Marketing Decisions and Small Businesses in Lagos State: 
A Case Study of Furniture Making Business

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Abstract: Small businesses are seen as having accelerative effects on achieving economic growth and development. But this would be possible if the goods and services so produced have encapsulated consumers’ desires and aspirations and good enough to enhance patronage so as to encourage a profitable exchange. That is efficient marketing decisions must be made continually. It was observed that the bane of well-financed small businesses in the country is wrong marketing decisions especially by new entrants. This study evaluated the marketing decisions in a furniture making business using the Analytical Hierarchy Process (AHP) which is applicable to the modeling of any decision choice which can be represented hierarchically at least at two levels of sets of criteria: objective for evaluation and activities or alternative courses of action. Small businesses are always faced with such multi-criteria problems in planning and evaluation, requiring trade-off decisions between conflicting objectives competing for scarce resources. These decisions can often be represented as alternative courses of action. The AHP allows those who are closest to the problem (the decision maker-DM) to identify and structure a customized hierarchy representing their multi-criterion problem from which a trade-off of relative references takes place. The result showed that new entrants into this business would succeed in the Lagos market if they focus on major benefits like comfort, looks and durability of the furniture with the intent of developing the luxury and executive positioning, so as to make profit in an optimistic environment. It is concluded that an insight into the customers and desires vis-à-vis the product benefits is important for small business survival as it helps in the understanding of operational terrain and the likely impact of environmental variables on business objectives and strategies.

Key words: Product benefits, marketing mix, quality, algorithms, environmental scenarios, market objectives, market performance, price positioning

INTRODUCTION

Small businesses are a source of dynamic process and rapid changes in commodity prices, international interest rates and exchange rates.

They continually help in the spreading of productive industrial activity in order to avoid socio-economic problems of concentration and fostering a balanced development of all parts of the nation and through these reduce the flow of population to urban cities.

However, small businesses cannot significantly add to the economic growth of a nation if they do not consistently progress in capital accumulation and profit generation which are greatly hinged on profitable customers satisfaction which is in turn a function of the marketing decision of the businesses (Locke et al., 1981; Cameron, 1986; Bamgboye, 1994; Anyanwu, 1995; Atijosan, 1996).
Kotler (2002) observed that marketing is the part of the entrepreneurial activities that make production viable, without which organization has less value; it becomes apparent that marketing is vital in facilitating the success of small businesses.

Cameron (1986) and Bamgboye (1994) opine that the marketing decisions made by small businesses are capable of transforming the future of such businesses.

However, despite the vital roles of marketing in the success of small businesses, little attention has been paid to this fact in the literature, as much of the literature dealt with financing and management of small businesses. Supporting this view, Davis et al. (1985) argue that there are few articles in the Journals of marketing, specifically addressing marketing in small businesses. And high rate of failure had been recorded in recent times of the number of furniture businesses that closed down barely two years of their operations. The Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) further reports that eighty percent of small and medium scale businesses die before their 5th anniversary. All these point to the fact that new business entrants had hardly survived the prevailing environmental variables in the different areas of business (SMEDAN, 2005).

Given this position, this article investigated marketing decisions in small businesses with the intention of analyzing one of the processes that could be used in arriving at an optimal decision in varying environmental situations, in small businesses.

The study thus intends to establish product positioning for furniture in Lagos State that would enhance performance and reduce failure rates of new entrants and to identify the prevailing environmental scenarios for these positioning.

A few literatures exist on this topic. An optimal decision for marketing greatly depends on the information base and marketing research (Adcock et al., 1993). Atijosan (2000) further noted that out of all activities necessary to support customer orientation, none is so pivotal as marketing research which may simply be defined as the systematic and intensive study of all those facts, opinions and judgments that influence the successful marketing of a product or service. That is a thorough knowledge of the market to be serviced is a sine-qua-non to effective and efficient creation of customers at a profit. Despite this position, Atijosan (2000) established that 80% of the small business owners interviewed agreed that they do not engage in market research. This is a corollary to the assumption that marketing research could stimulate customer orientation in small businesses. Also, without exception, both the proprietors/managers of small businesses agreed that the management of small businesses have no organized system for responding to their information needs. Some managers tried to explain this position by arguing that their function is complex enough, with the responsibility for managing staff, distributors, customer and the marketing mix, without the additional burden of some kind of esoteric information management role. Some argue that the size of operation of small scale businesses does not justify the need for an organized system of information management (Atijosan, 2000).

Furthermore, absence of information may result in role conflict when employees do not have information necessary to perform their jobs adequately as they experience role ambiguity (Walker et al., 1977; Katz and Kahn, 1978).

Griffin (1984) argues that it is not enough to set goals and then organize and direct resources to meet these goals, small business owners must also measure their progress at frequent intervals.

Cameron (1986), Cannon (1987), Adcock et al. (1993) and Davies (1994) agreed that adequate, accurate, current and relevant information is necessary for implementing the concept of marketing in an organization.
Atijosan (2000) further found out that most of the small business owners believe that the best marketing strategy for a small business is in positioning. By this, they view that the small business must be able to examine its opportunity and take a position in the market. That is, there must be a difference between a small business owner and other competitors e.g., through service and product attributes. Also, 75% of the owners believe that managing and modifying an existing product is one area of product policy that is relevant to small businesses. The justification for this view rests on the argument that developing and establishing new products are capital intensive and therefore, not likely to be feasible to small firms in the short run. Owners also feel that in managing and modifying an existing product, small firms should pursue a penetration strategy, which involves the firm building business through existing products in the market in which the firm is familiar. This strategy, they argue is likely to achieve returns in the short and medium terms, because the strategy is expected to reduce cost of production, since existing technology is used and the cost of promotion is low since product is already known in the market (Kotler, 2002).

According to Cameron (1986) small business success is based on the ability to build a growing body of satisfied customers i.e., tailoring the product to meet customer needs in a turbulent business environment. The need to have a good knowledge of the business environment was emphasized, as the most articulated marketing objectives could be detailed by underlying variables in the environment, so apart from delivering a package to the customers, it must be done profitably, taking advantage of the varying business environment.

MATERIALS AND METHODS

The Analytic Hierarchy Process (AHP) was used to analyze the opinion of 100 owners of furniture businesses in Lagos State. The respondents were selected randomly from all parts of the state. The research was conducted from 20 April 2005 to 15 February 2007 in Ikeja which is the central part of Lagos State to cover the rest of the State.

The Analytic Hierarchy Process (AHP) is applicable to the modeling of any decision choice which can be represented hierarchically at least at two levels of sets of criteria: objective for evaluation and activities or alternative courses of action. Small businesses are always faced with such multi-criteria problems in planning and evaluation, requiring trade-off decisions between conflicting objectives competing for scarce resources. These decisions can often be represented as alternative courses of action. The AHP allows those who are closest to the problem (the decision maker-DM) to identify and structure a customized hierarchy representing their multi-criterion problem from which a trade-off of relative references takes place (Wind and Saaty, 1980; Davies, 1994). The AHP rests on the assumption that behavior is explained, in part, through subjective judgment as well as objective reasoning. Since, the structure is built by DM, it incorporates their intuition and experiences. This is uniquely combined with more objective data, using a single scale of measurement. There are two ways of customizing the decision hierarchy:

- **Forward process:** Which involves planning what is likely to happen in future
- **Backward process:** This involves evaluating what can or should be done to achieve a desired or ideal outcome

Using AHP to resolve complex problems requires building an initial hierarchy. The relative importance of criteria (i.e., the collective name given to the components at each level of the hierarchy) for making future decisions will depend upon uncertain conditions.
For example, in this study, the aim in achieving the overall well-being of the business is to produce the correct product mix for the furniture business faced with an uncertain future. This will be guided by positioning and marketing mix strategies. Simplified, this might be represented in Fig. 1.

This involves making decisions on the following: the likelihood of each environment scenario arising and the relative importance of:

- Each objective, relative to the alternative scenario
- Each customer group or market segment alternative
- Each price/quality positioning alternative, relative to each segment
- Each aspect of the marketing mix in terms of achieving the intended positioning alternatives

Based on the examination of the components or elements at each hierarchical level, small business owners must base resource allocation upon trading off conflicting criteria. For example, referring to the hierarchy in Fig. 1, although sales and profits might contribute towards the well-being of the business, segment 1 might serve sales whereas segment 2 might best serve profits. The relative importance of each segment would then be influenced by the importance attached to each of the objectives, in terms of serving the well-being of their parents (i.e., those elements in the immediate level above) in the hierarchy.
AHP has the following advantages:

- It simplifies the above process by making the simultaneity of decision-making more manageable. This is achieved by restricting judgments to pairwise comparisons (Saaty, 1980; Aczel and Saaty, 1983; Balam and Blumberg, 1987) for evaluating the relative importance of hierarchical elements. Without AHP, such complexity may lead to scent decisions (Forman and Saaty, 1983; Saaty and Kearsy, 1985; Dyer et al., 1990)

- It has the ability to integrate both objective and subjective data and both qualitative and quantitative data on to a single ratio scale. Without this, there is a danger that subjective data may be overlooked, or worse still, decisions rest on subjective and intuition, ignoring hard data because it cannot easily be integrated with soft data (Zahed, 1985; Dyer et al., 1990; Saaty and Alexander, 1989; Harker and Vargas, 1990)

- It uses a method of relative measurement that is useful for properties for which there is no standard scale of measurement. The number of intangible properties in marketing is large

- It transforms standard ratio scale measurement to relative ratio scale measurements by normalizing them. This determines the priority values of decision elements at each level of the hierarchy. Consequently, AHP allows the decision maker both intuitive insight and flexibility in prioritizing the order of hierarchical elements, based on marketing context

- It can help to resolve conflicting judgment across different Decision Makers (DMs)

However, AHP is not without its shortcomings-for example:

- It has been suggested that Decision makers may have difficulty in using the ratio scale advance for AHP for estimating the relative importance of different factors. Saaty (1990a), however suggested that if this is due to unfamiliarity of the scale, a series of pilot run can be used to fine tune judgment

- Secondly, there is shortfall in the arbitrary way the judgments are ranked (Dyer, 1990) because under changing conditions, rankings are sometimes reversed. However, Saaty (1990b) in defence of this suggests that normalization is used to apportion the priority of a criterion to each alternative, according to the relative dominance of that alternative. Normalization can be used to differentiate alternatives according to scarcity or abundance of criteria. He further asserts that rank reversal can be healthy phenomena-an apparent paradox of utility theory. The presence of copies of alternative, including the original of the copies, the changes in relative reversal in rankings can reflect real consumer behavior. An alternative viewpoint, offered by Belton and Gear (1983) is that preference order can only be preserved by renormalizing the priority vector weights. This is achieved by allocating unit to the highest ranked option, rather than to the sum of the option

THE APPLICATION

The application is in 4 main stages, (1) building the multi-criteria decision model, (2) making judgments, (3) computing the algorithms and (4) interpreting the data and making decisions.

Building the Multi-Criteria Decision Model

Since, the output is only as good as the decision inputs, building the hierarchical structure represents the important stage of the method. The decision makers of the small
Table 1: The meaning of the 9 point ratio scale devised by Saaty (1977)

<table>
<thead>
<tr>
<th>Intensity of Importance</th>
<th>Definition</th>
<th>Definition, based on experience and judgement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Equal importance</td>
<td>Two activities considered equally important</td>
</tr>
<tr>
<td>2</td>
<td>Moderate importance of one over another</td>
<td>One activity is marginally favoured over another</td>
</tr>
<tr>
<td>3</td>
<td>Essential or strong importance</td>
<td>One activity is strongly favoured over another</td>
</tr>
<tr>
<td>7</td>
<td>Very strong importance</td>
<td>One activity is strongly favoured and its dominance is demonstrated in practice</td>
</tr>
<tr>
<td>9</td>
<td>Extreme importance</td>
<td>The evidence favouring an activity over another is of the highest possible order</td>
</tr>
<tr>
<td>2, 4, 6, 8</td>
<td>Intermediate values between two adjacent judgments</td>
<td></td>
</tr>
</tbody>
</table>

Making Judgments

Questions were asked in respect of how each CEO sees the elements at each level. A pairwise comparison of the elements for each level of the hierarchy was made by each CEO. The pairwise judgments were based on a ratio scale ranging from 1 to 9, graduating from equal importance to extreme importance, respectively as shown in Table 1. This scale is represented. Table 1 shows the attribute definition of furniture by respondents based on experience and personal judgments and the responses of the business owners were summed up and averaged for each element in the hierarchy. The preference judgments are completed in the form of comparison matrices. The number of elements, n, at a given hierarchical level determines the matrix structure (of n columns and n rows). The number of comparison matrices required at a particular level is equivalent to the number of elements at the preceding level from which pairwise judgment are based. This is continued throughout the hierarchy.

For example, for hierarchy of five levels, the number of comparison matrices required would be three 4x4 matrices at level 1 hierarchy of four levels as represented in Fig. 1.

A major assumption of AHP is the axiom of Reciprocal comparison—the intensity of these preference must satisfy the reciprocal condition (Saaty, 1980) e.g., if profit is y times more preferred than sales, then sales is 1/y times more preferred than profit. Therefore, if the hierarchy includes n factors or elements at each level, then only n(n-1)/2 pairwise comparisons are required for each n x n matrix, then when the potential cells of each matrix require completion they will be completed because the other half will be reciprocals.

Computing Algorithms

Several methods have been used in estimating the relative weights derived from the preference above. However, geometric means methods have been used in this study. It is considered to provide a better estimate of underlying ratio scales than the popular methods.

Firstly, the geometric mean of each row of scores for each comparison matrix is calculated. The resulting column vectors of scores for each matrix is then normalized to unity to represent the local priorities; these resultant local priorities assigned to each element represent their relative value with respect to each particular objective in the immediate hierarchical level above.

The impact of each element with respect to the main focus or top goal of the hierarchy was also measured. This is referred to as global priorities. Global priorities for hierarchical
elements were calculated by weighing their local priorities by the global priorities allocated to the elements they emanate from (i.e., at the preceding hierarchical level) called the parents. And by definition, the top hierarchical goal or objective is allocated a global priority of 1.0, which is also its local priority (Saaty, 1980).

Therefore, for a vector of local priority values, X1-X3 representing the first level of the hierarchy, their global priorities remain unaltered as follows:

$$\begin{align*}
\text{Element at first level} & : X_1 \\
\text{Local priorities of first level} & : \sum X_i = X_i(100) = X_1(100) = X_i \\
\text{Global priorities first level} & : X_i(100)
\end{align*}$$

However, for subsequent levels, the priorities were weighed by global priorities of their parents in which the local and global priorities will not be equal.

Thus, the computer software known as expert choice was used to analyze the data of this study.

RESULTS AND DISCUSSION

The results for each of the four levels are presented Table 2-5. The summary of the final results indicate the most important elements at each level with respect to the well-being of the business are: An optimistic scenario (at 0.601) Table 2, because this is considered the most likely. Profit level (at 0.560), Table 3. All items in the benefit segment (at 0.380, for looks, 0.310 for comfort, 0.309 for durability, Table 4). The luxury and executive version of positioning (at 0.466 and 0.440, respectively, Table 5).

<table>
<thead>
<tr>
<th>Environmental scenario</th>
<th>Priorities</th>
<th>Global</th>
<th>Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimistic</td>
<td>0.601</td>
<td>0.601</td>
<td></td>
</tr>
<tr>
<td>Status quo</td>
<td>0.311</td>
<td>0.311</td>
<td></td>
</tr>
<tr>
<td>Pessimistic</td>
<td>0.088</td>
<td>0.088</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective</th>
<th>Optimistic (0.601)</th>
<th>Status Quo (0.311)</th>
<th>Pessimistic (0.088)</th>
<th>Total composite global priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit levels</td>
<td>0.542 (0.400)</td>
<td>0.381 (0.140)</td>
<td>0.077 (0.020)</td>
<td>0.56</td>
</tr>
<tr>
<td>Sales growth</td>
<td>0.224 (0.058)</td>
<td>0.156 (0.025)</td>
<td>0.311 (0.017)</td>
<td>0.10</td>
</tr>
<tr>
<td>Market share</td>
<td>0.234 (0.145)</td>
<td>0.485 (0.145)</td>
<td>0.612 (0.051)</td>
<td>0.34</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective</th>
<th>Segments based on benefits</th>
<th>Total composite global priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit levels</td>
<td>0.50(0.186)</td>
<td>0.51(0.014)</td>
</tr>
<tr>
<td>Sales growth</td>
<td>0.567(0.281)</td>
<td>0.592(0.080)</td>
</tr>
<tr>
<td>Market share</td>
<td>0.054(0.095)</td>
<td>0.092(0.006)</td>
</tr>
</tbody>
</table>
Table 5: Local Priorities at level 4 for each positioning alternative with respect to each benefit segment and global priorities with respect to well-being of the business in parentheses

<table>
<thead>
<tr>
<th>Segments</th>
<th>Price/quality positioning</th>
<th>Comfort (0.261)</th>
<th>Looks (0.480)</th>
<th>Durability (0.259)</th>
<th>Total composite global priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxury</td>
<td>0.321(0.071)</td>
<td>0.681(0.286)</td>
<td>0.572(0.109)</td>
<td>0.456</td>
<td></td>
</tr>
<tr>
<td>Executive</td>
<td>0.623(0.186)</td>
<td>0.398(0.124)</td>
<td>0.368(0.13)</td>
<td>0.440</td>
<td></td>
</tr>
<tr>
<td>Economy</td>
<td>0.056(0.004)</td>
<td>0.010(0.007)</td>
<td>0.069(0.020)</td>
<td>0.094</td>
<td></td>
</tr>
</tbody>
</table>

From the result, therefore, the best courses of action to be taken at each level for the small business owner (furniture business in Lagos) appear to be to choose profit as the main objective, consider seriously all the benefits segment and focus efforts in developing the luxury and executive positioning in an optimistic environmental scenario. This result concurs with the notion of Atijosan (2000) that small businesses should be able to examine opportunities and take a definite position in the market to reduce failure. The implementation of this result will enable the concerned small businesses to build a growing body of satisfied customers as noted by Cameron (1986), this is done by tailoring the product to meet customers’ needs in the business environment. It is also worthy to note that Lagos State, a commercial nerve centre of Nigeria witnesses tremendous exchanges of goods and services with an attendant increase in competition shows a unique trend in furniture making business. It is pertinent to observe that customers of furniture prefers good looking furniture at the detriment of quality of the materials used in making of the furniture as shown in the weights of the benefits in Table 4. And also the supposed reason for making furniture, comfort, carries less weight when compared with others (Table 4). This is a unique trend in the home use equipments and appliances where quality is often emphasized. SMEDAN (2005) identifies for the SME operators the need to produce quality products whose core benefits are paramount for effective patronage; however the result of this study proved otherwise. The high rate of failure of small and medium scale enterprises was connected to the adoption of wrong entry strategies due to inadequate knowledge of the industry of interest as well as the underestimation of some prevailing industry variables by the small and medium scale enterprises operators (SMEDAN, 2005).

This study thus makes significant contribution by identifying specific entry strategy into the furniture making business for the small and medium scale operators, not just for them to survive but to create and maintain a good performance.

CONCLUSION

From the result of this study is evident that for any small business in the area of furniture to survive in a metropolitan city like Lagos, such business must focus on all the benefits segments, i.e., comfort, looks and durability and luxury and executive version of positioning while the main objective focuses on profit level in an optimistic scenario.

The result also gives an insight into the composition of furniture consumers and their desires and since any business can survive as long as the aspirations of the customers are probably articulated and satisfied, survival and good performance will be ensured as furniture makers entering Lagos market keep the customers in mind.

The need to embark on this kind of research for all other businesses with the intention to providing impeccable guidelines for operations cannot be over-emphasized. Provision of this kind of insight will help small business owners to know the terrain they are operating and the likely impact of all other intervening variables that are capable of derailing their business objectives and in the long run reduce failure in small businesses.
REFERENCES


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