

MARKET RESEARCH: A KEY DETERMINANT OF SUCCESS FOR SME START-UPS IN CAMEROON

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Introduction



Small and Medium-sized Enterprises (SMEs) are regarded as vectors for job and wealth creation throughout the world. They contribute to generating growth as well as redistributing wealth in both developed and developing countries [1]. In Cameroon, SMEs constitute 95% of the country's economy and also helps in job creation especially among the youths [2]. This, to a greater extent, means

that their successes or failures have significant implications for economic growth.

To be successful, and to stand out as a pillar of national growth in the country, SMEs need to invest in essential practices that nurture a high level of mastery of the contextual factors that foster their growth. They also need to demonstrate an understanding of factors that may impede the growth trajectory they require to be the drivers of economic growth which they represent. Hence, it becomes imperative for SMEs to invest in market research. This will help them to grow and develop sustainably and not quickly go out of business. Market research is a fundamental determinant for the success and growth of SMEs. However, this is not always the case in Cameroon as most local investors fail to carry out market research before their establishment and in the course of their operations that can help them grow sustainably. Most SMEs in Cameroon do not survive after the incubation phase. According to business and finance experts, this happens due to the absence of market research and the inability of these enterprises to create a specialized market for themselves and their products [3].

Law N° 2010/010 of April 13, 2010, paved the way for the creation of SMEs in Cameroon. This law lays down general rules for the promotion of Small and Medium-sized Enterprises, by the Cameroon Investment Charter [4]. Since the enactment of this law, the number of SMEs created over the years has increased



tremendously. According to statistics by the Research and Analysis Centre on the Economic and Social Policies of Cameroon (CAMERCAP-PARC), 61,366 SMEs were created in Cameroon between 2010 and 2016, with 59,200 being local enterprises and 2,166 foreign. Even so, 72.24% of the enterprises, according to CAMERCAP-PARC, were inexistent on the taxation department's database as of May 2016 [5]. It is against this backdrop that we seek to assess the importance of market research for the success of SMEs in Cameroon. This paper will also examine some of the reasons why proprietors of SMEs undermine and or fail to carry out proper market research. To proffer a remedy to this gap, the paper will explore some basic and feasible steps that can be followed to carry out market research and propose some possible recommendations for investors, government, and policymakers

Importance of market research

Most people start making and selling products without thinking about market research. As earlier highlighted in this paper, market research is very vital for any type of business,

especially small businesses. Market research can help an entrepreneur identify how customers and potential customers view their business and identify gaps in customer expectations. Running and managing a business is a tedious and challenging endeavor, yet, it can be a very interesting journey. Business owners must possess the ability to mitigate risks while simultaneously bringing a product or service to the market at a price and quality that meets consumer demand levels. While some small businesses in a broad range of industries that perform well and are continuously profitable, 20% of small businesses fail in the first year, 50% barely survive after five years, and only 33% make it to 10 years or longer [6]. Hence the need for market research to be carried out.

Market research helps the entrepreneur to clearly identify business opportunities. For example, after carrying out market research, it becomes relatively easier for the entrepreneur to clearly identify his/her target customers, where he/she can reach them, and what they are interested in. Similarly understanding the wider market environment can help identify new business opportunities. As the market changes, it is important to continue to engage in research and

understand ways you can improve your products based on changing consumer preferences or market dynamics.

The Market research also helps entrepreneurs to have proactive insights into their business environment which can help them to lower business risks and set better goals for their businesses. When business owners set goals for their business, it is typically related to growth in sales or customers. However, without market research, they will not be able to know if their goal is achievable.

Reasons why SME owners fail to carry out proper market research

1. **Lack of finances:** Carrying out research comes with some costs associated with it. Small business owners are limited by finances to help them properly carry out market research. Some of these costs include those related to securing the services of the researcher. Usually, consultancy firms are expensive and not easily affordable for most start-ups. Consultancy fees required by these firms for market analysis are beyond the financial capabilities of most SME start-ups that often face financial difficulties from the onset.
2. **Physical observation of market trends:** Most SME owners base their predictions on observing market trends. They content themselves with the pieces of information gathered through observation. Although observation is good, complementing the observable trends with factual and in-depth information on the market environment gives entrepreneurs a robust basis to make sound and strategic business decisions.
3. **Some enterprises in Cameroon see market research as costly:** Some of these business owners do not think it is important to carry out such a daunting task and hence they tend to focus more on production and sales. The response of a business developer at YELO SARM a fast-food vendor in

Yaounde, concerning market research was: “we do not have the time and means to carry out research. We try to make what we think attracts customers more”.

4. **Poor or lack of adequate understanding of the importance of market research to their business:** Most entrepreneurs take on business in an adhoc fashion- based on the need to survive and make a meaningful livelihood. Hence they don't understand or see the need of using empirical basis to operate a business.
5. **Inadequate skills to engage in and make meaning from thorough market analysis:** Thorough market research to obtain the right information and data requires the services of a professional marketer. Most SME's lack qualified professionals to carry out market research. Most often this is linked to their financial inability to recruit a professional or the fact that they attribute little importance to market research.

Basic steps to carry out effective market research

1. Defining the problem, identifying the alternative decisions, and research objectives. The problem should be with alternative decisions.
2. Defining a clear research objective(s). The research objective will be used to guide the research process and to inform the research findings to make the right decision.
3. Develop a market research plan: This is to plan on the gathering of information, the cost of obtaining the information, and the source.
4. Collect relevant information: Information can be collected in physical locations, or by conducting surveys online which is less costly.
5. Analyze the information: Data collected is analyzed to have a result.

6. Present the findings: This will be the result of the analysis.
7. Make a decision: Decisions will finally be made based on the findings from the market research.

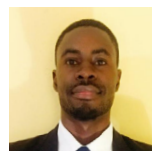
Recommendations

1. Engaging students in market research projects. It could be more cost-effective for small companies. This could be through sponsorship of marketing research competitions between post-graduate-level students of different marketing institutions. It will drive innovation and market research among students, producing data and information that can be used by sponsors to make key decisions concerning particular products.
2. Strategic planning and budget allocation for marketing departments in private companies to fund market research before and after the launching of new products will help companies better understand market trends.
3. Consultancy firms while in their quest for profits should recognize their role in building the economy by providing data to SME start-ups at affordable prices. These start-ups are their future customers.
4. Private Research institutes and NGOs should do more business training seminars and forums to educate entrepreneurs on the importance of market research and other business elements. An example is the Small Business and Entrepreneurship Centre program at the Denis and Lenora Foretia Foundation, and the Entrepreneurship training by Big Steps Outreach Network (BONET).

5. The government and private companies should encourage independent research institutes by funding more economic research projects for results that will promote economic growth.

Conclusion

Small and medium-sized companies in developing countries face many challenges that affect their ability to carry out effective market research before launching their businesses. While some are ignorant of the importance of market research, others have little or no finance to carry out this preliminary requirement. There is a need for collective action by all parties to guarantee the survival of small and medium-sized enterprises in Cameroon. The governments, civil society organizations, independent Think Tanks, business incubators, and most importantly the enterprises have respective roles to play to promote market research to guarantee business survival and economic growth. Apart from market research, other key factors should be taken into consideration such as a good and feasible business plan, robust financial management, and business leadership among others.



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