Customer Orientation and Marketing Innovation Among Small and Medium Enterprises (SMEs) in Yobe State, Nigeria

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Abstract
The study investigated the effect of customer orientation on marketing innovation among SMEs in Yobe State, Nigeria. The study adopted cross-sectional survey design. The target population was 363 participants who were either SMEs owners or managers. The sample size was 190 respondents. The main research instrument was questionnaire. Data was analyzed using linear regression analysis. The study found that customer orientation significantly explains 25.6% of the total variance in marketing innovation (Adjusted R^2=0.256, p=0.000). The study concluded that customer orientation significantly affects marketing innovation. The study recommended that SMEs in Yobe State should employ well planned and mechanized way of handling customer complaints, customer satisfaction level and gather customer demographic characteristics using market research survey with the intent of meeting customers' needs and demands.
Keywords: customer orientation, marketing innovation, SMEs, Yobe State, Nigeria.
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1.1 BACKGROUND
The concept of Small and Medium Enterprises (SMEs) marketing is considered one of the critical factors for customer orientation, SMEs survival, competitive advantage and growth (Simpson et al., 2011). SME marketing is more specific because it is based on their unique characteristics such as, size, resource constraints, entrepreneur/owner influence and marketing knowledge, sales focus, and personal contact networks (Hakimpoor et al., 2012). However, marketing innovation in SMEs is hampered by lack of resources and competences, as main factors (Bettiol et al., 2012). Consequently, SMEs cannot adapt marketing innovation to the same extent as large enterprises, but in order to pursue organizational goals, they use marketing function in different specific forms. Most common marketing forms adapted by SMEs are direct marketing and relationships, events, word of mouth and buzz which are more customer oriented (Cacciolatti&Fearne, 2011).

In Nigeria and more specifically, Yobe State, SMEs occupy a place of pride in the economy. This is because of the significant role they play on the economic activities of the state in terms of employment generation, poverty reduction and wealth creation. They provide 70 – 80% of daily necessities in the state (Yobe State Ministry of Commerce, 2017). A lot had been done by the Yobe state government in order to stimulate and sustain marketing innovation and growth of SMEs so as to achieve the vision 2020.For instance, several initiatives by the Federal and State government such as The Youth Enterprise with Innovation in Nigeria (You Win) Programme; and Train to Work (TRATOW) Initiative have targeted training SMEs' owners with the capacity of successfully operating their enterprises through customer orientation by employing better marketing innovation approaches (Bank of Industry (BOI), 2016).

1.2 Problem Statement
Unfortunately, there has been high failure rate of small and medium enterprises in Yobe State, with up to 78% unable to survive up to the 5th year in business (Small and Medium Enterprises Development Agency of Nigeria ((SMEDAN), 2018). In spite of the attempts made by successive governments to stimulate the growth and development of the SMEs sectors in Nigeria through the creation of SMEDAN, the marketing innovation of Nigerian SMEs remain low as opined by Innovations for Poverty Action (IPA, 2017). The marketing innovations of Yobe State SMEs in terms of pricing, promotion, new product development and advertisement were reported to be among the lowest in the Country (SMEDAN, 2018). Attention of the researcher has been drawn by this scenario. Possible explanations to this problem could be thought from customer orientation as it is one of the

dynamic measures that can bring superior marketing innovation. Therefore, this study investigated the relationship between customer orientation and marketing innovation of SMEs in Yobe State, Nigeria.

1.3 Objective

To investigate the effect of customer orientation on marketing innovation among SMEs in Yobe State, Nigeria

1.4 Hypothesis

Ho_1: Customer orientation does not significantly affect marketing innovation among SMEs in Yobe State, Nigeria.

1.5 Theoretical Review

This paper is premised on market orientation theory by Narver and Slater's (1990), and Kohli and Jaworski (1990). The theory posits that market orientation fosters an awareness of the external market, which requires response at appropriate levels and functions of the firm. Subsequently, market oriented organizations are supposed to perform better in the market. According to the framework of Narverand Slaters (1990), market orientation focuses on fundamental organizational characteristics, that is, "cultural approach".Narver and Slater's (1990) market orientation framework comprises the elements of customer orientation, competitor orientation, and inter-functional co-ordination, as well as the decision criteria called long-term focus and profitability. According to Slater and Narver (1999), market-oriented firms address both expressed as well as latent customer needs. In contrast,Kohli and Jaworski (1990) do not define market orientation as a cultural phenomenon, but rather as organizational behaviours comprising the generation of information, dissemination of information, and the responsiveness to information. Their approach is, therefore, frequently referred to as a "behavioural approach" to market orientation.

1.6 Conceptual Review
1.6.1 Customer Orientation and Marketing Innovation

Customer orientation is the understanding of the consumer needs as target buyers and creating superior value for them(Narver& Slater, 1990). Customer orientation component includes all regular activities involved in getting information for customers in the target market and creating strong relationship with them. According to Low (2006), collecting information regularly for customers' needs and requirements, and their levels of satisfaction on one hand and disseminating the information through the enterprise on the other hand enables enterprises to create or adapt objectives and policies in order to satisfy those customer needs and requirements. In turn, this helps them to create a strong relationship with distinct groups of customers or segments. Consequently, consumer orientated enterprise understand its customers well enough and continuously create super value for them (Im& Workman, 2014).

Day and Wensley (2011) explained that customer orientation requires that sellers focus their activities on the entire value chain in response to customer needs. Furthermore, Narver and Slater (1990) supported that sellers can create value to customers by increasing the benefit in relation to cost and decreasing cost in relation with the buyer benefits. Therefore, customer orientation is the potential of the seller to create superior value to their customers in terms of cost and benefits.

Marketing innovation is referred to as innovation in marketing or new marketing techniques in the context of strategic organizational behavior and patterns (Joana, 2015). According to Hanvanach et al., (2003), marketing innovation is the capacity to re-conceive the existing industry model in ways that create new value for customers, undermine competitors, and produce new wealth for all stakeholders. On the other hand, marketing innovation is defined by (Chen 2006) as the development of new marketing tools and methods.

The SMEs context of innovation has changed very much over the past twenty years. In recent years, it has been closely studied because of strong interest shown from both practice managers and policy makers, due to expectations for increasing SMEs competitiveness and their expected impact on economic development (Rosenbusch et al., 2011). Especially, in the time of market globalization, intensification of innovation activities is one of main tasks for SMEs.

Lesáková (2009) argue that a focus on marketing innovation drives organizations to find new and better methods of convincing existing and prospective customers of the value of the organization's products and services. The strategic implementation of marketing innovation can lengthen the stream of revenue from new and existing products by extending their marketplace life span. By identifying latent and emerging needs that these products may fulfill and earnestly searching for new markets for these offerings, an organization can experience higher levels of customer development, customer retention, and cash flow (Hanvanach et al. 2003).

A study by Christensen (2005) discovered that customer orientation is important to marginal innovation since customers have difficulty explaining their latent needs. Customer orientation performs effectively by investigating what the customer needs are and responding to those needs with new marketing innovations. The rational support for this marketing concept concentrates on the customer first and then various factors should follow the customer needs. Narver et al., (2004) argue that firms that had a policy of customer orientation always concentrated on

acquiring information concerning customer's latent needs, thus encouraging marketing innovation in response to latent needs.

Thus the hypothesis, that; Ho_1: *customer orientation does not significantly affect marketing innovation among SMEs in Yobe State, Nigeria.*

METHODOLOGY

Research Design

This study adopted cross-sectional survey design, because it aims at studying a particular phenomenon (or phenomena) at a particular time. Cross-sectional studies often employ the survey strategy (Mugenda&Mugenda, 2008).

Target Population

The study population of this study was all the SMEs in Yobe State. However, the study was confined to four categories of SMEs in the three geopolitical zones of Yobe State, namely: financial intermediation (39 SMEs); manufacturing (34 SMEs); hotels and restaurants (26 SMEs); and wholesale and retail trade, repair of motor vehicles and household goods (22 SMEs). This therefore made the total number of targeted SMEs to be 121. Furthermore, the researcher selected three (3) participants (i.e. SME owner/manager, Cashier and support staff) from each SME, hence raising the total target population to be 363 participants.

The sample size was determined using Slovene's formula;

$n = \frac{N}{1+N\,(\alpha)^2}$; Where n=sample size; N=target population; α=0.05 level of significance.

$$n = \frac{363}{1 + 363\,(0.05)^2}$$
$$\boldsymbol{n = 190}$$

Therefore, the sample size of this study was 190 respondents.

Sampling technique

The researcher used quota sampling to group the SMEs into three geopolitical zone. Quota sampling was used because data about the number of SMEs in each geopolitical region is not exactly available, therefore in such a scenario, Amin (2005) suggests that a researcher should decide to select a sample of a given size from each sub group. On that background, the researcher chose SMEs depending on how populated they were in each region. Simple random sampling was applied to eliminate bias such that the subsequent statistical estimates are more valid since they would be free from sampling errors as observed by Amin (2005).

Data Collection Instrument

The questionnaire was the main data collection instrument. The data was collected by administering a questionnaire to a sample of owners of SMEs or managers. The questions were measured on a five Likert scale indicating the perceptions of respondents on the variables under study. Scale: **5**= strongly agree; **4**= agree; **3**= Not sure; **2**= disagree; **1**= strongly disagree. Drawing from Kothari (2009), the closed-ended questionnaire was preferred because administration is comparatively inexpensive and easy even when gathering data from large numbers of people spread over wide geographic area, and tabulation of closed-ended responses is an easy and straightforward process.

Validity and Reliability

Validity was determined using face validity and content validity. *Face validity* indicates that the items are the ones that are intended to measure a concept. In other words, face validity is a basic and a very minimum index of content validity (Sekaran, 2003). Expert opinion and judgment were sought. Before piloting the research instrument, its face validity test was done through presentation to 6 panelists of supervisors and other academic experts outside the panel. It was after the incorporation of their corrections and suggestion, then the research instrument was used for pilot test.*Content validity* of the research instrument was ensured through the use of concepts, the use of valid concepts and words which measure the study variables as cited in literature. Content validity was tested using a Content Validity Index (CVI) (Gill& Johnson, 2002). Content validity is the extent to which the items in the instrument represent the content of the attribute being measured. The researcher ensured this through judgment of the items by experts (namely: two research supervisors).

Reliability

The internal consistency measure of reliability was used to determine the reliability of the questionnaire instrument. Cronbach's alpha was used in the actual study to determine the internal consistency of the instrument. According to Field (2009), if the alpha (α) ≥ 0.70, then the instrument is considered valid. The results of the internal consistency of this study reveals that the instrument was reliable with customer orientation having (α=0.859), and marketing innovation (α=0.761).

Data Analysis

Factor analysis was used to determine the correlation between the study variables. Factor analysis is a statistical data reduction and analysis technique that strives to explain correlations among multiple outcomes as the result of

one or more underlying explanations, or factors. Linear regression analysis was used to determine the effect of customer orientation on marketing innovation. The hypothesis was tested using the level of significance ($p \leq 0.05$); the decision rule was that: if the p-value is less or equal ($p \leq 0.05$), it would be considered significant; otherwise, the hypothesis would be rejected.

FINDINGS
Factor Analysis
Table 1: Factor Analysis of Customer Orientation

Customer Orientation	Component		
	1	2	3
Our firm looks for ways to offer customers more value.	.791		
We regularly measure customer satisfaction.	.671		
Our firm handles customers' complaints well.	.634		
Our firm has insight into the buying process of customers.		.868	
Our firm gathers information about customers' needs.		.856	
Our firm treats customers as partners.			.802
Our firm consults customers to improve the quality of service.			.782

Source: primary data, 2017

Table 1 shows that the factor, 'Our firm has insight into the buying process of customers' (0.868) was highly loaded onto component (2), followed by the factor, 'Our firm treats customers as partners' (0.802) which was loaded onto component (3). On the other hand, the factor, 'Our firm looks for ways to offer customers more value' (0.791) was loaded onto component (1). This implies that the factors that highly loaded onto component 1, 2, and 3 are the once that are able to explain the highest variance in customer orientation.

Table 2: Factor Analysis of Marketing Innovation

Marketing Innovation	Component	
	1	2
We develop new products to exploit research and development Investment.	.852	
We ensure that product development efforts are responsive to Customers' needs.	.804	
We use pricing skills and systems to respond quickly to market changes.	.700	
Our sales promotions are well developed and executed.		.713
We have a strong working relationship with our customers.		.670
We monitor competitors' prices and price changes.		.666
We know our competitors' pricing tactics.		.647

Source: primary data, 2017

Table 2 shows that the factor, 'We develop new products to exploit research and development Investment' (0.852) was highly loaded onto component (1), while the factor, 'Our sales promotions are well developed and executed' (0.713) was highly loaded onto component (2). This implies that the factors that highly loaded onto component 1, and 2 are the once that are able to explain the highest variance in marketing innovation.

Table 3: Linear Regression Analysis for the Effect of Customer Orientation on Marketing Innovation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.510a	.260	.256	.48966	.260	64.871	1	185	.000	1.996

a. Predictors: (Constant), Customer Orientation
b. Dependent Variable: Market Innovation

The results presented in table 3 revealed that customer orientation significantly explains 25.6% of the total variance in marketing innovation (Adjusted R^2=0.256, p=0.000). This implies that 74.4% of the variance is accounted for by other factors other than those considered under this model. This therefore rejects the null hypothesis that there is no significant effect of customer orientation on marketing innovation and upholds the alternative hypothesis. This therefore implies that companies that demonstrate a stronger intensity of consumer orientation simply are more inclined to introduce specific kind of marketing innovation.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.554	1	15.554	64.871	.000[b]
	Residual	44.358	185	.240		
	Total	59.912	186			

a. Dependent Variable: MarketInnovation

b. Predictors: (Constant), CustomerOrientation

The results show that the overall model was statistically significant. In other words, it shows that customer orientation is a good predictor of market innovation. This is supported by the F-statistics of 64.871 and the reported p-value of (0.000) which was less than the conventional probability of 0.05 significance level.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.171	.209		10.391	.000
	CustomerOrientation	.450	.056	.510	8.054	.000

a. Dependent Variable: MarketInnovation

The results revealed that one (1) unit change in customer orientation significantly causes an improvement in marketing innovation by a variance of 51% ($\beta=0.510$, $p=0.000 < 0.005$). Generally, the results show that customer orientation has a positive and significant effect on marketing innovation.

DISCUSSIONS

The findings indicated that customer orientation significantly affect marketing innovation. This implies that SMEs in Yobe state make sure they handle customers' complaints well, measure customer satisfaction, gather information about customers' needs, and consult customers to improve the quality of service, through innovations in packaging, or a revolution in quality based on process innovations.According to the findings, the higher the consumer orientation intensity, the more a company is inclined to supplement existing product lines with new products.

The findings of this study is consistent with that of Christensen (2005) who found that customer orientation is important to marginal marketing innovation since customers have difficulty explaining their latent needs. Thus customer orientation helps an SME to perform effectively by investigating what the customer needs are and responding to those needs with new marketing innovations. In similarity with the findings of Christensen (2005), Rahadi and Tisnawati (2015), in their study found that a customer focused culture facilitates marketing innovativeness in both administrative and technical department. Therefore, SMEs should be customer orientated and well managed with the marketing concepts capability to effectively increase the level of marketing activities and to maintaining customer satisfaction towards products and services which may result in firm performance.However, the finding of this study is in contrast to the research findings obtained by Lukas and Ferrell (2000), according to which consumer orientation encourages introduction of discontinuous innovation and reduces the number of innovations which are not new to the market.The effects depend on what the firm or its managers and employees consider a consumer orientation.

CONCLUSIONS

The study found that customer orientation significantly affects marketing innovation. The study confirmed that an important factor in improving the innovativeness of small and medium-sized enterprises in Yobe State Nigeria is customer orientation. Thus continuous or periodic marketing innovation should be a norm among SMEs in Yobe state. This is because market driven SMEs when they anticipate the developing needs of the customers, they respond to them through marketing innovation by bringing on board innovative products and services. Thus, innovation is an essential element of customer orientation.

RECOMMENDATIONS

SMEs in Yobe State should employ well planned and mechanized way of handling customer complaints, customer satisfaction level and gather customer demographic characteristics using market research survey with the intent of meeting customers' needs and demands.

In addition, it is imperative that the SMEs owners and managers conduct timely customer satisfaction surveys and establish areas that need improvement so as to provide customers with quality and timely services.

Furthermore, SMEs should use up-to-date marketing innovation tactics that target greater customer audience, such as enhancing pricing skills, providing attractive promotional offers, employing sustainable customer relationships through business discussion forums, and social media.

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