Influence of Entrepreneurial Marketing Strategies on the Growth of Small and Medium Water Bottling Enterprises in Kenya

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Abstract

Purpose: The purpose of this study was to explore the influence of entrepreneurial marketing strategies on the growth of SME water bottling enterprises in Kenya.

Materials and methods: Stratified and simple random sampling techniques were employed to sample 127 SMEs from the sample frame. The instrument of data collection was a questionnaire. Descriptive statistics were used to analyze quantitative data. Qualitative data was coded and classified into themes and perceptions and reported in the findings. Inferential statistics using correlation, multiple linear regression models were undertaken using IBM SPSS Statistics 22. The data was presented in tables, graphs and pie charts.

Results: The study found strong relationship between promotion, product, pricing and distribution strategies and growth of SME water bottling firms in Kenya. SMES should therefore leverage on low cost but effective marketing strategies to allow them to compete with large firms. The moderating influence of entrepreneurial orientation on aggregated marketing strategies also had a positive and significant effect on the overall change in all the marketing strategies variables and the growth of small and medium water bottling enterprises in Kenya.

Recommendations: One of the major implications of this research is that firms can increase sales by offering the right marketing tools. Therefore organizations should carefully plan their marketing strategies, and allocate adequate marketing budget giving preference to the more effective tools. The SME water bottling entrepreneurs should also build capacity on the entrepreneurial marketing strategies to apply in their businesses and invest more in web based technology and infrastructure.

Keywords: entrepreneurial marketing strategies, water bottling enterprises
1.0 INTRODUCTION

1.1 Background of the Study

This study seeks to investigate whether entrepreneurial marketing strategies (promotion strategies, product strategies, pricing strategies and distribution strategies, contribute to the growth of water bottling SMEs in Kenya. The global, African and Kenyan perspective of growth in water bottling sector have been analyzed. Globalization, the increasing power of big retailers, and the strategies developed by large companies are some of the elements that characterize the first moving consumer goods (FMCG) resulting into increased level of competition in the industry. Small and medium-sized enterprises (SMEs), which represent the greater part of FMCG, have to survive in the market facing increasing competition (Jones, 2007).

Marketing strategy has therefore become an important tool globally for any organization seeking to survive in a competitive market environment. Aremu and Lawal (2012) view strategy as a pattern of resource allocation decisions made throughout an organization. This encapsulates both desired goals and beliefs about what are acceptable and most critically, unacceptable means for achieving them. Aremu and Lawal, (2012) further opines that strategy involve analysis of the market and its environment, customer buying behavior, competitive activities and the need and capabilities of marketing intermediaries. Marketing strategy therefore, can be defined as a method by which a firm attempts to reach its target markets. Marketing strategy starts with market research, in which needs, attitudes and competitors' products are assessed. This is followed by advertising, promotion, distribution and where applicable, customer servicing, packaging, sales and distribution. Marketing strategy must focus on delivering greater value to customers and the firm at a lower cost (Chiliya, Herbst & Roberts, 2009). According to Owomoyela, Oyeniyi & Ola (2013) marketing strategy is a way of providing a quality product that satisfies customer needs, offering affordable price and engaging in wider distribution and backing it up with an effective promotion strategy. Marketing strategy is a vital prerequisite of firm's ability to strengthen its market share and minimize the impact of the competition.

1.1.1 Small and Medium Enterprises

Small and Medium enterprises (SMEs) have been defined in various perspectives the world over. In the UK, small enterprises are defined as those enterprises having 1-50 employees, a turnover of not more than £6.5 million and a balance sheet total of not more than £3.26 million, while medium sized firm has 51-250 employees, turnover of not more than £25.9 million and a balance sheet total of not more than £12.9 million (Kirby, 2002). In Kenya, Sessional Paper No 2 of 2005 on development of micro and small enterprises for wealth and employment creation for poverty reduction defines small and medium enterprises (SMEs) as those enterprises employing 10-49 for small enterprises and 50-99 for medium enterprises. In order to integrate the SMEs sector into the national economic grid, the Sessional Paper No 2 of 2005 further expanded the definition of SMEs to include all enterprises, both farm and non-farm, employing less than 50 persons.
(RoK, 2005). In the micro and small enterprise act 2012 (MSE Act 2012), the micro and small enterprises have been divided into four categories namely trade, farming, manufacture and services providers. Micro enterprise is defined as enterprises having less than 5 million Kenya Shillings (KES) invested in it or sales of less than KES 500,000 a year or has 1-9 people working in it. A small enterprise on the other hand has sales of between KES 500,000 to KES 1 million a year or has 10-50 people working in it (RoK, 2012).

1.1.2 SME’s Marketing Strategies

The marketing function in SMEs is hindered by many constraints. These include poor cash flow, inadequate marketing expertise, business size, tactical customer related problems, and strategic customer-related problems (Kotler, 2007). Small businesses need marketing in a format that is compatible with small firm characteristics and is acceptable to the small firm owner/manager. Marketing is an essential part of the existence phase of a firms’ life cycle, more so for SMEs which have a high mortality rate. It is acknowledged that SMEs do not undertake conventional marketing because of the limitations of resources. SME owner/managers also behave and think differently from conventional marketing decision-making practices in large companies (Hisrich, Peters & Sheperd, 2010). According to Chen & Huang (2009), good marketing supports sales and expansion and contributes significantly to the growth of market share in competitive markets.

1.1.3 Entrepreneurial Marketing

Past researches on entrepreneurship have mainly dwelt on a single aspect of entrepreneurship at a time. These aspects are motivational factors; family entrepreneurship; entrepreneurial skills; external factors; characteristics of entrepreneurship and entrepreneurship education (Mayasari, Maharani & Wiadi, 2009). This study will focus entrepreneurial marketing strategies perspective to growth of SMEs covering the four marketing mix of price, promotion, product and distribution. The term “Entrepreneurial Marketing” (EM) has come to describe the marketing activities of small and new ventures. The theoretical foundation of entrepreneurial marketing is consistent with resource advantage theory which allows for both conventional approaches to marketing and entrepreneurial marketing (Mayasari et al., 2009). Marketing facilitates the ability of firms to create new resources through innovation by combining resources. Marketing is crucial for success or failure of an enterprise. The degree of market orientation of an enterprise may well impact its overall business performance.

1.1.4 Global Water Bottling Industry Perspective

According to Ferrier (2001), purified bottled water can be water from any source which is distilled, carbonated or treated in any manner. Bottled water can also come from mineral and spring water sources which must come from an underground source (not a public water supply) and can't be altered with chemicals. Mineral water has a higher amount of dissolved mineral salts. Worldwide consumption of bottled water is increasing at 10 % every year with the fastest
growth seen in developing countries (Gleick, 2004). This demand for bottled water has been
necessitated by changes in lifestyle, increased income levels, convenience, health consideration
and safety consciousness among consumers (Sambu, 2010). To stress the level of challenge the
world faces with water, OECD (2010) have posited that a further 1 billion people are expected to
live in severe water-stressed areas by 2030, raising a challenge in terms of the policies and
financing needed to ensure access to clean water. A reliable supply of clean wholesome water is
highly essential in a bid to promoting healthy living amongst the inhabitants of any defined
geological region (Mojekeh & Eze, 2011). Functional bottled water has therefore taken root and
continues to see growth with new product development featured around weight management,
 improvement in mental function, skin hydration and anti-ageing benefits (Devas, 2009).

1.1.5 Bottled Water Industry in Africa
In Tigray, Northern Ethiopia, Asgedom and Desta (2012) found that bottled drinking water
plants has been on the increase since 2002 because of shortage of water supply, hygiene
problems and availability of market. Most of the bottled water is produced from springs which
are then physically and chemically processed. Small plastic packaging bags are preferred by
retailers and consumers because of their low cost, light weight and handiness. These plastic bags
and water bottles are reused by some communities and finally disposed on landfills (Asgedom
& Desta, 2012).

Ackah (2011) observed that the ready market for sachet/bottle water in Ghana and the relatively
low start-up capital (especially for sachet water production) had motivated the springing up of
businesses stimulating local entrepreneurs into the production of sachet and bottled water. The
highly profitable packaged water business is also a major source of employment for thousands of
local people, both directly and indirectly. In Nigeria, Sachet water companies form a major part
of SMEs and also play an important role in creating employment opportunity (Akunyili, 2003;
Adewoye & Akanbi, 2012). Where the government has not done much to provide reliable
potable water for its citizenry, drinking water is sold in polythene sachets(Egwari & Aboaba,
2002; Dada, 2009). The sachet water is readily available which encourages mobile consumption

1.1.6 The Water Bottling Industry in Kenya
Kenya is described as a water-scarce country due to limited national endowment and the needs of
a growing population (RoK, 2005). This problem has been compounded by water resources
degradation and low investments in infrastructure development, maintenance and operations. The
water sector has the potential to substantially improve the lives of Kenyans by ensuring access to
clean water and acceptable sanitation services (RoK, 2005). The availability of good quality and
quantity water is central to Kenya’s socio-economic development goals. This is so considering
that water is a major resource for energy generation, for urban and rural consumption,
agricultural development, tourism, and for industrial growth (RoK, 2005).
1.2 Statement of the Problem

Growth of SMEs is desirable in order to create wealth for the owners, equitably distribute the development of the country, create employment and reduce poverty in the general population (RoK, 2005). It is also widely recognized that growth of SMEs is a key driver of economic development (Lederman, 2009). In Kenya, the SMEs in bottled water businesses are not growing as expected. This is shown by failure of water bottling firms to meet the demand of bottled water products. The increase in demand which grew by over 12 percent is not in tandem with growth of water bottling businesses with sales turnover increasing by only 3 percent which represented 9 Million litres of bottled water (EM, 2013). In 2011 and 2013 the demand increased by 14 and 16 percent respectively, (EM, 2013) while the number of operating water bottling SMEs dropped by 4 percent respectively (RoK, 2013). It is worth noting that the bulk of increase in demand goes to large enterprises as SMEs who comprise 98 percent of the players, only account for 40 percent of the total sales (RoK, 2013). On the other hand fruit/vegetable juice has shown strong performance in volume terms due to continuing interest in healthier products as they posted an 8 percent growth in 2013 up from 5 percent in 2012(EM, 2013).This situation if not addressed will lead to loss of employment as a result of reduced sales and market share of water bottling SMEs in Kenya (RoK, 2013). What contributes to this decline? Could it be lack of entrepreneurial marketing strategies? This is the subject of this study.

1.3 Objectives of the study

To determine the influence of pricing strategies on growth of small and medium water bottling enterprises in Kenya

2.0 LITERATURE REVIEW

2.1 Introduction

2.2 Theoretical Review

Price adaptation level models developed by Helson (1964) view the consumer as a rational agent who makes decisions based on current prices, income and market conditions. In a market with repeated interactions, such as frequently purchased consumer goods or services, customers' purchase decisions are also determined by past observed prices: the benchmark against which current prices are compared. Prices above the reference price appear to be high, whereas prices below the reference price are perceived as low.

The latter effect stimulates short term demand and provides incentives for retailers to run price promotions as a mechanism to increase short-term profits. On the other hand, price promotions decrease consumers' price expectations, and hence their willingness to buy the product at higher prices in the future. The theory ignores stock-piling effects and assumes that consumers are fully informed about product quality, and do not judge quality level by price. For the firm, this means
that high profits today may come at the expense of a loss in future demand, and hence less profit in the future. Therefore, a profit maximizing firm must consider the long term implications of its pricing strategy.

Adaptation level theory predicts that customers respond to the current price of a product by comparing it to an internal standard formed based on past price exposures, called the reference price. While other reference price models exist in the literature, an empirical comparison conducted by Briesch, et al (1997) shows that the best model is one that is based on the brand's own price history, i.e. an internal reference price mechanism. The impact of the reference price on demand, called reference effect, is behaviorally explained at the individual level by the postulates of prospect theory (Kahneman & Tversky, 1979). Accordingly, consumers perceive prices as gains (discounts) or losses (surcharges) relatively to a reference price, and there is an inherent asymmetry in perception, in that losses loom larger than gains of the same magnitude (loss aversion). In addition, there is diminishing sensitivity to both gains and losses. The vast empirical validation of prospect theory in the context of reference prices is best synthesized by Kalyanaram& Winer (1995). Their key empirical generalizations validate the kinked S-shaped reference effect at the aggregate demand level. The value of this theory to managers and researchers alike is that; it predicts how consumers actually behave, rather than how they ought to behave (Nagle & Holden, 1995). With few exceptions, the dynamic pricing literature is oblivious of such behavioral aspects underlying demand. Recent surveys on dynamic pricing confirm that the state of the art models unrealistically assume demand to be given exogenously, and customers' purchase decisions to be based solely on the current price posted by the seller (Bitran & Caldentey, 2003; Elmaghraby & Keskinocak 2003). Similarly, in industry practice, prices are typically based on empirically estimated demand models that reflect consumer response conditions on current prices only, indicating that firms typically follow myopic pricing policies. They have memory and are prone to human decision making biases (such as anchoring effects and loss aversion) and cognitive limitations. In particular, they are unaware of their biases and do not act strategically.

2.3 Conceptual Framework

Table 1: Pricing Strategies

<table>
<thead>
<tr>
<th>Pricing strategy</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Penetration pricing</td>
<td>Enter market with special offer pricing to get market share quickly. This is used by utilities entering deregulated markets.</td>
</tr>
<tr>
<td>Discount pricing</td>
<td>Tactically reducing price occasionally to steal competitor share.</td>
</tr>
<tr>
<td>Price skimming</td>
<td>Starting with a high price to get the early adopters and then gradually reducing. This mostly happens in technology markets</td>
</tr>
</tbody>
</table>
such as PCs and Hi-Fi.

<table>
<thead>
<tr>
<th>Premium pricing</th>
<th>Adopt a platform of high prices and stick to it, for example, Rolex watches.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Going rate</td>
<td>Fitting the market price of competitors with like-for-like comparison.</td>
</tr>
<tr>
<td>Price discrimination</td>
<td>For example, fixing a price too high (or too low) to exclude certain customers. For instance, some airport customers will pay extra to park in the short term or business car park while others won’t.</td>
</tr>
<tr>
<td>Quantum pricing</td>
<td>Fix price high and lowering until sales occur. For instance, Amazon Internet model.</td>
</tr>
<tr>
<td>Cost plus pricing</td>
<td>Doesn’t work in a dynamic market but sometimes used in government contracts or controlled economies</td>
</tr>
</tbody>
</table>

### 3.0 RESEARCH METHODOLOGY

For this study, a descriptive research design was adopted combining both qualitative and quantitative approaches. In this research, the population was all water bottling enterprises in Kenya, the target population was 422 water bottling SMEs in Nairobi while the study population was 127 owners and top managers of SMEs in Nairobi. In this study, 30% of the target population was sampled using simple random sampling technique. The researcher used semi-structured questionnaires to collect data. Descriptive statistics was used to analyze quantitative data. Inferential statistics using correlation and multiple linear regression models was undertaken.

### 4.0 RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Reliability Results

From table 2, all the variables had a Cronbach alpha above 0.7 and thus were accepted. This represented high level of reliability and on this basis it was supposed that scales used in this study is reliable to capture the variables.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of statements</th>
<th>Cronbach's Alpha</th>
<th>Comment</th>
</tr>
</thead>
</table>

---

Table 2: Reliability Coefficient
Promotion Strategies 9 0.703 Accepted
Product Strategies 9 0.752 Accepted
Pricing Strategies 9 0.871 Accepted
Distribution Strategies 9 0.742 Accepted
Entrepreneurial Orientation 9 0.825 Accepted
Growth/performance 9 0.932 Accepted

4.2 Response Rate
This study has acceptable response rate.

Table 3: Response Rate

<table>
<thead>
<tr>
<th>Zone</th>
<th>Area</th>
<th>Questionnaires distributed</th>
<th>Questionnaires retuned</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Nairobi Metropolitan</td>
<td>82</td>
<td>75</td>
<td>91.5</td>
</tr>
<tr>
<td>B</td>
<td>Limuru/Kikuyu/Ndenderu/ Ruaka and Githunguri</td>
<td>13</td>
<td>11</td>
<td>84.6</td>
</tr>
<tr>
<td>C</td>
<td>Kiambu Town/KamitiRuiru and Thika</td>
<td>10</td>
<td>8</td>
<td>80.0</td>
</tr>
<tr>
<td>D</td>
<td>Kitengela/Kajiando/Ongata Rongai and Ngong</td>
<td>14</td>
<td>10</td>
<td>71.4</td>
</tr>
<tr>
<td>E</td>
<td>Athi River/Machakos/ Ruai and Kamulu</td>
<td>8</td>
<td>6</td>
<td>75.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>127</td>
<td>110</td>
<td>86.61</td>
</tr>
</tbody>
</table>

4.3 Demographic Characteristics
This section consists of information that describes basic characteristics namely gender of the respondents, business title of the respondent, level of education and Form of business ownership.

4.3.1 Gender of the respondents
Figure 1: Gender of the respondents

4.3.2 Business title of the Respondents
4.3.3 Level of education

Figure 2: Business title of the respondents

4.3.4 Types of Business Ownership

Figure 3: Level of education of the respondent
4.4 Pricing Strategies

4.4.1 Descriptive Statistics

Particularly, the study focused on competitive pricing, bundled pricing and premium pricing. The respondents were asked to indicate the number of bottled water they have been competitively priced. 50.5% who were the majority indicated that they produced over 6 bottled water with large discounts, 53.8% indicated that they produced over 6 bottled water that are cheaper than competitors while 50.5% had 3-6 bottled water that were more appealing to the mass market.

Table 4: Competitive Pricing Strategies

<table>
<thead>
<tr>
<th>Competitive pricing</th>
<th>Less than 3 bottled water</th>
<th>3-6 bottled water</th>
<th>Over 6 bottled water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products with large discounts</td>
<td>5.20%</td>
<td>44.30%</td>
<td>50.50%</td>
</tr>
<tr>
<td>Products that are cheaper than</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>competitors</td>
<td>0.00%</td>
<td>46.20%</td>
<td>53.80%</td>
</tr>
<tr>
<td>Products appeal to the mass market</td>
<td></td>
<td>50.50%</td>
<td>49.50%</td>
</tr>
</tbody>
</table>

On the question on how competitive pricing influenced the Growth of Small and Medium Water Bottling Enterprises in Kenya, 38% indicated that competitive pricing improved growth by between 25% to 50%, 30% responded that competitive pricing improved growth by between 50% to 75%, 18% indicated that competitive pricing improved growth by over 75%, 14% of the responded that competitive pricing improved growth by below 25% while only
The respondents were asked to indicate on how bundle pricing influenced the Growth of Small and Medium Water Bottling Enterprises in Kenya. 50% who were the majority responded that bundle pricing improved growth by between 50% to 75%, 23% of them indicated that bundle pricing improved growth by over 75%, 15% indicated that bundle pricing improved growth by between 25% to 50 while only 12% of the respondents revealed that bundle pricing improved growth by below 25%.

Concerning premium pricing, Majority of the respondents (56.9%) indicated that they used image pricing for 3-6 bottled water, 52.8% premium priced over 6 bottled water for extra quality while 52.8% indicated that they premium priced over 6 bottled water for extra features.
Table 6: Premium Strategies

<table>
<thead>
<tr>
<th>Premium pricing</th>
<th>Less than 3 bottled water</th>
<th>3-6 bottled water</th>
<th>Over 6 bottled water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image pricing-pricing is related to the high image and class it confers</td>
<td>0.00%</td>
<td>56.90%</td>
<td>43.10%</td>
</tr>
<tr>
<td>Premium pricing for extra quality</td>
<td>0.00%</td>
<td>47.20%</td>
<td>52.80%</td>
</tr>
<tr>
<td>Premium pricing for extra features</td>
<td>0.00%</td>
<td>52.80%</td>
<td>47.20%</td>
</tr>
</tbody>
</table>

On the question on how premium pricing has influenced growth, 39% responded that premium pricing improved growth by between 50% to 75%, 30% of the respondents revealed that premium pricing improved growth by below 25%, 20% indicated that premium pricing improved growth by between 25% to 50% while only 11% of the respondents indicated that premium pricing improved growth by over 75%.

Figure 7: Influence of premium pricing on Growth

Influence of pricing strategies on the growth of water bottling SMEs in Kenya

The study sort to determine the influence of pricing strategies on the growth of SMEs water bottling in Kenya

Table 7 shows that the most effective pricing strategies in sales growth is bundled pricing strategy with an average mean value of 0.766 followed by premium at 0.756, and competitive strategy at 0.726, in terms of employees growth, the most effective pricing strategies are the same as sales growth with bundled pricing, premium and competitive strategies at 0.765, 0.757, and 0.724 respectively.
Table 7: Influence of pricing strategies on the growth of water bottling SMEs in Kenya

<table>
<thead>
<tr>
<th>Pricing Strategy</th>
<th>Sales growth</th>
<th>ROI growth</th>
<th>Employees growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive</td>
<td>0.726</td>
<td>0.263</td>
<td>0.724</td>
</tr>
<tr>
<td>Bundled pricing</td>
<td>0.766</td>
<td>0.210</td>
<td>0.765</td>
</tr>
<tr>
<td>Premium pricing</td>
<td>0.756</td>
<td>0.374</td>
<td>0.757</td>
</tr>
</tbody>
</table>

4.4.2 Relationship between Pricing Strategies and sales revenue

The results presented in table 8 present the fitness of model used of the regression model in explaining the study phenomena. Competitive pricing, bundle pricing and premium pricing explained 33.3% of sales revenue/growth.

Table 8: Model Fitness

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>0.577</td>
</tr>
<tr>
<td>R Square</td>
<td>0.333</td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.312</td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
<td>0.354</td>
</tr>
</tbody>
</table>

Table 9 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of sales revenue. This was supported by an F statistic of 16.112 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

Table 9: Analysis of Variance

<table>
<thead>
<tr>
<th>Regression</th>
<th>6.066</th>
<th>3</th>
<th>2.022</th>
<th>16.112</th>
<th>0.000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual</td>
<td>12.172</td>
<td>97</td>
<td>0.125</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18.238</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regression of coefficients results in table 10 shows that competitive pricing and sales revenue are positively and significantly related ($r=0.142$, $p=0.045$). The table further indicates that bundle pricing and sales revenue are positively and significantly related ($r=0.128$, $p=0.024$). It was further established that premium pricing and sales revenue were positively and significantly related ($r=0.297$, $p=0.000$).
Table 10: Regression of Coefficients

<table>
<thead>
<tr>
<th>Variable</th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.516</td>
<td>0.2</td>
<td>7.587</td>
<td>0.000</td>
</tr>
<tr>
<td>Competitive pricing</td>
<td>0.142</td>
<td>0.07</td>
<td>2.032</td>
<td>0.045</td>
</tr>
<tr>
<td>Bundle Pricing</td>
<td>0.128</td>
<td>0.056</td>
<td>2.3</td>
<td>0.024</td>
</tr>
<tr>
<td>Premium Pricing</td>
<td>0.297</td>
<td>0.053</td>
<td>5.599</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The specific model was:
Sales revenue = 1.516 + 0.142X1 + 0.128X2 + 0.297X3
Where X1 is Competitive pricing
  X2 is Bundle pricing
  X3 is Premium pricing

4.4.3 Relationship between Pricing Strategies and number of employees
The results presented in table 11 present the fitness of model used of the regression model in explaining the study phenomena. Competitive pricing, bundle pricing and premium pricing explained 16.2% of the total number of employees.

Table 11: Model Fitness

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>0.402</td>
</tr>
<tr>
<td>R Square</td>
<td><strong>0.162</strong></td>
</tr>
<tr>
<td>Adjusted R Square</td>
<td>0.136</td>
</tr>
<tr>
<td>Std. Error of the Estimate</td>
<td>0.401</td>
</tr>
</tbody>
</table>

Table 12 provides the results on the analysis of the variance (ANOVA). The results indicate that the overall model was statistically significant. Further, the results imply that the independent variables are good predictors of the total number of employees. This was supported by an F statistic of 6.233 and the reported p value (0.001) which was less than the conventional probability of 0.05 significance level.
Table 12: Analysis of Variance

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.007</td>
<td>3</td>
<td>1.002</td>
<td>6.233</td>
<td>0.001</td>
</tr>
<tr>
<td>Residual</td>
<td>15.6</td>
<td>97</td>
<td>0.161</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>18.608</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Regression of coefficients results in table 13 shows that competitive pricing and number of employees are positively and significantly related ($r=0.174$, $p=0.031$). The table further indicates that bundle pricing and number of employees are positively and insignificantly related ($r=0.104$, $p=0.104$). It was further established that premium pricing and number of employees were positively and significantly related ($r=0.154$, $p=0.012$).

Table 13: Regression of Coefficients

<table>
<thead>
<tr>
<th>Variable subcontracts</th>
<th>$B$</th>
<th>Std. Error</th>
<th>$t$</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.559</td>
<td>0.226</td>
<td>6.892</td>
<td>0.000</td>
</tr>
<tr>
<td>Competitive pricing</td>
<td>0.174</td>
<td>0.079</td>
<td>2.189</td>
<td>0.031</td>
</tr>
<tr>
<td>Bundle Pricing</td>
<td>0.104</td>
<td>0.063</td>
<td>1.64</td>
<td>0.104</td>
</tr>
<tr>
<td>Premium Pricing</td>
<td>0.154</td>
<td>0.06</td>
<td>2.56</td>
<td>0.012</td>
</tr>
</tbody>
</table>

The specific model was;
Number of employees $=1.559+0.174X1+0.104X2+0.154X3$
Where $X1$ is Competitive pricing
$X2$ is Bundle pricing
$X3$ is Premium pricing

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings.

The findings revealed that majority of water bottling SMEs used competitive pricing, bundle pricing and premium pricing.

The study showed that many firms produced several products with large discounts. They also engaged in production of several products that are cheaper than competitors. In addition they produced products which are more appealing to the mass market. Results also revealed that water bottling companies bundle priced several products using Pure bundling (buy one get one free-BOGO), Mixed bundled (offer of two different products such as water and biro pen) and Bundle compatibility (water and water dispenser).
In addition, the study found out that majority of the firms priced their products using image pricing, premium pricing for extra quality and also premium priced many products for extra features.

Further results from linear regression model indicated that pricing strategies have positive and significant effect on the growth of small and medium water bottling enterprises. Pricing strategies lead to improved sales growth. In addition it leads to an increased number of employees and also improved return on investments (ROI).

5.2 Conclusions

Based on the findings, the study concluded that water bottling SMEs have pricing strategies in place. They have generally adapted the three strategies of competitive pricing, bundled pricing and premium pricing. Firms come up with their prices with varying success among them, generally they have been forced to lower their prices to the lowest possible due to competition from the large firms who have superior distribution network and diversity of their products e.g. juices and sodas.

5.3 Recommendations

Based on the findings and conclusions, the study recommends for SMEs to focus mostly on marketing, as price setting strategy is a significant component of the marketing mix. By setting the price, SMEs can communicate to the consumer the value of their product, and act on their purchasing behavior. Price for any product or a service will inevitably fall somewhere between that which is too low to produce a profit and that which is too high to generate any demand. Firms should keep revising price often enough to capitalize on market changes. Firms need to set a price for the first time when it develops a new product, when it introduces its regular product into a new distribution channel or geographical area and when it enters bids on new contract. The firm must decide where to position its product on quality and price.
5.4 Suggested Areas for Further Study

There is need to investigate other entrepreneurial marketing strategies necessary for the growth of water bottling SMEs other than those covered in this study. Internal aspects of management such as motivation of employees and entrepreneurial aspects of the management staff, which may include finding out impact of other rewards on performance such as owning of equity through stock buying and bonuses. To this end, there is therefore need to undertake more studies on other SMEs in the manufacturing sector and other organizations so as to compare and corroborate the results of this study. Research can also be done to identify other entrepreneurial marketing strategies which may affect growth of Small and Medium Water Bottling Enterprises.

REFERENCES


