Marketing Communication and the Performance of Small and Medium Enterprises in Polokwane Local Municipality

M Ramasobana
University of Limpopo, South Africa

Abstract: This study investigated marketing communication and the performance of SMEs. Quantitative research methodology was used in this study. SMEs located in Polokwane Local Municipality in Limpopo Province, South Africa were considered for this study. The study used convenience sampling and snowball sampling methods because; there was no defined population frame of SMEs in the research area. One hundred and sixty SMEs participated in the study. The researcher used structured self-administered questionnaire to collect data. The questionnaire was developed by the researcher after a thorough review of literature on marketing communication strategies and SMEs. Pearson Chi-Square and descriptive statistics were used to analyse data. The Cronbach's alpha test was used to measure reliability of the questionnaire items. This study revealed that the use of traditional marketing and the use of guerrilla marketing communication strategies increase the sales and profit of SMEs. However, it does not necessarily contribute to the employment of additional employees. The combination of the two marketing communication strategies yields better results for SMEs in terms of performance as compared to when used individually. Recommendations proposed included marketing subsidies from the government which have a potential to reduce unemployment because SMEs will now be able to employ marketing personnel using the financial resources from the government.

Keywords: Marketing communication, Performance, Small Micro and Medium-sized enterprises

1. Introduction

SMEs are vital drivers of economic growth in many countries including South Africa. Hence, governments throughout the world focus on the development of the SME sector to promote economic growth (Subhan, Mehmoo & Sattar, 2013:2). SMEs contribute positively to various aspects in the economy. According to Arafat and Ahmed 2013:37, SMEs dominate the world economies in terms of employment. Jasra, Khan, Hunjra, Rehman and Azams (2011:274) remark that one of the most important roles of SMEs includes poverty alleviation through job creation. Muritala, Awolaja and Bako (2012:18) posit that the majority of developed and developing countries rely heavily on risk tasking, dynamism and the resourcefulness of small and medium enterprises to trigger and sustain the process of economic growth. SMEs make a positive contribution to wealth creation in the South African economy (Department of Trade and Industry 2009:1). However, notwithstanding the noted contribution of SMEs as pointed out above, SMEs in South Africa continue to fail. It is estimated that the failure rate of SMEs in South Africa is between 70% and 80% Adeniran and Johnston (2011:1). Given this high failure rate, it is of utmost importance to research into the factors that are required to sustain and improve the performance of SMEs (Bowen, Morara & Mureithi, 2009:24). Extensive research has been conducted on the financing aspect as a contributing factor to the high failure rate of SMEs. The financial success of SMEs often depends on their marketing communication ability (Kotler & Keller 2009:24). However, Pencarelli and Cioppi (2009:3) argue that SMEs do not have high degrees of marketing abilities necessary to create value for their stakeholders. There are two broad strategies in the marketing communication domain, which are traditional and guerrilla marketing. According to Koekemoer (2014:116), traditional marketing refers to the use marketing communication strategies such as advertising, personal selling, sales promotion, direct marketing, sponsorship and public relations to communicate with stakeholders. Hutter and Hoffman (2011:39) remark that guerrilla marketing is an umbrella term for unconventional advertising campaigns, with an aim of grasping the attention of a large number of potential customers at a relatively low cost. According to the researchers; knowledge, limited research has been conducted in the sphere of marketing communication and SMEs. Hence the aim of this study is to evaluate...
the difference in the performance of SMEs based on the type of marketing communication strategies adopted. This paper evaluates if there is a significant difference in the performance of SMEs on the basis of the marketing communication strategy adopted. The paper makes the following hypothetical statements:

Ho1: There is no significant difference in the performance of SMEs on the basis of marketing communication strategy adopted.

Ho1: There is a significant difference in the performance of SMEs on the basis of marketing communication strategy adopted.

2. Literature Review

This study provides the theoretical literature review of marketing communication strategies and the performance of SMEs. Integrated Marketing Communication (IMC) theory by Schultz (1996) provides the theoretical framework for this study. IMC is the integration of different marketing communication techniques such as traditional and guerrilla marketing strategies to provide added value to the customer, and to increase positive relationships with all stakeholders (Du Plessis, Van Heerden & Cook, 2010:19).

2.1 Marketing Communication Strategies

Marketing communication comprises of management tools that establish, develop and maintain long-lasting relations with consumers and potential clients or customers (Esposito, 2013:81). SMEs can adopt traditional or guerrilla marketing or a combination strategy both to successfully communicate with customers.

2.1.1 Traditional Marketing

Traditional marketing refers to any form of advertising, campaign or promotion in the form of print advertisements such as flyers, newsletters, billboards and newspaper print advertising (Higuera 2015:1). SMEs use various traditional marketing strategies to effectively communicate with their customers (Shima & Varfan, 2008:8).

Advertising: Advertising is a paid form of mass presentation of products or services by an advertiser addressed to the specific target audience (Frey & Rudloff, 2010:14). Advertising has an objective of creating awareness, informing, reminding, influencing and persuading the target market to purchase the product or service (Koekemoer 2014:123). In addition, advertising can be executed on various media channels such as television, radio, in-store media, interactive media (internet and telephone) and print media (Cant, Strydom, Jooste & du Plessis, 2006:474). According to Ruzzier, Ruzzier and Hisrich (2013:222), SMEs use cost-effective forms of media such as advertising on local rather than on national TV, or use cable channels such as radio and newspapers. Tsikirayi, Muchenje and Katsidzira (2012:7) find that SMEs engage in advertising to create awareness of their products and to stimulate the purchase action from consumers.

Direct Marketing: Direct marketing is a process of communicating directly with the target market to encourage responses by telephone, personal visits or mail (Du Plessis et al., 2010:36). Direct marketing is interactive and is used to ensure direct response from customers (Percy, 2008:153). Cant et al. (2006:474) remark that direct marketing includes direct mail, direct response advertising and telemarketing. SMEs use direct marketing (face to face) to discover and satisfy the needs of customers with the aim of selling products that customers need (Shima & Varfan, 2008:08).

Public Relations (PR): Public relations is the management, through communication, of perceptions and strategic relationships between an organisation and its internal and external stakeholders (Cohen, 2011:1). According to Armstrong, Kotler, Harker and Brennen (2009:14), public relations activities include press releases, press conferences, video news releases, exclusives and interviews. Ruzzier et al. (2013:225) find that the most important PR tools used by SMEs are speeches, open days, press releases, press conferences and charitable work.

Sponsorship: Koekemoer (2014:7) defines sponsorship as the marketing communications activity whereby a sponsor contractually provides financial or other support to an individual, a team or an organisation in return for the rights to associate the sponsor’s brand. Rabale (2011:2) holds that SMEs engage in sport sponsorships, which offer numerous opportunities for simultaneous access to audiences globally (Dhurup, 2010a:2)

Publicity: Cant et al. (2006:466) describe publicity as the stimulation of the demand for a product by
making its commercial news value available to the mass media such as the press, television and radio. Berger, Sorensen and Rasmussen (2010:816) assert that publicity is about generating news about a business, service or product in the media. SMEs use social media to publish news about their products (Egeonu, 2012:1).

**Word of Mouth:** Ali and Goriparthi (2012:146) point out that word of mouth is about personal communication between two or more people reflecting on their experience about a brand, product or a service. Dzisi and Ofuso (2014:106) find that SMEs use word-of-mouth to obtain feedback from customers about their brands, products or services. According to Kozinets, de Valck, Wojnicki and Wilner (2010:72), SMEs use electronic word of mouth. In electronic word of mouth, consumers’ experiences, expressions and views can be added by expressing opinions on blogs, social media and online communities (Ruzzier et al., 2013:222).

**Personal Selling:** According to Koekemoer (2014:116), personal selling is a process by which the seller learns about the prospective buyer’s wants and seeks to satisfy them by offering suitable products, and in the process, makes a profit. Du Plessis et al. (2010:149) find that personal selling should be mutually beneficial to both the seller and the prospective buyer while at the same time, it should be stakeholder orientated. According to Dzisi and Ofuso (2014:106), personal selling enables SMEs to gather relevant information on the needs of their customers, which SMEs usually depend on to ensure continuous customer satisfaction.

**Sales Promotion:** A sales promotion consists of a set of incentive tools to stimulate sales on a short term (Cant et al., 2006:462). According to Dzisi and Ofuso (2014:106), SMEs use discount sales and promotions to sell off old stock, promote the sale of new products and retain existing customers, and also pull new customers towards the products. Kozinets et al. (2010:72) assert that SMEs use price-based sales promotion and non-price sales promotion. Ruzzier et al. (2013:222) argue that the price based sales promotion tools include coupons and price reductions, while the non-price sales promotion tools include samples and sweepstakes. Businesses can use the traditional marketing tools individually or mix them. Kotler (2009:3) believes that each grouping has its own sets of marketing tools such as quality, design and variety for product; price reduction; personal selling and advertising for promotion; and inventory, channels for place.

### 2.1.2 Guerrilla Marketing

Caliskan (2012:23) defines guerrilla marketing as a marketing tactic designed to attract prospective consumer’s attention and to attain competitive advantage over competitors by applying low cost or no cost marketing activities. Different types of guerrilla marketing strategies are available for SMEs to attract potential customers.

**Viral Marketing:** Viral marketing is about spreading products or brand information on digital domains with the help of internet mediums such as the social media (Ali & Goriparthi, 2012:146). SMEs use viral marketing through social media platforms such as Facebook, blogs, LinkedIn, YouTube and twitter to minimise marketing costs (Dzisi & Ofosu, 2014:106). According to Lim (2010:33), viral marketing allows SMEs to maximize sales while minimising the expenses. Viral marketing is a more economical and quicker way for SMEs to reach out to the target market directly, and an ideal way for businesses to advertise in both the local and international markets (Salehi, Mirzaei & Aghaei, 2012:153-154). Viral marketing activities allow SME owners to advertise their brands, products and services more widely with less expense, and to answer customer queries in various languages if need arises (Gilmore, 2011:138).

**Buzz Marketing:** Buzz marketing involves a specific event or performance of the brand in order to stimulate excitement among consumers, and to spread the message about a product or brand (Leila & Abderrazak, 2013:2). Businesses use various tactics to create buzz, such as celebrities in different marketing communication activities (Belic & Jonsson 2012:17). SMEs invite a small number of consumers to try their products, and to send them out to spread the rumours (buzz) about the product to friends and acquaintances (Ruzzier et al., 2013:231).

**Ambient Marketing (role-plays and graffiti):** Ambient marketing is the placement of advertising in uncommon and unexpected locations, such as placing advertisements on the floors, petrol pump handles and on the back of toilet doors (Belic & Jonsson, 2012:24). According to Cox (2012:19), SMEs engage in ambient marketing through pop-up-windows on consumers’ emails and social media accounts.
Ambush Marketing: In ambush marketing, an organisation (ambusher) pretends to be a sponsor to an event. The ambushers get the same benefit as if they are the official sponsors, avoiding the costs of a sponsor and misleading the customers to make them believe that the organisation is the actual sponsor (Belic & Jonsson, 2012:25). SMEs engage in ambush marketing by purchasing advertising time during the broadcast of major events sponsored by rival businesses, to be perceived by consumers as main sponsors (Dhurup, 2010a:5).

2.2 The Difference in the Performance of SMEs on the Basis of Marketing Communication Strategy Adopted

Investor words (2011:1) define performance as the results of activities of an organisation or investment over a given period. Ahmed and Chowdhury (2009:129) assert that different variables can be attributed to the performance of SMEs. These performance variables can be financial and/or non-financial. Fatoki and Asah (2011:198) reveal that financial measures include variables such as sales growth, increase in the market share, and profitability, while non-financial measures include the employment of additional employees.

Keh, Nguyen and Ng (2006:593) assert that the use of marketing information relating to sales promotion has a positive effect on firm performance. Dzisi and Ofosu (2014:108) remark that traditional marketing strategies are more related to the performance of SMEs than non-traditional marketing strategies as they attract the mass attention of prospective customers. Oboreh, Ogechukwu and Francis (2011:231) find that SMEs that engage in traditional marketing to attract and retain customers increase their sales and profit.

David, Neeraj, Derek, John, Michael, Ruba, Julia and Julio (2013:2) reveal that there is a strong correlation between guerilla marketing strategies and SMEs' performance in terms of improved efficiency, growth in revenue and job opportunities. Ardjouman and Asma (2015:144) find that technology can effectively affect the performance of SMEs through marketing products and services online. SMEs with more advanced marketing capabilities as a result of technology indicate a better financial performance (Quresi & Mian, 2010). The above findings indicate that there is a difference in the performance of SMEs on the basis of marketing communication strategies adopted.

3. Research Design and Methodology

Quantitative research methodology was used in this study because data collected was expressed in numbers and analysed in tests (Grix, 2010:124). This study focused on SMEs located in Polokwane Local Municipality in Limpopo Province, South Africa. Non probability sampling was deemed appropriate for this study because of the difficulty in obtaining a list of SMEs in the study area. In addition, the researcher wanted to include the smallest micro enterprises which are not in any data base. The study used convenience sampling and snowball sampling methods because there was no defined population frame of SMEs in the research area. The researcher used structured self-administered questionnaires to collect data because they are quicker to administer and are useful in describing the characteristics of a large population (Bryman & Bell, 2014:192). In addition, this study used structured self-administered questionnaire because it was relatively inexpensive. The questionnaire was developed by the researcher after a thorough review of literature on marketing communication strategies and SMEs. The questionnaire used close-ended questions. Close-ended questions are more easily analysed and are better suited for computer analysis. This study also included Likert scale questions to evaluate the effect of marketing communication on the performance of SMEs. The respondents had to identify a trend in the performance measures of their businesses. The performance was measured in terms of sales, profit, employment of additional employees and the sales growth relative to competitors. The scale ranged from 1 which indicated a ‘significant decline’, 2 ‘decline’, 3 ‘remained the same’, 4 ‘increase’ and 5 ‘significant increase’. Pearson Chi-Square and descriptive statistics were used to analyse data. The Cronbach’s alpha test was used to measure reliability of the questionnaire items.

4. Results and Discussion

The results and discussions of the study are hereunder given in line with aim and objectives that were set for the study.

4.1 Response Rate

Table 1 on the following page depicts the response rate of the survey. Three hundred and seventy questionnaires were distributed and hundred and sixty were returned. The response rate was 43%.
4.2 The Effect of Marketing Communication on the Performance of SMEs

Table 2 above indicates the effect of marketing communication on the overall performance of SMEs. The results indicate that there is a significant difference in sales, profit, employment of additional employees and the sales growth of SMEs relative to competitors, based on the marketing communication strategy adopted. Traditional, guerrilla and the combination of both marketing communication techniques contribute differently to the performance of SMEs in the study. Table 2 indicates the contribution of traditional, guerrilla and the combination of both marketing strategies to the performance of SMEs.

4.3 The Effect of Traditional and Guerrilla Marketing on the Performance of SMEs

Table 3 on the following page depicts the effect of marketing communication on the performance of SMEs. A total of 24 SMEs in the study practise guerrilla marketing, 91 SMEs are engaged in traditional marketing and 45 SMEs are engaged in both guerrilla and traditional marketing. These results are inconsistent with Lee and Carter's (2011:19) suggestion that guerrilla marketing techniques such as social media are increasingly appealing and cheap, which is suitable for SMEs as a result of their limited budgets.

The results highlight that SMEs that are engaged in guerrilla marketing were able to increase their sales. Guerrilla marketing tools also increased their profit. Sales growth as compared to competitors also increased. However, the number of employees remained the same. Results further specify that SMEs that are engaged in traditional marketing were able to increase their sales. Their profit also increased, as well as their sales growth as compared to their rival businesses. The number of employees remained the same. These results are consistent with the findings of Oboreh, Ogechukwu and Francis (2011:231) which indicated that SMEs that engage in traditional marketing are able to increase their sales and profit.

SMEs that are engaged in both guerrilla and traditional marketing were able to increase their sales. The use of both traditional and guerrilla marketing increased their profit; however, SMEs were not able to employ additional employees. The sales growth has increased as compared to the sales of their competitors. The results can be concluded by emphasising that marketing communication increases the sales and profit of SMEs. However, it does not necessarily contribute to the employment of additional employees. SMEs that are engaged in both traditional and guerrilla marketing scored the highest mean scores on profit and sales, indicating that the use of multiple categories of marketing communication contributes positively to the performance of SMEs. Therefore, H1: indicating that there is a significant difference in the performance of SMEs on the basis of marketing communication strategy adopted, was accepted. These results are

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**Table 1: Response Rate**

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number sent out</th>
<th>Number returned</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs</td>
<td>370</td>
<td>160</td>
<td>43</td>
</tr>
</tbody>
</table>

Source: Authors

**Table 2: Overall Performance of SMEs**

<table>
<thead>
<tr>
<th>Performance measures</th>
<th>df</th>
<th>Pearson Chi-Square Asymptotic Significance (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>8</td>
<td>0.000</td>
</tr>
<tr>
<td>Profit</td>
<td>8</td>
<td>0.000</td>
</tr>
<tr>
<td>Employment of additional employees</td>
<td>8</td>
<td>0.000</td>
</tr>
<tr>
<td>Sales growth relative to competitors</td>
<td>6</td>
<td>0.002</td>
</tr>
</tbody>
</table>

p<0.05

Source: Authors
consistent with the findings of Gabrielli and Balboni (2010:287) which indicated that SMEs are able to use various communication tools (IMC), including both traditional and guerrilla marketing tools, to declare ambitions and long-term goals to increase sales and profit. The Cronbach’s alpha coefficient for four performance measures is 0.893, suggesting that the items have relatively high internal consistency. The measures were relevant to business performance.

5. Conclusion and Recommendations

This study can be concluded by emphasising that there is a significant difference in the performance of SMEs on the basis of marketing communication strategy adopted. The use of traditional and guerrilla marketing communication strategies increases the sales and profit of SMEs. However, it does not necessarily contribute to the employment of additional employees. The combination of the two marketing communication strategies yields better results for SMEs in terms of performance as compared to when used individually. Marketing communication can actually increase the number of personnel employed in SMEs if the government can subsidise the marketing function of these businesses in order to sustain them. Marketing subsidies have a potential to reduce unemployment because SMEs will now be able to employ marketing personnel using the financial resources from the government. This support from the government will enable SMEs to have funds in order to engage in both traditional and guerrilla marketing strategies to improve their performance.

References


