

ENHANCING SMES SALES GROWTH PERFORMANCE IN NIGERIA: THE MEDIATING EFFECT OF MARKET PROMOTION PRACTICES

By

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Abstract

Market promotion practice has been identified as an important key ingredient for superior performance and global competitiveness in achieving Sales growth Performance in Small and Medium Enterprises (SMEs) in Nigeria. The success or non-performance of SMEs is said to rests in part on the nature and types of market promotion practices employed. This study investigated the effect of Market Promotion Practices on Sale Growth performance of Small and Medium Enterprises (SMEs) in Makurdi Metropolis of Benue state, Nigeria. A cross-sectional survey design was put in place for the study. The unit of analysis was organizations while the owner/managers of SMEs were the respondents. Systematic, simple random and snowball sampling techniques were employed to collect the needed data for the study. A sample size of 401 SMEs covering all sectors that exist in the study area was drawn from a population of 1101 SMEs. Descriptive and Inferential statistics were used to empirically and statistically analyze the data collected for the study with the aid of Statistical Package for Social Science (SPSS) version 20. Regression analysis was used to test the hypotheses. The findings of the study revealed that Market Promotion has a significant positive effect on sales Growth performance of SMEs performance and are therefore good predictors of SME performance in Makurdi Metropolis of in Makurdi metropolis of Benue State, Nigeria. The study therefore concludes that Market Promotion has positive effect on Sale Growth performance of SMEs in the study area. It recommended (among others) that SMEs managers and operators should always employ appropriate market promotion practices for their firms. They should also regularly and effectively evaluate the market promotion practices employed to ensure they are positively impacting on their firm's Sales Growth performance.

KEYWORDS: Market Promotion Practices, Sales Growth, Performance, SMEs

1. Introduction

As the global business environment has become increasingly competitive, Ensuring long term organizational performance has become a very difficult task. For Small and Medium Enterprises (SMEs), the capability to put in place appropriate marketing promotion practices has long been deemed a key strategic differentiator and means of achieving high and sustained performance and leverage over competitors. Market promotion *practices are associated with marketing activities of firms which are small and resource constrained, making such firms to rely on creative and often unsophisticated marketing tactics that make heavy use of personal networks* (Nabamita, Dutta, Deepraj & Mukherjee, (2015). This implies that market promotion practices are an integrative process designed to innovatively apply the collective knowledge, skills, and resources of the firm to market related needs of the business to enable the business add value to its goods and services and meet competitive demands

Performance, considered to be a subset of the broader concept of organizational success is a fundamental feature for survival and sustainability as performance factors like appropriate entrepreneurial marketing practices have been found to spur business expansion, sales growth,

customer satisfaction and return on investment in all classes of SMEs. *Achieving accelerated performance in SMEs demands their marketing practices to be entrepreneurially and properly carried out and correctly implemented at the right time and in the right proportion (Kinyua, 2014)*. Besides, the modern day competitive environment demands the successful implementation of marketing practices if a firm is to achieve an appreciable performance in its chosen market segment. Firm performance has been established to directly depend on efficient marketing practices.

It is based on the above background that this study is put in place to assess the effect of market promotion practices on the sales growth performance of SMEs in Makurdi metropolis of Benue state. Since marketing is concerned with the creation of customer (which should be the valid basis for the existence of any business organization), it is important that the market promotion practice of the organizations that dominate in all economies of the country should be investigated and understood so as to improve on the practice.

To religiously carry out this study, market promotion practices (independent variables) are put in place and are assessed against SMEs sales growth performance (Dependent variables). It is expected that the findings of this study will reveal the true effect of the relationship between market promotion practices and SMEs sales growth performance in the study area. It is believed that such findings will be of help to SMEs operators, policy formulators and other stake holders in repositioning SMEs in the study area in particular and Nigeria in general on the performance lane so as to contribute more to the country's economic development.

1.1 Study Hypotheses

The hypotheses formulated for this study (in its null form) states that:

Market Promotion has no effect on Sales Growth performance of SMEs in Makurdi Metropolis.

2.0 Review of Related Literature

2.1 Sales Growth

Sales growth refers to the amount a company derives from sales compared to a previous corresponding period of time in which the later sales exceed the former. It is usually given as a percentage. Sales growth is considered positive for a company's survival and profitability. It is an important measure of performance. Sales growth targets play a major role in the perceptions of business managers. Eliasson (1976) reports that planning systems generally begin with sales targets. An emphasis on sales growth also provides a useful and visible benchmark to motivate managers. Kaplan and Norton (1996) argue that firms must use a wide variety of goals, including sales growth, to effectively reach their financial objectives. Profit maximization is interpreted as the desire to maximize the present value of the firm. Since net revenue, total revenue and assets all expand permanently at the same rate, all this are in the context of a permanent growth maximization model interpretation.

Factors that influence sales growth range from promotion to internal motivation and retaining of talented employees to the implicit opportunities for investments in new technologies and equipment in the production process. In addition, it benefits learning curve and opportunities for economies of scale provided by sales growth. Kaplan and Norton (1996) claim that to reach their financial objectives effectively, firms must use a wide diversity of goals, including sales growth.

Sales growth generally utilizes capacity more fully, which spreads fixed costs over more revenue resulting in higher profitability. Audretsch (1995) used a new data base to measure company-level innovative activity used for testing firm growth, profitability and size. He found that high growth generates more innovative activity for firms in low technological- opportunity industries, but not in high-technological opportunity environments.

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Sales growth targets play a major role in the perceptions of top managers. Using surveys, Hubbard and Bromiley (1994) find sales is the most common objective mentioned by senior managers. Eliasson (1976) reports that planning systems generally begin with sales targets. An emphasis on sales growth also provides a useful and visible benchmark to motivate managers. Sales growth influences factors that range from internal motivation to promotion and retention of talented employees all the way to the implied opportunities for investments in new equipment and technologies that upgrade the production process as a whole (Asheghian, 2012). In addition, sales growth provides opportunities for economies of scale and learning curve benefits. Alternatively, if an industry has increasing economies of scale or learning curve effects, growing firms benefit from such effects, again increasing performance. Depending on the industry structure, sales growth may also provide additional market power which firms can use to increase performance (Fazli, Mohammed & Yasuo, 2013).

Market Promotion

Promotion is an important element in marketing mix. It refers to how you tell the audience about your product, price or place and even the target behavior. In many ways, promotion is the glue that binds the marketing mix together. It connects members of the target audience with the behavior, and links suppliers and consumers. Promotion is the direct way an organization tries to reach its publics. Modern marketing calls for more than developing a good product, pricing it attractively and making it accessible. Companies must equally communicate creatively both with potential and present customers. Every company is inevitably cast into the role of communicator and promoter. For most companies, the question is not whether to communicate, but rather what to say, to whom and how often (Kotler & Armstrong, 2013).

In a dynamic market, most of the marketing efforts are concentrated on affecting the consumers and buyers (Shehu & 2014). When a new product is introduced to the market, marketing comes into play and encourages the consumer to buy the new product by using promotional means (Larimo, 2013). From the above submissions, it is clear that promotion is one of the marketing mix elements, through which the company communicates with the consumer and by using various promotion means such as advertising, further sales, personal sales and public relations, and encourages them to purchase the product. .

One of the important activities in marketing management is to determine the most effective promotion mix (DelVecchio et al, 2006). The author believes that Promotional methods differ from one another on account of their effectiveness. Each promotional method has unique characteristics which are considered as determining factors in their selection. Companies should consciously combine the communicative means in a way that would establish a balanced mix of promotional elements, enabling them to reach their communicative and marketing objectives (Hill & Hultman, 2005). For Promotional techniques to be effective and positively impact on business performance, they must be chosen in terms of the position of the target

audience, and since buying is the outcome of a long decision-making process done by the consumers, the establisher of a marketing communication should be aware of the current position of his/her target audience and where he/she aims to get them (Ediri, 2014).

Kurtz, (2010) identified three basic objectives of promotion. These are: i) To present information to consumers and others, ii) To increase demand and iii) To differentiate a product. The author opine that the purpose of a promotion and thus its promotional plan can have a wide range, including: sales increases, new product acceptance, creation of brand equity, positioning, competitive retaliations, or creation of a corporate image.

Promotions can be held in physical environments at special events such as concerts, festivals, trade shows, and in the field, such as in grocery or department stores. Promotion can also be done by different media, namely print media which includes newspaper and magazines, electronic media which includes radio and television, digital media which includes internet, social networking and social media sites and lastly outdoor media which includes banner ads, OOH (out of home). The goal of a promotion is then to reach the most people possible in a time efficient and a cost efficient manner.

2. 2 Performance

Performance is a concept that is subject to open and wide variability of meanings as it is somewhat an imprecise word when it functions as a place holder in research (Folan, Braume & Jegede, 2007). The lack of consensus on the definition of the concept creates confusion and clearly limits the potential for a clear generalisability and comparability of research in this area (Navickas, Skackauskiene & Navikaite, (2014). To accurately assess how well a business is performing, Moulin, (2003) opines that one needs to develop some quantifiable measures by identifying those aspects of the business processes that need improvement and those that are working well. This can then be used to evaluate the company's productivity over a set period of time.

The focus of this study is to examine empirically the effect of Market Promotion practices and SMEs's Sales Growth Performance in Nigeria. This entails putting in place appropriate measuring variables (dependent and independent) that will be tested to ascertain the research findings. In choosing Market Promotion practices and SMEs's Sales Growth performance variables for this study, relevant theories are examined to identify key concepts, while prior research works are reviewed to learn how useful different indicators have been. Equally, an assessment of the resources available is made for adequately measuring variables in the specific setting to be studied. Finally, the researchers had an intensive interaction with SMEs operators to identify Market Promotion which is one of the most popular and most effective Entrepreneurial Marketing practice (independent variables) that ensures performance in firms today.

2.2.1 Effect of Promotion on Performance

Promotion is a systematic strategy employed by individuals and organizations to spread information on their products to customers, stakeholders and the general public. It is considered as one of the important elements in the marketing activities. Particularly, promotion is one of the early communicative activities which are directed towards the target audience so as to influence their attitudes and behaviors (Bagavathi, 2007). Thus, the uniqueness of promotion's role in business performance is because of its influence on the behavior of the target audience (Kurtz, 2010). The most important thing an entrepreneur does in the first phase of his/her marketing process is to introduce (promote) the offered value of his/her business to everyone

(Beri, 2006). A good number of writers and researchers have empirically investigated the place, role and the impact of promotion in marketing with some studying its effects on business performance.

Kolabi, Hossein and Farsi, (2012) empirically studied “An Identification and Verification of Entrepreneurial Promotion Mix via Innovative Approach in Iranian Entrepreneurial Enterprises”. In order to achieve this purpose, this study used the qualitative-quantitative approach. Findings of this field of study also indicate that the entrepreneurial promotion mix is rooted in marketing communications. In entrepreneurial enterprises, this is not done by the enterprise alone, but the customer groups participate in this process through using their personalized and public social networks. Hence, the customer should be considered an important factor and an active member in disseminating the positioning theme of a company in all phases of production and distribution.

Ahmad, Ramayah, Wilson and Kummerow, (2010) investigated “Entrepreneurial Marketing: Entrepreneurial Approaches to Promotion”. The emphasis of the study was on "Ten perceptions of disclosure in buzz marketing. The study found that EM pertaining to promotion is based on word-of-mouth communication and recommendation to develop a customer base. It argued that this approach may be more cost-efficient than classical advertising. In addition, EM aims at target groups that are often not accessible via TV or print. It is grounded on the exponential diffusion of communication contents. Because the communication is distributed not by the company, but by the customers themselves, using their private or professional networks, the customers need to have a high involvement in the product in order to spread the message (Ahuja et al., 2007). It argued that promotion, a conservative approach to marketing might be to use classical communication channels (print, TV) with commonplace text and images in reaction to a competitor’s campaign, with their own campaign being paid fully by the firm. It is argued (Inalegwu, 2014) that promotional methods in entrepreneurial enterprises are rooted in the marketing communications and the way they are diffused.

In another study, DelVecchio, Devon, David and Freling, (2006) studied the effect of sales promotion on post-promotion brand preference: A meta-analysis". The study identified other promotional techniques including sales promotion: short-time depreciation of the product’s value in order to motivate the customers to purchase the product or service. The inability of the research studies to arrive at a common finding has prompted the need for this prenent investigation.

3.1 Research Design

This study made use of Cross- sectional design and employed the survey method in obtaining the needed data. Given that the study focused on the Market Promotion practices and SMEs’s Sales Growth Performance in Nigeria, the survey method is considered more appropriate to realize the goal of the research exercise.

3.2 Study Population and samples

The population of this study consisted of 401 sampled SMEs in Makurdi metropolis in Benue State of Nigeria, which numbered about 1,102. The sampling process in this study involved defining the population, selecting the sample frame and unit, choosing the sampling technique, deciding on the sample plan, and determining the sample size which is in line with Zikmund et al, (2013) submission.

3.3 Source of Data collection

Data needed for this study was collected from the primary sources which Valos and Bednall, (2010) defined as data gathered and assembled for a research project at hand. A self administered questionnaire strategy also called drop off and pick procedure was then used as the data collection method for the study.

3. 4 Model Specification

The model specification used in this study is based on the hypotheses of the study. This statistical model is presented below:

Sales Growth in SMEs (SG) = f (Market Promotion Practices)

Therefore the model can be shown as below;

$$SG = f (MP) \quad - \quad - \quad - \quad - \quad (1)$$

In explicit form, the above relationship can be restated thus:

$$SG = b_0 + b_1MP + U_t \quad - \quad - \quad - \quad - \quad (2)$$

Where

- SG = Sales Growth
- MP = Market Promotion
- b₁ = regression coefficients
- b₀ = Regression intercept
- U_t = Error term

A priori Expectation; b₁ > 0,

The *a priori* expectation shows that the coefficient of the variables b₁ is positively significant and indicates that the variable is expected to have positive effects on Sales Growth performance of small and medium scale enterprises in Makurdi Metropolis.

Data analysis

H_0 = Market promotion has no effect on Sales Growth performance of SMEs in Makurdi metropolis.

Table 1: Effect of market promotion on SMEs Sales Growth performance

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	12.911	4.083		.738	.465
MP	.583	.116	.579	1.019	.031

a. Dependent Variable: Sales Growth

Source: SPSS 20.0 Output for this study, (2016)

Going by our model specification as shown below,

$$SG = 12.911 + 0.579MP$$

$$S(b_i): [0.116]$$

$$P\text{-value: } \{0.031\}$$

From the regression equation above we have, $b = 0.579$

Standard deviation of $b_1 = 0.116$

$$H_0: b = 0$$

$$H_0: b \neq 0$$

$$\frac{1}{2} b \text{ equals } 0.2895$$

Discussion of findings

An assessment of the Effect of Market Promotion on SMEs sales growth sought to find out how the Sales Growth performance of SMEs in Nigeria is affected by the market promotion in Makurdi Metropolis, It aimed at assessing whether market promotion is a good predictor of SMEs's Sales Growth performance in Makurdi metropolis of Nigeria. Multiple linear regressions were used to test this hypothesis. From the regression equation, we have $b = 0.579$, Standard deviation of $b = 0.116$ while $\frac{1}{2} b$ equals 0.2895 .

Using the standard error test, $S(b) < 1/2b, 0.116 < 0.2895$, it is clear that a positive relationship exist between Market promotion (MP) and Sales Growth Performance of SMEs in Makurdi metropolis and the relationship is statistically significant ($p < 0.05$) and in line with a priori expectation. Based on the above findings, we are constrained and therefore have no option than to accept the null hypothesis that there is a relationship between market promotion marketing practice and sales growth performance of SMEs in Makurdi metropolis since the the estimate b_2 is statistically significant at the 5% level of significance. This also means that

a unit increase in Market promotion will result to a corresponding increase in Performance of SMEs by a margin of 57.9%.

The finding of this study is in line with the similar studies among them Fening, (2012) who studied the Impact of Quality Management Practices on the Performance and Growth of Small and Medium Sized Enterprises (SMEs) in Ghana. The objective of study was to find out if sales promotion techniques to be adopted at a given time affect the company's sales volume and also to look at the effect of sales promotion on organizational performance. The method used is survey approach which gives room for primary data-questionnaire while the sampling technique adopted is simple random sampling techniques in which all members of the population has equal probability and independent chance of being selected. The chi-square method is used to test the hypothesis and to examine the effect of sales promotion on organizational performance. During the course of findings, majority of the respondents accepted the fact that sales promotion affects organizational performance and sales volume of the organization. The findings of Bojo and Ogunsiji, (2013), Kolabi, Hossein and Farsi, (2012) Ahuja, Michels, Walker and Weissbuch, (2007), DeVecchio, Devon, David and Freling, (2003), Rotimosho (2003) etc who all investigated the effect of marketing promotion on market performance concluded in their findings that market promotion has a positive effect on business performance.

The findings of this study are however contrary to those of Adoyi, (2014) who investigated promotional activities of local wine marketers in vandeikya local government of Benue state and submit that marketing promotion has a negative effect on business performance. Hence, this might be connected with lack of effective promotion, government interference, economic condition, and influence of technology, political factors and other regulatory measures. From the foregoing, it is clear that Marketing Promotional technique is capable of effectively impacting on business performance however such promotional techniques must be chosen in terms of the position of the target audience.

Summary and Conclusion

This study investigated the effect of Market Promotion practices on SMEs's Sales Growth Performance Makurdi metropolis, Benue state of Nigeria. To this end, study hypotheses formulated hypothesis to establish the nature of effect market Promotion has on SME sales growth performance in Makurdi Metropolis. Necessary and relevant analysis was carried out to establish the nature of the relationship between the two variables and findings show that a positive relationship exists between the variables as market promotion made sale growth performance of SMEs better by .579. The result shows that any unit increase in SMEs quality will produce a 57.9% increase in the performance of SMEs in the study area. With such an impressive result, it is expected that SMEs operators/managers will try to sustain this relationship by being innovative enough to ensure even more promotional activities of their firms.

The study serve a variety of purposes for theory, policy, and Practice just as the findings of the study will be of importance to policy makers such as the Small and Medium Enterprise Development agency of Nigeria (SMEDAN) and other related agencies in designing more realistic policies, programs and operating strategies for SMEs in the country. Central bank of Nigeria will equally benefit from the outcome of the present study, as the study findings will serve as a guide in resource allocation and offer a guideline to commercial banks in assisting SMEs.

The findings will also help SMEs owners/managers as it will give them an empirically tested outcome on some determinants of SME performance so that they can understand the effects of variables under study to improve business performance better. This will also help them to develop good market promotion practices regarding the development of their respective SMEs so as to be relevant and gain competitive advantage in the market. The findings would also serve as a frame of future reference to SMEs managers and operators, academia, students and other stakeholders; it would equally help in making relevant recommendations.

Recommendations

Based on the findings of this study and Consequent upon these and other issues examined in the study, the following recommendations are made.

- i) SMEs should always adopt market promotion strategies to enhance their performance.
- ii) SMEs owners should ensure effective funding of their enterprises to help them operate effectively and employ appropriate and timely market promotion practices that will enhance the performance of their business establishments.
- iii) SMEs operators should always formulate their goals clearly and then evaluate the various market promotion practices on the basis of their capabilities and resources. SMEs' market promotion practices can work, if they are based on clearly formulated marketing programmes and strategies to reach the potential and existing customers.
- iv) Since business environment is not static, market promotion practices of SMEs need be regularly and effectively evaluated so that those that are no longer relevant are replaced with relevant ones while those that are still relevant should be given a greater attention.
- v) Scholars and other stakeholders on SMEs in Nigeria should shift the focus of their research works on marketing to research based findings than theoretical considerations to help SMEs and other business operators know and adapt to modern trends in marketing, better and faster.

Referees

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