
EFFECTS OF PROMOTIONAL STRATEGIES ON THE GROWTH OF SMALL SCALE ENTERPRISES IN SOUTHWEST, NIGERIA

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ABSTRACT

This study was undertaken to investigate the effect of promotional strategies on the growth of Small Scale Enterprises in Southwestern Nigeria. Specifically, the study examined the various promotional strategies used by SSEs in Nigeria, investigated the factors that influenced the choice of the promotional strategies adopted by SSEs, and evaluated the effect of promotional strategies on the growth of SSEs in the country. Multi stage sampling was used for the study. At the first stage, three states were purposively selected in Southwest, Nigeria namely: Lagos, Ogun and Osun. This is because they are the most populous states in the region (2006 National Population Commission) and have the largest concentration of small scale enterprises and more developed industrial centres. At the second stage, purposive sampling technique was used to select four Local Government Areas (LGAs) prominent in manufacturing and service enterprises. At the third stage, three communities per Local Government Area were randomly selected. Finally, 20 entrepreneurs/managers of SSEs were randomly selected totalling 720 entrepreneurs. Data on variables such as promotional strategies used by SSEs, factors that influence the choice of SSEs used by SSEs and effects of promotional strategies on growth of SSEs were sourced from the respondents. Data were analysed using descriptive and inferential statistics. The results of the study showed that 20.6%, 26.3% and 21.9% used television frequently, sometimes and rarely respectively while 31.3% of the respondents never used television as a promotional strategy to enhance sales in the study area. About 16.3% and 32.5% frequently and sometimes respectively used outdoor promotional strategy while 46.3% and 5.0% never and rarely respectively used outdoor promotional strategy. It was revealed that 26.3%, 26.9%, 16.3% and 34.4% of the study respondents sometimes used display, billboard, radio and gift items promotional strategies respectively to increase their sales while 35%, 17.5%, 26.3% and 43.1% of the respondents frequently used display, billboard, radio and gift items respectively. 48.8%, 13.8%, 28.1%, 12.5% and 38.8% frequently made use of promotion, print media, and broadcast, out of home and direct advertising to create awareness of their product. The factors that influenced the choice of promotional strategies adopted by SSEs revealed that: entrepreneurs (58.7%) believed that business management approach 86% towards the

growth of their business influenced their choice of promotional strategies adopted by them. Adequate firm resource for growth 81.3%. Effect of Promotional Strategies used on sales performance of Small Scale Enterprises shows that sales performance was on the increase as recorded among SSEs that used PS in the form of increased turnover. This was followed by larger market coverage that is due to the creation of greater awareness leading to more patronage than competitive advantage. The study concluded that promotional strategies enhance sales performance of SSEs, nonetheless, small scale enterprises in Southwestern Nigeria did not make good use of these promotional strategies to their advantage. Driven by the findings in this research, SSEs have a long way to go especially in the use of promotional strategies to play the crucial role of contributing to the growth and development of the economy.

Keywords: Small scale enterprises, promotional strategies, effects and growth performance

INTRODUCTION

The developing world has recognized that in order to accelerate industrialization, urgent priority should be placed in fostering small scale business, improve their technologies, grant financial assistance and encourage them in their overall growth and stability (Meggision, Byrd, Meggision, 2016). In the private sector in Nigeria, more than 95percent are made up of small scale enterprises and they account for a considerable proportion of the gross domestic product (Nwokoye, 2018) and also accounts for the employment of greater percentage of Nigerian work force. There has been a decisive switch in the industrialization policy from import substitution to small scale business development. Over the years, to promote the development of small scale businesses, the Federal and State governments set up programmes to provide various services to small scale businesses.

Nigerian Government has made effort to develop and ensure the growth and survival of SSEs by promulgation of decrees (enterprise promotion decree, 1972 and the indigenization decree, 1979). However, for SSEs to survive effectively and carve out enough market shares in the same business environment, they have to design, strategize and implement their own promotional strategies (Beverland, 2010, Cohen, 2015, Kolawole, Owolabi, 2020). Promotion is a mechanism used to distinguish a firm's output from that of its rivals. From general perspectives, a well designed promotional strategy seeks to inform, remind and persuade target customers about the organisation services and its products (Cohen, 2005; Akingunola, 2019). Inconsistent policy reforms, changing regulatory policies, volatile market place and rapidly evolving technological advancement have exposed businesses in Nigeria to an unpredictable business environment which continues to pose challenges to the ability of SSEs to compete favourably and remain profitable in the future (Aremu and Adeyemi (2020). Despite the overall importance of SSEs, every year many of them fail in their tens of thousands (Wheelen and Hungefutar, 2021). Wheelen and Hunger (2021) postulate that 24 percent of new businesses fail within two years while 63 percent fail within six years in many countries in the world.

In Nigeria, many of these businesses experienced premature deaths and because of the crucial role played by these SSEs, there is an increasing need to understand the peculiarity of this sector to ensure its growth and sustainability. Esien (2015) notes that this failure rate is frightening and attributes it to militating factors such as poor management, lack of competent human resources and low production capacity largely caused by poor infrastructural support. Despite the fact that these factors have been studied and improved upon, SSEs continue to be plagued by awful high mortality rate and poor performance which will persist till date even in the face of increasing government support and interventions (Nwoye, 2014; NEEDS, 2016). Effective promotional strategies have been observed to have importance roles to play in this respect (Peter and Philip, 2016).

In addition, stipulates that most small firms fail to see the need for advertising, sales promotion, employing sales for personal selling men and other forms of promotional strategies in their business pursuit. Also, he highlighted the opinion that inadequate knowledge and understanding of all the basic functions and importance of promotional strategies by entrepreneurs/managers are deadly problems faced by many small scales businesses. The above observations point to the importance of SSEs in the economic growth and stability of developing countries such as Nigeria and the positive role promotional strategies may have to play in actualizing this goal. There was therefore the need to investigate how promotional strategies affected the growth of SSEs in Nigeria; hence this study.

Research Questions.

This study provided answers to the following questions:

- (i) What are the promotional strategies that are employed by SSEs in Nigeria?
- (ii) What factors influence the choice of promotional strategies used by SSEs?
- (iii) How do promotional strategies impact on SSEs?

Attempt to answer these questions provided reasonable basis for understanding the effects of promotional strategies on the growth of SSEs in Nigeria.

Objectives of the Study

The general objective of this study was to investigate the effects of promotional strategies on the growth of small scale enterprises in Nigeria. The specific objectives of this study were to:

- (i) Examine the various promotional strategies used by SSEs in Nigeria
- (ii) Investigate the factors that influence the choice of the promotional strategies adopted by SSEs, and
- (iii) Evaluate the effect of promotional strategies on the growth of SSEs in the country.

Research Hypotheses

The following research hypotheses formulated for this study:

- i. Advertising has no significant effect on growth of SSEs
- ii. Sales promotion has no significant effect on the growth of SSEs.

RESEARCH METHODOLOGY

Area of Study

The study was purposively carried out in South-western Nigeria because South West is the gate way into Nigeria (air and sea ports) which encourages commerce, the development of SSEs and has the highest number of SSEs in Nigeria (National Directorate of Employment; 2013). Out of the existing six states in the region, three states namely: Lagos,

Ogun and Osun states will be purposively selected. They are among the most populous states and have the largest concentration of small scale enterprises and have relatively more developed industrial centres in the zone. Lagos State is bounded by the Atlantic Ocean in the south, with swamp mangrove forest along the coastal line and in the north, east and west by Ogun State. Lagos occupies an area of 3,345 square kilometres and has a population which is put at 9,113,605 million by the 2006 Nigerian Population Census (NPC). The state is the commercial nerve centre of the country and with its vantage position it has a major seaport. The cosmopolitan nature of the state as well as its small landmark does not encourage exclusive agriculture activities. Hence, it has the largest concentration of different industries (NPC, 2006).

Ogun State is also in the southwest zone of Nigeria with a total land area of 16,409,26 square kilometers and a population size of 3.8 million according to 2006 census. Ogun State shares an international boundary with Republic of Benin to the west and interstate boundaries with Oyo State in the north, Lagos State in the south and Ondo State in the west. It is situated between latitudes 6.2N and 7.8°N and longitude 3.0°E and 5.0°E. Apart from Abeokuta, the capital, which is an important market centre and a terminus of the roads and train coming from Lagos and other part of the country, there are also major towns and communities like Sagamu, Ijebu-Ode, Ilaro and others that serve as commercial centres in the State.

Osun State is an Inland state in southwest Nigeria, with enormous human and material resources. It has a land mass of about 9,251km². It is currently made up of 30 local government areas (LGAs). Estimates of the 2006 population census put the human population at 4,137,627 millions. The people engage in agriculture and produce sufficient food and cash crops for domestic consumption and exports. Reasonable segments of the population are also traders and artisans.

Research Design

Survey design was used for this study. Primary and secondary sources of data collection will be used for the research. Primary data were collected through the administration of structured questionnaire. Secondary data were also sourced from documents obtained from ministry of trade and commerce of the selected states.

Population Sample Size and Sampling Techniques

The population comprises 720 registered SSEs out of 6475 registered small scale enterprises. Multi stage sampling was used for the study. At the first stage, three states were purposively selected in Southwest, Nigeria namely: Lagos, Ogun and Osun. This is because they are the most populous states in the region (2006 National Population Commission) and have the largest concentration of small scale enterprises and more developed industrial centres. Manufacturing and service rendering in each town. At the second stage, purposive sampling technique was used to select four Local Government Areas (LGAs) prominent in manufacturing and service enterprises. At the third stage, three communities per Local Government Area were randomly selected. Finally, 20 entrepreneurs/managers of SSEs were randomly selected totalling 720 entrepreneurs. Data on variables such as promotional strategies used by SSEs, factors that influence the choice of SSEs used by SSEs and effects of promotional strategies on growth of SSEs were sourced from the respondents. Data were analysed using descriptive and inferential statistics.

A. Manufacturing Sector

This includes Agro-based manufacturing, textile and garment production, leather product manufacturing, food processing, wood products processing, equipment fabrication and cosmetic and chemical product etc.

B. Service Rendering Enterprises

These include Information Technology and Telecommunication, Education Establishment, Service, Tourism and Leisure (SMEIES Guideline).

Sources and Collection of Data

The data were generated from both primary and secondary sources. The primary data were obtained through the administration of copies of structured questionnaire to entrepreneurs and managers of selected small scale enterprises in the selected states. Data on the socio-demographic characteristics of respondents, the various promotional strategies used by SSEs, factors that influence the choice of promotional strategies and effects of promotional strategies on growth of small scale were collected from the respondents.

Data Analysis Techniques

Descriptive and inferential statistics were used to analyze data. Descriptive statistics such as frequency counts and simple percentages were used for presentation of data. Inferential statistics were used for correlation analysis using statistical packages for social sciences (SPSS) IDM Version 20. At multivariate level, multinomial regression was used to answer the research questions and test the hypotheses.

RESULTS AND DISCUSSION

Promotional Strategies Used by Small Scale Enterprises (SSEs) in Nigeria. The results of the study showed that 20.6%, 26.3% and 21.9% used television frequently, sometimes and rarely respectively while 31.3% of the respondents never used television as a promotional strategy to enhance sales in the study area. About 16.3% and 32.5% frequently and sometimes respectively used outdoor promotional strategy while 46.3% and 5.0% never and rarely respectively used outdoor promotional strategy. It was revealed that 26.3%, 26.9%, 16.3% and 34.4% of the study respondents sometimes used display, billboard, radio and gift items promotional strategies respectively to increase their sales while 35%, 17.5%, 26.3% and 43.1% of the respondents frequently used display, billboard, radio and gift items respectively. 48.8%, 13.8%, 28.1%, 12.5% and 38.8% frequently made use of promotion, print media, and broadcast, out of home and direct advertising to create awareness of their products. The implication of this was that the small-scale enterprises in the study area fairly used most of these promotional strategies to their advantage, promote their small scale enterprises, and increase sales.

Factors Influencing the Choice of Promotional Strategies Adopted by SSE in Nigeria

The factors that influenced the choice of promotional strategies adopted by SSEs as shown in Table 4.4 included the following: entrepreneurs (58.7%) believed that business management approach 86% towards the growth of their business influenced their choice of promotional strategies adopted by them. Adequate firm resource for growth 81.3% this indicates that most SSEs had no resource for growth like profit to be ploughed back into the businesses to enhance increase in sales. Firm overall success and survival 76.9%; it shows that the need to achieve success and survive in the competitive business

environment influenced their choice of PS. The cost implication 70%; this means that the cost of promotional strategies also was a major factor that influenced their choice of promotional strategies this informs why a large number of SSEs did not use these promotional strategies. Entrepreneur growth orientation (73%): The owner's orientation to growth of their enterprises through increased sales influenced their attitude towards adopting promotional strategies that could have enhanced their sales. Location of the business 65.1% this explains why radio was one of the preferred PS due to their easy accessibility. Insufficient facilities/infrastructure, 60.6% this indicates that the infrastructures were not adequately put in place to facilitate the use of PS. An entrepreneur marketing experience 58.1%.

Table 1: Promotional Strategies used by Small Scale Enterprises (percent)

S/N	Strategies	Rarely	Never	Sometimes	Frequently	Mean
1.	Television	21.9	31.3	26.3	20.6	2.54
2.	Newspaper	9.4	53.1	24.4	13.1	2.59
3.	Outdoor	5.0	46.3	32.5	16.3	2.40
4.	Display	13.8	25.0	26.3	35.0	2.18
5.	Billboard	15.0	40.6	26.9	17.5	2.53
6.	Radio	11.9	45.6	16.3	26.3	2.43
8.	Gift items	11.3	11.3	34.4	43.1	1.91
9.	Promotion	12.5	14.4	24.4	48.8	1.91
10.	Print media	5.6	64.4	16.3	13.8	2.62
11.	Broadcast	16.9	32.5	22.5	28.1	2.38
12.	Out of home	5.6	73.8	8.1	12.5	2.73
13.	Direct Advertising	6.9	34.4	20.0	38.8	2.09

Source: Field Survey, 2023

This indicates that most SSEs lacked marketing experience even to understand the inevitability promotional strategies which influenced their choice of PS. Inability of owners/managers of SSEs to raise enough capital for their business 75.6%. This explains that most SSEs owners do not have access to acquire large loans from financial institutions due to lack of collateral and the small nature of their businesses. Background of target customers 75.7%; this implies that most customers were not exposed to PS. Experience of owner 61: It can be deduced from the fact that their duration in business is small hence their inexperienced nature. Lack of entrepreneurial knowledge of the importance of promotional strategies 65%: This indicates that the SSEs owners had limited knowledge about PS which influenced their choice. Other factors included Government policies (48.1%), poor

implementation of appropriate mix considering the marketing volume (34.4%) also influenced them. Existence of market opportunity for increased sales (67.5%). Most of the SSEs did not have opportunities for sales increase available to them. Development approach of the firm (22.5%). The stage of the SSEs also influenced their choice as most of them were still at early stage of development and the personality of the SSEs (25%). However, a good number of respondents disagreed that firm development approach (71.3%) had any effect on promotional strategies used by SSEs, other also disagreed that personality of the entrepreneur (75%) has no influence on their choice. A few respondents were neutral on the factors influencing the choice of promotional strategies adopted by SSEs in the study area.

Table 2: Factors Influencing the Choice of Promotional Strategies Adopted by SSEs in Nigeria

S/N	Factors	Strongly Agree	Disagree	Agree	Strongly Disagree	Mean	Average
1.	Educational Background	28.1	10.0	46.9	6.3	18.8	3.43
2.	Marketing Experience	22.5	9.4	35.6	17.5	3.07	3.47
3.	Lack of Knowledge	26.9	11.3	38.1	17.5	16.3	3.35
4.	Lack of capital	33.1	7.5	42.5	12.5	74.4	3.53
5.	Cost Implication	62.5	9.4	7.5	17.5	53.1	4.11
6.	Business Location	41.3	18.1	23.8	15.0	31.9	3.82
7.	Target Customers	21.9	8.1	53.8	6.3	10.0	3.26
8.	Government Policies	18.1	27.5	30.0	16.3	8.1	3.31
9.	Poor Implementation	12.5	28.8	21.9	18.1	18.8	2.98
10.	Insufficient facilities	31.8	16.3	50.0	9.4	17.5	3.63
11.	Management approach	25.6	26.9	33.1	9.4	5.0	3.59
12.	Development approach	8.1	33.8	14.4	37.5	16.3	3.00
13.	Personality	7.5	10.6	17.5	6.3	58.1	2.03
14.	Growth orientation	53.1	6.3	17.5	18.8	4.4	3.85
15.	Market opportunity	44.4	9.4	23.1	13.8	19.4	3.66
16.	Resource for growth	68.8	1.3	12.5	10.6	6.9	4.14
17.	Success and Survival	63.1	3.1	13.0	11.3	18.8	4.01
18.	Experience of Owner	51.9	3.8	20.6	15.0	8.8	3.75

Source: Field Survey, 2023

Effect of Promotional Strategies used on sales performance of Small Scale Enterprises

As can be seen in the Table: sales Turnover (63.1%), this shows that sales performance was on the increase as recorded among SSEs that used PS in the form of increased turnover. This was followed by larger market coverage that is due to the creation of greater awareness leading to more patronage (70%) then competitive advantage over other enterprises CAOE (69.4%), this indicates that their sales performance was more than their competitors and their profit also increased (51.3%). Those that did not use PS either remained static in profit (38.1%), this indicates that they were not able to record much profit due to decrease in sales. (23.1%), market coverage: this implies that the market they penetrated as small (22.5%), competitive advantage over other enterprise (CAOOE) was not encouraging. The outcome of the SSEs that did not use promotional strategies (20%) recorded a decrease in profit (N=10.6%), low sales turnover (13.8%), small coverage (7.5%) and poor competitive advantage over other enterprises (CAOOE) (10.6%).

Table 3. Effect of Promotional Strategies used on Growth of Small Scale Enterprises

Variables	Growth Pattern			
	Increasing	Decreasing	Static	Total
Profit	51.3%	10.6%	38.8%	100%
Sales turnover	63.1%	13.8%	23.1%	100%
Market Coverage	70.0%	7.5%	22.5%	100%
CAOOE	69.4%	10.6	20.0%	100%

CAOOE = Competitive Advantage over other Enterprise
Field Survey, 2023

Regression Analysis on the Effect of Promotional Strategies on sales performance of Small Scale Enterprises in Nigeria

The table shows that advertising and sales promotion positively and significantly affect the sales turnover of the SMEs at 5 percent level of significance in the study areas. This suggests that an increase in the use of advertising and sales promotion will significantly increase the sales turnover of the SMEs in the study area and vice versa. Although, there is a positive relationship between sales turnover and product packaging, sales turnover and public relation, but the relationship is not significant at 5 percent level of significance. The coefficient of multiple determination (R^2) value of 0.151 implies that 15.1% of the sales turnover was accounted for by the independent variables included in the model.

Table 4: Regression Analysis on Effect of Promotional Strategies on sales performance of SSEs

Variables	Coefficients	Standard Error	t-value
Constant	3.152	0.304	7.232
Advertising	0.127	0.168	2.101
Sales promotion	0.080	0.246	3.655
Product packaging	0.077	0.301	1.824
Public relation	0.473	0.263	

Dependent variable: sales performance
Source: Data Analysis, 2023

Model Summary

R square	Adjusted R Square	Standard Error of the Estimate
0.151	0.82	1.04668

Source: Data Analysis, 2023

The study examined promotional strategies used by SSEs, investigated factors that affected their choices of PS used and evaluated the effect of promotional strategies on the growth of SSEs. The study employed a series of steps in accomplishing the research objectives. A systematic approach was developed in the research methodology of the study. The theoretical section also discussed arguments, theories, matrix and models in favour of the promotion and communication variable-advertising.

Conclusion and Recommendations

The study concluded that promotional strategies enhance sales performance of SSEs, nonetheless, small scale enterprises in Southwestern Nigeria did not make good use of these promotional strategies to their advantage. Driven by the findings in this research SSEs have a long way to go especially in the use of promotional strategies to play the crucial role of contributing to the growth and development of the economy.

The following represent key recommendations:

Findings revealed that only display, radio and direct advertising was the promotional strategies used by most SSEs, emphasis should be placed on educating and encouraging entrepreneurs to understand the need and importance of adopting promotional strategies that could enhance their growth and sustainability. The various promotional strategies should be included in entrepreneurial studies curriculum in both secondary and tertiary institutions. This is because with the increase of unemployment prevalent in the country, many graduates become self employed when they cannot secure government paid works. This knowledge of promotional strategies being taught in school will help them to improve their business ventures. Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) should also assist SSEs in providing various promotional strategies and distribution channels for their products and services to penetrate regional, sub-regional and global markets i.e. achieving a wider coverage and awareness of their products and service.

SSEs owners/managers should address the factors that influence the choice of promotional strategies they adopt like looking into their management approach to growth of their business as growth of their enterprise is a major determinant of the existence or failure of their businesses. Finding ways of raising enough capital for their business through Micro finance banks and other loan agencies will further boost their capital base then government, media agencies like radio and television stations should bring down their fees/charges on billboards and advertising of products and services so that most SSEs can afford their bills since findings has shown that high cost is a major factor militating the use of most of the promotional strategies. This also informs why most of the SSEs were not able to use most of the promotional strategies.

Since findings showed that SSEs that adopted promotional strategies recorded increase in growth in form of increase turnover, profit, larger market coverage and more competitive advantage over other enterprises. Entrepreneurs should see the importance of promotional strategies as a tool that if well-articulated and incorporated into their business will improve their business growth and sustainability. This finding is an insight towards encouraging SSEs owners to see the need of using promotional strategies to improve their businesses.

The study also provides information to assist entrepreneurs in the development of their businesses in the country. The importance of promotional strategies to business enterprises from this study serves as a baseline data to facilitate knowledge generation for researchers and students.

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