Marketing Strategies and Performance of Youth Led Micro and Small Agribusinesses in Kenya

Mrs. Susan Ingasia Naikuru, Dr. Jane Gathenya, Dr. Waweru Kamaku

This paper examines the effect of marketing strategies on the performance of youth led micro and small agribusinesses in Kenya. Micro and Small Enterprises play an important economic role among the youth in Kenya. However, these MSEs face a mixture of success and failure with past statistics indicating that three out five fail within the first few months of operation, despite the Government’s effort to promote the sector. The performance of these enterprises is affected by various factors, one of which is marketing. Dimensions of marketing strategies were tested with data collected through structured questionnaires administered face-to-face to 247 youth running their own enterprises in the Kenyan agricultural industry. The results revealed that networking and the formation of linkages came out strongly as the entrepreneurial marketing strategies used by the agribusinesses to improve their performance. Due to the interaction between their family and community networks, the entrepreneurs were better equipped to disseminate information about their produce, leading to increased sales.

Keywords: Entrepreneurship, Firm Performance, Marketing Strategies, Micro and Small enterprises.

I. INTRODUCTION

Micro and Small Enterprises (MSEs) are viewed as a key driver of economic and social development in the African context. They represent a large number of businesses in a country, generate much wealth and employment and are widely considered to be vital to a country’s competitiveness (Pelham, 2000). MSEs are hailed for their pivotal role in promoting grassroots economic growth and equitable sustainable development.

In Kenya, the small business sector has both the potential and the historic task of bringing millions of people from the survivalist level including the informal economy to the mainstream economy. Recognizing the critical role small businesses play in the Kenyan economy, the Government through Kenya Vision 2030 envisions the strengthening of MSEs to become the key industries of tomorrow by improving their productivity and innovation (MPNDV 2030, 2007).

According to the National MSE baseline survey of 1999, marketing of MSE products as well as problems involving access to finance constitute the most dominant and severe problems facing most MSEs surveyed in 1999. More than one-third (34.1%) of the enterprise entrepreneurs cited difficulties arising from market saturation or low demand for products. Further analysis shows that market-related problems are most severe in urban settings (61.5%) while 38.5% of the rural MSEs cited the problem. According to the National MSE baseline survey (1999), the promotion of MSE products through facilities such as the electronic media print media trade exhibitions, posters, fliers, brochures, and private or public marketing bodies was found to be minimal. Almost half (49.2%) said that they had not done anything to promote their products/services while 42.2% said that the quality of their services and products as well as customer satisfaction was the main method of promotion of their goods and services. However, there is some evidence that the role and relevance of marketing in MSE's depends on certain differences in marketing activities and on the organization for marketing within these companies (Simpson et al., 2006). Being good at marketing is a key internal management skill that differentiates between surviving and failing firms (Stokes, 2000).

2. Literature and Theoretical review

2.1 Sociological Theories of Entrepreneurship

According to sociological approach, social institutions, cultural attitude, family background, practices and values play an important role in shaping and developing a future entrepreneur (Cochran, 1971). The key elements in Thomas Cochran's theory are: cultural values, role expectations and social sections. In his theory on
the process of economic development, entrepreneurs are not seen as being deviant or super normal individuals, but rather as representing the society’s model personality. Prevailing child-rearing practices and schooling common in a given culture, mold this model personality. The performance of a businessman, according to him, will generally be influenced by three factors: His own attitude towards his occupation, the role expectations held by sanctioning groups and the operational requirements of the job. The determinants for the first two factors are the society’s values. Changes over time in such variables as population, technology and institutional drift will impinge on the role structure by creating new operational needs. He tried to demonstrate the dynamics of his entrepreneurial model by selecting instances from the American economic history. The sociological theories level of analysis is traditionally the society (Landstrom, 1998). There are several social contexts that relate to entrepreneurial opportunity. One of them is social networks. Here, the focus is on building social relationships and bonds that promote trust and not opportunism. In other words, the entrepreneur should not take undue advantage of people to be successful; rather success comes as a result of keeping faith with the people (Reynolds, 1991).

The literature on sociological theories shows that stronger social ties to resource providers facilitate the acquisition of resources and enhance the probability of opportunity exploitation. It is important for nascent founders to have access to entrepreneurs in their social network, as the competence these people have represents a kind of cultural capital that nascent ventures can draw upon in order to detect opportunities (Aldrich & Cliff, 2003; Gartner et al., 2004; Kim, Aldrich & Keister, 2003).

2.2 Entrepreneurial Culture and Marketing

The recursive nature of most cultural processes leads to the expectation that behavior reinforces the mechanisms by which culture influences individual level psychological mechanisms. Culture conditions individual perception and cognition by providing sets of values, life expectations, and needs, which affect people’s basic sensory perceptions. Culture serves as a source theories about the world and shapes how people attend, think, and react, crafting their life views and philosophies (Kastanakis & Voyer, 2014). Although all cultures exist for the gratification of groups of people, they reveal a tremendous spectrum of diversity in what a society expects of its members. They are designed to satisfy biological as well as esteem and companionship needs. Since there are variations in needs and marketing opportunities, it follows that an understanding of a people’s culture is important to both marketing scholars and practitioners alike. They need to understand culture since it provides approved specific goal objectives for any generalized human want. What is accepted in certain areas may be regarded as taboos in another. What a people see as a social way of life is seen as a taboo in another (Kastanakis & Voyer, 2014).

Different cultures have different values which affect an individual’s way of thinking and behaviors. A value exists mainly at the individual level, but when it is substantially shared throughout a society, it becomes a cultural value. Knowledge of the socio-cultural sector in terms of cultural values is crucial to marketing, because cultural values influence the behaviors of most individuals in consumption situations. As cultural values shift, so will motives for buying products, and so the firm that fails to recognize this will overlook opportunities for new products or changes necessary in existing ones (Busch & Houston, 1985).

Therefore, an individual’s culture, shaped by their values and beliefs will influence the type and style of advertising methods that they employ in their ventures. Thus, if an individual’s culture taught them or was inclined towards entrepreneurship and being entrepreneurial, then it is more likely that they will employ more entrepreneurial methods in their marketing practices. At the same time, the type of marketing methods and messages that a target market will respond to will to some extent depend on their culture. In other words, entrepreneurs should develop their cultural abilities in order to effectively exploit opportunities and market novel products, concepts and processes. Given the complexity of contemporary markets and society, effectiveness in perceiving opportunities and in exploiting them is related to the ability of entrepreneurs to connect different and distant spheres such as societal trends, culture and technology (Bettiol, DiMaria & Finotto, 2012).

2.3. Marketing Strategies and Performance

It is indispensable for every business to conduct marketing practices (Arsalan, Naveed & Muhammad, 2011). Executing a proper marketing strategy adds excellence to a firm’s activities and strengthens the competitiveness and market share of the firm (Ghouri, Khan, Malik & Razzaq, 2011). Firm performance has been established to directly depend on efficient marketing practices (Andres, Salinas & Vallejo 2009). A comparative study on Ghanaian and Kenyan entrepreneurs found that with respect to advertising, entrepreneurs in both countries rely on word of mouth and free publicity to market their businesses. Only 21% of Ghanaian and 25% of Kenyan entrepreneurs used paid advertising to market their businesses. This is similar to entrepreneurs in other developing countries. Small entrepreneurs are less able to afford advertising even though such advertising might help distinguish their product or service from competitors (Chu, Benzing & McGee, 2007). For small businesses, success is when customers purchase goods and services which contribute to profits. Small businesses try to provide value services and products and also to develop strong ties with their customers in order that there is customer retention. It is indeed apparent that MSE's adopt the marketing strategy concept. A

DOI: 10.9790/0837-2106071321
www.iosrjournals.org
number of alternative marketing approaches have been introduced over the past years - relationship marketing, one-to-one marketing, real time marketing, viral marketing, digital marketing, radical marketing and buzz marketing. Each of these approaches to marketing is intended to provide a prescription for success in the new environments within which firms must operate (Morris et al., 2002).

Traditionally many marketing approaches concentrate on the marketing mix. However, instead of focusing on the traditional marketing paradigm of the 4Ps (product, price, place and promotion), or the 7Ps adopted by service marketing (product, price, place, promotion, people, process and physical evidence), entrepreneurs stress the importance of promotion and word-of-mouth, and have identified one of the unique selling points of their business as the nature of their personal contact with customers and therefore, their focus on promotion. (Stokes, 2000). In promotion, a traditional approach to marketing would be classical communication channels such as print, television and radio with commonplace text and images in reaction to a competitor’s campaign, with the own campaign being paid fully by the firm. An entrepreneurial approach to marketing would use innovative communication channels such as the Internet, mobile marketing or people – word of mouth, or use classical channels in an innovative way, with new content, and thus the MSE would be ahead of the competition in doing this (Jovanov, 2011). It can be argued that critical aspects of marketing and entrepreneurship are synthesized into a comprehensive conceptualization where marketing becomes a proactive opportunity-focused process that firms can use to act entrepreneurially. Examples of this conceptualization are reflected in alternative perspectives to traditional marketing such as e-marketing, radical marketing, expeditionary marketing, disruptive marketing and networking (Morris et al., 2010). However, this study focuses on e-marketing and networking as seen below.

MSE's share a collective belief that e-marketing is very important for business performance. Despite this belief, the overall impact of Internet is low, and e-marketing is not used by MSE's to its full capacity (Gilmore et al, 2007). They are limited to certain extent: limited resources (such as finance, time, marketing knowledge); lack of specialist expertise (owner-managers tend to be generalists rather than specialists); and limited impact in the market place. Due to the deficit of time, money and expertise, they often have poorer web presence that is not interactive (Tapp, 2008). MSEs are not willing to adopt e-marketing communication tools before they see a real tangible advantage, therefore they are very selective in applying online marketing and web-site design. Not everybody is able to proceed successfully as internet technologies have high learning costs. However, obstacles could be overcome by sharing each other's knowledge and experiences inside the company, staff training, or employing full time IT specialist to maintain Internet activities in-house (Tapp, 2008).

However, some MSE's see the value of online marketing in the enhanced company promotion and improved communications with customers, ability to advertising in more markets with less expense, using e-mail as a marketing tool and decreasing the costs of printing materials such as catalogues and glossy brochures (Gilmore et al, 2007). In today's highly fragmented media landscape, generating positive word of mouth among consumers has become a very important tool for marketers and this is especially so in digital media. Traditional marketing methods simply do not reach their target audiences with the same effectiveness as they did just a decade ago. Instead, word of mouth has become an increasingly useful channel to share information in our society and should continue to grow in importance. Thus, there has been a recent surge of interest in how MSEs can take advantage of new marketing techniques to improve their performance (Yuksekbasligi, 2014).

A widely cited marketing type for MSEs is networking. Wincent (2005) showed that the size of a firm matters in regard to how a company conducts its networking activity. Networks are important during the establishment, development, and growth of MSE's. They rely heavily on their personal contact network in marketing their firms (Siu, 2001). Entrepreneurship is embedded in networks of continuing social relations. Within complex networks of relationships, entrepreneurship is facilitated or constrained by linkages between aspiring entrepreneurs, resources and opportunities (Aldrich & Cliff, 2003). The central role of informal contacts in the success of enterprises was noticed and worked on by several academic scholars. Social networks made up of family, friends, acquaintances, customers, suppliers, and so on, were found to play a central role in helping entrepreneurs identify opportunities and mobilize resources for their firms (Pandeya, 2010).

In a study conducted among 25 Kenyan entrepreneurs, Neshamba (2000) found that the owner managers previous work experience & skills acquired on the job are important factors contributing to business success and growth. Other factors are: knowing the market & understanding the needs of customers, access to capital, assistance from family members and networking with friends from former schools and colleges. The performance of an entrepreneurial firm depends on its ability to maintain and extend its network of inter-firm relationships. Research conducted by Lechner & Dowling (2003) indicated that firms utilized various types of networks to realize growth and that these networks are of significant importance for the performance of entrepreneurial firms. Collective action by farmers can allow stronger bargaining power in the market for inputs and outputs and thus contribute to achieving economies of scale. It also provides a platform for sharing information that may be helpful in production and marketing activities by the farmers (Olwande & Mathenge, 2012). Small networks are the next generation of online social networks. They are more focused and helpful for MSE's as well as big enterprises (Weber, 2009).
Therefore, in view of the above literature, the following hypothesis was tested:

\( H_{A1}: \) There is an effect of marketing strategies on performance of youth led micro and small agribusinesses in Kenya.

II. METHODOLOGY

3.1 Sample and data collection

The study focused on micro and small enterprises in the agribusiness sector in Kiambu County. The sample was decided on the basis of the multi stage sampling technique where in the first stage, purposive sampling was used to select Kiambu county due to its rich agricultural background. The county was then stratified according to the 12 administrative constituencies that divide the county. A random sample was then drawn from each of the strata. Primary data was collected from the youth running MSE's that are agriculture based in Kiambu through the use of a well structured, self administered questionnaire aimed at capturing the various variables under the study.

3.2 Empirical findings on Marketing Strategies

In this study, as indicated on figure 1 below, the respondents actively search for information on how and where to market their products, with a majority of them getting the information from friends and family (51.42%) while government forums (0.4%) were found to provide the least information on where to market their products.

![Figure 1: Information on how and where to market products](image)

The results indicate that a majority of the respondents (65.99%) use direct methods such as meeting with the customers face to face, sending them SMS, and displaying their products in the market where the customers can see them, 16.19% use social media, 10.53% use cooperative societies and 7.29% use Radio, TV, and posters to inform potential customers about their products, as indicated in figure 2 below.
The study found that the major challenge facing respondents in marketing their products is price fluctuation of the products, with 51.42% of the respondents concurring on that. 17.81% of the respondents felt that competition from well-established farmers is their biggest challenge, while 16.60% felt that transport is their biggest challenge in marketing their products, with poor roads affecting them when it comes to transporting them to the market as most deal with perishable products. 6.88% of the respondents highlighted other challenges such as changes in weather conditions which affect their products, delayed payment from the Government for those who sell their products through Government agencies, high taxes on the products, cultures and beliefs, high cost of licensing their business and presence of cheap alternative products on the market.

A majority of the respondents (59.9%) carry out personal selling and (47.8%) carry out networking and this has increased the performance of their business. However, activities such as advertising through mainstream media were not so common with 57.8% of the respondents not taking up the method to advertise as it does not have a significant effect on the performance of their businesses. Analysis on interaction between marketing strategies and performance. The study sought to find out effect of marketing strategies on performance of youth led micro and small agribusinesses in Kenya. Figure 4 shows scatter plot and a line of best fit between market strategies and performance. The result shows that performance increases with increase in the marketing strategy since there was a positive linear relationship between the two variables.
Figure 4: Relationship between marketing strategy and performance

Table 1 shows the correlation coefficient between market strategies and performance. The result shows that there is a positive relationship between performance and marketing strategies. Also the relationship is significant since it has a p-value of 0.000 which is less than 0.01 the significance level.

Table 1: Correlations between marketing strategy and performance

<table>
<thead>
<tr>
<th>Performance</th>
<th>Marketing strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>Marketing</td>
<td>Pearson Correlation</td>
</tr>
<tr>
<td>Strategy</td>
<td>Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The relationship between performance and marketing strategy was found to be explained by the model $Y = 0.667 + 0.413X$, where $X$ represents marketing strategy while $Y$ represents the performance. The constant $= 0.413$ shows that for every unit change in the marketing strategy, performance of the agribusiness changes by 0.413 times. The R-square value from the model summary Table 3 indicates that 28.8% variations in the performance of the agribusiness was explained by marketing strategy.

Table 2: Model Summary for marketing strategy and performance of agribusiness

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.537*</td>
<td>.288</td>
<td>.285</td>
<td>.15999</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), X1

Table 3: ANOVA for marketing strategy and performance of agribusiness

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2.540</td>
<td>1</td>
<td>2.540</td>
<td>99.228</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>6.271</td>
<td>245</td>
<td>.026</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>8.811</td>
<td>246</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Marketing Strategies and Performance of Youth Led Micro and Small Agribusinesses in Kenya

\[ R^2 = 28.8\% \text{, and adjusted } R^2 = 28.5\% \]

a. Predictors: (Constant), X1
b. Dependent Variable: Y

Table 4: Coefficient table for marketing strategy and performance of agribusiness

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.667</td>
<td>.042</td>
<td>15.743</td>
</tr>
<tr>
<td>X1</td>
<td>.413</td>
<td>.041</td>
<td>9.961</td>
</tr>
</tbody>
</table>

3.4 Discussion on findings on marketing strategies and performance

Executing a proper marketing strategy helps excellence to a firm’s activities and strengthens the competitiveness and market share of the firm, leading to better performance (Ghouri et al. 2011). The findings of this study concur with this observation since majority of the respondents were found to have been carrying out personal selling (59.9%) and networking (47.8%), which in turn has led to a better performance in their agribusiness enterprises. These findings are also in line with a comparative study on Ghanaian and Kenyan entrepreneurs where it was found that with respect to advertising, entrepreneurs in both countries rely on word of mouth and free publicity to market their businesses (Chu, Benzing & McGee, 2007). However, the authors indicated that only 21% of Ghanaian and 25% of Kenyan entrepreneurs used paid advertising to market their businesses. This is similar to the findings of this study where activities such as advertising through mainstream media were not so common with 57.8% of the respondents not taking up the method to advertise as it does not have a significant effect on the performance of their businesses. The following alternative hypothesis was developed to test the relationship between marketing strategies and performance: \( H_0 \): There is no effect of marketing strategies on performance of youth led micro and small agribusinesses in Kenya. When interaction was tested for this hypothesis it was found that a positive and significant relationship exists between marketing strategies and performance. We rejected the hypothesis because 28.8% of the variations in the performance of the agribusinesses was explained by marketing strategy. These finding are in agreement with a study by Aliata et al. (2012) which established that advertising has a statistically significant relationship with the performance enterprises measured by profits. The study also found that the most popular method of advertising was networking, the use of which had helped improve performance of the agribusinesses. This concurs with the works of Lechner & Dowling (2003) and Olwande & Mathenge (2012) who reiterated that the performance of an entrepreneurial firm depends on its ability to maintain and extend its networks to realize growth and that these networks are of significant importance in production and marketing activities by farmers.

III. CONCLUSION

This study attempted to find out whether the marketing strategies being adopted by the youth led agribusiness enterprises were influencing their performance. Marketing strategies were examined in terms of traditional strategies and entrepreneurial strategies. A traditional approach to marketing would be classical strategies such as print, televisions and radio with common place text and images in reaction to a competitor’s campaign. An entrepreneurial approach to marketing would use innovative strategies such as the Internet, mobile marketing or people – word of mouth, or use classical channels in an innovative way, with new content, and thus the MSE would be ahead of the competition in doing this (Jovanov, 2011).

The research results showed that a majority of the youth led agribusinesses were using entrepreneurial marketing strategies such as word of mouth and social media, which positively impacted on the performance of their enterprises. These results were reflective of the findings of Stokes, (2000) that entrepreneurs stress the importance of promotion and word-of-mouth, and have identified one of the main enhancers of the performance of their enterprises as the nature of their personal contact with customers. The results on the use of social media and mobile marketing leading to increased and positive performance of the agribusinesses in terms of sales and profits are also echoed by the findings of Yuksekibilgili, (2014) that in today's highly competitive market, generating positive word of mouth among consumers has become a very important tool for enterprise performance and this is especially so combined with the use of digital media. Very few enterprises used traditional strategies to create awareness about their products as they viewed such methods as being very costly to use and more suited for large organizations. They also felt that these methods did not have a significant effect on the performance of their businesses. This is in tandem with the findings of...
Yuksekbilgili, (2014) that traditional marketing methods simply do not reach their target audiences with the same effectiveness as they did just a decade ago. Instead, word of mouth has become an increasingly useful channel to share information in our society and should continue to grow in importance. Thus, it is important for MSEs to take advantage of new marketing techniques to improve their performance.

Many enterprises also cited the use of networking with friends and family as a method that they used to get information on where and how to market their products as well as using the same friends and families to help sell their products. A widely cited marketing type for MSEs is networking. Wincent, (2005) showed that the size of a firm matters in regard to how a company conducts its networking activity. Networks are important during the establishment, development, and growth of MSE’s. They rely heavily on their personal contact network in marketing their firms (Siu, 2001). Entrepreneurship is embedded in networks of continuing social relations. Within complex networks of relationships, entrepreneurship is facilitated or constrained by linkages between aspiring entrepreneurs, resources and opportunities (Aldrich & Cliff, 2003). The central role of informal contacts in the success of enterprises was noticed and worked on by several academic scholars. Social networks made up of family, friends, acquaintances, customers, suppliers, and so on, were found to play a central role in helping entrepreneurs identify opportunities and enhance the performance of their enterprises (Pandeya, 2010).

Networking and the formation of linkages came out strongly as one of the entrepreneurial methods used by the agribusinesses to improve their performance. One of the main reasons why firms form linkages is the ultimate improvement of their performance. Membership in associations and interaction with financial institutions in the form of savings are significant for enterprise performance. Associations are formed for various objectives, such as mobilization of financial resources and provision of credit to members as well as addressing social welfare issues that could affect the business. Indirectly, this ensures that there is no deviation of financial resources from the enterprises that could affect its performance. Entrepreneurs form groups either to directly facilitate access to business credit or to address non-business problems that affect their operations. As most micro financing institutions provide credit to enterprises only through associations or groupings, these linkages are likely to improve financial flexibility (Atieno, 2009).

REFERENCES


DOI: 10.9790/0837-2106071321 www.iosrjournals.org


