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MARKETING PRACTICES OF SELECTED ENTREPRENEURS IN ADO-ODO OTA LOCAL GOVERNMENT AREA, OGUN STATE, NIGERIA

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Abstract

This paper gives a treatise of an investigation of marketing practices of selected entrepreneurs. The methodology took account of specific issues in researching entrepreneurs such as lack of common understanding of management terms, and the influence of ego on participant's responses. Depth interviews used critical incident technique to elicit account from entrepreneurs of their marketing practices. Focus groups supplemented individual interviews to test the frankness of responses. The results showed that selected entrepreneurs in Ado-odo Ota L.G.A undertake marketing in unconventional ways. They tend to focus first on innovations, and only second on customers' needs. They target customers through a bottom-up process elimination, rather than deliberate segmentation, targeting and positioning strategies. They rely on interactive marketing methods communicated through word-of-mouth, rather than a more conventional marketing mix. They monitor the market place through informal networks, rather than formalized market research.

Keywords: Customer needs, entrepreneur, focus group, innovation, marketing mix

Introduction

Marketing is the process of matching an organization's products or services with the needs and wants of customers, be they industrial, commercial or domestic. It is obvious that marketing as a business function is universally important to new business creation and growth. According to Onah (2000), marketing has had a lot of impact on the private sector. Most of the Nigerian entrepreneurs according to him grew from marketing. However, marketing and entrepreneurship have been regarded traditionally as two distinct fields of study. A growing awareness of importance of entrepreneurship and innovation to marketing and of marketing to successful entrepreneurship, has recently led to attempt to combine the two disciplines as "entrepreneurial marketing" (Stokes, 2000). The main thrust of entrepreneurial marketing is an emphasis on adapting marketing to forms that are appropriate to small and medium-sized enterprises (SMEs), acknowledging the likely pivotal role of an entrepreneur in marketing activities.

Accordingly, this study, asked the following questions. First; do entrepreneurs in Ado-Odo Ota L.G.A practice marketing? Second, do theories of marketing inform us about entrepreneurial practice? Thirdly, can we learn

any new thing by comparing theory and practice? The objective of this paper is to provide answers to these questions. This paper follows this theme by proposing a conceptualization of marketing in the context of smaller entrepreneurial organizations in Ado-Odo Ota L.G.A It focuses on the use of qualitative research methodologies that are emerging as particularly appropriate in this field of inquiry.

The role of the entrepreneur

"Entrepreneurship is the process of assembling resources to create and build an independent enterprise, encompassing creativity, risk-taking and innovation" (Harwood, 1983). It is helpful to separate the "entrepreneur" (a person) from "entrepreneurship" (a process). Although a study of the entrepreneur should perhaps reside primarily in the management discipline, the study of new ventures development and entrepreneurship as a process (and study of the early stages of the business life cycle) belong as much as or more to the marketing discipline as to any other business function. It must be noted that although there is only limited consensus over what constitutes a small or medium-sized enterprise, there is general acceptance in the literature that "a small firm is not simply a scaled down version of large firm" (Storey, 1994). In

particular, the influence of the owner-manager is seen as a key differentiator between small and large firms.

Oshagbemi (1983) put forward a personalized management style as a distinguishing feature of small enterprises, typifying it as personal knowledge of all employees, involvement in all aspects of management and lack of sharing of key decisions. Owuala (1999) however, attributed this concentration of management to the fact that the owner-manager of a small firm is more powerful, being subject to fewer checks and balances than a large firm counterpart. Given that the personal characteristics of the owner-manager are such a dominant influence, the marketing management of a small enterprise will depend greatly on the marketing competency of the owner. This led Ogunmuyiwa (1994) to describe entrepreneurship practice of marketing in terms of the experience, knowledge, communication abilities and judgment of the owner manager, key competencies on which marketing effectiveness depends. As small firm managers vary widely in their rating in each of these competency areas, so does the marketing performance of small firms.

However, entrepreneurial practice of marketing cannot be conceptualized solely in relation to the activities of owner-manager of SMEs. Entrepreneurial behaviour is not exclusive to owner-managers, nor can all owner-managers be considered as entrepreneurial (Ubom, 2003). Attempts to define entrepreneurship can be divided into two broad categories (Emmanuel, 2006):

- (1) The "trait approach" that seeks to identify common psychological and social personality types amongst entrepreneurs compared with non-entrepreneurs, and
- (2) Behavioural approaches based on investigations into what entrepreneurs do and the processes used to carry out entrepreneurial activities. The trait approach has yet to provide us with the entrepreneurial archetype, although some common descriptors, such as opportunities, innovative, proactive and restless, have been suggested (Chell et al., 1991). There are more consensus over what entrepreneurs do than who

they are. Early definitions of entrepreneurship defined the entrepreneur as an agent of change, someone who does not seek to perfect, or optimize existing ways of doing things, but searches instead for new methods and new markets. Others have developed this theme by defining an entrepreneur as someone who not only searches for change, but also responds to it in any innovative way, exploiting it as an opportunity (Drucker, 1986). The research into the practice of marketing by an entrepreneur reported here focuses on the second of the two approaches, as it investigates what an entrepreneur does, and defines entrepreneurial marketing in terms of the behaviour and activities that are typical of those involved in successful entrepreneurial ventures.

Marketing

Marketing has been variously conceptualized, in each case with its distinct characteristics and for furtherance of the organization's objectives. For the purposes of this paper, only some few notable authors' definitions shall be discussed.

Kotler (2002:5) said that marketing is "a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others". Thus, the word 'exchange' means communication, and also 'value' has a connotative meaning of quality or profitability. In a similar vein, Stanton (1993:10) referred to marketing as "total system of interacting business activities designed to plan, price, promote and distribute wants-satisfying products and services to present and potential customers". The "marketing concept" first articulated in the 1950s, has special relevance to new and growing firms. The marketing concept is a partial philosophy for starting and operating a business with the primary focus on adopting a customer orientation, integrating that orientation throughout the organization, and thereby achieving goals that transcend just sales, (most notably profit).

The main aim of the study is to provide a conceptualization of how marketing concepts

differ in entrepreneurial contexts. Traditional marketing concepts can be divided into four distinct elements (Achumba, 2000):

1. Marketing as an organizational philosophy or culture requires that an understanding of customer needs should precede and inform the development and marketing of products and services- the concept of market or customer orientation (Kotler, 2002)
2. Marketing as a strategy defines how an organisation is to concept and survive in the market place. Most marketing textbooks review marketing strategy through the stages of market segmentation, targeting and positioning.
3. The marketing mix refers to the specific activities and techniques, such as product development, pricing, advertising and selection of distribution channels, which implement the strategy (commonly summarized as the 4ps, or 7ps in services marketing).
4. Market intelligence underpins each of these marketing principles. The members of a marketing-oriented
- 5.

organization undertake information-related activities defined by Kohli and Jaworski (1990) as the "organization-wide generation, dissemination and responsiveness to market intelligence".

Thus marketing can be defined in terms of organizational philosophy of market orientation, guided by segmentation, targeting and positioning strategies, operationalised through the market mix and underpinned throughout by market intelligence. The research was designed to permit investigation of entrepreneurial activities in each of these categories

Methodology

Rationale for qualitative research design

An important research issue in attempting to conceptualize marketing as practiced by entrepreneurs relates to the search for common meaning of terms. An entrepreneur understanding of management terminology is book definitions. In a critique of the quantitative/deductive designs prevalent in small business research, Gibb (1990) gave the following examples of how things could go wrong.

Firms are asked if they are moving into "new Market" or if they are developing "new Products". Those well acquainted with the entrepreneur will know that these terms are like to be interpreted in a variety of ways. The term "market" is open to all kinds of ambiguity, as any detailed discussion of marketing with entrepreneurs will indicate.

Gibb (1990) concluded that the search for representativeness through large sample questionnaire surveys was frequently misplaced in researching the small firm sector, and he called for the use of more inductive reasoning based on grounded theory with greater emphasis on quality of data. Researchers investigating the marketing and entrepreneurship interface responded to such recommendations by using qualitative and longitudinal research to supplement the "snapshot", quantitative profiles of entrepreneurs. This study is part of this body of work, and utilizes a combination of qualitative

methods—depth interview and longitudinal focus groups.

Depth interviews

Following three pilot interviews, 20 entrepreneurs were interviewed face to face. The sample was drawn according to parameters of locality, industry sector, size, age and growth of the firm. The interview guide allowed the researcher to explore a broad conceptualization of marketing uninhibited by conventional definitions and approaches. Marketing terminology was restricted in the early part of the interview, in order to elicit understanding, of the

respondents' perception before asking for specific information, for example on usage of specific types of marketing activities and promotions. The open-ended questions typical of these interviews provide a greater depth of data than structure interview because they attempt to "understand the complex behaviour of members of society without imposing any priori categorization that may limit the field of equity" (Osuagwu, 2002). They are appropriate particular when it is important to understand the construct that the interviewee uses as a basis for their views or beliefs about a particular topic, a factor which was particularly significant in this research. Interviews were tape-recorded and later transcribed for analysis purposes.

Critical incident technique

From a review of the literature and the pilot interviews, it was clear that entrepreneurs had narrow conceptualizations of marketing, believing that it relates to selling and promotions only. A further line of questioning was added to the interviews which used "critical incident techniques" to build a more complete picture of marketing processes and activities. Critical incident technique may be used in interviews as a way of obtaining detailed descriptions from a respondent of events in defined situation (Hussey and Hussey, 1998). Open style was adopted in this research. The technique was used to gain greater understanding of what prompted or triggered specific marketing activities by entrepreneurs. Because of conceptualization issues, the term "marketing" was avoided in eliciting incidents from entrepreneurs. Instead, respondents were asked to describe a particular event or decision which had had a significant impact on the turnover of their business, or an occasion when they were particularly concerned about other people's perceptions of their business, and invited to describe the actions that followed. From this line of questioning, a fuller picture emerged of the processes used by entrepreneurs to develop their business, and the sequence of their use.

Focus group

Focus groups were used in this study as an additional source of data collection to provide "methodological triangulation", (Askia and Osuagwu, 1997). In face-to-face interview, "the filter of the ego" (Gibb, 1999) may distort the

picture presented by entrepreneurs. Focus groups offer the possibility of a shift in the power balance from the researchers to entrepreneurs, which may reduce this effect. They are particularly useful for learning about participants' conceptualization of particular phenomena and the language they use to describe them (Stewart and Shamdasani, 1990), a particular objective of this research. Participants may be more candid because of the psychological security derived from group membership and the realization that what they say is not necessarily identified with them. The moderator requires sufficient skill to counteract the possible denomination of the group by one person or a small coalition of participants, a particular concern when researching potentially strong personalities such as entrepreneurs.

The groups reported on here were part of a series of focus groups held twice few months ago in five locations – Ota, Ijoko, Sango, Ojuore and Iyana-Iyesi. Each of the five groups typically involved between six and eight entrepreneurs running successful small and medium-size business. In each meeting with these groups they are asked to discuss their main sources for finding new customers and their strategies for keeping them; asked about the role of innovation and the development of new products and services in their business and some marketing issues were not left out.

Results: entrepreneurial interpretations of marketing

If each of the four elements in the definition of marketing described in literature review section above is examined, distinct variations between what successful entrepreneurs actually do and what theory would have them do can be identified.

Marketing as an organizational philosophy

During the focus group discussion, entrepreneurs were asked about the process of new product or service development. Their responses indicated that they tended to start with an idea, and then try to find a market for it. Change was more prompted by the existence of a new product concept, or competitive pressure, than a researched, established need amongst customers. Marketing as an organizational philosophy indicated that an assessment of

market needs come before new products stages described above. The entrepreneurs development. Entrepreneurs seem to do it described a bottom-up targeting process in which other way round, gauging customer reaction they began by serving the needs of a few the development of the concept. This customers and then expended the base gradually epitomized by one entrepreneur interviewed as his experience and resources allowed:

defined marketing as “trying to find which market you fit into and then aiming publicity of information at that market”.

Entrepreneurs expressed a zeal for the development of new concepts and idea – an “innovation oriented” – rather than being dedicated to the principles of customer orientation as per the marketing concept. However, they did not always search for major breakthroughs and inventions. Most achieved growth through incremental adjustments to existing product and services or market approaches, rather than larger scale developments. These included stoking new lines, approaching a new segment with a particular service, or improving services to existing customers – in other words, incremental, innovative adjustment which together created a competitive edge.

Marketing as a strategy

Marketing as a strategy involves the processes of segmentation, targeting and positioning, so that products and services are focused on appropriate buyer groups. Most marketing text books (e.g. Ibidunmi 2004) advocate a “top down” approach to the market in which the strategy process develops in the following order.

- A. The profiles of market segments are developed first using demographic, psychological and other buyer behavior variables.
- B. An evaluation of the attractiveness of each segment concludes with decision, although they usually included selection of the target segment.
- C. Finally, the selection and communication of a market position differentiated the product or service from competitors offerings.

Identification of market opportunities: having identified a possible opportunity, it was tested through trial and error in the market-place, based on the entrepreneurs intuitive expectations that were sometimes, but not often, backed up by more formal research.

Attraction of an initial customer base: customers, who may or may not have conformed to the profile anticipated by the entrepreneur, were attracted to the service or products. As the entrepreneur was in regular contact with these customers, he or she got to know their preferences and needs.

Expansion through more of the same: the entrepreneurs expanded the initial customer base by looking for more customers of the same profile. In many cases, this was not a deliberate process as it was left to the initial customers to recommend the business to others through word of mouth. A target customer group emerged and grew but more through a process of elimination and self-selection and more encouragement from the entrepreneur, than through formal research and proactive marketing.

The marketing mix

Entrepreneurs did not define their own marketing mix in terms of products, pricing and place each segment concludes with decision, although they usually included promotions. Instead, a different theme ran through the marketing methods proffered by the entrepreneurs: they involved direct interchanges and the building of personal relationships. They had strong preferences for personal contact with customers rather than impersonal marketing through mass promotions. They sought conversational relationships in which they could listen to, and respond to the voice of the customer, rather than undertake formal market research to understand the market place. For many entrepreneurs interviewed, the nature of their personal contact with customers represented

This process usually involves both secondary and primary market research, with evaluation by specialists in each of the three stages. The participants in this research did identify closely with a specific group for customers whose needs were well-known to them, but the processes they used in order to achieve this did not conform to

the unique selling point of the business they stressed the importance of personal relationships in developing customer base. Whilst this was particularly true of those in business-to-business markets, owners of retailing operations also emphasized the need to know their customers well. Sometimes, this involved the use of a customized database. Several owners stressed the amount of time they spent personally in contact with the customers. Others regretted that the growth of their businesses reduced their opportunities for direct customer contact.

This study confirmed the findings of other research that the number one source of new customers for small firms is recommendations from customers, suppliers or other referral groups. All participants relied heavily on word-of-mouth marketing to develop their customer base through recommendations. Although, several promotional forms were mentioned, entrepreneurs regarded word-of-mouth communication as the most frequent and most important way of transmitting marketing messages. Entrepreneurs recognized the importance of building favorable images of their business in the marketplace in order to encourage positive word-of-mouth marketing.

Market intelligence

The entrepreneurs agreed that it was important to monitor the market place, especially their competitors. Virtually everyone had strategies for monitoring competitive activity, which varied from a basic collection of price lists and literature to more elaborate method. Foremost, personal observation was the main method used for intelligence gatherings, as it was considered relatively easy and more likely to be up to date than other methods. However, the low level of any formal market research carried out by entrepreneurs underlined the largely unstructured nature of this information-gathering process. The reasons given for lack of formal research varied from believing it to be unnecessary, to thinking it was expensive or not very helpful. They preferred more informal methods of gathering market information; usually through networks of contacts involved in the industry or trade. They believed that their informal information-gathering techniques were sufficient to allow them to monitor their own performance in relation to competitors and to react to competitive threats. They were open to new ideas

and opportunities through a network of personal and inter-organizational contacts

Conclusions

The conclusion of this research is that successful entrepreneurs undertake marketing in ways which often seem at odds with conventional models. They tend to focus first on innovations to products and services, and only second on customer needs. They identify customer groups through a bottom-up process of elimination, rather than a more deliberate segmentation, targeting and positioning strategies. They rely on interactive marketing methods communicated largely through word-of-mouth, rather than a more controllable and integrated marketing mix. They monitor the marketplace by gathering ad-hoc information through informal networks, rather than formalized market research strategies. Although, this type of entrepreneurial marketing is different in important respects from the concepts presented on most business courses and in textbooks, the entrepreneurs involved in this study have successfully grown their business in this way.

This does not imply that all entrepreneurs operate like this; undoubtedly some do rely more on formalized research and procedures because of their particular backgrounds and experiences. However, the purpose of this conceptualization is to indicate that it is possible to develop different marketing practices, which play to entrepreneurial strength. For example, a bottom-up targeting process has advantages over the top-down approach for new ventures. It requires fewer resources and is more flexible and adaptable to implement. It does have corresponding disadvantages, which correspond to some of the marketing problems of small businesses. It is less certain of success because it is over-dependent on reactive rather than proactive marketing strategies. It takes longer to penetrate the market to full potential, resulting in a limited customer base. However, many successful entrepreneurial firms have found niche markets or gaps in large markets through this process.

Likewise, reliance on word-of-mouth marketing is not a bad thing for many entrepreneurs as it is more suited to the resources of their business. Referral incur few, if any, additional direct

ists:; most owner-managers prefer the slow build-up of new business which word-of-mouth marketing implies because they would be unable to cope with large increases in demand for their services. Word-of-mouth marketing has disadvantages that include the following:

- It is self-limited: reliance on networks of informal communications restricts organizational growth to the limits of those networks. If a small business is dependent on recommendations for few customers, its growth is limited to those market areas in which its sources of recommendations operate.
- It is non-controllable: entrepreneurs cannot control word-of-mouth communications about their firms. As a result, some perceive there to be few opportunities to influence recommendations other than providing the best possible service. In practice, successful entrepreneurs find ways of encouraging referrals and recommendations by more proactive methods.

There are inferences in some of the literature that marketing undertaken by entrepreneurs is somehow inferior to the more traditional marketing carried out by larger organizations. Critics assume that entrepreneurs market in this way only because of inadequate resources to carry out larger scale programs. However, the processes summarized here have actually worked in practice. They were described by entrepreneurs who had successfully grown their businesses using these methods. They could of course be improved but, rather than focusing on the deficiencies of entrepreneurial marketing, this research indicated that there is much to be built on from the existing practices of successful entrepreneurs.

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