

## Evaluation of Survival Strategies Used by Gweru Small to Medium Enterprises in The Motor Oil Industry

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### Abstract

*This study sought to evaluate the survival strategies used by small to medium (SMEs) in the motor industry in Gweru during Zimbabwe's multicurrency regime (2009-2011). The main objectives of the study were to expose the strategies which used by SMEs in order to increase sales volumes and gain customer confidence. The study also sought to assess the quality of service rendered to clients. In this study, a descriptive research design was used. A judgmental sampling technique was used to select 200 respondents for interviews from a target population of 600 individuals. The results obtained showed that the SMEs survived through negotiating credit terms with their suppliers in which they were allowed a two week credit facility. The results also proved that quality of service offered by the SMEs in the motor industry was poor; as a result the customers were not satisfied. The findings further indicated that, the majority of the SMEs in the motor industry are not making any effort to try and increase their market share. This is because the SMEs lacked the funds to embark on promotional activities. This resulted in the customers losing confidence with the SMEs operations. This has also resulted in a decline in the sales volumes and a decline in profits. The respondents argued that government policies were too rigid and difficult to achieve. For instance the high duty level charged when importing car oils increased the SMEs' operational costs. The authors recommended that the SMEs have to pool together their resources when purchasing oils so as to cut on the transport costs. The SMEs also need to employ skilled and qualified staff. This would enable the SMEs to price their products competitively at the same note offering quality customer service. This will also enable the SMEs regain the customers' confidence.*

**Key words:** Survival, strategies, SMEs, Motor Oil, Gweru

### Introduction

The period 2006-2008 had witnessed many major companies in the motor industry suspending their operations the reason being that they were no longer able to raise enough finance for the salaries and other over heads not to mention the replenishment of the inventory. This opened a window to the Small to medium enterprises (SMEs) which sought to benefit from their few over heads and quick

decision making. The inflationary environment forced the SMEs to source motor oils from such countries like South Africa, Botswana, Zambia and other countries in the region. Owing to the shortages of the oil in the motor industry, the SMEs were able to charge very high prices. As a result the SMEs were able to survive. Year 2009 marked the beginning of the dollarized economy. The economy became conducive for the major players in the motor oil industry to resume operations. This resulted in the SMEs losing a sizable market share to the new players in the market. Loss of market share coupled with a reduction in sales and profits has led the SMEs employing some strategies meant to keep them in business. For the purposes of this research, the SMEs are referred to as the small to medium enterprises that sale motor oils to individuals and corporations on a small scale. The SMEs shall also mean firms whose sales do not exceed \$200 000 per month and also employs less than 15 employees excluding the directors of the company.

In this research the authors intended to evaluate the survival strategies used by the SMEs. The research will be guided by the following objectives:

- To establish the strategies used by SMEs to increase sales volumes.
- To expose the strategies adopted by the SMEs in an effort to increase their market share.
- To evaluate strategies used by SMEs in regaining customer confidence
- To asses the extent to which SMEs are using quality of service provision as a survival strategy.
- To recommend practical survival strategies in a multi-currency economy.

In this research, the authors hypothesized that the null hypothesis (H0) is that there is no relationship between the quality of service provided by SMEs and its survival. The alternative hypothesis (H1) is that there is a relationship between the quality of services provided by SMEs and its survival. The hypothesis was tested at 0.05 level of significance using chi-square.

SMEs have been identified as the primary drivers of economic growth or development and significant contributors to the prosperity of national economies. Kotler (2001) argued that SMEs are fundamental in providing society with new products, promote new innovations, generate employment, engendering competition and creating economic wealth.

According to the United Nations Conference on Trade and Development (2005), in order to get governments to focus on macro and micro policies, particularly for SMEs, the case must be made for supporting SMEs. While it is generally accepted that SMEs are important contributors to the domestic economy, not many governments have framed policies to enhance their contribution or increase their competitiveness as a result a lot of SMEs have not been able to survive the first five years after their conception (United Nations Conference on Trade and Development 2005). The Zimbabwean SMEs in Gweru in the motor industry have not been spared. The United Nations

Conference on Trade and Development (2005) advocates that most governments do not even have reliable statistics on SMEs. The statistics on SMEs are poor for a number of well-known reasons such as failure to register by the SMEs in an effort to evade tax and other legal obligations.

The authors of this research paper are of an opinion that the survival of the SMEs is too precious to be left in the hands of the management which does not see value in the SMEs survival. Survival strategy is that which the firm does in order to remain in business. The strategies can be those intended to increase market share, those intended to increase sales value, those aimed at customer retention as well as those strategies aimed at regaining customer confidence.

In line with Kotler (2001), SMEs may use the following strategies to survive in a multicurrency economy that is, creating entrepreneurial culture, effective corporate governance, less political but more economic intervention and effective business support systems. In addition Maneet (2010) argued that SMEs survival is hinged on offshore outsourcing which has come to become an effective and popular business strategy in the recent times. In fact, offshore outsourcing has been quoted as the saviour of recession and turbulent markets and businesses across the world. It seeks out new and cost effective alternatives to traditional business processes.

Companies which have adopted offshore outsourcing earlier have realized the importance of globalization and the potential advantages it has on business enterprises. Leveraging technology helps businesses gain a competitive edge, at the same time helping them save money

According to Kotler (2001), sales promotion and providing short-term incentives to customers stimulate sales of product or services would and lead to SMEs survival. These include price incentives, coupons, competitions and sweepstakes and giving gift to customers. In addition Holmes and Kent (1991) suggested that SMEs can easily regain customer confidence through listening to their concerns and take them seriously. Understanding their problem and the reason they are upset and compensating customers for the unsatisfactory product or service prevent further inconvenience. Treating customers with respect and sympathy and getting customers' problem handled quickly assure them that the problem will not happen again. As a result the customers will make repeated purchases (Kent 1991). From the observations made by the researchers, the SMEs in the motor oil industry in Gweru rarely used advertising, quality service and outsourcing as outlined above. This is because of inadequate management training and lack of entrepreneurship skills amongst promoters. This often results in lack of business plan leading to ad hoc decision making, lack of business and financial discipline, lack of forward planning resulting in unforeseen situations, lack of cognizance to even appreciate that there is a better way to manage the enterprises. More so, inadequate management skills often led to poor decisions and use of out dated strategies by the promoters. To

that extent the researchers are concerned about how the SMEs can survive given their limited financial capabilities.

According to Holt (2004) failure to recruit the best employees by SMEs is caused by the fact that they lack the financial resources to attract the best qualified human resources, as a result they end up recruiting inexperienced and unqualified workers who are willing to accept the low wages the SMEs offer hence a recipe for SMEs failure

### **Methodology**

The researchers used descriptive research design to get precise strategies employed by Zimbabwe's small to medium enterprises in order to survive in the multi currency regime. Basically through the employment of the descriptive research design, the researchers were enabled to focus on the accurate description of variables of the problem. The descriptive methods are best suited for collecting original data. The method was also capable of extracting data from people whose opinions and beliefs are kept within themselves.

Basically the targeted population was made up of 600 individuals. The 600 individuals was a combination of 150 management level employees, 150 salesmen and 300 were the clients to the SMEs. The researchers were convinced that they could obtain the relevant information to do with the survival strategies since those in the management level crafted the strategies which were implemented by the salesmen. The clients were the individuals upon which the survival strategies were implemented. From the above targeted population the researcher made use of a judgmental sampling technique to select 50 managers and 50 salesmen. 100 clients were selected using convenient sampling technique. The researchers would issue a questionnaire to any one who made a purchase on that particular day. The sample was regarded as a true representative of the population because the managers, salesmen and the clients were directly involved in the formation and implementation of the survival strategies.

A total of 200 questionnaires were issued to the respondents. Of the 200 questionnaires issued, 50 were issued to the managers while 50 were issued to salesmen and the other 100 questionnaires were issued to the clients. A response rate of 50% on the managers, the salesmen and on the clients was obtained. The overall response rate was 50%. The researchers could not get a higher response rate because both the managers and the salesmen argued that they were always busy. 50% of the clients just could not return the questionnaires since they were not regular customers. From the researchers' view point, the overall response rate of 50% is justified as the SMEs sold relatively the same type of products.

To analyze the data inductive and deductive analytical tools were applied. The Chi square which is a non-parametric test of statistical significance for bivariate tabular analysis was

also used to test the relationship of the quality of service and the survival of SMEs in the motor oil industry. 0.05 was used as the level of significance and this together with the degree of freedom was used in the computation of the Chi Statistic value.

From the questionnaires issued, the following results were obtained:

#### **Quality of service in SMEs in the motor industry**

When the respondents were asked about the quality of service provided by the SMEs in the motor industry the following results were obtained.

**Table 1: Quality of service offered by SMEs in the Motor oil Industry**

Response	Excellent	Good	Bad	Very bad	Not sure	Total
Number of respondents	10	15	60	5	10	100
Respondents as a %age	10%	15%	60%	5%	10%	100%

#### **Source: survey**

As shown in Table 1, 15 respondents who constitute 15% of the total respondents indicated that the quality of services offered was good. 10 respondents argued that the quality of services was excellent whereas 5% of the respondents were not sure about the quality level of services provided in the motor industry by SMEs. However on the other hand the majority of the respondents that is 60% of the respondents acknowledged that the quality of services provided by SMEs was poor.

The results obtained showed that the quality of service offered by the SMEs in the motor industry was poor; as a result the customers were not satisfied. Perhaps it is the main reason for the dwindling sales volumes in the SMEs in the motor industry as evidenced by the SMEs' financial statements. The results obtained are being seconded by Thomas (2009) who argued that SMEs normally provided poor services to customers mainly because of lack of incentives to the employees, inadequate workforce, out dated and poor equipment, lack of training on both employees and the management.

This was also evidenced by the response given by the respondents when they were asked to point out what caused SMEs in the motor oil industry to provide substandard services. Their responses are as follows:

**Table 1.10 Cause of poor quality of services offered by SMEs in the motor industry.**

What cause poor quality of service	Lack of incentives	Staff shortages	Poor equipment	Lack of training
Responses	70	75	70	95
Frequency				
% response	70%	75%	70%	95%

**Source: survey**

As shown in table 1.10, the majority if the respondents concur that lack of incentives on employees, staff shortages, poor equipment and lack of training all contributed to the poor quality of service being offered by SMEs in the motor in the motor oil industry.

### Hypothesis Testing

Table 2 Observed frequency on the respondents' perceptions on quality				
Response	Survival	to maximize profit	total	
SMEs employees and management	20	80	100	
SMEs customers	10	90	100	
Total	30	170	200	
Expected frequency on the respondents' perceptions on quality				
Response	Survival	to maximize profit	total	
SMEs employees and management	15	85	100	
SMEs customers	15	85	100	
Total	30	170		
<b>Chi-square calculation</b>				
observed	expected(e)	(O-E) <sup>2</sup>		
20	15	1.66666667		
10	15	1.66666667		
80	85	0.294117647		
90	85	0.294117647		
X <sup>2</sup> calculated		<b>3.921568627</b>		
<b>Source: survey</b>				
Degrees of freedom	(2-1)(2-1)	2		
Using a 5% significance level		<b>Chi- statistic</b>	<b>5.99</b>	
Since x <sup>2</sup> calculated is less than the x <sup>2</sup> statistic the null hypothesis is accepted. This shows that according to the respondents' perceptions, the purpose of quality service is not for survival but rather to maximize profit this is evidenced by the high mark ups on the prices of the oils in SMEs which tried to offer quality service.				

### Response on the strategies used by SMEs to increase their market share

**Table 2: strategies of increasing market share Response on the strategies used by SMEs to increase their market share**

	Discounts	New brandies	Product new uses	Does nothing	No aware
No# of respondents	5	1	5	80	6
No# of respondents as a %age	5%	1%	5%	80%	6%

Source: survey

### Response on the strategies used by SMEs to increase their market share

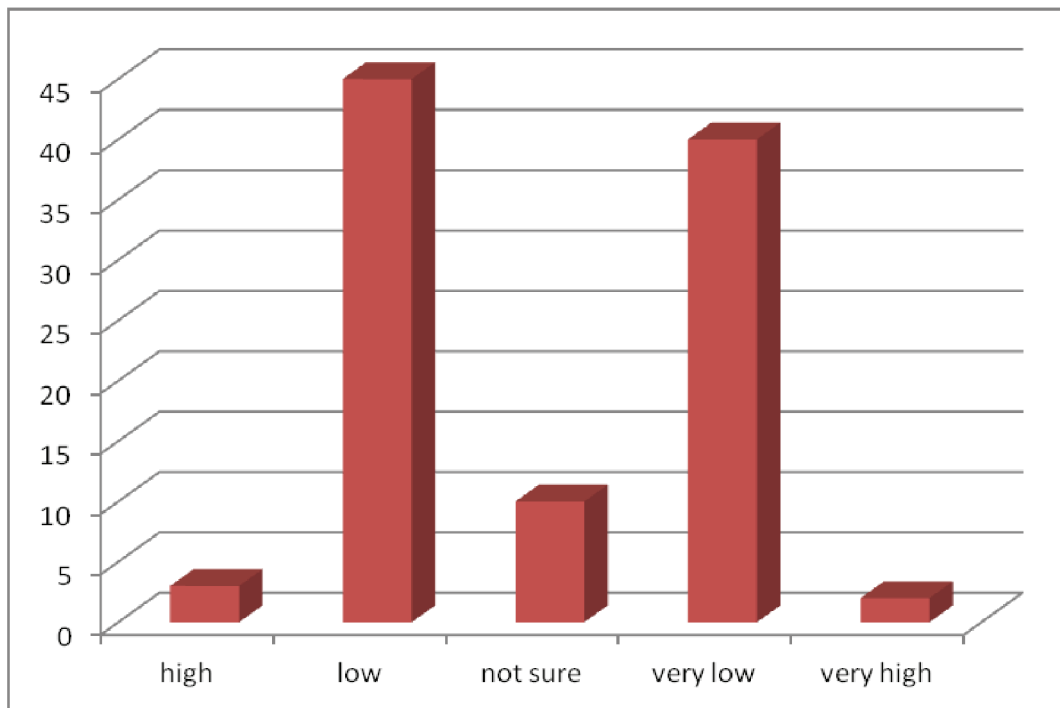
Respondents were asked on the types of strategies that are being used to increase market share by SMEs in the Motor industry. The results shown in Table 2 were obtained

As indicated in Table 2, 80 respondents who are 80% of the total number of respondents noted that SMEs are not doing anything to try and increase their market share. However just a few respondents (5 respondents) noted that SMEs are using discounts to try and lure customers.

The results indicated that the majority of the SMEs in the motor industry are not making any effort to try and increase their market share. This could be because they lack the funds to embark on promotional activities. The results obtained are seconded by [Stephenson](#) (2002) who argued that a lot of business entrepreneurs today, always face some thorny problems of raising a good capital to finance their efforts; this is because setting up any worthwhile business venture requires not only technical know-how but also good capital to keep the business going. The major issue then is how to find the right and profitable source of fund with a very high return and equally ensure the lowest accruable cost.

### Response on Customer's confidence level in SMEs in the motor industry

In an effort to find out how SMEs in the motor industry can survive in a multicurrency regime, customers were asked to rate their level of confidence in the SMEs. The following were their responses



**Fig 1: Customer confidence level with SMEs in the motor industry**  
Source: survey

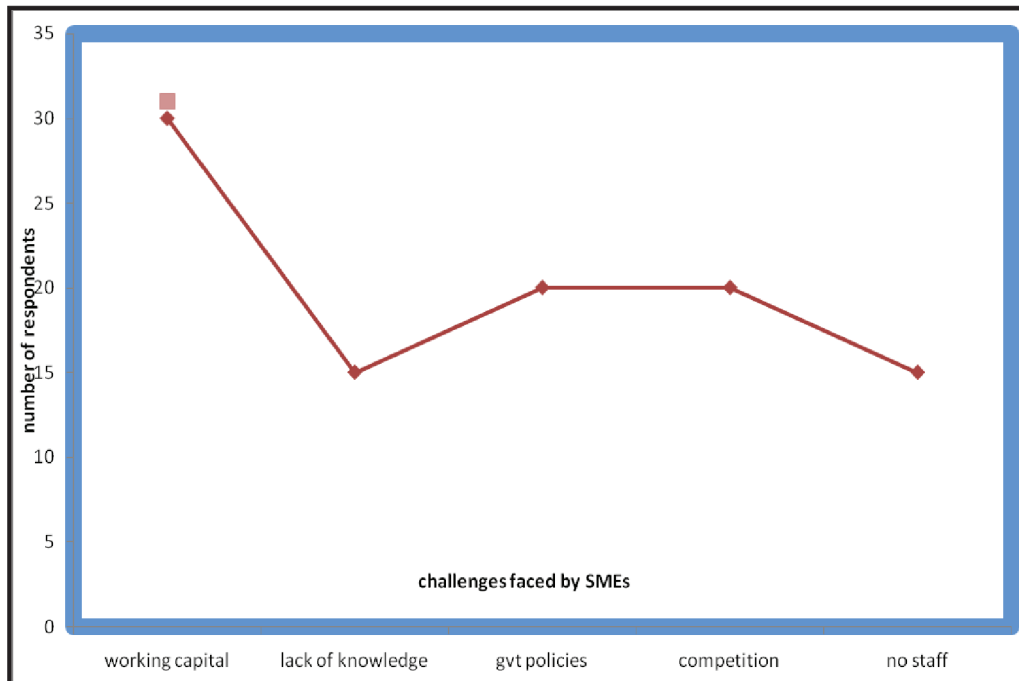
Fig. 1 depicts that 45% of the respondents have low confidence in the operations of the SMEs in the motor industry. On the other hand 40% (40 respondents) indicated that they have very low confidence in the SMEs operations. This indicated that the customers have since lost confidence with the SMEs operations, perhaps this in the other reason for them shunning away hence a decline in the sales volumes and decline in profits.

The respondents also argued that they have since lost confidence with the SMEs because of their inability to provide them with products as and when they require them, they also argued that if provided the products are normally substandard and too expensive as compared to the giant players'.

#### **Challenges faced by SMEs**

Respondents were also asked to find out whether SMEs have any challenges in their operations. The following were the findings:





**Fig 4.2 Challenges faced by SMEs**

**Source: Survey**

The fig 2 shows that the majority of the SMEs face working capital problems as shown by 30 respondents who are 30% of the respondents. Moreover the respondents also cited that the government policies were also a hindering obstacle in their operations. The respondents argued that the government policies were too expensive to meet and in case prohibit growth for instance the high duty level charged when importing car oils.

The respondents also noted stiff competition and lack of trained staff as other prohibiting factors to their growth. The results obtained are in line with Best (1993) who argued that financing operations through loans obtained from lenders could be quite challenging for SMEs because the facility providers always evaluate critical areas such as the entrepreneur's character, capacity to pay, collateral, social conditions and the funds that the person him or herself is ready to invest in the venture as well as the level of the competition in the focal market. The SMEs tend to fail the evaluation and as a result cannot obtain the needed capital and hence cannot attract the rightful personnel as workers since they cannot pay them adequately.

### Ways of regaining customer confidence

The respondents were asked on what they think should be done by the SMEs in the motor industry so as to regain customer confidence. The following are the responses obtained.

**Table 3 Ways of regaining customer confidence**

Ways of regaining customer confidence	Courtesy	Apology	Resolution	Compensation	Immediateness
Response	79	83	86	60	90
Response as a percentage	79%	83 %	86%	60%	90%

**Source: survey**

As shown in Table 3, the majority of the respondents agreed that courtesy, apology, resolving customers' issues, compensating after a bad experience and speedy response to customers' problems were all vital to creating and regaining customer confidence.

### Conclusions and recommendations

The results obtained showed that the quality of service offered by the SMEs in the motor industry was poor; as a result the customers were not satisfied. And it is the main reason for the dwindling sales volumes in the SMEs in the motor industry. Moreover, the results indicated that the majority of the SMEs in the motor industry are not making any effort to try and increase their market share. This is because they lack the funds to embark on promotional activities.

The results also indicated that the customers have since lost confidence with the SMEs operations, perhaps this in the other reason for them shunning away hence a decline in the sales volumes and decline in profits the respondents argued that the government policies were too expensive to meet and in case prohibit growth for instance the high duty level charged when importing car oils.

Sourcing for capital through debt from lenders is quite challenging for SMEs because the facility providers always evaluate critical areas such as the entrepreneur's character, capacity to pay, collateral, social conditions and the funds that the person is ready to invest in the venture as well as the level of the competition in the focal market. The SMEs tend to fail the evaluation by the banks and other micro finance institutes and as a result they cannot obtain the much needed capital and hence cannot attract the rightful personnel as workers since they cannot pay them adequately

The findings obtained point out that SMEs in the motor oil industry in Gweru need to improve their quality of services such that it matches that of the major players in the same industry. This will in turn lure customers and enhance the SMEs' financial position. The SMEs should make efforts to increase their market share. This will increase their sales volumes and hence an increase in the profitability. The increase in market share can be obtained through the purchase of the oils in bulk. The researchers however are of an opinion that, for this to be possible, there has to be pooling of resources by the SMEs. This will cut on the transport cost and the SMEs can also benefit from bulk discounts. To that point, the SMEs will be able to price their products competitively thereby regaining the lost market share.

The SMEs should make some effort to increase customer confidence which has since been lost to the major players in the industry. This can be done through continuous availability of the oils, selling the oil brands familiar with the customers. The SMEs should also find other ways of sourcing cheap capital so as to adequately finance their operations.

The SMEs can also make use of non-monetary strategies of regaining customer confidence as evidenced in Table 3. The non-monetary strategies would include:

***Courtesy.*** Whether on the phone or in person, politeness goes a long way. Make sure that all customer service representatives interact with customers with the utmost respect so that customers will experience more satisfaction.

***Apology.*** After a bad experience or service failure for example, always apologize to the customer. Apologizing conveys politeness and empathy which will restore customer confidence.

***Justification.*** Provide an explanation of why things went wrong. Even when problems are solved, most customers want to know why the problem existed in the first place. This process helps re-establish trust.

***Resolution.*** Resolve the customer's issue. When problems are not fixed, customers are left hanging, and so they begin to lose trust in the organization.

***Immediateness.*** The time it takes to resolve the problem also impacts customer loyalty. Improve on speedy responses and recoveries, and this will increase customer satisfaction.

***Compensation.*** After a bad experience or service failure, giving discounts, refunds, free merchandise, and coupons is a good way to restore the balance in customer experience. It is imperative to note that customers will always remember a good customer service experience and this will lead to repeated purchases

The researchers have also noted with concern that poor service rendered to customers is as a result of disgruntled employees. The employers expected to inspire staff to avoid careless mistakes, motivate staff to treat customers like gold. This is because the amount of close contact customers have with an employee strongly influences their buying decision and the SMEs' sales.

Observations made by the researchers revealed that SMEs shops in the motor oil industry are usually short-staffed. It was suggested that the shops have to be optimally staffed with the rightful people who possess the rightful skills. This is so because people walk away very quickly these days if their presence is not quickly acknowledged.

*Strategic alliance.* The researcher also recommended that that the SMEs should enter into strategic alliances with other players. This will enable the injection of working capital that will enable the company to finance various activities like hiring security services

*Pooling financial resources.* A lot of business entrepreneurs today, always face some thorny problems of raising a good capital to finance their operations, this is because setting up any worthwhile business venture requires technical know-how and also good capital to keep the business going. The major issue then is how to find the cheap and profitable source of fund. From the researchers' also recommends that, it is essential for the SMEs in Gweru to pool their resources so as to be able to buy in bulk, enjoy bulk purchase discounts and save on transport costs. This will enable the SMEs to price their products competitively.

*Training and development of employees.* The SMEs employees are central to effective service delivery. Investment in them should be made in terms of training and development that will see employees, especially those interacting directly with customers, changing attitudes and practices. This will benefit the organization in terms of customer retention and attraction.

Basically, Gweru SMEs in the motor oil industry survived through negotiating credit terms with their suppliers in which they were allowed a two week credit facility. The results also proved that quality of service offered by the SMEs in the motor industry was poor; as a result the customers were not satisfied. The findings also indicated that the majority of the SMEs in the motor industry are not making any effort to try and increase their market share. This is because they lack the funds to embark on promotional activities as a result; the customers have since lost confidence with the SMEs operations. This has resulted in a decline in the sales volumes and decline in profits. The authors of this paper argue that, even without monetary resources, it is possible for SMEs to compete successfully with the major players in the industry

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