Effect of market penetration management strategies on performance of Small Enterprises in Kenya: A case of Migori County

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Abstract: **Small businesses in Kenya face a myriad of challenges. Most of the establishments have gone under the waters due to various reasons including market turbulences. The businesses leave the market as soon as they make entry. If they stay, they stagnate at the same level they started. The objective of the study was to find out the effect of market penetration strategies on the performance of small enterprises in Kenya. The study used descriptive survey design. The study was conducted in Migori County, Kenya. The target population was 4997 which were businesses registered by the department of Trade of Migori County in 2019. A sample of 481 individuals were interviewed. This number was derived using Yamane sampling model. Data was collected from business owners with the help of a structured questionnaire. The researcher used Cronbach's alpha coeffect to test the reliability of the study instrument. Data was sorted, sorted and entered using a statistical software program for social sciences (SPSS). A simple linear regression was used to test the relationship between market penetration management strategies and performance of small enterprises in Kenya. Pearson Product Moment correlation was employed in testing the strength of the relationship between market penetration management strategies and growth of small enterprises in Kenya.**

Keywords: **Enterprise, Management, Market, Penetration, Performance, Small, Strategies.**

I. INTRODUCTION

Small enterprises are greatly contributed to growth and development of several countries (ADBI 2016). Most off these enterprises are owned by upcoming businessmen and women who are struggling to earn income. However, there are a myriad of challenges that these businesses face including lack of access to finances as well as stiff competition from other entrepreneurs. World over, businesses are struggling with such challenges hence governments are coming up with such strategies that can help them survive and grow. The European Union in the spirit of trying to support the business made legislations for rewarding small entrepreneurs that were to ensure businesses thrive even as they small and grow over time (OECD, 2017). This motivation solves just one of the problems but does not address the gap on entrepreneurial education that would facilitate growth in Europe. In Hungary, there are ongoing deliberations on standardization of taxes for small enterprises (Jäger, Saša, and Sašić, 2016). Asia is struggling to put structures to ensure that business have access to finances and free flow of information. China is in the right direction to bridging the knowledge gap and supporting growth of such enterprises. In Africa poor infrastructure, inadequate knowledge on marketing ad stiff regulations remain stumbling blocks for such enterprises (Akaba, Brown and Ocloo, 2014). These are challenging that Kenyan small entrepreneurs face as well. These have encouraged the stagnated performance due to lack of innovation and management strategies (Anyanga and Nyamita 2015).

II. BODY OF ARTICLE

Forming 34% of the Kenya's Gross Domestic Product and taken 98% of the businesses in Kenya with 80% of employment coming from small and medium enterprises, the sector cannot be wished a way. The businesses need proper information surveillance to allow them make decisions based on data (International Trade Center, 2019). With stiff competition businesses innovate through market penetration management strategy (Anyanga & Nyamita, 2016).

Problem statement

Small businesses in Kenya are mostly owned by individuals who are the managers. Their routine engagement with the daily operations of businesses may not see them reach customers beyond their doors or market niches that were not tapped before. This has seen poor performance of small business with the most recent data showing performance decline by 4% in the year 2019 (Viffa Consult, 2019).

In trying to give life to the small enterprises sector the government of Kenya came up with a central hub for accessing information and financial resources and support in marketing to see these businesses have life. Cooperates as well as non-governmental organizations have come with affordable loans and grants and innovative marketing ideas to help support the same.

Despite all these strategies in place most small enterprises focus on their immediate needs and therefore do not perform. This has led to them exiting the market at a high rate. This could be due to poor marketing management strategies.

The study will therefore explore the effect of market management strategies on the performance of small enterprises in Kenya.

Objective of the study

The study was to establish the effect of market management strategies on the performance of small enterprises in Kenya.

Theoretical review

Actor-Social Network Theory is built on the belief that all things in the world are in constant shifts due to network of relationships. Strong communication plays a key role in such networks. This theory was developed by Callon and Latour (1980) and reviewed by Borgatti and Halgin (2011). The theory. This theory is applicable to market penetration management strategy since marketing is a socialization process that involve communicating to people so as convince hence sell.
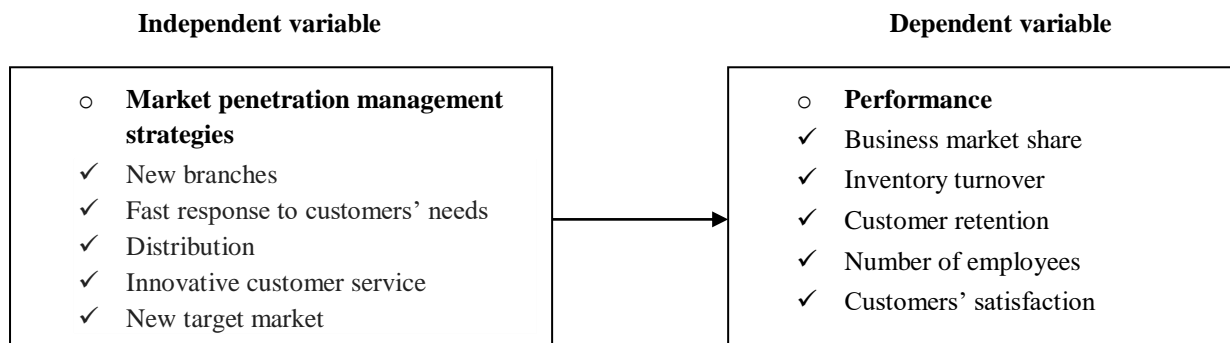
Empirical review

Ogega and Muturi (2017) while looking at the factors that influence growth of small and medium enterprises in Bosibori, Kenya using a survey method of study established that among other factors, marketing played a key role in the growth of small enterprises. Access to finance prowess of the individuals as well heading the business are key to performance of small enterprise (Kamunga, Njeru & Tirimba, 2014). Onyonyi (2016) equally established that small businesses that gave emphasis to marketing penetration equally had a significant improvement on performance. Capital is seen as a major contributing factor to the wellbeing of businesses (Gakure, Karanja & Memba, 2018). Abayo and Oloko (2015) while studying effect of micro-credit on growth of small business enterprises in Kisumu county, Kenya posited that the regulatory frameworks put by government entities had seen small businesses meet serious difficulty on asset of businesses. However, while studying the influence of entrepreneurial drive on growth of selected micro and small enterprises using descriptive survey design, the study established that proactiveness and innovation remains the greatest opportunities for small enterprises to perform (Mbugua & Moronge, 2017). Proper structures allow businesses to create strategies and channels than eventually see them improve their performance (Mungai, Kibera & Kinoti, 2019). The strategies include the use of social media to penetrate the market, enhance customer experience and retain them over a long period of time (Kithae and Wanyoike, 2019). Brands that are introduced to market through awareness creation ensures that business do well (Mulili, Ngui & Nthenya, 2019). However, such goods and services must have attributes like quality that can ensure the customer prefer them over others (Odock and Omondi, 2019).

A differentiated product that is priced differently can also help improve the business market share (Karama & Linge, 2019).

Odhiambo and Kawira (2019) posited that electronic marketing is a strategy is an approach that can give a sure bet to business performance when put into practice. These various market penetration strategies are put by small enterprises as they strive to perform. However, most of the small enterprises still fail to perform and eventual exit the market.

Conceptual framework

Frameworks of concepts provide linkage between variables under a study (Adom, Hussein & Joe, 2019). The variables should give a picture of a possible relationship between dependent and independent variables. This will give an empirical perspective for either accepting or rejection of a hypothesis. Dependent variables are influenced by independent variables. Therefore, conceptual framework gives a picture of the possibilities between these variables. In this study, the independent variable was market penetration management strategies. The dependent variable was performance of small enterprises.

Independent variable   **Dependent variable**

Independent variable	Dependent variable
o **Market penetration management strategies** ✓ New branches ✓ Fast response to customers' needs ✓ Distribution ✓ Innovative customer service ✓ New target market	o **Performance** ✓ Business market share ✓ Inventory turnover ✓ Customer retention ✓ Number of employees ✓ Customers' satisfaction

Figure 1: Conceptual framework

Source: Researcher (2019)

Figure 1. Showing the effects of market penetration management strategies on the perfomance of small enterprises. The sub-sets of market penetration management strategies include new branches, fast response to customers, distribution and innovative customer service. If market penetration management strategies are implemented performance will improve. If market penetration management strategies are not implemented, then performance will decline.

Research Design

The study employed a descriptive survey design. Survey is a way of gathering information with already formulated questions in form of a structured questionnaire to a sample representative of the target population. In the need of forming a pool of events by data collection, survey design is the best. Generalization is another reason for survey design. Jagongo and Machoka, (2019) used the survey design to study competitive information sharing and credit scores on Banks performed in Kenya. The researcher used this same design to study the effects of market penetration management strategies on the performance of small enterprises in Kenya.

Target population

A population of 4997 was targeted (County Government of Migori, 2019). Proof of registration was a precondition for inclusion or exclusion into the study. Migori happens to border two countries of Eastern Africa, Ugunda and Tanzania. It is at the same time a cosmopolitan County.

Table 1. Shows the registered SMEs in Migori County

Table 1: Target Population

Small Enterprise Category	Number`
Food items	738
Non-food items	1870
Service	2389
Total	**4997**

Source: Migori County, Department of Trade (2019)

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Sampling and sample size

The researcher used stratified sampling. The researcher divided the small businesses into food related, non-food related and services. This formed three strata. Simple random sampling was then used. To determine the sample size, Yamane sampling model was put into use.

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

Where:

n_s - Sample Size;

N - Population Size;

e - Precision level (at 0.95 confidence interval, e = 0.05).

Given N = 4997, then thus,

n= $\frac{4997}{\{1+4997(0.05^2)\}}$

= $\frac{4997}{13.4925}$ = 370.3539

An addition of 30% is allowed by Yamane to cater for those who may not respond.

= 370+ (0.3x370)

Thus: n_s-481   Then 30%-111   =481

Data Analysis

Statistical Package for Social Sciences (SPSS) was used to do data analysis. SPPS has been over time used to analyze both qualitive and quantitative data (Kothari, 2014). Data on demography was analyzed using descriptive statistics. Inferential statistics was be used to test the effect of market penetration management strategy variables on the performance of small enterprises. Pearson's product moment correlation was be used to measure the strength of the relationship between market penetration and performance of small enterprises in Kenya. The study used simple linear regression to establish effects of the market penetration management strategies on performance.

The model:

What is the effect of market penetration management strategies on performance of small enterprises in Kenya?

Y= β_0+β_1X$_1$+e

Y=small enterprise performance

β_0 -Constant

β_1-Regression coefficients

e- error term

X$_1$-Market Penetration management strategies

Ethical considerations

Participants were requested to remain anonymous. They were also to willingly choose to participate in the study willingly and were free to drop out at any point. The information was only going to be used for academic purposes.

Response Rate

Out of the targeted sample of 481 participants 454 participated in the study. This was 94% which is acceptable. Table 2. Shows the rate of response in the study.

Table 2: Rate of response

	Questionnaires issued	Questionnaires duly filled & collected	%
Respondents	481	454	94

Source: Researcher (2020)

From the table 2. The data collected show 94% of the response rate. This an acceptable threshold as per Mugenda and Mugenda (2003), who stated that any response rate of 70% and above is perfect.

Market Penetration Management Strategies

The study was to determine the adoption of market penetration management strategies by small enterprises in Kenya. Table 3 shows the strategies using Likert scale of 1-5. Where 1 is strongly agree, 2 is agree, 3 is not sure, 4 is disagree and 5 is strongly disagree.

Table 3: Market Penetration Management strategies

	Mean	Standard Deviation
Enterprise opened new branches	3.52	1.404
Enterprise response to customers' needs	1.67	0.759
Distribution made closer to customer	1.84	1.036
Enterprise innovates continuously	1.59	0.712
Enterprise focusing on new target market	1.95	1.265

Source: Researcher (2020)

From table 3, enterprises had not engaged in opening new branches at 3.5. Small enterprises responded to customer needs mean of 1.7. The distribution of products had been made closer to customers with a mean of 1.9. Businesses continuously innovated with a mean of 1.6. The enterprises were focused on new target markets showing a mean of 1.9.

Small enterprise performance

To determine the performance of small enterprises, the study conducted an analysis. Using Likert scale of 1-5. Where 1 is strongly agree, 2 is agree, 3 is not sure, 4 is disagree and 5 is strongly disagree. Table 4 shows the performance.

Table 4: Performance of small enterprises

	Mean	**Standard Deviation**
Enterprise grown in market share in the last one year	1.75	0.975
Enterprise inventory turnover is high in the last one year	1.87	0.774
Enterprise retained all its workers in the last one year	2.11	1.384
Enterprise increased number of employees in the last one year	2.27	1.463
Customers reported satisfaction with the product use	1.48	0.680

Source: Researcher (2020)

From Table 4. Enterprises had grown in market share in the last one year showing a mean of 1.8. Enterprises saw a high inventory turnover in the last one year at 1.9 as the mean. Businesses had retained its employees at 2.1 as the mean. Whether businesses had increased the number of employees in the last one year, the participants agreed showing a mean was 1.3. When it comes satisfaction, enterprises agreed that they had customers reporting satisfaction with the product use showing a mean of 1.5.

Correlation analysis

To determine the correlation between market penetration management strategies and performance of small enterprises, a Pearson product moment as shown in table 5.

Table 5: Correlation Analysis

		Market penetration management strategies	Small enterprise performance
Market penetration management strategies	Pearson Correlation	1	0.266
	Sig. (2-tailed)		0.000
	N	454	454
Small enterprise Performance	Pearson Correlation	0.266	1
	Sig. (2-tailed)	0.000	
	N	454	454

Source: Researcher (2020)

From table 5. Data reflects a weak correlation between market penetration management strategies and performance of small enterprises in Kenya (r=0.266).

Regression analysis

The researcher conducted a regression analysis with the interest of knowing whether there was a relationship between market penetration management strategies and performance of small enterprises in Kenya as shown in table 6.

Table 6: Model

Model	R	R^2	Adjusted R^2	Standard Error of Estimate
	0.266	0.071	0.069	0.60953

Source: Researcher (2020)

From table 6. R is shows 0.266, R square has 0.071 while R adjusted has 0.069. An R square indicating 0.071 has an implication of 7.1% change in performance due market penetration management strategies.

An Analysis of Variance on market management strategies and performance of small enterprises was also conducted as shown in table 7.

Table 7: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	12.768	1	12.768	34.367	0.000
	Residual	167.929	452	0.372		
	Total	180.697	453			

Source: Researcher (2020)

From Table 7. Data shows that F calculated is 34.367 with a P value of 0.000. This is less than 0.5 meaning there is a significant correlation between market penetration strategy and performance of small enterprises in Kenya. There was a degree of freedom of 1. This was measured with variables of 452. This was with an F critical of 3.86. With a lower F crital than F calculated, is an indication that market penetration management strategies have a significant effect on the performance of small enterprises. The finding is in consonance with Ardjouman and Asma (2015) who posited that market penetration management strategies had a significant effect on performance of enterprises.

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For precision purposes, the researcher did a Coefficient variation as show in table 8.

Table 8: Coefficient Variation

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Standard Error	Beta	T	Significance
(Constant)	0.598	0.113		5.274	0.000
Market penetration management strategies	0.126	0.046	0.118	2.776	0.006

Source: Researcher (2020)

The effect of market penetration management strategies on performance of enterprises in Kenya

The equation therefore is:

$Y=0.598+0.126X_1+e$

Y is the small enterprise performance in Kenya. This has the implication that if all factors stay constant, performance of small enterprises in Kenya will be at the intercept of 0.598. A unit improvement in the variable of market penetration management strategy will lead to increase in small enterprise performance by 0.126.

III. CONCLUSION

Summary of the findings

Data showed 94% of the response rate. This an acceptable threshold as per Mugenda and Mugenda (2003), who stated that any response rate of 70% and above is perfect. Cronbach's alpha coefficient showed more 0.7 which is the minimum threshold.

From the data analysis, enterprises had not engaged in opening new branches at 3.5. Small enterprises had responded to customer needs with a mean of 1.7. The distribution of products had been made closer to customers with a mean of 1.9. Businesses had continuously innovated with a mean of 1.6. The enterprises were focused on new target markets with a mean of 1.9. This showed that most of the market management strategies had been embraced by small enterprises.

When it comes to performance, enterprises had grown in market share in the last one year that showed a mean of 1.8. Enterprises saw a high inventory turnover in the last one year with 1.9 as the mean. Businesses had retained its employees at 2.1 as the mean. Whether businesses had increased the number of employees in the last one year, the participants agreed showing a mean of 1.3. When it comes to satisfaction, enterprises agreed that they had customers reporting satisfaction with the product use that showed a mean of 1.5. This showed that businesses had generally performed due to market penetration management strategies.

In regression analysis, data reflected a weak correlation between market penetration management strategies and performance of small enterprises in Kenya (r=0.266). This means that market penetration management strategies only affected performance by 26.6%.

In analysis of variance, F calculated was 34.367 with a P value of 0.000. This was less than 0.5 meaning there was a significant correlation between market penetration management strategy and performance of small enterprises in Kenya. There was a degree of freedom of 1. This was measured with variables of 452. The F critical was 3.86. With a lower F crital than F calculated, was an indication that market penetration management strategies had significant effect on the performance of small enterprises.

A unit improvement in the variable of market penetration management strategy will lead to increase in small enterprise performance by 0.126.

Conclusion

The study concluded that most small enterprises had put into practice market penetration management strategies. This was a conclusion made after a proper analysis of the data gathered by the researcher from the field. The study also established a significant effect of market penetration management strategies on the performance of small enterprises Kenya.

Additionally, the study concluded that there was a positive correlation between market penetration management strategies ad performance of small enterprises in Kenya. This agreed with Onyonyi (2016) who posited that market penetration management strategies if well implemented should see the businesses perform.

Recommendations

The study recommends that small enterprises need to adopt market penetration management strategies. This will help them in the long-term survival and improved performance in the competitive world.

The study recommends other studies to be conducted on these strategies among small enterprises in the urban set-ups.

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