“Small-business marketing in Soweto, the importance of the human touch”

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Small-business: marketing in Soweto, the importance of the human touch

Abstract

Small businesses are a crucial element of and a major contributor to the economy and society. They not only provide economic stability for their owners but also meet the needs of society and businesses. Effective marketing communication is needed so that society and business can be informed about the products and services on offer to satisfy their needs. A variety of marketing communication tools can be used by SMMEs to communicate with society and business. This research explores the utilization of these marketing communication tools by SMMEs located in Soweto, Johannesburg. The data were collected by means of a self-administered questionnaire that was circulated and hand-delivered to a sample of SMMEs in Soweto. The findings revealed that SMMEs in Soweto rely more on human interaction, such as word-of-mouth (WOM) and personal selling, to promote their business than on technology-driven tools such as the internet.

Keywords: SMMEs, integrated marketing communication, traditional marketing communication, Soweto, promotion.
JEL Classification: M31.

Introduction

The small, medium and micro-enterprises (SMMEs) sector is important to the South African economy in that it helps to reduce unemployment and to alleviate poverty in many communities. This notion is supported by the fact that the SMME sector contributes almost 36% of the gross domestic product (GDP) and is also seen as a job creation driver in the economy of South Africa and other developing countries (Nieman, 2006). Despite the enormous contribution of SMMEs towards bettering the lives of the people of South Africa, this sector faces serious challenges, one of the biggest of which is the high failure rate – the majority of these small businesses are failing. In fact, the business failure rate in the SMME sector currently stands at a shocking 78%, with an average lifespan of 18 months for the majority of these small businesses in South Africa (UNISA, 2009). According to Turner, Varghese and Walker (2008) businesses are classified as micro-, small or large enterprises based on a number of different criteria, such as level of turnover, number of employees, formality or the education level of the business owner. In the South African context and for the purpose of this research, the description of an SMME is a small enterprise consisting of 10 to 49 employees, and a micro-business would then comprise up to nine employees (Nieman & Nieuwenhuizen, 2009), whereas a medium enterprise employs 50 to 200 workers in various economic and business sectors (Nieman, 2006).

According to Kotler (2005), for small businesses to avoid this high failure risk and to increase their chances of success they have to meet their customers’ needs by making an effort to increase their knowledge of marketing activities, promotion and communication tools and use these effectively. Therefore, the main aim of this research study is to explore the use of integrated marketing communication tools by SMMEs geographically located in the Soweto area for the purpose of informing, reminding and persuading current and potential customers.

1. Background

Soweto is a large and bustling township situated in the Gauteng Province. It is home to an estimated 1 271 628 million residents, who constitute 12.5% of the total estimated population of 12 272 263 million people living in Gauteng (StatsSA, 2011). This township is regarded as South Africa’s third most popular tourist destination after Cape Town and the Kruger National Park, and it attracts up to 2 000 tourist visits per day. It is also estimated that the total disposable income of the people who live in Soweto is around R12 billion, which constitutes great business opportunities for SMMEs operating in this vibrant township (From derelict township to vibrant city, 2006).

Van Scheers and Radipere (2008) assert that Soweto is fast becoming a commercial hub with an increasing number of small businesses opening every year. As a result of the above highlighted developments, competition has increased in the area and therefore it has become increasingly important for Soweto’s businesses to market and communicate effectively with their targeted markets so as to attract their support and buying power. For SMMEs in Soweto to be profitable and sustainable they have to communicate
and increase awareness of their business activities, products and services offered for sale to their current and potential customers.

According to Cant et al. (2006), it is important for the seller to know who and where potential buyers are. Usually this information is obtained through the use of marketing research aimed at collecting the consumer and behavioral data in connection with their purchasing decision-making. Thereafter the seller, in this study of small businesses, must supply information and influence potential buyers by utilizing integrated marketing communication methods, such as advertising, personal selling, sales promotion, direct marketing, public relations, sponsorships and internet marketing (IM), also known as online marketing. The ultimate goal of marketing communication is to reach some audience or targeted customers with the aim of informing, persuading, reminding and making them aware of the product or service on offer. It is important for small-business owners and managers to understand that marketing is the link between a business and its customers (Machado & Cassim, 2002).

2. Literature review: marketing and traditional marketing communication

According to Kotler and Keller (2006), the American Marketing Association describes marketing as an organizational function and a set of processes for creating, communicating and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders. There are four variables about which the marketing management team of an SMME has to take decisions that will impact on its marketing activities to satisfy consumer needs and wants. These variables involve the product or service that is to be offered and sold to consumers, the distribution of the product or service, which is the place where it is to be sold, marketing communication tools to be used to create awareness of the product or services being offered to the consumer, and the price of the product or service, which should reflect its value to the consumer (UNISA, 2007).

Traditional or formal marketing communications are the means by which organizations or SMMEs attempt to inform, persuade and remind consumers about the products and brands that they manufacture, sell and market. In a sense, marketing communications represent the voice of the brand and are a means by which the organization can establish dialogue and build relationships with customers (Kotler & Keller, 2006). The discussion of the elements of the marketing communications mix for SMMEs will be discussed in the next section.

2.1. Elements of traditional marketing communication mix for small, medium and micro-enterprises.

Machado and Cassim (2002) refer to traditional promotion or marketing communication as a range of methods used by small businesses to communicate with customers, employees and any other interested group. Before each component of marketing communication is described, it is important to highlight the objectives of promotion. Many scholars agree that the objectives of marketing communication and promotion are to inform, persuade and remind current and potential consumers (Machado & Cassim, 2002; Kotler & Keller, 2006; Lamb et al. 2008; Du Plessis, Van Heerden & Cook, 2010).

According to Jobber (2004) and Strydom (2004), there are six major components in the traditional or formal marketing communication mix, namely advertising, personal selling, sales promotion, public relations, direct marketing and internet marketing (IM) or online marketing. These six major elements of traditional marketing communication can be described as follows:

2.1.1. Advertising. Du Plessis, Van Heerden and Cook (2010) define advertising as non-personal, one-way, planned messages paid for by an identified sponsor and disseminated to a broader audience in order to influence their attitudes and behavior. This definition implies that an advertisement is not conveyed personally to targeted consumers and that it is initiated by an identified marketer or, in this case, an SMME, with a specific message aimed at informing, persuading, reminding and making the audience aware of the availability of products or services on offer. This form of communication is paid for and is usually sent to the audience through various media, such as television, radio, magazines and newspapers as well as the internet. These mediums of communication are also known as the mass media because they are directed at the general public.

2.1.2. Personal selling. According to Van Heerden and Drotsky (2011), personal selling refers to the process of person-to-person communication between a salesperson and a prospective customer in which the former learns about the latter’s needs and seeks to satisfy those needs by offering the prospective customer the opportunity to buy something of value, such as a good or a service. It is a dialogue that involves a salesperson reminding, informing or persuading the current or potential consumer about the availability of products and services that a marketer is offering. Personal selling also involves the presentation of a product to a prospective customer by a representative of the selling organization (Rix, 2001). This component of marketing communication is very expensive, and costly to maintain.
2.1.3. Sales promotion. Sales promotion entails any activity that offers incentives for a limited time period to induce a desired response, such as a trial or a purchase from those who are targeted (Koekemoer, 2011). This tool is usually used to increase the sale of a product or service for a short time period. Sales promotion activities are aimed at the final consumer, trade customers or marketing organization employees, and more especially the sales force. It helps to support the other efforts of marketing communications, such as advertising and personal selling.

2.1.4. Public relations. Lamb et al. (2008) note that public relations entail the marketing communication function that evaluates public attitudes, identifies areas within the organization that the public may be interested in and executes a program of action to earn public understanding and acceptance. Public relations help an organization to communicate with various stakeholders or public entities, such as customers, suppliers, shareholders, government officials, the community and the organization’s employees. Marketers use public relations and publicity not only to maintain a positive image, but also to educate the public about the organization’s goals and objectives, to introduce new products and to support the sales effort. A solid public relations program can generate favorable publicity. Publicity, in turn, is public information about a business and its goods or services appearing in the mass media as a news item.

2.1.5. Direct marketing. According to Volman, Jordan and Bird (2003), the most commonly accepted definition of direct marketing as given by the Direct Marketing Association of Marketing is that it is an interactive system of marketing which uses at least one advertising medium to affect a measurable response and/or transaction at any location. It is interactive in the sense that it involves a two-way communication between the marketer and the customer. Two of the advantages of direct marketing are that SMMEs with limited advertising budgets can measure their return on investment right down to the last cent and that they can communicate directly with targeted customers.

2.1.6. Internet marketing. IM involves the application of the internet and related digital technologies in conjunction with traditional marketing communications to achieve marketing objectives (Chaffey et al. 2009). For SMMEs the benefits of using IM include the interactivity and precise targeting capabilities of this type of marketing, coupled with lower costs and its role of supporting other traditional promotion methods (Masterman & Wood, 2006). It is important to highlight the fact that large and small organizations acknowledge that the use of IM in selling their offerings is a powerful marketing communication tool that can take them to new heights.

The use of the six marketing communication tools above highlighted and applied by SMMEs in Soweto has not been directly and extensively researched. Usually when research is conducted in this area of marketing communication it focuses on just one or two of the tools used by small businesses in Soweto. As a result this study will help to uncover the effect and extent of the use of the six traditional marketing communication tools by Soweto SMMEs.

An additional component of marketing communication that involves word-of-mouth (WOM) and that most SMMEs rely on for promotion will be briefly discussed in the next section.

2.1.6. Word-of-mouth (WOM). WOM is commercially-oriented talk among consumers, of which none are perceived to be associated with marketers (Kirby & Marsden, 2006). In the words of Bansal and Voyer (2000) WOM is powerful, persuasive and effective tool of communication that occurs between friends. Consumers frequently rely on informal or personal communication sources, as opposed to formal or traditional communication sources such as advertising, during the decision-making process to purchase a product or service (Manne, 2014; Van Sheers & Prinsloo, 2014).

2.2. Key characteristics of the integrated marketing communication mix. Jobber (2004) points out that advertising is good for awareness-building because it can reach a wide audience quickly, helps with effective communication through repetition, and can be used to aid the sales effort in terms of the organization’s products and services. The key characteristic of personal selling is that interactive questions can be answered, objections can be overcome and the opportunity to generate a sale is presented. It is also adaptable because presentations can be changed depending on customer needs and business relationships can be built because of its personal nature (Ibid).

SMMEs can benefit from integrated marketing communication as it can create a competitive advantage, boost sales and profits and create brand awareness, while saving money and reducing stress (Elzeno, nd). By using integrated marketing communication SMMEs can also build relationships with their customers and create opportunities to make a sale. Communication can be adapted to fit the consumer’s profile, as well as providing incentives for consumers to buy more of the product range sold by SMMEs by
making short-term price cuts. It promotes mutual (two-way) communication between SMMEs and their local buyers (Jobber, 2004; Strydom, 2004). The benefits on offer give rise to the question; to what extent are South African SMMEs located in Soweto, Johannesburg, using integrated marketing communication tools to promote their business?

3. Aim and methodology

The aim of the study is to explore the utilization of integrated marketing communication tools by South African SMMEs located in Soweto, Johannesburg, to promote their business.

In order to explore the utilization of integrated marketing communication tools, a self-administered questionnaire has been circulated and hand-delivered to a sample of SMMEs in Soweto. The population of this study consists of owners, managers and marketing managers of small, micro- and medium-sized businesses in the Soweto geographical area. Based on information gleaned from the 2012/2013 Yellow Pages and the Johannesburg Guide: Accommodation, Restaurants and Tour Operators, it was established that there are 938 SMMEs spread around the township of Soweto. Geographically, Soweto is divided into 29 zones or clusters and cluster sampling was used to select 10 random zones, after which questionnaires were circulated and hand-delivered to all the SMMEs in each particular zone. A total of 273 useful responses were received – that is a confidence level of 95% and an error margin of 5% at a response distribution of 50% (Raosoft, 2016).

The questionnaire consisted of a set of questions that were divided into two major sections. The first section was demographic and the second section covered integrated marketing communication tools. This section consists of matrix questions, using a five-point Likert scale varying from “never”, “seldom”, “often” and “most of the time” to “always”. The purpose of this section is to probe the extent and level to which SMMEs in Soweto use various integrated marketing communication tools to promote their business.

The data in this research was analyzed by means of the SPSS for Windows version 22 and Excel software to conduct descriptive and inferential statistics.

4. Respondent profile

The demographic profile of the respondent group is presented in Table 1 below. The sample was skewed and inclined towards “Wholesale and retail trade, catering and accommodation” and towards “Community, social and personal services”. A total of 80.6% \( (n = 220) \) of the respondents owned businesses that employed up to nine people. The sample is therefore clearly inclined towards the representation of micro- and small businesses. The majority of businesses (85%; \( n = 273 \) ) have been operating for more than one year.

<table>
<thead>
<tr>
<th>Business sector</th>
<th>Count(n)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>29</td>
<td>10.6</td>
</tr>
<tr>
<td>Electricity</td>
<td>5</td>
<td>1.8</td>
</tr>
<tr>
<td>Construction</td>
<td>3</td>
<td>1.1</td>
</tr>
<tr>
<td>Wholesale and retail trade, catering and accommodation</td>
<td>117</td>
<td>42.9</td>
</tr>
<tr>
<td>Transport, storage and communication</td>
<td>19</td>
<td>7.0</td>
</tr>
<tr>
<td>Financing, insurance, real estate and personal services</td>
<td>8</td>
<td>2.9</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>88</td>
<td>33.2</td>
</tr>
<tr>
<td>Other sectors</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>Total</td>
<td>273</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Count(n)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>No employees</td>
<td>15</td>
<td>5.5</td>
</tr>
<tr>
<td>1–9</td>
<td>220</td>
<td>80.6</td>
</tr>
<tr>
<td>10–49</td>
<td>33</td>
<td>12.1</td>
</tr>
<tr>
<td>50–200</td>
<td>4</td>
<td>1.5</td>
</tr>
<tr>
<td>&gt;200</td>
<td>1</td>
<td>0.4</td>
</tr>
<tr>
<td>Total</td>
<td>273</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Years in operation</th>
<th>Count(n)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0–1</td>
<td>41</td>
<td>15.0</td>
</tr>
<tr>
<td>2–3</td>
<td>79</td>
<td>28.9</td>
</tr>
<tr>
<td>4–5</td>
<td>70</td>
<td>25.6</td>
</tr>
<tr>
<td>&gt;5</td>
<td>81</td>
<td>29.7</td>
</tr>
<tr>
<td>Total</td>
<td>271</td>
<td>100</td>
</tr>
</tbody>
</table>
5. Findings
The reliability of the integrated marketing communications tools section of the questionnaire, the utilisation of the integrated marketing communication tools and the relationships between the integrated marketing communication tools and respondent profile will be the focus of the section that follows.

6. The reliability of the measuring instrument was tested
Reliability is the consistency of the measurement, or the degree to which an instrument measures the same way each time it is used under the same conditions with the same subjects. A Cronbach’s alpha value above 0.8 has a high level of reliability, a value between 0.6 and 0.8 has an acceptable level of reliability and a value below 0.6 has an unacceptable level of reliability. Hair et al. (1998) recommended that Cronbach alpha values from 0.6 to 0.7 were deemed the lower limit of acceptability.

The Cronbach’s alpha for the section in the questionnaire dealing with integrated marketing communication tools yielded an acceptable Cronbach’s alpha of .698. Therefore, the results demonstrate that the questionnaire is a reliable measurement instrument.

7. Utilization of the marketing communication tools
The SMME business owners were presented with a list containing marketing communication tools and were asked to indicate the communication tools that they are using to promote their business on a five-point scale ranging from “Never” to “Always”.

Table 2 below is indicative of the results obtained for this question. It shows that most of the respondents are not currently likely to use IM as 63.2% of businesses never (52%) or seldom (11.2%) use IM; more than half (52%) of the businesses never use IM; 91.5% of businesses use word-of-mouth often, most of the time or always; 87.7% of businesses often, most of the time or always attract clients through personal selling; and 82.2% of businesses often, most of the time or always use formal advertising to promote their products. It can be inferred that SMMEs in Soweto rely on human interaction to promote their business as word-of-mouth promotion averaged 4.02 (s=1.02) and attracting clients through personal selling averaged 3.81 (s=1.08) on a five-point scale which respectively falls in the “Always” and “Most of the time” categories. Internet marketing averaged 2.21 (s=1.48) and is therefore seldom used for promotion purposes (Table 2).

8. Integrated marketing communication and promotion tools
The items/statements were subjected to an exploratory factor analysis to determine whether underlying sub-themes or constructs could be identified. The rotation Varimax with Kaiser normalization yielded three (3) underlying sub-themes:

- Formal marketing promotion, which includes the variables of advertising (factor loading – 0.841), sales promotion (factor loading – 0.525) and the internet (factor loading – 0.560);
- Direct interactive promotion, which includes the variables of direct interactive promotion (factor loading – 0.864) and public relations (factor loading – 0.753); and
- Face-to-face marketing promotion, which includes the variables of word-of-mouth (factor loading – 0.780) and personal selling (factor loading – 0.715).

Two of the three underlying sub-themes consist of fewer than three items that are needed to form a meaningful sub-theme or construct and for this reason no further analyzes were performed on the sub-themes.
A Chi-square analysis was performed to investigate the relationships between the integrated marketing communication tools and the respondent profile (business sector; number of employees and years in operation). The analysis revealed two significant relationships: between labor size and internet marketing $X^2(4, N=270) = .013, p = .05$ and between years in operation and the use of sales promotion to increase revenue $X^2(12, N=270) = .008, p = .05$ (Table 3).

Table 3. Comparing integrated marketing communication tools with respondent profile

<table>
<thead>
<tr>
<th>Marketing tool</th>
<th>Frequency of use</th>
<th>Business size</th>
<th>Value</th>
<th>df</th>
<th>Asymp. sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>&lt; 10 employees</td>
<td>&gt; 10 employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Internet marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Never</td>
<td>55.0%</td>
<td>34.2%</td>
<td>12.677</td>
<td>4</td>
<td>.013</td>
</tr>
<tr>
<td>Seldom</td>
<td>10.8%</td>
<td>13.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Often</td>
<td>13.9%</td>
<td>10.5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most of the time</td>
<td>10.4%</td>
<td>13.2%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Always</td>
<td>10.0%</td>
<td>28.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use sales promotion to increase revenue</td>
<td>Frequency of use</td>
<td>Years in operation</td>
<td>Value</td>
<td>df</td>
<td>Asymp. Sig. (2-sided)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0-1 year</td>
<td>2-3 years</td>
<td>4-5 years</td>
<td>&gt; 5 years</td>
</tr>
<tr>
<td>Never</td>
<td>22.0%</td>
<td>28.6%</td>
<td>30.9%</td>
<td>25.3%</td>
<td></td>
</tr>
<tr>
<td>Seldom</td>
<td>24.4%</td>
<td>7.8%</td>
<td>8.8%</td>
<td>10.1%</td>
<td></td>
</tr>
<tr>
<td>Often</td>
<td>4.9%</td>
<td>26.0%</td>
<td>23.5%</td>
<td>22.8%</td>
<td></td>
</tr>
<tr>
<td>Most of the time</td>
<td>14.6%</td>
<td>24.7%</td>
<td>11.8%</td>
<td>11.4%</td>
<td></td>
</tr>
<tr>
<td>Always</td>
<td>34.1%</td>
<td>13.0%</td>
<td>25.0%</td>
<td>30.4%</td>
<td></td>
</tr>
</tbody>
</table>

The results revealed that businesses with fewer than 10 employees differ significantly from businesses with 10 or more employees in terms of the likelihood of using internet marketing. While only 20.4% of the businesses with fewer than 10 employees use the internet always or most of the time, this figure rose to 42.1% for businesses employing 10 or more employees. However, it remains a concern that for the sample as a whole, 63.2% seldom or never used the internet as a marketing tool.

The results also indicated that businesses differ in terms of years in operation and marketing communication tools used. This significant difference can be attributed to differences in responses in the categories “seldom” and “often” with reference to the use of sales promotion to increase revenue. The data revealed that primarily the 0-to-1-year category (i.e., the newly established SMMEs) underemphasized the importance of sales promotion to increase revenue.

Conclusion

A firm can develop and offer excellent products and services with a very talented management team, but success ultimately depends on how they convince customers to choose the firm’s products or services instead of their competitors’. A growing business depends on a firm’s ability to create sales. Aggressive marketing communication can aid a firm in promoting the business and growing sales (Hill, B., nd). A firm can utilize various integrated marketing communication tools, such as advertising, internet marketing (online marketing, direct marketing), public relations, personal selling and sales promotions, to communicate with the market and to promote the business.

The aim of this study was to explore the utilisation of the marketing communication tools by South African SMMEs located in Soweto, Johannesburg, to promote their business. This was done by means of a self-administered questionnaire consisting of questions of a quantitative nature that were circulated and hand-delivered to a sample of SMMEs in Soweto.

From the results it can be inferred that SMMEs in Soweto rely on human interaction to promote their business because word-of-mouth and personal selling averaged 4.02 ($s = 1.02$) and 3.81 ($s = 1.08$) on a five-point scale, indicating that they are always and most of the time applying these communication tools. Internet marketing is seldom used for promotion purposes as it averaged 2.21 ($s = 1.48$) on a five-point scale. The selection of marketing communication tools needs to take into account the importance of cultural heritage and social interaction among the residents of the target market. Soweto is branded as the heartbeat of the nation and is marketed as a must-see for tourists who are looking for more than sun, sea and the big five.
With its heritage sites, restaurants, shebeens and budget accommodation options aplenty, Soweto is well worth visiting, whether on a day tour or for a longer period (Soweto, nd). With the focus on tourism whether local and international, SMMEs need to embrace technology in their marketing communication endeavours to exploit the ever-growing tourism market.

In doing business in Soweto, business leaders must embrace cultural and social values and marketing communication needs to incorporate and reflect these values. It is recommended that employees should be schooled in personal selling techniques and interpersonal skills as this will benefit the firm. SMME business owners wishing to tap into lucrative markets such as tourism need to embrace technology and grow their digital marketing communication skills with the aim of informing, persuading, reminding and making current and potential customers aware of the product or service on offer.

References
