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# **THE EFFECTS OF STRATEGIC MARKETING ON BUSINESS PERFORMANCE OF SMALL BUSINESS IN SOMALIA**

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## **ABSTRACT**

*This study, the effects of small business in market strategy in Somalia was undertaken to find out the role of small business in Somalia invented new buildings and infrastructure and later on established companies. First purpose is to investigate the impact of small businesses on the Market strategy development, by identifying and understanding the best ways that small businesses can be successful. And to find out the role of small business in marketing strategy on business Performance Somali markets and to establish a significant relationship between small businesses and the marketing strategy on business Performance at Mogadishu -Somalia. The establishment and the creation of small business has an important role in the market strategy of Mogadishu -Somalia and also it can play tremendous roles in employment generation, The general objective of the study is to investigate the effects of strategic marketing on business performance the research question of this study was what assess the effects of market Segmentation on Business Performance How To assess the effects of Cost Leadership on Business Performance And How To determine the effects of product differentiation on business performance .The Research Design a descriptive case study approach was in order to determine and report about the effects of strategic marketing on business performance of small business. This study was conducted in Mogadishu and targeted population is the small business in Bkaro Market howladag district. Population is a collective whole of people, animals, plants, or other items that researchers collect data from. Before collecting any data, it is important that researchers clearly define the population, including a description of the members. The sample technique of this study was simple random sampling. The questionnaire translates the research objective into specific questions target population of small and medium enterprise of Mogadishu. The questionnaire was 75 employees were used as the sample size representing the total population. Proportionate stratified random sampling technique was for this study. The primary data collection tool was administered questionnaires. A pilot test will be conducted with a few respondents before the questionnaire will be reviewed and then will be distributed to the selected sample. The data collected in this study was analyzed using descriptive statistics through SPSS version 16.0 for windows to provide simple summaries in form of tables, figures and explore relationships between responses to different questions.*

*The results generally indicate that except for market segmentation, other independent variables (cost leadership and product differentiation) were found to have positive significant correlations on business performance at level of significance. There was a weak positive but insignificant business Performance correlation market segmentation There was a weak positive and significant business Performance correlation between cost leadership There was a strong negative and highly significant correlation between product differentiation and business performance There was a moderately positive and highly significant correlation between effects of market strategy and business performance The results imply that market segmentation, cost leadership significantly influenced business performance of the small business at BAKARA market in Mogadishu Somalia.*

## 1.0 INTRODUCTION

At the beginning of the 21st century, corporate marketing is contributing to the evolution of business societies more than ever. Global corporations satisfy, enchant, bore, and annoy societies with an overwhelming abundance of products, services, promises, life-styles, and trademarks. The world religions have lost the privilege of being the best-known social institutions as the Coca-Cola brand, now recognized by 89% of the world's population (Business week 2004), has taken over that coveted title. The marketing departments of the corporate world inspire demands that exceed the basic needs of most people and create potential for more production, more consumption, more money, and higher average wealth.

Marketing has traditionally been viewed and treated more as an operational rather than strategic function in companies. It has focused on decisions related to analyzing and selecting target markets, product and brand development, promotion, and channels of distribution (Hunt & Morgan, 2001). This perhaps somewhat biased standpoint presents marketing as a task of creating, promoting and delivering goods and services to consumers and businesses (Kotler, 2003). It is generally accepted that acquiring a new customer may turn out to be considerably more expensive than building customer loyalty among firm's current customers (Kotler, 2003). This strongly speaks for the need for higher levels of customer orientation among companies. Similarly to reward systems that base on short-term performance, short-term marketing focus may start working against longer-term market orientation, business performance and strategic intentions of a company.

At the same time the small business in Somalia has strong impact on the market strategy as whole and specifically in the life style of the society living in Somalia In this study we are going to examine the role of small business in marketing strategy in Somalia as a whole and especially in Bakara market Marketing efforts and know-how are instrumental in commercializing ideas and inventions successfully. Therefore, it could be fatal for companies to ignore the importance of marketing emphasizes the position of marketing to even argue that, in the future, marketing has the main responsibility for achieving profitable revenue growth for the company.

## LITRATURE

Marketing strategy has been a salient focus of academic inquiry since the 2008s, according to There are numerous definitions of marketing strategy in the literature and such definitions reflect different perspectives (Li et al 2000). A traditional definition of marketing strategy is a plan for pursuing the firm's objectives or how the company is going to obtain its

marketing goals with a specific market segment (Orville and Walker 2008 Kotler, Armstrong, 2009) explains that marketing strategy is a roadmap of how a firm assigns its resource and relates to its environment and achieves corporate objective in order to generate economic value and keep the firm ahead of its competitors. In laymen terms it is to determine the nature, strength, direction, and interaction between the marketing mix-elements and the environmental factors in a particular situation (Li et al 2000). According to Levie (2006), the aim of the development of an organization's marketing strategy development is to establish, build, defend and maintain its competitive advantage. A thorough analysis of the newest scientific articles on strategic management and organizational behavior indicates that 71% of them analyze company performance as a dependent variable, 12% of them analyze it as an independent variable while 11% of the studies analyze performance as a dependent as well as an independent variable (March and Sutton 2001).

Charles W. L. Hill (2009), Market segmentation is the way a company decides to group customers, based on important differences in their needs or preferences, in order to gain a competitive advantage. For example, General Motors groups its customers according to the amount of money they want to spend, and can afford to spend, to buy a car, and for each group it builds different cars, which range from the low- priced Chevrolet Aveoto the high-priced Cadillac DTS.

In general, a company can adopt one of three alternative strategies for market segmentation first; it can choose not to recognize that different groups of customers have different needs and can instead adopt the approach of serving the average customer. Second, a company can choose to recognize the differences between customer groups and make a product targeted toward most or all of the different market segments. For example, Toyota offers over different kinds of vehicles, such as family cars, luxury vehicles, SUVs, and trucks, each targeted at a different market segment. Third, a company can choose to recognize that the market is segmented but concentrate on servicing only one market segment— an example is the luxury- car niche chosen by Mercedes- Benz. Why would a company want to make complex product/market choices and create a different product tailored to each market segment, rather than creating a single product for the whole market? The answer is that the decision to provide many products for many market niches allow a company to satisfy customers' needs better. As a result, customer demand for a company's products rises and generates more revenue than would be the case if the company offered just one product for the whole market.

Aguinis (2009) described that "the definition of performance does not include the results of an

employee’s behavior, but only the behaviours themselves. Performance is about behaviour or what business do, not about what business produce or the outcomes of their work”. Perceived business performance represents the general belief of the employee about his behavior and contributions in the success of organization. business performance may be taken in the perspective of three factors which makes possible to perform better than others, determinants of performance may be such as “declarative knowledge”, “procedural knowledge” and “motivation” (Ahmad, & Shahzad, 2011).

Armstrong and Baron (2005) views business performance as about encouraging productive discretionary behavior with a goal to achieving human capital advantage. They continue to hold the belief that people are the most important source of competitive advantage, and recognize that, as opposed to other forms of competitive advantage resulting from improving factors such as design or process, the people factor is very difficult to reproduce or replicate, making it so valuable to organizations (Wambugu & Ombui, 2013).

Organisations are set up to achieve certain objectives. Achievement of goals or targets depends upon the performance of individual employees. The objectives can be fulfilled when the tasks are assigned to the employees and they perform the tasks. Otherwise these cannot be fulfilled. Now the question arises how far the work has been done as per the planning. The responsibility, accountability and performance standards have been met or not. Hence it is quite necessary to understand as to what extent employees have been successful at their jobs for achievement of their goals. This information will be available when the performances of employees have been evaluated at the end of the year. If it is not done then the management will not come to know the exact

position about the targets achieved. They will be in the dark and there will be chances of planning failure. The planning is done in the beginning of performance management process (Singh, 2011).

**METHODOLOGY**

According (Singh, 2006) research design is a mapping strategy. It is essentially a statement of the object of the inquiry and the strategies for collecting the evidences, analyzing the evidences, and reporting the findings. Without a design, research study is just like the building construction without any plan or map. The design enables us to answer research questions as validly, objectively, precisely and economically as possible (Singh, 2006). The study conducted through a descriptive research design. The aim of ‘quantitative research’ to portray an accurate profile of persons, events, or situations’ (Robson 2002:59). This may be an extension of, or a forerunner to, a piece of exploratory research or, more often, a piece of explanatory research (Saunders *et al.*, 2009). In addition, it was involve collecting information by administering a questionnaire to a sample of respondents of remittance companies in Mogadishu, Somalia to find out the effectiveness of reward. This method was preferred because it gave a report of things as they are.

According Walliman ( 2006) population is a collective term used to describe the total quantity of things (or cases) of the type which is the subject of your study. So a population can consist of objects, people or even events. Whereas Cooper and Schindler ( 2006) defines a population is the total collection of elements about which you wish to make some inference. This study conducted in Mogadishu, Somalia and target population is Small business in Mogadishu, Somalia

**Table 3.1 Population**

Target Population	Population
Clothing Companies	122
Cosmetics Companies	56
Grocery Companies	47
Electronic Companies	75
Total	300

Sample size measures the number of individual samples measured or observations used in a survey or experiment. Sample size is also important for economic and ethical reasons as Russell form the small businesses explains under sized study can be a waste of resources for not having the capability to produce useful results , while an over-sized one uses more resources than are necessary, ReliaSoft Corp., (2012), in an experiment involving human or animal subjects, sample size is a pivotal issue for ethical reasons , under sized experiment exposes the subjects to potentially harmful treatments

without advancing knowledge the sample size of this study will be 300 selected from the target population.

According to Slovene’s (1960) formula 
$$N = \frac{N}{1 + N(\epsilon)^2}$$

$$N = 366 \quad n = ?$$

$$N = ? \frac{N}{1 + N(\epsilon)^2} = \frac{300}{1 + 300(0.1)^2} = \frac{300}{4} = 75$$

The study used self-administers questionnaires as a research instrument to collect data from the respondents. The questionnaire developed and organized based on the research objectives to ensure

relevance to the research problem. The questionnaires were carefully designed starting with the general information questions that require the respondents to answer without much thought. This was also meant to provide the respondents with an easy start that provide practice in answering questions. This would be followed by the most important questions that were meant to capture the information that was very critical to the research problem.

Qualitative as well as quantitative methods of data analysis were used to analyze the research variables. A liker scale was adopted to provide a measure for qualitative data. The scale helped to minimize the subjectivity and made it possible to use quantitative analysis. The numbers in the scale were ordered such that they indicated the presence or absence of the characteristic to be measured (Magenta & Magenta, 2003). This mix of tools was necessary because whereas some aspects of the study were qualitative others were of quantitative nature.

### SUMMARY

The general objective of this study was the general objective of the study is to investigate the effect of market strategy of the business performance of small business in bakara market in Mogadishu Somalia. Specifically, this study investigated to ascertain how market segmentation, cost leadership and product differentiation on business performance of the small business in bakara market in Mogadishu Somalia.

the results generally indicate that except for market segmentation, other independent variables (cost leadership and product differentiation) were found to have positive significant correlations on business performance at 5% level of significance. There was a weak positive but insignificant business Performance correlation market segmentation ( $r = 0.602^{**}$ ,  $P < 0.05$ ). There was a weak positive and significant business Performance correlation between cost leadership ( $r = 0.495$ ,  $P < 0.05$ ). There was a strong negative and highly significant correlation between product differentiation and business performance ( $r = .845^{**}$ ,  $P < 0.5$ ). There was a moderately positive and highly significant correlation between effects of market strategy and business performance ( $r = .544^{**}$ ,  $P < 0.01$ ). The results imply that market segmentation, cost leadership significantly influenced business performance of the small business at BAKARA market in Mogadishu Somalia.

### RECOMMENDATIONS

Based on the research findings, I will recommend the following points:

- a) Universities/higher institutions of education should organize and design seminars and trainings for the small business owners and

teach them how they run and manage their business as well they should teach them how to allocate their profit and make a business plan in advance.

- b) Though it's difficult for one person to establish and start/ investing new business; the owners of small businesses should come together and instead of running a personal business they should form a partnership business.
- c) For small business owners if they can avoid it is better they work half time and employ other people to for the other half to contribute employment generation.
- d) The government should establish investments in order to reduce the imports from the outside world, because, then ever the imports of the country increases the profit goes out of the country.
- e) Since this study proved that small business contributes the employment generation, government and the investment banks should give loans to the people to start businesses and also the government should help and give guidance to the existing businesses as not to fail.
- f) There is also need to introduce entrepreneurial studies in our Universities in Somalia
- g) Finally the government should set polices and principles to the small businesses and also encourages the big companies and the investment banks to invest on the starting of small businesses.

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