

**ADDIS ABABA UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
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**(MASTER PROGRAM-MARKETING MANAGEMENT)**

**ASSESSING THE MARKETING ACTIVITIES OF MICRO AND SMALL  
ENTERPRISES IN DESSIE TOWN, AMHARA REGION: THE CASE OF  
MANUFACTURED GOODS**

**BY**  
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**ADDIS ABABA**

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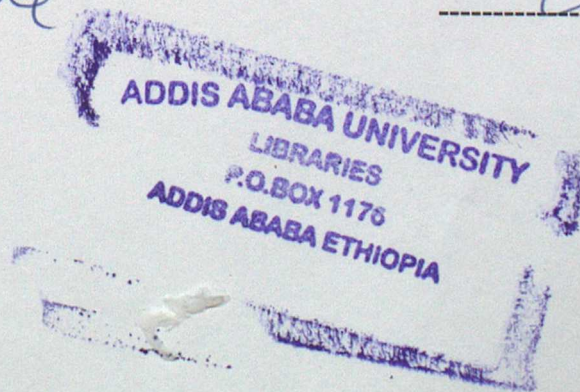
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## Acronyms

<b>CSA</b>	Central Statistical Authority
<b>MSE</b>	Micro and Small Enterprise
<b>RIA</b>	Research ICT (Information Communication and Technology) Africa
<b>SHP</b>	Stanton Hillier Parker
<b>SMME</b>	Small, Medium, and Micro enterprise
<b>ILO</b>	International Labor Organization
<b>MoTI</b>	Ministry of Trade and Industry
<b>HLCLEP</b>	High Level Commission on the Legal Empowerment of the poor
<b>UNESCO</b>	United Nations Educational, Scientific, and Cultural Organization
<b>EBDSN</b>	Ethiopian Business Development and Service Network
<b>TVET</b>	Technical and Vocational Education and Training

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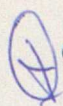
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## ***Abstract***

*The major objective of this study was to probe the problems of Micro and Small Manufacturing Enterprises in Dessie town in relation to their marketing activities (more specifically of their product, price, promotion, and location cases). In order to gain relevant data from the respondents, both quantitative and qualitative methods were used in this study. To obtain primary data, self-administered questionnaires were distributed to respondents of Micro and Small Manufacturing Enterprise operators/managers upon whom stratified sampling techniques was used in sample selection. On top of this, semi-structured interview was also used to obtain primary data from the heads of Micro and Small Enterprise Expanding Office and Municipality Office of Dessie town respectively. The SPSS version 15 was used to process the primary data. The findings of this study showed that products of respondents of Micro and Small Manufacturing Enterprises were not differentiated from competitors' offers. Similarly, the great majority of the respondents pointed out that they had no sufficient market for their products at current production level. Many respondents had the following opinion related to price: they did not take salaries/wages of family members working in their enterprise while pricing products; they did not get cheaper suppliers of inputs; and they preferred cost of production to what customers able to pay in their emphasis. For all respondents, word of mouth communication was the basic tool played significant role for the sale of products. However, other tools of promotion such as trade fairs, in store promotion, advertising board, radio broad casting, local newspapers, catalogue, magazine, and packages were not used by the majority of respondents. Next, they did not even set plan and allocate budget at the beginning of a year to promote their product. Lastly, selling/manufacturing locations were not convenient in terms of infrastructures, people traffic, people's living standard, and security cases. To overcome these, the Micro and Small Enterprise Expanding Office and other concerned parties should provide periodical training and other supports to enterprise managers of Micro and Small manufacturing businesses. Micro and small manufacturing enterprise operators should also strengthen their efforts in the areas where they showed betterments and strive to minimize their weakness resulted from themselves.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

The bulk of studies showed that, now a day, governments of various countries of the world came to recognize the critical importance and significance of Micro and Small Enterprise sector. Having this in mind, within their respective national economies, they began to allocate a larger and larger proportion of their economic development budgets in funding a diverse range of small and micro enterprise research and support service initiatives (Chaston, and Mangles, 2002; Camilleri, 2005; and Mead, 1999).

However, there has been a growing awareness and consciousness among governments of various countries since the early seventies that Micro and Small Enterprises are important for economic growth. They are viewed as the engines of employment, alleviating poverty and upgrading the standard of living of citizens. The year 1980s were also known for the progressing of intensification of interest and consequent expansion of policy into the sector of micro enterprises, following the proliferation of widespread entrepreneurial activity in both developed and developing countries. In case of the latter, entrepreneurial activity was particularly salient among the poor. The idea intuitively followed was that enhancing these small businesses could effectively and rapidly fight poverty (Gomez, 2008).

The evidence for advocating the view of micro enterprises as engine of growth is, indeed, not conclusive. Research findings in both developed and developing countries show that job creation and growth are highly concentrated. The larger numbers of MSEs are not very growth prone.

The European Commission found that half of total net job creation in MSE sector is created by a mere 4% of these firms. More specifically, studies in Sub-Saharan African countries indicate a similar pattern: the enterprises that significantly contributed to employment growth are in fact just 1% of the MSE universe. By implication, it would appear that small-enterprises fall into two categories. In spite of the potential for growth, there is a very large group of them that, for different reasons, will not develop their business beyond certain (small) scale, and there is a very small group of entrepreneurs who are capable of expanding their business (Gomez, 2008).

As explained by Schorling (2006), similar to other countries in Africa, Ethiopia's economic and technological progress has been slow with predominance of small scale enterprises in the economy. The private sector has been a major partner in the development of the country, also with the dominance of micro and small enterprises (MSEs) that contribute the bulk of private sector activity. Thus, the MSE sector has the potential to provide substantial support to the development of the country in the medium and long term. This is especially true as large proportion of new jobs generated are in the informal sector, which is characterized by low productivity, poor working conditions and high vulnerability to shocks. As to the government of Ethiopia, MSE sector has the following objectives beside others:

- To create job opportunity for the unemployed and increase their income by expanding and supporting MSEs in order to reduce poverty;
- To identify the problems of the existing and newly created MSEs and provide them with various supports to enable the flourishing, development, and strengthening of them for further job creation; and

- To create and expand new enterprises by organizing them in cooperatives and by providing various supports in order to create new job opportunities and reduce poverty (Schorling, 2006).

Because MSEs provide the above benefits, the government of Ethiopia is attempting to offer the necessary support for these businesses. Individuals, groups and organizations are being encouraged to carry out their business on sustainable basis. Due to this, the number of actors in Dessie town, the capital town of South Wollo zone of the Amhara region.

The major reason the researcher selected Dessie as his focus of this study was that this town is a major commercial center of the South Wollo Zone where larger numbers of MSEs are competing among themselves and other emerging enterprises. The larger the number of micro and small enterprises and medium scale enterprises the tougher the challenge will be for MSEs' development.

Despite the regional government support and their increasing number, MSEs do not seem hopeful as they have structural, institutional, marketing, financial and other input problems. However, the researcher will investigate only activities related to marketing.

To recommend and inform actors in the MSE sector, assessing actors' marketing related activities has paramount importance. This is because it provides a basis for consulting and recommending plausible solutions that can alleviate marketing problems of the enterprises.

## **1.2. Statement of the problem**

Small and Micro Enterprises require low capital per unit of output and give rise to greater opportunities for direct or indirect employment (Moazzem, 2008). Despite the potential of micro and small enterprises to progress economic growth, these enterprises in developing countries are not beneficiaries; they are run out of hope. They produce largely for people with low purchasing power. In the process of doing their activities, they employ lower level of techniques. Many micro enterprises are the self-employed type with a low transition rate to higher size categories. This is largely due to the challenging environment they operate in, unreliable enforcement of contracts, poor infrastructure service and administrative requirements and limited access to finance (Mulu, 2009).

The Government of Ethiopia understands the role that can be played by small and medium enterprises for social and economic development. It designed an MSE Development Strategy in 1997 followed by the proclamation for the development of the Federal Agency for Micro and Small Enterprises Development in 1998. Regional Micro and Small Enterprises Development Agencies were also established to encourage the development of MSEs countrywide (RIA, 2006).

However, like other developing nations, small and micro enterprises in Ethiopia do not seem beneficiary of their activities. According to Wolday and Gebrehiwot (2006), revenue either declined or stagnant for a substantial proportion of MSEs over time. However, many researchers tried to look into problems of small and micro enterprises in general regardless of the variation on the seriousness of the problems across the enterprises. According to Cheungsuvadee (2006, p.53) Small businesses are facing problems such as lack of financial management skills, inability

to understand technical information and weakness in marketing. In addition, Luetkenhorst (2005,

P.12) mentioned the following:

*there are market failures working to the detriment of MSEs, which often have limited access to resources and limited bargaining power. They cannot afford the degree of internal specialization that would allow them to carry out on their own, functions like market research, technology adaptation or trade fair representation. At the same time, many of them do not command the resources required to buy specialized support services from commercial providers at prevailing market rates. And finally, in many poorer, often rural regions where micro enterprises are struggling for survival and modest growth, the required business development services are either not available at all or delivered by poorly staffed agencies with limited capacities and competence.*

However, Zelealem and Pansiri (2004) reported the variation among problems of MSEs. According to them, all problems do differ in terms of their degree of complexities, magnitude or impact on the performance of small business. This is because; earlier studies did not assess the difference among and in between the enterprises (Gomez, 2008). So, different problems with different degree of perceived impact on MSEs can be addressed at different times in different ways depending on the availability of resources and situations in the operating environment.

The problems seemed severe for those enterprises that are engaged in manufacturing activities. This is because; the decision areas are not only large in number; but also complex in nature. Some of the decision areas are: searching appropriate locations for manufacturing and selling of products, decision in production process, searching for target groups, searching for input suppliers, and deciding on how to access customers, etc. These indicate that the problem area is complex and challenging. This study, however, will focus on the marketing activities of manufacturing enterprises in Dessie town. The reason for selecting Dessie as a focus of this study was that the town by itself is the major commercial center in South Wollo Zone of the Amhara region.

The basic questions that are going to be addressed in this study are the following:

- Do Micro and Small Manufacturing Enterprises encounter problems in relation to their product?;
- Do Micro and Small Manufacturing Enterprises have problems in setting the price of their product?;
- Do Micro and Small Manufacturing Enterprises have access to some media to promote their products?;
- Are manufacturing locations of Micro and Small Manufacturing Enterprises convenient?;  
and
- Are the selling locations of Micro and Small Manufacturing Enterprises convenient?

### **1.3. Objectives of the study**

Behind conducting this research, there are underlying objectives. For this study, the general and specific objectives are as follows.

#### **1.3.1 General objective**

The general objective of this study is to assess marketing activities of small and micro manufacturing enterprises in the study area.

#### **1.3.2 Specific objectives**

The specific objectives are set in line with the research questions. These are:

1. To identify problems related to products of Micro and Small Manufacturing Enterprises;

2. To scrutinize to what extent Micro and Small Manufacturing Enterprises have access and means to promote their products;
3. To identify problems that are related to setting price of products by Micro and Small Manufacturing Enterprises;
4. To examine the convenience of manufacturing location of Micro and Small Manufacturing Enterprises; and
5. To examine the convenience of selling location of Micro and Small Manufacturing Enterprises.

#### **1.4 Research methodology and source of data**

For this particular study, descriptive research method (qualitative and quantitative nature) was used. As pointed out by Kothari (2004, p.37), descriptive research is used to describe characteristics including studies concerning with specific predictions, with narration of facts and characteristics concerning situations. This helps the researcher to assess situations faced by micro and small manufacturing enterprises.

The populations of this study were individuals engaged in managing /operating micro and small enterprises of manufacturing in nature. According to November, 2010, data from Trade and Industry Office of Dessie town, in the town, there were 420 individuals who involved in running micro and small manufacturing enterprises. However, by using stratified and systematic sampling techniques only 100 samples were selected from them. Five strata were identified- those involved in metal work, wood work, handcraft, 'blocket' production, and oil-squeezing respectively.

On top of this, the Head of Micro and Small Enterprise Office and the Head of Municipality Office of Dessie town were included to share experience on the issues. They were selected by using purposive sampling technique.

To collect relevant data from respondents of operators of manufacturing enterprise, self-administered questionnaires of likert scale type were used. However, in collecting data from respondents of Authorities of Micro and Small Enterprise Expanding Office and Municipality of Dessie town, semi-structured interview was used.

During the analysis phase, the researcher used frequency tables, percentages, and the mean to analyze data collected through questionnaires. To the processing of the collected data, the researcher used Statistical Packages for Social Science (SPSS version 15). Data collected through semi-structured interview were qualitatively explained in conjunction with quantitative data analysis.

### **1.5. Significance of the study**

The expected contributions from this study are as follows:

1. It provides a basis for the researcher to recommend solutions to the inherent marketing problems of small and micro manufacturing enterprises.
2. It can serve as an input for other researchers who want to carry out research on the area of this study further.
3. It provides inputs for policy makers at zonal as well as regional level.

## **1.6. Limitations of the study**

In the researcher's task of conducting this study, some of the respondents from Micro and Small Enterprise sector were reluctant to provide information about their marketing activities. This may result its own negative impact on the finding of study. Furthermore, as long as the research was conducted on specific area and specific sector of Small and Micro enterprises, the findings of this research can not be generalized for the entire enterprises in the Amhara Regional State. Hence, it is the major limitation of the study.

## **1.7. Scope of the study**

A number of activities that are related to small and micro enterprises might be needed to be assessed thoroughly. However, as explained by Banaitis and Banaitience (2005), marketing is a broader concept. Therefore, because of the broadness of the concept, time and budget constraints, this study was delimited to only product, price, promotion and location convenience of Small and Micro Manufacturing Enterprises. As wolday and Gebrehiwot (2006, p.323) stated, it is about 80 per cent of the micro and about 73 per cent of the micro and small enterprises in Ethiopia which directly sell their products/services to customers or end-users. The use of other market outlets such as retailers, wholesalers, exports, and contractors is extremely limited. Hence, distribution channels will not be touched as long as many of enterprises do not use marketing intermediaries to distribute their product to their customers. Rather, from the concept of distribution, the enterprises' location convenience would only be touched.

Furthermore, this study focused only on the enterprises involved in manufacturing sector. So, it is not inclusive of enterprises involved in trade, service and other activities. More specifically, It gives emphasis only to those small and micro manufacturing enterprises that are engaged in

metal work, wood work, hand craft activities, “blocket” production and oil-squeezing. This is because; many of manufacturing enterprises in Dessie town were engaged in either of these activities.

## **1.8 Operational definition of key terms**

The following terms are used throughout this study as operationally defined her under.

**Micro enterprises:** are those businesses enterprises, in the formal and informal sector, with a paid up capital not exceeding Birr 20,000 and excluding high tech consultancy firms and other high tech establishments (MoTI, 1997).

**Small enterprises:** are those business enterprises with a paid up capital of above Birr 20,000 and not exceeding Birr 500,000 and excluding high tech consultancy firms and other high tech establishments (MoTI, 1997).

**Marketing activities:** in this study, it refers to product, pricing, and promotion.

**Manufactured goods:** in this study, it refers to those that are either metal work products, wood work products, handcraft products, ‘blocket’, or oil.

**Location convenience:** in this study, it refers to suitability of the manufacturing and selling locations of Micro and Small Enterprises.

**Handcraft:** in this study, it means any manufacturing activity which predominately uses manual skills and hand tools.

## **1.9. Organization of the study**

The entire organization of the report of this study consists of five chapters. Chapter one includes an introduction which itself consists of the background, the statement of the problem, objective, scope, significance and limitation of the study. The second chapter deals with the review of related literatures. Chapter three consists of the methodology and design which itself contains the source of data, the sample size, the sampling technique, data collection instrument and the method of data analysis used in the study. Chapter four dwells the results and discussion of the study. Lastly, chapter five provides summary, conclusions and the possible recommendations.

## CHAPTER TWO

### Review of Related Literature

In this section, overview of Micro and Small Enterprise sector in general, profile of Micro and Small Enterprises in developing countries, Micro and Small Enterprises in Ethiopia and marketing related issues will be discussed from the point of literatures. For the preparation of this section, the researcher looked into books, journals, conference discussion papers, and internet sources.

#### 2.1 Overview of Micro and Small Enterprises (MSEs)

As the bulk of literature shows the development of small and medium sized companies has often been regarded as a missing link in development strategies of African countries, as several import-substitution policies have favored large corporations by overlooking Small, Medium and Micro Enterprises (SMMEs). Nevertheless, the proponents of small and micro business have been arguing that SMMEs are the engine of development in the given country, especially, in the developing countries. The logic behind is that they constitute the largest portion of employment in developing countries (especially the micro-enterprise segment) (Nuno, 2003).

Very little opportunities in the formal sector and increasing unemployment rates in several African countries have led to increased attention to the micro- and small-enterprise (MSE) sector. This is not amazing given the relatively high proportion of the population that is engaged in MSEs in many countries. For instance, according to previous studies, the MSE sector employs 22 per cent on average of the adult population in five Southern African countries compared to only 15 per cent in the formal sector (Daniels, 2003). Furthermore, it was reported that over 40

per cent of the increase in the labor force in the 1980s was absorbed by the MSE sector in five countries in Southern and Eastern Africa. As there is increasing numbers of MSEs and limited employment opportunities in the formal sector, several policy makers are turning their faces to the MSE sector as a source of employment creation and economic growth (Mead, 1999).

The MSE sector has a significant role to play in promoting and enhancing the present and future economic development, poverty reduction and employment creation in the economy of the developing world. This is because, the sector is the one in which larger number of the world's poor people work. Furthermore, MSE sector growth largely exceeds the average economic growth of national economies in many countries and contributes significantly to employment creation. Accordingly, governments and donors alike have recognized the important role of MSE sector for overall development. As a result, many government policies are geared towards supporting their growth through a variety of programs that range from tax incentives to technical assistance; from regulatory provisions to policy interventions; training and other types of business development services. Arising from this, one of the key issues is to identify the current information practices and needs, as well as the obstacles that MSEs face in their daily business activities, and to provide guidance in creating relevant policy initiatives that will lead to more economic growth and development (RIA, 2006).

Now a day, the attitude and perceptions of people towards micro-enterprises/informal sectors have been changed, in part because large-scale industrial schemes have performed so poorly in Africa and other developing areas, where they did little to integrate regional and national economies. In the process of pursuing large-scale industrial program, most of the expertise, equipment, and other inputs for the industrial business sector were imported from abroad. Like

wise, a great deal of profits from these large enterprises also went to other country, with little sustainable effects on indigenous micro and small enterprises. This condition paved the way for the development of MSEs in sectors and sub-sectors that were poorly served by large enterprises. Thus, the development of MSE is not just a one time process. Instead, it is an on going and part of a process of development from below, in which small enterprises could grow into larger ones in sectors where growth was viable. Being small in their size, The MSE can appear in the areas where people's purchasing power is limited and infrastructural conditions restricted expansion of medium and large enterprises. Consequently, MSE play a vital role in decentralized development and regionally-balanced growth. In addition, MSE in several developing nations have grown and they even create more employment per unit of scarce capital than their larger counterpart businesses. Similarly, output per unit of capital is also found to exceed that which is generated by larger enterprises (Tegegne & Mulat, 2004).

Despite this potential, the sustainability of employment in the MSE sector is uncertain. Furthermore, the relationship between economic growth and the MSE sector is not well understood. Added to this, the lack of information on employment creation and economic growth emanates from methodological limitations of studies of earlier times. For example, many researchers have emphasized their studies on the enterprises as a whole at one point in time. So, they did not look into the enterprises sector by sector. That is, while these studies provide important information on the existing industrial structure, they did not assess the difference among and in between enterprises in terms of their contributions to the overall economic development. Furthermore, these studies failed to document the relationship between economic growth and changes in the MSE sector (Gomez, 2008). Michalowski (2008), also, pointed out

that the success or failure of a transition economy can be traced in large part to the performance of MSE's entrepreneurs.

## **2.2 Profiles of MSE Sector in Developing Countries**

Empirical Studies on the Small and Medium enterprises sector in developing countries showed that they sharply different to that of the developed world. One basic characteristic is that in the developing world the sector is fundamentally dominated by very small enterprises. In most developing countries, Micro enterprises and Small-scale Enterprises account for the majority of firms and take greater share of employment. In Ecuador, for example, enterprises with less than 50 employees accounted for 99 percent of enterprises and 55 percent of employment in 1980; in Bangladesh, enterprises with less than 100 workers accounted for 99 percent of enterprises and 58 percent of employment in 1986 (Hallberg, n.d, ). Researches conducted in seven African countries (Sierra Leon, Egypt, Botswana, Kenya, Malawi, Swaziland and Zimbabwe) showed that 64% of all enterprises with 50 or less workers in these countries employed one person only. Another 33% had 2-5 workers (including the proprietor and unpaid family members). This means that in a universe of business with up to 50 workers in these countries, the greatest of them employ up to 5 workers and only a few had up to 50 workers (Mead, 1999).

Some researches also indicated that about a third of micro enterprises in the developing countries represent supplementary activities that provide less than half of the household's income (the proportion is much higher among women-owned enterprises). Just a third of them represented the sole source of income for the household (90% or more of income). Another third provided between half and 90% of the household income. This shows that the owners of such enterprises do not put all their energies and resources on them, because these need to be apportioned/

relocated across several activities. These qualities of MSE sector in the developing world are significantly different to those in the developed world, where the scale of enterprises is larger and there is a vivid predominance of male owners who deploy all their resources to make their enterprise effective and efficient. MSE firms in the developing world are the basic source of income of the owning households. In the developing world, micro enterprises are usually in the hands of the poor. Furthermore, Micro Enterprises are normally family businesses or self-employed persons operating in the semi-formal and informal sectors (Hallberg, n.d). More specifically, the major characteristics of the informal sector of Africa in particular are the facility of access to activities, the utilization of local resources, the family ownership of enterprises, the restricted scale of operations, techniques with high intensity of manpower, qualifications acquired through apprenticeship outside of the education system and markets beyond any regulation (Camilleri, 2005).

The characteristics that differentiate MSE sector in the developing economy from the developed ones have an impact on the performance of the enterprises and indeed very few MSEs grow according to their expectations typical in the developed world. Many of them have little chance of transition in to large scale firms, accessing bank finance, or becoming internationally competitive (Hallberg, n.d). The modern African MSE manufacturing sector is very few and its growth is static; there is little investment, and the sector is not in a position to enter into export markets. African entrepreneurs encounter significant uncertainty with regard to demand, reliability of infrastructure, corruption, trust, prices, and so on. Most investment is held back due to risks. Some firms grow and others do not (Ishengoma, & Kappel, 2008).

### **2.3 Micro and Small Enterprises (MSEs) in Ethiopia**

Micro and small enterprises are a special target of the government, because they constitute the line share of total enterprises and employment in the non-agricultural sectors in Ethiopia (Stevenson & St-Onge, 2005). The MSE sector in Ethiopia provides employment and income opportunities for quite a sizeable portion of the population. Significant number of women is engaged in the MSE sector. In spite of the fact that a substantial number of Ethiopians make their living from incomes generated from MSEs, the sector suffers from a range of problems. Among the problems that hinders the growth of small and micro enterprises are shortage of finance, less developed entrepreneurial culture, poor product quality, shortage of raw material supplies, underdeveloped markets, limited demand for product and services, poor access to infrastructure and technology (RIA, 2006).

Microenterprises, which largely are found in the informal sector of a country's economy, have paramount importance in significantly contributing to local economic development. In the 1950s and 1960s microenterprises were considered as marginal and unproductive business entities that evaded taxes and had little potential for growth or for the enhancement of entrepreneurial capacity. In the 1980s, however, microenterprises gained more favorable attention from donors and governments as potentially sustainable means of integrating equity with efficiency in low income countries. Microenterprises can strengthen the local economy by increasing the aggregate demand and admitting to greater investment. Microenterprises are especially comfortable to areas that are unsafe for viable medium- and large-scale enterprises; contribute to decentralized development, regionally balanced growth and small town growth (Tegegne & Mulat, 2004).

Earlier researches conducted confirmed that a micro enterprise on average carried out by one person, and the average annual surplus is about birr 1300 (CSA, 1997).

### **2.3.1 Definition of micro and small enterprises in Ethiopia**

In the case of Ethiopia, there is no one definition which can nationally be used so that a common understanding of the MSE sector will be there. When the Ministry of Trade and Industry (MoTI) employs capital investment to define MSE, the Central Statistical Authority (CSA) uses employment and favors capital intensive technologies as a yardstick. The definition used by MoTI, which uses capital investment as a yardstick, has been developed for formulating micro and small enterprise development strategy in 1997 (HLCLEP, 2006). MoTI (1997) define MSE in the following way:

- Micro enterprises are those businesses enterprises, in the formal and informal sector, with a paid up capital not exceeding Birr 20,000 and excluding high tech consultancy firms and other high tech establishments.
- Small enterprises are those business enterprises with a paid up capital of above Birr 20,000 and not exceeding Birr 500,000 and excluding high tech consultancy firms and other high tech establishments.

However, as the Central Statistical Authority (CSA, 2003) for the purpose of its study divides MSEs in the manufacturing sector based on employee size. Large scale manufacturing enterprises employ more than 10 employees and apply power-driven machines; Small Scale Manufacturing Establishments engage fewer than 10 employees and apply power-driven machines. Those which do not use power-driven machines are considered as handicraft

enterprises. The informal sector are defined as home-based or individual establishments or activities operated by the owner with few or no employees.

### **2.3.2 Size of MSE sector in Ethiopia**

In the diversity of MSEs where many are found in the informal sector, a large number of operators are concentrated in a limited number of business sectors and activities. For example, 47 percent are in manufacturing; 42 percent in trade, Hotel, and Restaurant activities; about 6 percent in community and personal services, and the rest (5 percent) are involved in Agriculture, Hunting, Forestry and Fishing, Mining and Quarrying, Construction and Transport activities (CSA, 1997).

The small and medium enterprise sector is the second ranking in terms of employment generation next to the agriculture sector. In Ethiopia, about half of the urban workforce is estimated to be engaged in the micro and small enterprise sector. Earlier studies conducted, more specifically, showed that there were more than 3,155,955 people engaged in the informal sector; there were 974,675 cottage/handcraft manufacturing establishments engaging 1,306,865 people; and out of the total cottage/handcraft enterprises 63.27% were in urban areas while the remaining 36.73% were located in rural areas (RIA, 2006).

The handcraft and cottage industry that involved in beverages, tobacco, textile, tanning, wood products, and chemicals is the largest employer, followed by the informal sector engaged in agriculture, hunting, manufacturing, hotels and restaurants and transport. The distribution and service sector hire 753,906 people and contribute to the economy of Ethiopia to a greatest extent.

The value-add to Gross Domestic Product was estimated to be US\$580 million in 2002 of which the distribution and service sector generated about US\$348 million (RIA, 2006).

## **2.4 Definition of Marketing and Marketing Mix Approaches for Small and Micro Enterprises**

### **2.4.1 Definition of marketing**

It is generally accepted that the fundamental principles of marketing are universally applicable to large and small business (Mike et al, 2006). Marketing, a strategic tool for business development, is binding for the growth and survival of small and micro enterprises.

According to Simkin (2000), there is no single correct definition or approach to undertaking marketing. Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others (Kotler, 1994, p.6). As noted by McCarthy, Shapiro, and Perreault (1994, p.4), also, marketing is much more than selling and advertising. 'It is about supplying customers with well-designed, good quality, reliable products, at a price which those customers consider to be fair' (Symons and Adams, 1992, p.405). Marketing can also be defined as the process of anticipating the needs of targeted customers and finding ways to meet those needs profitably (Pichop, and Mndiga, 2007).

There are, however, common themes in most explanations of marketing. The most important (Simkin, 2000) are:

- The ability to satisfy customers;
- The exchange of product or service for payment or donation;

- The need to create an edge over competitors;
- The identification of favorable marketing opportunities;
- Profits or financial surpluses to enable a viable future for the organization;
- That resources are utilized shrewdly to maximize a business's market position; and
- The aim to increase market share in priority target markets.

#### **2.4.2 Marketing mix approaches for micro and small enterprises**

Like medium and large-scale enterprises, marketing in the MSE sector requires three basic inputs: the product, the promotional methods adopted and the distribution system. These marketing inputs should be combined to achieve maximum consumer satisfaction, and to increase sales volume and profits. Marketing in the MSE sector should also address the marketing related problems that arise from:

- intensive competition from within the MSE sector, medium and large-scale enterprises, as well as from imported commodities;
- restricted consumer awareness of the goods and services of MSEs;
- the need to establish distribution networks to reach out extremely dispersed markets; and
- incapability of MSEs to be beneficiary of export markets (Wolday, & Gebrehiwot, 2006).

Researches indicate that an enterprise which does good marketing in the market place also does well financially (Hooley, Saunders, & Piercy, 2004). Added to this, research in the developed countries showed that it is marketing which is the greatest source of strength for many MSEs (Nickels, McHugh, & McHugh, 1990). Therefore, any marketing effort aimed to stimulate the

growth and performance of MSEs should focus on finding out what consumers want; planning and developing products/services for maximum satisfaction of these wants; and identification of the best way to price, promote, and distribute products. This is because the needs of target market often virtually determine the nature of appropriate marketing mix (Perreault, & McCarthy, 2002).

‘A marketing strategy is about developing a good marketing mix. The elements of the mix are: Product, Price, Place/channel of distribution, and Promotion’ (Rachman, Meson, & Bovee, 1990, p.298).

**Product-** is a set of tangible and intangible attributes, including packaging, colour, price, manufacturer’s prestige, retailer’s prestige, and manufacturer’s and retailer’s services (Stanton & Futrell, 1987, p.190). It is the customers’ need satisfying offers of an enterprise (Pearreault & McCarthy, 2002). As remarked by Kotler (1994), also, any thing that can be supplied to the market is considered as a product. In elaborating the nature of product, he suggests three distinct elements to be considered. These are:

1. Product attributes-are associated with the core product and include such elements as features, styling, quality, brand name, packaging, and size and colour variants;
2. Product benefits-are the elements that consumers perceive as meeting their needs; and
3. The marketing support services-consists of all the elements that the organization provides in addition to the core product. These typically include delivery, installation, guarantees, after-sales service, and reputation.

As explained by Hooley, Saunders, and Piercy (2004, p.24), ‘customers do not buy products, they buy what the product can do for them-the problem it solves’. Therefore, a primary task of

business person's is to decide and show inclination towards the kind goods and services that will attract customers. The key is to identify those customers' needs and wants, and then convert them into desirable products. Social trends often provide a clue to the types of products that consumers will want. Rising crime rates, for example, have created a growing need among small business for security services. Similarly, the rapid increase in the number of working women has inspired clothing manufacturers to produce more high-priced women suits (Rachman, Meson, & Bovee, 1990).

The user of a product or a service is essentially inspired by the attributes of the products which in turn satisfy that user's own perceived needs. In the process of auditing marketing mix, it is useful to try to separate out those needs which are satisfied from the product in use-as opposed, for instance, to those needs which are satisfied by other elements of the mix (Waterworth, 1987)

Therefore, after identifying a need, one must decide on the exact product to offer to fulfill this need. The product development process is especially useful in the sector, where the design process is a crucial element of the production chain. Successful crafts enterprises, for instance, have strong design services, often calling on specialists to develop their designs. Prototypes of new products are developed and tested in the market. This implies that they are using direct market feedback in the product design process. The International Trade Centre notes that many craft businesses have successfully improved their sales through betterment on their part of product design. The design excellence in turn brings stronger brand recognition and profitability. The development process should not focus on the actual product alone; rather, it should also pay attention to the product's presentation, such as packaging (UNESCO, 2004).

The business line of MSE activities in Ethiopia is relatively similar. A lack of product diversity, however, is prevalent and as a result similar products are over-crowding the market. Some micro enterprises shift from one product to another, and in doing so, capture better market opportunities. Nevertheless, as soon as the market has established itself, a multitude of further micro enterprises start off in the same business and this causes the selling price to fall immediately. Furthermore, certain MSEs lack the skill to modify their products, such as handicraft products, pottery, furniture, metal products, kitchenware etc. There is also lack of sufficient range of product designs. Most products that are made available by MSEs can also be obtained from medium-sized enterprises that mostly have market advantages in terms of their size alone (EBDSN, 2004).

**Price-** represents the value of a good or service for both the seller and the buyer (Evans & Berman, 1990, p.554). It is the only element of the mix that generates revenue-the others produce costs (Kotler, 1994). According to Nickels, McHugh, & McHugh (1990), price is a critical component in consumer evaluations of the product.

Pricing is thought by several expertises as key activity determining success of enterprises that are under the capitalist system. The on going market price of a product affects wages, rent, interest, and profits. This indicates that the price of a product influences the price paid for the factors of production-labour, land, capital, and entrepreneurship. Price thus is a fundamental regulator of the economic system because it affects the allocation of these factors of production. For example, High wages attract labour, high interest rate attract capital, and so on (Evan and Berman, 1990). Despite of this, price related decisions are the most challenging because of many reasons. For instance, one is the nature and complexity of the interaction that

commonly exists between three groups-consumers, the trade, and competitors-and the need to take this interaction into account. The second is that pricing decisions often have to be made quickly and without testing, but almost invariably have a direct effect upon profit (Wilson, Gilligan, and Pearson, 1992).

After making basic decisions about the products of the enterprise, the managers should decide on how to price them. Some times a low price increases profits. On the other hand, the desirability of some products relies up on a high-quality image, which a high price helps to confer (Rachman, Meson, & Bovee, 1990).

To enable the desirability product in a market, the product should be offered at the right price: general business theory states the right price occurs when there is harmony between what the market will stand and what a company needs to get a return on its investment. However, due to their very nature, some products such as cultural products are often difficult to price. To ease the challenge in pricing of such products, an enterprise should try to get as much information as possible as to how much similar products are being sold in the local, regional and international market, and then establish prices as per the purchasing power of the target market. Prices that are fixed too high can also create suitable conditions for alternative distribution channels, as long as consumers turn their faces to their relatively cheaper products. Lower prices generally encourage demand and drive the volume cost decreases that most new product programs relies on to give emphasis on early market entry and take its advantage. However, falling prices reduce revenues and margins for all concerned, especially, for the new product commercial enterprise, unless costs fall even faster (UNESCO, 2004).

In the time of analyzing market niches, also, the small business owner-manager needs to be concerned with relevant price range. The price range is important as far as there are levels above which current customers will not buy, as well as levels below which these people will not purchase. Add to this, there are levels below which the business owner cannot sell at a profit. These three factors will help the manager in determining the relevant price range (Hodgetts and Kurattko, 1992).

As long as a price puts a value on the overall combination of marketing variables (for instance, product features, image, store location, customer service, etc.) offered to consumers, pricing decisions must be made in conjunction with product, distribution, and promotion plans (Evans, & Berman, 1990). However, in spite of the evidence of the need to integrate price with other marketing mix elements, some managers can be tempted to turn a blind eye to anything other than the revenues generated by the pricing decision ( Calantone and Benedetto, 2007).

According to Evan and Berman (1990), following are some of the basic ways in which pricing is related to other marketing and firm variables:

- Prices frequently vary over the life cycle of a product, from high prices to gain status-conscious innovators to low prices to attract the mass market.
- Customer service levels are affected by prices. Low prices are usually associated with little customer service.
- From a distribution perspective, the prices charged to channel members must adequately compensate them for their functions, yet be low enough to be competitive with other brands at the wholesale or retail level.

- There may be conflict in a distribution channel if a manufacturer tries to control or suggest final prices.
- Product lines with different features-and different prices-can attract different market segments.
- The personal sales force needs some flexibility in negotiating prices and terms.
- The efforts of marketing and finance personnel need to be coordinated. Marketers often begin with the prices that consumers are willing to pay and work backward to determine channel member prices and acceptable production costs. Finance people typically start with costs and add desired profits to come up with selling prices.
- When costs change, decisions must be made as to whether to pass these changes on to consumers, to absorb them, or to modify product features.

According to Patten (2001), it is easier to reduce price-and be able to give discount on quantity than to put the price up. He further explained that the costs of production are almost irrelevant to determine pricing for profit; rather it is what the customer is prepared to pay that is important. However, as explained by Chiliya, Herbst, and Lombard (2009), a marketing strategy must focus on delivering greater value to customers and the firm at lower cost.

According to EBDSN (2004), Some MSEs in Ethiopia sell at break-even or even below cost.

Some of the reasons suggested by it for selling at such a lower price are attributed mainly to:

- lack of basic costing knowledge;
- the fact that salaries or wages of family members involved in production or sales are overlooked as cost product; and

- during and at the end of the day all family members spend the money earned from sales without recording;

In most occasions, however, micro and small enterprises have competitors. The enterprises should, therefore, have to identify their strengths over their competitors' offers. For instance, if one enterprise relatively has lower costs compared to its competitor, then its pricing strategy can be based on selling at lower price. If the MSE has a broader selection of goods as compared to its competitors, then they should focus on this issue and take the benefit of more sales. If the competitor's store setting is not attractive, the better solution may be to make one's own store more attractive for potential customers. If the Micro and Small Manufacturing Enterprises go this way, they will be winners of competition. Joining chambers and trade associations is one way of understanding competitors' moves. It also helps learn how successful enterprises do business. If the enterprise is to be attacked by different competitors, it may use a strategy that enables it to take a competitive advantage over them as part of the sales deal accounted (EBDSN, <http://www.bds-forum.net/marketing.htm#links>).

The intention to reduce price for market entry should carefully be applied; it requires a thorough market study. Opposite to this, under-pricing without studying the market can expose an enterprise to a dangerous risk. So long as a small reduction in cost structure leads to a better increment in profit, it is advisable for the enterprise to look for possible ways by which costs can be minimized. Having a great care to the profit margin, an enterprise can seldom reduce price to increase sales or to sell products in high stock. Reduced offer announcements attract customers to purchase larger quantities of goods. However, the tactics of decreasing cost would be the safest way to improve profit margins. Any way, the pricing strategy has to regard the

profit margin. On top of this, the volume of sales has an important meaning. Some enterprises give emphasis on a unit of sales and not too much on profit margins, which can be risky. Offering lower prices is a valuable tool to attract customers as well as to try a product. However, this should only occur for a given period of time. Price reductions do not have to be as low as throw-away prices (EBDSN, <http://www.bds-forum.net/marketing.htm#links> ).

Furthermore, Micro and small enterprises that are involved in selling their products to organizations or companies can send price reduction announcements in attractive envelopes. This is because, it is the cheapest means. Pursuing a tactic to produce good quality products and charge a right price is a practical approach to pricing. This enable the MSEs to generate sustainable profit as their products are differentiated. Some times, a more practical approach to the MSEs could be to produce a lower quality product and charge a lower price. However, the market has to be segmented primarily as this method can be unsafe to them, if applied to the wrong market. Generally, the best and most preferable pricing strategy is to lower costs and consequently to minimize profit margins, which will benefit the manufacturer as well as the buyer. For instance, if a micro or small enterprise has a profit margin of 10 % and lowers its costs by that extent, it will definitely be able to increase its profits. This raising profit by increasing sales would require a 100 percent increase in sales. Making special store/retail shop and discounts available to loyal customers is also an imaginable workable strategy (EBDSN, <http://www.bds-forum.net/marketing.htm#links>).

The better thing for MSEs is to attempt to be good in some competitive areas where they can become beneficiary. In doing so, MSEs need to identify and select a few areas, in which they can beat the competition, since it is impractical to be good in all areas. If competitors sell on a

door-to-door basis then those who have no buyers at home can develop delivery to "x" buyer's premise. While doing such activities, MSEs need to consider the important aspects that the buyer cares about. In addition, the MSE firms should find out possible ways where they can separate themselves from their competitors. The issue of obtaining relevant data and information is important not only to competition, but to all other marketing mixes. This is because; information is a knowledge source about what is going on or what competitors are doing of some financier (EBDSN, <http://www.bds-forum.net/marketing.htm#links>).

**Place**-third element in the marketing mix is place (distribution): how products get to customers (Rachman, Meson, & Bovee, 1990). According to Perreault and McCarthy (2002), Place means making goods and services available in the right quantities and locations-when customers want them.

To make products available in convenient locations, Entrepreneurs of MSEs should gather information on what distribution channels exist –what retail outlets, performance halls, exhibition spaces, etc – and choose those that are best for their enterprises. They should also consider the pros and cons of developing one's own channels versus relying on others (UNESCO, 2004).

**Promotion**-‘promotion is any form of communication used to inform, persuade, and/or remind people about an organization's or individual's goods, services, image, ideas, community involvement, or impact on society’ (Evan and Berman, 1990, p.454). It is one of the elements of the marketing mix that should be integrated and tailored to the needs of particular market segments so that the target audience favourably aware of the availability of products and services in the market place (Wilson, Gilligan and Pearson, 1992). It is a trial by marketers to

convince others to participate in an exchange process with them (Nickels, McHugh, & McHugh, 990).

Enterprise marketing managers can communicate their products and enterprises to their potential and actual customers via brand names, packaging, store marquees and displays, personal selling, trade shows, sweepstake, messages in mass media (newspaper, television, radio, direct mail, billboards, magazines, and transit), and so on (Evan and Berman, 1990).

Often, the most important decision a company makes is how it should inform prospective customers about its products. The alternatives are many, and the choice may determine the success of marketing effort (Rachman, Meson, & Bovee, 1990, p.301). A firm should take into account three elements: the role of promotion in the overall marketing, the nature of the product and the nature of the market while devising the promotion mix (Peter & Donnelly, 1989).

The basic function of promotion is that it makes the market aware of a product's presence, and attracts potential buyers. Therefore, enterprises should have a promotional plan for all products (new or existing), ensuring that potential customers are informed of the product before it is launched on the market. The International Trade Centre recommends that a promotional plan be developed simultaneously with product development plan; however, promotional planning is an on going process until the product is taken off the market. The support of market research is desirable for promotional plan so that it is targeted at the right sectors of a population. Moreover, feedback from previous promotional campaigns should be used to refine new strategies. Catalogues, brochures, advertisements, posters and flyers, websites, free or discounted samples are important tools of promotion. Participation in trade fairs and in festivals

is an important avenue for promoting products. Making the product gets strong brand recognition is another alternative promotional tool as it boosts customer confidence and loyalty. The technique of branding may be overt (for example, a trademark or geographical indication can be registered), or it may be covert (example, through the provision of a product exceptional quality). For the covert one, it is also important that information about the enterprise be offered along with the product: the product should be sold with a story. This enables clients to identify the product with the enterprise and build a myth around the enterprise (UNESCO, 2004).

A big corporation can use radio or television commercials and tell its target audience, at the end of each message, to get the address of the nearest dealer by consulting the yellow pages. The individual entrepreneur, however, dare not direct listeners or viewers to be in touched with yellow pages. This would only inspire his prospective customers to the competition or to the dominance of certain competitors. Instead, the astute entrepreneur directs his prospects to the white pages, where there will be no competitive advertising, where his organization's small size will not appear as a detriment, and where recognizable promotion themes and symbols will not woo a customer away. Another point to remember here also is that no large corporation can succeed by means of word- of- mouth advertising alone, and some entrepreneurs can. Entrepreneurs can enjoy month after month of profitable business merely by advertising in the classified pages and in the many classified sections now on-line (Levinson, 1998).

Appropriately designed packages can also serve as promotional tool to be used by the manufacturer (Kotler, 1994; Berkowitz, Kerin & Rudelius, 1989). Furthermore, Levinson (1998) pointed out that realizing many prospects will attend trade shows, exhibits, and fairs, small business owners should put all their efforts to these gathering to sell their products. As a result of

such scenes, Word –of-mouth promotion encourages people about products they have enjoyed them (Nickels, McHugh, & McHugh, 990).

Patten (2001) also pointed out the following for small business related to their promotional activities:

- ❖ Well- developed, crowded markets need more promotion to accentuate what are often differences between brands.
- ❖ Infrequent purchases need more promotion to remind prospects.
- ❖ Sales and cut-price offers need frequent promotion to alert prospects.
- ❖ High-quality, purpose-made items sold in a small area rarely need high promotion. Personal recommendation fills the gap.
- ❖ Specialist markets that can be readily identified should need less promotion.
- ❖ If the market is expanding with fresh competition the firm will need to keep its name visible.
- ❖ If the product lasts a long time the firm will have to keep hunting for new customers.

In general, According to Bartle (2010, p.5), all the four Ps (product, price, promotion, and place) go together and if no attention is paid to any of them the business is bound to fail. It is like a chair with four legs. If one breaks, the others can not support the chair. Therefore, as stated by Baker (2007) one of the key issues involved in managing the marketing mix is appropriately designing and integrating the elements of the mix (product, price, promotion and distribution).

## **2.5 Factors to be considered in Selecting Location for Micro and Small**

### **Manufacturing Enterprises**

The big problem encountered by the owner-manager of small manufacturing plant is that once the building is built and the equipment placed within it, the cost of moving to another place may be prohibitive (Hodgetts and Kuratko, 1992). Making location decisions for the production of products is a key aspect of strategic and logistical decision-making for manufacturing firms (McCarthy and Atthiraw, 2003). Surprisingly, many location decisions are based on the personal preferences of the owner-manager of the small plant. Such preferences sometimes range from locating the business within walking distance of the owner's home to buying a building from a friend merely because that friend wants to sell. In choosing a location, however, the owner-manager's first consideration should be to avoid personal preferences which are emotional rather than rational. One may want to make it convenient for himself /herself by placing the business near his/her home but he / she considers such a move only if he/she will gain more than personal ease (Wyoming Small Business Development Center, 2002, <http://www.wyomingbusiness.org/business/>).

Location of the business is essential to either reduce costs or to increase the chances of customers stopping to the center of the enterprise's product setting to look products or at least make inquiries. Mazzarol and Choo (2003) argued that a convenient location can promote an enterprise's competitiveness with benefits such as:

- Increase in production capacity;
- Additional profit;
- Business expansion;
- Better service to customers;
- Increase in stockholders' wealth;

- Cost reduction; and
- Decrease in manufacturing lead time

It often makes sense to rent the facilities instead of building plants. It also supports the use of general, rather than specialized machinery because less-specialized machinery is easier to sell. Keeping these in mind, the owner needs to seek a location at which the combined cost of production and distribution are minimized. Some of the factors that will influence include the overall decision include:

- Nearness to market
- Nearness to suppliers
- Adequacy and cost of the power supply
- State and local regulations and taxes
- Transportation services and costs (Hodgetts & Kuratko, 1992)

EBDSN (2005, p.14) argued that the important factors to be considered with regard to location are:

1. Proximity to essential raw material sources;
2. Proximity to markets and distribution channels;
3. Availability of transport facilities;
4. Availability of efficient and cheap skilled labour;
5. Existence of related industries (forward/backward linkages);
6. Infrastructure facilities (e.g., road, power, port, etc.);
7. Communication facilities (e.g., post office, telephone, fax);
8. Zoning regulations and growth features;
9. Cost and conditions of acquiring the land.

SHP (1999) identified six factors affecting location selection. These, in order of importance, were:

1. accessibility to the central business district;
2. cost of land;
3. freeway access;
4. proximity to customers;
5. attractiveness of area; and
6. nearness to suppliers

Holcomb and others (n.d, p.1) suggested that quality life factors such as low crime rates, rating of public schools, health facilities, housing cost, and housing availability should also be considered in the selection of a location.

As suggested by Hodgetts and Kuratko (1992), however, it is also important not to overlook important points in the process of selection. These points to remember are:

1. Studying and evaluating the selected area carefully;
2. Checking for parking availability;
3. Making sure the location is easily accessible and noticeable;
4. Noting any incompatible business nearby;
5. Checking on the ownership of vacant lots and attempting to determine future building plans;
6. Checking the success and failure record of nearby business;
7. Evaluating daily, weekend, and evening traffic patterns in the area; and
8. Watching for high-pollution areas

## **CHAPTER THREE**

### **Research Methodology and Design**

#### **3.1 Research Methodology**

For this particular study, descriptive research method (qualitative & quantitative) was used. Typically, descriptive research was carried out to have information about the physical, behavioral, and economic characteristics of some group of people (Leary, 2001). As pointed out by Kothari (2004), descriptive research design is also used to describe characteristics including studies concerning with specific predictions, with narration of facts and characteristics concerning situations. This helps the researcher to assess situations faced by small and micro enterprises with respect to their marketing activities.

#### **3.2 Sampling Technique and Procedure**

##### **3.2.1 The sources of data**

The populations of this study were individuals engaged in managing/running small and micro manufacturing enterprises. Primarily, ownership was used to identify members of the population. However, the one who runs/manages micro and small enterprise might not necessarily be the owner; this was because, one of his/her family members might have better involvement in the day to day activities of the enterprise. Hence, it was more useful for the researcher to contact the one who had better experience of the enterprise to get relevant data. So, members of the population could be owners or any members of the family who had better engagement with the enterprise. According to November, 2010 data from Trade and Industry office of Dessie town, in the town, there were 420 individuals who involved in running micro and small manufacturing

enterprises. Among them, many involved in wood work, metal work, and handcrafts. Others involved in oil-squeezing and “blocket” production.

On top of this, the Head of Micro and Small Enterprise Expanding Office and the head of Municipality office Dessie town were included to share their experiences on the issue.

### **3.2.2 Samples**

This study could be by far better, if all the members of the population were made active participants of the study. However, it would not be practical for the researcher to carry out census survey. So, the researcher was compelled to take samples from the population of the study.

In selecting samples from population of micro and small enterprise runners proportionally, the nature of their field of work was used as a stratum. According to Dillon, Madden, & Firtle (1993, p.223-224), stratified random sampling involves sub-dividing the population into a number of groups so that sampling units belonging to the same stratum are homogeneous. The basic reason for using stratified sampling was that members of the population were dissimilar. They differed in terms of the nature of product, the kind of raw material requirement, the type of customers they have and so on. Accordingly, the researcher identified five groups: one group involved in metal work, the second group involved in wood work, the third group involved in handicraft activities, the fourth group involved in “blocket” production and the fifth group in oil-squeezing. In the first group there were 102 individuals; in the second group there were 245 individuals, in the third group there were 61 individuals, in the fourth group there were 8 individuals and in the fifth group there were 4 individuals respectively. The researcher obtained the work address of

each member of the population from Trade and Industry Office of Dessie town (its record office). This enables the researcher to approach them.

Where as, in the case of Municipality office and Micro and Small Enterprise Expanding Office, purposive sampling technique was used in selecting Head from each of these offices. In this case individuals who were assumed to give better data were selected in terms of their experience, educational qualification and level of position.

### **3.2.3 Sample size**

According to Kothari (2004, p.174), there is no correct sample size although larger sample sizes are always preferable. So, the researcher tried to take larger number of samples from the population. The total number of samples that was taken from the stratified section of the population was 100 (24% of the population). To choose respondents for the total sample size of 100, random sampling techniques were employed. First simple random sampling technique by creating a random number between 1 and 4 inclusively, which means that any number from 1 to 4 has an equal chance of being chosen, was used to select the first respondent in each stratum, and then other respondents were chosen systematically by adding the fixed interval (sample interval(K)=4). Accordingly, 24 samples from a stratum of metal work, 58 samples from a stratum of wood work, 15 samples from a stratum of handicraft, 2 samples from a stratum “blocket” production and 1 sample from a stratum of oil-squeezing were selected.

**Table 1 Sampling frame**

Stratum	No. of population*	No. of samples
Metal work	102	24
Wood work	245	58
Handicraft	61	15
“Blocket” production	8	2
Oil-squeezing	4	1
Total	420	100

\*Source: office of trade and industry of Dessie town and own survey

From people of Micro and Small Enterprise Expanding office and Municipality office, only the Heads were selected as a sample. Therefore, two individuals were selected as a sample (i.e. 1 from each).

### **3.3 Data Collection Instrument and Procedure**

When deciding the data collection techniques, the researcher was expected to choose methods that are practical, cost effective, time efficient, and helpful to get adequate information, so that the techniques and procedures enable him to extract the information that is needed (Mertens and McLaughlin, 2004).

In this study, both primary and secondary data were used. The primary data were collected through self-administered questionnaires and semi-structured interview. Where as, the secondary sources were used for literatures via referring books, journal articles, annual reports of Central Statistical Authority of Ethiopia, and data from Dessie town, and web pages.

After consent obtained from the participants, the questionnaires were distributed to all the sample population selected to fill questionnaires. After collecting the questionnaires from participants, interviews were administered for those who were selected to be interviewed.

### **3.3.1 Questionnaires**

Self-administered Questionnaires were distributed to the respondents who run/manage small/micro enterprises. The questionnaires were a-five-point likert-scale type which comprises of Strongly Agree (5), Agree (4), Neutral (3), Disagree (2), and Strongly Disagree (1) to measure respondents' opinions. The basic reason for choosing of questionnaires compared to other data collection instruments is that, it is possible to reach relatively large number of research participants within the time limits (Yeraswork, 2009). The basic reason for making the questionnaires self-administered was that the profile of members of population showed that they were able to read and write. So, to ease this process, prior to administration, the questionnaires were translated into Amharic. This was because it was the common language of the majority of the population. So, better data could be gained if respondents were asked in the language most familiar to them. So, many of the respondents were expected to be able to read and write in the language familiar to them.

After the questionnaires were designed and worded, then, by employing an independent translator the questionnaire was translated into Amharic language, but to help ensure that there is no difference between the English and Amharic meaning of the questionnaire it was again translated back to English by another independent translator and after ensuring that there is no discrepancy in meanings, the Amharic version was pilot tested by taking 10 respondents. The researcher conducted pilot survey to prove whether items of the questionnaires had the capacity

to achieve the intended purpose of the research. In doing so, 10 questionnaires were distributed for pre-test survey. These were distributed for 10 members of population who were selected randomly from the total list of population. Those respondents who took part in the pilot test were excluded from the final survey. This was made not to create boredom on the part of samples for final study. Then, to review the internal consistency of the scale items Cronbach coefficient (alpha) was computed and found to be .989 for all the items. Based on the results of the pre-test survey, certain modifications were made to make precise some vague questions and some modifications on the format also made. But, for actual administration of the questionnaires, 100 questionnaires were distributed. However, it was only 93 questionnaires filled and returned back. Seven respondents were not willing to return the questionnaires though they took it at the outset.

Furthermore, to assist some respondents that might require some sort of help in the process of reading and filling the questionnaire and also to assist the researcher in dispersing and collecting the questionnaires, two enumerators were used. Before using them in the data collection process, orientation was given for one day so that the process would be smooth and facilitated. The orientation included the following among others: clarifying self-administered questions, informing the corresponding kebeles each of the enumerator was deployed, and to whom they were assigned. The enumerators were also those with marketing know-how. They were graduate students of TVET colleges in Dessie town specializing in salesmanship (marketing). However, only two enumerators were used for the purposes mentioned above.

### **3.3.2 Interview**

In this study, semi- structured personal interview was used to collect data from Heads of Micro and Small Enterprise Expanding Office and Municipality of Dessie town. As pointed out by

Kothari (2004), Personal interview method helps the researcher to ask questions generally in a face-to-face contact to the person or persons. It is important because, during the interview session, the interviewee may also ask certain questions and the interviewer responds to these, but usually the interviewer initiates the interview and collects the information.

According to Lee (1999), semi-structured interviews have an overall topic, general themes, targeted issues, and specific questions. Add to this, Crabtree and Miller (1992) have stated that semi-structured interviews are guided, concentrated, focused, and open-ended communication events that are co-created by the interviewer and interviewee. Focused interview is meant to focus attention on the given experience of the respondent and its effects (Kothari, 2004).

The semi-structured personal interviews were conducted as per the time respondents appointed the researcher to carry out interview session. It was arranged in the week day's evenings when interviewees had free time and were not hasty to work. Prior to the interview session, they had been in touched and communicated as to the purpose and time of the interview.

Interviews were held with Authorities of Micro and Small Enterprise Expanding Office of Dessie town to get information on the issue. Furthermore, interviews with Authorities from Municipality of Dessie town were held to obtain their experience, specifically, about location related activities.

### **3.4 Methods of Data Analysis**

During the analysis phase, the researcher used descriptive statistical tools such as frequency tables, percentages, and means to analyze data collected via questionnaire. To ease processing them, the researcher used Statistical Packages for Social Science (SPSS version 15). For

background information from respondents, only frequency tables, and percentages were used. However, for marketing related information from respondents, all the three were computed. In a five-point likert scale used in this study (i.e. strongly agree=5, agree=4, neutral=3, disagree=2, and strongly disagree=1), the mean is 3. Therefore, any value of mean less than the 3 indicates negative response of respondents towards a statement stated in the questionnaire. In other words, the respondents have disagreement/strong disagreement towards a statement in the questionnaire. Where as, any value of mean greater than 3 indicate positive response of respondents towards a statement stated in the questionnaire. In other words, respondents have strong agreement/agreement towards a statement stated in the questionnaire.

In conclusion, data collected through semi-structured interview were qualitatively explained in conjunction with quantitative data analysis.

## CHAPTER FOUR

### Data Presentation, Analysis and Interpretation

#### 4.1 Introduction

For the purpose of identifying marketing related problems of Micro and Small Enterprises in Dessie town, individuals who ran such enterprises were considered as subjects in the area of this study. It was self-administered questionnaires used in this study to gather relevant data from respondents of these subjects. Added to this, semi-structured interview was carried out with the Heads from Micro and Small Enterprise Expanding office and Municipality office of Dessie town to obtain their opinions and experiences about marketing activities of Micro and Small Enterprises.

Though 100 questionnaires were distributed to 100 respondents, which were samples of the study, only 93 questionnaires were filled and returned back. This is because 7 respondents were not willing to fill and return the questionnaire given to them. Therefore, only 93 questionnaires which also signify numbers of respondents were used in this data presentation, analysis and interpretation section below.

## 4.2 Background Information about Respondents

Table 2. Background of Respondents

	Frequency	Percent
<b>Age</b>		
<25	28	30.1
25-35	58	62.4
35-45	7	7.5
>45	-	-
<b>Total</b>	<b>93</b>	<b>100</b>
<b>Sex</b>		
Male	78	83.9
Female	15	16.1
<b>Total</b>	<b>93</b>	<b>100</b>
<b>Educational level</b>		
Illiterate	-	-
Elementary	5	5.4
Secondary school	27	29
Certificate	33	35.5
Diploma	26	28
Degree and above	2	2.2
<b>Total</b>	<b>93</b>	<b>100</b>
<b>Marital Status</b>		
Single	28	30.1
Married	65	69.9
Divorced	-	-
Other	-	-
<b>Total</b>	<b>93</b>	<b>100</b>
<b>Years of staying in business</b>		
0-5	43	46.2
5-10	33	35.5
>10	17	18.3
<b>Total</b>	<b>93</b>	<b>100</b>
<b>Annual Income</b>		
1000-10,000	64	68.8
10,000-20,000	18	19.3
20,000-30,000	9	9.7
>30,000	2	2.2
<b>Total</b>	<b>93</b>	<b>100</b>

Source: Questionnaire

Table 2 summarizes background information of respondents. As can be seen from the table, 28 (30.1%) respondents found in the age of less than 25; 58 (62.4%) respondents fall in the age of 25-35; and the remaining 7 (7.5%) respondents fall in the age of 35-45. This indicates that the majority of respondents (92.5%) were young.

Table 2 also shows the sex of the respondents. Accordingly, 78 (83.9%) respondents were male; where as the remaining 15 (16.1%) respondents were female. This illustrates that majority of the respondents were male.

Concerning educational level of respondents the same table shows that 5(5.4%) respondents were with elementary school education background; 27 (29%) respondents were with secondary school education background; 33 (35.5%) respondents were certificate holders; 26 (28.0%) respondents were diploma holders; and the remaining 2 (2.2%) respondents had degree and above. This shows that the greater number of respondents (63.5%) had experience of college education.

Regarding marital status, Table 2 portrays that 28 (30.1%) respondents were single; and 65 (69.9%) of respondents were married. This indicates that the majority of the respondents were married.

As indicated in Table 2, number of years staying in business was shown. As to it, 43 (46.2%) respondents had 0-5 years experience in business; 33 (35.5%) respondents had 5-10 years experience; and the remaining 17 (18.3%) respondents had more than 10 years experience. This implies that considerable number of respondents (53.8%) had above 5 years experience of staying in business.

Table 2 lastly shows amount of income respondents gained per annum. Accordingly, 64 (68.8%) respondents had an income that falls in the range between 1000 to 10,000 birr; 18 (19.3%) respondents had an income that falls in the range between birr 10,000 to birr 20,000; 9 (9.7%) respondents had an income that falls in the range between birr 20,000 to birr 30,000; and the remaining 2 (2.2%) respondents had an income of more than 30,000 birr. This implies that better number of respondents (68.8%) had annual income that ranged between birr 1000 and birr 10,000.

From the above responses, one can conclude that respondents were eligible to provide better information to the study.

### 4.3 Information Related to Marketing Activities

#### 4.3.1 Product related issues

**Table 3. Product related issues**

Statement	Strongly Agree=5	Agree=4	Neutral=3	Disagree=2	Strongly Disagree=1	Mean
1. I always look for potential new product as per the need of the market	34 36.6%	43 46.2%	5 5.4%	9 9.7%	2 2.2%	4.05
2. I have sufficient variety of stock with varied designs	19 20.4%	58 62.4%	4 4.3%	11 11.8%	1 1.1%	3.89
3. I have capacity in terms of skill to modify products as per the need of the market	28 30.1%	38 40.9%	3 3.2%	24 25.8%	-	3.75
4. Most of my products are almost differentiated from competitors' offers	7 7.5%	12 12.9%	-	68 73.1%	6 6.5%	2.42
5. My enterprise considers why customers buy products prior to production.	45 48.4%	27 29%	16 17.2%	4 4.3%	1 1.1%	4.19
6. My products have sufficient market at current production level	7 7.5%	19 20.4%	3 3.2%	53 57%	11 11.8%	2.55
7. Each of my product is made in different sizes	55 59.1%	31 33.3%	-	4 4.3%	3 3.2%	4.4

Source: Questionnaire

As indicated above, Table 3 provides a summary of information about product related activities of respondents. Concerning looking for potential new product as per the need of the market, 34 (36.6%) respondents replied strongly agree; 43 (46.2%) respondents replied agree; 5(5.4%) respondents replied neutral; 9 (9.7%) respondents replied disagree; and the remaining 2 (2.2%) respondents replies strongly disagree. The mean is 4.05. It is greater than 3. From this, one can deduce that majority of (82.8%) respondents were always looking for potential new product as per the need of the market.

As shown in Table 3, respondents were asked regarding the availability of sufficient variety of stock with varied designs. In this regard, 19 (20.4%) respondents responded strongly agree; 58 (62.4%) respondents responded agree; 4 (4.3%) respondents responded neutral; 11(11.8%) respondents responded disagree; and the remaining 1 (1.1%) respondent responded strongly disagree. The mean is 3.89. This value is greater than 3. From this, one can infer that majority of respondents (80.9%) had sufficient variety of stock with varied designs.

Table 3 also shows that respondents were asked as to whether they had skill capacity to modify their products as per the need of the market. Concerning this, 28 (30.1%) respondents strongly agreed; 38 (40.9%) respondents agreed; 3 (3.2%) respondents remain neutral; and the remaining 24 (25.8%) respondents disagreed. The mean is 3.75. It is greater than 3. From this, one can deduce that substantial number of respondents (71%) had skill capacity to modify products as per the need of the market.

As stated in Table3, respondents were also asked about whether their products were unique or differentiated. With respect to this, 7 (7.5%) respondents strongly agreed; 12 (12.9%) respondents agreed; 68 (73.1%) respondents disagreed; and 6 (6.5%) respondents strongly

disagreed. The mean is 2.42. It is less than 3. From this one can infer that for majority of the respondents (79.6%), their products are not differentiated from competitors' offers.

Similarly, as reported in Table 3, respondents were asked if their enterprises, prior to production, considered why customers buy products. In this regard, 45 (48.4%) respondents replied strongly agree; 27 (29%) respondents replied agree; 16 (17.2%) respondents replied neutral; 4 (4.3%) respondents replied disagree; and the remaining 1 (1.6%) respondents replied strongly disagree. The mean is 4.19. It is above 3. From this, one can learn that for majority of respondents (77.4%) their enterprise considered why customers buy products prior to production.

Concerning whether there was sufficient market for products at current production level, Table 3 shows that 7 (7.5%) respondents answered strongly agree; 19 (20.4%) respondents answered agree; 3 (3.2%) respondents answered neutral; 53 (57.0%) respondents answered disagree; and 11 (11.8%) respondents answered strongly disagree. The mean is 2.55. It is below 3. This shows that for most of respondents (68.8%), their products did not have sufficient market. However, this result is not reaffirmed by the result obtained from the interview held with the Head of Micro and Small Enterprise Expanding Office. The Head remarked the following:

*To increase the salability of the products of micro and small manufacturing enterprises, we created linkage between them and Government institutions. The enterprises are now made to sell their products in large quantities to these institutions. We primarily identified the need of the institutions; if, for example, Wollo University is in need of office furniture, we will inform those enterprises involved in metal and wood work activities so that they will supply their product as per the requirement of this institution. As long as many of the enterprise are selling their product this way besides sales on their own effort, they are doing better than ever before.*

From the above response, one can deduce that most of respondents lack sufficient market though the Head of Micro and Small Enterprise Expanding Office explained that they had had betterment in this regard.

Lastly, Table 3 portrays that respondents were asked as to whether each of their products was made in different sizes. To this end, the greater proportion of respondents i.e. 55 (59.1%) respondents strongly agreed; 31(33.3%) respondents agreed; 4 (4.3%) respondents disagreed; and the remaining 3 (3.2%) respondents strongly disagreed. The mean is 4.4. It is above 3. Therefore, it seemed that for significant proportion of respondents (92.4% of respondents), each of their products is made in different sizes.

### 4.3.2 Price related issues

**Table 4. Price related issues**

Statement	Strongly Agree=5	Agree=4	Neutral=3	Disagree=2	Strongly Disagree=1	Mean
1. I always sell products at price higher than the cost	14 15.1%	42 45.2%	15 16.1%	18 19.4%	4 4.3%	3.47
2. I have good basic costing knowledge such as handling expense and revenue	21 22.6%	40 43%	14 15.1%	15 16.1%	3 3.2%	3.65
3. In pricing products, salaries/wages of family members in my enterprise is considered.	16 17.2%	15 16.1%	7 7.5%	42 45.2%	13 14%	2.77
4. I always get cheaper suppliers of inputs	---	6 6.5%	9 9.7%	50 53.8%	28 30.1%	1.92
5. In my enterprise, what the customers able to pay is more important than the cost of production	6 6.5%	13 14%	18 19.4%	38 40.9%	18 19.4%	2.47
6. Price of my product is negotiable to customers	27 29%	29 31.2%	8 8.6%	24 25.8%	5 5.4%	3.53
7. In my enterprises, it is after studying the market conditions that under-pricing made	22 23.7%	45 48.4%	12 12.9%	14 15.1%	-	3.8
8. Most frequently, my enterprise under cuts price in favor of customers	40 43%	38 40.9%	2 2.2%	10 10.8%	3 3.2%	4.09

**Source: Questionnaire**

As shown above, Table 4 illustrates price related information. With respect to whether products were sold at price higher than the cost, the table shows that 14 (15.1%) respondents replied strongly agree; 42 (45.2%) respondents replied agree; 15(16.1%) respondents replied neutral; 18 (19.4%) respondents replied disagree; and the remaining 4 (4.3%) replied strongly disagree. The

mean is 3.47. It is greater than 3. Therefore, one can learn that majority of respondents (60.3%) sold their products at price higher than the cost.

Concerning whether respondents had good costing knowledge such as handling expense and revenue, Table 4 shows that 21 (22.6%) respondents strongly agreed; 40 (43%) respondents agreed; 14 (15.1%) respondents remained neutral; 15 (16.1%) respondents disagreed; and the remaining 3 (3.2%) respondents strongly disagreed. The mean is 3.65. It is above 3. Therefore, one can deduce that majority of respondents (65.6%) had good basic costing knowledge. In addition, this result is reaffirmed by the result obtained from the interview held with the head of Micro and Small Enterprise Expanding office. The Head remarked the following:

*In collaboration with TVET colleges in Dessie town, we are making them get essential training pertaining to their requirements. Some of the courses incorporated in this program are business plan preparation, family plan preparation, clerical accounting, the need for customer need analysis, etc. Such training helped them perform their activities better. By carrying out case studies up on their problems, new programs will also be integrated. Such programs will be made available on periodical basis.*

From the above response, one can learn that most of respondents had good costing knowledge as there was training given to them to support their potentials.

As indicated in Table 4, respondents were also asked about whether they consider salaries/wages of family members working in their enterprise when pricing products. To this, 16 (17.2%) respondents strongly agreed; 15 (16.1%) respondents agreed; 7 (7.5%) respondents were neutral; 42 (45.2%) respondents disagreed; and the remaining 13 (14%) respondents strongly disagreed. The mean is 2.77. It is less than 3. This implies that majority of respondents (59.2%) did not consider salary/ wages of family members in pricing products of their enterprise.

As shown in Table 4, regarding the availability of cheaper suppliers of inputs, 6 (6.5%) respondents agreed; 9 (9.7%) respondents were neutral; 50 (53.8%) respondents disagreed; 28 (30.1%) respondents strongly disagreed. The mean is 1.92. It is below 3. From this, one can deduce for significant proportion of respondents (83.9%) were not able to get cheaper suppliers of input. In other words there was lack of cheaper suppliers of inputs.

Table 4 also portrays that respondents were also asked about whether what the customer able to pay was more important than the cost of production in their enterprises. To this, 6 (6.5%) respondents replied strongly agree; 13 (14%) respondents replied agree; 18 (19.4%) respondents replied neutral; 38 (40.9%) respondents replied disagree; and the remaining 18 (19.4%) respondents replied strongly disagree. The mean is 2.47. It is less than 3. From this, one can conclude that for larger number of respondents (60.3%), what the customer able to pay was not more important than to the cost of production.

Similarly, as stated in Table 4, respondents were asked if the price of their product was negotiable to customers. Concerning this, 27 (29%) respondents strongly agreed; 29 (31.2%) respondents agreed; 8 (8.6%) respondents were neutral/undecided; 24 (25.8%) respondents disagreed; and the remaining 5 (5.4%) respondents strongly disagreed. The mean is 3.53. It is greater than 3. This shows that majority of respondents (60.2%) strongly agreed/agreed favorably. From this, one can conclude that price of products of many of respondents was negotiable. However, still for some respondents (31.2%) i.e. those disagreed/strongly disagreed to the same statement, it was not negotiable.

According to Table 4, respondents were asked regarding whether their enterprises under- price their products after studying the market conditions. To this regard, 22 (23.7%) respondents

strongly agreed; 45 (48.4%) respondents agreed; 12 (12.9%) were neutral; and the remaining 14 (15.1%) respondents disagreed. The mean is 3.8. It is above 3. From this, one can deduce that it was after studying the market conditions that majority of respondents (72.1%) under- price their products.

As indicated in Table 4, respondents lastly asked as to whether their enterprises under-cut price most frequently. Accordingly, 40 (43%) respondents strongly agreed; 38 (40.9%) agreed. 2 (2.2%) respondents were neutral; 10 (10.8%) respondents disagreed; and the remaining 3 (3.2%) respondents strongly disagreed. The mean is 4.09. It is above 3. From this, one can conclude that overwhelming number of respondents (83.9%) under-cut price most frequently.

### 4.3.3 Promotion related issues

**Table 5. Promotion related issues**

Statement	Strongly Agree=5	Agree=4	Neutral=3	Disagree=2	Strongly Disagree=1	Mean
1. At the beginning of the year, my enterprise set a plan to promote products	21 22.6%	6 6.5%	-	51 54.8%	15 16.1%	2.64
2. For promoting the products, I allocate sufficient budget	9 9.7%	14 15.1%	-	43 46.2%	27 29%	2.30
3. Your enterprise actively participates in trade fairs.	4 4.3%	9 9.7%	36 38.7%	38 40.9%	6 6.5%	2.64
4. I decorate the store of my product setting, display shelf ,etc to attract customers	-	21 22.6%	4 4.3%	33 35.5%	35 37.6%	2.12
5. My enterprise employs advertising board, radio broadcasting, local newspaper, catalogue, magazine etc	2 2.2%	3 3.2%	6 6.5%	57 61.3%	25 26.9%	1.92
6. My enterprise initiates discount, bonus, free offers, etc	8 8.6%	34 36.6%	23 24.7%	15 16.1%	13 14%	3.10
7. My enterprise uses packages of products to promote products	11 11.8%	18 19.4%	10 10.8%	46 49.5%	8 8.6%	2.76
8. Word of mouth plays greater role for the sale of my products.	71 76.3%	22 23.7%	-	-	-	4.76

**Source: Questionnaire**

As shown above, Table 5 illustrates promotion related activities of Micro and Small Manufacturing Enterprises. Concerning whether enterprises set a plan at the beginning of a year to promote their products, 21 (22.6%) respondents strongly agreed; 6 (6.5%) respondents disagreed; 51 (54.8%) respondents disagreed; and the remaining 15 (16.1%) respondents strongly disagreed. The mean is 2.64. It is less than 3. This shows that larger number of respondents (70.9%) were those who disagreed or strongly disagreed. From this, one can deduce that significant proportion of respondents did not set a plan at the beginning of a year to promote products.

As stated in Table 5, respondents were also asked as to whether they allocated sufficient budget for promoting their products, 9 (9.7%) respondents strongly agreed; 14 (15.1%) agreed; 43 (46.2%) respondents disagreed; and the remaining 27 (29%) respondents strongly disagreed. The mean is 2.30. It is less than 3. From this, one can deduce that for majority of respondents (73.2%), there was no sufficient budget allocated for promoting products.

Table 5 also portrays that respondents were asked as to whether their enterprises actively participate in trade fairs. To this, 4 (4.3%) respondents strongly agreed; 9 (9.7%) respondents agreed; 36 (38.7%) respondents neutral; 38 (40.9%) respondents disagreed; and the remaining 6 (6.5%) respondents strongly disagreed. The mean is 2.64. It is less than 3. This shows that for larger number of respondents (47.4%), their enterprises were not actively participated in trade fairs. Furthermore, this result is confirmed by the result obtained from the interview held with the head of Micro and Small Enterprise Expanding Office. The Head explained the following:

*It was in the years 2000 E.C and 2002 E.C that trade fairs held in this town with the collaboration of zone administrators. In each case, it held once year. Then, many enterprises were inspired by this office. However, it was only few enterprises*

*took part in these scenes. Others remained reluctant. The documentaries of the scenes were shown in other towns of the region to help enterprises inform their potential customers. In spite of this effort, our office does not believe that there were sufficient trade fairs which were participatory of all. Now, we have a new plan by which all enterprises in the town be mobilized to take part in the scenes which will be held two to three times a year in the future.*

From the above response, one can learn that most respondents were not active participant in trade fairs despite some urges from Micro and Small Enterprise Expanding Office.

Regarding whether respondents decorated the store of their product setting, display shelf, etc in the enterprise to attract customers, Table 5 shows that 21 (22.6%) respondents agreed; 4 (4.3%) respondents were neutral; 33 (35.5%) respondents disagreed; and the remaining 35 (37.6%) respondents strongly disagreed. The mean is 2.12. It is below 3. This shows that overwhelming majority of respondents (73.1%) had disagreement or strong disagreement against the statement. From this, it can be learned that most of respondents did not decorate the store of their product setting, display shelf, etc in their enterprise to attract customers.

On the same fashion, as shown in Table 5, respondents asked concerning the employment of advertising board, radio broadcasting, local news paper, catalogue, magazine, etc in their enterprise. With respect to this, 2 (2.2%) respondents strongly agreed; 3 (3.2%) respondents agreed; 6 (6.5%) respondents were neutral; 57 (61.3%) respondents disagreed; and the remaining 25 (26.9%) respondents strongly disagreed. The mean is 1.92. It is less than 3. This shows that the greater proportion of respondents (88.2%) had disagreement/ strong disagreement against the statement. From this, one can infer that advertising board, radio broadcasting, local news paper, catalogue, magazine, etc were not used by most of enterprises of respondents.

Furthermore, as seen in Table 5, respondents were asked about whether their enterprise initiated discount, bonus, free offers, etc to customers. To this, 8 (8.6%) respondents strongly agreed; 34 (36.6%) respondents agreed; 23 (24.7%) respondents were neutral; 15 (16.1%) respondents disagreed; the remaining 13 (14.0%) strongly disagreed. The mean is 3.10. It is slightly greater than 3. This implies that larger number of respondents (45.2%) had agreement/ strong agreement on the statement. From this, one can infer that for larger number of respondents, their enterprise initiated discount, bonus, free offers, etc to customers.

As portrayed in Table 5, respondents were also asked as to whether their enterprises used packages of products to promote products. In this regard, 11 (11.8%) respondents strongly agreed; 18 (19.4%) respondents agreed; 10 (10.8%) respondents were neutral; 46 (49.5%) respondents disagreed; and the remaining 8 (8.6%) respondents strongly disagreed. The mean is 2.76. It is less than 3. This implies that the majority of respondents (58.1%) disagreed/strongly disagreed against the statement. From this, one can deduce that for majority of respondents their enterprises did not use packages as a tool of promotion for products.

Table 5 lastly shows that respondents were asked if word of mouth plays greater role for the sale of their products. To this regard, 71 (76.3%) respondents strongly agreed; and the remaining 22 (23.7%) respondents agreed. The mean is 4.76. It is greater than 3. This indicates that all respondents positively responded to the statement. From this, one can learn that it was word of mouth communication which played significant role for the sale of products of respondents.

### 4.3.4 Location related issues

**Table 6. Location related issues**

Statement	Strongly Agree=5	Agree=4	Neutral=3	Disagree=2	Strongly Disagree=1	Mean
1. My enterprise has more proximity to customers, suppliers of inputs, etc.	33 35.5%	48 51.6%	-	12 12.9%	-	4.1
2. My enterprise is situated in the area where there is better infrastructures	19 20.4%	2 2.2%	-	37 39.8%	35 37.6%	2.28
3. The selling locations of my enterprise has sufficient people traffic	6 6.5%	23 24.7%	-	40 43%	24 25.8%	2.43
4. Studying the suitability of the surrounding area (example, market) is my first concern in opening new branches	50 53.8%	43 46.2%	-	-	-	4.54
5. The location of my enterprise is free of any crime acts such as theft	4 4.3%	11 11.8%	2 2.2%	55 59.1%	21 22.6%	2.16
6. My enterprise is located in a place where people's living standard is better	10 10.7%	13 14%	5 5.4%	51 54.8%	14 15.1%	2.50

Source: Questionnaire

As shown above, Table 6 summarizes location related conditions of Micro and Small Enterprises. Concerning the proximity of their enterprises to customers, suppliers of inputs, etc, 33 (35.5%) respondents strongly agreed; 48 (51.6%) respondents agreed; and the remaining 12 (12.9%) respondents disagreed. The mean is 4.1. It is above 3. This shows that majority of

respondents (87.1%) had positive response to the statement. From this, one can infer that for most of the respondents, their enterprise had more proximity to customers, suppliers of inputs, etc

As indicated in Table 6, respondents were also asked about whether their enterprises were situated in the area where there was better infrastructures. To this end, 19 (20.4%) respondents strongly agreed; 2 (2.2%) respondents agreed; 37 (39.8%) respondents disagreed; and the remaining 35 (37.6%) respondents strongly disagreed. The mean is 2.28. It is less than 3. This implies that significant number of respondents (77.4% of respondents) had disagreement/ strong disagreement towards the statement. From this, one can learn that for most of respondents, their enterprises were not situated in the area of good infrastructures.

The Head of Micro and Small Enterprise Expanding Office was interviewed about the activities his office performed to help Micro and Small Manufacturing Enterprise managers/runners get suitable manufacturing and selling locations for their products. He pointed out the following relating to it:

*Primarily, the task of identifying, registering, evaluating, and valuing of a land in the town which is not used by individuals or organizations is accomplished by the Municipality of the town. The Municipality also administers all the land in the town and its surrounding. However, this office accepts application of individuals requesting land to operate Micro and Small kind of business. After having communication with the Municipal Authorities of the town, land for such kind of business can be admitted and then allotted by the office. In the process of doing so, the interest of the applicants is considered as much as possible. Complaints related to inconvenience of locations are solved on the spot. For example, if an enterprise owner comes with application proving that his/her selling location exposed his/her product to dust and other impurities, this office in collaboration with the Municipality office will offer alternative location immediately or will take action against agents causing impurity.*

From the above response, one can learn that the Micro and Small Enterprise Expanding Office was responsive to complaints which could potentially be raised by enterprise runners. However,

according to responses from respondents of enterprise runners, most of respondents' enterprises were not situated in better infrastructures. So, these respondents did not agree with this regard.

As stated in Table 6, respondents were also asked regarding whether selling locations of respondents' enterprises had sufficient people traffic. Concerning this, 6 (6.5%) respondents strongly agreed; 23 (24.7%) respondents agreed; 40 (43%) respondents disagreed; the remaining 24 (25.8%) respondents strongly disagreed. The mean is 2.43. It is less than 3. This indicates that larger number of respondents (68.8%) had disagreement/ strong disagreement against the statement. From this, one can deduce that for many of respondents' enterprises, selling locations did not have adequate people traffic.

In addition, Table 6 portrays that respondents were asked if they had a concern of studying the suitability of the surrounding area (example, market) when opening new branches. Accordingly, 50 (53.8%) respondents strongly agreed; and the remaining 43 (46.2%) agreed. The mean is 4.54. It is above 3. This implies that all respondents had agreement/strong agreement towards the statement. From this one can learn that studying the surrounding area was the concern of respondents in opening new branches.

Similarly, Table 6 shows that respondents were also asked as to whether the location of their enterprises was free of any crime acts such as theft. To this, 4 (4.3%) respondents strongly agreed; 11 (11.8%) respondents agreed; 2 (2.2%) were neutral; 55 (59.1%) respondents disagreed; and the remaining 21 (22.6%) respondents strongly disagreed. The mean is 2.16. It is below 3. This shows that majority of respondents (81.7%) had disagreement/ strong disagreement towards the statement. From this, one can infer that for most of the respondents their enterprises were not free of any crime acts such as theft.

Table 6 lastly shows that respondents were asked as to whether their enterprises were located in a place where there was better people's living standard. Concerning this, 10 (10.7%) respondents strongly agreed; 13 (14%) respondents agreed; 5 (5.4%) respondents were neutral; 51 (54.8%) respondents disagreed; and the remaining 14 (15.1%) strongly disagreed; the mean is 2.50. it is below 3. This indicates substantial proportion of respondents (69.9%) respondents had disagreement/strong disagreement. From this, one can deduce that for most of the respondents their enterprises were located in a place where people's living standard is not better.

Interview was also held with the Head of the Office of Municipality of Dessie town related to the conditions the office considers in providing locations to Micro and Small Manufacturing Enterprises and as to whether the locations which were in the hand of the enterprises currently were convenient. He remarked the following related to these issues:

*Prior to giving any place/land to enterprise runners, we look the properness of the location/land for a particular type of business activity. After identifying them, they will be assorted according to their potential use. In the process we assess them thoroughly from the perspective of cleanliness of the area (especially for sales activity), convenience for transportation, proximity to input sources, proximity to buyers, safety to the surrounding community, prone to security cases, etc. this is done for the advantage of enterprises who are supposed to take location in particular and the surrounding community in general. After verifying the locations this way, they will be made available to those who require them. However, the claimants should primarily apply to Micro and Small Enterprise office of the town so that a location is admitted for them. Even after getting admission, it is this office which is supposed to give them. The role of Municipality is to show of the verified and registered places for a particular type of business activity to Micro and Small Enterprise Authorities at "kebele" levels in the town. Up to now, there are no complains coming from the concerned parties indicating inconvenience of the locations which are now already in the hand of enterprise runners. So, this shows we did our best at the beginning not to happen any kind of discomfort on the mind of those who took them.*

From the above response, one can learn that the Municipality of the Dessie town first identified and then assorted the locations according to their appropriateness for a particular kind of

business activity before they were given to those who claim them legally. In the process, factors like potential use, nearness to input supply, nearness to transportation, proximity to buyers, etc were considered. It attempted its best so that locations were suitable for those who work on them. However, according to the information gained from respondents of Micro and Small Manufacturing Enterprise Mangers (i.e. referring Table 6), locations were not good with respect to infrastructures, people traffic, and security cases. This is because, most respondents disagreed/strongly disagreed against statements related to these factors.

The Head of Micro and Small Enterprise Expanding Office was also interviewed about the most frequently asked questions of Micro and Small Enterprises so that they could get support. With respect to this, he stated the following:

*Some manufacturing enterprise operators require separate location for manufacturing and selling products. Others require two or more locations to each activity though they had one for selling and one for manufacturing. However, the latter question is very difficult to address as long as we have limited land in the town. Because of the behavioral change they brought as to the benefit of training, a number of enterprise operators are requesting us to arrange training programs so that they might have access to them. Still, for this, the office has very limited number of personnel who coordinate such activity. Furthermore, due to increasing cost of inputs, they are facing financial problem. To alleviate this, they are demanding our help in finding solution, so that they can get input at relatively cheaper price.*

From the above response, one can infer that for some Micro and Small Manufacturing Enterprise runners' locations for selling and manufacturing of products were not sufficient; there was increasing cost of inputs; and many enterprise runners had a need to get access to training programs.

## CHAPTER FIVE

### Summary, Conclusions, and Recommendations

In this chapter the summary of findings, conclusions derived from the findings and some recommendations that might help the concerned bodies in their effort to enhance marketing activities of Micro and Small Manufacturing Enterprises.

#### 5.1 Summary and Conclusions

The purpose of this study was to identify problems of Micro and Small Manufacturing Enterprises in their marketing activities and suggest possible solutions to the problems. To this end, the following research questions were formulated:

1. Do Micro and Small Manufacturing Enterprises encounter problems in relation to their product?
2. Do Micro and Small Manufacturing Enterprises have problems in setting the price of their product?
3. Do Micro and Small Manufacturing Enterprises have access to some media to promote their products?
4. Are selling locations of Micro and Small Manufacturing Enterprises convenient?
5. Are manufacturing locations of Micro and Small Manufacturing Enterprises convenient?

To get better and reasonable answer for the research questions, appropriate data collection procedures were employed. Self-administered questionnaires were used to gather information from those who manage Micro and Small Manufacturing Enterprises. In addition, semi-structured

interviews were used to gather information from Authorities who had direct connection with the study under consideration.

Let us see research questions stated above in light of the major findings of this study.

### **1. Do Micro and Small Manufacturing Enterprises encounter problems in relation to their product?**

The majority of the respondents (79.6%) stated that their products were not differentiated from competitors' offers. Similarly, the great majority (68.8%) pointed out that they did not have sufficient market for products at current production level. On the contrary, the finding from interview with the Head of Micro and Small Enterprise Expanding Office of Dessie town indicated that his office made a link between enterprise runners and institutional buyers so that the enterprises sell their products in larger volume. However, if such support had been there in a manner it was sufficient and participatory of all enterprises, the response of the enterprise runners would have been the reverse to what stated above.

Consequently, the unavailability of unique products among Micro and Small Manufacturing Enterprises is a great challenge for the enterprises runners in Dessie town as long as this in turn can make the competition intensive. Furthermore, lack of sufficient market for products at current production level is a stumbling block for investment returns of the managers. Such problems are serious which requires the attention of concerned bodies.

Unlike points mentioned above, respondents were well and good in terms of searching for potential new product (82.8% of respondents), maintaining sufficient variety of stock with varied designs (80.9% of respondents), skill capacity to modify products (71% of respondents),

considering why customers buy products before producing them (77.4% of respondents), and in making products in different sizes (92.4% of respondents). So, these would have some roles to play in the achievement of the objectives of the enterprises.

## **2. Do Micro and Small Manufacturing Enterprises have problems in setting the price of their product?**

According to the response of majority of respondents (60.3% of the respondents), their products were sold at price higher than the cost. Despite this, most of the respondents had the following opinion:

- They ( 59.2% of respondents) did not take salaries/wages of family members working in their enterprise in to account while pricing their products;
- They ( 83.9% of respondents) did not get cheaper suppliers of inputs; and
- Emphasis is given (by 60.3% of respondents) to cost of production than to what customers able to pay.

Thus, it seems that because of the increasing cost of inputs the respondents were striving to maintain at least some price higher than the cost disregarding family members' salaries/ wages and customers' ability to pay which in turn, however, can result excess inventories in the store house when customers object to what they did. Such deeds are so bad which shortens the life span of enterprises in business. Concerned bodies should, therefore, not be kept silent while such things happen; rather solution has to be sought.

Any way, the majority of respondents were able to manage the cost of production as the products were sold above it. 65.6% of the respondents had also good costing knowledge such as handling

expense and revenue. Similarly, from the respondents' (60.2% of respondents') perspective, the price of their products was negotiable to customers. Enterprises of 83.9% of respondents made discount in favor of customers most frequently. This was done (by 72.1 % of respondents) after studying the market situation. Therefore, there were such sorts of things which might benefit the enterprises; and the customers, too.

### **3. Do Micro and Small Manufacturing Enterprises have access to some media to promote their products?**

At the beginning of a year, the majority of respondent (70.9% of respondents) did not set plan to promote products. Similarly, sufficient budget was not allocated to promote products by many of the respondents (73.2% of the respondents). According to the greater proportion of respondents (88.2% of respondents) also, there was no focus given to advertising board, radio broad casting, local newspapers, catalogue, magazine, etc. Slightly greater numbers of respondents (47.4% of respondents) were not active participant in trade fairs. Activities of in store promotions such as decorating product setting, display shelf, etc were not used by the majority of respondents (73.1% of respondents). Like wise, the larger number of respondents (58.1% of respondents) did not use packages as a tool of promoting products.

On the contrary, the finding from the interview with the head of Micro and Small Enterprise Expanding office indicated that effort was made by his office to make Micro and Small Enterprises actively take part in trade fairs held in 2000E.C and 2002E.C. only one trade fair held in each year of these years. However, the interviewee stated that these were not sufficient.

The above explanations show that products did not have better access to be promoted widely to larger number of potential buyers. This is so another bottleneck for growth and prosperity of Micro and Small Enterprises in Dessie town.

In spite of the above facts, all respondents stated that it was word of mouth communication which played significant role for the sale of their products. In addition, slightly greater numbers of respondents (45.2% of respondents) were initiating discount, bonus, free offers, etc to promote products. These will have their own positive repercussion on the success of enterprise operator. However, they should be accompanied by other supports too.

#### **4. Are selling/manufacturing locations of Micro and Small Manufacturing Enterprises convenient?**

For many of respondents (87.1% of respondents), their enterprises had proximity to customers and suppliers of inputs. Furthermore, studying the surrounding area is the concern of all respondents when opening new branches. However, the manufacturing/selling location for the enterprises were not convenient in terms of infrastructures (for 77.4% of respondents), people traffic (for 68.8% of respondents), people's living standard (for 69.9% of respondents), and security cases such as theft (for 81.7% of respondents). Opposite to this, the finding from interview with the head of the Municipality Office of Dessie town indicated that factors such as convenience for transportation, proximity to input sources, proximity to buyers, safety to surrounding community, and prone to security cases were some among others.

As far as such problems do exist on the part of the enterprises, they have to gain more attention from the part of the Authorities of Municipality Office and Micro and Small Enterprise Expanding Office to reverse the direction of the consequences of the problems.

## **5.2 Recommendations**

Based on the findings and the conclusion drawn, the following recommendations are forwarded considering the above research questions.

### **5.2.1 Product related activities**

- The products that are offered to a market should not necessarily be identical to that of competitors' offers. Instead, they should be differentiated in any ways. This differentiation may be seen in the style, features, design, quality, function, size, color, etc of the product. The uniqueness of the product in some way supports the products to have low competitive environment thereby providing substantial margin and better market for products of the Micro and Small Manufacturing Enterprises of Dessie town. In this regard, TVET colleges in Dessie town in collaboration with Micro and Small Enterprise Expanding Office should provide better training about the skills and advantages of differentiating products.
- To enable products of Micro and Small Manufacturing Enterprises get sufficient market, the Micro and Small Enterprise Expanding office should widen up its search for markets by contacting different organizations which are supposed to buy in bulk.
- Micro and Small Enterprises should maintain their strengths search as searching for potential new product, skills to modify products as per the need of the market, considering reasons customers associate with their purchases, and making product in

different sizes. Training programs of Micro and Small Expanding Office and TVET colleges should also integrate some entrepreneurial skills on the part of their training programs to upgrade skills of entrepreneurs and sustain their betterments.

### **5.2.2 Price related activities**

- Salaries/wages of family members working in their enterprise and customers ability to pay should get due consideration while pricing products. In this regard, also, TVET colleges should make pricing part of their training packages so that enterprise managers will come to know about factors to be considered in pricing and the disadvantages of neglecting them.
- Micro and Small Manufacturing Enterprises should also get inputs at reasonable price. Concerning this, the micro and small enterprise managers should undertake design analysis on the part of their products to get cost reduction. Furthermore, they should create joint venture kind of organization for purchase of inputs in bulk so that deduction could be gained from such purchases. Micro and Small Expanding Office should initiate the formation of unions which supply inputs in bulk.

### **5.2.3 Promotion related activities**

- The micro and small Enterprise runners should use local market days to promote their products beside their normal sales locations. In such days they can display some sample product to attract potential buyers.
- All Micro and Small Manufacturing Enterprises should get better access to trade fairs. In this regard, Micro and Small Enterprise Expanding Office in collaboration with the

Administration of Dessie town should design plan so that periodical trade fairs are held in a way all enterprises are involved in its implementation.

#### **5.2.4 Location related activities**

- Manufacturing/selling locations Micro and Small Manufacturing Enterprise should be suitable at least in terms of infrastructures, people traffic and security cases. With respect to this, the Municipality Office of Dessie town in collaboration with the Office of Micro and Small Enterprise Expanding should meticulously revise the way they followed in evaluating location before they gave them to enterprise runners and then take steps favorably of enterprises. However, similar to what is mentioned earlier, to minimize problems resulted from poor people's living standard, enterprise runners should also thoroughly make product analysis so that products will be able to address existing people' living standard.

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# Appendix

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## Appendix: Questionnaire and Interview questions used in the study

**ADDIS ABABA UNIVERSITY**

**SCHOOL OF GRADUATE STUDIES**

**DEPARTMENT OF BUSINESS EDUCATION**

### Survey study on Marketing Activities of Micro and Small Manufacturing Enterprises

**Dear respondent,**

My name is Tesfaye Shiferaw, MA student at Addis Ababa University in the School of Graduate Studies, Department of Business Education majoring Marketing Management. Given below are the items to evaluate your opinion/experience about your enterprise's marketing activities. This information will be used for completion of second degree and the responses will be treated in strict confidentiality. In advance, I thank you very much for your active cooperation.

SECTION I: Please, in the box indicate the extent of your agreement/disagreement with the following statements by putting  $\surd$  on the space provided. 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, and 1=Strongly Disagree.

Statement	5	4	3	2	1
1. I always look for potential new product as per the need of the market					
2. I have sufficient variety of stock with varied designs					
3. I have capacity in terms of skill to modify products as per the need of the market					
4. Most of my products are almost differentiated from competitors' offers					
5. My enterprise considers why customers buy products prior to production.					
6. My products have sufficient market at current production level					
7. Each of my product is packed in different sizes					
8. I always sell products at price higher than the cost					
9. I have good basic costing knowledge such as handling expense and revenue					
10. In pricing products, salaries/wages of family members in my enterprise is considered.					
11. I always get cheaper suppliers of inputs					
12. In my enterprise, what the customers able to pay is more important than the cost of production					

13. Price of my product is negotiable to customers					
14. In my enterprises, it is after studying the market conditions that under-pricing made					
15. Most frequently, my enterprise under cuts price in favor of customers					
16. At the beginning of the year, my enterprise set a plan to promote products					
17. For promoting the products, I allocate sufficient budget					
18. My enterprise actively participates in trade fairs.					
19. I decorate the store of my product setting, display shelf ,etc to attract customers					
20. My enterprise employs advertising board, radio broadcasting, local newspaper, catalogue, magazine etc					
21. My enterprise initiates discount, bonus, free offers, etc					
22. My enterprise uses packages of products to promote products					
23. Word of mouth plays greater role for the sale of my products.					
24. My enterprise has more proximity to customers, suppliers of inputs, etc.					
25. My enterprise is situated in the area where there is better infrastructures					
26. The selling locations of my enterprise has sufficient people traffic					
27. Studying the suitability of the surrounding area (example, market) is my first concern in opening new branches					
28. The location of my enterprise is free of any crime acts such as theft					
29. My enterprise is located in a place where people's living standard is better					

## SECTION II: PERSONAL INFORMATION

- Age:** bellow 25       25-35       35-45       Above 45
- Gender:** Female       Male
- Educational level:** Illiterate       Elementary       High school   
Certificate       Diploma       BSc/BA & above
- Marital Status:** single       Married       Divorced       Other
- Years you stayed in manufacturing activity:**  
0-5       5-10       above 10
- Annual income in birr:** 1000- 10,000       10,000-20,000   
20,000-30,000       above 30,000

## **Interview questions**

### **A. Interview questions to the Head of Micro and Small Enterprise Expanding Office of Dessie town**

1. What did your office do to micro and small enterprises so that they have good market networks and good manufacturing and selling locations to their products?
2. What did your office do to micro and small enterprises in terms of promoting their products to potential and actual customers?
3. What are most frequently asked questions of Micro and Small enterprises to your office so that they could get support?


### **B. Interview questions to the Head of Municipality Office of Dessie town**

1. What are the conditions your office considers in providing locations to Micro and Small manufacturing enterprises so that their production and selling activities are favorable?
2. Do you believe that the current production and sales location of Micro and Small Manufacturing Enterprises convenient for their day to day business operations? If no, what are their problems related to it?

## Declaration

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources of material used for the thesis have been duly acknowledged.

Name: Tesfaye Shiferaw Ali

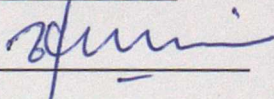
Signature: 

Date: 24/05/2011

## Approval

This thesis has been submitted for examination with my approval as a university advisor.

Name: Ato Getachew Yoseph

Signature: 

Date: 24/05/2011