



## Marketing Management

*Elixir Marketing Mgmt.* 63 (2013) 18460-18473

**Elixir**  
ISSN: 2229-712X

# An investigation into achieving competitive advantage in home-based businesses

S. Pramjeeth<sup>1,\*</sup> and N.T. Sapepa<sup>2</sup>

<sup>1</sup>Management College of Southern Africa, 26 Samora Machel, Durban, South Africa.

<sup>2</sup>Simple Elegance, 20 Bromhead Road, Pelham, Pietermaritzburg, South Africa.

### ARTICLE INFO

#### Article history:

Received: 23 August 2013;

Received in revised form:

29 September 2013;

Accepted: 15 October 2013;

#### Keywords

Business,  
Competitive,  
Marketing,  
Effective.

### ABSTRACT

The purpose of this paper is to identify competitive marketing strategies used by home-based businesses in the northern and southern suburbs of Pietermaritzburg, to help the businesses focus on the target markets they can best serve to achieve a competitive advantage. The researcher adopted an exploratory study in which both qualitative and quantitative research methods were used. The target population for this study comprised of 118 home-based businesses, operating in various industries, in the northern and southern suburbs of Pietermaritzburg. The study enabled an insight into the various types of marketing strategies employed by home-based businesses and the effectiveness of the identified marketing strategies. Through the study it was possible to determine the home-based business owner's knowledge of marketing strategies and whether they were adopting the correct strategies for their businesses in order to achieve a competitive advantage. The major findings revealed that the main challenges were the lack of finance as well as lack of marketing knowledge and skills which inadvertently had a negative impact on the choice of marketing strategies being adopted as the majority of home-based businesses relied mostly on word of mouth marketing and networking. Factor analysis carried out in the survey enabled the identification of latent factors that could affect adoption of marketing strategies. The results of the findings led to the development criteria that would enable home-based to be able to decide on the marketing mix strategies that would be suitable for their target markets.

© 2013 Elixir All rights reserved

### Introduction

The goal of every business is to make profit. This goal can be achieved by attracting and retaining customers through marketing. Marketing is therefore a means to determining what the customer's want, which will lead to customer satisfaction, loyalty and profitability. Business owners should carefully plan their marketing strategies and performance to keep their market presence strong.

Home-based business alternatives have become an attractive proposition for the unemployed who are finding it extremely difficult to find work thus, deciding to be self-employed thereby setting up small and micro enterprises. Baron and Shane (2008:5) regard these people as entrepreneurs because they have recognised opportunities and created something new.

One of the main reasons for justifying the existence of home-based businesses as cited by Walker and Brown (2004:581) is that, many of them are service orientated and with the continuing advancement in technology and communication, there is in fact no real need to move out of home to external premises as the business can feasibly be conducted from home. According to Zimmerer and Scarborough (2002:428) many service companies do not have customers coming to their places of business, so an expensive office location is not necessary, for example in the case of a plumber.

Studies have been conducted about Small Medium and Micro Enterprises (SMME), but there is a general lack of information about home-based businesses, specifically in South Africa. Walker and Brown, (2004:581) believe that it is because

of the perceived lack of credibility of home-based businesses as genuine businesses and the difficulty of identification. Home-based businesses are viewed as not being true businesses, for the reason that one can wear any attire they wish. They are also labelled as cottage industries being operated out of the shed or from the kitchen table (Walker and Brown, 2004:581). Studies have been conducted internationally about home-based businesses which are regarded as the largest component of the business sector, for example in Australia; home-based businesses have contributed significantly to the economy (Walker and Brown, 2004:581). In the United States of America there is a different view about home-based businesses, according to Nickels, McHugh and McHugh (2005:178) social attitudes have changed, as home-based entrepreneurs previously were looked down upon and were often asked when are they were going to get a real job, however, these days they are looked upon for advice to solve problems.

### Research Problem

The biggest hurdle for home-based businesses is finding customers. It is probably because they do not hang up signs outside to attract customers passing by. If there is a sign sometimes there are not enough customers passing by, as it would have been if it was in a commercial area (Billimore, 2010:13). Frazier (2008:1) argues that most home-based businesses do not have a proper and effective marketing plan, which involves deciding on the marketing strategies that will help the business attain its overall objectives. Neglecting to put the marketing plan on paper is a blunder that has caused disorder and catastrophes to home-based business owners. Many do not

Tele:

E-mail addresses: [Shamola.Pramjeeth@mancosa.co.za](mailto:Shamola.Pramjeeth@mancosa.co.za)

© 2013 Elixir All rights reserved

both marketing their businesses at all. Not applying proper marketing strategies will not allow the business to reach its full potential and achieve financial goals.

According to Spiegel (2011:1) most home-based business owners dread the concept of sending critical work to outside firms. Therefore, they do their own marketing without the help of advertising firms or public relations agencies with many of them finding that doing their own advertising and promotion is not only less expensive, but also much more effective. Home-based businesses often lack the resources to engage in multi-channel marketing campaigns that could make their products or services become a household name. They do not have huge marketing budgets to hire advertising firms. The purpose of this study is to investigate the marketing strategies used by home-based businesses in achieving competitive advantage.

#### **Aim of the study**

The aim of the study is to identify the marketing strategies used by home-based businesses in the northern and southern suburbs of Pietermaritzburg, as well as its effectiveness in achieving competitive advantage.

#### **Research Objectives**

The research objectives of the study were:

- to identify the marketing strategies used by home-based businesses;
- to examine the effectiveness of the identified marketing strategies;
- to identify, if any, challenges in implementing the identified marketing strategies; and
- to recommend ways of formulating and implementing competitive marketing strategies suitable for home-based businesses.

#### **Hypotheses**

Two hypotheses were tested in the study:

**H<sub>0</sub>:** There is no significant association between whether the business reports having or not having a marketing plan in place, and the perception that their marketing strategies/initiatives used have been effective in increasing awareness of the business among the community.

**H<sub>1</sub>:** There is no significant association between whether the business reports having or not having a marketing plan in place, and whether the business reports doing market research.

#### **Literature Review**

The first section focuses on analysing the concept of home-based business on its own and as a micro enterprise, the marketing strategies suitable for home-based businesses and provides an analysis of the concept of "effectiveness" based on the implementation of marketing strategies as well as challenges involved in formulating marketing strategies.

#### **Home-Based Business**

Dwelly, Maguire, and Truscott (2005:65) define a home-based business as any business that, instead of a commercial premise, uses the family residential property as a base of operation. This definition highlights that, any enterprise for which the principal administrative and managerial activities take place within an individual's personal residence, is a home-based business. According to the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995:9), the Integrated Small Business Development Strategy RSA (2003:14), home-based businesses are classified as micro enterprises.

#### **Home-based business as a Micro Enterprise**

As defined in the Integrated Small Business Development Strategy, South Africa (2003:14), micro enterprises are the smallest enterprises in the small business sector which can be found in both the formal and informal economies, usually having from zero to ten employees, being the owner and the family. Micro enterprises have a potential to make a transition to be a viable formal small business.

#### **Reasons for starting home-based businesses**

People start home-based business for a variety of reasons, namely:

- **Unemployment:** Lambling and Kuehl (1997:52) as cited in van Aardt and Kroon (1999:2) state that, the massive layoffs by a wide spectrum of employers in South Africa due to downsizing and the demand for better service has resulted in the revival of home-based businesses. Others leave voluntarily out of a desire to be their own bosses, to avoid the hassles associated with commuting, or to facilitate caring for children or elderly relatives. In the USA, the scenario seems to be different from South Africa and Australia. According to Nickels, McHugh and McHugh (2005:178), more than 20 million small businesses in the USA are run out of the owner's home. These home-based businesses are owned by people who are trying to combine career and family and that include both men and women. Nearly half of them are in the service industry;

- **No job security:** According to Nickels, McHugh and McHugh (2005:178), corporate downsizing has made employees realise that there is no such thing as job security thus leading many employees to venture out on their own. Meanwhile the work of the downsized employees needs to be done and large companies are outsourcing much of their work to smaller companies;

- **Low start up and operating costs:** Zimmerer and Scarborough (2002:428) as well as Nickels, McHugh and McHugh (2005:178) seem to agree that starting a home-based business keeps start ups and operating costs to a minimum. All what the business owner needs are a few basic office pieces like a computer, a printer, a fax, a copier and a telephone. The advances in computer technology help them to project their business being similar to that of their corporate competitors through using broad band internet connections and other technologies are so affordable that setting up a business takes much a smaller initial investment than it used to. Beech (1997:2) as cited in van Aardt and Kroon (1999:1) added that there is little initial capital needed and high overheads are eliminated;

- **Flexibility for women:** Alderman and Cheney (1997:1) as cited in van Aardt and Kroon (1999:3) are of the view that in South Africa home-based businesses have become a viable option for unemployed women as they become more flexible in managing their dual responsibilities of balancing work and family. Zimmerer and Scarborough (2002:19) are also of the same opinion that home-based companies allow owners to maintain a flexible lifestyle and work style. This point was also highlighted by Aardt and Kroon (1999:1) indicating that the owners can be on the premises all day and has the flexibility of the hours to work; and

- **Viability:** A study conducted by Walker, Wang, and Redmond (2008:270) in Australia indicates that for many men, owning and operating a business from home is a viable employment option, whereas, this is not necessarily the same for women. For many women, the option of small business ownership as an alternative to mainstream employment, may

well give them occupation, but does not necessarily give them the financial security that paid employment does.

#### **Challenges faced in operating a home-based business**

Starting and operating a home-based business, has some challenges which have been highlighted by Nickels, McHugh and McHugh (2005:178):

- Getting new customers by getting the word out there can be difficult because there are no store signs or store fronts;
- Managing time where one might save time by not commuting but it takes more self discipline to use that time wisely;
- Often it is difficult to keep work and family tasks separate for example one can be tempted to throwing a load of laundry in the washing machine during work time;
- Sometimes it is difficult to leave work and work related issues at the office;
- There may be restrictions by municipal by-laws as to the type of business to be conducted from home. This is one of the possible restrictions on being permitted to make one's home a working castle;
- Managing risk will also need attention as one needs to review the home owner's insurance, since it does not cover business risk; and
- Maintaining a professional image might be difficult if one has a dog at home that constantly barks or a teenager who likes to play loud music from his/ her room which might be next to the home office.

#### **Marketing**

Kotler and Armstrong (2010:10) define marketing as a process by which individuals and groups obtain what they want or need by creating and exchanging products and value with others. This exchange process involves work, where the sellers must search for buyers, identify their needs, design good products and services, set prices for the products and services, promote the products and services, store and deliver the products and services.

#### **Marketing in the home-based businesses environment**

Van Scheers (2010:2) argues that, marketing for Small Medium and Micro Enterprises determines in the long term whether the business will succeed or fail. The assumption is, if the potential customers are not aware of the products or services offered by the business, no customers will require the products or services. Some small and micro business owners tend to ignore marketing as if it only applies to big businesses. However, it is these businesses that should engage in vigorous marketing to make their businesses well known, especially with home based businesses, they need to explore all avenues of marketing to attract the target market.

Small business owners tend to see or define marketing in terms of tactics to attract a new business, they tend to be less aware of the other philosophical and strategic meaning of the term (Carter and Jones- Evans, 2006:359). Essentially, home-based business marketing is based on the same principles as that of marketing for any small or big business. The rules are the same for everyone, from Small Medium and Micro Enterprises to large companies. The budget may differ but the goal is the same.

Like all businesses, home-based businesses need to have a marketing strategy which is key to any business success. Marketing also should not be viewed as a separate entity of the business. It must be viewed as the product of good business planning and strategy because it is what drives the sales and ultimately what makes the profit.

#### **Marketing Strategies**

Hoffman et al. (2005:17) highlight that marketing strategies involve the identification of target markets, tailoring mixes that meet the needs and wants of each specific target group and developing marketing mixes that re-enforce the product's positioning strategy in the market place.

The business owner needs to have a detailed analysis of the market that is being targeted. It starts with market research where market needs and attitudes as well as competitor's products are assessed and continues through advertising, promotion, distribution and where applicable, customer servicing, packaging and sales. Therefore, decisions have to be made about the specific customers the firm will target and the marketing mix the firm will develop to appeal to that target market (Perrault and McCarthy, 2006:234). The core of the marketing strategy must be centered on the marketing mix. To achieve the marketing objectives, a target market must be identified after which then an effective marketing mix can be developed (Megginson, Bryd and Megginson, 2000:171).

Marketing strategy aims to communicate to customers the added-value of products and services. This considers the right mix of design, function, image or service to improve customer awareness of the business' products and ultimately to encourage them to buy. Pride and Ferrel (2012:40) emphasise that, a marketing strategy gets the company closer to its customers and specifies in great detail what the company should do to satisfy the needs and wants of the customer. The target market must be chosen before the organisation can adapt its marketing mix to meet customer's needs and preferences.

Kotler and Armstrong (2010:685) agree with above authors and thus point out that, an enterprise can gain a competitive advantage by satisfying target customer's needs better than the competitors, therefore the marketing strategies must not only consider the needs of target customers but also the strategies of the competitors. Therefore, business owners must not only concentrate on target markets, but need to do a competitor analysis, where they gather information about other businesses offering same or similar products to the same customers at similar prices. Kotler and Keller (2006:19), indicates that it is the marketer's task to devise marketing activities and assemble fully integrated programs to communicate and deliver value to customers.

#### **Strategies for sustainable competitive advantage**

The following are marketing strategies as identified by Anderson and Vincze (2009:95) as well as Kotler and Armstrong (2010:686) for achieving and maintaining sustainable competitive advantage.

#### **Differentiation strategy**

This strategy is used for distinguishing one's company product from its competitors on the basis of a greater perceived benefit and or more value. The company concentrates on creating a highly differentiated product line and marketing the product so that it comes across as the class leader in the industry. This is perceived to be the most appropriate strategy for the small businesses. Product differentiation could be in a form of changing the packaging and making it unique to the customers. Companies can differentiate their products in many ways as highlighted by Kotler and Armstrong (2010:686). Some companies gain service differentiation through speedy, convenient or careful delivery. Other companies can gain competitive advantage by hiring and training better people than their competitors do. A small business has a competitive

advantage if customers perceive its products or services as superior to those of the competitors (Zimmerer and Scarborough, 2002:195).

According to Chliya, Herbst, and Roberts- Lombard (2009:6) in their study of the home- based grocery shops in East London, Mdantsane Township, 80% of the shop owners were comfortable in stocking a variety of products for their customers. Their customers were perceived to be brand insensitive. Only 20% of shop owners believed in product differentiation.

#### **Low cost strategy**

With a low cost strategy approach, the marketer achieves cost advantage by controlling costs of production, product, components and marketing programmes taking care not to compromise the quality of the product or service. This helps the company to be able to price its products lower than the competitors and win larger market share.

#### **Focus strategy**

Focus strategy is achieved by concentrating the business on specific market segments and or product group(s). The advantages of this strategy are that the owner can conserve limited resources and ensure that all attention is given to the chosen market (Carter and Jones-Evans, 2006:286). The company focuses its efforts on serving a few market segments well rather than targeting the entire market whereby offering a good quality product or service speedily to customers, thus resulting in customer satisfaction. Van Aardt and Kroon (1999:12) conducted a study on women who owned home-based clothing manufacturing businesses in Potchefstroom and East Rand. The study indicated that 92% of the women did not manufacture for any specific target market but on demand or for informal marketplaces such as street markets, with only 4% manufacturing clothes for boutiques.

#### **Marketing communication mix strategies**

A mix of various communication activities are carried out by organisations with a view to motivate or influence those target customers on whom their product sale or service offering depends. The most important function of marketing is to bring about an awareness of the product and its benefits in the minds of both current as well as potential customers, through communication (Khan, 2005:134). The communicator must choose the most appropriate communication channel to be used to get the message out there, about the business to their desire target market.

#### **Communication channels**

Kotler and Armstrong (2010:407) have identified two broad types of communication channels, namely: personal and non-personal communication channels.

#### **Personal communication channels**

According to Kotler and Armstrong (2010:407) in this communication channel two or more people communicate directly with each other. They communicate face to face, on the phone, through mail or email or even through the internet "chat". Kotler and Keller (2006:548) added that instant messaging and independent sites to collect consumer reviews are another means of growing importance. Advantages of personal communication channels are that:

- Personal communication channels derive their effectiveness through individualised presentation and feedback (Kotler and Armstrong, 2010: 407);
- Directly talking to customers and influencers creates an opportunity for a dialogue so that the customer can ask

questions about the company's brand and products (Bowie and Buttle, 2011: 250); and

- The company can also find out more about the customer's needs and wants. (Bowie and Buttle, 2011: 250).

Some personal communication channels are controlled directly by the company. An example cited in Kotler and Armstrong (2010:407) is that of the company sales person contacting target buyers. But other personal communications about the product may reach buyers through channels not directly controlled by the company. These channels might include consumer advocates, neighbours, friends, family members and associates talking to target buyers. Talking to target buyers is known as word of mouth and has a considerable effect in many product areas.

The following are types of personal communication channels.

#### **Word of mouth influence**

Kotler and Keller (2006:548) define this as personal communication about the product between the target buyers and neighbours, friends, family members and associates. Frazier (2008:17) refers to word of mouth as a friend of home-based business owners and also added that, the news about the business is communicated verbally by the business owner directly or by other satisfied customers. This can be done by making use of every opportunity the business owner gets when they see potential clients. Also through networking sessions, this form of communication is widely used. While using this form, the business owner can also get an opportunity to issue out business cards and brochures.

Frazier (2008:17) expands more on the issue of networking and highlights that during networking, the business owner will be using word of mouth advertising, telling other people about his/her products and ask them to tell others. Frazier (2008:17) further argues that, home-based business owners often complain of time constraints as there are many projects to manage therefore no time to network or socialise.

Attending events where one can meet people and use business cards to confirm connections can guarantee a healthy thriving enterprise, compared to sitting at home or in the office for the whole day. Other networking venues could be churches, community meetings and in the taxis where the business owner can talk about his/her business and issue business cards as well.

Hogarth-Scott, Watson and Wilson (2006:98) in a study conducted in West Yorkshire, United Kingdom, revealed that, word of mouth seemed to be most popular and was regarded by small and micro business owners as the best method of promoting their businesses.

#### **Direct sales/Personal sales**

As highlighted by Frazier (2008:17), this is a method of going directly to your customers in order to sell your product. The customers can be businesses or individuals. The salesperson is often the business owner in the case of home-based businesses. Examples are: door to door sales by the Avon representative and party sales by Tupperware or Amway salespersons.

This is a personal presentation by the company's sales force for the purpose of making sales and building customer relationships (Kotler and Armstrong, 2010:452). It consists of interpersonal interactions with the customers and prospects to make a sale and maintain customer relationships.

Fyall and Garrod (2005:120) defined personal selling as the verbal communication between one or more prospective

purchases and a salesperson for the purpose of making a sale. It involves personal interaction which can be very costly. Personal selling can be very beneficial when attempting to build relationships in the trade. Gifts and incentives can also be used to secure loyalty and trust and the likelihood of customers coming back and recommending the product or service to others is high Frazier (2008:155). These could vary from end of year gift cards, edible gifts, telephone follow ups, thank you cards and/or loyalty cards.

#### **Telemarketing**

Kotler and Keller (2006:611) define telemarketing as the use of telephone and call centres to attract prospects, sell to existing customers and provide service by taking orders and answering questions. It is when the customers are called telephonically with the purpose of selling the product or service. It helps companies increase revenues, reduce selling costs, and improve customer satisfaction.

#### **Direct mail**

Kotler and Keller (2006:606) define this as a form of personal communication which involves sending an offer, announcement, reminder or other item to a person. Using highly selective mailing lists, direct marketers send out millions of mail pieces each year. They identify this communication channel as direct marketing which is the use of consumer direct channels to reach and deliver goods and services to consumers without using marketing middlemen. These channels include direct mail, catalogues, telemarketing, interactive television, kiosk, websites, and mobile devices. Advantages for consumers are: home shopping can be fun, convenient, and hassle free. It saves time and introduces consumers to a larger selection of merchandise. Consumers can do comparative shopping by browsing through mail catalogues and online shopping services. They can order goods for themselves or others.

Kotler and Armstrong (2010:407) also define direct marketing as direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting customer relationships. This is an affordable means to market ones business through letters, brochures, surveys, newsletters and note cards. Business owners need to know how to introduce and close the deal by mail and alternatives to doing everything on their own.

#### **Non-personal communication channels**

Kotler and Armstrong (2010:409) refer to these channels as the media that carry messages without personal contact or feedback. Bowie and Buttle (2011:250) added that these are mediated and publicity events and include all online and offline print, broadcast and display tools. The disadvantage of non-personal communication in comparison with personal communication is that these channels do not permit personalised interaction and so the business owner is unable to capture and respond to specific customer concerns.

#### **Major media**

As explained by Khan (2005:135) the major media is a paid form of non-personal communication about an organisation's product or service communicated through a message. The inherent advantage of this method is that of wide coverage, frequent appeal and accessibility. Examples as cited by Kotler and Armstrong (2010: 409) include: print media (newspapers and magazines), broadcast media (radio and television), display media (billboards, signs and posters) and online media (email and websites).

#### **Print media**

Frazier (2008:53) refers to print media as getting press coverage about one's business in the local and national newspapers and magazines, as long as one has an understanding of media relations. One then has to find the right media source which is or might not be a quick decision. They would need a thorough understanding and knowledge of the target markets for example: the type of newspapers and magazines they read or are likely to read. Print media communication can also be in the form of letters, brochures, surveys, newsletters and note cards that are sent to existing and potential customer's addresses or as inserts in the magazines and newspapers (Frazier, 2008:17).

#### **Broadcast media**

Frazier (2008:77) argues that the business owner can make him/herself a broadcast media darling, by making appearances on television or radio sharing ones business ideas and insights to the viewers and listeners thus getting ones business up close and personal with potential customers. Careful selection of the best media markets therefore is very crucial; also they would need a thorough understanding and knowledge of the target markets for example: the radio stations they listen to or are likely to listen to as well as which television channels they watch.

Zimmerer and Scarborough (2002:230) also emphasise that, by choosing the appropriate radio station, program and time for an advertisement, a small company can reach virtually any target market.

#### **Display media**

Billboards, signs and posters are used as advertising tools to communicate message about the company's products or services. Frazier (2008:161) added vehicle branding as an example of display media which is defined as using personal vehicle as a rolling billboard. This is most popular for home-based businesses to market while on the road. This ranges from car magnetic stickers placed on vehicle doors to even coating the windows on the outside. This could be anything from a business name, products and or service offered or website address, all depending on the information targeted for the market.

#### **Online media**

Most customers expect all businesses to have a website. Internet marketing is the buzz word these days (Frazier, 2008:17). Online media communication involves using a vast public web of computer network that connects users of all types all around the world to each other and to amazingly large information repository (Kotler and Armstrong, 2010: 408).

Kotler and Armstrong (2010:410) added that, non-personal communication affects buyers directly. In addition, using mass media often affects buyers indirectly by causing more personal communication. Communications first flow from television, magazines and other mass media to opinion leaders and then from these opinion leaders to others. Thus, opinion leaders step between mass media and their audiences and carry messages to people who are less exposed to media. This suggests that mass communicators should aim their messages directly at opinion leaders, letting them carry the message to others.

Marketers often use non-personal communication channels to replace or stimulate personal communication by embedding consumer endorsements or word of mouth testimonials in their advertisements and other promotions (Kotler and Keller, 2006: 551).

With the very limited research on studies conducted in South Africa about home-based businesses, there is not much available information about the use of most of the

communication mix strategies mentioned, in relation to the home-based business in the South African markets.

The study therefore seeks to identify the understanding by home-based business owners of the term marketing strategies, by identifying the marketing communication strategies they use and how they are applying them in operating their businesses.

#### **Effectiveness of the marketing strategies**

Jain (2005:603) defines effectiveness as the degree to which an organisation realises its goals. It is a measure of whether or not organisational objectives are accomplished.

#### **Indicators of effectiveness of strategies**

In evaluating how well a company's strategy is working, the business owner or manager has to start with what the strategy actually is (Hough, Thompson, Gamble, Human, Makin and Braxton, 2008:104). The first thing to do is to indicate the company's competitive approach, understanding whether the company is concentrating on serving a broad spectrum of customers or a narrow market niche.

The effectiveness of the strategies will depend on the business owner's understanding of the concept and therefore efficient and effective implementation. This could be observed once the clearly defined objectives are met and the business is making the required profit, thus leading to business growth and maintaining a sustainable competitive advantage. According to Drummond and Ensor (2005:112), a competitive advantage is the generation of distinctive competencies relative to the competition. The key is to create an advantage, which creates customer value and is sustainable. There are two fundamental routes to competitive advantage:

- Cost leadership – pursuing the lowest possible operating cost within an industry; and
- Differentiation – creating a unique product offering which is seen by consumers as differentiated from competitors.

The following are other indicators of how well the company's strategy is working or effective as highlighted by Hough et al. (2008:106):

- Whether the firm's profit margins are increasing or decreasing and how well its margins compare to rival firms;
- Whether the company's overall financial strength and credit rating are improving or on a decline;
- Whether the sales are growing faster, slower or about the same pace as the market as a whole, thus resulting in a rising, eroding or stable market share;
- Whether the company is acquiring new customers at an attractive rate as well as retaining existing customers;
- Whether the company is meeting customer expectations thus giving it a positive image and a good reputation with its customers. Drummond and Ensor (2005:112) also pointed out that expectations are vital to marketing success. Organisations need to understand how customers evaluate a rival product. The aim is to score higher than competitors in the areas of greatest value to the consumer; and
- How well the company measures up against a rival on technology, product innovation, customer service, product quality, delivery time, price, getting newly developed products to market quickly and other relevant factors which buyers base their choice of brands.

Drummond and Ensor (2005:112) argue that, integration of marketing mix is another component of effectiveness, which is to ensure the mix is well integrated. All the elements should support each other and have a common theme, which relate to the desired competitive advantage. The entire marketing mix

should provide a package of benefits to the consumer, and as such, the benefits should be communicated by all mix elements.

#### **Challenges encountered in formulating and implementing marketing strategies**

According to Carter and Jones-Evans (2006:285) small businesses are typically characterised by a lack of resources and management skills. They can respond quickly to opportunities but may not be able to commit large amounts of resources to a new opportunity. As a result they engage in very little marketing activities. Many owner managers have no marketing experience therefore; prefer to devote their time to activities they are familiar with. Carter and Jones-Evans (2006:285) have highlighted the following challenges:

- There might be a common lack of product differentiation, making it difficult to position their products or services as a distinct offering;
- There might also be a high dependency on small number of customers as a result of not having or improper implementation of the focus strategy;
- A majority of small businesses lack technological skills, they lack the capacity as well to investigate and assess new technological developments that might impact on their businesses. There is a high technical demand on small businesses and the owners need to be competent if they want their businesses to survive; and
- Access to finance and limited resources could be a challenge for home-based businesses.

Some challenges according to Charantimath (2011:33 & 422) are:

- Lack of proper marketing arrangements by small scale businesses has caused them to perish because of the inability to sell what they have produced. This leads to the downfall of small businesses;
- Poor or lack of advertising as small businesses lack financial resources to advertise on radio, television and newspapers, which are used by large businesses;
- Managing a business, large and small has become complex and therefore professional management is needed for the business to compete successfully. Small businesses lack professional management;
- Lack of brand image, as consumers are guided by brand image. Large scale businesses formulate their strategy, create and monitor the market with the help of the media. In such an environment, small businesses with limited resources and advertising will find it difficult to penetrate the market; and
- Small businesses most of the time only cater for local and narrow markets due to prohibitive costs of creating wide distribution networks.

#### **Methodology**

Due to the lack of research in this area, an exploratory study was conducted where qualitative and quantitative research methods were used, which enabled the identification of the strategies used by the home-based businesses. Furthermore, through analysis of data collected, a greater understanding was on the factors influencing the effectiveness of marketing strategies of the home-based businesses in Pietermaritzburg.

The target population for this study comprised of 118 home-based businesses, operating in various industries, in the northern and southern suburbs of Pietermaritzburg. As the target population was relatively small, no sampling was performed; therefore the whole population was involved in the study. . A list of already known businesses were available on the telephone

directory, advertising websites (www.cafécouch.co.za and www.justboutique.co.za) and an additional list through referrals by other respondents, where used to source the respondents. A pilot study was undertaken amongst 14 of the respondents to test the questionnaire and evaluate the adequacy and relevance of the questions for testing the stated research questions. In total 10 questionnaires were returned and the necessary corrections were effected to the questionnaire. Data were collected by conducting in-depth interviews and administering a structured survey questionnaire. For the in-depth interview, a structured questionnaire with open-ended questions was designed to ensure that respondents were not restricted when answering and were encouraged impart in-depth information. A total of 4 business owners were interviewed in their homes. All of the interviewees were African females, within the age groups 20 and 50 years, operating the following businesses:

- (1) Clothing manufacturing for schools and individuals;
- (2) Catering for weddings and government functions;
- (3) Selling imported ladies and men’s wear; and
- (4) Hiring out of furniture and fun equipment for kids parties.

The data collected guided and helped in formulation of the survey questionnaire.

The survey questionnaire was administered to respondents via email, physical delivery, face to face interviews and telephonic interviews. The questionnaire comprised of structured close-ended and Likert scale questions. A total of 100 survey questionnaires were administered to respondents via email, physical delivery, face to face interviews and telephonic interviews. A total of 83 questionnaires were returned. For the in-depth interviews, thematic data analysis was conducted and the survey data was analysed using the Statistical Package for Social Sciences (SPSS 17.0). Graphs, charts, tables and diagrams helped to explore, present and examine relationships and trends within the data. Data was analysed using descriptive statistics, Cronbach’s Alpha test, Keiser Meyer Olkin test, Bartlett’s test, Factor analysis, Chi square test and Cross tabulation. Cronbach Alpha test was conducted, measuring 0.749, implying a good level of reliability. A KMO of value of 0.485 was attained, which is less but very close to 0.5. It does not invalidate the adequacy of sample but it implies a need to proceed cautiously, and interpret the findings with caution. As for the Bartlett’s test of Sphericity, the Sig. value of 0.000, which is less than 0.05 indicated that data was valid for this research and that the data was amenable to more in-depth analysis. Factor analysis, the rotated component matrix, indicated that a total of 73.59% of the total variance can be explained by the first 16 items.

**Discussion of results**

**Results from in-depth interviews**

Structured interviews were undertaken to better comprehend the nature of the problem since there were very few studies that have been conducted in this area. The interviews revealed three common themes:

**Customer satisfaction**

The home-based business owners understood that customer satisfaction was very important to retain customers, so they all indicated that they did after service follow ups either by talking to the customers face to face or by calling them the following day. All respondents indicated that they did not offer cheap service or products as they believed that what they offered was of superior quality compared to what some of their competitors

offered. Good customer care helped to achieve competitive advantage, retain customers and gain new customers.

**Table 1 Customer satisfaction**

Respondent 1	Respondent 2	Respondent 3	Respondent 4
<ul style="list-style-type: none"> <li>▪ “I ask my customers if they are happy about the appearance, quality and price of my products.”</li> </ul>	<ul style="list-style-type: none"> <li>▪ “I do a follow up call or email after the event to find out if they were satisfied with the service”</li> </ul>	<ul style="list-style-type: none"> <li>• “I ask for comments and input from customers to improve service quality”.</li> <li>• “I communicate with them after sales to check if they are happy with the product”.</li> </ul>	<ul style="list-style-type: none"> <li>• “I ask for comments and suggestions from customers to improve quality of service”.</li> <li>• “I discuss with them what they want and offer advice and suggestions depending on their affordability”.</li> </ul>

**Perceived competitor’s competitive advantage**

The commonly perceived competitive advantage of the competitor was that their competitors were well known and did a lot of promotional initiatives in the form of advertising and discounts. Also highlighted was that the competitors have a variety of products, more working capital, experience and staff. In light of having these resources the competitors are able to secure larger contracts.

**Financial difficulty**

All four business owners experienced financial difficulty, which was perceived as hindering business growth and had an impact on the choice of marketing communication strategies to choose. They tended to choose the free and the less costly communication channels.

**Table 2 Challenges experienced in implementing marketing strategies**

Respondent	Challenges experienced
1	<ul style="list-style-type: none"> <li>• “Limited resources such as lack of finances”.</li> <li>• “Lack of finance to have pamphlets made”.</li> <li>• “Due to limited financial resources we are still not yet in a position to hire such personnel”.</li> </ul>
2	<ul style="list-style-type: none"> <li>• “I always don’t have money upfront to be able to take big government contracts, and they take long to pay”.</li> <li>• “At the moment I am struggling with less cash flow”.</li> <li>• “At the price they charge, you are not sure if it will work or not, I rather do my own marketing.”</li> </ul>
3	<ul style="list-style-type: none"> <li>• “At the moment I have a lot of credit customers who always pay very late and some want to pay less price”.</li> <li>• “I wish I could but I don’t have money to pay them”.</li> </ul>
4	<ul style="list-style-type: none"> <li>• “I use free websites because I cannot afford paying for my own website”.)</li> <li>• “It costs a lot to have the fliers made and then fuel costs to travel around distributing flyers”.</li> <li>• “I would like to hire them but not at this stage as I feel I cannot afford their charges”.</li> </ul>

**Results from the survey**

The study found majority of home-based businesses offered a service (63.9%) and a small percentage (12.0%) offered a product. This confirms what was cited by Walker and Brown (2004:581) that, one of the main reasons for justifying home-based business existence is that many of them are service orientated.

Based on the results, 61.4 % of the home-based businesses used their family homes (spare bedroom, bedroom or lounge,) as their offices. As majority of the home-based businesses are offering a service, this might be the reason for using either a



bedroom or any available space in the home. Zimmerer and Scarborough (2002:428) also argued that, many service companies do not have customers coming to their places of business, so an expensive office location is unnecessary. Approximately, 45.8% of the home-based businesses do not have permanent employees, this could be due to the type of business they operate which not need permanent employees and they relies on temporary employees or family members to help. Around, 48.2% of the businesses have 1-3 temporary employees, while 38.6% do not have temporary employees. This correlates with the findings of the in-depth interviews where two of the respondents only had temporary employees and one had no employee at all.

It was further found that 67.5 % of the home-based businesses preferred to do their own marketing than getting help from marketing professionals who were perceived as being very expensive. The majority of the home-based businesses (51.8%) indicated that they did not have a marketing plan. In addition the in-depth interviews had revealed that three of the business owners did not have a marketing plan as they were not very clear about its purpose and how it would help. The implications of not having a marketing plan could mean that they did not have a document with clear set marketing objectives that needed to be achieved. This confirms what was argued by Frazier (2008:1) that most home-based businesses do not have a proper and effective marketing plan which involved deciding on the marketing strategies that would help the business attain its overall objectives. Spiegel (2011:1) also added that most home-based business owners dreaded the concept of sending critical work to outside firms, they do their own marketing without the help of advertising firms or public relations agencies. This is often due to the lack of resources to engage in multi-channel marketing campaigns as they do not have huge marketing budgets to hire advertising firms. The same point was identified with respondents, as they all indicated that due to financial constraints they prefer doing their own marketing although they would love to use marketing experts. In addition, 50.6% of home-based businesses do market research, which they claimed they do personally through surveys and the internet. This is in line with what the in-depth interviews revealed. The 49.4% that does not conduct market research could be at risk of not being well informed about their customer needs and preferences as well as what their competitors are up to.

#### **Marketing Strategies Used by Home-Based Businesses**

Through analysis of data collected, it was established that word of mouth (91.5%) and networking (59%), were the most popular marketing mix strategies that were used by home-based businesses to achieve a competitive advantage. Furthermore, it appeared that the business website was used to a great extent (44.6%), while the use of public websites was moderate (39.7%). Radio and Television advertising were quite unpopular (1.2% and 2.4%) as well as door to door sales and car advertising (6.0% and 21.7%).

The results showed that a combination of the marketing strategies when implemented were effective in attracting new customers (87%), ensuring customer loyalty (86.8%), increasing awareness of their businesses in the community (77.2%), helping to achieve a competitive advantage (59%) and gaining financial strength (56.6%).

#### **Effectiveness of the Marketing Strategies**

The data collected ascertained the effectiveness of the marketing strategies employed and enabled the effective

demonstration of how the marketing communication strategies used by the home-based businesses could be established to attract customers in order to achieve their competitive advantage.

The findings indicated that 77.1% of home-based businesses confirmed that they managed to **increase customer awareness** through their marketing communication strategies whilst 18.1% of them had their reservations on this issue. The remaining 4 (out of 83) simply disagreed with the statement. From an objective point of view, it is evident that the success rate depends on a good selection of the marketing communication strategies for the target market.

An overwhelming majority, (88.0%) of the home-based businesses, confirmed that the marketing communication strategies that they implemented helped them to **acquire new customers**. The most popular were the word of mouth and networking. Three point six percent of the home-based businesses disagreed, which could imply that their chosen marketing strategies do not appeal to their target market.

It is interesting to note that only 56.6 % confirmed that their **financial strength had improved** after indicating increased awareness and acquiring of new customers, 77.2% and 88.0% respectively. Thirty one point three percent have reservations on this issue. This could imply that despite getting new customers, the customers are not willing to pay higher prices or the business owners do not factor in other costs involved in operating the business, thus making no profit or very little profit. From the in-depth interviews, two businesses claimed not to be making enough profit while two were happy with profit they made. For one business though, it was highlighted that customers often wanted to pay less.

**Gaining a competitive advantage** depends on the appropriate marketing mix. Fifty nine percent of the home-based businesses concur with the statement, whereas 28.9% were rather undecided. The remaining 12% still see their competitors as a threat, which could imply that they are not doing a thorough competitor analysis as well as a thorough market research. Kotler and Armstrong (2010:685) argued that an enterprise can gain a competitive advantage by satisfying their target customer's needs better than their competitors. One respondent from the in-depth interviews indicated that the equipment was hired out for the whole day instead of two hours which was perceived as a competitive advantage in gaining customer loyalty and satisfaction. It can be perceived that the business cared and was not out for money.

The study revealed that 86.8% home-based businesses found that their marketing mix strategies turned out to be successful in their objectives of **attracting and satisfying customers**. Only 9.6% of them were doubtful whilst three of them had a problem with **customer loyalty**. Customer satisfaction results from a good blend of strategies and is bound to be hampered if home-based businesses focus too much on one strategy at the expense of the others. All four respondents in the in-depth interviews indicated good interpersonal relationships with their customers which they also indicated that it helped them to gain new customers that were referred by their existing satisfied and loyal customers. Megginson, Byrd and Megginson (2000:170) also alluded to the fact that the positive thing about home-based business is that they offer excellent service and good interpersonal relations. These together with simple things like courtesy, friendliness and helpfulness can earn the small business customer loyalty as well as a competitive advantage.



### Factor Analysis

The main purpose of this factor analysis was to identify any possible underlying factors that could affect the performance of home-based businesses in terms of ensuring customer satisfaction and gaining competitive advantage. Factor analysis revealed that all the statements could be grouped under 16 headings. A total of 73.59% of the total variance can be explained by the first 16 items. These factors that were grouped appeared to be strategies that influence the effectiveness of marketing strategies used by home based businesses as well as challenges experienced in the choice of marketing strategies and the implementation. The Factor analysis also enabled the identification of factors that could affect the performance of home based businesses in terms of ensuring customer satisfaction and gaining competitive advantage. The factors are as follows:

#### Factor 1 – Perceived efficacy of marketing strategies

- Do you think your marketing strategies/initiatives have been effective in giving you an advantage over your competitors?
- Do you think your marketing strategies/initiatives have been effective in improving the company's overall financial strength and credit rating?
- Do you think your marketing strategies/initiatives have been effective in increasing awareness of your business among the community?
- Do you think your marketing strategies/initiatives have been effective in acquiring new customers?
- Do you think your marketing strategies/initiatives have been effective in gaining your competitor's customers?

#### Factor 2–Technological restraints on marketing strategies

- Challenges experienced in formulating and implementing the marketing strategies is limited/ no access to modern technology (computer, cell phone, and internet); and
- Challenges experienced in formulating and implementing the marketing strategies is lack of marketing knowledge and skills.

#### Factor 3 – Direct marketing strategies

- Direct marketing via Email;
- Direct marketing via SMS; and
- Direct marketing via Telephone.

#### Factor 4–Established businesses and employee hiring status

- How many permanent employees do you have?
- How many temporary employees do you have?
- How many years have you been operating your business?

#### Factor 5 – Customer location, travelling and promptness of product availability

- Challenges experienced in formulating and implementing the marketing strategies include travelling costs (door to door sales/ distributing flyers; and
- Challenges experienced in formulating and implementing the marketing strategies include customers that are over wide geographic regions.

#### Factor 6 – Social networking

- Internet marketing via Facebook; and
- Internet marketing via Twitter.

#### Factor 7 – Influences on customer satisfaction

- To ensure customer satisfaction and competitive advantage, I ensure that I have a variety of products/service offerings;
- To ensure customer satisfaction and competitive advantage, I ensure that my product/service is of superior consistent quality;
- To ensure customer satisfaction and competitive advantage, I ensure that the product/service offering is available quick/on-time;

- To ensure customer satisfaction and competitive advantage, I ensure that the product/service offerings are packaged/ presented attractively; and

- To ensure customer satisfaction and competitive advantage, I ensure that the product/service offering has a special gift/card.

#### Factor 8 – Paid non personal communication strategies

- Advertising in newspapers;
- Advertising on Television;
- Advertising in business directory; and
- Advertising in business magazines.

#### Factor 9–Customer selection

To ensure customer satisfaction and competitive advantage, I ensure that I only focus on a certain group of customers.

#### Factor 10 – Home-based business, professionalism and family

- Challenges experienced in formulating and implementing the marketing strategies include maintaining a professional image; and
- Challenges experienced in formulating and implementing the marketing strategies include separating family and work.

#### Factor 11–Promotion initiatives

- Activities to promote business include internet marketing using the businesses' own website;
- Activities used to promote your business include internet marketing using other websites (Gumtree, Locanto, Yalwa, Yola site); and
- To promote my business I use sales promotions (gifts, incentives, discounts, coupons).

#### Factor 12 – Customer tailored products

- To ensure customer satisfaction and competitive advantage, I ensure that I make the product/service offering as per customer requirement; and
- To ensure customer satisfaction and competitive advantage, I ensure that the product/service offering is done at the customer's convenience.

#### Factor 13–Cost effective print media advertising

To promote my business I hand-out or distribute flyers/ business cards at strategic points.

#### Factor 14 – Personal sales

To promote my business I use door to door sales/ personal selling.

#### Factor 15 – Non paid personal communication

- To promote my business I use word of mouth marketing; and
- To promote my business I network (church/ religious gatherings, community meetings, taxi ranks, business conferences/ workshops, social gatherings).

#### Factor 16–Marketing strategy efficacy in ensuring customer expectations are met

Do you think your marketing strategies/initiatives have been effective in meeting customer expectations thus giving it a positive image and a good reputation with its customers?

#### Dependence on a marketing plan and marketing research

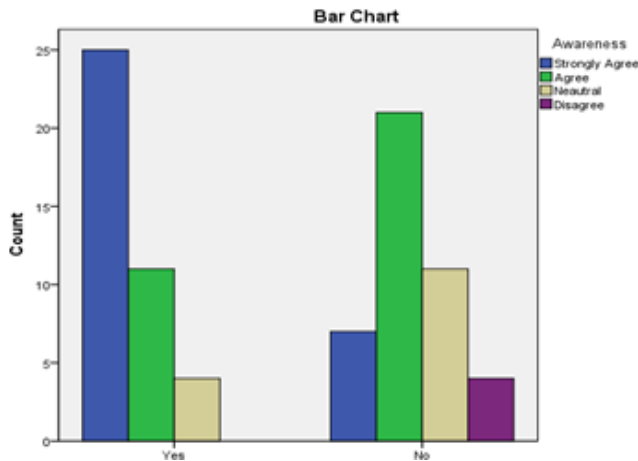
The results also indicated that the effectiveness of strategies in increasing awareness was dependent on the businesses having a marketing plan. Home-based businesses with a marketing plan were more satisfied with the outcomes of their marketing strategies than those with no marketing plan. Therefore, a marketing plan is essential to the success of the businesses. With an, up to date marketing plan, the home-based businesses will be able to maximize the effectiveness of their marketing mix strategies without adding unnecessary costs to business expenditures.

**Hypothesis 1:**

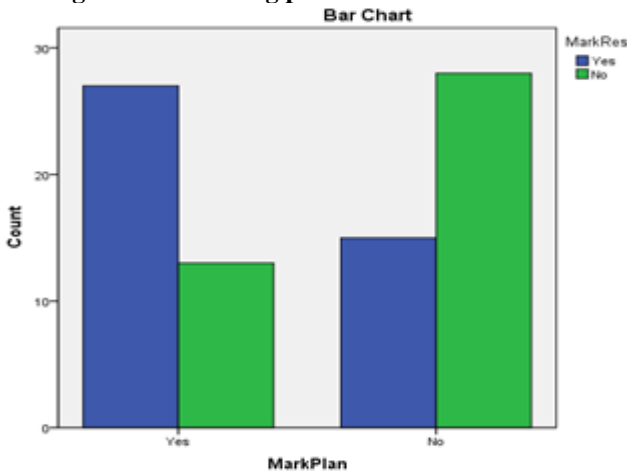
**H<sub>0</sub>:** There is no significant association between whether the business reports having or not having a marketing plan in place, and the perception that their marketing strategies/initiatives used have been effective in increasing awareness of your business among the community.

The Chi Square value (20.435<sup>a</sup>) indicated that the assumption of more than 5 counts in at least 80% of the cells has been violated, therefore, Fisher's Exact Test was used to interpret significance with a value of 20.274. The p value is 0.000, since  $p < 0.0001$ , therefore the conclusion is that, *there is a significant association between whether the business reports having or not having a marketing plan in place, and the perception that their marketing strategies/initiatives used have been effective in increasing awareness of the business among the community* ( $p_r = 20.274$ ,  $n = 83$ ,  $p < 0.0001$ ), thereby rejecting the null hypothesis. Figure 1 below shows that home-based businesses with a marketing plan are more satisfied with the outcomes of their marketing strategies than those with no marketing plan.

**Figure 1. Marketing plan and effectiveness of marketing strategies**



**Figure 2. Marketing plan and Market research**



Gamma was significant, indicating there is a strong, positive relationship between the variables. Knowledge of the business having or not having a marketing plan in place allowed a more accurate prediction of their propensity to perceive their marketing strategies/initiatives having been effective in increasing awareness of their businesses among the community by 70.2% ( $\gamma = 0.702$ ,  $n = 83$ ,  $p < 0.0001$ )

The results indicated that the effectiveness of strategies in increasing awareness was dependent on the businesses having a marketing plan. These results indicated that a marketing plan is an essential tool to the success of the businesses. With a proper, up to date (continuously reviewed) marketing plan, the home-based businesses will be able to maximize their effectiveness of the marketing mix strategies without adding unnecessary costs to business expenditures.

Furthermore, the results revealed that there was a relationship between the home-based business having a marketing plan in place and doing market research. Home-based businesses that had a marketing plan and did market research were better able to choose the right strategies to meet the expectations of the right target market at the right time. As a result, they would be more able to integrate the strategies and have a competitive advantage over rivals.

**Hypothesis 2**

**H<sub>0</sub>:** There is no significant association between whether the business reports having or not having a marketing plan in place, and whether the business reports doing market research.

The Chi Square Test gave a value of 8.819<sup>a</sup> with a corresponding p-value of 0.003 which confirmed the association between whether the business reports having or not having a marketing plan in place, and whether the business reports doing market research ( $X^2(1, 1) = 8.819$ ,  $n = 83$ ,  $p = 0.003$ ), thereby rejecting the null hypothesis. Figure 2 shows that home based businesses with a marketing plan also do market research more than those with no marketing plan.

Gamma is significant, indicating there is a strong, positive relationship between the variables. Knowledge of the business having or not having a marketing plan in place allowed a more accurate prediction of their propensity for doing market research by 59% ( $\gamma = 0.590$ ,  $n = 83$ ,  $p = 0.004$ )

The analysis of the data collected indicated that there is a relationship between the home based business having a marketing plan in place and doing market research. Thus, organizations that have a marketing plan and do market research are better able to choose the right strategies to meet the expectations of the right target market at the right time. As a result, they will be more able to integrate the strategies and have a competitive advantage over rivals.

**Customer satisfaction and competitive advantage**

The results indicated that home-based businesses always try by all means to ensure that they provide quality service/products to their customers (78.3%), according to customer requirements (75.9%) and customer convenience (74.7%). The results also indicate that since they offer a variety of products and services (60.2%) they ensure that the packaging or presentation is attractive to customers (66.3%). A majority (61.4%) of them do not believe in offering a special gift with their services or products.

A majority (49.4%) of them indicated that they do not focus at specific customers, while only 20.5% served specific target markets.

This correlates with a study that Van Aardt and Kroon (1999:12) conducted on women who owned home-based clothing manufacturing businesses in Potchefstroom and East Rand, where they found that 92 % of them did not manufacture for any specific target market but on demand or for informal marketplaces such as street markets. Only 4% manufactured clothes for boutiques. Carter and Jones-Evans (2006:286) asserted that, the focus strategy helps the owner to conserve

limited resources and ensure that all attention is given to the chosen market. The company can then focus its efforts on serving a few market segments well, rather than targeting the entire market. Then a good quality product or service will be offered to customers, speedily thus resulting to customer satisfaction.

Although the majority serves a wider market, the results indicate that 73.5% of the home based businesses claim to offer a speedy service.

#### **Challenges in Implementing Marketing Strategies**

The most prominent challenges were **lack of finance** (87.9%) and **lack of marketing knowledge and skills** (43.4%). The results indicated that a majority of the home-based businesses did not hire marketing professional as they were perceived as expensive, given the limited funds that was reported. Separating family and work, limited resources and limited access to technology were not regarded as threatening to their businesses. Carter and Jones-Evans (2006:285) had argued that, access to finance and limited resources could be a challenge for home-based businesses as they are typically characterised by a lack of resources and management skills. They can respond quickly to opportunities but may not be able to commit large amounts of resources to a new opportunity and as a result they engage in very little marketing activities. During the in-depth interviews as well as in the survey, some businesses indicated that they were not aware of some of the strategies that they could use to attract more customers. This is line with Charantimath (2011:33 and 422) who cited that, lack of proper marketing arrangements by small scale businesses has caused them to perish because of the inability to sell what they have produced and that leads to the downfall of small businesses. . Although they claimed having **access to modern technology**, the results for internet advertising the results reflected 31.3 % usage of Email, 33.7% usage of Facebook and 28.9% usage of other websites for advertising their businesses. This could imply that although they have access to modern technology, they lack knowledge on how to use it effectively to market their businesses. It was also found that 39.8% of the home-based businesses confirmed that it was **not easy to separate work and family time** since they are available at home for all or most of the day. Nickels, McHugh and McHugh (2005:178) argued that, often it is difficult to keep work and family tasks separate for example one can be tempted to throwing a load of laundry in the washing machine during work time. The percentage that is still having a problem therefore needs some guidance as to how they can manage their time effectively so as to know when it is time for work and when it is time for family.

#### **Conclusions from the study**

Home-based businesses in the northern and southern suburbs of Pietermaritzburg have to implement a variety of marketing communication strategies in order to be able to stay profitable. Lack of finances was one of the major issues that affected their choice of marketing strategies, and consequently their effectiveness. As a result, it is essential for them to find the best strategies that would meet their expectations.

The most successful home-based businesses would be those that are able to devise the right mix of those strategies to achieve the best results and positively affect their profitability.

Word of mouth advertising and networking were very popular strategies that were widely used by home-based businesses. Furthermore, with the advent of technology and internet marketing being the buzz word, the findings revealed

that home-based businesses were not technology inclined as indicated by the lower percentages of internet marketing (website, email, facebook). Some of the marketing strategies were very unpopular for example (Radio, television, door to door sales, telemarketing having never been used or rarely used by the majority of the home-based businesses. This similarity in business responses indicated that those ignored strategies were not suitable for the businesses and the target markets that they served.

The findings further revealed that the marketing strategies that home-based businesses used were effective in increasing awareness of their businesses in their communities, thus increasing the number of new customers and retaining old loyal customers. It was also noted that their competitive advantage was not very strong. Despite getting new customers and retaining old ones, their financial strength reported was not satisfactory. As a result of that a majority of the home-based businesses listed financial constraints as one of the major challenges, followed by lack of marketing knowledge and skills.

The lack of marketing knowledge and skills could be one of the contributing factors to them not utilising internet marketing since the majority of them were not technology challenged and had access to modern technology.

Several deductions could be raised out of those findings. Firstly, those findings could indicate that the home-based businesses all, except one, agreed upon the fact that word of mouth was the only best strategy that could influence demand of their services and products. However, the findings could also highlight the lack of marketing knowledge and skills about using other effective marketing strategies. The home-based businesses simply found non/less costly solutions to overcome the financial constraints that are inhibiting them on embarking on other costly forms of marketing communication. No thorough planning is done to adopt a long term strategy that would enable these home-based businesses to develop a sustainable competitive advantage.

At the same time, the results could be explained by the fact that these home-based businesses are micro enterprises with limited resources. They have limited financial resources and cannot invest in expensive marketing mix strategies. At the same time, they also had few or no employees. Those few employees might be more busy performing daily operations rather than finding the best strategy that could generate more profits. Their objective behind their marketing decisions should be to ensure their survival in a highly competitive market.

The lack of marketing knowledge and skills could also be one of the reasons behind the selection of marketing mix strategies. The majority of home-based businesses in the northern and southern suburbs of Pietermaritzburg did not have marketing research experts that could do research on the needs of their target market and devise the best marketing mix strategies to meet their needs and at the same time adopt a competitive strategy.

#### **Recommendations**

Based on analysis of data collected, some recommendations were made. In order to be able to decide on what marketing mix strategies will be suitable for the target markets, the researcher identified three critical conditions for these recommendations to be successful.

##### **Condition 1: Marketing plan**

The starting point for the home-based businesses is to compile a marketing plan, which is a document that involves

deciding on marketing strategies that will help the business attain its overall strategic objectives. The marketing plan should be a clear and a simple summary of, the key market trends; key target market segments; how superior value will be created (to ensure customer satisfaction and gain a competitive advantage); clear prioritised marketing objectives and strategies; and financial consequences

To be able to get the information about target markets and competitors the business has to do market research.

#### **Condition 2: Market research**

Given the financial challenges, this does not necessarily require marketing research experts. The information could be obtained personally through interactions with present and prospective customers to assess what customers want, what are the trends, through internet search to get an insight on what the competitors are up to as well as reading publications on industry news.

#### **Condition 3: Basic business management skills**

In order to improve marketing, time management, costing and budgeting and financial management home-based business owners need to be up to date with knowledge and skills. They can improve their skills, update or educate themselves by investing in business literature which can be obtained from magazines like: *Entrepreneur*, *Your Business*, *Succeed or Destiny*. They could also access some education and training workshops designed for Small Medium and Micro Enterprises (SMME) which are usually provided by the Small Enterprise Development Agency (SEDA) and the Pietermaritzburg Chamber of Business (PCB).

#### **Further Recommendations**

Concentrating on only one method of communicating the existence of the business to target markets is not enough. There might be a huge number of prospective customers out there looking for the product or service, but do not know where to get it. The people that the business relies on to spread the word might not know that their friends are looking for the products or service. If home-based businesses rely only on word of mouth, they are putting the destiny of their businesses in the hands of someone else who might not even know that he/she has become responsible for the business success and future. Home-based businesses could choose from the following suggestions:

#### **Personal, hands-on advertising and personal product responsibility**

- Home-based businesses could hand out or distribute flyers or business cards at strategic points. They can have simple flyers or business cards with the basic information e.g. name of business, what the business offers and contact details. Distribution does not only entail standing in street corners but these can be put also at strategic points in schools, shops, gymnasiums and any other place where the target customers are likely to visit.

- Networking could also be fully utilised, by telling people, with a smile, who you are and what you do. This could be, in church or any religious gatherings, community meetings, taxi ranks, business conferences or workshops and social gatherings. By sharing one's passion and enthusiasm for products and services can help to win over potential customers. Networking goes hand in hand with running a successful business and it is all about relationship building. That could be another opportunity to hand out business cards or flyers.

- A special gift or card, incentives and discounts could be used effectively to retain customers and as a sales promotion strategy. Customers can easily decide to try the competitor, especially if

there is nothing tying them to the business. Gifts do not have to be expensive, home-based businesses could give customers a small token of appreciation, which would be valued by the customers. Home-based businesses need to think also about how they could repackage the existing products and services as gifts or giving them out for free as samples. Free samples will help attract a flow of potential customers to the business, which then could be converted into sales. The home-based businesses should attempt to give out something that costs a little or no money, but it should be information based. The gifts should be appropriate for the customers to ensure that high quality prospects are attracted. Home-based businesses can use various sales promotional tools to increase awareness, 'try-outs' and sales.

#### **Social networking and modern technology**

- Social media is not just for socialising, it provides businesses with a simple and convenient way to communicate with current and potential customers. Home-based businesses could use social media to have real conversation with their customers. Social media websites that have taken the world by storm include Facebook, Twitter or LinkedIn. All social websites have places for customers to leave comments and say whatever they want about the business. Customers can complain if they received bad service. Using social media also could help the home-based business to get public recommendations from customers, increase awareness, enable market research and new product development or brand extensions.

- The internet is a powerful marketing tool that the majority of the home-based businesses are not taking advantage of, probably because of the costs involved in creating and maintaining a business website. Google in partnership with the Department of Trade and Industry, Vodacom and the Human Resources Development Council have launched a website called Woza Online. As an alternative home-based businesses could use this website to set up their websites, for free.

- Another alternative could be using other websites to advertise their businesses also for free. Some of them offer the service for a limited period subject to renewal. Examples of those websites are ([www.gumtree.co.za](http://www.gumtree.co.za), [www.locanto.co.za](http://www.locanto.co.za), [www.yalwa.co.za](http://www.yalwa.co.za)).

- Home-based businesses could make use direct marketing via SMS where they could utilise the free SMS option that some networks offer or use black berry free instant messaging (BBM). They could then send SMS/BBM to present and prospective customers. The SMS/BBM could either be advertising the product or service (to potential customers) or it could be a thank you message, birthday message, Christmas wish or any special day wish for existing customers. For this initiative to be effective, the home-based businesses need to create a detailed database of their customers and prospective customers.

- Email marketing also could be utilised effectively as almost everyone has an email address, which means the home-based businesses could use this strategy to reach out to the entire customer base using the mailing list. Email marketing goes directly to the people it is target for, unlike the fliers or pamphlets. Email marketing also provides more data than the SMS, so home-based businesses could also send pictures of their products or services to attract prospective customers. They could also include a message like: "please forward to your friends". Same like SMS, special day messages can be sent with more detail via email.

### Customer care, customisation and quality

- To ensure customer satisfaction and competitive advantage, the home-based businesses should ensure that their products and services are of superior consistent quality. If customers are not happy about the product or service, then word of mouth could be bad publicity for the business. Quality is not only limited to that actual product but includes simple things like a quick response to an enquiry, friendliness, follow up, thank you note and allowing feedback from customers. Home-based businesses should focus on constantly improving the quality of their products and services until they are the best in their industries.
- Home-based businesses need to customise their products and services by making them so unique that they fit each customer's needs perfectly. They should refrain from copying exactly what the competitor is offering.
- They should also make sure that they deliver products and services quicker than the competitors. Delivering faster could be the simple marketing strategy on which the home based business can build their businesses.

### Area for future studies

The sample that was utilized to conduct this study was drawn out of two geographic regions in Pietermaritzburg, hence this may render the results biased. It is therefore recommended that a similar study be conducted in the other suburbs and townships, to ascertain if home-based businesses exhibit similar characteristics. This study can be used as the basis for further research.

### References

- Anderson, C.H. and Vincze, J.W. (2009) *Strategic Marketing*. 2<sup>nd</sup> Edition. USA: Houghton, Mifflin Co.
- Babbie, E. (2010) *The practice of social research* [online]. 1<sup>st</sup> Edition. Belmont: Cengage learning. Available from: <http://books.google.com> [Accessed 25<sup>th</sup> March 2012].
- Baron, R.A. and Shane, S.A. (2008) *Entrepreneurship: a process perspective*. 2<sup>nd</sup> Edition. USA: Thomson.
- Billimore, S. (2010) *Home Business* [magazine]. December 2009-February 2010. Claremont: BizzAssist Technologies.
- Bowie, D. and Buttle, F. (2011) *Hospitality Marketing* [online]. 2<sup>nd</sup> Edition. Oxford, United Kingdom: Butterworth- Heinemann. Available from: <http://books.google.com> [Accessed 12<sup>th</sup> March 2012].
- Braun, V. and Clarke, V. (2006) *Using thematic analysis in Psychology. Qualitative Research in Psychology*. London: Edward Arnold publishers.
- Bryman, A. and Bell, E. (2007) *Business Research Methods* [online]. 2<sup>nd</sup> Edition. New York: Oxford university press. Available from: <http://books.google.com> [Accessed 12<sup>th</sup> March 2012].
- Carter, S. and Jones-Evans, D. (2006) *Enterprise and small business: principles, practice and policy*. 2<sup>nd</sup> Edition. England: Prentice Hall.
- Charantimath, P.M. (2011) *Entrepreneurship and small business enterprises* [online]. 1<sup>st</sup> Edition: Kindersley: Dorling. Available from: <http://books.google.com> [Accessed 6<sup>th</sup> March 2012].
- Chiliya, N., Herbst, G. and Roberts- Lombard, M. (2009) *The impact of marketing strategies on profitability of small grocery shops in South African townships*. [online]. Available from [www.academicjournals.org/AJBM](http://www.academicjournals.org/AJBM) [Accessed 5<sup>th</sup> August 2011].
- Cohen, L., Manion, L. and Morrisson, K. (2007) *Research methods in Education* [online]. 6<sup>th</sup> Edition. Oxon: Routledge. Available from: <http://books.google.com> [Accessed 25<sup>th</sup> March 2012].
- Department of Trade and Industry (2003) *Integrated Small Business Development Strategy in South Africa* [online]. Available from <http://www.dwaf.gov.za> [Accessed 6<sup>th</sup> August 2011].
- Department of Trade and Industry (1996) *National Small Business Act 1996 (No.102 of 1996) as amended* [online]. Available from <http://www.info.gov.za> [Accessed 6<sup>th</sup> August 2011].
- Department of Trade and Industry (1995) *White Paper on National Strategy for the Development and Promotion of Small Business in South Africa: Government Gazette* [online]. Available from <http://www.info.gov.za> [Accessed 6<sup>th</sup> August 2011].
- Dwelly, T., Maguire, K. and Truscott, F. (2005) *Under the radar: tracking and supporting rural home based business. A report for the commission for rural communities from live work network* [online]. London. Available from: <http://www.emeraldinsight.com> [Accessed 2<sup>nd</sup> September 2011].
- Drummond, G. and Ensor, J. (2005) *Introduction to marketing concepts* [online]. Oxford: Elsevier Butterworth- Heinemann. Available from <http://books.google.com> [Accessed 25<sup>th</sup> March 2012].
- Ezzy, D. (2002) *Qualitative analysis: Practice and Innovation*. 1<sup>st</sup> Edition. [online]. London: Routledge. Available from <http://books.google.com> [Accessed 25 April 2012].
- Frazier, S.G. (2008). *Marketing strategies for the home based business*. 1<sup>st</sup> Edition. Connecticut: Globe Pequot Press.
- Fyall, A. and Garrod, B. (2005) *Tourism marketing: a collaborative approach* [online]. Clevedon: Channel view publications. Available from <http://books.google.com> [Accessed 25<sup>th</sup> March 2012].
- Gupta S.L. (2003) *Marketing Research*. New Delhi: Express books.
- Hair, J.F. Jr., Celsi, M.W., Money, A.H., Samouel, P. and Page, M.J. (2011) *Essentials of Business Research Methods* [online]. 2<sup>nd</sup> Edition. New York: M.E.Sharpe Inc. Available from: <http://books.google.com> [Accessed 12<sup>th</sup> March 2012].
- Henry, C., Sharma, M., Lapenu, C. and Zeller, M. (2003) *Micro Finance poverty Assessment Tool* [online]. Technical tools series. Volume 255. No. 5. Washington DC: World bank. Available from <http://books.google.com> [Accessed 28<sup>th</sup> May 2012].
- Hinton, P.P., Brownlow, C., McMurray, I. and Cozens, B. (2004) *SPSS Explained* [online]. East Sussex: Routledge. Available from <http://books.google.com> [Accessed 28<sup>th</sup> May 2012].
- Hoffman, D.K., Czinkota, M.R., Dickson, P.R., Dunne, P., Griffin, A., Hutt, M.D., Krishnan, B.C., Lusch, R.F., Ronkainen, I.A., Rossenbloom, B., Sheth, J.N., Shimp, T.A., Siguaw, J.A., Simpson, P.M., Speh, T.W. and Urbany, J.E. (2005) *Marketing principles and best practices*. 3<sup>rd</sup> Edition. USA: Thomson.
- Hough, J., Thompson Jr, A.A., Gamble, J.E., Human, G., Makin, V. and Braxton, R. (2008) *Crafting and Executing strategy*. South African Edition. United Kingdom: McGraw- Hill Education.
- Hogarth-Scott, S., Watson, K. and Wilson, N. (2006) "Do small businesses have to practice marketing to survive and grow?" [online]. Volume 14. No1. Available from [www.academicjournals.org/AJBM](http://www.academicjournals.org/AJBM) [Accessed 5<sup>th</sup> August 2011].
- Jain, N.K. (2005) *Organisational Behaviour* [online]. New Delhi: Atlantic Publishers. Available from <http://books.google.com> [Accessed 1<sup>st</sup> March 2012].

- Khan, M.A. (2005) Tourism marketing [online]. 1<sup>st</sup> Edition. New Delhi: Anmol publication Pty Ltd. Available from <http://books.google.com> [Accessed 1<sup>st</sup> March 2012].
- Kotler, P. and Armstrong, G. (2010). Principles of marketing. 11<sup>th</sup> Edition. Delhi: Pearson Education.
- Kotler, P. and Keller, K.L. (2006) Marketing management. 12<sup>th</sup> Edition. New Jersey: Pearson Prentice Hall.
- Lamb, C.W., Hair, J. and McDaniel, C. (2009) The Essentials of Marketing [online]. 6<sup>th</sup> Edition. Mason: South-Western Cengage Learning. Available from <http://books.google.com> [Accessed 15<sup>th</sup> March 2012]
- Marruczyl, G.R., DeMattio, D. and Festinger, D. (2005) Essentials of Research Design and Methodology. [online] New Jersey: John Wiley & Sons. Available from: <http://books.google.com> [Accessed 25<sup>th</sup> March 2012]
- McNabb, D.E. (2008) Research methods in Public Administration and Non profit Management: Quantitative and qualitative approaches [online]. 2<sup>nd</sup> Edition. New York: M.E. Sharpe Inc. Available from: <http://books.google.com> [Accessed 25<sup>th</sup> March 2012]
- Megginson, L.W., Byrd, M.J. and Megginson, L.C. (2000) Small business management. USA: McGraw –Hill.
- Naoum, S.G. (2007) Dissertation Research and Writing for Construction Students [online]. 2<sup>nd</sup> Edition, Oxford: Butterworth-Heinemann. Available from: <http://books.google.com> [Accessed 12<sup>th</sup> March 2012]
- Nickels, W.G., McHugh J.M. and McHugh, S.M. (2005) Understanding business. 7<sup>th</sup> Edition. New York: McGraw Hill, Irwin.
- Perrault, Jr.W.D. and Mc Carthy, J.E. (2006) Essentials of marketing. 10<sup>th</sup> Edition. New York: McGraw Hill, Irwin.
- Pride, W.M. and Ferrel, O.C. (2012) Marketing [online]. 16<sup>th</sup> Edition. USA: South Western conceage, Mason. Available from <http://www.books.google.com> [Accessed 8<sup>th</sup> March 2012].
- Rubin, A. and Babbie, E.R. (2009) Essential Research Methods for social work [online]. 2<sup>nd</sup> Edition. Belmont: Cengage Learning. Available from: <http://books.google.com> [Accessed 12<sup>th</sup> March 2012]
- Saunders, M.N.K., Lewis, P. and Thornhill, A. (2009) Research Methods for business students. 5<sup>th</sup> Edition. Harlow, England: Prentice Hall.
- Sekaran, U. (2010) Research Methods for business; A skill building approach. 4<sup>th</sup> Edition. New Delhi; Wiley India.
- Shajahan, S. (2009) Introduction to Business Research Methods. Mumbai: Jaico.
- Spiegel, R. (2011) Building a Home Based Business team [online]. Available from [www.businessknowhow.com/homeoffice/hbteam.htm](http://www.businessknowhow.com/homeoffice/hbteam.htm) [Accessed 6 August 2011]
- Subvista (2010) The process of thematic analysis [online]. Dated 25 March 2010. Available from <http://subvista.wordpress.com> [Accessed 28 May 2012].
- Taylor, G.R. (2005) Integrating quantitative and qualitative methods in research [online]. 2<sup>nd</sup> Edition. Maryland: University Press of America. Available from <http://books.google.com> [Accessed 8<sup>th</sup> March 2012].
- Van Aard, A.M. and Kroon, J. (1999) A home based clothing manufacturing: the owner and the business [online]. Volume 27; No 1. Available from [www.academicjournals.org](http://www.academicjournals.org) [Accessed 5<sup>th</sup> August 2011].
- Van Scheers, L. (2010) SME's marketing skills in South Africa [online]. Available from: [www.academicjournals.org/AJBM](http://www.academicjournals.org/AJBM) [Accessed 5<sup>th</sup> August 2011].
- Walker, E. and Brown, A. (2004) What success factors are important to small business owners? [online]. Available from: <http://isb.sagepub.com> [Accessed 2<sup>nd</sup> September 2011].
- Walker, E., Wang, C. and Redmond, J. (2008) Women and work life balance: is home based business ownership the solution? [online]. Available from [www.emeraldinsight.com](http://www.emeraldinsight.com) [Accessed 2<sup>nd</sup> September 2011].
- Wiid, J. and Diggins, C. (2009) Marketing Research [online]. 1<sup>st</sup> Edition. Cape Town: Juta & Co. Available from <http://books.google.com> [Accessed 1<sup>st</sup> March 2012].
- Wilson, J. (2010) Essentials of Business Research: A guide to your Research Project [online]. London: Sage Publication. Available from <http://books.google.com> [Accessed 8<sup>th</sup> March 2012].
- Zikmund, W.G. (2003) Business Research Methods. 7<sup>th</sup> Edition. Bangalore: South Western, Thompson Learning.
- Zimmerer, T.W. and Scarborough, N.M. (2002) Essentials of Entrepreneurship and small business management. 3<sup>rd</sup> Edition. New Jersey: Pearson education.