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Effects Of Advertising on the Small and Medium Enterprises in Kenya

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**Effects of Advertising on the Small and Medium
Enterprises in Kenya.
A case study of East African Packaging Industries.**

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A case study on East African Packaging Industries**

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There exists a significant relationship between a firm's advertising spending and its contemporaneous financial spending. Academic studies have indicated that about 90% of Small Medium Enterprises' (SME`s) development is hampered by their limited financial resources, which, in relation to this study extends to failure to engage in the rather expensive and sometimes overlooked practice of advertising. This study focused precisely on the role that advertising has on financially constrained SMEs and how much its sales volume is affected when advertising is adopted. The academic literature on the organization and structure of SMEs in general and particularly in Kenya plus an extensive revision of when, why and how advertising works was used as a theoretical framework for this thesis.

The purpose of the study was to thus examine the overall nature of advertising and the effects it has on the growth and development of SMEs and in particular its sales volume. Objectively, the study investigated the functions of East African Packaging Industries (EAPI) marketing department. It sought to inquire as to the different strategies the company employs to market its products, and identify the economic impacts that advertising generates as a whole.

The research design that was used in the study was cross-sectional design. The sampling techniques were both cluster and simple random sampling. The population was of 180 respondents and having a sample size of 60 respondents. The sample frame was of 3 clusters targeting the major department at EAPI. The study used mainly primary data assembled from interviews, questionnaires and surveys. Secondary data was derived from previous researched literatures and books.

The findings of the research were analyzed and presented in form of discussion tables. Overall, the findings of the research were that advertising is an expensive venture for any SME and the repetitive nature of it makes it more and more inconsistent to adopt.

Keywords: Advertising, Small Medium Enterprises (SME), Sales Volume, New Entrants, Effects

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1 Introduction

This chapter will provide a brief introduction to the entire study. It will discuss the background to this research and the research objectives.

1.1 Background Information

Small and medium enterprises (SMEs) are generally thought to play a crucial role in driving economic growth in both developing and developed countries (Beck, Kunt and Ross, 2003). Thus, it remains unequivocally crucial to understand the categories of contribution of small businesses at a local level and its impact on overall economic growth. Kenya a developing nation for instance, still has a poor statistical base of the small businesses but there can be little doubt about the relative significance these small enterprises have towards its economy. SMEs in Kenya have been described as efficient and prolific job creators and the seeds of big businesses; their increased development accelerates the achievement of wider economic and socio-economic objectives such as poverty alleviation.

Notwithstanding the recognition of the potential roles the SMEs play, there exist a number of bottlenecks that affect their ability to realize their full potential. Observations have shown that there is a rapid turn-over of enterprises in Kenya to an extent that for every 100 new enterprises starting in a year; 60 close down within the year and that of those that survive (40%) are more than two years old and 66% less than six years old (Kenya 1998, 1999). Lack of managerial skills, equipment and technology, regulatory issues, access to international markets, unfair competitiveness, etc are all factors that hamper their development but most distinctively financial constraints (Anheier and Seibel, 1987). The role of finance has been viewed as a critical element for the development of SMEs. This issue stems from the initial capital which in most likely cases is sourced from informal savings and loan associations which are unpredictable; to broader financial obstacles that extend to efficient and effective marketing. As will be evident in this study, SMEs require marketing initiatives for their sustainability and growth in the ever-growing and competitive business environment. In particular, the question and relevance of advertising, an element of promotion will garner more examination.

1.2 Problem statement and Contributions

Advertising, as is evident from research- is an expensive endeavor in any SME. Be it internal or via external freelance contracting agencies. The advertising budget of any SME is as less as 2% of their quarterly turnover (Steve McKee, 2010: Bloomberg Business week). The question that begs answers is, so how can these enterprises embrace these financial constraints and in

particular, East African Packaging Industries (EAPI) and rise through into development? This study seeks to define and answer similar questions and more precisely how much the performance and survival of SMEs is affected by advertising or lack of it.

1.3 Research Questions

- I. How does advertising impact the growth and development of SMEs in Kenya?
- II. If advertising has any impacts on the development of SMEs, does it influence the sales volume of the enterprises and their entry into new markets?
- III. What advertising strategy has EAPI adopted in promoting its products, and how effective has it been?

1.4 Objectives of the study

The main objective of this study is to examine the effects that advertising has on the growth and development of Small medium enterprises. The study will also seek to study the nature of advertising and the pre-assumed relationship between advertising and sales volume that render growth of an enterprise and additionally, the effects that advertising has on new SMEs entrants.

1.5 Limitations and scope of the study

As the study proves, placing cause and effect of Advertising on the development and growth of an enterprise is very difficult because it is not always easy to control the various factors that are regarded as 'contributors' in an advertising environment. In other words, an enterprise's increased sales cannot solely be attributed to a particular advertising campaign because other unrecognizable factors such as higher income for the enterprises target customers and improved customer relations all form contributory effects. The study thus focused only on the recognizable issues that were attributed to advertising and were of clear relevance in either the development or hindrance of the development and growth of SMEs. In retrospect, these were: financial constraints and competition.

2 East African Packaging Industries in Brief

East African Packaging Industries (EAPI) is one of the successful medium enterprises in Kenya, having an annual turnover of \$28.1 million. It has, and remains a market leader in the supply of innovative, high quality packaging solutions principally for the tea, horticulture and tobacco industries. EAPI has embraced the philosophy of providing complete customer satisfaction as central to the culture of its business and this has led the company to being one of the largest corrugating industries in east Africa.

EAPI utilizes the latest technology, equipment and innovation and manages to stay on the leading edge of its industry whilst remaining the best choice for its customers by maintaining their satisfaction.

EAPI was established in 1959, but its transparency in its business dealing plus other values that the company has always maintained enabled it to be induced as an affiliate member of the Canadian Overseas Packaging Industries (COPI) group. This plus of course the managerial effectiveness is what has catapulted the company to dominance in the Kenyan packaging environment. The advantages of any SME having an international subsidiary that is also a market leader globally projects a sense of trustworthiness in the products/ services the enterprises produce in the rather naïve and untrustworthy customer in the Kenyan business scene. Actively takes interest. COPI has over the last 45 years been primarily engaged in the manufacture and sale of fiberboard containers, multi-wall paper sacks and paper bags. The company actively takes interest in manufacturing companies and has operations stretching from Europe to the Caribbean. The other two manufacturing operations are grouped around Encase Limited, serving the United Kingdom market and Caribbean Overseas Packaging Industries Limited, for the Caribbean market (principally Trinidad, Jamaica and Barbados).

3 Literature Review

This chapter will consider any relevant literature material that can enable us to identify the effects of advertisement among the SMEs. It will consider the past researches conducted by various researchers.

3.1 About SMEs

The term SME originated in the world of Economists; denoting firms characterized on the basis of a set of criteria including employment size and the value of their assets. Similarly, the best description of these key characteristics of a small firm remains those used by the **Bolton Committee** in its 1971 Report on small firms. This stated that a small firm is an independent business, managed by its owner or part-owners and having a small market share. The report also adopted a number of different statistical definitions. It recognized that size is relevant to a sector - and that it may be appropriate to define size by the number of employees in some sectors but more appropriate to use turnover in others.

The size classification varies within regions and across countries relative to the size of the economy and its endowments. For instance, the EU member states traditionally had their own definition of what constitutes SMEs for example; Germany had a limit of 500 employees whereas in Belgium it was 100 employees. However, the EU has of recent standardized the

concept and its current definition categorizes enterprises with employees fewer than 50 employees as small and those fewer than 250 as medium.

Enterprise Category	Headcount	Turnover or balance sheet Total
Micro	Less than 10	Less than Euro 2 million
Small	Between 10 and 49	Euro 10 million to 49 million
Medium	Between 50 and 250	Euro 50 million and up

Table 1: Enterprise categories in Europe

SMEs are a vibrant and growing sector in most economies around the world. However, research has shown that they face a ‘liability of smallness’ because of their size and resource limitation - they are unable to develop new technologies or to make vital changes in existing ones. Still, they remain a vital link between various levels of economy and a source of employment for the poor in developing nations. Interestingly, the benefits of SMES are not confined to the developing world only but are predominantly visible in the developed world as well. Small and Medium Industries and small business community are the backbone of Europe's economy. There are more than 23 million SMEs in the European Union, which represents 99% of European undertakings and are responsible for 60% of Europe's GDP. They are also Europe's main job creators as they employ over 100 million people (EUROSTAT 2011).

3.1.1 SMEs in Kenya

According to the ministry of trade, Kenya has over 1.6 million registered SMEs and almost double the number of un-registered enterprises. The registered (SMEs) constitute 96 per cent of all business enterprises in the country employing about 5.1 million people who form a percentage close to 75% of the total labor force which in return contributes 20% to Kenya's GDP.

Over the years, the growth and significance of these enterprises has been on an on and off transition with high increase in development in the early years after the country's independence until the 1980s when their development went low. As research has noted, these was due to limited markets, political instability, poor infrastructure, inadequate financial systems, undeveloped regional integration and very difficult business conditions, which include many regulatory constraints for instance cumbersome official procedures and dubious legal systems. The World Bank Doing Business Report (2006) indicated that it takes 127 days to deal with licensing issues in Kenya and that there are 16 procedures involved in licensing the business. Nonetheless, the current government regime has implemented moves to liberalize the Kenyan economy laying out the groundwork for an investment-friendly environment. The only notable

recent down turn towards this development has been the inadequacy of financial systems. SMEs have little access to finance, which thus hampers their emergence and eventual growth. Their main sources of capital are their retained earnings and informal savings and loan associations, which are unpredictable, not very secure and have little scope for risk sharing because of their regional or sectoral focus. In most cases, access to formal finance is poor because of the high risk of default among the enterprises and due to inadequate financial facilities. In other words, the few available financial facilities often set high conditions for an enterprise to qualify for financial assistance and in one way or the other; most SMEs cannot meet this conditions. On the contrary, non-bank financial intermediaries, such as microcredit institutions, provide significant assistance to these extremes although most of them do not have the resources to follow up their customers when they expand.

In Kenya, Small enterprises constitute the bulk of the established businesses, with employment ranging between 5- 50. The enterprises will usually be owner-managed or directly controlled by the owner-community but are mostly family owned. They are likely to operate from business or industrial premises, be tax-registered and meet other formal registration requirements. Classification in terms of assets and turnover is difficult, given the wide differences in various business sectors like retailing, manufacturing, professional services and construction. On the other hand, medium enterprises constitute a category difficult to demarcate. They are still viewed as basically owner/manager-controlled, though the shareholding or community control base could be more complex. It is characterized by the employment of more 200 employees and capital assets of a substantial amount of about Kshs. 2million (approx. \$), excluding property.

3.2 Advertisement

It is no surprise that any entrepreneur starting up their own enterprise will most certain focus their time and talents on meeting the needs of customers. Strangely, however, they neglect the function of winning new customers in the first place. Others on the other hand, naively assume that if they simply provide excellent products or services, their reputation will precede them. On the one hand, winning new customers and establishing a new brand in an already developed market is no easy endeavor. This is especially difficult because most of these enterprises have cash flow challenges. Advertising is considered expensive and thus, SMEs can't afford it. Though, amicably, the lack of promoting the enterprise leads to its eventual decline and fall. All these leads to the question, does advertising really work? And if yes, when, why, and how does it work? Unequivocally, the answers to all these questions are critically relevant because advertising in general, plays an important role both socially and economically. Nonetheless, the scope and limitation of this study restrains us from exploring

thoroughly into the rich and diverse literature behind advertising; letting us describe and discuss only its effects on SMEs.

Phillip Kotler (1999) describes advertising as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

The average person is exposed to more than 600 advertisements per day (Clow & Baack, 2002), making advertising in general an intricate and indissoluble part of everybody's life. The ads greatly impinge on consumers' awareness and have the potential of affecting their thoughts, attitudes, feelings, and decisions. It is thus distinctively fair to attest that in a modern market, advertising is a vital tool that if managed and developed effectively can increase sales or market share and, ultimately, the profitability of the enterprise. To appreciate the importance of evaluating advertising effectiveness, this chapter first explains the development of an advertising program: focusing on the relevant decisions that need be taken plus their objectives. The chapter then reviews literature on the presupposed relationship between advertising and sales plus the challenges SMEs face when entering a new market. To understand how advertising works, the chapter next describes the various types of advertising and its alternatives.

3.2.1 Developing the advertisement program

While advertising is often seen as a necessity for economic growth, it may also be a source of social costs if not well managed. In retrospect, major decisions need be considered while developing efficient and adequate advertising programmes in efforts to prevent irrelevant social costs amongst others. Decisions are often based from the identification of the target market and its motives before advancement to the five major decisions considered in any advertising program;

Mission: What are the advertising objectives?

Money: How much can be spent?

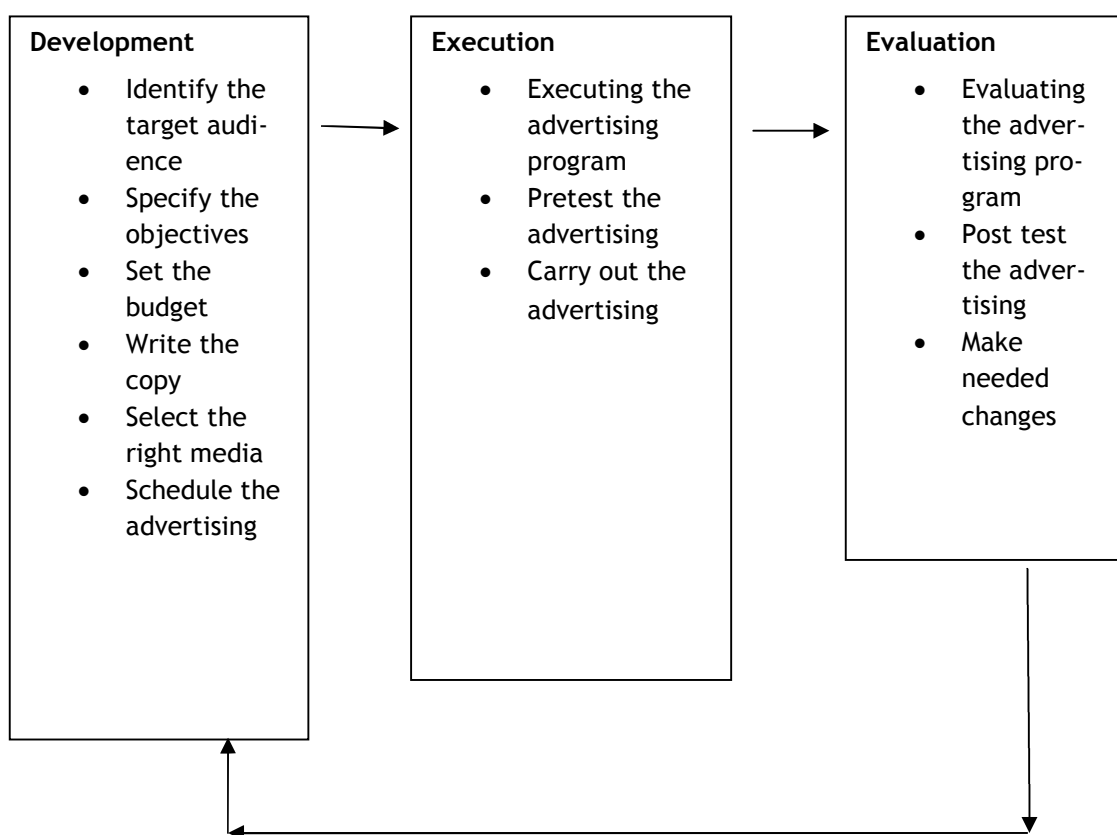
Message: What message should be sent?

Media: What media should be used?

Measurement: How should the results be evaluated?

3.2.2 Advertising decision process

The decision process is divided into: developing, executing, and evaluating the advertising program (Berkowitz, 1994).



3.2.2.1 Identifying the target audience

A notable adage in marketing communication states: ‘start where the audience is’. On the contrary, this does not entirely hold truth while considering the ‘general public’ as the immediate audience when identifying your buyers. Certainly, markets consist of buyers, and buyers differ in one or more ways hence companies today recognize that they cannot appeal to all buyers in the marketplace or at least not to all buyers in the same way due to variations in their wants, resources, locations, buying attitudes, and buying practices. In other words, the ‘general public’ is too vast and the company may have to spend way beyond their budget limits to target the public. Berkewitz (1994) suggests that the target audience is the group of prospective buyers towards which an advertising program is directed. To put it simply, the target audience for the advertising program is the target market for the firm's product, which is identified from the Marketing research and market segmentation. The more a firm knows about the target audience including their lifestyle, attitudes and values, the easier it is to develop an advertising program, For example, if a firm wanted to reach you with its ads, it would for instance want to know what television shows you watch and what time the shows premier to what magazines you read and so on. Understanding where they stand on specific issues, what motivates and drives them may pose additional factors while refining your target audience.

Advertising is always aimed at a particular segment of the population. When you see an advert that does not appeal to you, sometimes it is because the ad is aimed at a particular segment of people that perhaps you don't belong to for example, a television commercial for a new laundry detergent offers little relevance to a teenager.

Most non-profit organizations have at least two target audiences with the organization's base, client or constituents forming the first and the organization's donors, funders and supporters forming the second. A third target audience might be a variety of individuals based on the specifics of the campaign and issue. On the converse, the target audience to profit orientated organizations can be classified into two: *consumers and businesses*.

Consumer advertising: - Most of the ads we see in the mass media; television, radio, newspaper and magazines are consumer advertisement. They are sponsored by the manufacturer of the product or the dealer who sells the product. They are usually directed to people who will buy the product for their own personal use or at those people who will buy the product for someone's use. For example, a magazine advertisement for coca cola may be aimed at both the purchaser and the user, who may or may not be the same person.

Business advertising: -People who buy or specify products for use in business makeup the target audience for business advertising. Business advertising is often said to be invisible because unless you are actively involved in some business, you are not likely to see it. It tends to be concentrated in specialized business publications or professional journals, in direct mail pieces mailed to business establishments or in trade shows held for specific areas of business.

Business advertising comes in four distinct types;

Industrial advertising aimed at individuals in business that buy or influence the purchase of industrial goods.

Trade advertising is the advertising of goods and services to middlemen to stimulate wholesalers and retailers to buy goods for resale to their customer. The major objective of trade advertising, though, is to obtain greater distribution of the product being sold. That may be accomplished by developing more sales outlets or by selling more products to existing sales outlets.

Professional advertising is aimed at individuals who are normally licensed and operate under a code of ethics or professional set of standards in other terms professionals. These may range from, teachers, accountant, doctors, dentists, architects, engineers, and lawyers. Often the publications used for professional advertising are the official organs of professional societies for instance, the Archives of Ophthalmology, published by

the American Medical Association or the Music Educator Journal, published by the Music Educator National Conference. Professional advertising has three objectives; to convince the people to buy items or equipment and suppliers by brand name for use in their work place, to encourage professionals to recommend or prescribe a specific product/ service to their clients and to persuade the person to use the product personally.

Agricultural/Farm Advertising involves farmers who are both consumers as well as business audiences. Farm advertising is aimed at; establishing awareness of particular brands of agricultural goods, building dealer acceptance of advertised products and creating preference for products by showing the farmer how the products will increase efficiency, reduce risks and widen profit margins. Publications such as California farmer and American Vegetable Grower serve these groups.

3.2.2.2 Advertising objectives

Consumers can be said to respond in terms of hierarchy of effects which is the sequence of stages a prospective buyer goes through from initial awareness of a product to the eventual action (either trial or adoption of a product). **Awareness**, which is the consumer's ability to recognize and remember the product or brand name, **Interest** which is an increase in the consumers' desire to learn about some of the features of the product, **Evaluation** which is the consumers' appraisal of the product on important attributes, **Trial** (action) which is the consumers' actual first purchase and the use of the product, **Adoption** of the product through a favorable experience on the first trial, the consumers' repeated purchase and use of the product, (Berkowitz 1994). No matter the specific objective might be, from building awareness to increasing repeat purchase, advertising should poses three important qualities; be designed for a well-defined target audience, be measurable, and should cover a specific time period.

Phillip Kotler (1999) defines an advertising objective as a specific communication task that needs to be accomplished with a specific target audience during a specific period of time. Often the objectives flow from prior decisions on target market, market positioning and marketing mix wherein the latter define the job that advertising must do in the total marketing program.

3.2.2.3 Advertising Budget

A key aspect of the advertising process is the determination of appropriate levels of expenditure as this substantially impacts the achievement of the defined strategy. This is particularly

the case if the budget allocated is too small for the goals determined. According to Simon Broadbent (Advertising budget, 1989), 'when money gets tight, everything gets tight'. A limited budget may constrain the advertising into media which are inappropriate to the task. Undoubtedly, the amount of money spent on advertising differs widely amongst companies, even within the same industry. Inevitably, various methods of budget allocation have been suggested but as Broadbent argues on, 'the amount of money to spend in advertising is determined by a process, not a formula'. Thus, market factors considered before establishing an advert budget include: advertising frequency, competition and clutter, market share, product differentiation, and stage in the product life cycle.

Advertising frequency refers to the number of times an advertisement is repeated during a given time period to promote a products' name, message and other important information. A larger advertising budget is required in order to achieve a high advertising frequency and the vice holds truth. Amicably, to maintain a **competitive** edge in the market while retaining a desired **market share** are also factors that deem expensive. Companies such as Coca cola and General Motors spend millions of dollars in order to be key players in their respective industries. Inevitably, increased market share reflects a huge advert budget as the competitors respond with their own expensive counter adverts. **Product differentiation** on the other hand, is how the customers perceive products and is often necessary in competitive markets where customers have had a hard time differentiating between products. For example, product differentiation might be necessary when a new laundry detergent is advertised: Since so many brands of detergent already exist, an aggressive advertising campaign would be required. Without this aggressive advertising, customers would not be aware of the product's availability and how it differs from other products on the market. The advertising budget is higher in order to pay for the additional advertising. Lastly, the stage in the **product life cycle** ensures that new product offerings require considerably more advertising to make customers aware of their existence. As a product moves through the product life cycle, fewer and fewer advertising resources are needed because the product has become known and has developed an established buyer base. Advertising budgets are typically highest for a particular product during the introduction stage and gradually decline as the product matures.

Organizations allocate money for advertising in many different ways including the following:

- Affordable (or arbitrary) method-research has shown that this tends to be the most popular method;
- The same as the previous year with an increase (or decrease) depending on, for example, inflation, economic or company activity;
- Matching the level of competition;
- As a percentage of past, present, or expected sales and/or profit levels;

- By task and objective; for example if 70% awareness needs to be achieved over a 6 week period there will need to be a budget of 'X'. Any less and those objectives could not be achieved. Ideally, this must be the most sensible method but realistically the money is not always available.

3.2.2.4 Advert message

Bovee and Arens, (1989) argues that the central element of an advertising program is the advertising copy, the message that the target audience is intended to see or hear. This usually involves identifying the key benefits of the product that are deemed important to a prospective buyer in the making trial and adoption process. The message content is made up of both informational and persuasion elements. These elements, in fact, are so intertwined that sometimes it is difficult to tell them apart. For example, basic information contained in many advertisements such as the product name, benefits, features and price are presented in a way that tries to attract attention and encourage purchase. On the other hand, even the most persuasive advertisement has to contain at least some information to be successful. Information and persuasive content can be combined in the form of an appeal to provide a basic reason for the consumer to act. These appeals can be fear appeal that suggests to the consumer that he/she can avoid some negative experience through the purchase or use of a product or through a change in behavior. The advertiser must be sure that the appeal is strong enough to get the audience attention and concern, but not so strong that it will lead them to "tone out" the message. Humorous appeals imply either directly or more subtly that the product is more fun or exiting than the competitor's offerings.

In order to create the actual message, the "creative people" in an advertising agency have the responsibility to turn appeals and features such as quality, style, dependability, economy and service into attention getting, believable advertising copy. They often rely creative of sex, humor, sound or visual effects. Translating the copywriter's ideas into an actual advertisement is a complex process and performing quality artwork, layout and production for the advertisements is costly and time consuming.

3.3 Evaluating the adverts' effectiveness

On the one hand, overall effectiveness can only be evaluated if and only the objectives of the advert were achieved. So, if the initial objectives were to build a brand image, or remind the consumers of your products/services, or persuade the consumers to act, then the measure of effectiveness can be evaluated once these are achieved. Contrarily, evaluating the effectiveness of advertising is very difficult. The difficulty occurs because advertising's working is highly complex and may invariably imply choosing a perspective to consider this. These per-

spectives are rather intricate and intrinsically depend on human response to communication. Scholars (e.g. Poiesz, 1989) summarize these theories into:

The *naïve approach* assumes that advertising must be effective due its pervasiveness and the vast expenditures that go with it. For instance, by end last year, the total expenditure of advertising was \$32.5 billion in the US and an overwhelming \$127.1 billion in Western Europe, (ZenithOptimedia, 2011). It is also relevant to point out that a 30 seconds advert at the super bowl averaged at \$2.5 million to \$2.8 million, (CBS, 2011).

The economic approach tries to address the effects by correlating advertising expenditures with aggregated changes in sales volume. In other words, the more you promote your product/service, the more customers you get. This in return leads to an increase in profits for the enterprise. This is particularly evident in large scale enterprises for instance, Proctor & Gamble which in 2011 spent \$719.8 million on advertising bringing the company's sales volume by 7.2% compared to 2010, (Adage, 2011).

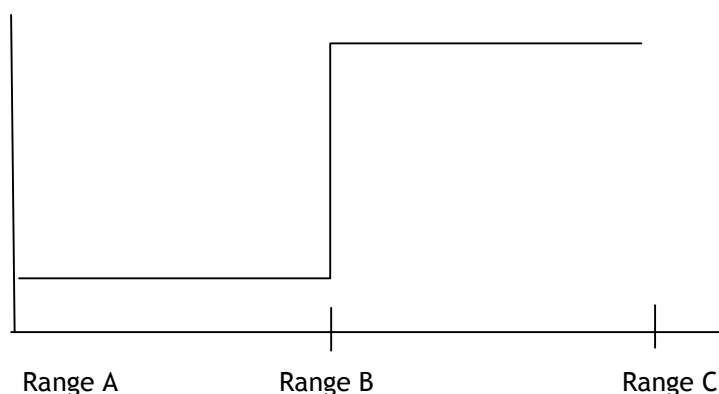
The *media approach* conceptualizes an advertising effectiveness in terms of the number of individuals or the target audience that is exposed to the advert message. A distinctive, meaningful and most importantly, a believable message directly impact the target customer audience as it prompts them to act, in this case purchase the product/service. However, this approach does not necessarily clarify the impact of exposure the advert created: in other words, it is unclear what happens once the target audience is exposed to the message.

The creative approach on the other hand equates effectiveness of advertising with creativity. It goes on to clarify the ineffectiveness of the *media approach* by assuming that for the fore to succeed in determining an adverts' effectiveness, the message needs to be creative. 'Creative' in this context refers to the composite of the content and artistic component of it. The creative message needs to be able to grab the audience's attention, persuade them and finally prompt them to act.

3.4 Advertising and Sales

Research has indicated that although a relationship exists between advertising and the sales volume in an enterprise, it is not particularly straightforward (Hollander, 1949). This is because, advertising is generally thought to have both current-period influence on sales, called the current effect, and a long-term influence called the long-term or carry-over effect. George E. Belch (2003) concludes that as the amount of budget expenditure increases, the incremental value of advertising increases. However, this continues only to a certain point. The logic behind this conclusion is that, at this non-incremental point (point C, as illustrated

in the table below), the target audience's attention has already been won over and therefore each additional advert will supply little or no information at all that will affect their decision. Those with less likelihood to buy are not likely to change their decision at this point either; reasons due to maybe, loyalty to another competitor's brand.



According to George's research, the initial outlays of the advertising budget (as indicated by the flat sales curve at Range A) have little impact on the sales volume, only until a certain budget level has been reached, Range B.

He conclusively attests that a small advertising budget is likely to have no impact beyond the sales that may have been generated through other advertising means (for instance word of mouth); and at the other extreme, more expenditure spend does not necessarily mean better sales.

3.5 Advertising and Entry

A great number of SMEs find it difficult to compete and maintain their level of activity in a modern market. Many reasons attribute to the large influx of enterprises closing down. It is reported that one-third of the business startups in Kenya do not see their 'first anniversary' (Kenya Trade, 2006). Ironically, advertising largely influences the closure of new market entrants. According to the 'advertising as a market power' view, advertising influences consumer tastes and preferences and enhances differentiation of products. It is due to these reasons that consumers devote their loyalty to specific brands of products, even to the extent of ignoring other substitutes that might be available at lower prices. Proctor & Gamble for instance, gets the opportunity to spend millions in dollars on advertising just to preserve their reputation as a leading brand and at the same time stumping an authority in their position as a leading consumer products provider. As a result, the company's sales volume grow enabling the company to invest even further into advertising creating a barrier to any new entrant hoping to provide similar products.

Similarly, new market entrants need to match-up to the advertising spend that is already set up by the highest spenders for it to be able to survive in that industry. For this reason, it may also need to spend even more so as to capture any additional share of the total market value. Moreover, the already developed companies may hike their products prices exploiting the loyalty of their consumers which in return means that

3.6 Alternative advertising options

It is important to consider the dimensions of media availability and relevance, since these may play an important part in determining whether a consistent campaign can be implemented across all markets. On the one hand, TV has for long time maintained dominance as a medium for promoting adverts. Apparently, recent research has indicated that there is reduced use in the medium reasons owing to: increased commercial clutter and lower viewing of TV owing to growth in cable and satellite TV and DVDs/VCRs. Additionally, accessibility of TV in some regions owing to factors such as poverty may also differ as shown in the table. (Yeshin, 2006).

Country	No. per set
USA	1.2
Germany	2.6
Kenya	111.1
Finland	618.2
India	31.3

Table 2: Alternative advertising options

On the other, literacy levels in different markets are considerations for campaigns focusing in press advertising. For example, over 50% of the inhabitants of India and 27% of those of china are functionally illiterate. This thus imposes severe limitations on the press-based campaigns mounted in either of the two nations. Additionally, newsprint in some countries is so poor that quality reproduction may be unobtainable. Similarly, whilst television may be available, color may not be. This affects the interpretation of advertising which uses color as a major component of the message. The price rates for example in television adverts is considerably higher depending on the time frame adopted and of course geographic region. For example, an advert in a For example, a 30 seconds advert cost \$ 2.7 million at the Super Bowl 2008.

(New York Times, 2008). However, a similar advert may be equal to nothing if for example, it is displayed at roadside billboards or other strategic commercial points.

A suitable example to an alternative to advertising may be that of Canadian brewer, Molson which used the alternative of 'Dressing up their beer bottles' instead of spending money on Advert money. Their advertiser, Crispin porter came up with an idea of bottle label as a badge. A badge that in a way would help men/women express themselves to the opposite sexing the pubs, or cordially, 'break the ice'. Clever labels such as, '...I am not wearing any underwear', wealthy industrialist', 'Guess where my tattoo is', and so on were developed. The labels were supposed to act as ice breakers guaranteed to get barflies buzzing. (Kotler & Keller, 2006).

3.7 Functions and roles of advertising

Research conducted by Frank Jefkins (1982), answers in a simple yet convincing way the question as to, why do we advertise? He explains: either, we have something we want to sell or someone else has something we want to buy. Alternatively, we may want to give something away, seek an exchange or invite donors or gifts. Therefore, we advertise to make known our offer or need. Admittedly, Jefkins' answer focuses on new or novel offers or needs, but why do already established companies such as Coca-Cola advertise? Conclusively, it is best to note that the roles that advertising plays are many and varied but may in one way or the other be categorized into three broad areas;

To inform

To persuade

To sell

3.7.1 Informational function

Generally, advertising seeks to provide the public with specific pieces of information. This may fall under a campaign by companies to:

Announce a new product or service whereas prospective buyers are presented with details of a new product and this usually means a costly and dramatic launch. Announcements for a new brand of Nokia phone involving the use of full pages in full color in the national press, plus giant posters and billboards are just but some typical examples.

Extend the appeal of an existing product whereas the manufacturers may attempt to use advertising to suggest new uses for a product or maybe announce a modification, say a 'facelift' with an additive, a refinement, a new finish or casing or perhaps even a new pack or

container. The attempt may be made to revive the sale of a product whose lifecycle is waning too quickly or because of competition.

Announce deficiency in products. This is apparent in the case of product recalls, where the manufacturer uses advertising to communicate the particular problem to the widest possible audience in order to ensure a speedy dissemination of information and an equally rapid response on the part of the owners of such products. A probable example would be the recent recall (2009-2010) by Toyota Motor Corporation for over 5.2 million of their vehicles (Toyota Camry and Corolla) due to cases of pedal entrapment/floor mat problem, and an additional 2.3 million due to cases of 'sticking accelerator pedals'.

Announce a price change. This may be in cases where there are reductions in prices or upcoming sale promotions or to encourage greater levels of trials.

3.7.2 The persuasive function

Paul Santilli (1983), argues, 'for an advert to be morally persuasive, it must be able to address itself to a real need as that is the only probable way it may arouse the desire which will help fulfill the need'. Relevantly, questions follow; what are these needs that may prompt manufacturers to change the customers' perception of their products, and why? Either because of changes to the product formulation or because of a previous mis-communication are all suitable answers.

Political parties on the other hand use this form of advertising, especially during the run up to an election, to persuade the audience that their policies are the most appropriate thus, motivating them in endeavor to gain more votes. Similarly, government departments use this form of advertising to bring about change in attitudes towards issues of general concern. For example, a large banner on a steep hillside embedding the phrase: 'speeding will kill', or 'Don't drink and drive' are all influential attitude changing messages directed to that speeding or drunk driver on a road.

3.7.3 The selling function

Most advertising seeks to promote the sale of particular goods or services. This function may be evident in cases such as 'sale' advertising. Potential customers are notified of the sale dates and reminded that they can only obtain the particular 'bargains' at that time. Similarly, retailers will make 'time-limited' offers which impose restrictions as to when customers can take advantage of the offer price. For instance, Pizza shops offer discounted prices on pizza during the lunch-peak hours in an endeavor to persuade the audience from eating from the local restaurants.

4 Research Methodology

This chapter outlined the methodology used to conduct the study. It set out to identify the effects that advertising has on the Small medium enterprises. A case study design was used.

4.1 Justification for the method

“A case study is a preferred approach when ‘how or why’ questions are to be answered, when the researcher has little control over the events and when the focus is on a current phenomenon in a real-life context” (Ghuri et Grønhaug, 2002: 172).

The study employed the use of secondary data collected from published sources such as newspapers, websites, journals, and annual financial statements. The secondary data was supplemented with primary data collected through a structured questionnaire administered through emails.

4.2 Research design and procedure

The research design used in this study was cross-sectional design where the researcher asked a random sample of individuals who worked in the organization to respond to a set of questions about their backgrounds, past experiences and attitudes. The data was analyzed to bring out the specific issues affecting advertising.

4.3 Sample size

The questionnaire was sent to East African packaging Industries’ Human resource director via email: and he was supposed to coordinate the response from other heads of departments. However, there was no response to the questionnaires forcing the researcher to employ external assistance from relatives who administered the questionnaire through a drop and pick-later basis. Overall, a sample size of 60 respondents was drawn from a population of 180. The sample was selected by first dividing the sample frame into 3 clusters. In each cluster, 20 respondents were selected using random sampling.

4.4 Data Analysis and Presentation

The data collected was edited, arranged, summarized and coded for analysis. Quantitative analysis techniques such as frequencies and cross tabulations and bar graphs were used to analyze the data.

4.5 Data Analysis and Findings

This study was based on east African packaging industries- Nairobi, and this chapter presents the analysis of the study findings; which are organized on the basis of the research objectives. The data collection was done over several months because the management of the industry did not wish to respond to the researchers' emails. Eventual assistance from the researchers' relatives who visited the company's offices to administer the questionnaires made the research a success.

4.6 General findings

4.6.1 Characteristics of the study population

The largest population for the study consisted of 180 respondents who were employees of EAPI. Out of this total population, 60 respondents were interviewed; representing the response rate.

4.6.2 Gender distribution of the respondents at EAPI

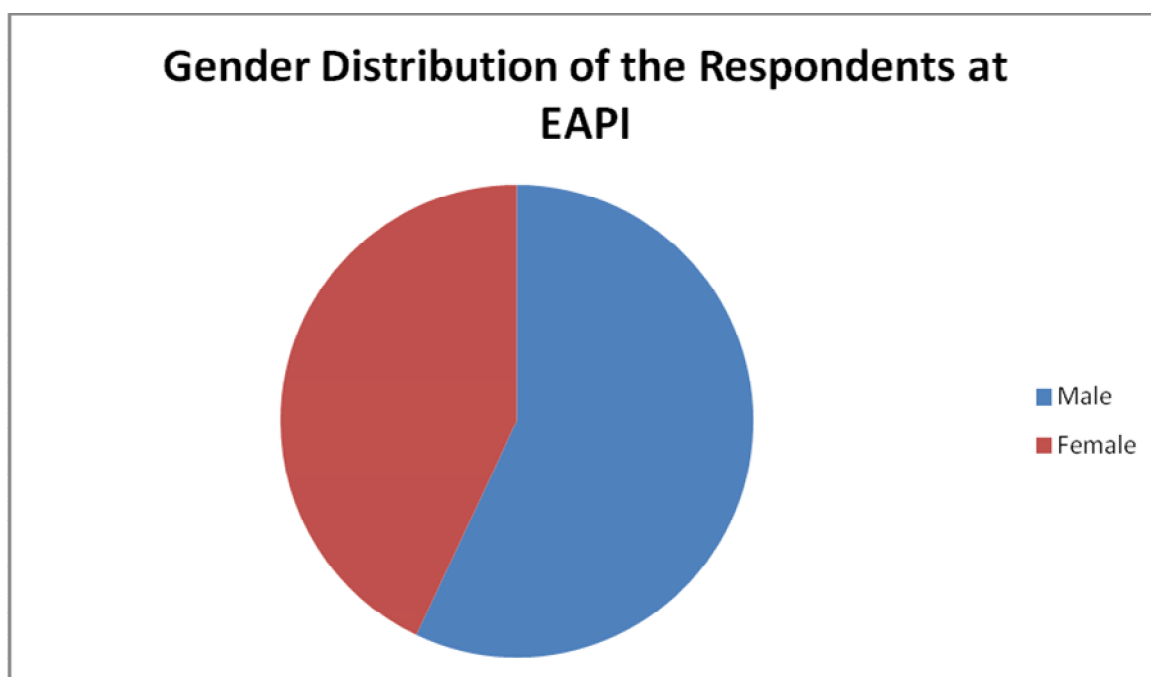


Figure 1: Gender Distribution

The gender distribution of the respondents in EAPI is heavily lopsided in favor of the males with 53% and only 43% being females. This means gender parity was not great and that men are the most dominant in the company.

60% of the employees were permanently employed while 40% were casually employed. 10% of the respondents had worked for 1-4 years, 50% had worked for 5-9 years, and 30% had worked for 10-14 years while only 10% had worked for 15 years and above at EAPI.

4.6.3 Educational background

The table below shows that 60.3% of the respondents had completed university/college level, 30.3% had completed their 'A' level of education and only 10.3% of respondents had completed their 'O' level.

Educational level	No. of respondents	Percentage (%)
University/college	30	60.3
A - levels	20	30.1
O - levels	10	10
Total	60	100.4

Table 3: Educational Background

The respondents' educational background was a clear indicative that they understood clearly what advertising was at a general perspective.

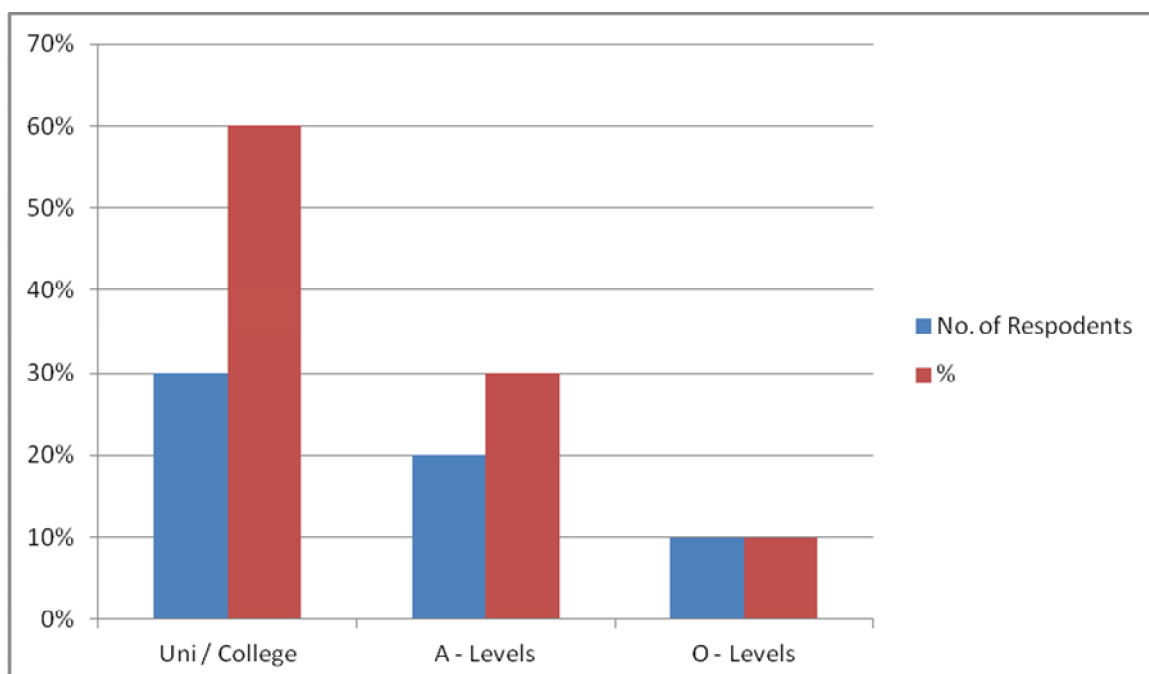


Figure 2: Educational background

4.7 Analysis of the objectives of the study

4.7.1 Advertising strategies

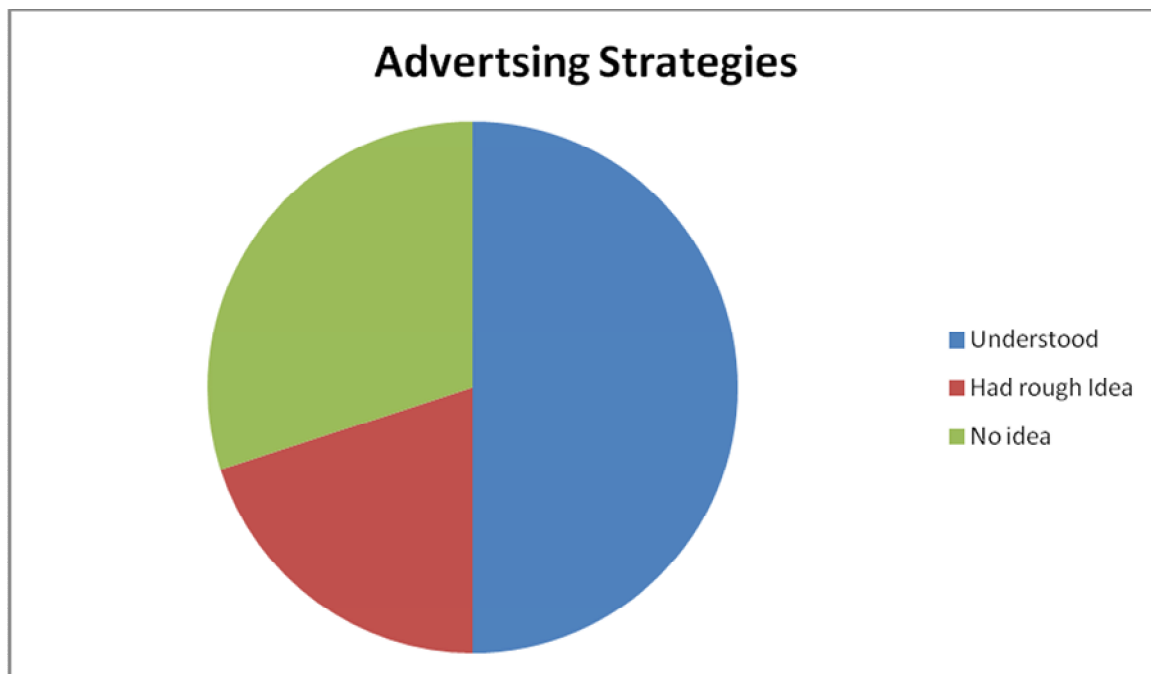


Figure 3: Advertising Strategies

According to the study findings, 50% of the respondents understood the marketing strategy that EAPI used to advertise their products, 30% had partial idea on what advertising strategies were but did not know which their company employed, and lastly, 20% did not know what advertising strategies were and whichever their company employed in its promotional campaigns. Those that knew about the strategies indicated that growth and profitability was based on the company's market dominance.

4.7.2 Other Promotion Alternatives

Majority of the EAPI respondents concurred that other alternatives can be used to promote their products, in which if were integrated with advertising could satisfy the needs of the firms' target market and achieve organizational objectives.

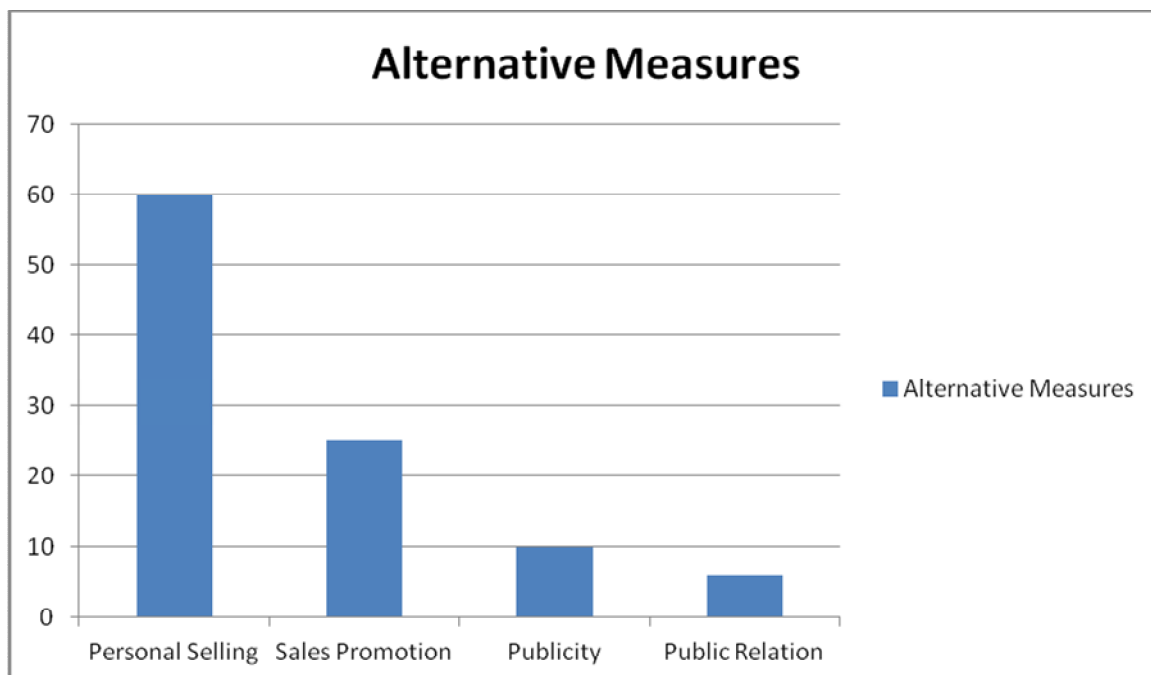


Figure 4: Alternative promotional measures

60% of the respondents indicated that personal selling can be an alternative promotion method because it is a seller's promotional presentation conducted on a person-person basis, with the buyer face-to-face, through telephone calls, video conferencing or through interactive computer links between the buyer and the seller.

25% of respondents thought that although sales promotion would be an incentive alternative, it only attributed to short-term objective orientated incentives. The respondents provided examples of in cooperating product demonstrations and tradeshow with advertising to support this incentive. Other promotional efforts such as publicity and public relations had 10% and 5% respondents respectively.

4.7.3 Advertising and the critics

The study showed that 68% of the respondents criticized advertising while 32% of the respondents agreed that advertising is a very important aspect in every enterprise. The fore respondents cited: lies and misleading messages, too many clutters in adverts, advertising was expensive, advertising generated competition and advertising caused impulse buys as overall reasons for their discontent with advertising.

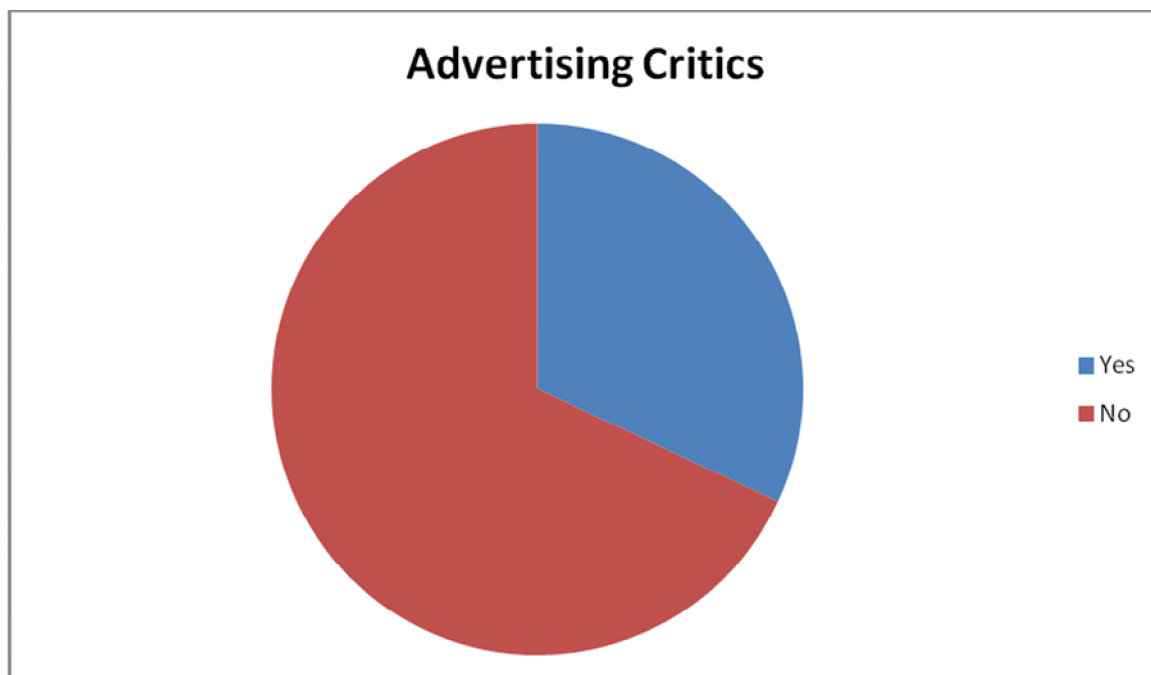


Figure 5: Advertising Critics

Cause of Criticism	No. of Respondents	%
Untruthfulness	20	24
Too much Clutter	10	10
Source of Competition	20	24
Very Expensive	10	10
Total	60	68

Table 4: Critics opinion towards advertising

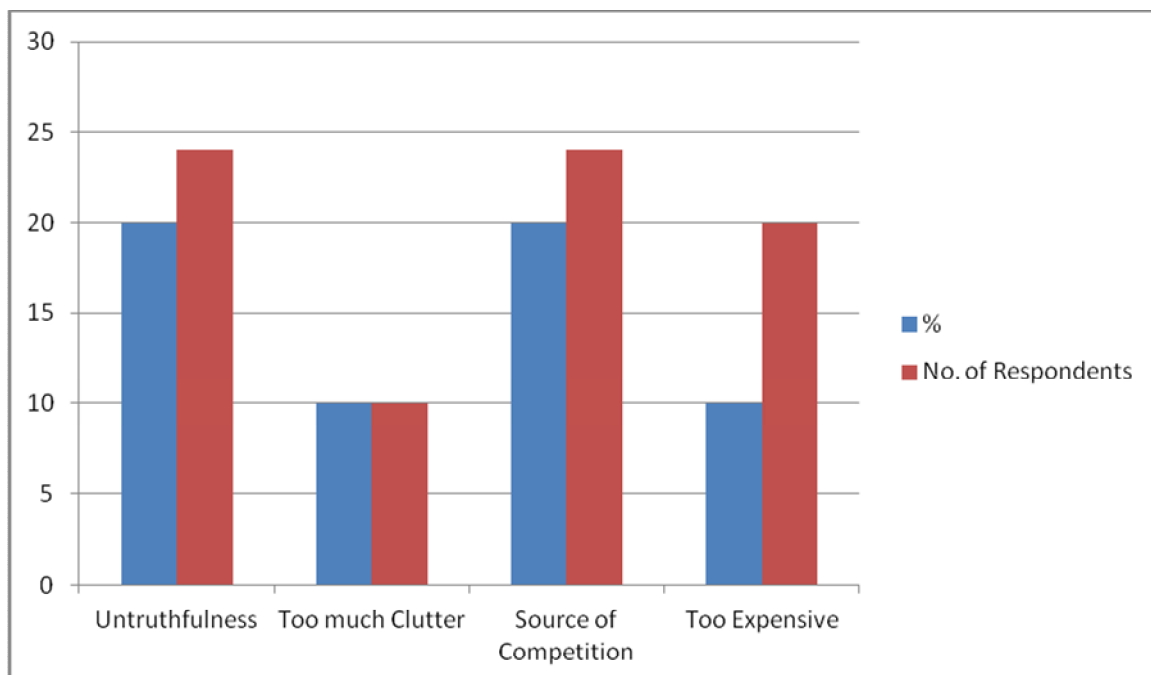


Figure 6: Critics opinion towards advertig

4.7.4 Impact of advertising

To establish the impact that advertising had on the economy in general, the researcher handed out questionnaires to respondents where 78% of the respondents agreed that advertising had a great impact on the economy while 20% of the respondents said not agree with this. The 78% of respondents cited these issues to support their incentives: advertising created positive brand awareness; it was a clear method of generating a larger customer base; acted as a tool for offsetting competitors' advertising, and bolstered the sales volume of companies.

Effects	No. of Respondents	%
Creates brand Awareness	6	3
Generates Customers	23	55
Offsetting Competition	18	11
Bolsters sales	13	9
Total	60	78

Table 5: Impacts of Advertising

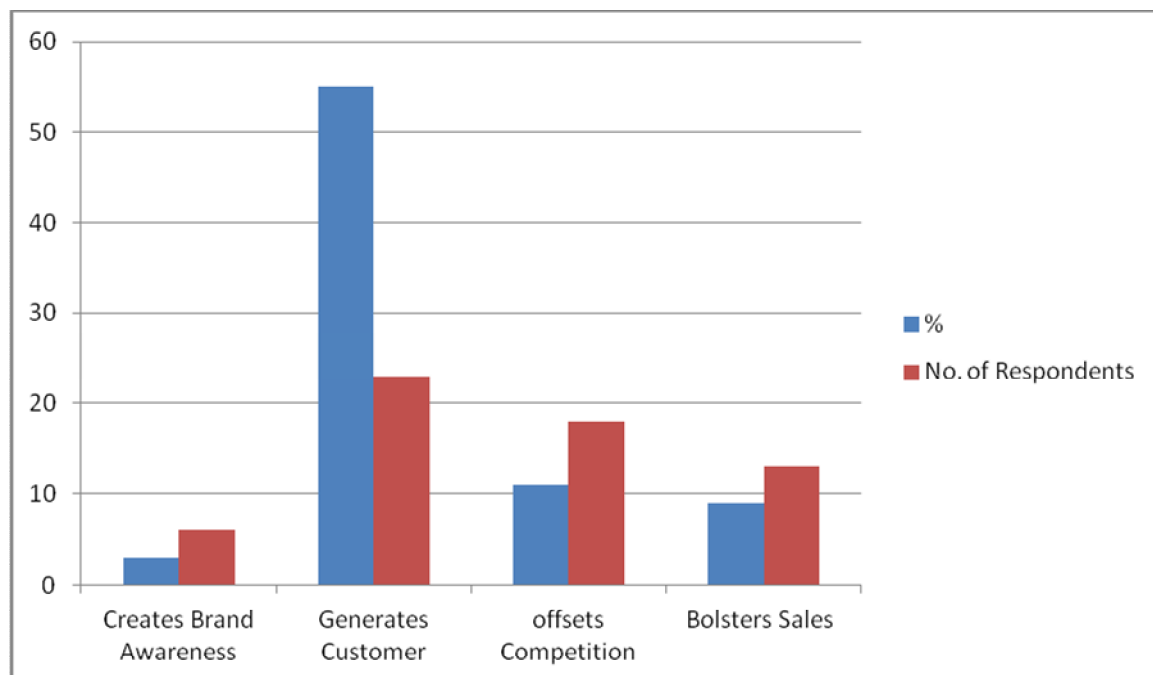


Figure 7: Impacts of Advertising

The 11% of respondents that believed that advertising offsets competitors' advertising attributed the notion on that many businesses may be able to counter and respond to their competitors' adverts by creating better adverts for themselves and by that, defend their market share. On the contrary, 20% of the respondents believed that advertising was a wastage of resources and instead, the company should have allocated the resources to other incentives for instance, improving the quality of their products. Some even believed that with the harsh economic periods, they advertising resources should instead be used to raise the employees' wages and salaries.

5 Conclusions and Recommendations and Implications

The main objective of this study is to examine the effects that advertising has on the growth and development of Small medium enterprises, in particular the East African Packaging industries. In retrospect, this chapter sheds the conclusive findings of the research and the researcher's recommendations/implications towards advertising at the organization.

5.1 Conclusions

Overall, the positive effects that marketing in general has brought within the organization were mostly attributed to other promotional elements such as personal selling, rather than advertising itself. Penetration and distribution at the market level has been optimized effectively through elements such as personal selling and direct marketing. The organization en-

gages a sales force that is well equipped with the right tools, i.e. trucks and attractive commission incentives. The sales teams are then allocated routes/territories and given monthly targets in regard to volume and value.

Sales Promotion is another tool that the company employs in abundance. The researcher noted that EAPI participated mostly in trade shows where its target audience frequented most. This target group includes, flower producers, farmers, amongst others. The company's billboards, trucks and staff dressed in the EAPI's T-shirts and aprons are then distributed accordingly all over the exhibition grounds.

The only advertising initiative that EAPI embarks on is commercial advertising, which includes both the print media and broadcasting. It is no doubt that print media and broadcasting offers a more universal and high frequency reach than other advertising initiatives, but when this practices are not enforced severally, the chances of interacting with the target audience is minimal.

5.2 Recommendations and Implications

Although research has indicated that most SMEs, especially in developing nations lack sufficient know-how of internet technology and electronic commerce, advertising on the web is an important initiative that EAPI should undertake. The reasons are obvious in that, consumer media consumption is shifting from the traditional media to the internet. Unlike before, consumers are now opting for electronic media editions rather than the traditional norms such as newspapers and magazines. Kenya on other hand has of recent taken up fiber optic technology (2006), making the use of internet an in-expensive practice. All these factors coupled by that EAPI has a website and the information technology department in the company has adequate know-how would definitely improve the impact that advertising would add to the development of the company.

Advertising as noted by this study is an expensive venture for any SME and the repetitive nature of it makes it more and more inconsistent in use. Nonetheless, repetition of adverts for example at the commercial level should be amongst the major priorities that the company should undertake. This is because initiatives such as advert repetition greatly influence consumer brand choices while also acting as a legitimate entry-deterrent tactic for new companies that may be in competition with EAPI.

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Appendices

Appendix 1

Questionnaire

1. Name of the Business organization?
2. Physical address of the organization?
3. Sex:
Male:
Female:
4. Are you a casual or permanent employee?
Casual
Permanent
5. How long have you been in the organization?
1 - 4 years
5 - 9 years
10 - 14 years
15 years and above
6. Do you know of any advertising strategies that East African Packaging Industries employs in its promotional initiatives?
Yes
No
If yes, which one(s)
.....
7. Do you think other alternatives should be practiced in promoting the products at EAPI?
Yes
No
If Yes, which one(s)
.....
8. Can you criticize the advertising methods/ programs being practiced now?
Yes

No

If yes, how

.....

9. Do you think advertising has any economical impacts on EAPI and the society in general?

Yes

No

If Yes, which one(s)

.....

10. As the manager of EAPI, would you advertise your products?

.....

.....