

The impact of small scale businesses



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Small scale businesses have played a major role in economic growth and development due to their collective, larger output and employment effects (Sanusi 2000; Sanusi 2003). Wilson (2006) stressed that small scale businesses have been of economic and social significance internationally that its development can no longer be left unnoticed. Small scale business in Nigeria constitute over 80 percent of all registered companies, occupying positions in agro based and allied industries, rubber based, leather shoes industries, chemical, electronics, general merchandising, restaurants, dress making, hair making, cane-chairs production, leather products, pomade and toiletries, animal feeds and husbandry, printing, etc. They have accounted for a large percentage of all businesses and a favorable percentage of the nations' gross national product (Ayozie, 2008 p10-15).

Despite the integral role played by small businesses in Nigeria, in ensuring that it delivers its contribution to the economic development of the country, perceptions of inefficiency of small scale industries in the creation of awareness, (marketing) attraction and maintenance of consumers is a major problem. According to Kola and Akinyele (2010) Nigeria still has a very poor

understanding of the role of effective marketing communication with customers in attracting and maintaining prospective and present customers. Advertising is one of the most effective tools in attracting and persuading consumers. Jobber (2010) states a strong theory of advertising which shows that a person passes through the stages of awareness, interest, desire, and action (AIDA, 1920' Model). According to this theory, advertising is strong enough to increase people's knowledge and change people's attitudes, and as a consequence is capable of persuading people who have previously bought the brand to buy it. Capon (2008) further states that Hierachy of effects model are central to how advertising works, and two models are shown below:

HIGH INVOLVEMENT LOW INVOLVEMENT

Awareness Awareness

Knowledge Trial

Linking Linking

Trial Repeat purchase

Repeat purchase

High involvement: the customer believes that the purchase, like an automobile, involves financial and/or psychosocial risks to make a decision the consumer engages in a stage learning process. (Capon 2008)

Awareness: learning that the product is available for purchase.

Knowledge : understanding the product's features, benefits and values.

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Linking or Preference : developing favourable or positive feeling about the product.

Trial : testing the product before purchase and use.

Repeat Purchase : purchasing the product again. Advertising can reinforce positive feelings that lead to repeat purchase.

Low involvement: consumers see little risk and require little pre-purchase knowledge, like FMCG categories such as soda or cereal. Because risk is low, the hierarchical process is quite different. Advertising's role is to create high awareness and motivate customers to trial. If the customer likes the product, she repurchases. Capone (2008).

Research has shown that lack of effective and strategic marketing (advertising) in Nigeria is responsible for the inability to create awareness and attract consumers by small businesses. A research carried out by Okpara et al. (2007) with structured interview and survey gathered data from over 400 small businesses in Nigeria to find the principal constraint to success of small businesses, it included poor management, weak infrastructure and so on. Sanni (2009) also noted that the Nigerian small scale enterprise seems too stagnant (problems with imminent collapse and failure), less adventurous than developed countries (Eneh, 2010).

According to Stokes and Wilson, (2006) and Thompson, (1997) the expected goal and ultimate destiny of an organization can be shaped by developing a proper strategy. It is therefore important for small businesses to develop advertising strategies in order to create awareness, attract and maintain

consumers. Kolter and Armstrong (2005) stated that advertising consist of two major elements: creating advertising messages and selecting advertising media. Erhum and Erhum (2003) cited Nelson, (1974) saying a company's wish is for its brand to be the first to be demanded when the need arises.

Advertising finds its place in the marketing mix family, as a promotional tool which includes personal selling (attending exhibitions), sales promotion (e. g. special offers), and atmospherics (creating the right impression through the working environment), public relations (Webber, 2005) which is used in communicating and creating awareness for the company's products, or aimed at stimulating the consumers in to purchasing the company's product.

From the data recently published by the National Bureau of Statistics (NBS), unemployment rose to 19. 7% with about 10 million Nigerians unemployed as of march 2009, from 14. 9% in 2008 and 13. 1% in 2000. Although it may not be in an overwhelming majority, small scale industry still represents a significant proportion of Nigerian workforce. It is important to further evident the nature of the advertising marketing strategy used to create awareness, attract, persuade and maintain consumers to increase sales. It is also important to make the industry attractive for young entrepreneurs who intend to go into small scale businesses, and help improve the industry to assist in employment due to the rate of unemployment and its continuous rise.

Furthermore, there has been criticism on the importance of advertising in selling a company's product and the way it influences the society. According

to Smith, (1995) consumer behavior is moderated by a complex web of mostly internal variables such as motivation, perception, attitudes, learning, memory, lifestyle, personality and groups)". Smith, (1995) also logically states that " if one brand can get in the front of an individual's mind..., then it will stand a better chance of being chosen in a simple buying situation'. This relatively underpins the saying that consumers are passive victims of advertisement. The origin of social comparison theory which resides with Festinger (1954), who argues that consumers constitute themselves and negotiate their own identity in comparison to other people. Richens (1991) quotes Schudson (1984, p. 215) note advertising ' does not claim to picture reality as it is but reality as it should be-life and lives worth emulating. Richens (1991) portrays the consumer as a passive victim subjected to an assessment standard dictated by advertising images that arouse purchasing behavior by intimidating the consumer's self concept satisfaction.

The small scale businesses are of particular interest because of the essential role they play in the economic, development and employment of a nation. Craig and Kohlhasse (2006) stated the importance of small firms and the vital role they play in maintaining economic growth in urban areas and that they compete with large firms for land near employment centers, Obokoh (2008) sites Wattanapruttipaisan (2003) stating that small and medium sized enterprises (SMEs) are the backbone of virtually all economies of the world because of their role in employment creation and provision of personalized services. According to Ariyo (2008) The SME sector provides, on average, 50% of Nigeria's employment, and 50% of its industrial output. Effectiveness and efficiency of marketing strategies in small scale businesses is therefore

instrumental in providing good quality services in creating awareness of products and services. Therefore increasing sales through advertising, will help small businesses grow in to multinationals and create more job opportunities in the nation (Nigeria).

Although critics say advertising is a source of cash drain and waste of funds, which has a negative impact on a company (Shotwell 2009), this study intends to investigate the impact of advertising on the growth of small business and the effects on consumer behavior. It is noteworthy that this research does not intend to generalize based on its findings but to gain an insight into what advertising strategies are available to small businesses in Nigeria with reference to a state in Nigeria (Lagos). Nevertheless, it is understood that some elements of findings of this research may be applicable to other small business sectors within Nigeria.

1.3 AIM

The study aims to investigate the role of advertising marketing strategies available to small businesses in Nigeria on the market penetration of their products. The research will be done in a state in Nigeria (Lagos).

1.4 OBJECTIVES

In achieving the aim stated above, the following objectives have been set:

Investigate the impact of advertising on the growth of small business organizations

Analyse the impact of advertising on consumer behavior

Critical analysis of advertising strategies available to small business organizations in Nigeria.

Analyse and evaluate the extent to which small firms adopt advertising strategies in their business practices.

A critical analysis of the problems hindering the adoption and execution of advertising strategies by small business organizations in Nigeria.

Questions: In a bid to achieve the objectives stated above, the following research questions will be proffered answers to:

Does advertising have a significant impact on the growth of small business organisations?

Does advertising have a significant impact on the consumer behaviour? What are the advertising strategies available to small business organisations in Nigeria?

To what extent do small firms adopt advertising strategies in their business practices?

What are the problems hindering the adoption and execution of advertising strategies by small business organisations in Nigeria?

What is the role of advertising marketing on the market penetration of small business organisations in Nigeria?

Hypotheses: To find an answer to the above stated research questions, the following hypotheses will be tested in the course of the research:

H0: Small business organizations in Nigeria do not adopt advertising strategies in their business practices

H1: Small business organizations in Nigeria adopt advertising strategies in their business practices

H0: There is no significant relationship between advertising marketing and growth of small business organizations in Nigeria

H2: There is a significant relationship between advertising marketing and growth of small business organizations in Nigeria

Scope and Limitation: This work will be carried out in Lagos State Nigeria.

This location is chosen because of the number of small business organizations in the state, however it gives a

This work however considers advertising marketing and its role on the growth of small business organizations.

1.5 STRUCTURE OF THE STUDY

This study seeks to explore the marketing strategies adopted by small business organizations in Nigeria. The following gives a brief synopsis of the chapters of this dissertation.

Chapter one focuses on the introduction, rationale, research topic, aims and objectives of the study.

The second chapter entails the review of relevant literature on Advertising, effective advertising and the effects of advertising and an in-depth view of Nigerian small business organizations and marketing limitations.

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The third chapter involves assessing various forms of methodology and details of semi structured interviews, questionnaires, and data acquisition techniques used in research process, and it also entails the methodology used in carrying out this research.

Chapter four extensively focuses on the presentation and analysis of the data collected through primary research such as face-to-face interviews and telephone interviews.

Chapter five dwells on the discussion of key findings drawn from the interviews in line with the research aim and objectives relative to literature reviews. Here, the review will extensively ascertain whether the research objectives have been adequately addressed by the interviews and the concluding part of the dissertation. This involves a summary of the conclusions drawn through research based and logical arguments developed in the course of carrying out the research.