve product quality in order to effectively compete both inside and outside the country, and that possible financial support could be extended to these enterprises.
2. Besides financial interventions small business operators could benefit greatly from occasional training sessions whereby they would be taught how to market/promote their goods and services. They would also benefit from knowledge of the management process and especially on monitoring their environment and making the necessary strategic moves.
3. Due to complaints about local authorities and insecurity, local workshops and meetings could be held to emphasize the importance of small business enterprises to the local economy and their contribution to the national GDP and hence the need to create business relationships that would facilitate small business enterprise growth.

5.4 LIMITATIONS OF THE STUDY

The study was constrained by several factors. These included the following:

- 1) The time available to complete the study was a constraint in the sense that it hindered the researcher from enlarging the area of study and to include more respondents.

- 2) The financial resources allocated for the research were hardly enough for it and as such a more detailed study could not be carried out.
- 3) The nature of the respondents required that some of the questions be explained in Kiswahili. In the process some of the original meanings could have been distorted. Further, the means of the questionnaire administration, that is, through interviews meant that the interviewer had to give explanations to some of the questions. This further complicated the above problem.

5.5 SUGGESTIONS FOR FURTHER RESEARCH

The findings of this research indicate that further research is necessary. The following areas could be examined.

First, a study could be carried out to compare the usage of the promotion mix elements by micro enterprises on the one hand and by the small-scale enterprises on the other. This could possibly lead to more conclusive results.

Secondly, the current study was carried out on small business enterprises in Nairobi Eastlands. Similar studies should be conducted in other parts of the country in both the urban and rural areas to find out whether the results would be similar.

Lastly, time and resource constraints made it impossible to incorporate other personalities apart from the owners of the enterprises. A similar study should be conducted incorporating these other personalities who have a direct interest in this sector in order to get their views on how to promote the goods and services of the small business enterprises.

APPENDIX I: INTRODUCTORY LETTER

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

ONE UNIVERSITY ROAD - NAIROBI KENYA

Telephone: 712191 Ext 200
Telegrams: "Univoy", Nairobi
Telex: 22005 Univoy

P.O. Box 30197
Nairobi Kenya

5th July 2000

Dear Respondent,

I am a postgraduate student in the Faculty of Commerce, University of Nairobi. As a partial fulfillment of the degree of **APPENDICES** M.A. in Business Administration, I am carrying out a study on the *utilization of promotion mix elements by small business enterprises: The case of Nairobi Garlands*.

As one of the small business enterprises, your venture has fallen within my sample. I am kindly requesting you to provide the information sought in the interview guide. Your response will be treated in strict confidence and in no way will your name or that of your organization appear in the report.

Thank you.

BENJAMIN MWANGI MURILI
MBA STUDENT

DR. R.M. MUYOKA, SUPERVISOR
DEPT. OF BUSINESS ADMINISTRATION

APPENDIX 1: INTRODUCTORY LETTER

UNIVERSITY OF NAIROBI

FACULTY OF COMMERCE

MBA PROGRAM – LOUERA WABETE CAMPUS

Telephone: 732160 Ext. 208
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

8th July, 2000

Dear Respondent,

I am a postgraduate student in the Faculty of Commerce, University of Nairobi. As a partial fulfillment of the degree of Master of Business and Administration, I am carrying out a study on the *utilization of promotion mix elements by small business enterprises: The case of Nairobi Eastlands*.

As one of the small business enterprises, your venture has fallen within my sample. I am kindly requesting you to provide the information sought in the interview guide. Your response will be treated in strict confidence and in no way will your name or that of your organization appear in the report.

Thank you.

BENJAMIN MWANZIA MULILI

MBA STUDENT

DR. R.M. MUYSOKA, SUPERVISOR

DEPT. OF BUSINESS MINISTRATION

APPENDIX 2: THE INTERVIEW GUIDE

INTERVIEW GUIDE

PART A

- Q.1 Are you the owner of this enterprise?
A) yes
B) no
- Q.2 Respondents sex . Male/Female
- Q.3 If you are not the owner what is the owners sex? Female/male
- Q.4 What is your level of education?
a) primary education
b) secondary education
c) college level
d) university level.
- Q.5 What is the main type of business you are engaged in?
Manufacturing []
Merchandising []
Service []
- Q.6 For how long have you been in this business?.....Months/Years
- Q.7 What is the nature of ownership of your business?
Individually owned []
Family partnership []
Non family partnership []
Others (specify).....
- Q.8 How many employees did you start with?.....
- Q.9 How many employees do you have currently?.....
- Q.10 Do you perform any activities to increase sales?
Yes..... Go to question 7
No..... Go to question 8
- Q.11 Mention some of the activities you use
Personal selling []
Sales promotion []
Advertising []
Public relations and publicity []
Others (specify).....
- Q.12 Why don't you perform activities to increase sales?
The nature of the business does not require such activities []
Lack of finances []
Lack of awareness of tools of increasing sales []
Lack of awareness of the process of promoting the business []
Others (specify).....

PART B

- Q.1 Please rank the following tools of increasing sales in order of importance to your enterprise with the first being the most important, 2nd the next most important and so on.
Advertising []
Sales promotion []
Public relations []
Personal selling []
- Q.2 To what extent does your enterprise use the following methods of increasing sales?

	Mostly used 4	Moderately used 3	Rarely used 2	Never used 1
A. ADVERTISING				
1. Electronic media				
Radio	[]	[]	[]	[]
T.V.	[]	[]	[]	[]
Cinema	[]	[]	[]	[]
Videos	[]	[]	[]	[]
2. Print media				
Newspapers	[]	[]	[]	[]
Magazines	[]	[]	[]	[]
Catalogues	[]	[]	[]	[]
In house leaflets	[]	[]	[]	[]
Bronchures and bulletins	[]	[]	[]	[]
Outdoors advertising eg Poster, billboards etc.	[]	[]	[]	[]
Others (specify).....				

B. SALES PROMOTION				
Trade fairs and shows	[]	[]	[]	[]
Exhibition	[]	[]	[]	[]
Give aways (eg free goods)	[]	[]	[]	[]
Special discounts	[]	[]	[]	[]
Others (specify).....				

C. PUBLIC RELATIONS				
Annual sports	[]	[]	[]	[]
Press releases	[]	[]	[]	[]
Speeches by guests	[]	[]	[]	[]
Seminars	[]	[]	[]	[]
Sponsorship (e.g. sports)	[]	[]	[]	[]
Donations and contributions e.g. charities and harambees	[]	[]	[]	[]
Others (specify).....				

D. PERSONAL SELLING				
Order taking	[]	[]	[]	[]
Field sales reps	[]	[]	[]	[]
All other employees having contact with the customers	[]	[]	[]	[]

	Never used 4	Rarely used 3	Moderately used 2	Most commonly used 1
Q.3 To what extent do the following factors determine the method of increasing sales you use?				
Availability of funds	[]	[]	[]	[]
Market competition	[]	[]	[]	[]
Product life cycle	[]	[]	[]	[]
Type of customers	[]	[]	[]	[]
Types of services	[]	[]	[]	[]
Staff skills	[]	[]	[]	[]
Enterprise policy	[]	[]	[]	[]
Enterprise image	[]	[]	[]	[]

Size	[]	[]	[]	[]
Profitability	[]	[]	[]	[]
Suitability of promotion tool	[]	[]	[]	[]
Type of message	[]	[]	[]	[]
Image requirements	[]	[]	[]	[]
Others (specify)				

Q.4 Does your enterprises specifically identify the following with regard to your communication messages? (To be ticked appropriately)

	Always 3	Sometimes 2	Not at all 1
Who to communicate with?	[]	[]	[]
Where to communicate?	[]	[]	[]
How often to communicate?	[]	[]	[]
Estimate cost of communication?	[]	[]	[]
What the expected results should be	[]	[]	[]

Q.5 Please state your appropriate choice to the following. If you do not know state "not at all"
Does your firm

	Always 3	Sometimes 2	Not at all 1
a) Develop means of evaluating the elements of promotion mix?	[]	[]	[]
b) Evaluate competitors advertising against your own?	[]	[]	[]
c) Undertake media planning to identify the most effective way of reaching the customers?	[]	[]	[]

Q.6. What method does your enterprise use to set the budget of increasing sales? (To be ticked appropriately).

- a) It depends on how much competitors use to promote their goods and service []
- b) Our enterprise uses the amount of sales to determine the amount to use on promotion []
- c) It depends of what our organization wants to achieve []
- d) We use only as much as we can afford []

Q.7 Does your enterprise set objectives in each of the following areas? (To tick Yes or No)

	Yes	No
Public relations	[]	[]
Advertising	[]	[]
Sales promotion	[]	[]
Personal selling	[]	[]

Q.8 If your answer to Q.7 is yes, briefly indicate the objectives for:

- a) Public relations
.....
.....
.....
- b) Advertising
.....
.....
.....

c) Sales promotion

.....

d) Personal selling

.....

PART C

Every organization faces some problems in its operations. Please rank the following problems in order of their seriousness to your enterprise. No. 1 should be the most serious problem, No.2 the second most serious problem and so on.

1. Lack of adequate financing (Money)	[]	3.84	18
2. Low level of education and technical training	[]	1.79	7
3. Inadequate Managerial skills	[]	1.02	4
4. Lack of access to technology	[]	15.35	60
Others (specify).....			16

• **THANK YOU VERY MUCH FOR YOUR COOPERATION!**

APPENDIX 3:

COMPUTATION OF THE CHI-SQUARE TEST OF ASSOCIATION BETWEEN THE SIZE OF THE ENTERPRISE AND THE USE OF THE PROMOTION MIX ELEMENT.

Null hypothesis: Ho. There is no association between the size of the enterprise and the use of the promotion mix element.

Promotion mix element.	1-5 employees		6-10 employees		11-50 employees		Total
	(O)	(E)	(O)	(E)	(O)	(E)	
Advertising	2	6.28	6	4.88	7	3.84	15
Sales promotion	0	2.93	3	2.28	4	1.79	7
Public relations	1	1.67	2	1.30	1	1.02	4
Personal selling	33	25.12	17	19.53	10	15.35	60
Total	36		28		22		86

Key: (O) = Observed values

(E) = Expected values

$$E = \frac{nA_1nB_1}{n}$$

$$\chi^2 = \sum_{i=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

$$\chi^2 = \frac{(2-6.28)^2}{6.28} + \frac{(6-4.88)^2}{4.88} + \frac{(7-3.84)^2}{3.84} + \frac{(0-2.93)^2}{2.93} + \frac{(3-2.28)^2}{2.28} + \frac{(4-1.79)^2}{1.79}$$

$$+ \frac{(1-1.67)^2}{1.67} + \frac{(2-1.30)^2}{1.30} + \frac{(1-1.02)^2}{1.02} + \frac{(33-25.12)^2}{25.12}$$

$$+ \frac{(17-19.53)^2}{19.53} + \frac{(10-15.35)^2}{15.35}$$

$$\chi^2 = 16.97$$

Degrees of freedom = (3-1)(4-1) = 6

Significance level = 0.05

Table $\chi^2 = 1.64$

Since the calculated χ^2 value is greater than the critical value, we reject the null hypothesis and accept the alternate hypothesis that there is an association between the size of the enterprise and the use promotion mix elements.

	0-5 years	6-10 years	Over 10 years	Total
Public relations	1	1.32	1	1.63
Personal selling	19	16.74	25	24.42
Total	24	35	27	86

Key: (O) - Observed values

(E) - Expected values

$$E = \frac{nA}{N}$$

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

$$\chi^2 = \frac{(1-1.63)^2}{1.63} + \frac{(19-24.42)^2}{24.42} + \frac{(1-1.02)^2}{1.02} + \frac{(10-15.35)^2}{15.35} + \frac{(17-19.53)^2}{19.53} + \frac{(2-1.30)^2}{1.30}$$

APPENDIX 4

COMPUTATION OF THE CHI-SQUARE TEST OF ASSOCIATION BETWEEN THE PERIOD IN OPERATION AND THE USE OF THE PROMOTION MIX ELEMENT.

Ho: There is no association between the period in operation the use of the promotion mix element.

Promotion mix element	Below 6 years.		6-10 years		Over 10 years.		Total
	(O)	(E)	(O)	(E)	(O)	(E)	
Advertising	3	4.19	7	6.10	5	4.71	15
Sales promotion	1	1.95	2	2.85	4	2.20	7
Public relations	1	1.12	1	1.63	2	1.26	4
Personal selling	19	16.74	25	24.42	16	18.84	60
Total	24		35		27		86

Key : (O) = Observed values

(E) = Expected values

$$E = \frac{nA_1nB_1}{n}$$

$$\chi^2 = \sum_{i=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

$$\chi^2 = \frac{(3-4.19)^2}{4.19} + \frac{(7-6.10)^2}{6.10} + \frac{(5-4.71)^2}{4.71} + \frac{(1-1.95)^2}{1.95} + \frac{(2-2.85)^2}{2.85} + \frac{(4-2.20)^2}{2.20}$$

$$+ \frac{(1-1.12)^2}{1.12} + \frac{(1-1.63)^2}{1.63} + \frac{(2-1.26)^2}{1.26} + \frac{(19-16.74)^2}{16.74}$$

$$\chi^2 = 4.117$$

Degrees of freedom = (3-1)(4-1) = 6

significance level = 0.05

Table $\chi^2 = 1.64$

Since the calculated χ^2 value is greater than the critical value, we reject the null hypothesis and accept the alternate hypothesis that there is a relationship between the period in operation and the promotion mix elements.

	Family	Family partnership	Non-family partnership	Total
Advertising	4	3	6	13
Sales promotion	3	2	2	7
Public relations	1	2	1	4
Personal selling	44	11	5	60
Total	52	16	14	82

Key: (O) = Observed values

(E) = Expected values

$E = \frac{r \cdot c}{n}$

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

$$\chi^2 = \frac{(5-3.27)^2}{3.27} + \frac{(4-3.31)^2}{3.31} + \frac{(6-2.62)^2}{2.62} + \frac{(2-4.22)^2}{4.22} + \frac{(3-1.55)^2}{1.55} + \frac{(2-1.22)^2}{1.22}$$

APPENDIX 5

COMPUTATION OF THE CHI-SQUARE TEST OF ASSOCIATION BETWEEN THE OWNERSHIP AND THE USE OF THE PROMOTION MIX ELEMENT.

Ho: There is no association between the ownership of the enterprise and the use of the promotion mix element.

Promotion mix element.	Individually owned		Family partnership		Non-family partnership		Total
	(O)	(E)	(O)	(E)	(O)	(E)	
	Advertising	5	9.07	4	3.31	6	
Sales promotion	2	4.23	3	1.55	2	1.22	7
Public relations	1	2.42	1	0.88	2	0.70	4
Personal selling	44	36.28	11	13.26	5	10.47	60
Total	52		19		15		86

Key : (O) = Observed values

(E) = Expected values

$$E = \frac{nA_1nB_1}{n}$$

$$\chi^2 = \sum_{i=1}^k \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

$$\chi^2 = \frac{(5-9.07)^2}{9.07} + \frac{(4-3.31)^2}{3.31} + \frac{(6-2.62)^2}{2.62} + \frac{(2-4.23)^2}{4.23} + \frac{(3-1.55)^2}{1.55} + \frac{(2-1.22)^2}{1.22}$$

$$+ \frac{(1-2.42)^2}{2.42} + \frac{(1-0.88)^2}{0.88} + \frac{(2-0.70)^2}{0.70} + \frac{(44-36.28)^2}{36.28}$$

$$+ \frac{(11-13.26)^2}{13.26} + \frac{(5-10.47)^2}{10.47}$$

$$\chi^2 = 17.51$$

$$\text{Degrees of freedom} = (3-1)(4-1) = 6$$

$$\text{Significance level} = 0.05$$

$$\text{Table } \chi^2 = 1.64$$

Since the calculated χ^2 value is greater than the critical value, we reject the null hypothesis and accept the alternate hypothesis that there is an association between the ownership of the enterprise and the use promotion mix elements.

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