

# MARKETING PROBLEMS OF MICRO AND SMALL SCALE MANUFACTURING ENTERPRISE: THE CASE OF HAWASSA, ETHIOPIA

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## **Abstract:**

*This study is concerned about marketing problems of Micro and small manufacturing enterprises of Hawassa city. Both primarily and secondary data were collected using structured questioner, and published and unpublished documents respectively. By using simple random sampling technique 352 respondents were selected from 2876 mangers. Descriptive and inferential statistics were used for analyzing data. The study found out that the micro and small manufacturing enterprises uses product strategies, pricing strategies and distributional strategy and the adoption of the promotional strategies were weak compare to the other marketing mix strategy and there is no difference in price, product and promotional strategy between micro and small manufacturing enterprise and there is significance difference in distributional strategy between micro and small manufacturing enterprise.*

**Key words:** *Marketing Problems, Marketing Mix, Product, Price Promotion and Distribution*

## **1. Introduction**

### **1.1. Background of the study**

Marketing occupies a critical role in the economic development of a country. It acts as a multiplier of development. It mobilizes latent economic energy, contributes to the rapid development of entrepreneurs and managers, and finally, makes possible economic integration and fuller utilization of whatever assets and productive capacity an economy already possesses. It also determines firm's commercial ability to prosper in a competitive environment, contributes to the development of a flourishing industrial society, and revolutionizes the life of people both as human beings and as consumers and converts the limited human needs into unlimited wants and further to actual demand. The pace of the development of small scale industries also hinges on the soundness of marketing practices and policies. The tools and techniques of marketing helps in widening and diversifying the market by creating awareness, providing information, generating conviction and impelling to action. The small-scale industry is the hub of many economic activities in a developing country like Ethiopia .The health of small business sector is very important for the overall economic growth potential and future strength of an economy since they utilize local resources, satisfying vital needs of large segment of

the population with their products and services, serve as spheres of technological, marketing and management capacity and skill acquisition, and enable technological progress via adoption technologies (FeMSEDA, 2004).

Micro & Small Enterprise Development Program in Ethiopia meaningfully has been given due attention by government since 2004/2005. Of course, in 1996/97 National Micro and Small Enterprise Strategy was developed by the government. However, the degree of recognition to the sector with regards to job creation and the alleviation of abject poverty among impoverished youth & women was not sufficient. Until 2004/2005, the national strategy was implemented by Federal SMEs Development Agency organized only at national level. Because of this, it was very difficult to make the strategy practical specially in delivering business development service for SME operators. Thus, by considering the critical role of the sector and the constrained faced by SME operators since 2004/2005 the government of Ethiopia decide to establish SMEs coordinating body at regional level. Accordingly, SMEs development Agencies are set up in all regions, even sub branch offices at zone/district level. The system helps to support a lot of SMEs and thereby to create job opportunity for unemployed youth and women.

Ethiopia is the second most populous country in sub-Sahara Africa with a population of more than 105 million in 2017. The country has a long history, mosaic of people and diverse cultures. Even though, Ethiopia has reasonably better resource potential for development of agriculture, biodiversity, water resources, minerals, the country still, is facing with complex and multi-dimensional vicious circled poverty, which is broad, deep and structural. As the poverty survey carried out in the year 2000, has indicated that, the proportion of the population below the poverty line known to be more than 29.7 %. (Dercon, S., and M. Tadesse. 1999)

## 2. Objectives of the study

### General Objective

The general objective of this study is to identify marketing problem and challenges of micro and small manufacturing enterprise in Hawassa city, Ethiopia

### Specific Objectives

In line with the above general objective, specifically, the study has the following objectives;

To study the marketing problems of micro and small manufacturing enterprises

- ✓ To analyze the marketing mix strategy (Product, Price, distribution and Promotion) of the micro and small manufacturing enterprises.
- ✓ To identify the internal challenges face the micro and small manufacturing enterprise in mobilizing resource to face marketing problems.
- ✓ To study the differences in marketing mix approach between micro and small manufacturing enterprise.
- ✓ To suggest major solution for market problems for micro and small manufacturing enterprise in Hawassa.

## RESEARCH METHODOLOGY

### Research Design

This study is descriptive research type and it uses to find information about the present status of a phenomenon to describe, “What exist” with respect to variables or conditions in a situation (Yin, 2003). Additionally, it offers the number of times an event occurs, or the frequency and helps in statistical calculation such as determining the average of occurrences or central tendencies (Yin, 1994). The aim of this research is to assess marketing challenges of micro and small manufacturing enterprise. For this study, both primary and secondary data were used. Primary data was

collected from questionnaires and interview and secondary was collected from articles, books, journals and, internet. Qualitative data are so powerful because they are sensitive to the social and historical context in which the data are to be collected.

### Types and Source of Data

Both qualitative and quantitative data were used. This study was used both primary and secondary source of data. Primary data was collected through structured questionnaire. Whereas secondary data was collected through, reading and reviewing related research, internet, literatures, annual report and other documents from the organization.

### Target Population

The target population of the study is the manager of micro and small manufacturing enterprise in Hawassa city. According to the data obtained from Hawassa city micro and small enterprise office there are about 2876 micro and small manufacturing enterprise in Hawassa city.

### Sample Size and Sampling Techniques

Yamane (1967) determines the sample size simplified formula for finite population was used to determine the sample size for the study. The sample size was calculated using a confidence level of 95% and acceptable error unit of 5% that is acceptable in social science research (Akuffo-Twum, 2011).

$$n = \frac{N}{1 + N(e^2)}$$

Where,

n = sample size,

N= population size and

e = (5%) is the level of precision or sampling error = (0.05)

The total population (N) =2876

$$n = \frac{2876}{1 + 2876(0.05)^2} = 351.5 \approx 352$$

Among 2876 micro and small manufacture enterprises 352 samples are selected through simple random sampling method.

### Method of Data Analysis

The ultimate goal of analyzing data is to treat evidence fairly, to produce compelling analytical conclusions and to rule out alternative interpretations. According to Denscombe (2003) data analysis means that the researcher is deciding what and which meaning can be attributed to the collected data and what are the implications to that effect and how does it relates to the topic being investigated . Accordingly, overall analysis of data is organized as follows: Background information in the first part; i.e. Socio demographic aspect, and business position of respondents were described by percentage and the second part, likert scale questions, were analyzed by mean scores, standard deviation, T-test correlation and regression. These analytical systems help to facilitate meaningful analysis and interpretation of research findings. The data was entered in to computer & analysis was carried using the statistically package for the social science (SPSS) version 20 program.

#### IV. RESULTS AND DISCUSSION

The respondents were requested to indicate the marketing mix strategies which were used by the SMEs to attract and retain customers in a five point Likert scale. The range was 'very low extent (1)\* to 'very great extent' (5). the scores of very low extent have been taken to represent a variable which had mean score of 1.25 to 1.99 on the continuous likert scale; (1.25 < S.L < 1.99), the scores of very low extent have been taken to represent a variable which had mean score of 2.00 to 2.74 on the continuous likert scale; (2 < S.L < 2.74). The scores of 'moderate extent' have been taken to represent a variable with a mean score of 2.75 to 3.49 on the continuous likert scale: (2.75 < M.I.E. < 3.49) and the score of great extent and very great extent have been taken to represent a variable which had a mean score of 3.50 to 5.00 on a continuous likert scale; (3.5 < L.li. < 5.0). A standard deviation of >1.0 implies a significant difference on the impact of the variable among respondents.

##### 5.1. Marketing Mix Approach Difference Between Micro And Small Enterprise

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	T	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Product strategy	Equal variances assumed	1.728	.190	-1.378	331	.169	-.9429	.18130	-.60649	.10679
	Equal variances not assumed			-1.386	298.733	.167	-.9429	.18024	-.60455	.10485
Price strategy.	Equal variances assumed	1.791	.182	.306	331	.759	.04450	.14521	.24116	.33016
	Equal variances not assumed			.310	304.17	.757	.04450	.14356	.23799	.32700
Promotional strategy	Equal variances assumed	.088	.768	.154	331	.878	.02752	.17898	.32455	.37960
	Equal variances not assumed			.154	292.364	.878	.02752	.17905	.32487	.37991

<b>Distributional strategy</b>	Equal variances assumed	30.133	.000	5.244	331	.000	.35815	.06830	.22379	.49251
	Equal variances not assumed			4.652	173.77	.000	.35815	.07699	.20619	.51011

Source: Own Survey (2018)

### Hypothesis testing

Ho1: There is no difference in product strategy between micro and small manufacturing enterprise. Independent sample t-test has been used as a statistical tool to examine the variation in the product strategy between micro and small manufacturing enterprise.

As it is shown in the above table, the results of Independent sample t-test used to find out the variations in the product strategy between micro and small manufacturing enterprise. The value of “t” at 331 degrees of freedom is -1.378 and significant value is 0.169 which is more than 0.05 at 95 percent confidence interval. Therefore, null hypothesis is accepted and hence it can be said that there is no difference in product strategy between micro and small manufacturing enterprise.

Ho2: There is no difference in price strategy between micro and small manufacturing enterprise. Independent sample t-test has been used as a statistical tool to examine the variation in the price strategy between micro and small manufacturing enterprise.

As it is shown in the above table, the results of Independent sample t-test used to find out the variations in the price strategy between micro and small manufacturing enterprise. The value of “t” at 331 degrees of freedom is .306 and significant value is 0.759 which is more than 0.05 at 95 percent confidence interval. Therefore, null hypothesis is accepted and hence it can be said that there is no difference in price strategy between micro and small manufacturing enterprise.

Ho3: There is no difference in promotional strategy between micro and small manufacturing enterprise. Independent sample t-test has been used as a statistical tool to examine the variation in the price strategy between micro and small manufacturing enterprise.

As it is shown in the above table, the results of Independent sample t-test used to find out the variations in the price strategy between micro and small manufacturing enterprise. The value of “t” at 331 degrees of freedom is .306 and significant value is 0.759 which is more than 0.05 at 95 percent confidence interval. Therefore, null hypothesis is accepted and hence it can be said that there is no difference in price strategy between micro and small manufacturing enterprise.

Ho4: There is no difference in Distributional strategy between micro and small manufacturing enterprise. Independent sample t-test has been used as a statistical tool to examine the variation in the price strategy between micro and small manufacturing enterprise.

As it is shown in the above table, the results of Independent sample t-test used to find out the variations in the price strategy between micro and small manufacturing enterprise. The value of “t” at 331 degrees of freedom is 5.244 and significant value is .000 which is less than 0.05 at 95 percent confidence interval. Therefore, null hypothesis is

rejected and hence it can be said that there is difference in promotional strategy between micro and small manufacturing enterprise.

### . Correlation

**Table 6.9. Pearson correlations**

Marketing Mix Strategy	Marketing Problems	
	Pearson Correlation	Sig. (2-tailed)
Product strategy	-.079	.151
Price strategy	-.158	.004
Promotional strategy	-.064	.242
Distributional strategy	.043	.435

\* Correlation is significant at the 0.05 level (2 tailed)

### Regression Analysis and Hypothesis Testing Results

Multiple regressions are used when the researcher wants to explore the predictive ability of a set of independent variables on one continuous dependent variable. It shows the degree by which the independent variables explain the variance in the dependent variable, at the same time it indicates the respective contribution of each of these independent variables, and helps to determine whether the results are statistically significant or not. As an inferential statistics tool, multiple regression was used for hypotheses testing (Pallant, 2007).

In this study, multiple regression was employed to examine the effect of ATM service quality dimensions (independent variables) such as reliability, convenience, user-friendliness, security, and responsiveness on customer satisfaction (dependent variable).

To have good results, the independent variables should not be highly correlated with each other. In multiple regression analysis, multicollinearity refers to the correlation among the independent variables (Pallant, 2007). Therefore, to make sure there is low multicollinearity, the values of Tolerance and VIF (Variance Inflation Factor) should be checked. According to Pallant (2007), tolerance indicates to what extent the independent variables do not explain much of the variability of a specified independent variable and the value should not be small (more than 0.10) to indicate the absence of multicollinearity.

**Table 6.10 Multicollinearity**

	B	Collinearity Statistics	
		Tolerance	VIF
(Constant)	.259		
Product Strategy	.220	.825	1.213
Price Strategy	.100	.587	1.704
Promotional Strategy	.282	.614	1.629
Distributional Strategy	.229	.825	1.212

Source: own survey (2019)

In addition to that, VIF, the inverse of tolerance value, should have a value of less than 10 to avoid any concerns of multicollinearity (Pallant, 2007). The values in the Table 6.10 indicate low multicollinearity where all

Tolerance values are above 0.1 and all VIF values are less than 10. Therefore, these tests reflect that the variables used in the study are free from multicollinearity.

The results of regression analysis presented in Table 6.11, indicate the predictive variables (independent variables) such as product, price, promotion and distribution jointly determine the criterion variable that is marketing problems. The adjusted R-Square ( $R^2 = .621$ ) shows that product, price, promotion and distribution jointly determine (explain) 62.1% of the variance in marketing problems.

**Table 6.11 Results of Regression Analysis**

R	R <sup>2</sup>	Adjusted Square	R	Std. Error of the Estimate
.794a	.631	.621		.430

Note: Predictors: (Constant), product, price, promotion and distribution

Source: own survey (2019)

**Table 6.12: Beta Weights of Predictor Variables in the Test**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta( $\beta$ )		
(Constant)	.259	.210		16.849	.000
Product Strategy	.220	.055	.230	-.148	.025
Price Strategy	.100	.040	.122	-2.479	.014
Promotional Strategy	.282	.062	.282	-.040	.068
Distributional Strategy	.229	.048	.262	1.485	.013

Note. a. Dependent Variable: Marketing Problems

Source: Own survey (2019)

The values of the Standardized Beta Coefficients ( $\beta$ ) indicate the effects of each independent variable on dependent variable. The values of the Standardized Beta Coefficients in the Beta column of the Table indicate which independent variable (marketing mix) makes the strongest contribution to explain the dependent variable (marketing problems), when the variance explained by all other independent variables in the model is controlled. The t value and the sig (p) value indicate whether the independent variable is significantly contributing to the prediction of the dependent variable.

## Major Marketing Problems Regarding To Marketing Mix

### Marketing Problems Regarding Product

Based on the finding of the study, the following marketing problems regarding product are observed:

- It is observed from the study that majority of the MESs has appropriate product planning and strategy based on chosen market segments.
- It is observed from the study that majority of the MESs has lack of suitable product specifications, grading and standardization.
- It is observed from the study that majority of the MESs has lack of appropriate techniques for evolving different qualities of product for satisfying different categories of customers.
- It is observed from the study that majority of the MESs has lack of design development facilities in the unit.
- It is observed from the study that majority of the MESs has lack of appropriate strategy regarding product items, product lines, and product mixes.
- It is observed from the study that majority of the MESs has lack of appropriate branding policies.

#### **Marketing problems regarding price**

Based on the finding of the study, the following marketing problems regarding price are observed:

- The study also revealed that majority of MSEs has appropriate pricing planning and strategy.
- The study also revealed that majority of MSEs has sufficient information about key competitors' pricing policies and practices.
- The study also revealed that majority of MSEs has sufficient information regarding the prices of competitive products and of substitutes.
- The study also revealed that majority of MSEs has faced the increment cost of production due to rising material costs.
- The study also revealed that majority of MSEs has lack of integrated approach toward pricing strategy and policy.

#### **Marketing problems regarding promotion**

Based on the finding of the study, the following marketing problems regarding promotion are observed:

- The study also revealed that majority of MSEs has appropriate promotional planning and strategy
- The study also revealed that majority of MSEs has lack of long-term promotion objectives.
- The study also revealed that majority of MSEs has lack of appropriate combination of different tools of promotion.
- The study also revealed that majority of MSEs has lack of appropriate advertising budget.
- The study also revealed that majority of MSEs has high cost of promotion.

#### **Marketing problems regarding distribution**

Based on the finding of the study, the following marketing problems regarding distribution are observed:

- The study also revealed that majority of MSEs has appropriate distribution planning and strategy.
- The study also revealed that majority of MSEs has lack of information about genuine distributors/middlemen.
- The study also revealed that majority of MSEs has lack of appropriate planning and strategy relating to transportation, inventory, warehousing.
- The study also revealed that majority of MSEs has Virtual absence of effective distribution network in the individual unit.



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