

# **Understanding marketing resources and size in Agro-based enterprises**

Christian N. Osakwe

Gordon Institute of Business Science, University of Pretoria, Johannesburg, South Africa, and

Nwamaka A. Anaza

Southern Illinois University College of Business, Carbondale, Illinois, USA

## **Abstract**

**Purpose-** Using firm-level data from small to micro-sized agro-based enterprises located in developing Africa, this study employs a resource-based marketing model to explain financial and nonfinancial organizational performance outcomes. The moderating effect of firm size on the structural inter-linkages between customer retention orientation, eBrand promotion and the organizational performance outcomes is also explored.

**Design-** Partial least squares path modeling approach was the analytical method for data analysis purposes.

**Findings-** The data support the assumption that marketing resources as well as the moderating influence of firm size play a strong role on the agro-based enterprise performance.

**Originality/Value-** This study widens the context of inquiry on agro-based enterprise performance to include developing economies in sub-Saharan Africa. The value of the paper rest in its intent to offer small to micro-sized agro-based businesses in emerging markets more practical ways to enhance their performance.

**Keywords:** Africa; Customer Retention Orientation; eBrand Promotion; Organizational Performance; Small to Micro-sized Agro-based Enterprises

## 1. Introduction

The agricultural business ecosystem is often characterized by resource shortages, demand volatility, and market saturation. The situation is more worrisome for micro to small-size agro-based enterprises in developing countries due to the high cost of doing business, which can be traced to policy inconsistencies, dilapidated/insufficient infrastructures, and institutional weaknesses (Fumo and Jabbour, 2011; Gagoitseopea and Pansiri, 2012; International Bank for Reconstruction and Development / The World Bank, 2013). Despite all these commonly known challenges, the literature has repeatedly illustrated that firms in general have the potential to leverage their unique internal strengths to overcome some of the aforementioned business challenges since the challenges and/or dynamics in the marketplace are not after all unique to a business setting (e.g., see Barney, 1991, 2001; Day, 1994). As agro-based enterprises strive to overcome such challenges, understanding ways to increase financial and nonfinancial performance becomes a matter of paramount importance to their managers.

Compared with developed countries, developing nations are projected to dominate world demand and trade for agricultural products in the coming decade, suggesting that agro-based enterprises in these markets are likely to grow more competitive in their acquisition and retention of customers (Trostle and Seeley, 2013). Recent reports have also shown that GDP growth from agricultural trade in developing countries improves the livelihood and income of poor people two to four times more than GDP growth in other areas of their economy (Asenso-Okyere *et al.*, 2008). For instance, in sub-Saharan Africa alone, agriculture accounts for close to 65 percent of employment, 75 percent of domestic trade, and 20 percent of GDP (The International Bank for Reconstruction and Development/World Bank, 2014). Despite the economic influences of agriculture in developing countries, marketing efforts (either digitally or traditionally) on the part

of small to micro-sized agro-based enterprises looking to increase their performance has yet to receive (meaningful) research attention in the business literature. This is alarming given that the World Bank Group recently called for great urgency in transforming subsistence agro-based enterprises to more profitable ventures for the sake of their economic sustainability (The International Bank for Reconstruction and Development/World Bank, 2014).

To progress scholarship and managerial practice in this area, the present analysis draws on the resource-based theory to investigate the crucial roles that marketing resources in the form of eBrand promotion and customer retention orientation play in the organizational performance of small to micro-sized agro-based enterprises. This study concentrates on small to micro-sized agro-based enterprises in developing economies largely because these enterprises make up a significant portion of the agricultural industry. Sadly, the great majority are struggling to enhance their income generating capacities (Galvez-Nogales, 2010; Food and Agricultural Organization [FAO], 2004). Widening the context of investigation to include developing economies is important because worldwide agricultural supply is profoundly dependent on consumers in developing markets like those found in sub-Saharan Africa. With increasing local demand, multinational companies consider African markets the next great agricultural frontier. As a result, research is needed to understand factors that influence the performance of agro-based enterprises heavily concentrated in developing markets.

Perhaps more troubling is the fact that academic research from the African continent, which seeks to shed light on important issues like this is visibly lacking in premier marketing publication outlets (see Valenzuela *et al.*, 2017). To our knowledge, the only study about marketing concept in Nigeria's agricultural industry was undertaken (nearly) two decades ago (see Offiongodon, 1998). Besides, the study was mainly focused on cocoa marketing. All this

suggests that research exploring the marketing requirements and the role that marketing resources play in the economic wellbeing of agro-based enterprises in Nigeria and elsewhere in Africa is thin at best. Meanwhile, the paper by Iwu et al. (2015) provides the initial foundation for this work. At the same time this work is a direct response to the inconclusive research of Iwu and colleagues, which called on academics to widen the discourse on marketing resources in Africa.

It is important to understand that numerous marketing resources can help explain the performance of a firm. In the present analysis, however, we will be mainly focusing on these two: customer retention orientation and eBrand promotion. Besides, it is our view that the context provides a fertile ground for (differences in) size, as an organizational contingency, to be examined. Accordingly, we contribute to marketing studies in two main ways. First, we illustrate why marketing resources such as customer retention orientation and eBrand promotion matter for the performance of micro to small-sized agro-based organizations operating in developing and competitive markets. Second, the study provides an updated view on organizational contingency by illustrating that firm size not only moderates the skillful execution of marketing resources, but also the dependency of agro-based enterprises performance on marketing resource implementation.

Preliminary research findings suggest that the implementation of customer retention orientation and eBrand promotion matters for agro-based enterprises' performance. Size is also shown to play a special role. Taken together, we believe this analysis will enrich scholarly understanding about marketing resources in the agro-business context. This analysis is also relevant for managers of these organizations. For these managers, our results provide significant

insights to modern-day ways of growing organizational performance. We now proceed to the next section of the paper.

## **2. Theoretical Framework**

This study is rooted in the resource-based view (RBV) of the firm. The foundation of the resource-based theory can be traced to the seminal work of Penrose (1959) who implicitly assumes the firm to be a bundle of resources. Following Penrose's work, Wernerfelt (1984) codified the concept of 'resource-based view of the firm' and defines firm resources "as those (tangible and intangible) assets which are tied semipermanently to the firm" (p. 172). Some of these resources according to Wernerfelt include brand name, financial capital, efficient procedures, skilled manpower, and technological know-how. While the value of the RBV lies in a firm's ability to develop and configure internal resources with regards to optimizing the firm's scarce and valuable resources, the RBV primarily views the firm's resources as an avenue to create competitive advantages (Barney, 1991, 2001).

The RBV is an appropriate theoretical framework for investigating the performance levels of micro to small-size agro-based enterprises. Within the context of agro-based enterprises, resources needed to improve organizational performance are derived from well-established conceptualizations of traditional and digital strategic orientations. These are strategic blueprints executed by the firm using marketing resources and capabilities to influence performance (Timsit *et al.*, 2015). Traditional strategic orientation mirrors a customer retention orientation instrumental in managing existing customer relationships to maximize performance (Herhausen and Schogel, 2013). Similarly, firm capabilities such as digital marketing efforts powered by technological development is examined as an influencer of firm performance (Timsit *et al.*, 2015). The coordinated deployment and interaction of these resources within organizations

such as micro to small-size agro-based enterprises is more likely to be contingent on firm size, which represents the segmentation unit (micro to small-size enterprises) within this study.

Advocates of the RBV in marketing recognize that brand, customer, and distribution relationships are critical resources needed to advance and sustain an organization's competitive advantage. In fact, the most important decisions organizations can make about growing marketing resources must address its customers, brand, and distribution (Srivastava *et al.*, 2001). The integration of these three marketing mix must first generate greater value for the sake of retaining customer relationships. This indicates that organizations must build on market-based capabilities surrounding customers, brand, and distribution. eBrand promotions are resource capabilities at the intersection of both the brand and distribution of marketing content, while customer retention orientation is a resource uniquely positioned to increase customer value. Therefore, the present study adopts the RBV of the firm to develop a framework that explores how agro-based business orientations in the form of firm resources (customer retention orientation and eBrand promotion) interact to influence the firm's organizational performance. Consequently, discussions about the hypotheses linking marketing resources to organizational performance will follow.

### **3. Hypotheses Development**

#### **3.1 Organizational performance**

Organizational performance is "an overall concept of organizational effectiveness, which includes both indicators of operational performance (i.e., nonfinancial indicators) and indicators of financial performance" (Romero *et al.*, 2015, p. 263). Organizational performance measures provide a strong basis for quantifying and comparing the effectiveness and efficiency of the firm relative to the firm's growth as well its close competitors (Neely *et al.*, 1995; Kaplan and Norton, 1992). Many researchers contend that customer loyalty represents a nonfinancial performance

measure, which mainly stems from the firm's adoption of critical 'pro-consumer' organizational policies and/or strategic postures such as customer retention orientation and eBrand promotion (cf. Slater and Narver, 1999; Laukkanen *et al.*, 2013). Customer loyalty is defined as a deep sense of commitment on the part of the customer that manifests in repeat patronage (Oliver, 1999). Just like nonfinancial measures, the financial outcomes' is seen as the most critical business indicator for organizational performance. Financial outcomes are widely used to scrutinize the organization's position in the market relative to competition (Amsteus, 2014; Kaplan and Norton, 1992). Therefore, customer loyalty and financial outcomes are viewed as theoretically important organizational performance metrics essential in determining firm survival.

If organizational performance is therefore fundamental to firm success, identifying factors that influence financial outcomes ought to remain a research priority in the business literature. Empirical research enunciates that customer loyalty and loyalty programs are much better indicators and predictors of future profitability (Kaplan, 1984). Recent empirical research within the small business research stream equally articulates that customer loyalty has a substantial effect on the financial outcomes of firms such as micro to small-size agro-based enterprises (cf. Laukkanen *et al.*, 2013). Hence, customer loyalty is expected to serve as a key determinant of firm financial performance and as a good indicator for the financial outcomes of firms. Hence the following is posited:

H<sub>1</sub>: Customer loyalty is positively related to financial outcomes.

### **3.2 eBrand promotion**

Branding, as suggested by prior marketing studies (e.g., Aaker, 1996; Ciunova-Shuleska *et al.*, 2017; Odoom *et al.*, 2017), is an important source of firm competitiveness. For example, a

study undertaken within the agriculture context suggests that consumers' purchase decisions about agricultural products are strongly informed by brand cues (see Rickard *et al.*, 2013). Specifically, Rickard *et al.* (2013) assert that consumers have higher preferences for branded raw fruits and are also willing to pay more for the products; further implying that brand building efforts like promotion play an important role in the agro-based firm success. In this paper, we refer to eBrand promotion as the use of contemporary eMarketing channels such as the Internet (e.g. corporate website, social media sites, blogs, and forums) and mobile messaging services (e.g. text messages, customized/bulked SMS) to raise awareness about a corporate entity and its product offerings (cf. Osakwe *et al.*, 2016; Zheng, 2011). eBrand promotion not only helps the firm to raise awareness, but it can also project the firm's image in a positive light.

Moreover, drawing upon the study of Xin *et al.* (2014), there is a sense that brand promotion, via the social web, predicts competitiveness of the firm. Similarly, we share the view that eBrand promotion, executed correctly, offers tremendous opportunities for the firm to reach multiple audiences and can also serve as lock-in strategies for existing customers. This view is also consistent with the extant literature on the benefits of promotion and/or advertisements to firm performance via traditional offline marketing channels (Anderson and Simester, 2004; Banterle *et al.*, 2014). On these grounds, the following are posited:

H<sub>2</sub>: eBrand promotion is positively related to customer loyalty.

H<sub>3</sub>: eBrand promotion is positively related to financial outcomes.

### **3.3 Customer retention orientation**

Arnold *et al.* (2011, p. 235) defined customer retention orientation as a firm's "focus on obtaining information about, differentiating among, and allocating resources to manage relationships with existing customers on the basis of their long-term value." Customer retention



orientation stems basically from customer orientation and/or relationship management (Narver and Slater, 1990; Voss and Voss, 2008). In a study on the interrelationships between customer retention orientation, customer acquisition orientation, and innovation of firms by Arnold et al. (2011), the authors provide robust evidence, which shows that customer retention orientation positively relates with the firm's depth of customer knowledge. They note that customer retention orientation has a considerable influence on the firm's resource exploitation. With such evidence, we reasonably expect that customer retention orientation will influence a firm's ability to engage in innovative marketing practices (e.g., eBrand promotion) that conform with the realities of today's market in order to retain existing customers Accordingly, the following is posited:

H<sub>4</sub>: Customer retention orientation has a positive influence on eBrand promotion.

Whether businesses function in the service, manufacturing or agricultural sector, determining if and how customer retention orientation affects financial and nonfinancial organizational performance are important relationships to study. Voss and Voss (2008) explored the moderating effect of competitive density on the link between customer acquisition-retention strategy trade-off. They (Voss and Voss, 2008) provided compelling evidence, which shows that customer retention orientation is likely to impact the financial outcomes of firms under low competitive density. The study also establishes that there is a relationship between customer retention orientation and the market-based performance of the firm. Like financial outcomes, customer loyalty is derived and enhanced by the firm's efforts to manage existing customer relationships. A comprehensive retention strategy focused on investing in customer-centric marketing ought not to only foster more loyal customers (Sheth *et al.*, 2000), but should also increase the firm's financial position. Thus, the following are posited:

H<sub>5</sub>: Customer retention orientation is positively related to customer loyalty.

H<sub>6</sub>: Customer retention orientation is positively related to financial outcomes.

### **3.4 Moderating effect of firm size**

Consistent with previous research that deals with small businesses (Liedholm, 2002; Gagoitsopea and Pansiri, 2012), the current study explores the contingent effect of firm size on the interrelationships between eBrand promotion, customer retention orientation, and financial outcomes of the small to micro-sized agro-based enterprise. Several authors have established that the firm's size plays important roles in the engagement of innovative marketing practices (e.g. customer retention orientation and eBrand promotion) and the consequent actions of such strategic behaviors (Gagoitsopea and Pansiri, 2012; Osakwe *et al.*, 2016; Pansiri and Temtime, 2010; Rundh, 2015). The performance of enterprises may be either enhanced or impeded by the size of the enterprise itself.

The literature to date in this area is still fragmented. Specifically, there are mixed results in the literature with regard to the contingent role of firmographics (i.e. organizational demographics) in explaining the impact of the firm's strategic behaviors (customer retention orientation and eBrand promotion) on organizational performance of smaller size enterprises (cf. Banterle, *et al.*, 2014; Cowley and Stanton, 2000; Radipere and Dhilwayo, 2014). Nevertheless, in the case of the African business environment, the relative size of the firm should have a substantial effect on the performance of smaller firms like micro to small-size agro-based enterprises (Gagoitsopea and Pansiri, 2012; Pansiri and Temtime, 2010). Additionally, the research of Pekovic and Rolland (2016) clearly suggests that firm size is an important contingent factor in organizational pursuit of competitiveness including the implementation of marketing practice like customer orientation. Taken collectively, we posit that:

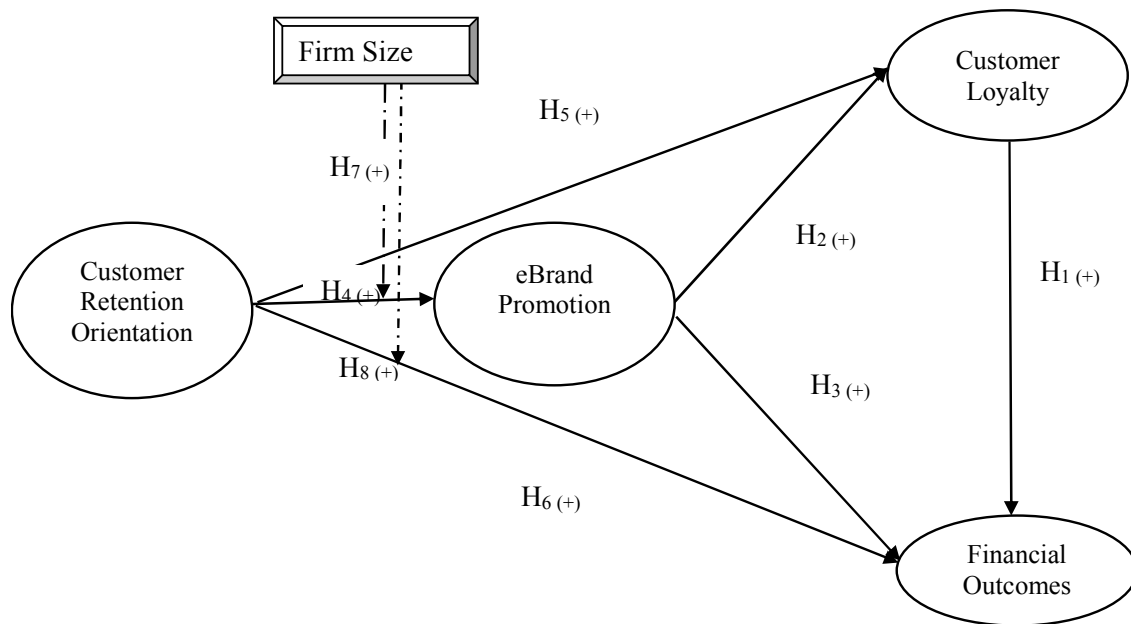


Figure 1. The Conceptual Model and Hypotheses

H<sub>7</sub>. Firm size positively moderates the relationship between customer retention orientation and eBrand promotion.

H<sub>8</sub>. Firm size positively moderates the relationship between customer retention orientation and financial outcomes.

For illustrative purposes, the conceptual framework guiding this explorative work is displayed in Figure 1.

## **4. Research Methodology**

### **4.1 Research setting and sampling**

The study was conducted among micro to small-size agro-based enterprises primarily located in Southern Nigeria. Given the lack of a suitable list and/or available databases of these enterprises within the country and similar developing countries, we relied upon purposive sampling. This sampling approach is indicated to be suitable for research undertakings such as this (also see Gellynck *et al.*, 2015; Turyakira *et al.*, 2014). Two hundred and forty-eight pre-defined questionnaires to the target population via a drop and pick collection method were administered. The participating agro-enterprises were mainly into commercial agriculture, input supply, processing, and distribution/marketing. Overall, a total number of 147 returned questionnaires were found to be valid for the study and subsequently used for the data analysis. Data were collected from members of management teams at each enterprise. The contact person at each enterprise identified themselves as either business owners (55%), managing directors (29%) or managers (16%). Of the participating enterprises, 40.8% were classified as micro enterprises while 59.2% were classified as small enterprises. Over 50% had been in business for more than six years. Finally, 29% of surveyed firms report having web presence.

## 4.2 Survey instrument

The survey uses existing and validated scales that were mostly anchored on five or six-point scale. The only new scale for this study was the one for eBrand promotion. Besides, firm size was treated as a binary variable. For details on the measurement scale, please refer to Appendix 1.

## 4.3 Analytic strategy

Given that this study can be described as an exploratory research undertaking requiring prediction-oriented validations, the partial least squares (PLS) path modeling approach was identified as the best suited analytical method for data analysis purposes (cf. Hair *et al.*, 2017; Hair *et al.*, 2012; Wetzels *et al.*, 2009). And according to many methodologists (e.g., Hair *et al.*, 2017; Henseler *et al.*, 2014), PLS analysis is an ordinary least square regression-based method used to estimate parameters in a model, it maximizes the variance of the endogenous variables and suitable for exploratory research like this. The tool for this analysis is the SmartPLS 2.0 (Ringle *et al.*, 2005). The two-way evaluation process/criteria of models utilizing PLS was followed as recommended by many like Hair *et al.* (2012). Also note that all t-values and/or standard errors have been computed using the bootstrapping resampling technique. (In this analysis, we used bootstrapping procedure with 1000 resamples.)

## 5. Results

### 5.1 Evaluation of the measurement model

The construct reliability of all the reflective constructs (i.e., customer retention orientation, eBrand promotion, customer loyalty and financial outcomes) in the model was assessed using composite reliability (CR); as this is (better) recommended in the PLS-SEM literature for checking internal consistency of constructs (Hair *et al.*, 2012; Wetzels *et al.*, 2009). As reported in Table 2, the CR scores for customer retention orientation ( $\rho = 0.705$ ), customer

loyalty ( $\rho = 0.674$ ), eBrand promotion ( $\rho = 0.878$ ), and financial outcomes ( $\rho = 0.738$ ) reveal good internal consistency of the research constructs.

Further, the indicators are inspected individually. As shown in Appendix I all the loadings are statistically significant, with a minimum t-value of 4.24 ( $p < 0.01$ ). In similar lines, the average variance extracted (AVE) of each of the constructs either exceeds or nearly meets the required benchmark of 0.50 as reported in the literature (Hair et al., 2012). Thus indicating sufficient convergent validity of the research constructs.

Additionally, the discriminant validity of the research constructs was assessed based on the criterion provided by Fornell and Larcker (1981). Discriminant validity is satisfied when the square roots of the constructs exceeds the intercorrelations (coefficients) amongst the pairs of the constructs within the correlation matrix. The results indicate adequate discriminant validity of the research constructs (see Table 1). Moreover, the cross-loadings of the items also show that all items loaded strongly on their latent constructs and there were no significant cross-loadings across the constructs in the model. Taken together, this buttresses the discriminant validity claims of the research constructs within the model.

Finally, the possibility for common method variance (CMV) bias was checked. It has been established in the literature that the best treatment for CMV is for researchers to employ precautionary measures early (on) in the research design phase (for details see Podsakoff *et al.*, 2003). These measures include improving the overall clarity and placement of the questions asked, assuring anonymity and/or confidentiality of information, and defining certain terms where possible. All these itemized precautions were followed. Moreover, as part of a post-hoc statistical procedure, the Harman single factor test was employed. Results indicate that the single

Table 1: Mean, SD, construct reliability, shared variance, and square root of AVE

Construct	Mean	SD	Composite Reliability	AVE	1	2	3	4
1. Customer retention orientation	3.68	.62	.75	.50	<b>.71</b>			
2. Customer loyalty	4.21	.51	.67	.52	.37	<b>.72</b>		
3. eBrand promotion	2.24	1.18	.88	.78	.23	.34	<b>.88</b>	
4. Financial outcomes	3.84	.64	.74	.49	.32	.39	.40	<b>.70</b>

Note: Square root of AVE is on the diagonal; All correlations are significant at the .01 level.

most significant factor accounted for 22.5 percent share of cumulative variance (63.6 percent). In addition, we checked for traces of CMV by employing the correlation matrix procedure (Bagozzi *et al.*, 1991; Chuah *et al.*, 2017; Pavlou *et al.*, 2007). As shown in Table 2, the highest correlation coefficient ( $r$ ) between pairs of latent variables was 0.40. Since  $r < 0.90$ , this suggests that CMV is not a significant concern (Chuah *et al.*, 2017; Pavlou *et al.*, 2007). At the same time the fairly complex nature of our model – test for moderating effect - further indicates that CMV is unlikely to invalidate the research findings (Ciunova-Shuleska *et al.*, 2017; Dayan and DiBenedetto, 2010). In the final analysis, we believe significant evidence for CMV does not exist in this study.

## **5.2 Evaluation of the structural model**

The structural model evaluation was based on the recommendations of Hair *et al.* (2012), Tenenhaus *et al.* (2005), Wetzels *et al.* (2009), among others. To start with, the overall model's Goodness-of-Fit (GoF) statistic was assessed. The result as shown in Table 2 suggests a fairly large effect size (details about GoF can be found in Tenenhaus, *et al.*, 2005; Wetzels, *et al.*, 2009). Besides, the coefficient of determination,  $R^2$ , values for the endogenous variables within the research model are 0.259 for financial outcomes, 0.209 for customer loyalty, and 0.052 for eBrand promotion. Next, the predictive relevance of the independent variables across the model using the Stone-Geisser's ( $Q^2$ ) test statistic, and the cross-validated redundancy measure was assessed.  $Q^2$  index values of the dependent variables are all positive (see Table 2). As summarized in Table 2, there is statistical support for the first set of hypotheses (i.e.,  $H_1$  to  $H_6$ ). For example, eBrand performance is shown to positively influence customer loyalty ( $H_2$ :  $\beta = 0.273$ ,  $p < 0.001$ ) and financial outcomes ( $H_3$ :  $\beta = 0.278$ ,  $p < 0.001$ ). Customer retention is also shown to positively influence eBrand promotion ( $H_4$ :  $\beta = 0.229$ ,  $p < 0.01$ ). More details can be found in Table 2.



Table 2: Results of partial least square analysis

Independent Variable	→ Dependent Variable	Path Coefficient	T-Statistics (Bootstrapped)
Customer loyalty	→ Financial outcomes	.23	2.85
eBrand promotion	→ Customer loyalty	.27	3.90
eBrand promotion	→ Financial outcomes	.28	3.14
Customer retention orientation	→ eBrand promotion	.23	2.58
Customer retention orientation	→ Customer loyalty	.31	4.39
Customer retention orientation	→ Financial outcomes	.17	2.05
		R <sup>2</sup>	Stone- Geisser(Q <sup>2</sup> )
Financial outcomes		.26	.11
Customer loyalty		.21	.10
eBrand promotion		.05	.04
Model's GoF index = .32			

### **5.3 Multigroup analysis - The moderating effect of firm size**

The moderating relationships hypothesized in the study (H<sub>7</sub> and H<sub>8</sub>) were analyzed using multigroup analysis. Rather than employing the Pooled Standard Error method, which assumes that the variances of subgroups (or subsamples) are the same, the Satterthwaite approximation of the standard errors was applied given its less stringent assumption (Kock, 2014). Following Kock's recommendation, this study uses Satterthwaite approximation method for generating estimates of the multigroup analysis. The computation was implemented in Microsoft Excel (Kock, 2014 provided the relevant macro). As presented in Table 3, available evidence suggests firm size moderates the link between customer retention orientation and eBrand promotion. Stated clearly, the result contradicts our initial prediction of H<sub>7</sub>; suggesting that the link between customer retention orientation and eBrand promotion is statistically weaker for small-sized compared to micro-sized agro-based enterprises. Finally, the study finds evidence of statistical support in the case of H<sub>8</sub>. That is, the effect of customer retention orientation on financial outcomes is significantly stronger for small-size agro-based enterprises.

## **6. Discussion**

Results from this study make several important contributions to the marketing literature. We begin by identifying three distinctive characteristics that separate this study from existing research in the literature. First, empirical analysis was conducted using firm-level primary data in Nigeria – a distinct feature in that the data source is based entirely within the firm allowing readers to obtain an enlightened perspective into the mindset of organizational leaders when performance is concerned. Second, the African context is distinctive, mainly in how little is

Table 3: Results of multigroup analysis

Moderating variable	Structural Relationships	Moderator group	N	$\beta$	Std. err
Firm Size	Customer retention orientation $\rightarrow$ eBrand promotion	Micro	60	.65	.07
		Small	87	-.04	.14
			t-stat	4.50	
			p-value	.00	
Firm Size	Customer retention orientation $\rightarrow$ Financial outcomes	Micro	60	-.05	.16
		Small	87	.39	.10
			t-stat	2.30	
			p-value	.02	

Note: 2-Tailed test

known about the organizational performance of small to micro-sized (agro-based) African enterprises. Although economists and market research firms like Accenture are fast recognizing emerging markets within Africa as the next frontier of economic growth (Accenture, 2010), academic scholars, particularly those in the marketing and management disciplines, have been rather slow in devoting the same degree of attention to the continent. Amid widespread reporting on customer loyalty and its resulting outcomes in the marketing literature, African businesses remain some of the most understudied segments in academic writing when exploring consumer and firm behavior. Findings from this study hopes to shed new insights into the organizational performance levels of agro-based enterprises in Africa.

Third, results from this study are distinctive in that the findings can theoretically be extrapolated to explain similar relationships across other sub-Saharan African countries based on cultural similarities and economic resemblances throughout the region (Darley and Blankson, 2008). Researchers must be cautious when inferring the findings across a particular region. However, as stated earlier, the market similarities across subsistence economies, particularly within West African economies make such extrapolations feasible for future research studies. Taken together, the paper adds to a broader understanding of how contemporary marketing initiatives can critically influence the revenue generating capacity of small to micro-sized agro-based enterprises, especially those in developing economies.

Theoretically, the findings indicate that the use of both traditional and digital marketing resources is associated with higher organizational performance. Customer retention efforts implemented by a firm, along with brand promotional tactics, increase not only firm profitability but also customer loyalty. While many studies observe customer loyalty as an important outcome variable (Goncalves and Sampaio, 2012), this study identifies that customer loyalty is

significantly related to profitability in smaller size agro-based enterprises. These results are consistent with arguments put forth by proponents of the resource-based view of the firm in that an organization's marketing resources can be directly employed to gain a competitive edge through customer excellence (Hinterhuber, 2013). The research also helps to clarify the positive but insignificant relations (between loyalty and financial performance) reported in Iwu *et al.*'s (2015) paper by suggesting that the relations between these two constructs would be best understood by capturing both with two or more indicators.

Interestingly, eBrand promotion emerges as an important predictor of both loyalty and financial outcomes of the firm. This matches with suggestions in recent work (e.g., Ainin *et al.*, 2015; Iwu *et al.*, 2015). More generally, the result shows that online branding, properly executed, can enhance performance of the agro-based enterprise. Moreover, this research is consistent with what many brand studies (e.g., Centeno and Hart, 2012; Odoom *et al.*, 2017) suggest about the implications of brand building to small- and medium-sized firms.

The study's results also extend past findings by theoretically integrating firm size as a segmentation tool used to further evaluate the role of marketing resources on organizational performance. The results confirm that enterprise size is a significant moderator when explaining the relationship between customer retention orientation and eBrand promotion. Specifically, enterprises with nine or less employees have the capability of utilizing marketing resources more efficiently to enhance information delivery to consumers. Explanations for this can be found in the literature (Serenko *et al.*, 2007) in that smaller size firms allow for the formation of smaller size organizational units, which help in facilitating knowledge sharing faster than larger more spread-out firms. The smaller the firm, the quicker information moves to customers. Finally, results show that enterprise size strengthens the impact of customer retention orientation on

financial outcomes and this relationship is stronger for firm with more employees. Reasons for this again can be traced to the prevailing view in the business literature that states that the presence of more customer-centric human resources allow a firm to implement marketing practices that foster marketing effectiveness (Herhausen and Schogel, 2013).

## **7. Business implications and conclusion**

The results reveal interesting findings with regards to managerial implications. First, managers must reorient their business strategy towards developing, managing, and strengthening *market demand* to match their supply efforts. Research suggests that most agro-based enterprises lay heavy emphases on the supply side of agriculture such as improving seed quality, conducting field trials, and producing virus-free plants (Sanghvi *et al.*, 2011). Sadly, many managers devote little if any attention to the demand side of agriculture - the side that addresses the implementation of marketing efforts to increase consumer demand. Managers must learn to balance the demand and supply expectations of agro-business by introducing marketing resources to sustain demand through repeat patronage.

Second, smaller size agro-based enterprises must constantly monitor their marketing efforts. The fact that a majority of the enterprises surveyed lacked an online presence (~ 71%) and barely engaged in online promotion ( $M = 2.24$ ) indicates that many of these enterprises are under-marketing themselves to customers, which can negatively impact organizational performance. As such, firms must increase their utilization of marketing resources by getting in the habit of communicating with customers electronically to expedite information flow from suppliers to buyers. This does not require heavy technological investment in the form of customer relationship management (CRM) packages, but does require human capital and less

expensive traditional computer-mediated communication technologies like email marketing, instant messaging, and social media usage.

Finally, managers should prioritize customer retention efforts. Understanding ways to sustain commitment will help businesses better manage relationships with their buyers. Retention in the face of costly business transactions, market saturation, insufficient infrastructures, and institutional weaknesses can be a challenge for both agro-based buyers and sellers. This indicates that optimally responding to existing customers' needs should be at the heart of agro-based marketing and the number one priority of managers (of these companies). In particular, smaller enterprises must offset their lack of financial investment with a greater degree of attention dedicated to nonfinancial resources that sustain customer relationship, which eventually aids in developing stronger connections with customers.

We conclude by saying that the research results require replication and reinforcement. We invite investigators, for example, to employ qualitative research methods in future marketing study since this will provide more practical insights on the degree of implementation of marketing resources in this kind of enterprises.

### **Acknowledgements**

We would like to thank the editor-in-chief and two anonymous reviewers for their useful comments throughout the reviewing process. We also appreciate J.O. Ajayi who assisted with the data collection.



## References

- Aaker, D. A. (1996). *Building Strong Brands*, The Free Press, New York, NY.
- Accenture. (2010), "Africa the new frontier for growth", available at: [http://nstore.accenture.com/pdf/Accenture\\_Africa\\_The\\_New\\_Frontier\\_for\\_Growth.pdf](http://nstore.accenture.com/pdf/Accenture_Africa_The_New_Frontier_for_Growth.pdf) (accessed 1 October 2015).
- Ainin, S., Parveen, F., Moghavvemi, S., Jaafar, N.I., Shuib, N. L. M. (2015), "Factors influencing the use of social media by SMEs and its performance outcomes", *Industrial Management & Data Systems*, Vol. 115 No. 3, pp.570-588.
- Amsteus, M. (2014), "Subjective, managerial foresight, and objective performance", *Strategic Change*, Vol. 23 No. 3-4, pp. 133-146.
- Anderson, E. T. and Simester, D. I. (2004), "Long run effects of promotion depth on new versus established customers: Three field studies", *Marketing Science*, Vol. 23 No. 1, pp. 4-20.
- Arnold, T. J., Fang, E. and Palmatier, R. W. (2011), "The effects of customer acquisition and retention orientations on a firm's radical and incremental innovation performance", *Journal of the Academy of Marketing Science*, Vol. 39 No. 2, pp. 234-251.
- Asenso-Okyere, K., Davis, K. and Aredo, D. (2008), *Advancing Agriculture in Developing Countries Through Knowledge and Innovation*, International Food Policy Research Institute, Washington, D.C.
- Bagozzi, R. P., Yi, Y., and Phillips, L. W. (1991), "Assessing construct validity in organizational Research", *Administrative Science Quarterly*, Vol. 36 No.3, pp. 421-458.
- Banterle, A., Cavaliere, A., Carraresi, L. and Stranieri, S. (2014), "Food SMEs face increasing competition in the EU market: Marketing management capability is a tool for becoming a price maker", *Agribusiness*, Vol. 30 No. 2, pp. 113-131.
- Barney, J. (1991), "Firm resources and sustained competitive advantage", *Journal of Management*, Vol. 17 No. 1, pp. 99-120.
- Barney, J. (2001), "Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view", *Journal of Management*, Vol. 27 No. 6, pp. 643-650.
- Centeno, E. and Hart, S. (2012), "The use of communication activities in the development of small to medium-sized enterprise brands", *Marketing Intelligence & Planning*, Vol. 30 No. 2, pp. 250-265.
- Chuah, H. W., Rauschnabel, P., Marimuthu, M., Ramayah, T. and Nguyen, B. (2017) "Why do satisfied customers defect? A closer look at the simultaneous effects of switching barriers and switching inducements on customer loyalty", *Journal of Service Theory and Practice*, Vol. 27 No. 3, pp.616-641.
- Ciunova-Shuleska, A., Palamidovska-Sterjadovska, N., Osakwe, C. N. and Ajayi, J. O. (2017), "The Impact of Customer Retention Orientation and Brand Orientation on Customer Loyalty and Financial performance in SMEs: Empirical Evidence from a Balkan Country" *Journal of East European Management Studies*, Vol. 22 No. 1, pp. 83-104.
- Cowley, K. and Stanton, J. (2000), "Market orientation in Australian SMEs: A size based comparison", *Small Enterprise Research*, Vol. 8 No. 1, pp. 3-13.
- Darley, W. K. and Blankson, C. (2008), "African culture and business markets: Implications for marketing practices", *Journal of Business & Industrial Marketing*, Vol. 23 No. 6, pp. 374-383.
- Day, G. S. (1994), "The capabilities of market-driven organizations", *Journal of Marketing*, Vol. 58 No. 4, pp. 37-52.

- Dayan, M. and DiBenedetto, C.A. (2010), "The impact of structural and contextual factors on trust formation in product development teams", *Industrial Marketing Management*, Vol. 39 No. 4, pp. 691- 703.
- Food and Agricultural Organization [FAO]. (2004), "Globalization of food systems in developing countries: Impact on food security and nation", available at: [www.fao.org/3/a-y5736e.pdf](http://www.fao.org/3/a-y5736e.pdf) (accessed 12 November 2014).
- Fornell, C. G. and Larcker, D. F. (1981), "Evaluating structural equation models with unobservable variables and measurement error", *Journal of Marketing Research*, Vol. 18 No. 1, pp. 39–50.
- Fumo, N. D. G. and Jabbour, C. J. C. (2011), "Barriers faced by MSEs: evidence from Mozambique", *Industrial Management & Data Systems*, Vol. 111 No. 6, pp. 849-868.
- Gagoitseopea, P. K. and Pansiri, J. (2012), "Evaluation of critical success factors for developing small and medium-sized enterprises in Botswana", *Journal of African Business*, Vol. 13 No. 1, pp. 51-61.
- Galvez-Nogales, E. (2010), "Agro-based clusters in developing countries: Staying competitive in a globalized economy", available at <http://www.fao.org/docrep/012/i1560e/i1560e.pdf> (accessed 11 January 2015).
- Gellynck, X., Cárdenas, J., Pieniak, Z. and Verbeke, W. (2015), "Association between innovative entrepreneurial orientation, absorptive capacity, and farm business performance", *Agribusiness*, Vol. 31, pp. 91–106.
- Goncalves, H. M. and Sampaio, P. (2012), "The customer satisfaction-customer loyalty relationship: Reassessing customer and relational characteristics moderating effects", *Management Decision*, Vol. 50 No. 9, pp. 1509-1526.
- Hair, J., Hollingsworth, C. L., Randolph, A. B. and Chong, A.Y. L. (2017), "An updated and expanded assessment of PLS-SEM in information systems research", *Industrial Management & Data Systems*, Vol. 117 No. 3, pp. 442-458.
- Hair, J. F., Sarstedt, M., Ringle, C. M. and Mena, J. A. (2012), "An assessment of the use of partial least squares structural equation modeling in marketing research", *Journal of the Academy of Marketing Science*, Vol. 40 No. 3, pp. 414–433.
- Henseler, J., Ringle, C. M. and Sarstedt, M. (2014), "A new criterion for assessing discriminant validity in variance-based structural equation modeling", *Journal of the Academy of Marketing Science*, Vol. 43 No. 1, pp. 115–135.
- Herhausen, D. and Schogel, M. (2013), "Profiting from customer relationship management: The overlooked role of generative learning orientation", *Management Decision*, Vol.51 No. 8, pp. 1678-1700.
- Hinterhuber, A. (2013), "Can competitive advantage be predicted?: Towards a predictive definition of competitive advantage in the resource-based view of the firm", *Management Decision*, Vol. 51 No. 4, pp. 795-812.
- International Bank for Reconstruction and Development / The World Bank. (2014), "Agribusiness indicators: Nigeria", available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/08/07/090224b082c25ad2/1\\_0/Rendered/PDF/Nigeria000Agribusiness0Indicators.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/08/07/090224b082c25ad2/1_0/Rendered/PDF/Nigeria000Agribusiness0Indicators.pdf) (accessed February 2015).
- International Bank for Reconstruction and Development / The World Bank. (2013), "Doing business 2013: Smarter regulations for small and medium-size enterprises," available at:

- [https://openknowledge.worldbank.org/bitstream/handle/10986/11857/DB13\\_Full%20report.pdf?sequence=1](https://openknowledge.worldbank.org/bitstream/handle/10986/11857/DB13_Full%20report.pdf?sequence=1) (accessed 10 January 2015).
- Iwu, C.G., Osakwe, C. N. and Ajayi, J. O. (2015), "Exploring the effects of brand promotion and brand image perception on business outcomes of small-sized agribusiness firms", *Acta Univ. Agric. Silvic. Mendelianae Brun.*, Vol. 63 No. 5, pp. 1661-1669.
- Kaplan, R. S. (1984), "The evolution of management accounting", *The Accounting Review*, Vol. 59 No. 3, pp. 390-418.
- Kaplan, R. S. and Norton, D. P. (1992), "The balanced scorecard: Measures that drive performance", *Harvard Business Review*, Vol. 70 No. 1, pp. 71-79.
- Kock, N. (2014), "Advanced mediating effects tests, multi-group analyses, and measurement model assessments in PLS-based SEM", *International Journal of e-Collaboration*, Vol. 10 No. 1, pp. 1-13.
- Laukkanen, T., Nagy, G., Hirvonen, S., Reijonen, H. and Pasanen, M. (2013), "The effect of strategic orientations on business performance in SMEs: A multigroup analysis comparing Hungary and Finland", *International Marketing Review*, Vol. 30 No. 6, pp. 510-535.
- Liedholm, C. (2002), "Small firm dynamics: Evidence from Africa and Latin America", *Small Business Economics*, Vol. 18 No. 1, pp. 225-240.
- Narver, J. C. and Slater, S. F. (1990), "The effect of a market orientation on business profitability", *Journal of Marketing*, Vol. 54 No. 4, pp. 20-35.
- Neely, A. D., Gregory, M. and Platts, K. (1995), "Performance measurement system design: A literature review and research agenda", *International Journal of Operations & Production Management*, Vol. 15 No. 4, pp. 80-116.
- Odoom, R., Agbemabiese, G. C., Anning-Dorson, T. and Mensah, P. (2017), "Branding capabilities and SME performance in an emerging market: The moderating effect of brand regulations", *Marketing Intelligence & Planning*, Vol. 35 No. 4, pp. 473-487.
- Offiongodon, A.M. (1988), "Towards Improved Agricultural Products Marketing Strategy", *European Journal of Marketing*, Vol. 22 No. 6, pp. 7-20.
- Oliver, R. L. (1999), "Whence customer loyalty", *Journal of Marketing*, Vol. 63 No. 4, pp. 33-44.
- Osakwe, C. N., Chovancová, M. and Agu, M. (2016), "Can micro-enterprises leverage on the adoption of corporate website to bolster their brand visibility? Examining salient adoption issues in a developing country context", *Information Development*, Vol. 32 No. 4, pp. 904-919.
- Pansiri J. and Temtime, Z. T. (2010), "Linking firm and managers' characteristics to perceived critical success factors for innovative entrepreneurial support", *Journal of Small Business and Enterprise Development*, Vol. 17 No. 1, pp. 45-59.
- Pavlou, P.A., Liang, H.G. and Xue, Y.J. (2007), "Understanding and mitigating uncertainty in online exchange relationships: A principal-agent perspective", *MIS Quarterly*, Vol. 31 No.1, pp. 105-136.
- Pekovic, S. and Rolland, S. (2016), "Customer orientation and firm's business performance: A moderated mediation model of environmental customer innovation and contextual factors", *European Journal of Marketing*, Vol. 50 No. 12, pp. 2162-2191.
- Penrose, E.T. (1959), *The Theory of The Growth of The Firm*, John Wiley, New York, NY.

- Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y. and Podsakoff, N. P. (2003). Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, Vol. 88 No. 5, pp. 879-903.
- Radipere, S. and Dhliwayo, S. (2014), "The role of age and business size on small business performance in the South African small enterprise sector", *Problems and Perspectives in Management*, Vol. 12 No. 4, pp. 7-12.
- Rickard, B. J., Schmit, T., Gómez, M. and Lu, H. (2013), "Developing brands for patented fruit varieties: Does the name matter?", *Agribusiness*, Vol. 29 No. 3, pp. 259-272.
- Ringle, C. M., Wende, S. and Will, A. (2005). SmartPLS 2.0 [Software], available at: [www.smartpls.de](http://www.smartpls.de)
- Romero, H. L., Dijkman, R. M., Grefen, P. W. P. J. and van Weele, A. J. (2015), "Factors that determine the extent of business process standardization and the subsequent effect on business performance", *Bus Inf Syst Eng*, Vol. 57 No. 4, pp. 261-270.
- Rundh, B. (2015), "International market development: The small and medium sized firm's opportunity or dilemma", *Management Decision*, Vol. 53 No. 6, pp. 1329-1354.
- Sanghvi, S., Simons, R. and Uchoa, R. (2011), "Four lessons for transforming African agriculture", *McKinsey & Company Publications*, available at: [http://www.mckinsey.com/insights/public\\_sector/four\\_lessons\\_for\\_transforming\\_african\\_agriculture](http://www.mckinsey.com/insights/public_sector/four_lessons_for_transforming_african_agriculture) (assessed 1 September 2015).
- Serenko, A., Bontis, N. and Hardie, T. (2007), "Organizational size and knowledge flow: A proposed theoretical link", *Journal of Intellectual Capital*, Vol. 8 No. 4, pp. 610-627.
- Sheth, J. N., Sisodia, R. S. and Sharma, A. (2000), "The antecedents and consequences of customer-centric marketing", *Journal of the Academy of Marketing Science*, Vol. 28 No. 1, pp. 55-66.
- Slater, S. F. and Narver, J. C. (1999), "Market-oriented is more than being customer-led", *Strategic Management Journal*, Vol. 20 No.12, pp. 1165-1168.
- Srivastava, R. K., Fahey, L. and Christensen, H. K. (2001), "The resource-based view and marketing: The role of market-based assets in gaining competitive advantage", *Journal of Management*, Vol. 27 No. 6, pp. 777-802.
- Tenenhaus, M., Vinzi, V. E., Chatelin, Y.-M. and Lauro, C. (2005), "PLS path modeling", *Computational Statistics and Data Analysis*, Vol. 48 No. 1, pp. 159-205.
- Timsit, J.-P., Castiaux, A., Truong, Y., Athaide, G. A. and Klink, R. R. (2015), "The effect of market-pull vs, resource push orientation on performance when entering new markets", *Journal of Business Research*, Vol. 68 No. 9, pp. 2005-2014.
- Trostle, R. and Seeley, R. (2013), "Developing countries dominate world demand for agricultural Products", available at: <http://www.ers.usda.gov/amber-waves/2013-august/developing-countries-dominate-world-demand-for-agricultural-products.aspx#.VhAszflVhBc> (assessed December 31, 2014).
- Turyakira, P., Venter, E. and Smith, E. (2014), "The impact of corporate social responsibility factors on the competitiveness of small and medium-sized enterprises", *South African Journal of Economic and Management Sciences*, Vol. 17 No. 2, pp. 157-172.
- Valenzuela, L. M., Merigó, J. M., Johnston, W. J. and Jaramillo, J. F. (2017), "Thirty years of the journal of business & industrial marketing: A bibliometric analysis", *Journal of Business & Industrial Marketing*, Vol. 32 No. 1, pp. 1-17.
- Voss, G. B. and Voss, Z. G. (2008), "Competitive density and the customer acquisition-retention trade-off", *Journal of Marketing*, Vol. 72 No. 6, pp. 3-18.

- Wernerfelt, B. (1984), "A resource-based view of the firm", *Strategic Management Journal*, Vol. 5 No. 2, pp. 171–80.
- Wetzels, M., Odekerken-Schroder, G. and van Oppen, G. (2009), "Using PLS path modeling for assessing hierarchical construct models: Guidelines and empirical illustration", *MIS Quarterly*, Vol. 33 No. 1, pp. 177–195.
- Wu, F., Mahajan, V. and Balasubramanian, S. (2003), "An analysis of e-business adoption and its impact on business performance", *Journal of the Academy of Marketing Science*, Vol. 31 No. 4, pp. 425-447.
- Xin, J. Y., Ramayah, T., Soto-Acosta, P., Popa, S. and Ping, T. A. (2014), "Analyzing the use of the web 2.0 for brand awareness and competitive advantage: An empirical study in the Malaysian hospitality industry", *Information Systems Management*, Vol. 31 No. 2, pp. 96-103.
- Zheng, V. (2011), "The value proposition of adopting mCRM strategy in UK SMEs", *Journal of Systems and Information Technology*, Vol. 13 No. 2, pp. 223 – 245.

---

 Appendix I: Measurement items of the variables and loadings
 

---

Constructs and Items	Factor Loadings ( $\lambda$ )	Bootstrapped T-Statistics ( $\lambda$ )
<i>Customer Retention Orientation</i>		
We have a clearly defined mission that is driven by customer retention.	.68	6.00
Our organization is structured to optimally respond to existing customers with different values.	.76	9.06
In our company, maintaining relationships with valuable existing customers is viewed as an investment rather an expense.	.68	8.37
<i>Customer Loyalty</i>		
Within the last two years, our company has been quite successful at retaining most of our existing/new customers.	.82	10.06
We have more loyal customers than most of our direct competitors.	.60	4.24
<i>Financial Outcomes</i>		
Relative to our direct competitors, our profit margins have significantly increased in the last two years.	.70	7.58
Within the last two years, our profit margins have significantly improved.	.63	5.27
In the last two years, we have become more satisfied with our company's financial position.	.75	6.90
<i>eBrand Promotion</i>		
We use eMarketing channels (e.g., company's website, online social networks, eMail marketing, and customized SMS) to promote our brand image.	.90	32.80
We use eMarketing channels (e.g., company's website, online social networks, eMail marketing, and customized SMS) to communicate what our company's unique offerings are from the rest of the competition.	.87	16.54

---