EFFECT OF ENTREPRENEURIAL MARKETING ON THE PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN KENYA

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

Signature …… Date …….

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This thesis has been submitted for examination with our approval as the University Supervisors.

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DEDICATION

This work is dedicated to my late mum Jane Karia, my husband Kimathi and my children, Mwenda, Kendi and Mwendi for their immortal love, encouragement, mutual sacrifice and support during the period of the study.

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TABLE OF CONTENTS

DECLARATION ..... **II**

DEDICATION ..... **III**

ACKNOWLEDGEMENTS ..... **IV**

TABLE OF CONTENTS ..... **V**

LIST OF TABLES ..... **XIII**

LIST OF FIGURES ..... **XVII**

LIST OF APPENDICES ..... **XVIII**

ACRONYMS AND ABBREVIATIONS ..... **XIX**

DEFINITION OF TERMS ..... **XX**

ABSTRACT ..... **XXIII**

CHAPTER ONE **1**

INTRODUCTION **1**

1.1 Background of the Study 1

1.1.1 Entrepreneurial Marketing and MSMEs 3

1.1.2 Micro, Small and Medium Enterprises in Kenya 6

1.1.3 Performance of MSMEs in Kenya 7

1.2 Statement of the Problem 8

1.3 Objectives of the Study 9

1.3.1 General Objective of the Study 9

1.3.2 Specific Objectives of the Study 9

1.4 Research Hypotheses 10

1.5 Justification of the Study 10

1.6 Scope of the Study 11

1.7 Limitations and Delimitations of the Study 12

CHAPTER TWO 13

LITERATURE REVIEW 13

2.1 Introduction 13

2.2 Theoretical Review 13

2.2.1 Dynamic Capabilities Theory 13

2.2.2 Resource Advantage Theory 15

2.2.3 Systems Theory 16

2.2.4 Schumpeterian Theory of Innovation 17

2.2.5 The Balanced Scorecard Theory 18

2.3 Conceptual Framework 19

2.3.1 Digital Marketing 21

2.3.2 Relationship Marketing 23

2.3.3 Pricing Strategy 24

2.3.4 Product/Service Innovation 26

2.3.5 Performance of MSMEs 28

2.4 Empirical Review 29

2.4 1 Digital Marketing and Performance of MSMEs 29

2.4.2 Relationship Marketing and Performance of MSMEs 31

2.4.3 Pricing Strategy and Performance of MSMEs 32

2.4.4 Product/Service Innovation and Performance of MSMEs 33

2.5 Critique of Existing Literature Related to the Study 35

2.6 Summary of the Reviewed Literature 36

2.7 Research Gaps 37

CHAPTER THREE 39

RESEARCH METHODOLOGY 39

3.1 Introduction 39

3.2 Research Design 39

3.2.1 Research Philosophy 39

3.3 Target Population 41

3.4 Sampling Frame, Techniques and Sample Size 41

3.5 Data Collection Instruments 43

3.6 Data Collection Procedures 44

3.7 Pilot Testing 44

3.7.1 Reliability Test 44

3.7.2 Validity Test 45

3.8 Statistical Tests 46

3.8.1 Linearity 46

3.8.2 Multicollinearity 47

3.8.3 Homoscedasticity 47

3.8.4 Normality 47

3.8.5 Test for Outliers 48

3.9 Factor Analysis 48

3.10 Data Processing and Analysis 49

3.11 Hypotheses Testing 49

3.11.1 Multiple Regression Analysis 50

3.12 Operationalization and Measurement of Variables 51

3.12.1 Dependent Variable 51

3.12.2 Independent Variables 52

3.13 Compliance with Ethical Issues 53

CHAPTER FOUR 54

RESEARCH RESULTS AND DISCUSSION 54

4.1 Introduction 54

4.2 Response Rate 54

4.3 Reliability and Validity Test Results Analysis 55

4.4 Demographic Information 56

4.5 Business Background Information 58

4.6 Statistical Tests 62

4.6.1 Linearity Test 62

4.6.2 Multicollinearity 66

4.6.4 Normality test 67

4.6.5 Test for Outliers 70

4.7 Digital Marketing and Performance of MSMEs 71

4.7.1 Factor Analysis on Digital Marketing 76

4.7.2 Discussion of Findings on the Effect of Digital Marketing on Performance of MSMES 80

4.8 Relationship Marketing and Performance of MSMEs 82

4.8.1 Factor Analysis on Relationship Marketing Strategy 85

4.8.2 Discussion of results on the Effect of Relationship marketing on Performance of MSMEs 88

4.9 Pricing Strategy and Performance of MSMEs. 89

4.9.1 Factor Analysis on Pricing Strategy 94

4.9.2 Discussion of the results on the Effect of Pricing Strategy on Performance of MSMEs 97

4.10 Product/Service Innovation and Performance of MSMEs 98

4.10.1 Factor Analysis on Product/Service Innovation 102

4.10.2 Discussion of Results on the Effect of Product/Service Innovation on Performance of MSMEs 105

4.11 Performance of MSMEs 106

4.11.1 Factor Analysis on Performance 108

4.12 Testing the Overall Model 109

4.12.1 Discussion of the Overall Model 113

4.13 Summary of Hypotheses Testing 114

CHAPTER FIVE 116

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 116

5.1 Introduction..... 116

5.2 Summary of the Findings 116

5.2.1 Specific Objective 1: Effect of Digital Marketing on the Performance of MSMEs in Kenya 116

5.2.2 Specific Objective 2: Effect of Relationship Marketing on the Performance of MSMEs in Kenya 117

5.2.3 Specific Objective 3: Effect of pricing strategy on the Performance of MSMEs in Kenya 117

5.2.4 Specific Objective 4: Effect of Product/Service Innovation on the Performance of MSMEs in Kenya..... 118

5.3 Conclusions..... 118

5.3.1 Specific Objective 1: Effect of Digital Marketing on Performance of MSMEs in Kenya. 118

5.3.2 Specific Objective 2: Effect of Relationship Marketing on the Performance of MSMEs in Kenya. 119

5.3.3 Specific Objective 3: Effect of Pricing Strategy on Performance of MSMEs in Kenya. 119

5.3.4 Specific Objective 4: Effect of Product/Service Innovation on the Performance of MSMEs in Kenya..... 119

5.4 Recommendations 120

5.5 Areas for Further Research 121

REFERENCES 122

APPENDICES 142

LIST OF TABLES

Table 3.1: Sampling Frame 41

Table 3.2: Sampling Table 43

Table 3.3: Operationalization of the Study Variables 52

Table 4.1: Response Rate 55

Table 4.2: Reliability Test Results 56

Table 4.3: Descriptive Statistics on Respondents' Demographic Information 57

Table 4.4: Descriptive Statistics on Businesses' background Information 60

Table 4.5: ANOVA Results of the Linearity Test 63

Table 4.6: Multicollinearity Test 66

Table 4.7: Breusch-Pagan and Koenker Tests for Homoscedasticity 67

Table 4.8: Skewness and Kurtosis 69

Table 4.9: Kolmogorov-Smirnov and Shapiro-Wilk Tests 70

Table 4.10: Frequency Distribution on Respondents' Use of Digital Marketing 72

Table 4.11: Frequently Used Digital Marketing Tools 73

Table 4.12: Cross tabulated results on use of Digital Marketing and Perceived Firm Performance in the last three years 73

Table 4.13: Digital Marketing and Performance of MSMEs 75

Table 4.14: Factor Analysis on Digital Marketing 77

Table 4.15: Pearson's correlation Coefficient between Digital Marketing and Performance of MSMEs in Kenya 78

Table 4.16: Digital Marketing Model Summary 79

Table 4.17: ANOVA Regression Results between Digital Marketing and Performance 79

Table 4.18: Coefficients of Digital Marketing and Performance of MSMEs 80

Table 4.19: Frequency Distribution on the Use of Relationship Marketing 82

Table 4.20: Cross tabulated results on use of Relationship Marketing and Perceived Firm Performance in the last three years 83

Table 4.21: Relationship Marketing and performance of MSMEs..... 84

Table 4.22: Factor Analysis on Relationship Marketing 85

Table 4.23: Pearson's Correlation Coefficient between Relationship Marketing and Performance of MSMEs in Kenya 86

Table 4.24: Relationship Marketing Model Summary..... 87

Table 4.25: ANOVA Regression Results between Relationship Marketing and Performance 87

Table 4.26: Coefficients of Relationship Marketing and Performance of MSMEs 88

Table 4.27: Frequency Distribution of Use of Pricing Strategy as a Marketing Tool 90

Table 4.28: Cross tabulated results on use of Pricing Strategy and Perceived Firm Performance in the last three years 91

Table 4.29: Pricing Strategy and Performance of MSMEs 93

Table 4.30: Factor Analysis on Pricing Strategy 94

Table 4.31: Pearson's Correlation Coefficient between Pricing Strategy and Performance of MSMEs in Kenya 95

Table 4.32: Pricing Strategy Model Summary 96

Table 4.33: ANOVA Regression Results between Pricing Strategy and Performance .. 96

Table 4.34: Regression Coefficients of Pricing Strategy and Performance of MSMEs . 97

Table 4.35: Frequency Distribution on the Use of Product /Service Innovation 99

Table 4.36: Cross tabulated results on use of Product/Service Innovation and Perceived Firm Performance in the last three years 99

Table 4.37: Product/Service Innovation and Performance of MSMEs..... 101

Table 4.38: Factor Analysis on product/service innovation..... 102

Table 4.39: Pearson's Correlation Coefficient between Product/Service Innovation and Performance of MSMEs in Kenya 103

Table 4.40: Product/Service Innovation Model Summary..... 104

Table 4.41: ANOVA Regression Results between Product/Service Innovation and Performance 104

Table 4.42: Coefficients of Product/Service Innovation and Performance of MSMEs 105

Table 4.43: Effect of EM on Performance of MSMEs. 107

Table 4.44: Effect of Entrepreneurial Marketing on Firm Performance..... 108

Table 4.45: Factor Loading on Performance..... 109

Table 4.46: Pearson's Correlations Analysis Results on Overall Model 110

Table 4.47: Regression Model Summary 111

Table 4.48: ANOVA Regression Results on the Overall Model 111

Table 4.49: Regression Analysis Results on the Overall Model 112

Table 4.50: Summary of Hypotheses Testing 115

LIST OF FIGURES

Figure 2.1: Conceptual Framework 20

Figure 2.2: External and Internal Influences of Pricing Strategy 25

Figure 4.1: Type of Enterprise 58

Figure 4.2: Business legal Form 59

Figure 4.3: Other Marketing Strategies by the MSMEs 61

Figure 4.4: Linearity Test on Digital Marketing 64

Figure 4.5: Linearity Test on Relationship Marketing 64

Figure 4.6: Linearity Test on Pricing Strategy 65

Figure 4.7: Linearity Test on Product / Service Innovation 65

Figure 4.8: P-P and Scatter plot; Homoscedasticity test 67

Figure 4.9: Normality Test on Digital Marketing 68

Figure 4.10: Normality Test on Relationship Marketing 68

Figure 4.11: Normality Test on Pricing Strategy 68

Figure 4.12: Normality Test on Product/Service Innovation 69

Figure 4.13: Normality Test on the Dependent Variable, Performance 69

Figure 4.14: Tests for outliers 71

Figure 4.15: Factors Influencing Pricing Decisions 90

Figure 4.16: Effect of EM on Performance of MSMEs 107

LIST OF APPENDICES

Appendix I: Informed Consent Form 142

Appendix II: Research Questionnaire 143

Appendix III: Krejcie and Morgan, (1970), Sample size Table 151

Appendix IV: Map of Tharaka-Nithi County 152

ACRONYMS AND ABBREVIATIONS

CAK Communication Authority of Kenya

CRA Commission on Revenue Allocation

DM Digital Marketing

EM Entrepreneurial Marketing

GDP Gross Domestic Product

GEM Global Entrepreneurship Monitor

HDI Human Development Index.

ICT Information Communication Technology

KIPPRA Kenya Institute Public Policy Research and Analysis

KNBS Kenya National Bureau of Statistics

MSME Micro Small and Medium Enterprise

RBV Resource Based View

RM Relationship Marketing

RoK Republic of Kenya

SMEs Small and Medium Enterprises

TNC Tharaka-Nithi County

UAE United Arabs Emirates

UNIDO United Nations Industrial Development Organization

USA United States of America

WB World Bank

DEFINITION OF TERMS

Competitive Advantage	Competitive advantage means achieving bigger gap than your competitors in the market in regard to the value customers see in your products /services and the costs you incur in providing those products/services (Pietersen, 2010).
Digital Marketing	Marketing strategy using information communication technologies including websites, social media platforms, email, banner placements, bill boards and mobile phone marketing (Kiveu & Ofafa, 2013).
Effect	An estimate from the regression model. The quantified relationship/ association usually after controlling for a host of other different variables (Carlo, 2011).
Entrepreneurship	The creation of new economic activity; that is new to the firm and which also changes the product or service offerings that are available on a market. It is exemplified by the introduction of genuinely innovative products or services, which may shift consumption patterns and attract follower entrants, thus re-structuring industries or creating a new one (Davidsson, 2015).
Entrepreneurial marketing	Unique and interactive set of marketing practices and methods employed by entrepreneurs and MSMEs to market and build sustainable businesses (Stokes, 2010). Entrepreneurial marketing is 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, and that is characterized by innovativeness, risk-taking, pro-activeness, and may be performed without resources currently controlled (Kraus, Harms & Fink, 2010).
Firm performance	Indicators of profitability, sales turnover, market share,

	number of products and services, quality of goods and services, number of employees (Mata & Aliyu, 2014).
Firm Resources	Those assets that are tied semi-permanently to the firm including; financial, physical, human, commercial, technological, and organizational assets used by firms to develop, manufacture, and deliver products and services to its customers (Barney, 2014)
Marketing	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 (American Marketing Association, 2013).
Micro, Small and Medium enterprise	A firm engaging in trade, service, industry or a business activity whose annual turnover does not exceed five hundred thousand shillings and employing less than ten people and small enterprises as those with annual turnover of between five hundred and five million shillings employing between ten and fifty people. *Sessional Paper No. 2* (GoK, 2005), defined a micro enterprise as a firm with 1-9 employees, a small enterprise 10-49 employees, a medium enterprise 50-99 employees (RoK, 2005; 2012).
Product/Service innovation	A marketing approach involving Product and service development aimed at attracting and retaining new and existing customers (Olanye & Eromafuru, 2016). Innovation involves the ability at an organizational level to maintain a flow of internally and externally motivated new ideas that are translatable into new products, services, processes, technology applications, and/or markets (Thomas, Painbe'ni & Barton, 2013).
Relationship	Relationship marketing is a marketing technique which seeks

marketing	to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met through mutual exchange and fulfillment of promises. Thus, it refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges (Oboreh *et al.*, 2013)
The Kenya Vision 2030	Kenya's road map to middle income economy through Socio-economic and political development by 2030 (RoK, 2015).

ABSTRACT

Micro, small and medium enterprises (MSMEs) play crucial roles in the economic well-being of a nation. In Kenya, MSMEs are estimated to be employing 14.9 million people and contributing 33.8% of the national GDP. Despite their importance, the MSMEs in Kenya continue to suffer slow growth and performance. This has partly been attributed to lack of/ ineffective marketing practices with statistics estimating that among the licensed firms, micro (58.3%), small (35.6%) and medium (33.5%) sized establishments in Kenya do not market or advertise their products/services. The purpose of this study was to examine the effect of entrepreneurial marketing on the performance of MSMEs in Kenya. Specifically, the study examined the effect of digital marketing, relationship marketing, pricing strategy and product/service innovation on the performance of MSMEs in Kenya. It was guided by positivism research philosophy. It utilized a descriptive survey design. The study population included 8,526 licensed MSMEs in Tharaka-Nithi County. Stratified sampling and random sampling techniques were employed to arrive at the study sample size of 368 MSME owners/managers. Data was collected using questionnaires through hand and delivery procedure. Quantitative data was analyzed using both the descriptive statistics and inferential statistics. Qualitative data was analyzed through content analysis. The results of the study showed that use of digital marketing techniques such as mobile phone, Internet and social media platforms among the MSMEs increased their performance. Relationship marketing through timely customer feedback, customer orientation and involvement and promotion of accountability and reliability enhanced the MSMEs performance. The study also established a strong correlation between pricing strategy and performance of MSMEs. Marketing by embracing products/services innovation was also found to have a significant effect on the performance of MSMEs. The results also showed that the joint effect of the studied variables was higher than their individual effects. Further, from the findings of the study, it came out clearly that other factors such as cost of internet and county levies and regulations were negatively affecting the marketing effectiveness of the MSMEs. The study concluded that MSME owners/managers need to embrace innovative and digital based marketing practices to achieve a competitive edge in the market. They also should look into building relational exchanges with their customers through relationship marketing for long term success. Moreover, they should in addition entrench effective pricing strategies in order to remain competitive and sustainable. They should also continuously come up with more innovative products/ services if they are report better performance. The study recommends that the MSME owners and managers should focus on innovative marketing strategies of digital marketing, relationship marketing, and effective pricing strategies and continuously innovate in their products/services offerings. It is also recommended that the MSME owners/managers should strive to use all the studied variables together since their joint effect on performance is higher. The study further recommends that the government should prioritize support for MSMEs to buttress their marketing functions through reduction of the chargeable tariffs, levies and licenses and installation of relevant Internet infrastructure and capacity building so as to enhance their performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Micro, small and medium enterprises (MSMEs) play crucial roles in the economic well-being of a nation. They create diversified sources of national income, improves a nation's competitiveness and promotes economic development leading to flexibility and resilience of economies. Additionally, MSMEs play a pivotal role of improving social sectors through stimulating large scale employment, development of indigenous skills and technology, promoting entrepreneurship and innovativeness and building an industrial base at different scales (Kormawa, Wohlmuth & Devlin, 2011; Dzisi & Ofosu, 2014; Anyanga & Nyamita,2016; KNBS,2016; Miles, Lehman & Fillis,2017).

Globally, their catalytic roles have been demonstrated in many countries as the biggest contributors to the gross domestic product. In countries like Japan and China, 60% of GDP comes from small and medium enterprises (SMEs). In the USA, that percentage goes up to 65%. In UAE, SMEs generates 52% of GDP. In countries with a lower income per capita, SMEs have a higher impact on the employment level of about 78% compared to countries with a larger income where the percentage goes down to 59% (The Steering group, 2011).

Regionally, SMEs are estimated to comprise over 90% of African business operations and contributing to over 50% of African employment and GDP (Chodokufa, 2009). In Ghana for instance, the sector accounts for about 70% of industrial employment and well over 50% of the country's GDP (Dzisi & Ofusu, 2014). In Nigeria, the importance and performance contributions of Small and medium scale business as a creator of employment is widely recognized. In 2002, 98% of all businesses in the manufacturing sector were SMEs, providing 76% of the workforce and 48% of all industrial output in

terms of value added (Eniola & Entebang, 2015). In South Africa, SMEs are estimated to contribute 56% of private sector employment and 36% of GDP (Neneh & Zyl, 2012).

In Kenya, this sector is currently estimated to be employing 14.9 million people. The value of the MSME's output is estimated at Ksh 3,369.1 billion against a national output of Ksh 9,971.4 billion representing a contribution of 33.8% to GDP in 2015. In regard to gross value added, the MSME are estimated to have contributed 1,613.0 billion compared to Ksh 5,668.2 billion for the whole economy (KNBS, 2016). Additionally, the MSME sector is not only a provider of goods and services but also a driver in promoting competition and innovation while enhancing the enterprise culture which is vital for economic development, industrialization and modernization (KIPPRA, 2013; RoK, 2015). Thus, the MSMEs form the foundation of a strong national industrial base and a domestic production structure that are central to the Kenyan government's vision of achieving a newly industrialized status by the year 2030.

Despite their fundamental roles, MSMEs continue to suffer various setbacks of slowed growth and performance catapulted by unfavourable environmental conditions with an estimated 70% folding up by the third year of operation (WB, 2015). Such conditions include but not limited to global competition, rapid technological changes, market liberalization, poor infrastructure, defeatist attitudes, poor access to markets and capital (Kivevu, 2013; Mwangi & Ngugi, 2014 & WB, 2015). Additionally, MSMEs are constantly bedeviled by lack of or ineffective marketing with the 2016 survey showing that among the licensed businesses, micro (58.3%), small (35.6%) and medium (33.5%) sized establishments do not market or advertise their products/services (KNBS,2016). In Kenya, the 2016 micro, small and medium enterprise survey indicated that a total of 2.2 million establishments closed shop in the last five years.

Consequently, for the MSMEs to thrive and achieve superior performance in today's ever dynamic marketplace, there is need for them to be more competitive by continuously looking out for new opportunities while enhancing their competitive advantages (Njau & Karugu, 2014; Whalen *et al.*, 2016). They must be able to operate in

increasingly risky environments associated with diminished forecasting capabilities, weaker barriers to market entry, depressed resources and rapid technological shifts. Overally, there is undoubtedly increasing pressure on MSMEs to innovate in their approach to markets.

Entrepreneurial Marketing (EM) has been acknowledged before as the efficient and innovative approach to markets by MSMEs in order to enhance and sustain superior performance in challenging market settings. Previous studies relate high growth and performance of a firm to its entrepreneurial marketing endeavours (Janet & Ngugi, 2014; Anyanga & Nyamita, 2016).

1.1.1 Entrepreneurial Marketing and MSMEs

Marketing plays a fundamental role towards the superior performance of enterprises. Marketing has been described by the *American Marketing Association* (2013) as an organizational function and set of processes for creating, communicating, delivering, and exchanging offerings that have value for firm, customers, clients, partners, and society at large. Therefore, understanding and applying adequate marketing practices is essential not only to the creation of new business but also their survival, growth and super performance.

In the past, traditional marketing practices have taken the central role and served as guides for businesses to examine and set strategy in response to the changes in the market (Kotler, Keller, Ancarani & Constabile, 2014). However, businesses in the current environment experience increasing levels of uncertainty due to rapid changes in operating environment, fluctuations in the economy, technology and the ever increasing options to interact with customers (Read, Song & Smit, 2009; Reijonen, 2010).

While traditional marketing is seen to operate in a consistent environment where market conditions are continuous and the organization satisfies clearly perceived customer needs, entrepreneurship and innovation however operate in uncertain environments,

where market conditions are discontinuous and the needs of the market and stakeholders are yet unclear. Attempts to adapt and apply traditional marketing models to MSMEs, based on the assumption that the basic principles of marketing developed in large businesses are universally applicable, have previously been unsuccessful (Whalen *et al.*, 2016). Rowley and Jones (2011) while researching on small firm owner-managers found that it was not unusual for them to have negative attitudes towards traditional marketing ideas. Further, the market orientation of MSMEs is highly dependent on the marketing knowledge of the entrepreneur who tends to be a generalist rather than a specialist (Morrish, 2011).

In the last 20 years however, scholars have started to switch to the use of entrepreneurial marketing (EM) practices (Miles & Darroch,2006,2008), ultimately realizing that traditional marketing practices are unequipped to deal with market trends and conditions present in environments marked by high levels of uncertainty. This has been coupled by the inadequacies faced by the small ventures such as small size, business and marketing limitations, the influence of the entrepreneur and lack of formal organizational structures (Miles *et al.*, 2017).

Entrepreneurial marketing merges two formally distinct disciplines and is used to describe the marketing processes of firms pursuing opportunities in uncertain market circumstances often under constrained resources (Hunt & Siat, 2013). According to Gilmore (2011), the term "entrepreneurial" refers to the overall activities and behavior of entrepreneurs, which includes behavior that is competitive and drives the marketing process. The two distinctive disciplines merged together to provide entrepreneurs with surviving strategy in an uncertain business environment.

The concept of entrepreneurial marketing describe the values, skills, and behaviours of entrepreneurs in addressing their problems and finding business opportunities. It represents a different approach to envisaging the business itself, its relationship with the market place and the role of marketing function within the firm or as a strategic entrepreneurial posture in marketing which is represented by an individual/organization

(Sabrina, 2010). Furthermore, Beverland and Lockstin (2004) see entrepreneurial marketing as "effectual action" or the adaptation of marketing theory for the unique needs of firms. These effectual actions simultaneously address many issues including opportunity, innovation, risk and resources constraints for such firms, these actions being the tasks of the individual owners.

Morris, Schindehutte and LaForge (2002) defined EM as "the proactive identification and exploitation of opportunities for acquiring and retaining profitable customers through innovative approaches to risk management, resource leveraging and value creation". This view parallels entrepreneurial orientation and the managing of opportunities as opposed to the managing of resources. Entrepreneurial activities, therefore, will result in positive macroeconomic outcomes and also lead to improved performance in business firms and markets which have enough freedom in entrepreneurial marketing processes thus creating superior value for the firm's customers and owners. Maritz (2008) defined EM as the restless pursuit of opportunity, the obsession with the customer, a focus on sales above all else. Stokes (2000) provided a rather pragmatic, yet practice based view on EM. His results indicated that successful entrepreneurs undertake marketing in unconventional ways. They tend to focus first on product and service innovations, and only second on customer needs. They target customers through a bottom-up process of elimination, rather than deliberate segmentation, targeting and positioning strategies. Further, they rely on interactive marketing methods, such as through word-of-mouth, relationships, and digital methods rather than a more conventional marketing mix (Stoke & Wilson, 2010). They proposed that the Internet has specific value for small and new ventures.

Therefore, EM is a construct that can be understood only by integrating the entrepreneur or entrepreneurship into marketing process. Entrepreneurial marketing brings new/ strengthens existing elements through focus on change, innovative attitude and alertness to opportunities. Excimiery and Mohammed (2013) suggested that entrepreneurial marketing practices are expected to affect both financial and non-financial outcomes. To this end, an adaptation of both the Stokes (2000) and Morris *et al.* (2002) definition and

view of EM were conceptualized for this study. This is because their views of entrepreneurial marketing were predominantly developed from a nexus between marketing and entrepreneurship and perspectives of practice-based approaches focusing on the innovative and proactive forms of marketing and orientations that are best suited for MSMEs.

1.1.2 Micro, Small and Medium Enterprises in Kenya

Micro, small, and medium enterprises are a cornerstone for growth, employment and income. They make significant contributions in improving economic and social sectors of a country through stimulating large scale employment, investment, development of indigenous skills and technology, promoting entrepreneurship and innovation, enhancing exports, and also building an industrial base at different scales (Njau & Karugu,2014; WB,2015 & KNBS,2016). Further, MSMEs form a supply chain for large local and multinational companies, create a more resilient, diversified economy with more dynamic private sector participation, drive innovation and homegrown champions who can compete internationally, gender equality as well as assist in achieving a more balanced, inclusive growth by addressing the bottom of the income pyramid (RoK,2015).

The Kenyan Micro and Small Enterprises Act (2012) defines a micro enterprise as a firm engaging in trade, service, industry or a business activity whose annual turnover does not exceed five hundred thousand shillings and employing less than ten people and small enterprises as those with annual turnover of between five hundred and five million shillings employing between 10 and 50 people. *Sessional Paper No. 2* (RoK, 2005), defined a micro enterprise as a firm with 1-9 employees, a small enterprise 10-49 employees, a medium enterprise 50-99 employees and a large enterprise above 99 employees. This definition was conceptualized for this study. This was to allow for ease of alienation of the target population.

In Kenya, it is now widely recognized that the promotion of the performance of MSME sector is a viable and dynamic strategy for achieving national goals, including employment creation, poverty alleviation and balanced development between sectors and sub-sectors. According to Kiveu (2013), the SME sector in Kenya is critical and strategic in attaining vision 2030 and is central in national strategies for stimulating economic activity, reducing unemployment and poverty. KNBS (2016) underscored the important roles that MSMEs play in Kenya's development process, particularly in the context of generating employment and income opportunities for majority of the people. Indeed, the MSME sector provides employment for substantially more people than does the formal sector. It is estimated the sector currently employs approximately 14.9 million people accounting for 83% of total employment and contributes 33.8% of the total GDP.

1.1.3 Performance of MSMEs in Kenya

In entrepreneurship, firm performance has been regarded as an important element as it is used to indicate the overall health of any enterprise. Performance is defined as the outcomes of work and it provides the strongest linkage to the strategic goals of an organization, customer satisfaction and economic contributions (Salem, 2003). Performance can be classified as either financial or business performance. Financial performance is at the core of the organizational effectiveness domain and accounting-based standards such as return on assets (ROA), return on sales (ROS) and return on equity (ROE). On the other hand, business performance measures market-related items such as market share and customer base growth, number of employees, diversification, and product development (Mbugua, Mbugua,Wangoi, Ogada & Kariuki, 2013).

Earlier studies have shown that several factors influence the performance of MSMEs in Kenya. These include firm factors, market factors and individual characteristics of the entrepreneur among others. Kamunge, Njeru and Tirimba (2014) while exploring performance of SMEs in Limuru town of Kenya concluded that access to business information services affected the performance of businesses to a great extent. Mbugua *et*

al. (2013); Mutambuki and Orwa (2014); Waithaka, Muturi and Nyabuto (2014) concluded that marketing strategies significantly influence the performance of MSMEs in Kenya.

1.2 Statement of the Problem

The contributions of micro, small and medium-size enterprises (MSMEs) in the economic development of both developed and developing nations have always been acknowledged (Aliyu & Mahmood, 2014 and Junde, 2014). However, despite their socio-economic significance, and the numerous past policy initiatives introduced by different governments across the world to accelerate the growth and survival of MSMEs, the sector continues to face constraints that limit their performance and survival. In Kenya, it is estimated that a total of 2.2 million MSMEs were closed between the years 2012 to 2016 (KNBS, 2016).

Some of the constraints attributable to the poor performance of MSMEs include but not limited to financial, regulatory, specific firm factors, market/industry factors, individual characteristics of the entrepreneur (Kamunge *et al.*, 2014), as well as poor marketing strategies (Waithaka *et al.*, 2014). In Kenya, the MSMEs lack or deploy ineffective marketing practices with previous data estimating that among the licensed firms, micro (58.3%), small (35.6%) and medium (33.5%) sized establishments do not market or advertise their products/services (KNBS, 2016).

According to Otika, Nwaizugbo and Olise (2019), MSMEs can only effectively deliver on their fundamental roles when a good number of strategies including the formulation and application of appropriate entrepreneurial marketing practices are put in place to exert a positive effect on performance. The change in the competitiveness of both the marketing and operating environment has made competition tougher for micro, small and medium-size enterprises (Olannye & Eromafuru, 2016). Therefore, the need for an understanding of entrepreneurial marketing approaches and their applicability to entrepreneurial firms for enhanced performance has gradually become an issue of

pivotal concern to many scholars and entrepreneurs. Previously, the lack of adequate attention to entrepreneurial marketing practice-based approaches has reduced competitive edge and hence the performance of micro, small and medium-sized enterprises (Otika, Nwaizugbo & Olise, 2019).

For example, previous studies such as Kesinro, Ogunlusi and Adu (2016) looked at EM from an entrepreneurial orientation perspective ignoring the forms of marketing adopted by small firms. Other studies such as Sije and Oloko (2013) and Forkuoh, Osei,Shao, and Ansah *(*2016) focused on specific industries. A study by Janet and Ngugi (2014) examined the influence of EM on the growth of SMEs in Kiambu CBD. From the foregoing, it can be seen that previous studies linking the effect entrepreneurial marketing on the performance of micro, small and medium enterprises in Kenya are limited. This study aimed to fill this missing knowledge gap by examining the effect of entrepreneurial marketing on the performance of micro, small and medium enterprises in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective of the Study

The general objective of the study was to examine the effect of entrepreneurial marketing on the performance of MSMEs in Kenya.

1.3.2 Specific Objectives of the Study

i. To examine the effect of digital marketing on the performance of MSMEs in Kenya.
ii. To examine the effect of relationship marketing on the performance of MSMEs in Kenya.
iii. To determine the effect of pricing strategy on the performance of MSMEs in Kenya.

iv. To ascertain the effect of product/service innovation on the performance of MSMEs in Kenya.

1.4 Research Hypotheses

To assess the effect of the criterion variables on the predictor variable, the following hypotheses were tested:

H_{a1}: Digital marketing has a significant positive effect on performance of MSMEs in Kenya.

H_{a2}: Relationship marketing has a significant positive effect on the performance of MSMEs in Kenya.

H_{a3}: Pricing strategy has a significant positive effect on the performance MSMEs in Kenya.

H_{a4}: Product /service innovation has a significant and positive effect on the performance of MSMEs in Kenya.

1.5 Justification of the Study

In addition to contributing to the already existing body of knowledge in the field of entrepreneurship, the results of this study are beneficial to a number of stakeholders interested in the MSME sector. Firstly, entrepreneurs both potential and existing will benefit from the findings of this study as they will use them in preparing for the long-term enhanced performance of their enterprises. The succeeding entrepreneurs would also benefit from the success of their enterprises.

Secondly, as the Kenyan government seeks to actualize the vision 2030 blue print, and in line with support to the development of Kenyan SMEs as expressed in the Kenya's industrial transformation programme (2015), the results of this study are seminal in guiding enhanced market access through effective entrepreneurial marketing. Further,

MSMEs being the fundamental blocks of economic development and employment creation, the findings of this study will support in the formulation of policies aimed at supporting them enhance their performance. At county level, the study informs policies that specifically target the marketing function of MSMEs.

To the researchers and scholars, the study makes empirical and theoretical contribution to the field of entrepreneurship in general and particularly to the process of entrepreneurship promotion and development Kenya.

1.6 Scope of the Study

This study sought to investigate the effect of entrepreneurial marketing on the performance of MSMEs in Kenya. Specifically, it investigated the effect of digital marketing, relationship marketing, pricing strategy and product/service innovations on the performance of MSMEs in Kenya. The study focused on the four identified variables as it sought to investigate the effect of innovative and cost effective practice-based approaches by focusing on the forms of marketing and orientations that are most suited for MSMEs noting their limited resources and size.

The unit of analysis for the study was the 8,526 licensed micro, small and medium enterprises in Tharaka-Nithi County in the year 2017. In Kenya, it is estimated that over 80% of population in the 47 counties live in the rural areas, with Tharaka-Nithi County having the lowest rate of urban population at 7% (Commission on Revenue Allocation, CRA, 2013). Additionally, the County is also composed of entrepreneurs in the six clusters (agricultural, wholesale/retail, restaurants/hotel, service, education/training and craft) of interest to the study. The findings can therefore, be generalized to other populations in Kenya and globally. The study evaluated three years' MSMEs performance data from 2015 to 2017.

1.7 Limitations and Delimitations of the Study

The researcher encountered some limitations in the process of undertaking this study. First, some respondents hesitated to fill in the questionnaires citing time inadequacy and others failing to give any reason at all. This was obviated by outlining to them that the primary purpose of the study was to fulfill academic purposes as stated in the consent form and assuring them that the filling exercise was to take the least time possible. The research assistants were also at hand to support the respondents.

Secondly, some MSME owners/ managers were unwilling to commit themselves into allowing the researcher to collect data from their firms citing confidentiality of information and lack of authority to divulge such information. The researcher overcame this by developing an informed consent form and obtaining a letter from the university thus assuring them that the data given will be dealt with in ultimate confidentiality.

Thirdly, some respondents did not answer all questions in the questionnaires including non-optional questions. The researcher ascertained the number of incomplete questionnaires, the extent of omitted questions and admitted only questionnaires whose omitted data did not affect the validity of the questionnaire.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature that related to the effect of entrepreneurial marketing on the performance of MSMEs. First, it looks at the theoretical review on digital marketing, relationship marketing, pricing strategy, product/service innovation and performance leading to the development of the conceptual framework guiding this study. The second part deals with the secondary research in accordance with the variables of the study. Lastly, it looks at empirical studies carried out in the past in accordance with the variables presented in the research model, their critique and the research gaps that justified the current study.

2.2 Theoretical Review

A theory is a set of interrelated constructs or concepts, definitions and propositions that present a systematic view of phenomena by specifying relationships among variables, with the purpose of explaining and predicting phenomena (Camp, 2010). Cooper and Schindler (2012) view a theory as a set of systematically interrelated concepts, definitions, and propositions that are advanced to explain and predict phenomena. Its purpose is to increase scientific understanding through systematized structures capable of both explaining and predicting phenomena. This theoretical review examines various theories in respect to the variables under study leading to the development of the conceptual framework that guided this study.

2.2.1 Dynamic Capabilities Theory

The dynamic capabilities theory was first articulated by Teece, Pisano, and Shuen (1997). It relates to how business organizations adapt and create heterogeneous resource positions in dynamic environments. According to them, current economies present more

challenges than ever to efficient and effective management due to hypercompetitive environments characterized by major discrete environmental shifts in competitive, technological, social, and regulatory domains. Failure to address these major environmental changes can negatively affect firm's performance (Kiveu & Ofafa, 2013).

Teece *et al.* (1997) proposed the dynamic capabilities approach as an extension of the resource based view (RBV) of the firm by Barney (1986; 1991). While the RBV tends to explain the conditions under which firms may achieve a sustained competitive advantage based on their bundles of resources and capabilities, it is however considered to be essentially static in nature and thus inadequate in explaining firms' competitive advantage in rapidly changing environments. As a result, Teece *et al*. (1997) proposed the dynamic capabilities framework to fill that gap.

They categorized the nature of the concept as being ability (capacity), thus suggested a special kind of capability. Second, they specified the desired end (the role) of this special capability as being to integrate, build, and reconfigure internal and external competences. Third, they focused on a particular type of external context, namely, rapidly changing environments. This was a natural consequence of their view of dynamic capabilities as an extension of the RBV toward regimes of rapid change, for which they undertook a more entrepreneurial perspective. Fourth, they assumed that dynamic capabilities are typically built rather than bought and that their creation and their evolution are embedded in organizational processes that are shaped by firms' asset positions and the evolutionary paths they have adopted in the past. Fifth, they emphasized that dynamic capabilities are heterogeneous across firms and finally, their approach explicitly stated sustained competitive advantage as a direct outcome of dynamic capabilities (Galvin, Rice & Liao, 2014).

Thus, according to Teece (2007), dynamic capabilities can be disaggregated into the capacity to establish, develop and exploit three distinct capabilities necessary to maintaining a competitive advantage in high velocity business environments. These include the ability (a) to sense and shape opportunities and threats, (b) to seize

opportunities, and (c) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets.

The dynamic capabilities theory articulates the current business operating environment characterized by hyper-competition. Such an environment rarely provides an equilibrium. This demands for continuous customer engagement as co-creators and development of key capabilities that contribute to a continuous superior performance (Makkonen, Pohjola, Olkkonen & Koponen, 2014). Thus, this theory helped this study by providing a deeper understanding of the entrepreneurial marketing concept as shaped by the hyper competitive environments and technological shifts of digital based marketing. It also anchored digital based marketing as a resource that contributes to competitive advantage in the market.

2.2.2 Resource Advantage Theory

The Resource-Advantage theory (R-A theory) emanated from the works of Hunt and Morgan (1996) and posits that sustained superior firm performance occurs when a firm's comparative advantage in resources continues to yield positions of competitive advantage despite the competitive actions of rivals. Resource Advantage theory is an evolutionary disequilibrium provoking process theory of competition in which innovation and organizational learning are endogenous, firms and consumers share imperfect information, and in which entrepreneurship, institutions, and public policy affect economic performance. The intra-industry demand is viewed as significantly heterogeneous with respect to consumers' tastes and preferences, and firms are viewed as combiners of heterogeneous, imperfectly mobile entities that are labeled resources (Hunt, 2012).

For R-A theory, competition is viewed as a process that consists of the constant struggle among firms for comparative advantages in resources that will yield marketplace positions of competitive advantage terminating to superior performance. Once a firm's

comparative advantage in resources enables it to achieve superior performance through a position of competitive advantage in some market segments, competitors attempt to neutralize and/or leapfrog the advantaged firm through acquisition, imitation, substitution, or major innovation (Hunt, 2012).

According to R-A theory, resources are defined as the tangible and intangible assets available to the firm that enable it to produce a market offering efficiently and/or effectively for some market segments (Hunt & Arnett, 2003). According to Spillan and Parnell (2006), resources can be categorized as financial, physical, legal, human, organizational, knowledge, and relational. Hence, according to R-A theory, firms enter into relationships with other firms and consumers when such relationships contribute to the competitiveness of firms. This is attained when such relationships constitute relational resources by contributing to the firm's ability to efficiently and effectively produce market offerings that have value for some market segments.

Therefore, R-A theory provided a grounding framework for relationship marketing strategy by providing a deeper understanding of relational exchanges as strategic resources that enhances a firm's competitive advantage hence superior performance. This is as measured by an increase in sales volume, profitability, market share and number of employees.

2.2.3 Systems Theory

Advanced by Hartman (2010), the systems theory provides entrepreneurs with a tool for analyzing internal and external organizational dynamics. Hartman (2010) promoted the recognition of all organizations as consisting of processing inputs and outputs with internal and external systems and subsystems that are helpful in providing a functional overview of any organization. Smit and Cronje (2002) defined a system as a collection of parts unified to accomplish an overall goal. If one part of the system is removed, the nature of the system is changed as well.

The effect of systems theory in management is that owners look at the organization from a wider perspective. It recognizes the various parts of the organization, and in particular, the interrelations of the parts, for example, the effect of customer tastes and preference and competition to its strategic objectives. In the traditional management practices, managers typically took one part and focused on it, they then moved all attention to another part pausing a synchronization challenge (Rue & Byars, 2004).

In the systems theory approach, pricing strategy is subjective to the interacting and interdependent parts of pricing objectives, external and internal factors (Jangeta, Faitira, Edson & Mirriam, 2015). The degree into which these parts overlap each other indicates the degree of influence each of these factors has over the pricing strategy as a marketing tool and by extension on business performance as a whole.

Therefore, the significance of the systems theory to this study was to identify a broad framework within which MSMEs owners make pricing decisions and further so, to gain an advantageous competitive position over rivals. This enhanced the formulation of the research instruments, data collection and interpretation.

2.2.4 Schumpeterian Theory of Innovation

With the process of creative destruction, Schumpeter (1934) was one of the earliest scholars in highlighting the importance of innovation in entrepreneurial activity. He argued that the creative destruction was a process that disrupts current market structures by means of new goods or services, new markets, new production process, sources of supply and organization structures. Innovation mainly refers to an iterative process initiated by the perception of a new market and/or new service opportunity which leads to development, production, and marketing tasks striving for its commercial success.

Accordingly, Schumpeter calls innovation the specific tool of entrepreneurs, the means by which entrepreneurs exploit change as an opportunity for a different business or a different service. Schumpeter (1943) stressed the role of entrepreneurs as primary agents

effecting creative destruction, and emphasized to the entrepreneurs the need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation as well as their need to know and to apply the principles of successful innovation.

The Schumpeterian articulation of innovation has been carried forward by successive scholars and researchers. On his part, Drucker (1985) held out that entrepreneurs are always searching for change, responding to it, and exploiting it as an opportunity, and engaging in purposeful innovation. Furthermore, the link between entrepreneurship and innovation is supported by the results of Covin and Wales (2012) who found that innovation is among the key motives to start a business. Schumpeterian theory supposes that a firm's progress comes from innovations they carry out motivated by the pursuit of profit. That is, each innovation is aimed at creating some new process or product or service that gives its creator a competitive advantage over its business rivals by rendering obsolete some previous innovation (Mwangi & Ngugi, 2014).

Therefore, in entrepreneurship, innovation provides a holistic, vibrant and complementary base to entrepreneurial conduct resulting to an organization's sustainability and superior performance. Thus, this theory provided a deeper understanding of innovation and its elements in the entrepreneurship marketing process that significantly influences firms' competitiveness and hence their performance.

2.2.5 The Balanced Scorecard Theory

The balanced scorecard approach emanated from the works of Kaplan and Norton (1996). The ultimate goal behind balanced scorecard theory is to measure the factors that create value for an organization and directly influence its ability to prosper. It emphasizes the need to provide management/business owners with sets of information that covers all relevant areas of performance in an objective way. The balanced scorecard theory argues that performance could be measured from different perspectives. Such can be defined and labeled into financial perspective, customer perspective,

internal business, and innovation and learning perspectives respectively. These performance perspectives are not necessarily comprehensive, but should represent the critical success factors necessary for continued organizational success by providing a close link between the strategy adopted by a business unit and the performance measures selected.

According to Otley (1999), the major strength of the balanced scorecard approach is the emphasis it places on linking performance measures with business unit strategy. According to Kaplan and Norton (1996), the balanced scorecard not only allows the monitoring of present performance, but also tries to capture information about how well the organization is positioned to perform in the future. It is designed to be at the centre of an organization's control mechanisms to effectively deploy strategy and to link operational practices with strategic intent. The articulation of the balanced scorecard theory is that firms should not be evaluated based on one single measure but a diverse perspective.

Thus in entrepreneurial marketing, the balanced scorecard theory provides a link between the marketing strategies to the overall organizational goals. Secondly, it offers a broader perspective for measurement, interpretation and prediction of the effect of the independent variable on the dependent variable by permitting collection of data that relates to a varied expected performance outcomes. Thus the study results are generalizable to a larger population.

2.3 Conceptual Framework

A conceptual framework is a diagrammatical representation depicting the relationship between dependent variable and independent variables of a study. Mugenda and Mugenda (2003) defined conceptual framework as a concise description of the phenomenon under study accompanied by a graphical or visual depiction of the major variables of the study. In this study, the conceptual framework was used to show the effect of the independent variables of digital marketing, relationship marketing, pricing

strategy and product/service innovation on the performance of MSMEs in Kenya as illustrated in Figure 2.1.

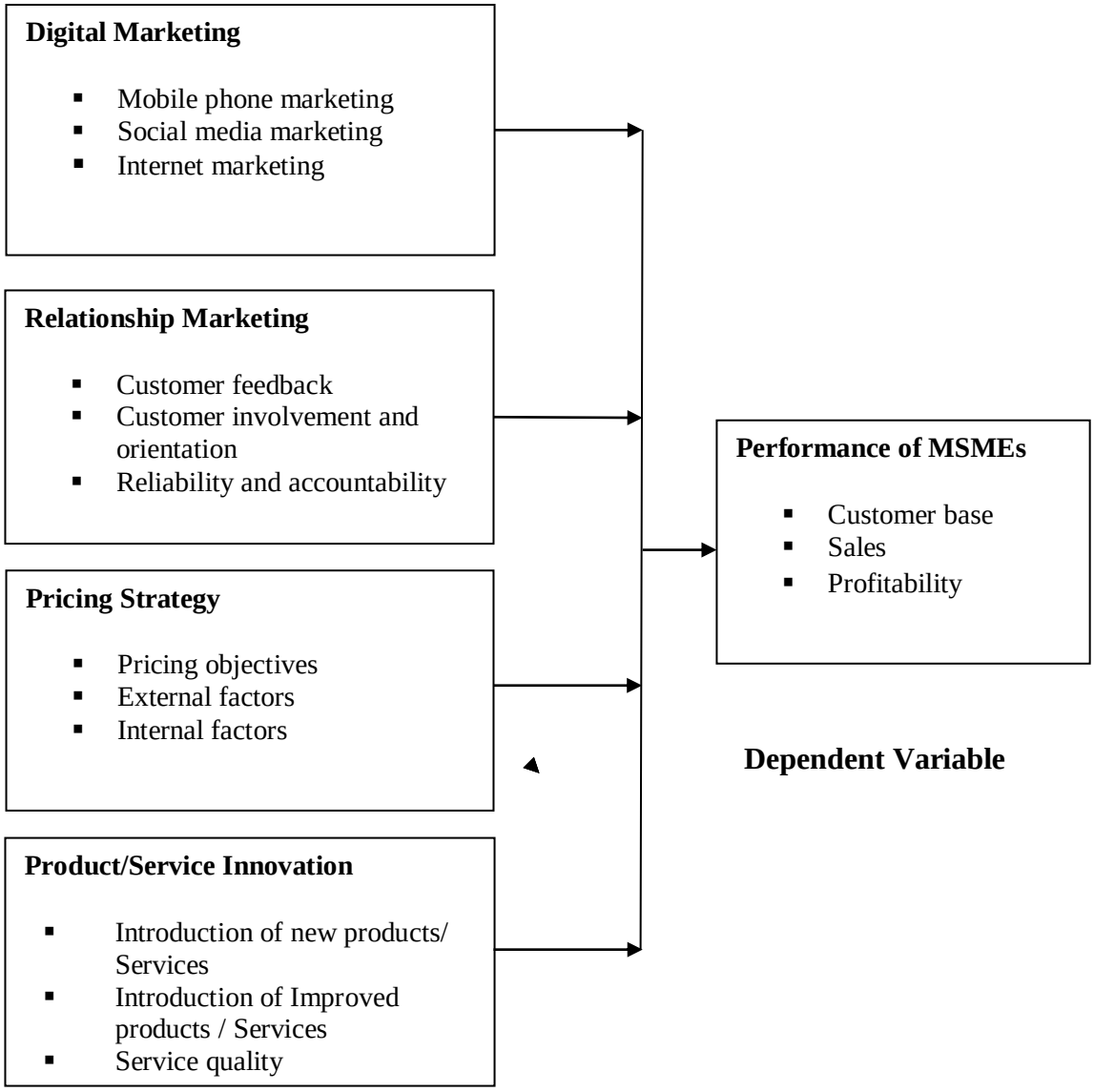

Figure 2.1: Conceptual Framework

2.3.1 Digital Marketing

In the recent times, the world has witnessed a rise in digital marketing buoyed by the explosion of information communication and technology (ICT). Digital marketing is a marketing strategy involving the deployment technology based tools such as the Internet (email, search engines and electronic commerce), mobile phones and social media.

Internet marketing is a business effort to inform, converse, promote and sell products and services over the Internet (Kiveu & Ofafa, 2013; Njau & Karugu, 2014). It involves email marketing, search engines, online markets and online blogs with the aim to reaching out to existing and potential customers. Past studies have established that Internet marketing positively influences the performance of SMEs. For instance, a study by Kithinji (2014) examined Internet marketing and performance of small and medium enterprises in Nairobi County. The study established that Internet marketing has a positive impact on the performance of SMEs since it increased their profitability, market share, enhanced firm's image, increased competitive advantage, loyalty and access to new markets.

The mobile phone is the most used ICT tool more so due to its multi-functionality, accessibility and affordability. Mobile phone marketing involves the utilization of mobile telephony through short messages and dial ups to reach and service clientele. Mobile phones emerge as the preferred ICT tool to MSMEs due to affordability, ease of use, and reliable network. In Kenya, most of the MSMEs owners own mobile phones with subscription reaching 38.3 million in March, 2016 and mobile penetration at 89.2% (Communication Authority of Kenya, CAK, 2016). This offers MSMEs a great opportunity to employ the services of this preferred tool to enhance the marketing function.

Mobile phones offer various functionalities that can enhance marketing including communication, enabling market transactions, product promotion, customer relationship, market research and other Internet enabled services. They offer a quick, efficient and

affordable way of communication to MSMEs which is essential for initiating and maintaining customer relationship, facilitating market transactions, acquisition of market information and for communicating product information to customers (Njau & Njuga, 2015). This allows MSMEs the opportunity to obtain market information necessary to achieve market access and penetration and establish advantageous market positions as compared to competition. Mobile phones can also be used to facilitate market transactions to improve efficiency and reduce high transaction costs through mobile payments and mobile money transfer such as M-pesa.

According to Oztamur and Karakadilar (2015), social media marketing refers to the process of gaining traffic or attention through social media sites. Consumers use social media to participate in social networks, which enable them to create and share content, communicate with one another, and build relationships with other consumers. Renede (2011) posits that social media is a medium for social interaction, using highly accessible and scalable communication techniques. Employment of social media marketing services is considered to be the most important and result-oriented marketing strategies for businesses. These services give quick results and have profound effect on the overall functioning of a business. Social media marketing basically means promoting company on different networking sites and popular media channels such as twitter, linkedIn, facebook, Instagram and whatsup (Thompson, Williama & Thomas 2013). Promoting websites of businesses through social media marketing ensure increased traffic, sales and profits. Social media is also known to benefit firms in their branding efforts as well as better communication to clients and other stakeholders (Beynon, 2010). The use of social media has enabled clients associate with the firm, develop loyalty and an extensive customer base (Waithaka *et al.*, 2014).

According to the Kenya Integrated Household survey 2015/2016 (KNBS, 2018), of the population aged three years and above, Tharaka-Nithi county had 54.4%, 4.1% and 8.3% of them using mobile phones, computers and Internet respectively. These, and the growth trajectory of population, mobile phone and improved Internet connectivity,

provides a ready platform and target clientele for MSMEs that seek to deploy digital marketing strategies and leverage the associated benefits.

2.3.2 Relationship Marketing

According to Gronroos (1996), relationship marketing means to identify and establish, maintain, and enhance relationships with customers and other stakeholders, at a profit, and so that the objectives of all parties involved are met through mutual exchange and fulfillment of promises. It is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. Relationship marketing's goal is to provide increased value to the customer and results in a lifetime value for the service provider.

Therefore, understanding relationship marketing requires distinguishing between the discrete transaction, which has a distinct beginning, short duration, and sharp ending by performance and relational exchange, which traces to previous agreements, is longer in duration thus reflecting an ongoing process. Therefore, relationship marketing refers to all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges (Oboreh, Umukoro & Ayozie, 2013). In modern business world, marketing focus reflect the move away from transactional marketing to relationship marketing.

Establishing, maintaining and enhancing customer relationships through continuous customer feedback, involvement and orientation has always been an important aspect of business. A study by Waithaka *et al*. (2014) established that customer's relationship marketing strategies influence firm performance. In addition, Velnampy and Sivesan (2012) established that customer relationship marketing impact on customer value creation in mobile service providing companies. Customer relationship oriented firms creates, develops and maintains committed, interactive and profitable relationships with selected customers. Relander (2011) argue that the conceptual foundations of entrepreneurship and relationship marketing are very similar and that they share

theoretical linkages such as value, centrality of individual, customer focus and communication.

Mulki and Stock (2003) discuss several environmental factors that have contributed to the rise of relationship marketing. These include the trend amongst firms to be services oriented, adoption of information technologies, globalization and the trend towards strategic network competition. Firms that implement relationship marketing strategies must recognize the importance of developing and maintaining long-term mutually rewarding relationships with other firms and/or consumers. Specifically, RM-based strategy emphasizes that to achieve competitive advantage and thereby superior firm performance, firms should identify, develop, and nurture an efficiency/effectiveness-enhancing portfolio of relationships. However, RM-based strategies require considerable time and effort to implement. In addition, to be successful at such strategies, firms must devote substantial amounts of resources. Moreover, as with all strategies, engaging in RM-based strategies makes sense only if the rewards outweigh the costs. Therefore, to make well informed decisions regarding whether or not to engage in RM-based strategies and how to implement such strategies, an understanding of the benefits of well-executed RM-based strategies is necessary (Ebitu,2016).

2.3.3 Pricing Strategy

Effective pricing strategies are known to improve the performance of an organization. Price is the value, more so in monetary terms a customer is willing to part with in exchange of a product or a service. Beesley (2012) defined price as the value of a product or service expressed in terms of rands and cents, the amount of money needed to obtain a product or service and the benefit or utility which goes with it. Thus, pricing is the method adopted by a firm to set its selling prices for its products and services.

An effective pricing strategy ought to mirror a cohesive pricing structure that facilitates the achievement of business objectives by ensuring the value of a product/service offering compared to the value offered by competitors (Meehan, Simonetto, Montanm &

Goodin., 2011). A good pricing strategy should therefore direct an organization's core behaviour as well as its peripheral communiqué to the market for all pricing-related activities.

Additionally, a firm's pricing strategy must be based on valid data and facts. Therefore organizations need to evaluate key areas and make an informed decision based on the valid findings of their investigation lined up with organizational objectives as well as other functional policies and structures and should be supple, adaptive, reactive and carefully observed for a firm to remain competitive. Thus, when developing their pricing strategies, the MSMEs need to factor the various influences that dictate their pricing decisions as illustrated in Figure 2.2.

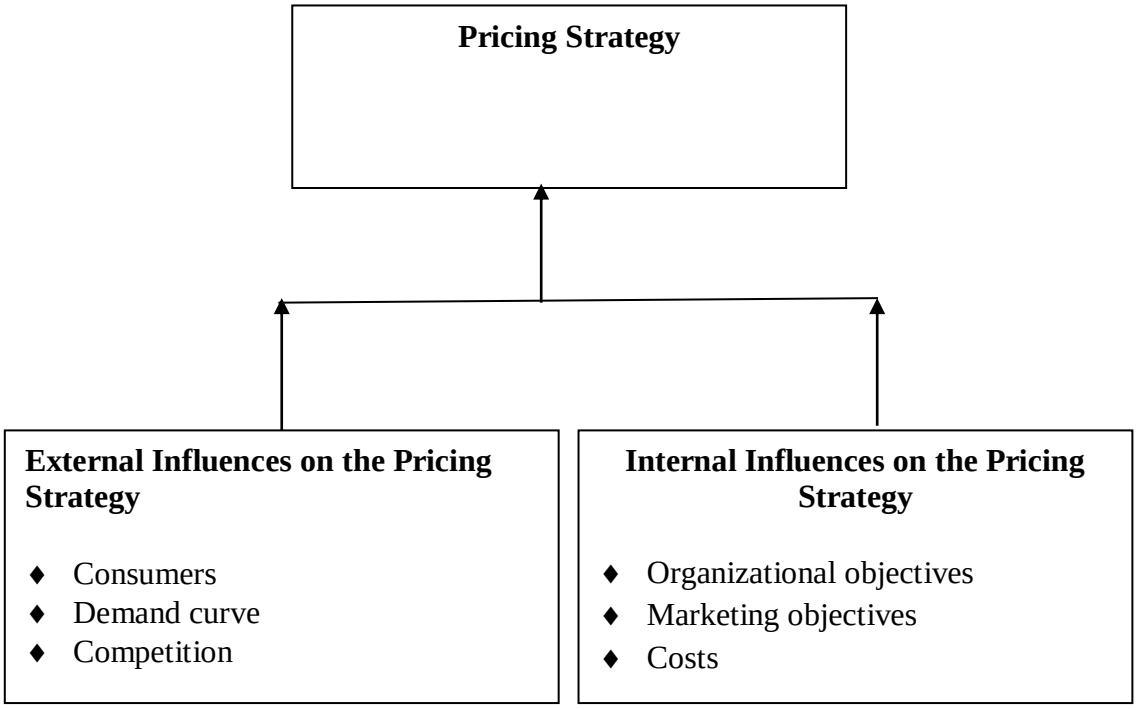

Figure 2.2: External and Internal Influences of Pricing Strategy

Adapted from: Brassington and Pettitt (2013)

Cant, Jan and Catherine (2016) investing the key factors influencing pricing strategies for small business enterprises (SMEs) in South Africa found that pricing strategy greatly influenced their competitive positions and hence performance. Further, they found that price setting is influenced by competitor information and macro environmental factors such as inflation in addition to consumer's relationships, the benefits that the consumers enjoy from the product as well as product performance. Therefore, effective pricing strategies are core competencies and are known to improve the performance of an organization (Brassington & Pettitt, 2013).

2.3.4 Product/Service Innovation

In entrepreneurship, innovation is regarded as the tendency to engage in creativity and experimentation through the introduction of new products and services, markets, organization structures and production processes. It reflects the firm's tendency to embrace new technologies or practices and go beyond the current state of affairs. Innovation is widely regarded as one of the most important sources of sustainable competitive advantage in an increasingly changing environment for its role in product and process improvements, continuous advances that lead to firms' efficiency, growth and survival culminating to superior performance when compared to the non-innovators (Terziovski, 2010; Jimenez & Sanz-Valle, 2011).

At the firm level, intense competition under the global economic framework requires micro, small and medium enterprises to reconsider their competitive position in relation to their rivals through innovation. With the shortened product life cycles, firm ability to generate innovations may be more important than ever in allowing firms to improve performance and maintain competitive advantage (Artz, Norman, Hatfiled & Cardinal 2010).

Innovation is described as the introduction of new or improved processes, products or services based on new scientific or technology knowledge and/or organizational know-how. Product/service innovation is the introduction of a good or service that is new or

significantly improved regarding its characteristics or intended uses including significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics (Rubera & Kirca, 2012; Oke, 2015). Saunila (2014) contend that products, services innovation generally refers to the organization's process for introducing new ideas, new products/commodities, new technology, workflows, new manufacturing methods, new services and new distribution and delivery. Atalay, Anafarta and Sarvan (2013) concluded that product and process innovation positively and significantly affect firm performance. Thus innovation is an opportunity for entrepreneurial firms to gain traction through the temporary gains accruing from an innovation and a necessary continuous activity for long term entrepreneurial success.

Further, Alpkan, Gunduz, Kilic and Gurhan (2011) investigated the relationship between firms 'performance and its familiarity with innovation. They found that outlook of firms towards innovations has high score in the competitive environments so as to gain higher competitive lead. Terziovski (2010) investigated the innovation practice and its performance implications in small and medium enterprises (SMEs) and the results showed an evidence of a positive relationship of innovations on firms' performance.

However, other studies claim an insignificant positive or no relationship between innovation and performance arguing that innovations benefits only accrue when the developed innovations require greater amount of economic and technological resources for development and implementation thus creating barriers to entry (Webster, Buddelmeyer & Jensen, 2010). In conclusion, by offering innovative products and services, MSMEs could enhance their competitive advantage by shunning price competition, creating new demands and barriers to entry therefore facilitating continuous superior performance.

2.3.5 Performance of MSMEs

In entrepreneurship, firm performance has been regarded as an important element being a measure of achievement of organizational goals. These goals may be financial such as profitability, sales volumes, return on assets and return on equity, or non-financial such as customer base, brand visibility and market penetration. In the past, divergent opinions on the measurement of firm performance have been put forward. Mehra, Joyal and Rhee (2011) considered return on asset and return on equity as the two indicators of financial performance of retail banking.

Helgesen (2006) opined that assessment of business performance only on the basis of financial parameters is not adequate and therefore non-economic parameters like market share, customer base, product development and production efficiency should also be accounted for when assessing business performance. Thus, growth measures are considered to be more accurate and easily available than account-based measures and hence superior to financial measures. It is also considered an important demonstration of entrepreneurial behavior for small firms. Further, financial measures are also regarded unstable and sensitive to changing industry-related factors. They could also be easily manipulated and hence not reflect the real performance. Moreover, a heavy reliance on financial measures could hinder future competitive advantage as they do not reflect drivers of future performance.

Proponents of a combination of both growth and financial performance measures argue that these measures give a richer description of the actual performance of the firm than each does separately (Yildiz, 2010; Yildiz & Karakas, 2012). Venkatraman and Ramanujam (1986) suggested that in order to measure business performance, qualitative criteria such as non-financial market share, launching new products into the market, number of employees, product quality, marketing activity, technological activity plus accounting-based financial criteria such as sales increase and profitability (investment return, sales return, equity return and earning per share) is essential. This was conceptualized for this study.

2.4 Empirical Review

2.4 1 Digital Marketing and Performance of MSMEs

Njau and Karugu (2014) carried out a study titled; Influence of e-marketing on the performance of small and medium enterprises in Kenya: Survey of small and medium enterprises in the manufacturing industry in Kenya. The specific objectives of their study included determining how search engine marketing, email marketing, blog marketing, and online advertising, each influence the performance of SMEs in Kenya. The study utilized survey research design in collecting data from respondents and simple random sampling procedure to select the sample. The target population was 500 hundred SMEs in the manufacturing industry in Kenya. The findings showed a significant influence of search engine marketing, email marketing, blog marketing, and online advertising on business performance. The study also revealed that SMEs in Kenya who are keen on adopting e-marketing have achieved above average business performance as compared to their counterparts that failed to adopt the e-marketing strategy.

Njau and Njuga (2015) undertook a study titled; Mobile phones usage in micro enterprises in Tanzania and its impact on their performance: A case of micro enterprises in Moshi municipality, Tanzania. A descriptive research design was employed whereby a total of 70 micro entrepreneurs belonging to secondhand clothing, shoes and handbags, food vendors and saloon owners were randomly selected. Questionnaire and interview techniques were used as research tools in gathering quantitative and qualitative data. Findings showed that mobile phone services contribute positively to micro enterprises business performance with results showing that 87% of the respondents used mobile phones services mainly for business purposes. Furthermore, findings revealed that the more the use of mobile phone services by micro entrepreneurs the more the business succeeds. This is made possible by the virtue that mobile phones can be used anywhere and anytime when need arises, it is more convenient, and is immediate if employed in business communication.

In addition, mobile phone reduces costs and saves time for micro entrepreneurs with limited economic resources. Mobile phones play a major role in maintaining customer relations through frequent communications and prompt problems solving, hence retaining their customers. Again, mobile phones have an ability to share business information with other micro entrepreneurs and provide basic information about products price, availability of products and services to customers (information dissemination). The study recommended that there is a need to have an awareness campaign on the uses of mobile phones in business activities at grassroots level.

Oztamura and Karakadilar (2014) explored the role of social media for SMEs as a new marketing strategy tool for the firm performance perspective. They observed that social-media is not only a communication tool for amusement, but it is also an important part of marketing strategies in business life. The researchers employed case study on four companies chosen randomly in USA and Turkey. They targeted the social media accounts of the selected companies between January and February 2014. They evaluated some aspects such as the number of likes, the frequency of update, richness and relativeness of the content, interaction of engagement, the use of language and punctuation or spelling mistakes. These were important points because especially SMEs may sustain their position and create loyal customers through the effective use of stated factors in social network marketing. The study analyzed the Facebook and Twitter accounts of randomly selected fashion retail chains and healthy bakery retail chains SMEs from USA and Turkey in order to make a comparison of each two companies which were performing in the same industry.

The research findings showed that American companies are more prone to apply the required strategies when compared to social media use of Turkish companies. Dynamic industries such as fashion-retail chains strive more than conventional industries such as bakery-retail chains on social media medium which in turn affects their amount of customer followers. The main suggestion of this research for SMEs was that they should spend time to create rich contents on their social media accounts to attract their target customers' attention. In addition, they should be more sincere while communicating

with their target customers and should prefer to communicate in a more friendly style and to respond in a quick manner to all communication attempts of their customers. This enhances customer followership, retention and hence superior performance.

2.4.2 Relationship Marketing and Performance of MSMEs

Oboreh *et al.* (2013) studied relationship marketing as an effective strategy by IGBO managed SMEs in Nigeria. The specific objectives of their study were (1) to examine the extent of acceptance, adoption and usage of the relationship marketing concept, and strategies (2) to find out if the size of the Igbo SMEs and a well-defined and comprehensive mission statement is related to the degree of the implementation of the relationship marketing concept, and strategies and (3) to examine if the level of education and experience of the owner manager/CEOs of the Igbo SMEs had any positive influence on the implementation of the relationship marketing concept and strategies by the firm. The study focused on 50 SMEs, in seven states of Nigeria; Ogun, Lagos, Abia, Edo, Delta, Bayelsa and Rivers, established between 1st January 1992, and December 2007. Data was analyzed using regression analysis at 5% level of significance.

The findings of this study revealed that the Igbo operated SMEs, whether small, medium or large, had accepted that one sure way of survival is to accept, use and adopt the relationship marketing concept and strategies. The managers of these SMEs especially the literate ones were aware of the principles, practice and philosophy of the relationship marketing concept, and with the increasing competition, the rate of acceptance, usage, adoption and implementation of the RM concept is fast gaining traction.

Ebitu (2016) studied marketing strategies and the performance of small and medium enterprises in Akwa Ibom state, Nigeria. The study adopted the survey method. 240 questionnaires were issued to SMEs in the three senatorial districts of the State. This formed the sample of the study. The data obtained was analyzed using pearson product moment correlation. The study revealed that there is a significant impact of product

quality strategy and relationship marketing strategy on the profitability and increased market share of SMEs in Akwa Ibom State. The study recommended that SMEs should invest in product quality through innovation to enhance the firm's profitability. Also, the customers should be valued and treated as kings as cordial relationship between firm and customers results in the increase of the organizations market base the reason for superior firm performance.

2.4.3 Pricing Strategy and Performance of MSMEs

Sije and Oloko (2013) carried out a study on penetration pricing strategy and performance of small and medium enterprises in Kenya. The population for their study consisted of members of staff of selected food industry SMEs in Kenya. Stratified random sampling was used in the study where members of staff from various SMEs were selected with the questionnaire acting as the primary data collection instrument. The researchers found out that there was strong positive correlation between penetration pricing strategy and firm performance. The researchers, therefore, concluded that the enterprises should focus more of its effort on penetration pricing strategy because there was a significant level of effect of penetration pricing strategy on the number of customers, customer loyalty and quality of food and service all leading to better firm performance.

Jangeta *et al*. (2015) researched on strategic pricing and firm success: A study of SMEs in Zimbabwe. The relationship between strategic pricing and firm performance was measured using various business perspectives, namely, profit maximization, sales maximization, customer satisfaction, survival, liquidity achievement, price differentiation and cost coverage. The questionnaire approach was used to collect data from a convenient sample of 50 SMEs drawn from all sectors of the economy. The study was conducted in Gokwe district in the Midlands Province. The results of the study show that there is a positive relationship between strategic pricing and firm performance ($r = 0,654$, $p = 0.01$).

Cant *et al.* (2016) carried out a study titled: Key Factors Influencing Pricing Strategies for Small Business Enterprises (SMEs): Are They Important? The primary aim of this study was to investigate the factors considered by small business enterprises (SME's) when developing their pricing strategies. To address this problem adequately, the research methodology was based on the primary data collected from South African SMEs. Questionnaires were distributed to 88 SMEs to gather relevant data regarding factors considered when determining prices. The data was quantified and analyzed by examining the frequency of occurrences and the importance of the problem.

The study found that SME's generally agreed that price setting is influenced by competitor information and macro environmental factors such as fuel prices and inflation. There was a general agreement amongst the SME's that consumers relationships and the benefits that they, the consumers enjoy from the product or service as well as product performance are important aspects to consider when determining prices. Additionally, the authors argued that effective pricing strategy significantly influenced the performance of SMEs in South Africa.

2.4.4 Product/Service Innovation and Performance of MSMEs

Rosli and Sidek (2013) carried out a study titled: The Impact of Innovation on the Performance of Small and Medium Manufacturing Enterprises: Evidence from Malaysia. A total of 284 samples were collected from SMEs in the food and beverage, textiles and clothing and wood-based sub-industries throughout Malaysia. The study was guided by the following hypotheses (1) Product innovation is positively associated with firm performance (2) Process innovation is positively associated with firm performance and (3) Market innovation is positively associated with firm performance. The data were analyzed using a hierarchical regression analysis. The findings confirmed the hypotheses that product innovation and process innovation influenced firm performance significantly, where the impact of the former was stronger than the latter.

Forkuoh *et al.* (2016) researched on product innovation and SMEs performance in the manufacturing sector of Ghana. The study employed firm level data and the structural equation model. Product innovation was grouped into three (development of new product, introduction of new product and improvement of existing product), while performance indicators were the growth in number of employees and total sales of the firm. Survey techniques were employed to gather data from 400 SME owner managers in Ghana. In-depth information was obtained from the sampled views of SME owner managers utilizing structured questionnaires pertaining to issues on product design and the performance of firms. Principal component analysis with factor analysis as an extraction method and a structural equation model were utilized to analyze the data obtained and to test the relationships in the specified constructs in the proposed research model.

The results indicated a positive growth path between all the three variables and the firm's performance with the introduction of new products having the highest, indicating that, firms can improve their performance by adopting product innovative practices with much concentration on the introduction of new products.

Atalay *et al.* (2013) investigated the relationship between innovation and firm performance: An empirical evidence from Turkish automotive supplier industry. The survey of this study was conducted on top level managers of 113 firms operating in the automotive supplier industry being one of the most innovative industries in Turkey, as of the year 2011. The study was guided by the following hypotheses (1) Product innovation has a positive impact on firm performance (2) Process innovation has a positive impact on firm performance (3) Organizational innovation has a positive impact on firm performance and (4) Marketing innovation has a positive impact on firm performance. The obtained data from the questionnaires was analyzed through the statistical package program (SPSS). The results demonstrated that product and process innovation had significant and positive impact on firm performance, but no evidence was found for a significant and positive relationship between organizational and marketing innovation and firm performance.

2.5 Critique of Existing Literature Related to the Study

Kesinro *et al*. (2016) carried out a study on the entrepreneurial marketing and SMEs performance in Lagos State, Nigeria. The findings of this study revealed that there is significant relationship between entrepreneurial marketing and organizational performance of SMEs. This study however focused on an urban state in Nigeria. Secondly, the study worked with only 100 SME owners within the Badagry local government area of Lagos state which cannot be construed to be a good representation. An extension of this study would be to expand the sample size.

Hacioglu *et al.* (2012) studied the effect of entrepreneurial marketing on firm's innovative performance in Turkish SMEs. The study found out that pro-activeness, innovativeness, customer intensity, resource leveraging dimensions of entrepreneurial marketing are positively related with innovative performance of SMEs in Turkey. The study employed a representative sample of 560 SMEs. However, this survey was conducted on small and medium sized firms of Turkey in the manufacturing industry thus the findings might not be transferable to all types of organizations. The study also over relied on entrepreneurial orientation aspects of EM and ignored the forms of marketing adopted by small firms constrained of resources. Further, the study focused on one aspect of performance thus failed to apply a balanced lense. A replica of such a study with a wider sector representation, admitting the interactive methods of EM and other performance indicators is necessary.

Phua *et al.* (2014) carried out a study titled: The performance of entrepreneurial ventures- Examining the role of marketing practices in United Kingdom. The results demonstrated that some practices generally associated with marketing such as selective distribution, market segmentation and advertising have limited impact on performance of new ventures. In contrast, other practices such as product/service innovation, market research and service quality and functionality do help to establish competitive advantage in dynamic markets. The results suggest that marketing practices associated with entrepreneurial behaviour drive new venture success. The study adopted a longitudinal

approach among new ventures. A study focusing on existing and new establishments would yield new and important empirical knowledge more so in developing countries like Kenya.

Franco *et al.* (2014) carried out an exploratory study of entrepreneurial marketing in SMEs: The role of the founder-entrepreneur in Portugal. The empirical evidence obtained shows that the importance of entrepreneurial marketing is recognized though differs considerably according to firm size. Amongst the SMEs studied, marketing is informal and reactive to market opportunities and the founder-entrepreneur has an influence on the decision-making process. The introduction of the role of the founder entrepreneur in this study makes its findings significant. This is because the entrepreneur is at core of the adoption and utilization of entrepreneurial marketing for the enhanced performance of their firms. However, the study employed a case study method on two firms, Fa Clube do Queijo and Damar, both located in the region of Beira Interior (Portugal). These cannot form a good representation of SMEs hence affecting the generality of the study results. Further, the findings of this study may not be generalized for the Kenyan situation due to the different business operating and regulatory environments.

2.6 Summary of the Reviewed Literature

The literature reviewed the relationship between each of the entrepreneurial marketing variable formulated for this study and performance of firms. These included digital marketing, relationship marketing, pricing strategy and product/service innovation. Reviewed literature generally agrees that these aspects of EM bear positive effect on the performance of MSMEs. Specifically, entrepreneurship research has revealed that entrepreneurial marketing has a positive impact on MSMEs performance. Firms ran by owner/managers who embrace the aspect of entrepreneurial marketing within their firms tend to constantly look out for opportunities to create and consolidate competitive advantages that enhance their performance. Entrepreneurial marketing significantly

influence business growth and performance (Janet & Ngugi, 2014; Olannye & Eromafuru, 2016).

Past research submit that digital marketing benefit firms in multiple ways including dissemination of information to targeted customers, communication and advertisement. This leads to increased customer base, sales and profits hence long term entrepreneurial performance. Entrepreneurial relationship marketing results in beneficial relational exchanges that are not only geared towards once off transactions but positioned for long term value through enhanced customer loyalty and retention hence high performance in current high volatile business environments. Pricing strategy is vital to the creation of competitive edge within the current market structures. It generates the revenues and communicates the product's perceived value. Product /service innovation amongst MSMEs allows them to increase the products /services offerings to their customers. This creates temporary market advantages, enabling them to gain an edge against the competition thereby gaining profits, a critical source of long term growth and performance.

2.7 Research Gaps

A review of past empirical literature gives an evidence of research in the area of entrepreneurial marketing but not in a comprehensive approach especially in Kenya. First, much of the research on the entrepreneurial marketing – performance relationship such as Phua *et al.* (2014), Franco *et al.* (2014) and Miles *et al.* (2017) have been done in developed countries as opposed to developing countries which face different business operating environments.

Secondly, previous studies focused on different objectives from those formulated for this study. Some of the studies conducted in Africa such as Kesinro (2016); Olannye and Eromafru, (2016) looked at EM from an entrepreneurial orientation perspective ignoring the forms of marketing adopted by small firms. A previous study by Janet and Ngugi (2014) in Kenya focused on the influence of entrepreneurial marketing on growth of

SMEs in Kiambu-CBD other than their performance. In addition, Kiambu is a peri-urban town in Kenya and thus the market conditions differ greatly from those in rural settings. Moreover, studies such as Franco *et al.* (2014) and Miles *et al.* (2017) utilized the case study design. Other studies such as Oboreh *et al*. (2013), Sije and Oloko (2013), and Forkuoh *et al. (*2016) focused on specific industries. Hence the results of such studies may not be generalized to all firms.

Therefore, it is evident that there is a deficiency of local studies focusing on entrepreneurial marketing and performance of MSMEs and moreso within a rural area. Consequently, this study intended to fill these pertinent gaps in literature by studying the selected independent variable of entrepreneurial marketing and its effect on the dependent variable of performance of MSMEs in Kenya. The study adds value to existing literature by providing empirical evidence on the contribution of EM on performance of MSMEs in Kenya and fills the existing contextual and theoretical gaps.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, methods of data collection and analysis. The chapter further specifies the target population, the sampling techniques and the data collection instrument employed in the investigation, the administration of the instrument as well as their reliability and validity. Finally, the chapter outlines the different techniques used to test the hypotheses conceptualized in chapter one.

3.2 Research Design

Research design is the road map that guides the process of a study. Zikmund, Babin, Carr and Griffin (2010) defines a research design as a master plan that specifies the methods and procedures for collecting and analyzing the needed information. It is a conceptual structure within which research is conducted. It is a blueprint for data collection, measurement, and analysis (Cooper & Schindler, 2012). As such, to achieve the study objectives, this study adopted a descriptive research design. This design was considered relevant for this study because the study was seeking to depict the participants in an accurate way by finding out the ‘what is ‘the effect of EM on the performance of MSMEs in Kenya. The study also drew quantitative data for analysis and interpretation. Descriptive survey design is also ideal when using a questionnaire for data collection. This is because they contain predetermined categories of responses that respondents can select from. This allows for statistically inferable data.

3.2.1 Research Philosophy

The research philosophy refers to overarching term relating to the development of knowledge and the nature of that knowledge in relation to research. There are two major philosophical paradigms; the positivist paradigm (positivism) and the interpretivist

(constructivist) paradigm (called interpretivism) (Burns & Burns, 2012). A positivist paradigm (quantitative) is concerned with phenomena that can be observed, measured and validated (Scotland, 2012). The interpretivism (qualitative) approach, according to Saunders, Lewis and Thornhill (2012) is the epistemological position that advocates the necessity to understand differences between humans in their role as social actors. This study was guided by the positivist research philosophy.

Positivist paradigm has been dominant in the social, psychological and behavioural sciences as well as management research. It is deductive in nature and normally directed at explaining relationships and attempts to identify causes which influence outcomes. It is a research orientation which assumes that a useful research is based on theory, hypotheses, and quantitative data (Ridenour & Newman, 2008; Creswell, 2009; Scotland, 2012). This paradigm involves exploring social reality based on philosophical ideas with the emphasis of observation and reason as means of understanding behavior. Positivists believe that the reality is stable and can be observed and described from an objective viewpoint without interfering with the object being studied. They contend that phenomena should be isolated and that observations should be repeatable.

The choice of positivism research philosophy to guide this study was based on its relevance to the construction of research objectives and hypotheses set out in chapter one. The objectives of this study were centered at establishing the causal relationships of digital marketing, relationship marketing, pricing strategy and product/service innovation to the performance of MSMEs. Additionally, this research utilized questionnaires as the primary data collection tools and statistical procedures in data analysis. Therefore, the choice positivism paradigm was the most suitable for according to Burns and Burns (2012); Collies and Hussey (2013), it offers the best basis for explaining a phenomena investigated using causal relationships between variables that are measured using quantitative techniques.

3.3 Target Population

A population is any complete group of entities that share some common set of observable characteristics of interest to the researcher (Mugenda & Mugenda, 2003). It is the total collection of elements or units about which some inferences are drawn (Sekaran, & Bougie, 2010; Raju & Prabhu, 2011). The population of interest for this study comprised all the licensed micro, small and medium enterprises in Tharaka-Nithi County in the year 2017. According to the Tharaka-Nithi county records, there were 8526 licensed MSMEs in the county in the year 2017.

3.4 Sampling Frame, Techniques and Sample Size

Sampling frame is a list of all accessible population from which the sample is drawn. It is a representative of the target population and constitutes all the units that are potential members of a sample (Mugenda & Mugenda, 2003). The sampling frame for this study was the list of all licensed MSMEs in Tharaka-Nithi County in the year 2017. Table 3.1 presents the per sub-county and per sub-sector breakdown of the MSMEs.

Table 3.1: Sampling Frame

Sub Sector	**Sub Counties**				**Population**
	Meru South	Maara	Tharaka South	Tharaka North	
Agricultural Activity	49	39	10	4	102
Wholesale/Retail	1632	1292	340	136	3401
Restaurants/Hotel	774	613	161	64	1612
Service	1023	810	213	85	2132
Education/Training	204	162	43	17	426
Craft	409	324	85	34	853
Total	4092	3240	853	341	8526

Source: County government of Tharaka-Nithi records (2017)

Sampling techniques refers to the sampling method used to arrive at the sample size. They are definite plans determined before any data are actually collected for obtaining a sample from a given population (Serekan & Bougie, 2010). Stratified sampling was used to classify the population into subgroups (strata) according to sectors. These were agricultural activity, wholesale/retail trade, restaurants/hotels/hostels, service, education/training and craft. Proportionate random sampling was used to draw a target sample from each stratum. According to Zikmund *et al.* (2010), random sampling ensures each element in the population has an equal chance of being included in the study.

A sample is a carefully selected subgroup or subset that is a representative of the population under study. Kothari and Gaurav (2014) defines a sample as a set of respondents (people) selected as representative individuals from a large population. According to Kumar and Singh (2014), an effective sample size is one which fulfills the requirements of efficiency, representativeness, reliability and flexibility for the researcher. The sample size was adopted from Krejcie and Morgan (1970) sample size table (Appendix iii) developed using the sample size formula for a finite population;

$$s = \chi^2 NP(1-P) \div d^2(N-1) + \chi^2 P(1-P).$$

s = required sample size, N = the population size.

χ^2= the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Thus, the required sample size (S) for this study was 368 MSMEs owners/managers based on the provided population size of N=8526, at confidence level of 95% and precision level of 5% with a response distribution of 50% (p and q). Other past studies that have used this formula include Njoku and Abdulhamid (2016) and Hanmaikyur (2016).

Table 3.2: Sampling Table

Sub-Sector	Population	Sample Size
Agricultural Activity	102	4
Wholesale/Retail trade	3401	147
Restaurants/Hotels	1612	70
Service	2132	92
Education/Training	426	18
Craft	853	37
Total	**8526**	**368**

Source: County government of Tharaka-Nithi records (2017)

3.5 Data Collection Instruments

Data collection is the process of gathering information on targeted variables in a systematic way, thus enabling the researcher to answer relevant questions. Data collection instruments on the other hand are the tools for data collection. In this study, data from the MSME owners/managers was collected using structured questionnaires. A questionnaire is a data collection instrument that sets out in a formal way the questions designed to elicit the desired information (Kothari & Gaurav, 2014). It consists of a list of questions and Likert rating scales relating to the inquiry. Questionnaires were considered appropriate for they are cheap method of data collection, flexible, easy to

administer, free from bias and able to collect varied information. They are also appropriate for descriptive studies since they collect information that is not directly observable (Cooper & Schindler, 2012).

3.6 Data Collection Procedures

Data collection procedure describes the 'how' actual data will be collected from the respondents. In order to have the completed questionnaires returned within the shortest possible time, this study adopted the hand delivery and collection method. Aliyu and Rosli (2014) opines that the hand delivery and collection method saves time, ensure clarification of doubts and misunderstood concepts and produce a high response rate. Further, it is considered appropriate due to its outstanding benefits of (1) the entire completed questionnaire can be collected within a short period of time (2) one can be on hand to give additional explanation on items that may require clarification by the respondents and (3) creates an opportunity to persuade the respondents to take part in the survey and give their sincere opinions where resistance may be noticed in line with the submissions of Sekaran and Bougie (2010). The instruments were administered by the researcher with the help of research assistants.

3.7 Pilot Testing

To ensure reliability and validity of the data collected, a pilot study was carried out to check the accuracy of instruments. In this study, 37 questionnaires were administered to test their reliability and validity. The proposed pilot test falls within the rule of thumb as proposed by Mugenda and Mugenda (2003) that 10% of the sample should constitute the pilot test. The efficacy and quality of data collected was checked and ambiguous questions edited before actual field work and data entry.

3.7.1 Reliability Test

Reliability refers to ability of research instrument to measure accurately with consistent results. It is the degree to which there is an absence of measurement errors (Burns &

Burns, 2012). To ensure reliability of the study, a pilot study was carried out followed by the computation of the Chronbach's alpha coefficient for each of the variables. The coefficient alpha or Chronbach's alpha is the average of all possible split-half coefficients resulting from different ways of splitting the scale items (Malhotra & Dash, 2012).

Cronbach's alpha is a general form of the Kuder-Richardson (K-R)20 formulas used to access internal consistency of an instrument based on split-half reliabilities of data from all possible halves of the instrument. It reduces time required to compute a reliability coefficient in other methods (Mugenda & Mugenda, 2003). The Kuder-Richardson (K-R) 20 is based on the following formula: -

$$KR_{20} = \frac{(K)\,(S^2 - \Sigma s^2)}{(S^2)\,(K-1)}$$

KR_{20}	*Reliability coefficient of internal consistency*
K	*Number of item used to measure the concept*
S^2	*Variance of all score*
s^2	*Variance of individual items*

The study instrument is reliable and has a relatively high internal consistency if an alpha coefficient of 0.70 or higher is obtained per every study objective.

3.7.2 Validity Test

Validity is the extent to which a test measures what it actually intended to measure and is concerned with the accuracy and meaningfulness of inferences. It tests the ability of a research instrument to measure what it claims to measure (Magigi, 2015), detect flaws,

limitations, weaknesses in design, instrumentation and provide proxy data for selection of a probability sample (Cooper & Schindler, 2012). The following measures were taken to ensure that the research instruments yielded valid data.

For content validity, the researcher solicited for expert opinion from the university supervisors, peers and professionals in the industry. Their comments, corrections and suggestions were incorporated thus assisting in the validation of the research instrument. Secondly, instruments pretest survey was carried out in a similar area of study. After the pretest, pilot data analysis led to the modification of the instruments where necessary to ensure desired results were obtained. Efforts were also be made to validate data collected by use of well-trained research assistants that are conversant with the MSMEs under study.

3.8 Statistical Tests

3.8.1 Linearity

Linearity is the property of a mathematical relationship or function which means that it can be graphically represented as a straight line also referred to as the goodness of fit line (Gujarati & Porter, 2010). In research, it refers to the degree to which a dependent variable has a linear relationship with one or more independent variables. This means that the expected value of dependent variable is a straight-line function of each independent variable, holding the others constant.

To test linearity, scatter plots for each independent variable against the dependent were plotted. Similarly, an ANOVA output table for the linear and nonlinear components of any pair of variables was computed using the SPSS version 22.0 with decision level that if value Sig. deviation from linearity is >0.05, then the relationship between the independent variables with the dependent variable is linearly dependent. If otherwise, then the relationship between the independent variables with the dependent variable is nonlinear.

3.8.2 Multicollinearity

Variance Inflation Factor (VIF) analysis was carried out to test the degree of possible multicollinearity of the independent variables in the regression model. Multicollinearity refers to the existence of exact linear relationship among the explanatory variables X_1, X_2, X_3 and X_4. The VIF and the tolerance statistics indicate whether a predictor has a strong linear relationship with the other predictor(s) (Field, 2013). For the VIF, a value 1-10 indicates the absence of multicollinearity. If the value is greater than 10, then there is multicollinearity that may be biasing the regression model. The tolerance statistics was also computed as the reciprocal of the VIF (i.e. INIF). Tolerance statistics values below 0.1 indicate a serious problem while those below 0.2 indicate a potential problem (Gujarati & Porter, 2010).

3.8.3 Homoscedasticity

Homoscedasticity assumes constant variance of the regression error term. This means the relationship under investigation is the same for the entire range of the dependent variable (Gujarati & Porter, 2010). The homoscedasticity test was by (1) graphical examination of the squared residuals and (2) Breusch-Pagan and Koenker tests. When the homoscedasticity assumption is met, the residuals will form a pattern less cloud of dots, and should show a random pattern across the entire range of ZPR_1 (Field, 2013). For the Breusch-Pagan and Koenker, they test the null hypothesis that heteroscedasticity not present (homoscedasticity) that if sig-value is greater than 0.05, reject the null hypothesis.

3.8.4 Normality

A normal distribution is assumed for parametric statistical procedures. A normality test is used to determine whether sample data has been drawn from a normally distributed population. Normal distributions take the form of a symmetric bell-shaped curve (Field, 2013). The test for normality can be done graphically or statistically. For this study, the

quantile-quantile plots (Q-Q plots), skewness and kurtosis and Kolmolgrov-Sminorv and Shapiro Wilk tests were used to check for normality. The Q-Q plots compares ordered values of a variable with quantiles of a specific theoretical normal distribution. If two distributions match, the points on the plot will form a linear pattern passing through the origin with a unit slope.

For skewness and kurtosis, a variable with an absolute skew-index value greater than 3.0 is extremely skewed while a kurtosis index greater than 8.0 is an extreme kurtosis (Kline, 2005). Cunningham (2008) stated that an index smaller than an absolute value of 2.0 for skewness and an absolute value of 7.0 for kurtosis is the least violation of the assumption of normality. George and Mallery (2010) opined that the values for asymmetry and kurtosis between -2 and +2 are considered acceptable in order to prove normality. This decision level was adopted for this study. Further, for the Kolmogorov-Smirnov and Shapiro-Wilk tests, they reject the null hypothesis of normality when the p-value is less than or equal to 0.05.

3.8.5 Test for Outliers

An outlier refers to a case that is significantly different from the main trend of the data and can thus cause bias in the data. Mahalanobis d-squared was used for multivariate testing on the independent and dependent variables. Where the no outlier condition is met, all observations should appear above the minimum and below the maximum in the box plots both for the dependent and the independent variables.

3.9 Factor Analysis

Principal Component Analysis was used to create composite scores for each variable under study. Principal Component Analysis (PCA) is a dimension-reduction tool that can be used to reduce a large set of variables to a small set that still contains most of the information in the large set. It is also used to describe variability among the observed and check for any correlated variables with the aim of reducing data that is found

redundant (Pasini, 2017). Sample adequacy was determined by use of Kaiser-Meyer-Olkin Measure of sampling adequacy (KMO) per every independent variable with a decision level accept if KMO >0.7(Cerny & Kaiser,1977).

3.10 Data Processing and Analysis

For completeness and consistency, the collected data was processed via editing and coding before presenting same for analysis. Qualitative data was analyzed using content analysis and interpreted through identification of main themes. The next step involved the classification of responses according to objectives. The responses were then integrated into themes using verbatim reports and represented in frequencies and percentages with which the theme occurred. Data collected on background information of the respondent and the firm was analyzed using frequencies and percentages.

Quantitative data was analyzed using the Statistical Package for Social Sciences (SPSS) version 22.0. Descriptive statistics such as mean and variance were utilized to draw general tendencies. Inferential statistics were used to draw inferences on the population on the basis of a sample. Tables and graphs were utilized to summarize the findings.

3.11 Hypotheses Testing

Hypothesis is a formal statement that presents the expected relationship between an independent and dependent variable. It is an assumption about a population parameter that is to be proved or disapproved. It is an inference used to guide the decision on whether to generalize the results from a sample to a population in the light of established facts. Hypotheses should be clear and precise, capable of being tested, capture the relationship between the variables, limited in scope and consistent with a substantial body of facts (Kothari & Gaurav, 2014). The testing of a statistical hypothesis is the application of an explicit set of rules for deciding whether to accept or reject the hypothesis. The main goal in many research studies, this included, is to check whether the data collected support certain statements or predictions as enumerated in chapter one.

To test each of the individual independent variables against the dependent variable (performance of MSMEs), t-test was used. For majority of business and management studies, researchers are satisfied to estimate the population's characteristics to be within plus or minus 3% to 5% of its true values (Saunders *et al.*, 2012). Accordingly, for this study, the desired level of precision was +/– 5% and a confidence level of 95%. The decision level was, reject null hypothesis if $P<0.05$ and fail to reject if $P>0.05$.

Karl Person correlation coefficient was used to test the level and direction of correlation between each independent variable and dependent variable. F-test was used to test if the joint effect of digital marketing, relationship marketing, pricing strategy and product/innovation on performance of MSMEs was greater than their individual effects at significance level 0.05 and a *P* -value derived there from compared with the level of significance in order to make a decision on whether or not to reject the statistical hypothesis. The decision level was, reject statistical hypothesis if $P>0.05$ and fail to reject if $P<0.05$.

3.11.1 Multiple Regression Analysis

A multiple regression analysis model was applied to determine the effect of entrepreneurial marketing (independent variable) on the performance of MSMEs (dependent variable) in Kenya. The choice of the multiple regression analysis model agreed with Gujarati and Porter (2010) and Malhotra and Dash (2012) that this technique is more robust to draw a reasonable conclusions in causal relationships. The regression model was conceptualized as follows;-

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y =MSMEs Performance

X_1 = Digital marketing

X_2 = Relationship Marketing

X_3 = Pricing Strategy

X_4=Product/Service innovation

β_0 = Constant

B_1- β_3 = Regression coefficients

ε = Regression error

With the assistance of the Statistical Package for Social Sciences (SPSS) software version 22.0, data was then organized, analyzed and interpreted on account of concurrence to the set objectives. Analysis of variance (ANOVA) was used to test the significance of the overall model at 0.05 level of significance.

3.12 Operationalization and Measurement of Variables

3.12.1 Dependent Variable

This study used perceptual measures of MSMEs' performance, with the conceptualized constructs being perceived increase in profitability, sales volume and customer base. This agrees with other numerous previous studies (Brouthers, Nakos, Hadjimarcou, & Brouthers, 2009; Brothers & Pieper, 2009; Kumar, & Singh, 2014; Mpunga, 2016). Perceptual measures are considered appropriate when (1) Firms are reluctant or unable to give "hard" financial data and (2) Objective financial data is not available for all the elements under study and or variations exist in accounting practices across the elements hindering the reconciliation of differences (Nauwelaerts, 2016). This correlates with a study by Gichuk*i et al.* (2014) which ascertained that lack of proper records keeping is a key challenge facing MSMEs in Kenya.

The aforementioned studies have shown that perceptual measures of performance satisfactorily correlate well with objective measures of firm performance. In this study, the dependent variable, performance of MSMEs, was operationalized as increase or decrease in sales, profitability and customer base. The respondents views were broken down into five point Likert scale responses as **5-**Very large **4-**Large **3-**Moderate **2-**Minimal **1-**Not at all.

3.12.2 Independent Variables

The indicators of the independent variable were as operationalized in the research objectives. These were digital marketing, relationship marketing, pricing strategy and product/service innovation. Based on theories and model developed in chapter two, and in line with the scale for the selected objectives, respondents views were broken down into five point Likert scale responses of 5 = strongly Agree, 4 = Agree, 3 =Neutral, 2 = Disagree and 1 = Strongly Disagree. The summary of the operationalization of the variables is presented in table 3.3.

Table 3.3: Operationalization of the Study Variables

Type of Variable	Name of Variable	Indicators of Variable
Dependent Variable	Firm Performance	• Sales - Increase or decrease in sales volume over the past 3 years • Profitability - Increase or decrease in sales volume over the cost of sales over the past 3 years • Customer Base - Increase or decrease in the number of customers over the past 3 years
Independent Variables	Digital Marketing	• Mobile phone marketing • Social media marketing • Internet marketing
	Relationship marketing	• Customer feedback • Customer involvement and orientation • Reliability and accountability
	Pricing strategy	• Pricing objectives • External Factors affecting pricing • Internal factors affecting pricing
	Product/Service innovation	• Introduction of new products/services • Introduction of improved products /services • Service quality

3.13 Compliance with Ethical Issues

This study involved collecting data from MSMEs in Tharaka-Nithi County. The methods included use of structured questionnaire to collect data from the MSME owners/managers. To meet the requirements of ethical principles and ensure confidentiality of interviewees and sampled firms, the following measures were employed.

First, the objective of the research project was well communicated to the participants as captured in the informed consent form issued to each proposed MSME owner/manager to clearly explain the study and participatory consents obtained prior to the start of the interviews. Secondly, the interviews were conducted at each participant's workplace with the free will to partially or completely withdraw at any time. Thirdly, the privacy of the participants and the confidentiality of data obtained from the participants was strictly maintained in such a manner that the respondents were not identified in the report or any related publications. Fourth, the interview records and subsequent transcripts were stored in a secure area, thus preventing unauthorized access to the raw data. Lastly, approval to carry out the research study was obtained from the university.

CHAPTER FOUR

RESEARCH RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents and discusses the results based on the objectives and hypotheses of the study as formulated in chapter one. The discussion is organized based on the objectives of the study. The chapter is organized into various sections namely respondents' characteristics, statistical tests results, study findings which present a detailed analysis and presentation, and discussion of the results.

4.2 Response Rate

The target population for the study was 8,526 licensed MSMEs in Tharaka-Nithi County. A total of 368 questionnaires were distributed to MSME owners / managers in Tharaka-Nithi County. Out of these, 302 were dully filled and returned representing a response rate of 82.1%. Mugenda and Mugenda (2003) posits that a response rate of 50% is adequate, 60% is good, and above 70% is very good. Therefore a response rate of 82.1% was adequate thereby implying that the data could be relied upon to draw reliable inferences about the population. The per sector stratum and overall response rate of this study is summarized in Table 4.1.

Table 4.1: Response Rate

Type of enterprise	Questionnaires Distributed	Questionnaires Received	% Response
Agricultural Activity	4	3	0.8%
Whole sale/Retail Trade	147	128	34.8%
Service	92	72	19.6%
Restaurant/Hotel/Hostel	70	56	15.2%
Education/Training	18	13	3.5%
Craft	37	30	8.2%
Total	**368**	**302**	**82.1%**

4.3 Reliability and Validity Test Results Analysis

Before conducting any analysis, the data was measured for internal consistency (reliability) using Cronbach's alpha. The Cronbach's alpha is used when there are multiple Likert questions in a survey or questionnaire is used as the data collection tool as was the case for this study. Based on the reliability statistics, it was evident that the survey questions had excellent internal consistency for all the Likert questions with $\alpha > 0.7$ (Table 4.2). The findings indicated that digital marketing had a coefficient of 0.976, relationship marketing 0.971, pricing strategy 0.965, product/service innovation 0.971 and performance coefficient of 0.861. Based on the coefficient values, the items tested were deemed reliable for this study.

Table 4.2: Reliability Test Results

Variables	Number of items	Cronbach's alpha	Comment
Digital Marketing Strategy	10	0.976	Accepted
Relationship Marketing Strategy	11	0.971	Accepted
Pricing Strategy	10	0.965	Accepted
Product/Service Innovation Strategy	10	0.971	Accepted
Performance	3	0.861	Accepted

Validity is the extent to which a test measures what it actually intended to measure and is concerned with the accuracy and meaningfulness of inferences (Mulyoki & Mulwa, 2012). The following measures were taken to ensure that the research instruments yielded valid data. For content validity, the researcher solicited for expert opinion from the university supervisors, peers and professionals in the industry. Their comments, corrections and suggestions were incorporated thus assisting in the validation of the research instrument. Secondly, instruments pretest survey was carried out in a similar area of study. After the pretest, pilot data analysis led to the modification of the instruments where necessary to ensure desired results were obtained. Efforts were also be made to validate data collected by use of well-trained research assistants that were conversant with the MSMEs under study.

4.4 Demographic Information

The highest number of respondents, 47.4% were from Meru South Sub County, followed by Maara 38.7%, Tharaka South 9.6% and Tharaka North 4.3%. These results tally with Tharaka-Nithi County Integrated Development Plan (2013) where the sub counties of Meru South and Maara are classified as the largest commercial sub-counties. Chuka town in Meru South is the largest with a projected population of 50,203 residents in

2017 followed by Chogoria town in Maara with a projected population of 36,521 in 2017. Marimanti, located in Tharaka South is the only urban centre in Tharaka with a projected population of 9,857 in 2017. All these towns serve as Sub County headquarters and this has immensely contributed to their fast growth. Of the respondents, 53.3% were female while the male counterparts accounted for 46.7%. Approximately 15.2% of the respondents were between 18 and 25 years, 39.1% were between 26 and 35, 25.5% were aged between 36 and 45 while 20.2% were above 45 years. Further, 93.4% had attained some level of formal education. This revealed that participants were mature and educated enough to give reasonable information to the research questions. Of the respondents, 53% were married. This, inferred that majority of the MSMEs are family businesses within a family set-up especially within the management category. This information is summarized in Table 4.3.

Table 4.3: Descriptive Statistics on Respondents' Demographic Information

Main Factor	Factor Level	Frequency	Percent
Sub-County	Meru South	143	47.4
	Maara	117	38.7
	Tharaka -South	29	9.6
	Tharaka-North	13	4.3
Gender	Male	141	46.7
	Female	161	53.3
Age Bracket	18 to 25 years	46	15.2
	26 to 35 years	118	39.1
	36 to 45 years	77	25.5
	Above 45 years	61	20.2
Marital Status	Single	93	30.8
	Married	160	53.0
	Divorced	16	5.3
	Widowed	33	10.9
Level of Education	None	20	6.6
	Primary	65	21.5
	Secondary	108	35.8
	College/Tertiary	59	19.5
	University	50	16.6

4.5 Business Background Information

The business background information revealed that most of the respondents (42.4%) were engaged in wholesale/retail trade, 23.8% were in the service industry, 18.5% were in the restaurant/hotel business, 9.9% were involved in craft, 4.3% in education/training and the remaining 1% focused on agricultural activities (see Figure 4.1). The results resonate with the national survey, KNBS (2016), which postulated that a majority of the Kenyan MSMEs are engaged in the wholesale/retail trade. Additionally, Tharaka-Nithi is a rural County and thus it is evident that agriculture is still practiced for subsistence purposes other than as enterprise.

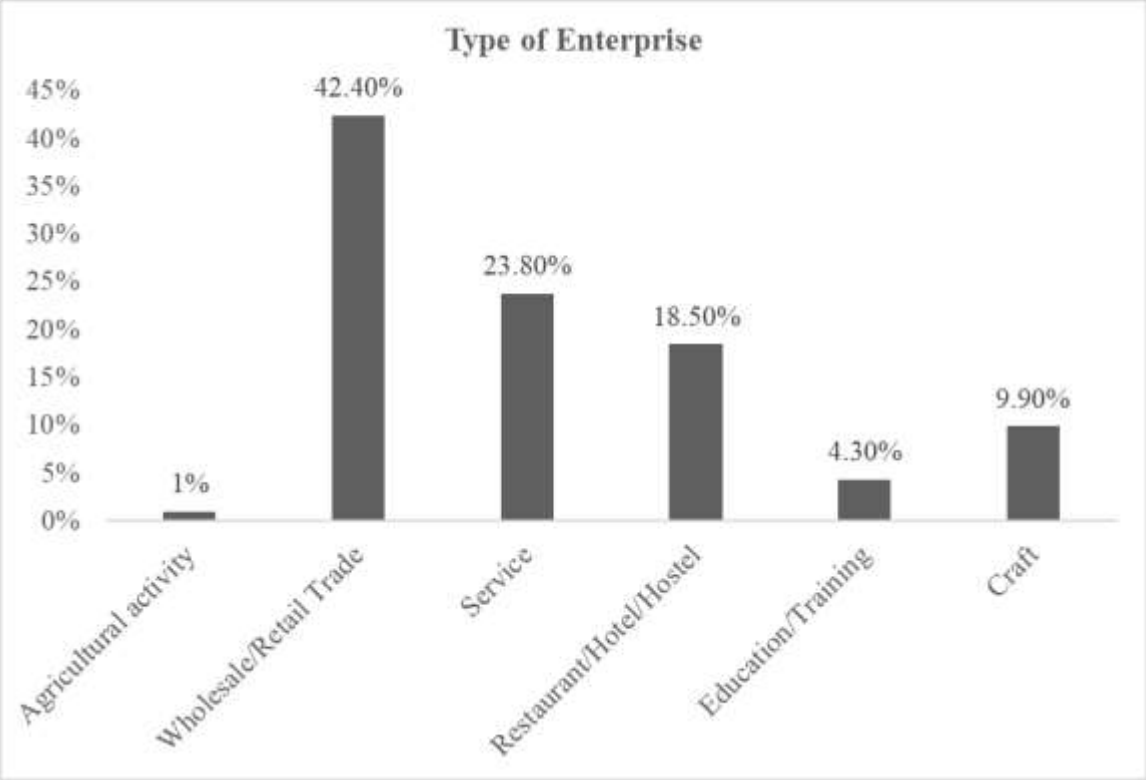

Figure 4.1: Type of Enterprise

Further, most of the participants (57%) were sole proprietors, while partnerships accounted for 38.1% of the sample population and only 5% claimed to have limited companies as depicted by Figure 4.2.

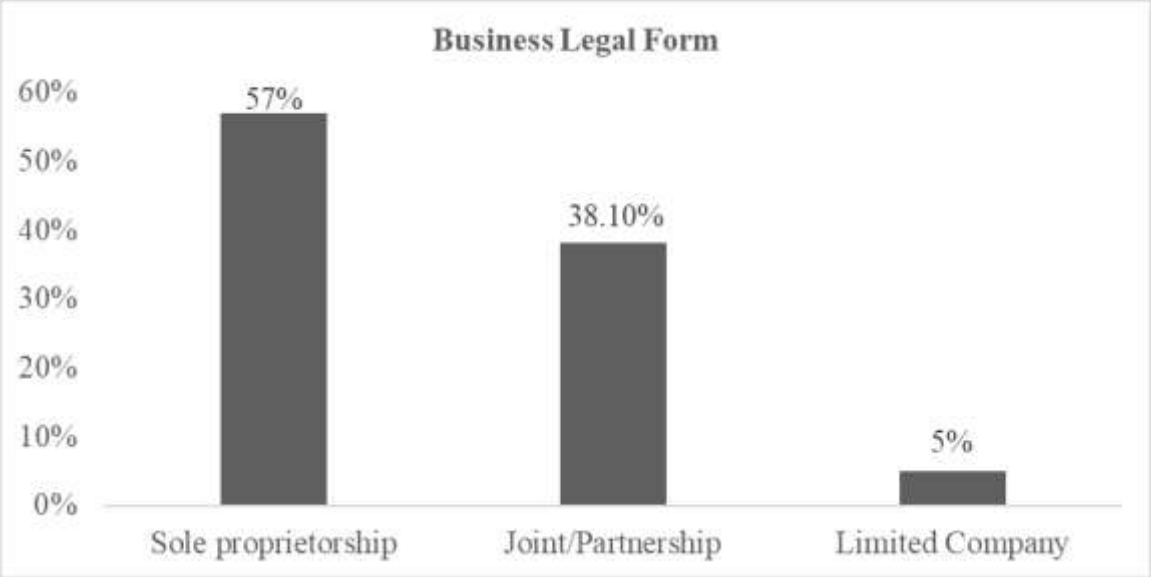

Figure 4.2: Business legal Form

Table 4.4 provides a detailed examination of the business background information. From the results, it is evident that most of the respondents had their business in operation between 1 and 5 years (53%), 28.1% for over 5 years and 18.9% for less than 1 year. This confirmed that a majority of the MSMEs had operated beyond three years and thus relevant to the study. Most of the daily sales of the sampled businesses averaged below Ksh 10,000 (40.1%), 30.5% between 10,000 and 20,000, 12.3% between 20,000 and 30,000 and 4.3% above 50,000 over the last three years. Majority of the businesses had an estimated daily profitability below KSh 10,000 (67.2%) while few made it above the KSh 50,000 mark (1.3%) over the last three years. Finally, most of the firms could be said to be experiencing a growth spurt in performance as shown by 70.9% of the respondents, 15.9% remained the same and the remaining 13.2% perceived that the

performance of their enterprises was declining. Therefore, it can be inferred that majority of the MSMEs owners/managers in Tharaka-Nithi county perceived that the performance of their firms was increasing.

Table 4.4: Descriptive Statistics on Businesses' background Information

Main Factor	Factor Level	Frequency	Percent
Years in Operation	Less than 1 year	57	18.9
	1-5 years	160	53.0
	Over 5 years	85	28.1
Estimated Daily Sales (Ksh)	Below 10,000	121	40.1
	10,001-20,000	92	30.5
	20,001-30,000	37	12.3
	30,001-40,000	18	6.0
	40,001-50,000	21	7.0
	Above 50,000	13	4.3
Estimated Daily profits (Ksh)	Below 10,000	203	67.2
	10,001-20,000	52	17.2
	20,001-30,000	18	6.0
	30,001-40,000	15	5.0
	40,001-50,000	10	3.3
	Above 50,000	4	1.3
Perceived Firm performance over the last 3 years	Growing	214	70.9
	Remained the same	48	15.9
	Declining	40	13.2

The respondents were further asked to highlight other strategies they employed where the highest at number 45.9% were employing products display as a marketing strategy.

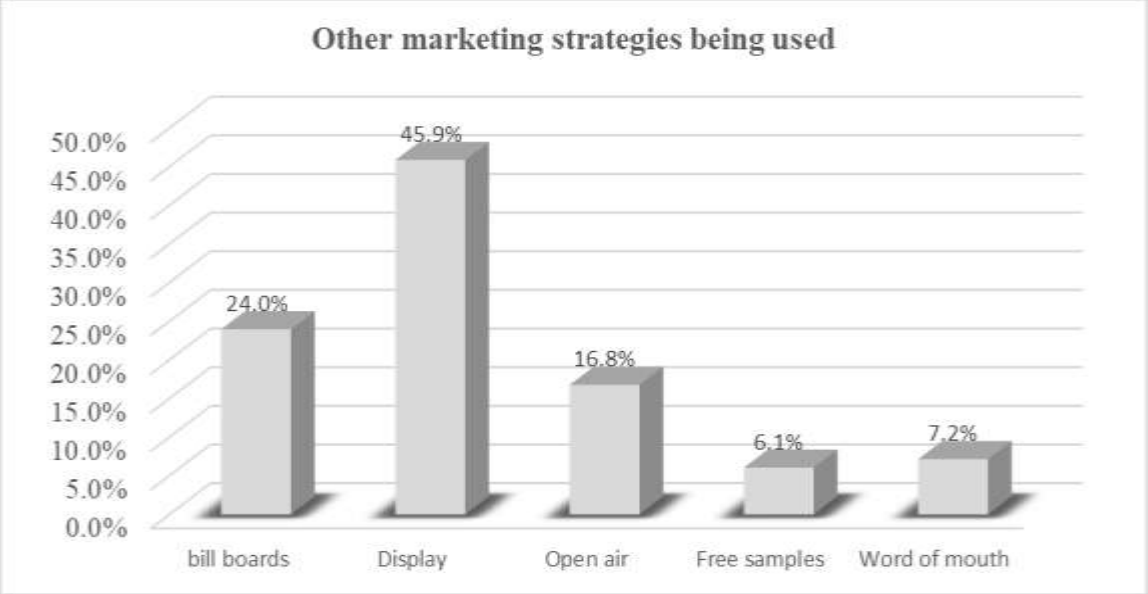

Figure 4.3: Other Marketing Strategies by the MSMEs

The respondents were also asked to highlight some of the challenges they were experiencing in marketing their products/ services. High cost of internet, steep competition, high cost of quality goods and high marketing costs at 18.6%, 25.5%, 10.5% and 45.5% respectively were sighted as the biggest challenges. The respondents were likewise asked to suggest solutions to the identified challenges. A majority at 58.5 proposed that the county government should lower the cost of various activities associated with marketing such as bill boards, displays and open air fees. A further 22.8 % suggested that the government should create more employment as this helps create a ready market for their products and services. This information inferred that cost is a critical element affecting the marketing function of micro, small and medium size enterprises and that unemployment had a negative impact on the performance of MSMEs.

4.6 Statistical Tests

Various statistical tests were performed to eliminate biases within the conceptualized regression model. These were linearity, multicollinearity, homoscedasticity, normality and test for outliers' tests.

4.6.1 Linearity Test

In this study, the linearity test was done both graphically by use of scatter plots and statistically by use of ANOVA output tables. As illustrated in Table 4.5, the linearity test results for digital marketing, relationship marketing, pricing strategy and product/service innovation had significant F values (F=167.267, P=0.000<0.05), (F=333.831, P=0.000<0.05), (F=188.765, P=0.000<0.05) and (F=289.126, P=0.000<0.05) respectively. This means that there was a linear relationship between dependent and independent variables. The test for deviation from linearity (nonlinear) for digital marketing, relationship marketing, pricing strategy and product/service innovation had insignificant F values (F=0.776,P=0.940>0.05), (F=1.3,P=0.059>0.05), (F=0.946, P=0.634>0.05) and (F=0.993,P=0.521>0.5) respectively an indication that there were no nonlinear relationships in addition to the linear components.

Table 4.5: ANOVA Results of the Linearity Test

			Sum of Squares	df	Mean Square	F	Sig.
Performance * Digital Marketing	Between Groups	(Combined)	218.864	163	1.343	1.797	0.000
		Linearity	124.947	1	124.947	167.267	0.000
		Deviation from Linearity	93.917	162	0.58	0.776	0.940
	Within Groups		103.085	138	0.747		
	Total		321.949	301			
Performance * Relationship Marketing	Between Groups	(Combined)	261.325	172	1.519	3.233	0.000
		Linearity	156.886	1	156.886	333.831	0.000
		Deviation from Linearity	104.439	171	0.611	1.3	0.059
	Within Groups		60.624	129	0.47		
	Total		321.949	301			
Performance * Pricing Strategy	Between Groups	(Combined)	233.365	169	1.381	2.058	0.000
		Linearity	126.679	1	126.679	188.765	0.000
		Deviation from Linearity	106.685	168	0.635	0.946	0.634
	Within Groups		88.585	132	0.671		
	Total		321.949	301			
Performance * Product/Service Innovation	Between Groups	(Combined)	253.497	176	1.44	2.63	0.000
		Linearity	158.332	1	158.332	289.126	0.000
		Deviation from Linearity	95.165	175	0.544	0.993	0.521
	Within Groups		68.453	125	0.548		
	Total		321.949	301			

Further, a visual examination of the scatter plots as shown in Figures 4.3 to 4.6 suggest a positive linear relationship between performance and each of the independent variables. This implied that the higher the digital marketing, relationship marketing, pricing strategy and product/service innovation, the higher the performance of the MSMEs.

Therefore, the level of influence of the hypothesized independent variables could statistically be determined by performing a linear regression analysis.

Figure 4.4: Linearity Test on Digital Marketing

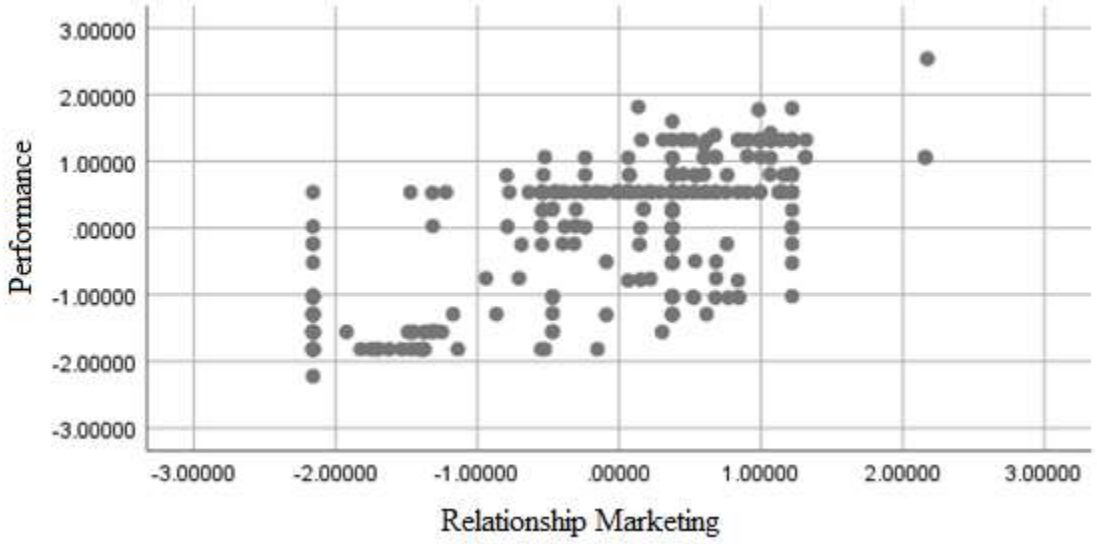

Figure 4.5: Linearity Test on Relationship Marketing

Figure 4.6: Linearity Test on Pricing Strategy

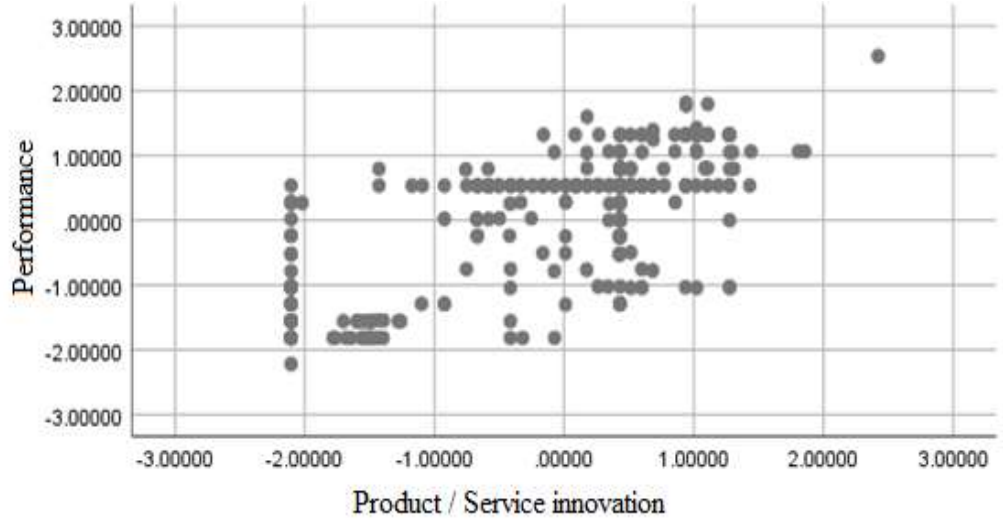

Figure 4.7: Linearity Test on Product / Service Innovation

4.6.2 Multicollinearity

Variance inflation factor (VIF) and tolerance statistics tests were performed to make sure there were no perfect linear combinations between the independent variables. Multicollinearity affects regression results significantly due to the reason that the coefficient estimates become unstable and wildly inflated. Table 4.6 show the test results for multicollinearity, using both the VIF and tolerance. With all VIF values being less than 5, it was concluded that there was no presence of multicollinearity in this study. The tolerance values for all the independent variables were closer to one (1) than zero (0) meaning that the data had no perfect linear combinations between the independent variables.

Table 4.6: Multicollinearity Test

	Collinearity Statistics	
Model	Tolerance	VIF
Product/Service Innovation	0.679	1.473
Digital Marketing	0.661	1.512
Relationship Marketing	0.520	1.925
Pricing Strategy	0.669	1.495

a. Dependent Variable: Performance

4.6.3 Homoscedasticity test.

Homoscedasticity assumes constant variance of the regression error term. The homoscedasticity test was by graphical examination of the squared residuals through resultant standardized scatter plots and statistically through the Breusch-Pagan and Koenker tests. Checking the data for homoscedasticity, it was evident that the residuals are homoscedastic since there was no obvious pattern in the scatter plot (Figure 4.8).

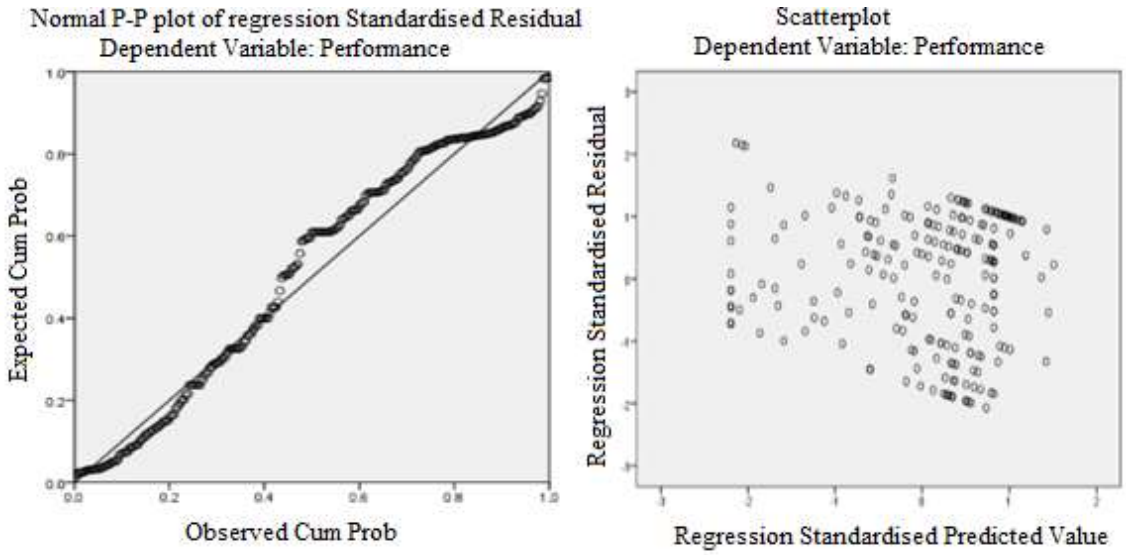

Figure 4.8: P-P and Scatter plot; Homoscedasticity test

Likewise, Breusch-Pagan and Koenker tests were used to reaffirm the results of this assumption. The two tests the null hypothesis that homoscedasticity assumption is met if sig-value is less than 0.05, reject the null hypothesis. In this study, Breusch-Pagan and Koenker indicated p-values >0.05 hence heteroscedasticity was not a problem as shown in Table 4.7. This means that the assumption of homoscedasticity was satisfied.

Table 4.7: Breusch-Pagan and Koenker Tests for Homoscedasticity

Test	Test value	sig
Breusch-Pagan	8.80	.066
Koenker test	3.516	.061

4.6.4 Normality test

The data was checked for normality of the residuals diagrammatically (Q-Q plots) and statistically (Skewness and kurtosis and Kolmogrov Sminorv and Shapiro Wilk test). A look at the normal Q-Q plots (Figures 4.8 to 4.12) ascertained that the points generally

followed the normal distribution with no strong deviations. This implied that the residuals were normally distributed.

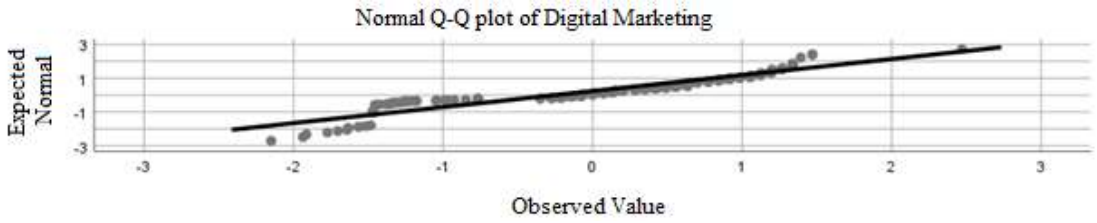

Figure 4.9: Normality Test on Digital Marketing

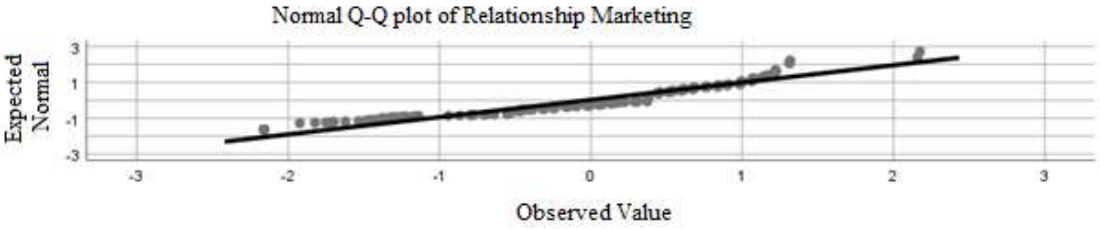

Figure 4.10: Normality Test on Relationship Marketing

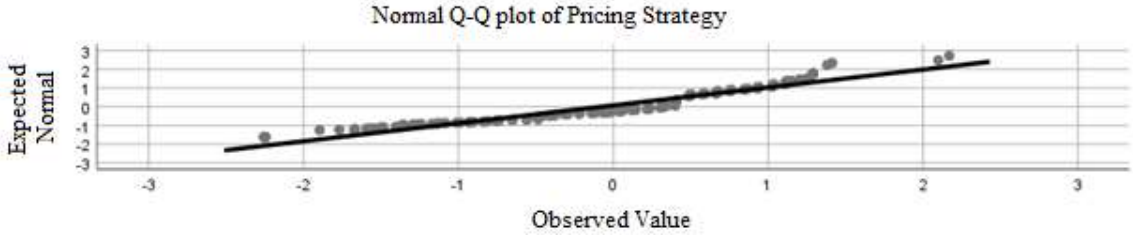

Figure 4.11: Normality Test on Pricing Strategy

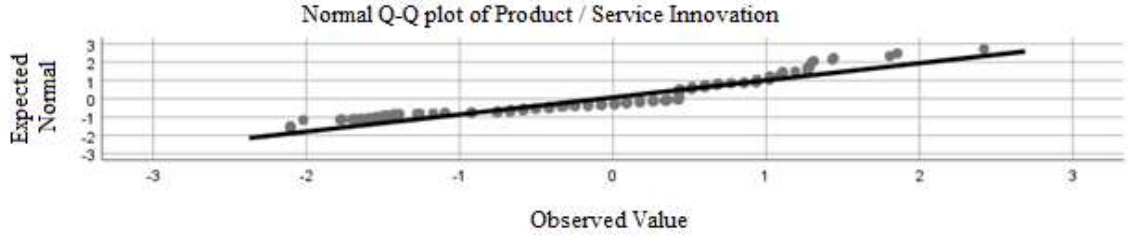

Figure 4.12: Normality Test on Product/Service Innovation

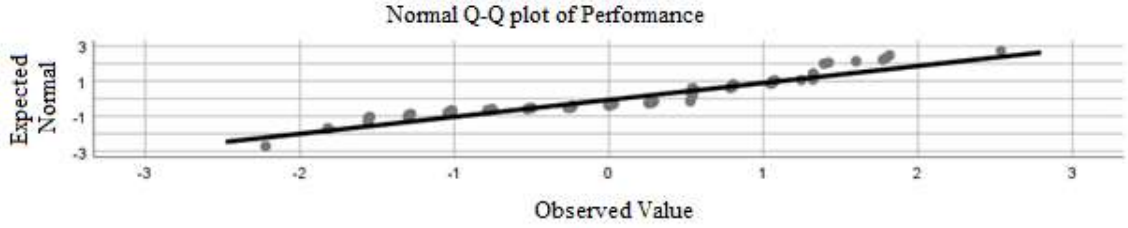

Figure 4.13: Normality Test on the Dependent Variable, Performance

To corroborate the normality results as illustrated by the Q-Q plots, the assumed normal distribution was also assessed by examining its skewness and kurtosis. The normality test results of the study variables indicated skewness and kurtosis in the range of -1 and +1 as shown in Table 4.8. This implied that the assumption of normality was satisfied.

Table 4.8: Skewness and Kurtosis

	N	**Skewness**		**Kurtosis**	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Digital Marketing	302	.031	.140	-.438	.280
Relationship Marketing	302	-.733	.140	-.302	.280
Pricing Strategy	302	-.762	.140	-.228	.280
Product/Service Innovation	302	-.677	.140	-.619	.280
Performance	302	-.543	.140	-.852	.280
Valid N (listwise)	302				

Subjecting the data to Kolmogorov-Smirnov and Shapiro-Wilk test, the results showed a p-value > 0.05 (Table 4.9). The two tests reject the null hypothesis of normality when the p-value is less than or equal to 0.05 (Sharpiro & Wilk, 1965) illustrating that the standardized residuals were significantly normally distributed.

Table 4.9: Kolmogorov-Smirnov and Shapiro-Wilk Tests

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Digital Marketing	.018	302	.200*	.995	302	.436
Relationship Marketing	.016	302	.200*	.998	302	.977
Pricing Strategy	.013	302	.200*	.997	302	.850
Product/Service Innovation	.020	302	.200*	.992	302	.103
Performance	.028	302	.200*	.993	302	.170

a. Lilliefors Significance Correction

4.6.5 Test for Outliers

Mahalanobis d-squared was used for multivariate testing of the study variables where they produced reasonable box-plots as shown in Figure 4.13 signifying that all the constructs had no outliers identified. This means that no observation appeared above the maximum and below the minimum in the box plots both for the dependent and the independent variables.

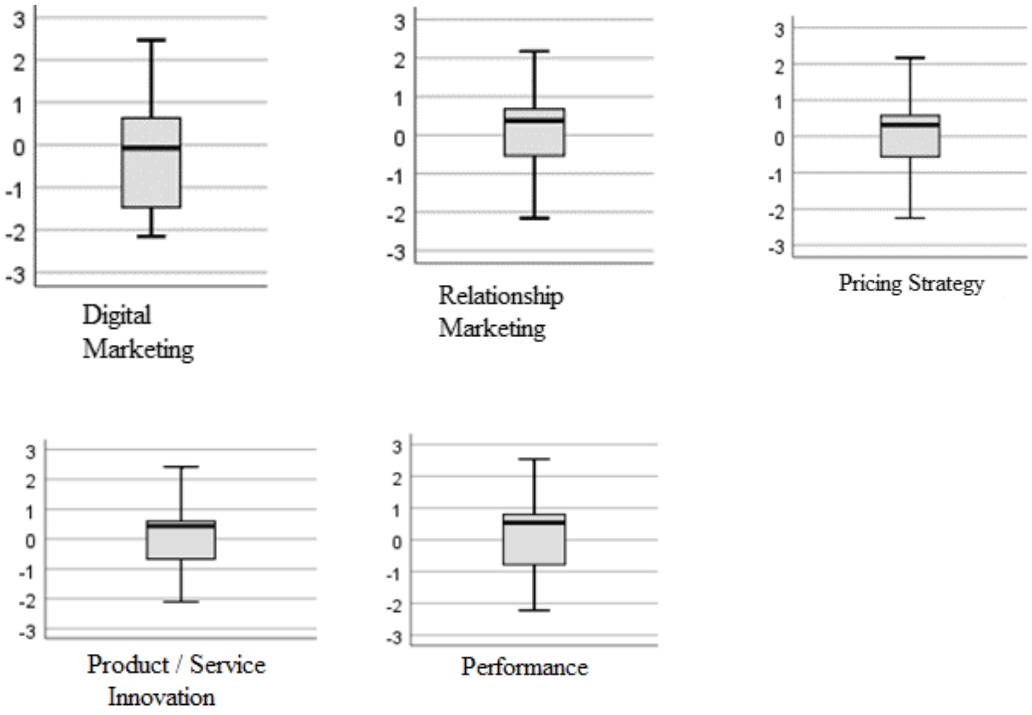

Figure 4.14: Tests for outliers

4.7 Digital Marketing and Performance of MSMEs

The study sought to determine of the total respondents, how many specifically used digital marketing in their enterprises. From the results in Table 4.10, it is evident that more MSME owners/ managers at 59.27 % utilized digital marketing as compared to 40.73% who did not.

Table 4.10: Frequency Distribution on Respondents' Use of Digital Marketing

	Do you deploy digital marketing in your business?			Total
	Yes	%	No	
Respondents	179	59.27%	123	302

Further, it was evident from the results (Table 4.11) that the mobile phone was used more as a digital marketing tool at 49.72% as compared to websites and social media platforms such as whatsup, facebook and Emails. This can be attributed to the high mobile phone penetration in Kenya including in the rural areas. According to CAK (2016), Kenyans continue to embrace use of mobile services with the number of mobile subscribers increasing to 40.3 million, representing a penetration rate of 88.7 percent. The results of this study agrees with findings by Kiveu and Ofafa (2014) who while studying the role of ICT in enhancing market access in Kenyan SMEs, found out that the mobile phone is the most used ICT tool for it was rated most significantly in terms of desirability, accessibility and affordability. They established that Mobile phones emerged as the preferred ICT tool to SMEs due to affordability, ease of use, and a reliable network. They ascertained that more than 95% of SMEs owners/managers in Kenya owned mobile phones with subscription reaching 30.7 million in April, 2013. From the study, it was revealed that cost of Internet was a major inhabitation for use of Internet based platforms for marketing purposes.

Table 4.11: Frequently Used Digital Marketing Tools

Factor		Do you deploy digital marketing in your business?	
		Yes	%
Please indicate some of the digital marketing strategies adopted by your business to market its products /Services	Internet (Website)	38	21.23%
	Whatsup	41	22.91%
	Facebook	5	2.79%
	Mobile phone	89	49.72%
	Email	6	3.35%
Total		179	100.00%

Further, a cross tabulation of the data on use of digital marketing and perceived firm performance in the last three years was performed. Of the total respondents, 41.39% of those who adopted digital marketing perceived that their firms were growing against 8.61% and 9.27% who opined that their firms' performance either remained the same or was declining respectively as presented in Table 4.12.

Table 4.12: Cross tabulated results on use of Digital Marketing and Perceived Firm Performance in the last three years

Factor		Do you deploy digital marketing strategies to your business?			
		Yes	%	No	Total
Which of the status below best describes your firm performance in the last three(3) years	Growing	125	41.39%	89	214
	Remained the same	26	8.61%	22	48
	Declining	28	9.27%	12	40
Total		179	59.27%	123	302

The results agree with the findings of Waithaka *et al.* (2014) who established that social media or internet marketing affect the growth of small businesses and that the more business used the social media, the more they were able to reach more customers. Leong *et al.* (2012) studying the factors affecting the performance of SMEs in Malaysia established that application of IT had a significant positive relationship with increased performance of SMEs in Malaysia. They argued that the adoption of ICT tools assists organizations in storing information as well as communicating with customer, suppliers and other business partners who facilitated business transactions. As a result, this led to better performance.

Further, the respondents were asked to evaluate various statements relating to the effect of digital marketing tools on the performance of their firms making use of the scale: 1=SD-Strongly Disagree, 2=D-Disagree, 3=N-Neutral, 4=A-Agree and 5=SA-Strongly Agree. Their responses were as shown in Table 4.13. All the resulting means of above 4.0 signified low variability in respondents' opinion in all the variables measuring digital marketing and performance of MSMEs. The resulting standard deviations of less than half the means ascertained that the differences of responses given was insignificant. The overall rating had a mean of 4.16 and standard deviation of 1.503 which indicates that majority of the respondents agreed or strongly agreed with the statements relating to effect of digital marketing on the performance of their firms.

According to the results of this study, 83.0% of the respondents felt that deploying internet marketing strategies grew their firms' profitability and sales volume while 74.0% conjectured that such strategies contributed towards customer attraction and retention. Moreover, 70% opined that Internet marketing enhanced their firms' competitive advantage. Likewise, the respondents agreed that they leveraged the mobile phone to grow their sales volume (81.0%), profitability (70.0%) and customer base (74.0%). Similarly, the results showed that utilizing social media platforms to market firms' products and services improved their sales (70.0%), profitability (69.0%) and clients' retention (71.0%). Overall, 71.0% of the respondents agreed that adoption of

digital marketing strategies increased their clients' base, sales volumes, profitability and hence firm performance.

Table 4.13: Digital Marketing and Performance of MSMEs

Code	Digital Marketing Strategy	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
DMS1	Adopting internet marketing allows firms to increase their sales volumes and profitability	3	4	10	57	26	4.42	1.712
DMS2	Use of internet marketing strategies enhances a firm's competitive advantage	4	10	16	45	25	4.24	1.128
DMS3	Marketing through the internet greatly promotes the ability of business firms to attract and retain customers	11	6	9	51	23	4.09	1.590
DMS4	A business firm can leverage the high mobile phone penetration in Kenya to significantly grow their sales volumes	4	6	9	54	27	4.11	1.753
DMS5	Mobile phones are key in promoting market penetration	8	8	10	44	30	4.19	1.459
DMS6	Many businesses have been able to increase their profitability through by marketing using the mobile phone	12	9	9	47	23	4.09	1.609
DMS7	It is possible to attract and retain customers by effectively utilizing the social media platforms	10	6	12	51	20	4.05	1.519
DMS8	Those firm that leverage the social media platforms such as facebook and whatsup as marketing tools are more likely to achieve higher sales volumes	7	8	15	40	30	4.09	1.537
DMS9	Social media is an effective way for business firms to grow their profitability	12	9	9	29	40	4.16	1.575
DMS10	Digital marketing strategies overly positively and significantly increases clients' base, sales volumes, profitability and hence firm performance	12	10	8	44	27	4.12	1.149
	Overall						4.16	1.503

4.7.1 Factor Analysis on Digital Marketing

Factor analysis is a requisite step in multiple regression analysis as it is used to create composite scores for each variable under study. Principal composite analysis was carried out on the data to describe variability among the observed and check for any correlated elements with the aim of reducing data that was found redundant. Sample adequacy was determined by use of Kaiser-Meyer-Olkin Measure of sampling adequacy (KMO) per every independent variable with a decision level accept if KMO >0.7(Cerny & Kaiser,1977).

Factor analysis carried out on digital marketing had all the indicators scoring factor loadings of more than 0.5 (Table 4.14) and were therefore retained for further analysis. The sample was also adequate since Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) attained was 0.959, above the threshold of 0.7. The digital marketing variable factor constructed was able to explain 82.540 % >70% of the total variance in the digital marketing variable hence the variables exhaustively explained the variation in the factor.

Table 4.14: Factor Analysis on Digital Marketing

Digital Marketing Strategy	Factor Loading
Adopting internet marketing allows firms to increase their sales volumes and profitability	0.888
Use of internet marketing strategies enhances a firm's competitive advantage	0.940
Marketing through the internet greatly promotes the ability of business firms to attract and retain customers	0.907
A business firm can leverage the high mobile phone penetration in Kenya to significantly grow their sales volumes	0.916
Mobile phones are key in promoting market penetration	0.889
Many businesses have been able to increase their profitability through by marketing using the mobile phone	0.909
It is possible to attract and retain customers by effectively utilizing the social media platforms	0.893
Those firm that leverage the social media platforms such as facebook and whatsup as marketing tools are more likely to achieve higher sales volumes	0.912
Social media is an effective way for business firms to grow their profitability	0.914
Digital marketing strategies overly positively and significantly increases clients' base, sales volumes, profitability and hence firm performance	0.916

KMO=0.959 ;Bartletts $p<0.05$; Total variance extracted=82.540%

Hypothesis H_{a1}: Digital marketing has a significant positive effect on performance of MSMEs in Kenya.

Pearson product moment correlation coefficient (r) was used to aid in establishing correlation between digital marketing and performance of MSMEs. Correlation coefficient shows the magnitude and direction of the relationship between study variables. The resulting correlation coefficient of 0.623 (Table 4.15) implied that there is a moderately strong positive correlation between digital marketing and performance of MSMEs. The correlation was also significant at a p-value of 0.000, α=0.05. This inferred that an increase in digital marketing led to an increase in the performance of an enterprise.

Table 4.15: Pearson's correlation Coefficient between Digital Marketing and Performance of MSMEs in Kenya

		Performance	**Digital Marketing**
Performance	Pearson Correlation	1	.623*
	Sig. (2-tailed)		.000
	N	302	302
Digital Marketing	Pearson Correlation	.623*	1
	Sig. (2-tailed)	.000	
	N	302	302

*Correlation is significant at the 0.05 level (2-tailed).

Moreover, the generated R square value of 0.388 as presented in Table 4.16 depicted that digital marketing accounted for 38.8% of the variation in performance leaving 61.2% unexplained (error term). Thus, it can be concluded that digital marketing had moderate positive effect on performance of MSMEs.

Table 4.16: Digital Marketing Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.623[a]	.388	.386	.81035372

a. Predictors: (Constant), Digital Marketing

Further, the ANOVA test results in Table 4.17 showed a p-value of 0.000 which was less than 0.05. Thus, the model of digital marketing and performance of MSMEs was overally significant.

Table 4.17: ANOVA Regression Results between Digital Marketing and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	124.947	1	124.947	190.273	.000[b]
	Residual	197.002	300	.657		
	Total	321.949	301			

a. Dependent Variable: Performance

b. Predictors: (Constant), Digital Marketing

The results as presented in Table 4.18 show that the regression weight for digital marketing was positive and significant (β_1= 0.612, p < .05, Sig 0.000) with the model summarized as $Y=0.227+0.612X_1$. Since β_1 =0.612, it can be concluded that one unit increase in digital marketing increased performance by 0.612 units other factors held constant. In addition, the p-value at 0.000<0.05 signified that digital marketing individually had a significant positive effect on performance of MSMEs in Kenya.

Table 4.18: Coefficients of Digital Marketing and Performance of MSMEs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.227	.048		4.735	.000
	Digital Marketing	.612	.044	.623	13.794	.000

a. Dependent Variable :Performance

4.7.2 Discussion of Findings on the Effect of Digital Marketing on Performance of MSMES

The regression analysis on Table 4.18 revealed that digital marketing has a positive effect on the performance of MSMEs in Kenya. For every unit increase in digital marketing, performance increases by 0.612 units other factors held constant. The Pearson product moment correlation coefficient also established a positive correlation between digital marketing and performance of MSMEs (r = 0.623, p-value = 0.000) at 0.05 level of significance. Thus, the study supported the statistical hypothesis, H_{a1}: Digital marketing has a significant positive effect on performance of MSMEs in Kenya.

The results of this study are consistent with findings of other previous studies that investigated the role of various digital marketing strategies on firm performance. A study by Njau and Karugu (2014), examining the influence of e-marketing on the performance of small and medium enterprises in Kenya found a significant positive influence of search engine marketing, email marketing, blog marketing, and online advertising on business performance. The study also revealed that SMEs in Kenya who are keen on adopting e-marketing had achieved above average business performance as compared to their counterparts that failed to adopt the e-marketing strategy.

The study findings also concur with that Njau and Njuga (2015) who while studying Mobile phones usage in micro enterprises in Tanzania, and its impact on their performance found out that the more the use of mobile phone services by micro entrepreneurs, the more the business succeeded. This was made possible by the virtue that mobile phones can be used anywhere and anytime when need arises, it is more convenient, and is immediate if employed in business communication.

The results also supports the work of Oztamura and Karakadilar (2015) who explored the role of social media for SMEs as a new marketing strategy tool from a firm performance perspective, and established that social media affects the amount of customer followers to SMES and also provides a quick manner to respond to all communication attempts by their customers. This enhances customer followership, retention and hence superior business performance. The results are also consistent with findings of Leong *et al*. (2012) who while studying the factors affecting the performance of SMEs in Malaysia established that application of IT had a significant positive relationship with performance of SMEs.

The findings of this study are in addition in agreement with dynamic capabilities theory as articulated by Teece *et al*. (1997) who argued that current business environments present more challenges than ever to efficient and effective management. This is due to hypercompetitive environments characterized by major discrete environmental shifts in competitive, technological, social, and regulatory domains. Such an environment rarely provides an equilibrium. This demands for continuous customer engagement as co-creators and development of key capabilities that contribute to a continuous superior performance. Thus, business enterprises that are able to configure their capabilities towards adoption of the technological tools presented within the highly dynamic operating environment are more likely to achieve superior performance as compared to those who did not.

4.8 Relationship Marketing and Performance of MSMEs

In the current world of business, there has been a paradigm shift from the traditional 'transactional exchanges' to 'relational exchanges'. According to Grönroos (1996, 2000), relationship marketing is concerned with the development of long-term relationships with customers and other stakeholders, for profitable gains, so that the objectives of all parties are met. The major aim of relationship marketing is therefore, to achieve customer loyalty so that mutually profitably and long-term relationships are developed and maintained with customers for superior performance. The respondents to this study were asked if they deployed relationship marketing to their businesses. The results are as shown in Table 4.19.

Table 4.19: Frequency Distribution on the Use of Relationship Marketing

Deployed relationship marketing strategies	Frequency	Percent
Yes	187	61.9
No	115	38.1
Total	302	100.0

It was also evident that majority at 86.5% relied on combined approaches of customer involvement and orientation and the core values of reliability and accountability as a key relationship marketing strategies. Other strategies mentioned included products quality and attending to their clients' event. Offering of additional products upon purchase was also employed more so within the restaurants / hotel stratum.

On cross tabulating the results of the respondents who agreed to be utilizing relationship marketing and their perceived firm performance over the last three years, (see Table 4.20), it was evident that 70.59% of the respondents who deployed relationship marketing perceived their firms' performance to be growing, 15.51% remained the same and 13.9% were declining. Thus, it can be argued that firms that adopted the RM strategy performed better as compared to those which did not.

Table 4.20: Cross tabulated results on use of Relationship Marketing and Perceived Firm Performance in the last three years

Factor		Do you deploy relationship marketing strategies to your business? Yes	%	No	Total
hich of the status below best describes your firm performance in the last three(3) years	Growing	132	70.59%	82	214
	Remained the same	29	15.51%	19	48
	Declining	26	13.90%	14	40
Total		187	100.00%	115	302

Additionally, the respondents were asked to evaluate a set of statements on relationship marketing strategies in relation to their firm performance over the last three years on a scale of 1 to 5, where 1 was strongly disagree and 5 was strongly agree.

The results as presented in Table 4.21 indicated that entrepreneurs that were careful to promote clients' relationships through timely feedback grew their customer base and retention (78.0%), sales volume (71.0%) and profitability (75.0 %). Similarly, the results showed that MSMEs that were more customer oriented, involving them in products/services decisions recorded better performance in regard to client retention (79.0%), profitability (80.0%) and sales volume (82.0%) as opposed to those who didn't. Further, accountability and reliability of the MSMEs towards their customers improved client attraction and retention, profitability and sales volumes by 79.0%, 77.0% and 82.0% respectively.

In sum total, the results (82.0%) revealed that cultivating relationship marketing by MSMEs improved business performance through increased sales volumes, client base and profitability. Moreover, all the resulting means of above 3.5 signified low variability in respondents' opinion in all the variables measuring relationship marketing and performance of MSMEs. The resulting standard deviations of less than half the means

ascertained that the differences of responses given was insignificant. The overall rating had a mean of 4.30 and standard deviation of 1.390 which indicates that majority of the respondents agreed or strongly agreed with the statements relating to effect of relationship marketing on the performance of their firms.

Table 4.21: Relationship Marketing and performance of MSMEs

Code	Relationship Marketing Strategy	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
RMS1	A good and positive relationship with customers promotes customers loyalty	10	4	8	50	28	4.20	1.317
RMS2	Timely client feedback helps a firm attract and retain customers	6	7	16	48	23	4.10	1.367
RMS3	A firm that provides timely feedback to its clients is likely to improve its profitability	8	6	9	50	25	4.19	1.383
RMS4	The more the business firm focuses on customer involvement and orientation, the more it is likely for them to achieve a larger customer base	5	7	10	45	34	4.36	1.325
RMS5	Timely response to customer queries promotes a firm's sales volumes	2	5	10	41	41	4.56	1.372
RMS6	Those business firms that engage their clients as co-creators in the development /introduction of new products/services are more likely to achieve higher sales volumes	9	6	11	39	36	4.50	1.397
RMS7	Being more customers' orientated ultimately improves a firms profitability	2	7	11	56	24	4.46	1.358
RMS8	Customers are likely to buy more from business firms that have proven to be more accountable and reliable than others	1	9	11	43	36	3.45	1.350
RMS9	Business firms that promote the core values of reliability and accountability are likely to be more profitable than others	5	6	12	51	26	4.55	1.726
RMS10	As business firms become more reliable and accountable, their sales volume ultimately increase	1	7	10	40	42	4.45	1.352
RMS11	Cultivating relationship marketing is likely to improve business performance through increased sales volumes, client base and profitability	1	6	10	55	27	4.48	1.345
Overall							4.30	1.390

KEY: SA-Strongly Agree; A-Agree; N-Neutral; D-Disagree; SD-Strongly Disagree

4.8.1 Factor Analysis on Relationship Marketing Strategy

Indicators of relationship marketing variable scored factor loadings (Table 4.22) of more than 0.5 and were therefore retained for further analysis. The sample was adequate since Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) attained 0.961 which was above the threshold of 0.7. The relationship marketing factor constructed was able to explain 77.376 % >70% of the total variance in relationship marketing hence the statements exhaustively explained the variation in the factor.

Table 4.22: Factor Analysis on Relationship Marketing

Relationship Marketing Strategy	Factor Loading
A good and positive relationship with customers promotes customers loyalty	0.884
Timely client feedback helps a firm attract and retain customers	0.902
A firm that provides timely feedback to its clients is likely to improve its profitability	0.890
The more the business firm focuses on customer involvement and orientation, the more it is likely for them to achieve a larger customer base	0.866
Timely response to customer queries promotes a firm's sales volumes	0.874
Those business firms that engage their clients as co-creators in the development /introduction of new products/services are more likely to achieve higher sales volumes	0.856
Being more customers' orientated ultimately improves a firms profitability	0.887
Customers are likely to buy more from business firms that have proven to be more accountable and reliable than others	0.864
Business firms that promote the core values of reliability and accountability are likely to be more profitable than others	0.887
As business firms become more reliable and accountable, their sales volume ultimately increase	0.857
Cultivating relationship marketing is likely to improve business performance through increased sales volumes, client base and profitability	0.906

KMO=0.961 ;Bartletts $p<0.05$; Total variance extracted=77.376%

Hypothesis H_{a2}: Relationship marketing has a significant positive effect on the performance of MSMEs in Kenya.

Pearson's Product Moment Correlation test was run to establish whether relationship marketing had any correlation with the performance of MSMEs in Kenya. As shown in Table 4.23, there was a strong positive correlation between relationship marketing and performance of MSMEs in Kenya with a correlation coefficient of 0.698. The hypothesis was tested at a 0.05 significance level. The p-value results at 0.000 < 0.05 established a high significant relationship between variables. This implied that an increase in relationship marketing by the firms led to positive increase in their performance.

Table 4.23: Pearson's Correlation Coefficient between Relationship Marketing and Performance of MSMEs in Kenya

		Performance	Relationship Marketing
Performance	Pearson Correlation	1	.698*
	Sig. (2-tailed)		.000
	N	302	302
Relationship Marketing	Pearson Correlation	.698*	1
	Sig. (2-tailed)	.000	
	N	302	302

*. Correlation is significant at the 0.05 level (2-tailed).

Similarly, the R square value of the relationship marketing variable was 0.487 as indicated in Table 4.24. This means that 48.7% of the variation in performance can be explained by changes in relationship marketing leaving 51.3% unexplained (error term). This ascertains that relationship marketing has a strong effect on performance of MSMEs.

Table 4.24: Relationship Marketing Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.698[a]	.487	.486	.74176265

a. Predictors: (Constant), Relationship Marketing

Further, the ANOVA test results in Table 4.25 show a p-value at 0.000 which is less than alpha, 0.05. Therefore, the model of relationship marketing and performance of MSMEs was overally significant.

Table 4.25: ANOVA Regression Results between Relationship Marketing and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	156.886	1	156.886	285.137	.000[b]
	Residual	165.064	300	.550		
	Total	321.949	301			

a. Dependent Variable: Performance

b. Predictors: (Constant), Relationship Marketing

Table 4.26 indicates that the regression weight for relationship marketing was positive and significant (β= 0.696, p < .05, Sig 000) with the model summarized as $Y=0.095+0.696X_2$. Since, β_2 =0.696, it can be concluded that one unit increase in relationship marketing increases performance by 0.696 units other factors held constant. In addition p-value of relationship marketing at 0.000<0.05 inferred that relationship marketing individually had a positive and significant effect on the performance of MSMEs in Kenya. Thus, the statistical hypothesis H_{a2}: Relationship marketing has a significant positive effect on performance of MSMEs in Kenya was supported.

Table 4.26: Coefficients of Relationship Marketing and Performance of MSMEs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.095	.043		2.223	.027
	Relationship Marketing	.696	.041	.698	16.886	.000

a. Dependent Variable: Performance

4.8.2 Discussion of results on the Effect of Relationship marketing on Performance of MSMEs

The results in Table 4.26 indicate that relationship marketing has a positive and significant effect on the performance of MSMEs in Kenya. (β= 0.696, $p < .05$, Sig 000). This means that for every unit increase in relationship marketing, there is a corresponding increase in performance by 0.696 units other factors held constant. The Pearson product moment correlation coefficient reveals a strong positive and significant correlation between relationship marketing and performance of MSMEs ($r = 0.698$, p-value <0.000) as shown in Table 4.23. Thus, the study supported the statistical hypothesis H_{a2}: Relationship marketing has a significant positive effect on performance of MSMEs in Kenya was supported.

These results are consistent with previous studies done in the area of relationship marketing and performance of business firms. Oboreh *et al.* (2013) studied relationship marketing as an effective strategy by IGBO managed SMEs in Nigeria. The findings of their study revealed that the Igbo operated SMEs, whether small, medium or large, had accepted that one sure way of survival and superior performance was to accept, use and adopt the relationship marketing concept and strategies.

Similarly, the study findings of a significant positive effect of relationship marketing on performance of MSMEs in Kenya confirms the assertion by Ebitu (2016) who studied marketing strategies and the performance of small and medium enterprises in Akwa

Ibom state, Nigeria. The study concluded that there was a significant impact of product quality strategy and relationship marketing strategy on the profitability and increased market share of SMEs in Akwa Ibom State. Additionally, the results agree with those of Waithaka *et al*. (2014) who established that customers' relationship marketing strategies positively influence firm performance. Velnampy and Sivesan (2012) established that customer relationship marketing impact on customer value creation in mobile service providing companies in Sri Lanka.

These study findings also support the arguments of Resource-Advantage theory (R-A theory) as postulated by Hunt and Morgan (1996). For R-A theory, competition is viewed as a process that consists of the constant struggle among firms for comparative advantages in resources that will yield marketplace positions of competitive advantage terminating to superior performance. Hence, according to R-A theory, firms enter into relationships with other firms and consumers when such relationships contribute to the competitiveness of firms. This is attained when such relationships constitute relational resources that contribute to the firm's ability to efficiently and effectively produce market offerings that have value for served market segments leading to superior performance. This study therefore confirms that MSMEs that are able to leverage relationship marketing strategies as relational resources, are much more likely to report superior performance as compared to those who do not.

4.9 Pricing Strategy and Performance of MSMEs.

Price comprises the actual amount the end user is expected and willing to pay for a product or service. How a product is priced will directly affect how it sells as it is linked to what the perceived value of the product/service is to the customer rather than an objective costing of the product/service on offer. If a product is priced higher or lower than its perceived value, then it will not sell. Therefore, an effective pricing strategy is a core competency known to improve the performance of an organization (Edgar & Lockwood, 2012; Brassington & Pettitt, 2013).

In this study, the respondents were asked to indicate if they used pricing strategy specifically as a marketing tool and the results were as summarized in Table 4.27.

Table 4.27: Frequency Distribution of Use of Pricing Strategy as a Marketing Tool

Factor	Do you use pricing strategy as a marketing tool?				
	Yes	%	No	%	Total
Respondents	216	71.52	86	28.48	302

Further, the respondents were asked to indicate the key factors they considered when setting prices for their products /services. Figure 4.14 summarizes the results.

Figure 4.15: Factors Influencing Pricing Decisions

From the results, it is evident that profitability was the number one factor with competition and consumer preferences ranking lowest. This collaborates the results in Table 4.27 that a majority of the MSME owners/managers in TNC considered pricing as a strategic marketing tool with 71.52% agreeing that they used pricing as a marketing tool whose main purpose would clearly be firm superior performance in regard to profitability.

Additionally, the results from the respondents that used pricing strategy as a marketing tool and their perceived firm performance over the last three years were cross tabulated. As presented in Table 4.28, 67.59% of those who had adopted pricing strategy as a key marketing tool perceived their firms to be growing as opposed to 17.59% and 14.81% whose felt that their firms' performance remained the same or was declining respectively.

Table 4.28: Cross tabulated results on use of Pricing Strategy and Perceived Firm Performance in the last three years

Factor		Do you use pricing strategy as a marketing tool?	
		Yes	%
Which of the status below best describes your firm performance in the last three(3) years	Growing	146	67.59
	Remained the same	38	17.59
	Declining	32	14.81
Total		216	100.00

Similarly, the respondents were requested evaluate a set of statements relating to the use of a pricing strategy and its effect on the various performance indicators as operationalized in chapter three using a scale ranging from 1=SD-Strongly Disagree to 5=SA-Strongly Agree. As presented in Table 4.29, all the resulting means of above 3.46 signified low variability in respondents' opinion in all the statements relating to pricing

strategy and performance of MSMEs. The resulting standard deviations of less than half the means ascertained that the differences of responses given was insignificant. The overall mean rating of 3.544 signified that the respondents agreed with the statements relating to pricing strategy as an effective marketing tool .The resulting overall standard deviation of 1.295 which is less than half the overall mean indicate that the difference of responses given was insignificant.

From the results of the likert scale, 68% of the respondents agreed that factoring competitor prices in firm's pricing decisions improved their sales volumes. Equally, 67% of the MSME owners confirmed that various marketing objectives such as market penetration and development affected their pricing decisions. Thus, it is evident that enterprises that adequately deployed a competitive pricing strategy attained superior performance as compared to those that didn't. Of the respondents, 71.0% agreed that effective pricing strategy increased sales volumes, 67.0% profitability and 63.0% customer numbers. In summary, 69.0% concurred that an effective pricing strategy led to increased firm performance.

Table 4.29: Pricing Strategy and Performance of MSMEs

Code	Pricing strategy	SD %	D %	N %	A %	SA %	Mean	Std Deviation
PS1	Factoring competitors' prices in pricing decisions improves sales volumes for both products and services	14	3	15	45	23	3.61	1.26
PS2	Overall organizational costs significantly influences our pricing decisions and hence profitability	13	7	17	43	21	3.52	1.249
PS3	Various marketing objectives such as market penetration and market development will always affect pricing decisions	15	9	10	45	22	3.50	1.324
PS4	Our customers significantly influence the pricing decisions for our products /services	14	7	16	41	22	3.49	1.301
PS5	We always factor the forces of demand and supply in our pricing decisions	15	7	11	47	21	3.53	1.298
PS6	Organizational goals of profit maximization significantly influences a firm's pricing decisions	13	8	12	45	22	3.55	1.277
PS7	Effective pricing strategy will always significantly and positively influence a firm's sales volumes.	14	8	8	47	24	3.6	1.305
PS8	Proper products/services pricing play a fundamental role in attracting new customers as well as retaining existing ones.	18	5	13	40	23	3.46	1.378
PS9	Profitability is one of the biggest positive outcomes of an effective pricing strategy	14	5	13	44	23	3.58	1.286
PS10	There is a strong positive correlation between an effective pricing strategy and firm performance	13	8	11	45	24	3.6	1.274
	Overall						3.544	1.295

KEY: SA-Strongly Agree; A-Agree; N-Neutral; D-Disagree; SD-Strongly Disagree

4.9.1 Factor Analysis on Pricing Strategy

Indicators of pricing strategy (Table 4.30) scored factor loadings of more than 0.5 and were therefore retained for further analysis. The sample was adequate since Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) attained 0.950 which was above the threshold of 0.7. The pricing strategy total variance extracted was able to explain 76.228 %>70% of the total variance in the pricing strategy, hence the statements relating the variable explained exhaustively the variation in the factor.

Table 4.30: Factor Analysis on Pricing Strategy

Pricing Strategy	Factor Loading
Factoring competitors' prices in pricing decisions improves sales volumes for both products and services	0.852
Overall organizational costs significantly influences our pricing decisions and hence profitability	0.901
Various marketing objectives such as market penetration and market development will always affect pricing decisions	0.850
Our customers significantly influence the pricing decisions for our products /services	0.858
We always factor the forces of demand and supply in our pricing decisions	0.875
Organizational goals of profit maximization significantly influences a firm's pricing decisions	0.866
Effective pricing strategy will always significantly and positively influence a firm's sales volumes	0.858
Proper products/services pricing play a fundamental role in attracting new customers as well as retaining existing ones	0.873
Profitability is one of the biggest positive outcomes of an effective pricing strategy	0.904
There is a strong positive correlation between an effective pricing strategy and firm performance	0.891

KMO=0.950 ;Bartletts $p<0.05$; Total variance extracted=76.228%

Hypothesis H_{a3}: Pricing strategy has a significant positive effect on the performance of MSMEs in Kenya.

Pearson's correlation coefficient was run to determine the strength and direction of the effect of pricing strategy on performance of MSMEs if any. As shown in Table 4.31, there was a moderately strong positive correlation (0.627) between pricing strategy and performance of MSMEs in Kenya. The p-value at 0.000<0.05 ascertained a positive significant relationship between the variables. This infers that pricing strategy had a significant effect on the performance of micro, small and medium enterprises. Thus, it was concluded that an increase in the pricing strategy has a corresponding positive increase in firm performance.

Table 4.31: Pearson's Correlation Coefficient between Pricing Strategy and Performance of MSMEs in Kenya

		Performance	**Pricing Strategy**
Performance	Pearson Correlation	1	.627*
	Sig. (2-tailed)		.000
	N	302	302
Pricing Strategy	Pearson Correlation	.627*	1
	Sig. (2-tailed)	.000	
	N	302	302

***. Correlation is significant at the 0.05 level (2-tailed).**

To test the amount of variation in the dependent variable that is attributed to pricing strategy, the R squared was computed. From the results as presented in Table 4.32,the R at square 0.393 infers that 39.3% of the variation in performance can be explained by the changes in pricing strategy leaving 60.7 % unexplained (error term).

Table 4.32: Pricing Strategy Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.627[a]	.393	.391	.80678378

a. Predictors (Constant), Pricing Strategy

Similarly, the ANOVA test was carried out to test the overall significance of the pricing strategy and performance model. The results in Table 4.33 show a p-value at 0.000 < 0.05 hence it was concluded that model of pricing strategy and performance of MSMEs was overally significant

Table 4.33: ANOVA Regression Results between Pricing Strategy and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	126.679	1	126.679	194.622	.000[b]
	Residual	195.270	300	.651		
	Total	321.949	301			

a. Dependent Variable: Performance
b. Predictors: (Constant), Pricing Strategy

The regression outputs (Table 4.34) for pricing strategy was positive and significant (β=0.621, p-alue 0.000 < .05) with the model summarized as $Y=0.120+0.621X_3$. Since β_3 =0.621, it can be concluded that one unit increase in pricing strategy increases performance by 0.621 units other factors held constant. Moreover, pricing strategy is individually significant since p-value =0.000<0.05. Hence, the alternative hypothesis, Ha_3: Pricing strategy has a significant positive effect on the performance of MSMEs in Kenya was supported concluding that an effective pricing strategy had a significant positive effect on the performance of MSMEs in Kenya.

Table 4.34: Regression Coefficients of Pricing Strategy and Performance of MSMEs

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.120	.047		2.586	.010
	Pricing Strategy	.621	.044	.627	13.951	.000

a. Dependent Variable: Performance

4.9.2 Discussion of the results on the Effect of Pricing Strategy on Performance of MSMEs

The regression analysis results show that pricing strategy has a significant positive effect on the performance of MSMEs in Kenya as reflected by (β=0.621, sig value =0.000, <0.05) in Table 4.34. Pearson product moment correlation coefficient (r = 0.627, p-value = 0.000) in Table 4.31 showed that there is a positive strong correlation between pricing strategy and performance of MSMEs. Consequently, the study supported the alternative hypotheses Ha3: Pricing strategy has a significant positive effect on the performance MSMEs in Kenya.

These study findings agree with Cant *et al.* (2016) who while investigating the key factors influencing pricing strategies for small business enterprises (SMEs) in South Africa found that pricing strategy greatly influenced their performance. The results further collaborates with findings by Jones (2011) who established that pricing strategy and new product development strategy are the major influences of entrepreneurial marketing that affects the growth of SMEs.

Equally, the results support the work of Sije and Oloko (2013) who concluded that penetration pricing as a strategy had a significant level of effect on the number of

customers, customer loyalty and quality of food and service all leading to better firm performance. Jangeta *et al.* (2015) researched on strategic pricing and firm success, focusing on SMEs in Zimbabwe. They found out that there was a positive relationship between strategic pricing and firm performance.

Further, the findings of this study support the work of Hartman (2010) who developed the systems theory. The theory attempts to provide entrepreneurs with a tool for analyzing internal and external organizational dynamics for critical business decisions/functions including marketing. Pricing being a key marketing tool, the systems theory avails a crucial lense through which firm owners can holistically view all the relevant pricing factors such as revenue and cost objectives, competition and consumer preferences for an enhanced competitive advantage. Such a holistic organizational view lead to business decisions that overally improve sales volumes, profitability and market share.

4.10 Product/Service Innovation and Performance of MSMEs

Innovation is widely regarded as one of the most important sources of sustainable competitive advantage in increasingly changing and hypercompetitive business environments. It plays a seminal role in product and process improvements, continuous advances that lead to firms' efficiency, growth and survival culminating to superior performance when compared to the non-innovators. Therefore, product/service innovation is one of the key factors for firms' success, survival and sustainable competitive advantage (Terziovski, 2010; Jimenez & Sanz-Valle, 2011).

This study sought to examine if the respondents engaged in any form product /service innovations as a marketing tool. As shown in Table 4.35, more respondents at 56.6% employed product/service innovation as a marketing strategy.

Table 4.35: Frequency Distribution on the Use of Product /Service Innovation

Factor	Do you deploy product /service innovation as a marketing tool to your business?				
	Yes	%	No	%	Total
Respondents	171	56.6%	131	43.4	302

Majority of the respondents at 93.4 % agreed that they were using the innovative methods of constantly introducing new and improved products and quality service together. In addition, others (22%) relied on catchy display and repackaging of products as innovative ways of attracting customers.

On cross tabulating the results from the respondents that employed product/service innovation as a marketing strategy and their perceived firm performance over the last three years. The results showed 39% of the firms to be growing as opposed to 9% who felt that their performance was declining as enumerated in Table 4.36.

Table 4.36: Cross tabulated results on use of Product/Service Innovation and Perceived Firm Performance in the last three years

Factor		Do you deploy product /service innovation as a marketing strategy to your business				
		Yes	%	No	%	Total
Which of the status below best describes your firm performance in the last three(3) years	Growing	119	39%	95	31%	214
	Remained the Same	24	8%	24	8%	48
	Declining	28	9%	12	4%	40
Total		171	57%	131	43%	302

Likewise, the respondents were asked to evaluate a set of statements on product/service innovation strategies in relation to their firm performance over the last three years. As illustrated in Table 4.37, 74.0% of the respondents felt that introducing new products grew their sales volumes, customer base (86%) and profitability (80.0%). Equally, 80.0%, 79.0% and 81.0 % were of the opinion that constantly improving the product /service offering improved their sales volumes, customer count and profitability respectively.

The results further indicated that enhanced service quality led to better sales volumes, client count and profitability as illustrated by 74.0%, 78.0% and 83.0 of the respondents respectively. In sum total, 70.0% of business owners/managers agreed that product/service innovation was cardinal in enhancing their firm's overall performance. Additionally, all the resulting mean values of above 4.0 and standard deviation of less than half the mean values signified that there was low variability in the responses of variables explaining product/service innovation as an effective marketing tool .The overall mean of 4.332 and a standard deviation of 1.330 showed that the difference in responses given was insignificant. Thus, it can be concluded that business entities that aptly deploy products/services innovation as an entrepreneurial marketing tool are more likely to record superior performance as compared to the non-innovators.

Table 4.37: Product/Service Innovation and Performance of MSMEs

Code	Product/Service Innovation Strategy	SD (%)	D (%)	N (%)	A (%)	SA (%)	Mean	Std. Deviation
PSIS1	A business firm that frequently introduces new products/services is more likely to retain and attract more customers	0	4	9	50	36	4.33	1.351
PISI2	New products/services positively influences the a firms 'profitability	2	6	12	46	34	4.24	1.323
PISI3	A firm that is constantly introducing new product/services offerings is more likely to achieve higher sales volumes	0	9	17	57	17	4.29	1.308
PISI4	Improved products/services positively and significantly influences the sales volumes	0	7	14	60	20	4.46	1.313
PISI5	Firms that consistently seek to offer improved products /services are more likely to attract new customers as well as retain the existing ones	3	8	10	57	22	4.41	1.334
PISI6	Adoption of continuous improvement on the product/services offering is a sure way to increase a firm's profitability	4	5	10	60	21	4.49	1.324
PISI7	Good quality customer service enhances a firm's client retention	7	7	8	45	33	4.26	1.339
PISI8	Business enterprises that always seek ways of improving service to customers are more likely to have higher sales volumes	9	9	8	53	21	4.34	1.326
PISI9	A business firm that focuses on satisfying their client's need is more likely to be more profitable	0	9	8	60	23	4.50	1.338
PISI10	Generally, product/service innovation positively and significantly the performance of enterprises	2	8	20	47	23	4.00	1.346
	Overall						4.332	1.330

4.10.1 Factor Analysis on Product/Service Innovation

The Factor analysis results on products/services innovation were as indicated in Table 4.38. Indicators of products/services innovation strategy scored factor loading of more than 0.5 and were therefore retained for further analysis. The sample was adequate since Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) attained 0.959 which was above the threshold of 0.7. The products/services strategy total variance extracted was able to explain 79.557 % >70% of the total variance in the product/service innovation, hence the statements collectively explained the variation in the factor.

Table 4.38: Factor Analysis on product/service innovation

Product/Service Innovation Strategy	Factor Loading
A business firm that frequently introduces new products/services is more likely to retain and attract more customers	0.881
New products/services positively influences the a firms 'profitability	0.884
A firm that is constantly introducing new product/services offerings is more likely to achieve higher sales volumes	0.895
Improved products/services positively and significantly influences the sales volumes	0.896
Firms that consistently seek to offer improved products /services are more likely to attract new customers as well as retain the existing ones	0.914
Adoption of continuous improvement on the product/services offering is a sure way to increase a firm's profitability	0.892
Good quality customer service enhances a firm's client retention	0.893
Business enterprises that always seek ways of improving service to customers are more likely to have higher sales volumes	0.872
A business firm that focuses on satisfying their client's need is more likely to be more profitable	0.901
Generally, product/service innovation positively and significantly the performance of enterprises	0.890

KMO=0.959 ;Bartletts $p<0.05$; Total variance extracted=79.557%

Hypothesis H_{a4}: Product /services innovation has a significant and positive effect on the performance of MSMEs in Kenya.

A Pearson's moment correlation test was performed to determine whether there exist a correlation between products/services innovation and performance of MSMEs in Kenya. As presented in Table 4.39, there was a strong positive correlation (0.701) between products/services innovation and performance of MSMEs. The p-value at 0.000, less than the alpha at 0.05 ascertained a high significant relationship between the variables. This infers that an increase in product/service innovation leads to a corresponding positive increase in performance of a business enterprise.

Table 4.39: Pearson's Correlation Coefficient between Product/Service Innovation and Performance of MSMEs in Kenya

		Performance	Product/Service Innovation
Performance	Pearson Correlation	1	.701*
	Sig. (2-tailed)		.000
	N	302	302
Product/Service Innovation	Pearson Correlation	.701*	1
	Sig. (2-tailed)	.000	
	N	302	302

*. Correlation is significant at the 0.05 level (2-tailed).

Further, a computation of R square gave a result of 0.492 as per Table 4.40. This inferred that 49.2% of the variation in performance can be explained by the changes in product/service innovation leaving 50.8 % unexplained (error term).

Table 4.40: Product/Service Innovation Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.701[a]	.492	.490	.73850659

a. Predictors: (Constant), Product/Service Innovation

Further, the ANOVA regression results on the product/innovation variable produced a p value 0.000 < 0.05 as shown in Table 4.41. This inferred that the model of product/service innovation and performance of MSMEs was overally significant at α=0.05.

Table 4.41: ANOVA Regression Results between Product/Service Innovation and Performance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	158.332	1	158.332	290.308	.000[b]
	Residual	163.618	300	.545		
	Total	321.949	301			

a. Dependent Variable: Performance

b. Predictors: (Constant), Product/Service Innovation

Similarly, Table 4.42 shows that the regression weight for product/service innovation was positive and significant (β= 0.676, p < .05, Sig 000) with the model summarized as $Y=0.129+0.676X_4$. Since, β_4 =0.676, it can be concluded that one unit increase in product/service innovation increases performance by 0.676 units other factors held constant. In addition p-value of product/service at 0.000<0.05, confirms that product/service individually significantly influenced performance of MSMEs in Kenya. Therefore, the study supported the statistical hypothesis H_{a4}: Product /services innovation has a significant and positive effect on the performance of MSMEs in Kenya

concluding that the effect of product/service innovation on the performance of MSMEs was significant.

Table 4.42: Coefficients of Product/Service Innovation and Performance of MSMEs

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.129	.043		3.024	.003
	Product/Service Innovation	.676	.040	.701	17.038	.000

a. Dependent Variable: Performance

4.10.2 Discussion of Results on the Effect of Product/Service Innovation on Performance of MSMEs

The results of this study ascertained a significant positive effect of product/service innovation on the performance of MSMEs. Specifically, the regression results produced a coefficient of (β= 0.676, $p < .05$, Sig 000) as shown in Table 4.42. This means that for every unit increase in product/service innovation, performance increased by 0.676 units other factors held constant. Pearson product moment correlation coefficient ($r = 0.701$, p-value =0.000< 0.05) in Table 4.39 establishes a positive significant correlation between product/service innovation and performance of MSMEs. Hence, the study supported the alternative hypotheses Ha4: Product /services innovation has a significant and positive effect on the performance of MSMEs in Kenya.

These findings are consistent with past research. For instance, Phua *et al.* (2014) while examining the role of marketing practices on the performance of entrepreneurial ventures concluded that practices such as product/service innovation, market research and service quality and functionality do help establish competitive advantage. Atalay *et*

al. (2013) concluded that product and process innovation positively and significantly affect firm performance. Further, Alpkan *et al.* (2011) investigating the relationship between firms' performance and its familiarity with innovation and research found out that outlook of firms towards innovation had a high score in the competitive environments so as to gain higher competitive lead.

Additionally, Forkuoh *et al.* (2016) researched on product innovation and SMEs performance in the manufacturing sector of Ghana. The results showed a positive growth path in firm's performance with the adoption of product innovation practices with much concentration on the introduction of new products. Rosli and Sidek (2013) examined the role of Innovation on the performance of small and medium manufacturing enterprises in Malaysia. The findings confirmed that product innovation and process innovation influenced firm performance significantly.

The results further support the work of Schumpeter (1934). Schumpeterian theory supposes that a firm's progress comes from innovations they carry out motivated by the pursuit of profit. He emphasized to entrepreneurs the need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation as well as their need to know and to apply the principles of successful innovation for superior firm performance. Thus, each innovation should be aimed at creating some new process or product or service that gives its creator a competitive advantage over its business rivals by rendering obsolete some previous innovation.

4.11 Performance of MSMEs

Micro, small and medium enterprises in Kenya and world over continues to play a pivotal role in economic development, employment creation among many other considerable benefits. Entrepreneurial marketing on the other hand is a key ingredient towards superior performance of these enterprises if they are to feed to their pivotal roles.

To ascertain the effect of entrepreneurial marketing on performance of MSMEs, this study first sought to establish the number of respondents that perceived EM to have had a positive effect on the performance of their enterprises. The results were as summarized in Table 4.43.

Table 4.43: Effect of EM on Performance of MSMEs.

EM effect	Frequency	Percent
Positive effect	244	80.8
No effect	58	19.2
Total	302	100.0

The respondents were further asked to rate as to what extent they felt that the use of EM within their enterprises positively influenced their performance. From the results as captured in Figure 4.15, it was evident that EM is a key performance factor with 79.2% indicating that EM positively influenced performance to a large and very extent.

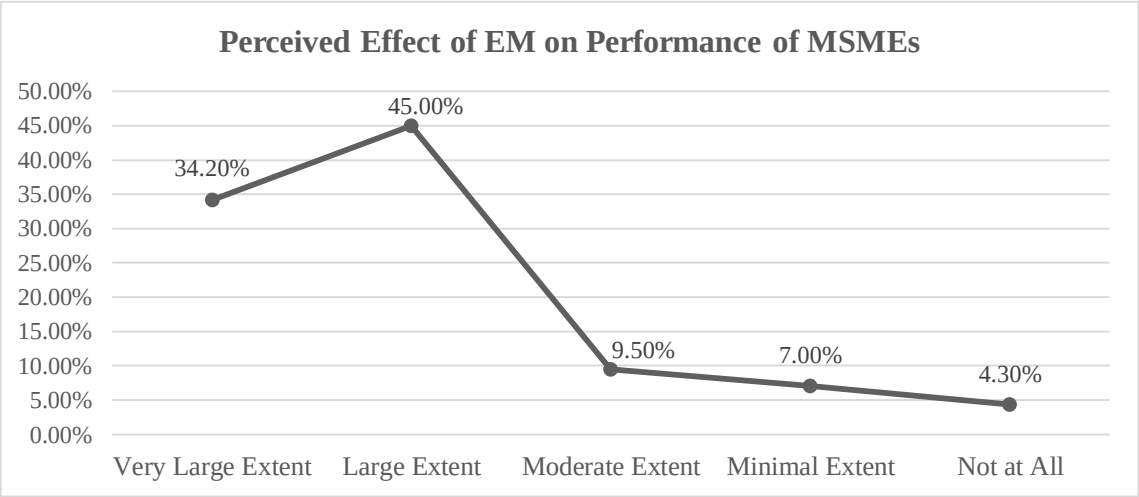

Figure 4.16: Effect of EM on Performance of MSMEs

The overall performance was determined by evaluating the respondents' perceived growth in the performance of their enterprises in the areas of profitability, sales volume and customer base as a result of entrepreneurial marketing, the three being the conceptualized indicators of performance for this study. A scale of 1=NT-not at all, 2=MI-minimal, 3=MO –moderate, 4=L –large and 5=VL-very large was used. From the results as shown on Table 4.44, it is evident that deployment of EM has a positive effect on profitability (84%), sales volume (91%) and customer base (93%). Further, profitability, sales volume and customer base had a mean score values of 4.31, 4.47 and 4.50 with std. deviations of 1.442, 1.445 and 1.476 respectively, less than half the mean score values, implying low variability in the responses.

Table 4.44: Effect of Entrepreneurial Marketing on Firm Performance

Code	Performance	NT (%)	MI (%)	MO (%)	L (%)	VL (%)	Mean	Std. Deviation
P1	Profitability	5	5	6	52	32	4.31	1.442
P2	Sales volume	2	6	1	62	29	4.47	1.445
P3	Customer base	1	3	4	70	23	4.50	1.476

4.11.1 Factor Analysis on Performance

The factor analysis results (Table 4.45) on the dependent variable, performance scored factor loadings of more than 0.5 and were therefore retained for further analysis. The sample was adequate since Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) attained 0.731 which was above the threshold of 0.7. The performance factor constructed was able to explain 78.27 %>70% of the total variance in the performance.

Table 4.45: Factor Loading on Performance

Performance	Factor Loading
Profitability	0.864
Sales volume	0.896
Customer base	0.893

KMO=0.731 ;Bartletts p<0.05; Total variance extracted=78.274%

4.12 Testing the Overall Model

Pearson's correlation coefficient was run to establish the overall strength and direction of the relationship between the dependent and the independent variables as shown in Table 4.46. From the results, a higher correlation was obtained for product/service innovation and performance (.701), followed by relationship marketing (.698), pricing strategy (.627) and digital marketing (.623) respectively. These correlations were also significant at sig 0.000 <α=0.05.

Table 4.46: Pearson's Correlations Analysis Results on Overall Model

		Performance	Digital Marketing	Relationship Marketing	Pricing Strategy	Product/Service Innovation
Performance	Pearson Correlation	1	.623*	.698*	.627*	.701*
	Sig. (2-tailed)		.000	.000	.000	.000
	N	302	302	302	302	302
Digital Marketing	Pearson Correlation	.623*	1	.524*	.434*	.448*
	Sig. (2-tailed)	.000		.000	.000	.000
	N	302	302	302	302	302
Relationship Marketing	Pearson Correlation	.698*	.524*	1	.484*	.501*
	Sig. (2-tailed)	.000	.000		.000	.000
	N	302	302	302	302	302
Pricing Strategy	Pearson Correlation	.627*	.434*	.484*	1	.422*
	Sig. (2-tailed)	.000	.000	.000		.000
	N	302	302	302	302	302
Product/ Service Innovation	Pearson Correlation	.701*	.448*	.501*	.422*	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	302	302	302	302	302

*. Correlation is significant at the 0.05 level (2-tailed).

Additionally, the study results as presented Table 4.47 show a coefficient of determination (R-squared) of 0.632 revealing that entrepreneurial marketing strategies of digital marketing, relationship marketing, pricing strategy and product/service innovation accounted for 63.2% of the variation in performance of micro, small and medium enterprises leaving 36.8% unexplained (error term). Since R^2 >50% but less than 70%, it can be concluded that there exists a moderately strong linear relationship between the dependent and the independent variable. The results further indicated a better relationship when the variables were used together as compared to their individual contributions.

Table 4.47: Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795[a]	.632	.627	.63151819

a. Predictors: (Constant), Product/Service Innovation , Digital Marketing , Relationship Marketing , Pricing Strategy

Similarly, an ANOVA test was conducted to determine whether the model worked in explaining the relationship among variables as hypothesized in the conceptual model at 5% level of significance. The results as summarized in Table 4.48 shows a F value of 126.566 with a significance level of 0.000<0.05, thus confirming collective significant effect of the independent variables on the dependent variable. This implied that all the independent variables collectively contributed significantly to changes in the dependent variable. This confirmed that the model was overall fit for forecasting.

Table 4.48: ANOVA Regression Results on the Overall Model

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	203.501	4	50.875	127.566	.000[b]
	Residual	118.448	297	.399		
	Total	321.949	301			

a. Dependent Variable: Performance

b. Predictors: (Constant), Product/Service Innovation , Digital Marketing , Relationship Marketing , Pricing Strategy

Multiple regression analysis (Table 4.49) was used to determine if the model as conceptualized in chapter one and two was fit for forecasting. The overall model had been conceptualized as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y =MSMEs Performance

X_1 = Digital marketing

X_2 = Relationship Marketing

X_3 = Pricing Strategy

X_4=Product/Service innovation

β_0 = Constant

B_1- β_3 = Regression coefficients

ε = Regression error

Table 4.49: Regression Analysis Results on the Overall Model

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	.179	.038		4.774	.000
	Digital Marketing	.272	.042	.277	6.407	.000
	Relationship Marketing	.285	.054	.286	5.274	.000
	Pricing Strategy	.123	.054	.125	2.285	.023
	Product/Service Innovation	.249	.056	.259	4.454	.000

a. Dependent Variable: Performance of MSMEs

From the results, the regression model was summarized as;

$$Y= 0.179 + 0.272\ X_1 + 0.285X_2 + 0.123\ X_3 + 0.249X_4$$

The results implied that an increase in digital marketing, relationship marketing, pricing strategy and product/service innovation by one unit increases performance by 0.272, 0.285,0.123 and 0.249 units respectively other factors held constant. Further, each independent variable was individually significant in the model, at a p-value<0.05, hence the four independent variable model as conceptualized in chapter two is fit for forecasting performance of MSMEs in Kenya.

4.12.1 Discussion of the Overall Model

The overall objective of this study was to examine the effect of entrepreneurial marketing on the performance of MSMEs in Kenya. The assumption was that a business entity that adopts entrepreneurial marketing strategies of digital marketing, relationship marketing, pricing strategy and product/service innovation was likely to stay ahead of competition and achieve superior performance. The results of regression analysis showed that digital marketing, relationship marketing, pricing strategy and product/service innovation strategies combined had significant positive effect on performance of micro, small and medium enterprises in Kenya. The results were X_1 (β = 0.272, p-value= 0.000), X_2 (β = 0.285, p-value = 0.000), X_3 (β 0.123, p-value= 0.023) and X_4 (β=0.249, p-value=0.000) as shown in Table 4.49. The Pearson correlation coefficient analysis also gave results that showed a moderately strong to strong positive correlation for all the variables as presented in Table 4.46.

These results of this study agree with past studies that sought to examine the effect of entrepreneurial marketing on firm performance. For example, Kesinro *et al.* (2016) carried out a study on the relationship of entrepreneurial marketing and SMEs performance in Lagos State, Nigeria. Their results revealed a significant relationship between entrepreneurial marketing and organizational performance of SMEs. Miles *et al*. (2017) also established a significant relationship between entrepreneurial marketing and products' offering. Further, while examining the role of marketing practices on the performance of entrepreneurial ventures in United Kingdom, Phua *et al.* (2014) established that practices such as product/service innovation, market research and

service quality and functionality do help to establish competitive advantage in dynamic markets. A previous study done in Kenya by Janet and Ngugi (2014) focusing on the influence of entrepreneurial marketing on growth of SMEs in Kiambu-CBD revealed that entrepreneurial marketing had significant positive influence on the performance of SMEs.

Additionally, when all the variables are used together, the results indicate that relationship marketing was the highest contributor in performance of MSMEs, for an increase in relationship marketing by one unit increases performance by 0.285 units, other factors held constant. Thus, given that the study was carried out in Tharaka-Nithi county, a rural county, it can be deduced that there is a higher likely hood to interact with more regular and repeat buyers given the close relationships that may be formed out of familiarity unlike the urban areas where may be digital marketing and product /service innovation may be the biggest attraction to consumers.

Further, it was evident from the results that pricing carried the lowest contribution to firm performance at 0.123 when all the variables were used together. Thus, and as envisaged from the system theory (Hartman, 2010) in chapter two, it can be concluded that pricing is a sum total of many factors both internal and external to the organization and may thus not be used is lately as a marketing tool per se. These results contradict those of Cant *et al.,* (2016) who found out that pricing was the single largest contributor to performance.

4.13 Summary of Hypotheses Testing

The summary of test results for the hypotheses formulated in chapter one are as presented in Table 4.50.

Table 4.50: Summary of Hypotheses Testing

Hypothesis	P-Value	Decision
Ha_1: Digital marketing has a significant positive effect on performance of MSMEs in Kenya.	0.000	Supported
Ha_2: Relationship marketing has a significant positive effect on the performance of MSMEs in Kenya.	0.000	Supported
Ha_3 Pricing strategy has a significant positive effect on the performance MSMEs in Kenya.	0.023	Supported
Ha_4: Product /services innovation has a significant and positive effect on the performance of MSMEs in Kenya	0.000	Supported

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The general objective of the study was to examine the effect of entrepreneurial marketing on the performance of MSMEs in Kenya. This chapter summarizes the major findings of this study. It also draws conclusions and recommendations for practice and suggests areas of further research based on the results of this study.

5.2 Summary of the Findings

This study specifically sought to examine the effect of digital marketing on the performance of MSMEs in Kenya, to examine the effect of relationship marketing on the performance of MSMEs in Kenya, to determine the effect of pricing strategy on the performance of MSMEs in Kenya and to ascertain the effect of product/service innovation on the performance of MSMEs in Kenya. The target population was the 8,526 licensed MSMEs in Tharaka-Nithi County in the year 2017. A total of 368 owners/managers of these MSMEs formed the sample size of this study. Data was collected by use of structured questionnaires. A total of 302 questionnaires were dully filled and returned representing a response rate of 82.1%. Qualitative data was analyzed using content analysis and interpreted through identification of main themes while quantitative data was analyzed by use of both descriptive and inferential statistics.

5.2.1 Specific Objective 1: Effect of Digital Marketing on the Performance of MSMEs in Kenya

The findings of this study revealed that digital marketing accounted for 38.8% of the variation in performance of MSMEs. The study further showed a strong positive correlation between digital marketing and performance of MSMEs. The descriptive

findings on digital marketing and performance of MSMEs ascertained that a majority of MSME's owners and managers that utilized digital marketing perceived the performance of their firms to be growing. The bivariate regression findings further revealed that digital marketing had a significant positive effect on the performance of MSMEs.

5.2.2 Specific Objective 2: Effect of Relationship Marketing on the Performance of MSMEs in Kenya

The findings of this study revealed that relationship marketing was strongly and positively correlated to performance of MSMEs. From the descriptive findings, it was also evident that MSME owners/managers that adopted relationship marketing perceived their firms' performance to be growing. Further, the bivariate regression findings suggested that relationship marketing accounted for 48.2% of the variation in performance of MSMEs. The effect of relationship marketing on performance of MSMEs was also positive and significant.

5.2.3 Specific Objective 3: Effect of pricing strategy on the Performance of MSMEs in Kenya

From the descriptive findings on the effect of pricing strategy on performance of MSMEs, a majority of the owners and managers ascertained that they adopted pricing strategy for enhanced performance. The simple linear regression findings suggested that pricing strategy accounted for 39.3% of the variation in performance of MSMEs. The findings further revealed that the effect of pricing strategy on performance of MSMEs was positive and significant. The correlation between pricing strategy and performance of MSMEs was likewise positive, further confirming the findings that an increase in pricing strategy leads to increase in performance of MSMEs.

5.2.4 Specific Objective 4: Effect of Product/Service Innovation on the Performance of MSMEs in Kenya

Among the studied variables, product/service innovation revealed the highest contribution to performance as the study found that it accounted for 49.2 % of the variation in performance of MSMEs other factors held constant. The effect of product/service innovation was also significantly positive. The correlation findings further revealed a strong positive association between product/service innovation and performance of MSMEs. The descriptive findings also ascertained that MSME owners/managers deployed product/service innovation through new/improved products and services, coupled with quality service for superior performance.

5.3 Conclusions

Based on this study findings, it is logical to conclude that entrepreneurial marketing enhances the performance of micro, small and medium enterprises in Kenya. The study further revealed that the business performance was greater when all the variables are used together. This ascertained that the model as conceptualized in chapter two is fit for forecasting performance of MSMEs in Kenya.

5.3.1 Specific Objective 1: Effect of Digital Marketing on Performance of MSMEs in Kenya.

The study concluded that digital marketing yields superior performance for MSMEs. The digital marketing tools of mobile phones, Internet and social media sites play significant roles in attracting/reaching and retaining customers hence resulting to improved sales volumes and profitability. Further, the digital marketing tools also avail an easily accessible and cheap means through which entrepreneurs reach the targeted consumers as compared to other traditional and equally expensive approaches such as print media. Consequently, MSMEs targeting to achieve and sustain a competitive edge

over their competitors for superior performance must endeavor to adopt and deploy digital technology in their marketing functions.

5.3.2 Specific Objective 2: Effect of Relationship Marketing on the Performance of MSMEs in Kenya.

The study concluded that adoption of relationship marketing yields better performance for MSMEs in Kenya. Therefore, cultivating a relational approach to marketing through intentional customer feedback, involvement and orientation and promoting reliability and accountability, culminates to enhanced customer loyalty so that mutually profitable and long-term relationships are developed and maintained with customers. Therefore, customer relationship oriented firms create, develop and maintain committed, interactive and profitable relationships with customers for superior performance gains.

5.3.3 Specific Objective 3: Effect of Pricing Strategy on Performance of MSMEs in Kenya.

On the effect of pricing strategy on performance of MSMEs in Kenya, the study concluded that effective pricing strategies culminates to enhanced performance. The study further concluded that a good pricing strategy should be anchored on an organizational wide evaluation of a firm's pricing objectives, consumers (target market),demand curve, competition, and other internal factors such as costs incurred as this is cardinal in establishing and sustaining a competitive edge over other co-players in the market, culminating to a better firm performance.

5.3.4 Specific Objective 4: Effect of Product/Service Innovation on the Performance of MSMEs in Kenya.

Based on the findings of this study, it can be concluded that product/service innovation significantly enhances performance of the MSMEs in Kenya. Thus, product/service innovation achieved through introduction of new/improved products/services and enhanced service quality presents an opportunity for entrepreneurial firms to gain

traction through the temporary gains accruing from an innovation and a necessary continuous activity for long term entrepreneurial success.

5.4 Recommendations

1. This study recommends that owners/managers of MSMEs in Kenya should embrace digital marketing as a strategy towards improved performance. Embedded on the high mobile phone penetration and improved internet connectivity in Kenya, coupled with vibrant and easy to use social media platforms, entrepreneurs in Kenya should position such tools for marketing purposes.
2. The study also recommends that MSME owners' in Kenya should embrace relationship marketing as a strategy towards better firm performance. Initiatives such as timely customer feedback, customer involvement and orientation while enhancing firm's reliability and accountability towards the customers are sure to culminate to superior performance.
3. Thirdly, the study recommends that MSME owners and managers should have in place a pricing strategy if they are to achieve superior performance. In order to derive full benefits of the pricing strategy, it is recommended that pricing decisions should be made in cognizant of other firm wide factors that in return affect the expected outcomes of such decisions.
4. Further, the study recommends that MSME owners/ managers should be more proactive towards product/service innovations, pay attention to changes happening in the operating environment and adjust their competitive strategies appropriately to stay ahead of competition. The entrepreneurs are urged to proactively introduce new/improved products/services while enhancing service quality. Overally, the study recommends use of all the variables together for increased performance.
5. Micro, small and medium enterprises play fundamental roles within the economy. Such include employment creation, promotion of economic development, development of indigenous skills and technology and promotion of

entrepreneurship and industrialization. From the study, it was evident that costs attendant to marketing activities were a key challenge. Therefore, for the country to derive full benefits from the operations of MSMEs, the study recommends that regulatory agencies and the government both at the national and county level should prioritize support for MSMEs through development and implementation of policies that support the reduction of costs associated with entrepreneurial marketing practices. Such policies should look into reducing the chargeable tariffs, levies and licenses and installation of relevant Internet infrastructure. The government should also put in place programs for entrepreneurs training in the area of entrepreneurial marketing as a focus for enhancing performance in these enterprises.

5.5 Areas for Further Research

As described in the methodology section, this study only focused on Tharaka Nithi County. However, there are many MSMEs in other counties in Kenya which could be facing similar challenges like those faced by the MSMEs in Tharaka Nithi County. Therefore, future researchers could focus on other counties in Kenya.

Secondly, the study focused on four variables of digital marketing, relationship marketing. pricing strategy and product/service innovation. Though these are critical elements of entrepreneurial marketing, there is need to broaden this perspective by examining other variables that may affect the relationship between entrepreneurial marketing and performance of MSMEs. Likewise, the study adopted cross-sectional research design approach which was limited to point-in-time assessment. Therefore, future research could be conducted using longitudinal research approach so as to identify the most effective entrepreneurial marketing strategy in promoting the performance of MSMEs in Kenya. Other questions could also be added in the data collection instrument to further enrich the findings of this study.

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APPENDICES

Appendix I: Informed Consent Form

Study Title	EFFECT OF ENTREPRENEURIAL MARKETING ON THE PERFORMANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN KENYA
Student	Kawira Doreen Kimathi Mobile: 0722 809152/ 0775 809152 Email :kawirad.kimathi@gamil.com
University	Jomo Kenyatta University of Agriculture and Technology

The student is conducting a study to ascertain the effect of entrepreneurial marketing on the performance of micro, small and medium enterprises in Kenya and your business enterprise has been sampled to participate in the study. The study will involve visiting the various MSMEs owners at their business premises to understand their utilization of the entrepreneurial marketing practices and the outcomes.

The student is aware that some of the information sought for in this study are confidential and promise that, this research is academic in nature whose purpose is aimed at fulfilling PhD requirements. Hence, any information provided will be treated with utmost confidence and will be used for academic purposes only. No response of individual persons or companies will be disclosed to any person or any external report.

Additionally, your participation in this study is absolutely voluntary and if you decide not to participate, you, your business or associates will not be victimized in any way. You are also free to pull out from the study at any time for whatever reason.

For any further queries/clarification on the details of this study, you may contact;

Kawira D.Kimathi on 0722 809152 / 0765 809152.

Confirmation Consent

The information above has been read to me. I have had the opportunity to ask questions about it which have been answered to my satisfaction. I hereby give consent to participate in this study.

Signature…….Date……

Appendix II: Research Questionnaire

Serial Number-Questionnaire	**QN No……..**
Research Assistant Reference Number	**RA No……..**
Sub-County Name	

SECTION A: Background Information

1. Gender

   [1] Male [2] Female

2. Age
   [1] 18 to 25 years [2] 26 to 35
   [3] 36 to 45 [4] Above 45

3. Marital status
   [1] Single [2] Married [3] Widow
   [4] Divorced [5] Separated

4. Level of formal education
   [1] None [2] Primary [3] Secondary
   [4] College/Tertiary [5] University

5. Type of enterprise

   [1] Agricultural activity [2] Wholesale/Retail Trade [3] Service
   [4] Restaurant/Hotel/Hostel [5] Education/Training [6] Craft

6. Business ownership
   [1] Sole proprietorship [2] Joint/Partnership [3] Limited Company
7. Number of years have you been in operation.
   [1] Less than 1 year [2] 1-5 years [3] Over 5 years

8. How many employees did you begin with?

   [1] Myself only [2] Other (Specify) …….

9. Current number of employees

   [1] Myself only [2] Other (Specify) …….

10. Indicate your estimated daily sales volume in Kshs over the last three years (2017, 2016 and 2015).

    [1] Below 10,000 [2] 10,001 – 20,000 [3] 20,001 – 30,000

    [4] 30,001-40,000 [5] 40,001-50,000 [6] Above 50,001

11. Indicate your daily estimated level of profitability in Kshs over the last three years (2017, 2016 and 2015).

    [1] Below 10,000 [2] 10,001 – 20,000 [3] 20,001 – 30,000

    [4] 30,001-40,000 [5] 40,001-50,000 [6] Above 50,001

12. Which of the status below best describes your firm performance in regards to sales, profitability and customer base (numbers) in the last three (3) years (2017.2016 and 2015).

Status	**Please tick one**
Growing	1
Remained the same	2
Declining	3

SECTION B: Digital Marketing Strategy

13. Do you deploy digital marketing strategies to your business?

    [1] Yes [2] No (*If No, skip to question number 15*)

14. Please indicate some of the digital marketing strategies adopted by your business to market its products /Services (*You can tick more than one*).
    [1] Internet (Website) [2] Whatsup [3] Facebook
    [4] Mobile phone [5] Email [6] Other (*Specify*) ……

15. Evaluate the following statements on digital marketing strategies in relation to your firm performance over the last three years. Use the following scale as appropriate.

    5 – Strongly agree | 4 – Agree | 3 – Neutral | 2-Disagree | 1-Strongly disagree

Statement	**1**	**2**	**3**	**4**	**5**
Adopting internet marketing has helped me to increase sales and profitability in my firm.					
Use of internet marketing strategies has enhanced my firm's competitive advantage.					
Marketing through the internet has greatly promoted my ability to attract and retain customers					
Use of mobile phone has helped me to significantly increase my sales.					
My Mobile phone has assisted me to reach to many customers					
My business has been able to increase in profitability because of using my mobile phone for marketing purposes.					
I use facebook and whatsup to attract and retain customers					
To increase my sales, I use the mostly available social media platforms (face book and Whatsup) to market my products and services.					
My profitability has increased over the last three years because I use social media for marketing.					
Digital marketing strategies have overly helped increase my number of customers, base, sales volumes and profitability.					

SECTION C: Relationship Marketing Strategy

16. Do you deploy relationship marketing strategies to your business?
    [1] Yes [2] No (*If No, skip to question number 18*)

17. Please indicate some of the relationship marketing strategies adopted by your business to market its products /Services (you can tick more than one)
    [1] Customer involvement and orientation [2] Reliability and accountability
    [3] Customer feedback
    [4] Other (*Specify*)…….

18. Evaluate the following statements on relationship marketing strategies in relation to your firm performance over the last three years. Use the following scale as appropriate.
    5 – Strongly agree | 4 – Agree | 3 – Neutral | 2-Disagree | 1-Strongly disagree

Statement	1	2	3	4	5
A good and positive relationship with my customers has helped me promote my customers' loyalty					
Timely client feedback has helped my firm to attract and retain customers.					
I have increased my profitability over the last three because I provide timely feedback to my clients					
Involving customers in my products/services decisions has assisted to increase my customer base.					
My sales volumes have grown in the last three years because I always provide timely response to customer queries.					
I always engage my clients as co-creators in the development /introduction of new products/services in order to achieve higher sales volumes.					
My being more customers' orientated has ultimately increased my firm's profitability.					
The number of customers that buy from me have increased in the last three years because I am accountable and reliable.					
My profitability has increased over the last three years because I always promote the core values of reliability and accountability.					
My sales have grown over the last three years because I have always strived to be accountable to my customers.					
Cultivating relationship marketing has helped me increase my sales volumes, client base and profitability.					

SECTION D: Pricing Strategy

19. Do you use pricing strategy as a marketing tool?
    [1] Yes [2] No
20. Please indicate some of the key factors that you consider when setting prices for your products /service (you can tick more than one).
    [1] Profitability [2] Sales volume [3] Survival [4] Costs

    [5] Competition [6] Demand [7] Consumer preferences

    [8] Other (*Specify*) ……...

21. Evaluate the following statements on pricing strategy in relation to your firm performance over the last three years. Use the following scale as appropriate.

    5 – Strongly agree | 4 – Agree | 3 – Neutral | 2-Disagree | 1-Strongly disagree

Statement	**1**	**2**	**3**	**4**	**5**
I always check out my competitors' prices when pricing my products/services in order to increase my sales volumes and profitability.					
My costs affect my pricing decisions.					
Various marketing objectives such as market penetration and market development affect my pricing decisions					
My customers have a say in the pricing decisions for my products /services					
Forces of demand and supply affect my pricing decisions					
To maximize profits, I always set competitive prices					
I have developed an effective pricing strategy that has helped me increase my sales volumes over the last three years.					
Proper products/services pricing has helped me attarect and retain more customers over the last three years.					
My profitability has increased over the last three years because I have adopted an effective pricing strategy					
My business performance has generally increased in regrads to sales, profitability and customer base in the last three years due my pricing strategy.					

SECTION E: Product/Service Innovation Strategy

21. Do you deploy product /service innovation as a marketing tool to your business?

[1] Yes [2] No (*If No, skip to question number 23*)

22. Please indicate some of the innovation strategies adopted by your business to market its products /Services (you can tick more than one).

[1] Introduction of new products/Services [2] Introduction of improved products/Service

[3] Improved service(s) quality

[4] Other (*Specify*) ……..…

23 Evaluate the following statements on product/service innovation strategy in relation to your firm performance over the last three years. Use the following scale as appropriate.

5–Strongly agree | 4–Agree | 3–Neutral | 2-Disagree | 1-Strongly disagree

Statement	**1**	**2**	**3**	**4**	**5**
I have managed to retain and attract more customers because I frequently introduce new products/services in my business.					
My profitability has increased in the last three years because I have been continually introducing new products.					
My sales volumes have increased by constantly introducing new product/services offerings.					
Improved products/services has helped me increase my sales volumes in the last three years.					
I constantly improve my products & services in order to attract new customers as well as retain the existing ones.					
Improving my product/services offering has been a sure way to increase my firm's profitability over the last three years.					
Good quality customer service has helped me increase my customer base.					

To grow my sales volumes over the last three years, I have always sought for ways to improve my customer service such as speed of delivery and effective communication.					
Always focusing on satisfying my client's needs has made my business become more profitable.					
Generally, I can say that by constantly seeking to introduce new and improved products in my firm has helped me increase my sales, profitability and customer base over the last three years.					

SECTION F: Performance

24. Do you think entrepreneurial marketing has a positive effect on the performance of Micro Small and Medium enterprises?

    [1] Yes [2] No (*If No, skip to question number 27*)

25. To what extent does entrepreneurial marketing by micro small and medium enterprises positively influence their performance?

    [1] Very large extent [2] Large [3] Moderate extent

    [4] Minimal extent [5] Not at all

26. Please indicate the extent in which your business performance has grown in the following areas in the last three years (2017, 2016 and 2015) due to entrepreneurial marketing. Use the following scale as appropriate.

5-Very large | 4-Large | 3-Moderate | 2-Minimal | 1-Not at all

Statement	1	2	3	4	5
Profitability					
Sales volume					
Customer base					

27. Indicate other marketing strategies, that your organization practices

……..

.....

.....

28. Further comments (if any) on the challenges that you may be experiencing in marketing your products/services.

……..

……..

……..

29. Provide suggested solutions to the challenges identified above.

…….

…….

Thank you for your time

Appendix III: Krejcie and Morgan, (1970), Sample size Table

N	S	N	S	N	S
10	*10*	*220*	*140*	*1200*	*291*
15	*14*	*230*	*144*	*1300*	*297*
20	*19*	*240*	*148*	*1400*	*302*
25	*24*	*250*	*152*	*1500*	*306*
30	*28*	*260*	*155*	*1600*	*310*
35	*32*	*270*	*159*	*1700*	*313*
40	*36*	*280*	*162*	*1800*	*317*
45	*40*	*290*	*165*	*1900*	*320*
50	*44*	*300*	*169*	*2000*	*322*
55	*48*	*320*	*175*	*2200*	*327*
60	*52*	*340*	*181*	*2400*	*331*
65	*56*	*360*	*186*	*2600*	*335*
70	*59*	*380*	*191*	*2800*	*338*
75	*63*	*400*	*196*	*3000*	*341*
80	*66*	*420*	*201*	*3500*	*346*
85	*70*	*440*	*205*	*4000*	*351*
90	*73*	*460*	*210*	*4500*	*354*
95	*76*	*480*	*214*	*5000*	*357*
100	*80*	*500*	*217*	*6000*	*361*
110	*86*	*550*	*226*	*7000*	*364*
120	*92*	*600*	*234*	*8000*	*367*
130	*97*	*650*	*242*	*9000*	*368*
140	*103*	*700*	*248*	*10000*	*370*

Note.—*N* is population size. *S* is sample size

Source: Krejcie and Morgan, (1970)

Appendix IV: Map of Tharaka-Nithi County