

Scheers, Louise van

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Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics
Düsternbrooker Weg 120
24105 Kiel (Germany)
E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)
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Which Marketing Communication Methods are Namibian SMEs Using?

Louise van Scheers¹

Abstract: The study aimed to determine the marketing communication methods used by Namibian SMEs operating from the Katutura and Khomasdal Incubation Centres. Marketing communication methods are advertising, sales promotion, personal selling, direct marketing and public relations, which are introduced later in this dissertation. A quantitative methodological approach was followed in this study. The total population of 45 SMEs which operates from Katutura and Khomasdal Incubation Centres completed the questionnaire. The conducted research indicated that the top five most regularly used marketing communication methods are direct sales, “word-of-mouth”, point of sale materials; networking and newspaper advertisement. The least regularly used marketing communication methods are YouTube, television, direct mail, press releases and coupons/ vouchers. Networking was the second most important and effective marketing communication method. Trade shows was the third most-preferred marketing communication method and the reasons advanced were ‘it gives me the opportunity to talk to and interact with my customers’. The conducted research shows that lack of manpower and being understaffed are major challenges when SMEs consider a marketing communication method as well as that the cost of marketing communication methods are very high and most Namibian SMEs cannot afford it.

Keywords: Marketing communication method; Trade shows; Word-of-mouth; Electronic Media; Small and medium enterprises (SMEs)

Introduction

Notwithstanding the significance of SMEs and their contribution to the economic growth of a country, SMEs are still faced with numerous challenges that inhabit their growth (Hussain, Si, Xie & Wang, 2010). Apart from SME funding and limited access to finance, the Global Entrepreneurship Monitor Reports (GEM, 2012) noted that SMEs also suffer from poor management and marketing skills. A similar observation is made by Murphy (2006), who states that certain personality traits shown by small business owners are responsible for the success or failure of their businesses. For example, inadequate marketing skills of owners results in low return on marketing investments in the small business sector. The quality and regular use of marketing communication methods by an SME determines in the long term whether the business will succeed or fail (Iorun, 2014). Van Aardt, Bezuidenhout & Mumba (2008) suggest that certain choices with regard to marketing communication methods probably have an impact on SME success this research intends to determine the marketing communication methods that SMEs operating from the Katutura and Khomasdal Incubation Centres, Namibia apply.

¹ Department Marketing & Retail, University of South Africa, Corresponding author: vscheml@unisa.ac.za.

Literature Review

Namibian SME Sector

According to April (2005) prior to independence, Namibia did not have a well-established small and medium business sector. The primary reason was that larger businesses were white owned and that the minority was also ruling the economy at the time. The black majority of the country did not have clear idea as to what a small and medium enterprise was. The importance of the small and medium business sector is indicated by the Bank of Namibia Symposium (2010) as SMEs contributed approximately 12% to the Gross Domestic Product (GDP), employed about 20% of the workforce between 2004 and 2009, and are helping towards the realisation of the Namibian governments' 2030 vision. The primary objective of the subsequent Act on Small Business Development is to regulate, encourage and promote small business activities in Namibia. Next, the Namibian clothing and textile sector will be outlined.

Global Incubation Centres

Hsu (2012) defines incubation centres as locations for helping SMEs to upgrade and transform themselves. While The National Business Incubation Association (NBIA) of the United States of America (USA) defines business incubators as: "a comprehensive business-assistance program targeted to help start-up and early-state firms, with the goal of improving their chances to grow into healthy, sustainable companies" (NBIA, 2010). According to Szabó (2015) there are more than 550 incubators operating in North America, and around 50 incubators in Australia. Over the last 50 years, business incubators have evolved in different ways. The first incubator was established in 1959 in Batavia, New York in the USA, but until the 1970s this concept was unique (Ha Lesáková, 2012). South Africa's National Department of Trade and Industry recognises business incubation as a viable tool to help SMEs grow and become successful and globally competitive enterprises with the potential to create jobs, alleviate poverty, empower previously marginalized groups and thus contribute to the growth of both national and local economic development.

According to Ndabeni (2008, p. 25) the concept of business incubation is fairly recent in developing countries and still developing in South Africa. Therefore, in the context of this research, a business incubator is described as an organization that facilitates and provides a protected environment to new, early stage and existing businesses by providing a comprehensive range of shared services and enterprise development assistance. In South Africa, business incubators are run and managed similar to developed countries like the United States of America. The history of business incubators in Kenya can be traced back to 1967 when the Industrial and Commercial Development Corporation (ICDC) established the Kenya Industrial Estate (KIE) as its subsidiary (Meru, 2011). Later, other types of business incubators sprang up that included: firstly, virtual incubators like Willpower Business Solutions Centre; secondly, incubators without walls, which included some Non-Governmental Organisations (NGOs) and church-based institutions and thirdly, incubators with walls included the International Finance Corporation's (IFC) SMEs Solution Centre, the Kenya Kountry Business Incubator (KEKOBI) and the Kenya Industrial Research and Development Institute (KIRDI).

Incubation Centres in Namibia

In 1996, the first incubation centre for SME development was opened in Namibia at Katutura with the intention of providing opportunities to previously disadvantaged citizens of Namibia to start small businesses. The Katutura incubation centre is located in the centre of Katutura at the corners of Independence Avenue and Abraham Mashego Street. The incubation centre currently accommodates

151 traders; another incubation centre was opened in Khomasdal in 2006 which can accommodate 41 traders (City of Windhoek, 2012). The objective of an SME Incubation Centre (SMEIC) is to create an environment that empowers entrepreneurs so that they can progress to formal and developed businesses through the provision of necessary business capacity building programmes such as marketing communication methods.

Marketing Communication Methods

Marketing Communication has evolved over a period of time from awareness level of integration to image level integration to functional integration to coordinated integration to consumer based integration to stakeholder based integration to relationship management integration (Panda, 2009). It is a promotional tool along with other marketing mix components to gain advantage over competitors using to reach highest level of consumer satisfaction by knowing the right touch-points. It is a data driven approach using outside-in thinking focused on identifying consumer insights using both on and off –line channel strategy to develop a stronger brand-consumer relationship (Sisodia and Telrandhe, 2010). Integrated marketing communication is thus the voice of marketing creating brand awareness, deliver information, educate the market and make a positive image of the company.

Kotler, Keller, Brady, Goodman and Hansen, (2012) defines marketing communication as “the means by which firms attempt to inform, persuade and remind customers”. Marketing communications are also compared to the “voice” of the company and its brands, and are said to be the ways in which it can establish a dialogue and build relationships with customers. It is important for SMEs to gain from the unique strength of marketing communication methods to successfully communicate with the end-users. Hence, the selection of marketing communication methods is important for SMEs profitability.

According to Kanibira, Saydanb & Nartc (2014), marketing communication entails the processes of creating communication opportunities and sending messages to and receiving messages from consumers, in order to create the desired reactions in the target audience. As the marketing communication methods are changing, there is a need for SMEs to adjust their communication methods; this may enable SMEs to make use of the latest or more effective form of marketing communication methods. Du Plessis, Bothma, Jordaan, and van Heerden (2009) define media as “a communication outlet or a group of outlets used to communicate information, news and advertising messages to an audience.” Two important advertising media types are: broadcast media and print media. Television and radio are broadcast media, while newspapers, magazines, billboards, direct mail and leaflets are examples of print media.

Marketing Communication Methods Used by Smes

Kotler Wong, Saunders and Armstrong (2015) presents the marketing communication as a combination of the following modes of communication: advertising, sales promotion, events and experiences, public relations and publicity, direct marketing, interactive marketing, word-of-mouth marketing and personal selling. Belch and Belch (2012) indicated that SMEs supplying products and services targeted at mass consumer markets find advertising critical. The development of marketing theories in SMEs has been somewhat limited and often relies on the application of classical marketing models used for large companies. According to Belch and Belch (2012), promotional decisions need to be made about advertising, direct marketing, interactive marketing, sales promotion, publicity and public relations and personal selling. Some of these methods have been used by SMEs for at least a hundred years, so individually they are not new, but what is new is managing them in an integrated fashion as part of a strategic communication programme in a changing SME sector.

Capturing the listeners' attention is difficult because they have the ability to tune into or tune out of a specific station, or only hear messages that grab their attention. Despite this, radio stations usually have loyal audiences who may listen to them throughout the day, increasing the chance that they may hear the marketer's message at some stage. Radio advertising is often called the "theatre of the mind" because it depends so much on the listeners' imagination to fill the missing visual element. Radio is limited to sound and depends on voices, sound effects and music to capture an audience (Duncan, 2008). The fact that radio stations in Katutura and Khomasdal have a local broadcast area (whereas television is usually national) and those listeners are usually loyal to one station means that SMEs may have to advertise on several stations to reach their desired target markets.

One of the weaknesses of radio as a medium of advertising is the fact that messages are fleeting (Duncan, 2008) and cannot be looked at again. Since there are more than ten radio stations in Katutura and Khomasdal, only a small percentage of the population may be tuned in to a particular station at any given time. Consequently, if SMEs want to reach a broader target audience, they will have to advertise on a number of stations. Radio advertisements may have limited listener attention because radio is often used as background entertainment by people who are doing other things.

An alternative to broadcast media is print media which are relatively permanent compared with fleeting broadcast messages. Print media mainly include newspapers and magazines, but also include directories, mail, brochures and packaging. Print media are all forms of message delivery that are printed on paper or some other material. Print media have the advantage that the message can be accessed at any time and may persist for many years in the form of accumulated copies. Print media tend to be visually intensive with the message being communicated as much by the pictorial elements as by the words. Visuals that are easy to understand and remember communicate instantly. Newspapers, magazines and brochures will be discussed below to indicate their use in marketing communication.

Newspapers are considered a major medium for local advertising. Most newspapers have their content divided up into clear topic sections, for example, sport, entertainment, and business, and finance, local, national and international news. Many special-interest sections rely heavily on press releases provided by public relations departments. Use of this tactic provides a great opportunity for SMEs to regularly include press releases into the SME development promotions sections of newspapers and obtain regular publicity. Newspapers in Namibia such as the *Namibian*, *Namibian Sun*, *New Era* and *Die Republikein* are distributed daily, which means that regularity can be quickly built among those who regularly read the newspaper. Newspapers are extremely flexible because advertisements in it can be written, laid out and printed in a matter of hours (Belch & Belch, 2012). This makes newspapers an excellent medium to respond to current events or to present timely information to customers. However, some of the newspapers, such as the *Namibian Sun*, use colour adverts. SMEs are not assured that every person who buys the newspaper will read their advertisement because some only read specific sections (such as finance). Also, newspaper circulation decreases on Saturdays and increases on Sundays. Advertising in the Sunday paper may be more effective because it is usually read thoroughly and for the whole day.

Word-of-mouth is informal communication about the product by ordinary individuals, satisfied customers or people specifically engaged to create word-of-mouth momentum. Sales staff plays an important role in word-of-mouth and public relations. Foxall, Goldsmith and Brown (2006) indicate that word-of-mouth is a cost effective advertising tool which is suited for small businesses. As the Katutura and Khomasdal residential area is densely populated, positive information about a business

may easily be communicated amongst people by word-of-mouth. This communication may be excellent form of advertising and can be a more effective than formal advertising.

Research Methodology

This is a quantitative study and descriptive in nature. The questionnaire used the format applied in the study conducted by Van der Merwe (2003) and 45 SME owners operating from the Katutura and Khomasdal Incubation Centres completed the questionnaire.

Research Results

Demographics

66.7% of the SMEs in the clothing and textile manufacturing business surveyed are from the Katutura Incubation Centre, while 33.3% are from the Khomasdal Incubation Centre. The Katutura Incubation Centre has more SME businesses in total compared to the Khomasdal Incubation Centre.

Number of Employees

According to Edmiston (2007), SMEs are regarded as major job creators in developing countries. The researcher intended to determine the number of jobs created by Namibian SMEs in clothing and textile manufacturing sector operating in the Katutura and Khomasdal Incubation Centres. Most of the respondents (35.6%) mentioned that they employed between 11-20 people, followed by 28.9% who indicated that they employ between 21-50 people.

Marketing Communication Method

Table 5.1 indicates the marketing communication methods which are used the most (specified in green) and the least (specified in blue).

Table 5.1. Most regularly used marketing communication methods

| Marketing Communication Method | Mean | Std. Deviation |
|---|------|----------------|
| Direct sales (to potential clients) | 1.28 | .630 |
| Word-of-mouth | 1.42 | .698 |
| Point of sale materials/counter display and stickers) | 2.35 | 1.412 |
| Networking | 3.02 | 1.611 |
| Newspapers/Advertisement | 3.09 | .718 |
| YouTube | 4.77 | .868 |
| Television | 4.79 | .675 |
| Direct mail | 4.91 | .294 |
| Media publications (sent to different media houses to inform them about new products) | 4.88 | .324 |
| Coupons/ vouchers (to buy specific products on offer) | 5.00 | .000 |

Table 5.1 reflects the marketing communication methods most and least regularly used as indicated by the respondents. The top five utmost regularly used marketing communication methods are direct sales to potential clients, word-of-mouth, and point of sale materials/counter display and stickers, networking and newspapers/advertisement, mean scores of 1.28, 1.42, 2.35, 3.02, and 3.09 respectively. The top five least regularly used marketing communication methods are YouTube, television, direct mail, press releases and coupons/vouchers with a mean scores of 4.77, 4.79, 4.91, 4.88 and 5.00 respectively.

The study established that 71.1 % of the SMEs surveyed considered “word-of-mouth” as the most important and effective marketing communication method. The reason the SME owner/managers considered word-of-mouth as being important is “it is cost effective”. This observation can also be amplified by the fact that most of the SMEs have a limited budget or no budget for marketing due to the high cost of marketing. Networking was the second most important and effective marketing communication method indicated by 64.40% of the SMEs studied. The reasons advanced by the SME owner/managers are “it gives me the opportunity to talk and interact with my customers” and “it does not cost me extra”. Trade shows was the third most-preferred marketing communication method indicated by 46.70% of the SMEs and the reasons advanced were “it gives me the opportunity to talk to and interact with my customers”

Challenges When Using Marketing Communication Methods

The conducted research shows that 88.9% of the respondents indicated that lack of manpower and being understaffed as major challenges when considering a marketing communication method; 82.2% of the respondents indicated that cost of marketing communication methods are very high and affordability to apply certain marketing communication methods comes into question. 28.9% of the respondents indicated that due to the time constraint caused by production commitments, they cannot apply marketing communication methods in their SMEs.

Conclusion

The study aims to determine the marketing communication methods used by Namibian SMEs operating from the Katutura and Khomasdal Incubation Centres. Direct marketing was mostly used, followed by sales promotion, advertising, interactive media, social media and public relations. Advertising and interactive media are not used as much by the SMEs so is also social media and public relations. As direct marketing has been identified as the most regularly used and effective marketing communication method, it is recommended that SME owners should focus more on the quality of their products and services they provide. These will create a positive image and word-of-mouth for their business. The conducted research determined that the top five most effective marketing communication methods are word-of-mouth, networking, direct sales, trade shows and radio. The least effective marketing communication methods are magazines, press releases, database, brochures and television.

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