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## Article

# Innovative marketing and sales promotion: catalysts or inhibitors of SME performance in Ghana

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# Innovative marketing and sales promotion: catalysts or inhibitors of SME performance in Ghana

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## ABSTRACT

Innovative marketing (IM) drives success in small and medium enterprises (SMEs); however, the impact of sales promotions (SPs) remains a double-edged sword. This is the crux of this study, which examines the influence of IM and SP on SME performance in Ghana. Hierarchical regression analysis tested the hypotheses using a sample of SMEs registered with the Ghana Enterprises Agency. The results indicated a significant positive association between IM practices and SME performance. Contrary to expectations, SP exhibited a statistically significant negative association with SME performance. In addition, SP moderates the IM -performance link. The practical implication is that Ghanaian SMEs should synergistically integrate SPs and IM practices. This study addresses the pressing need for entrepreneurial marketing research grounded in the nuances of African economies, enriching the scholarly landscape.

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## 1. Introduction

Entrepreneurship is a pivotal force driving economic growth (Amoah et al., 2022; Ajide & Soyemi, 2022; Agyapong et al., 2018), yet small and medium enterprises (SMEs) face significant challenges, particularly in developing economies. In Ghana, challenges with access to finance, tax burden, labor inadequacy and regulations, firm size, owner/manager experience and ownership type are typical impediments to the success and growth of SMEs (Mohammed & Bunyaminu, 2023). While 'entrepreneurship is always full of challenges' (Liguori & Pittz, 2020, p.109), strategic choices can significantly shape the performance of businesses. Notably, SMEs that make a strategic choice to innovate can effectively scale and thrive (Osano, 2023; Matekenya & Moyo, 2022). Small enterprises can elevate their competitiveness by adopting agile and resource-efficient marketing approaches that foster customer engagement and drive business success (Aksoy, 2017; Dwivedi & Pawsey, 2023). The strategic adoption of such marketing practices is vital, given the alarmingly high mortality rate that SMEs face (Jamil, 2023). The failure rate is even more acute in the Sub-Saharan African region, where more than 70% of SMEs cease operations within their inaugural year (Chinje, 2015).

Nonetheless, in the current dynamic business landscape, innovation is a cornerstone of success (Yohn, 2019), and it can serve as a potent catalyst for elevating SME performance, especially in environments where mortality rates are alarmingly high. As posited by Amin (2021) and Sathana et al. (2021), SMEs can amplify their success through the implementation of effective innovative marketing (IM) strategies. Besides IM, sales promotion (SP) also serves as a potent instrument for attracting new customers (Grewal & Roggeveen, 2020), thereby directly enhancing SME performance. Within the African ecosystem, small

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businesses often face constraints in accessing working capital, limiting their ability to invest in traditional marketing and advertising channels (Solomon et al., 2023). Thus, IM provides such enterprises with cost-effective options to achieve significant impact while requiring minimal investment in comparison (Nufer, 2021; Sathana et al., 2021).

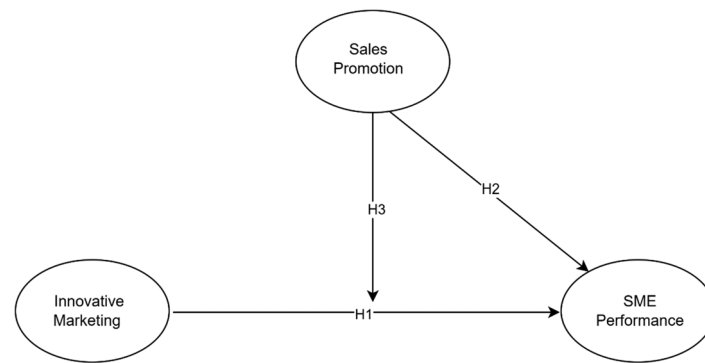
Given these insights, the general objective of this study is to advance the entrepreneurial marketing literature by examining the relationships among IM, SP and SME performance in Ghana. Consequently, this study addresses a notable gap in the literature by contextualizing the study within Ghana, a developing economy in Africa, as studies on initiatives in SMEs have primarily focused on developed economies (Agyapong et al., 2018). To guide in reaching the research objectives, this study builds on established theoretical frameworks, notably the diffusion of innovation (DOI) theory and the promotional mix theory. The DOI theory offers a comprehensive framework for comprehending the diffusion process of innovations within social systems, proposing a systematic sequence of adoption among individuals and groups (García-Avilés, 2020). Complementarily, the promotional mix theory encompasses a diverse array of marketing communication strategies used by firms to effectively engage target audiences and accomplish marketing objectives (Kotler & Keller, 2016).

IM represents a departure from conventional approaches, offering novel ways to promote products and firms (Purchase & Volery, 2020). These techniques encompass a spectrum of strategies, including social media engagement, influencer partnerships, experiential marketing, augmented reality experiences and personalized messaging (Lim et al., 2017; Kotler & Keller, 2016). For formal SMEs in Sub-Saharan Africa, such techniques are particularly important as they face competition from informal enterprises and encounter various obstacles that hinder their operations (Avenyo et al., 2021; Attrams & Tshehla, 2022). In response to the challenges faced by SMEs, it becomes imperative for them to leverage innovation-driven marketing tactics to differentiate themselves and carve out distinctive brand identities (Budden et al., 2021).

Analogously, SPs stand as a strategy capable of generating short-term sales spikes (Kotler & Keller, 2016). When deployed strategically, SPs can astutely inform targeting and positioning choices, cultivating an enduring sales momentum for products and helping maintain competitive advantage (Zeybek & Ülengin, 2022). They are particularly adept at attracting and retaining customers, exerting a direct influence on purchase behavior (Genchev & Todorova, 2017). Promotions encompass discounts, coupons and competitions, each serving distinct purposes in stimulating consumer behavior (Wang et al. 2020). Discounts reduce prices to incentivize purchases, clear out inventory or reward loyal customers (Lee & Chen-Yu, 2018). Coupons offer discounts tailored to specific customer segments, effectively driving sales (Wang et al., 2020). Competitions, on the other hand, create excitement and participation among consumers, augmenting brand awareness and sales (Cutright et al., 2022). Thus, promotion strategies incentivize consumers to purchase novel products while conferring benefits, such as monetary or non-monetary rewards (Fam et al., 2019). Essentially, SPs manifest as a potent instrument for attracting patrons to businesses (Grewal & Roggeveen, 2020), thereby possessing the potential to augment SME performance.

However, overreliance on SPs can condition customers to expect deals and reduce their willingness to pay full price, diminishing long-term profitability (Gedenk, 2022). In developing economies such as Ghana, the limited financial resources of SMEs (Mohammed & Bunyaminu, 2023; Attrams & Tshehla, 2022) may render the costs associated with implementing effective SP techniques, such as discounts or giveaways, a significant burden. Furthermore, many Ghanaian SMEs lack the necessary marketing expertise (GCB Bank, 2023) to design and execute impactful SP campaigns. Subpar SP outcomes may result from ineffective promotion instruments (Schultz & Block, 2014) or the difficulty consumers face in deciphering the promotion itself (Tan & Bogomolova, 2016), *inter alia*. The potential for sudden sales surges during SPs can engender demand volatility, which may impede sustainable supply chain agility (Chirra et al., 2021), consequently inhibiting SME performance. As stated by Gardner (2022, p.18), 'all sales promotions are not created equal', suggesting that promotional activities may either catalyze or hinder the performance of SMEs.

SMEs in Ghana leverage IM and SP strategies to enhance marketing performance and gain competitive advantage (Afriyie et al., 2019; Quaye & Mensah, 2019), mirroring practices observed in other economies. IM approaches in Ghana encompass the strategic use of digital tools and platforms, such as websites, social media (e.g. Facebook and WhatsApp) and communication channels like short message service (SMS) and email, to enhance brand image, foster customer engagement and drive performance



**Figure 1.** Authors' conceptual model illustrating the interplay between innovative marketing, sales promotion, and SME performance.

improvements (Siaw et al., 2023; Bruce et al., 2023), aligning with practices observed in other emerging economies. The proliferation of smartphones and internet connectivity in Ghana, now the 97th largest e-commerce market globally (GO-Globe, 2023), has enabled SMEs to adopt IM techniques. Social media (55.3%) represents the predominant channel used by Ghanaian SMEs to market their products and services, with Facebook emerging as the most prevalent form due to its widespread popularity (Dzisi & Ofosu, 2014). SP tactics employed in Ghana include bonus packs, coupons, samples, price discounts, rebates, contests and sweepstakes, strategically designed to evoke emotional responses and influence customer buying behavior (Ofosu-Boateng, 2020; Markwei et al., 2022). While various SP types have shown effectiveness in influencing consumer behavior and organizational performance in Ghana, bonus packs have the most direct impact on customer buying responses, followed by coupons, samples, price discounts and rebates (Markwei et al., 2022).

SME performance encompasses their ability to achieve objectives across various dimensions, including financial, operational and strategic aspects (Donkor et al., 2018). Financial performance is often characterized by metrics such as return on equity (ROE) and return on assets (ROA) (Amoa-Gyarteng & Dhliwayo, 2023). Operational performance gauges a firm's capacity to efficiently deliver high-quality products or services, aligning with customer needs and delivery deadlines (Sahoo, 2021). Strategic performance, on the other hand, evaluates a firm's adaptability to shifting market dynamics, its ability to identify new opportunities, and its response to competitive pressures (Islami et al., 2020). Generally, in SME evaluations, a blend of financial and non-financial criteria is essential, encompassing market share, sales growth, delivery speed and product quality (Amoa-Gyarteng et al., 2023).

While previous studies have mostly examined IM and SP constructs in developed economies (e.g. Aksoy, 2017; Ungerman et al., 2018; Akram et al., 2018; Chen & Lin, 2019; Gedenk, 2022), there is a conspicuous dearth of research within the context of developing economies like Ghana. This gap is fundamental because the economic and cultural milieu in which SMEs operate in such regions differs substantially from their industrialized counterparts. Therefore, this study serves as a direct response to the observations made by Damoah and Peprah (2021), highlighting that despite the increasing volume of research focused on SMEs in Ghana, the pace of scholarly inquiry remains sluggish.

Against this backdrop, the specific objectives of this study are as follows: to examine the influence of IM on SME performance in Ghana, to examine the impact of SP on SME performance in Ghana, and to explore the moderating role of SP in the relationship between IM and SME performance in Ghana. In the Ghanaian context, SME classification hinges on factors such as employee count and fixed asset value (Amoah et al., 2022). The Ghanaian Ministry of Trade and Industry defines microenterprises as firms with up to five employees and \$10,000 in fixed assets; small enterprises with six to 29 employees and \$100,000 in assets; and medium enterprises with 30–99 employees and up to \$1 million in assets (Afriyie et al., 2019).

In this study, the surveyed SMEs comprised a mix of manufacturing firms and service-oriented enterprises, and other business types operating within Kumasi, Ghana's second-largest city. The results show that IM enhances SMEs performance, while there is a significant negative relationship between SP and SME performance in the Ghanaian context, suggesting that excessive discounting and price-based promotions can inhibit performance. However, the study also finds that strategically

executed SP initiatives can amplify the effectiveness of IM practices and ultimately enhance SME performance in Ghana.

The study makes key contributions: First, it provides empirical insights on how SMEs in the Ghanaian context, representing a developing economy, can utilize IM practices such as social media engagement, to differentiate themselves, engage customers and drive performance improvements. Hence, this study extends the application of the DOI theory to an under-researched emerging market setting. Second, the study offers insights into the complex association between SP tactics (e.g. discounts, coupons) and SME performance in Ghana. As a result, this study provides valuable guidance on the application of the promotional mix theory to bolster SME survival in the challenging, informal, high-mortality business context of Ghana. Finally, by providing these contextual findings from the Ghanaian SME sector, the study offers valuable guidance to policymakers and SME owners on how to foster enterprise growth through the judicious deployment of IM and SP strategies. This can help SMEs in developing economies better navigate the obstacles they face and increase their chances of survival and success.

The remainder of this article is structured as follows: the next section reviews the relevant theoretical framework and formulates the study's hypotheses. This is followed by a presentation of the methodology and research findings, culminating in a discussion of the study's implications and conclusions.

## **2. Theoretical framework and hypothesis development**

The DOI theory and the promotional mix theory are the foundations of this study.

### **2.1. Diffusion of innovation theory**

Everett Rogers' seminal theory, the 'Diffusion of Innovation', unveiled in 1962, provides an enduring and structured framework for comprehending the gradual propagation of novel ideas, behaviors, technologies or products throughout a societal milieu. It has withstood the rigors of academic scrutiny, rendering deep insights into the determinants of an innovation's success or demise (Dearing, 2009). Within the DOI framework, five fundamental factors crystallize as pivotal determinants in the adoption of an innovation: 'Relative Advantage', which quantifies the perceived superiority of innovation over existing alternatives; 'Compatibility', measuring the extent to which the innovation aligns with the prevailing values, past experiences, and evolving needs of potential adopters; 'Complexity', assessing the cognitive demands associated with understanding and utilizing the innovation; 'Trialability', exploring the feasibility of limited experimentation with the innovation; and 'Observability', which pertains to identifying the extent to which the benefits or results of the innovation are visible to others (Scott et al., 2008).

The DOI theory underscores the strategic imperative of focusing on early adopters by employing meticulously planned, targeted promotional and communication campaigns (Keshari, 2020). According to Keshari (2020), SMEs that embrace IM strategies achieve demonstrable enhancements in performance. Within scholarly discourse, 'Observability' assumes a prominent position, as it captures the extent to which the outcomes of an innovation are manifest and discernible to the broader audience (Rogers, 1995). In the context of Ghanaian SMEs, studies have shown that the DOI theory provides a comprehensive framework for understanding innovation adoption, including IM strategies. For instance, Awiagah et al. (2016) employed the DOI theory in conjunction with other frameworks to analyze factors influencing e-commerce adoption by SMEs in Ghana. Agyekum and Agyepong (2017) utilized the theory and found that Ghanaian tech entrepreneurs adeptly facilitated innovation adoption through user-friendly products and social media advertising. Other studies in the Ghanaian context have applied the theory across themes such as innovation diffusion in student housing investment (Appau et al., 2023), technology adoption in SMEs (Selase et al., 2019), youth mobile banking adoption (Owusu et al., 2021), and more, utilizing it to understand factors impacting innovation adoption in the local context.

### **2.2. Promotional mix theory**

Promotional mix theory is a fundamental framework in marketing communication that encompasses various methods and tactics a company employs to effectively reach and persuade its target market



(OpenStax, 2023). It plays an essential role within the broader marketing mix, aligning communication methods to convey a cohesive message that caters to both organizational and consumer needs (Abdeta & Zewdie, 2021). The primary goal is to ensure that consumers not only receive the message but also interpret it in a way that fosters the intent to purchase (Koekemoer, 2004). To achieve this objective, marketers have a range of promotional tools at their disposal.

Traditionally, the promotional mix comprises four key elements: advertising, personal selling, SP and public relations (Hawari & Sudhartio, 2020). Advertising serves as an effective means for SMEs to enhance market exposure and build trust, ultimately leading to improved performance outcomes (Joensuu-Salo et al., 2022). SP tactics can entice customers to make purchases or try new products (Hawari & Sudhartio, 2020). Public relations initiatives contribute to building trust and credibility for SMEs, which, in turn, can lead to enhanced performance outcomes (Swaraj & Dasgupta, 2021). Personal selling plays a significant role in the promotional mix, particularly for SMEs, as effective personal selling strategies often result in improved performance outcomes (Keshari, 2020).

When services are integrated into the marketing strategy, the traditional four Ps expand to include seven elements, creating an extended or services marketing mix (Kasper et al., 2006). This extended mix encompasses people, processes and physical evidence, and SMEs in Ghana can utilize these components to efficiently reach and influence their target market, establish brand awareness and credibility, and ultimately drive sales. Promotional marketing activities generally fall into two broad theories: 'push' and 'pull'. The 'push' strategy focuses on promoting products through distribution channels, where products are pushed to wholesalers, who then promote them to retailers, and subsequently, consumers can see and purchase the product. Conversely, the 'pull' strategy relies heavily on marketing communications to create awareness and desire, pulling consumers into stores to make purchases. In practice, a combination of both push and pull strategies is often used to stimulate demand effectively (Currie, 2017).

Promotional mix theory exhibits unique relevance for SMEs operating in the Ghanaian market. For example, given the informal nature of many businesses in Ghana's economy (Avenyo et al., 2021; Attrams & Tshehla, 2022; Nkomo, 2013), firms utilize community-based marketing strategies for brand trust and credibility (Oppong et al., 2023). Resource constraints prompt digital advertising on social media over traditional mass media (Solomon et al., 2023; Sathana et al., 2021) and a collectivist culture (Marbell & Grolnick, 2013) results in SMEs using personal selling techniques, leveraging word-of-mouth recommendations. Ghanaian SMEs can leverage a combination of promotional mix elements, such as packaging, promotion and retail strategies, alongside IM approaches like pricing innovations and retailing innovations, to enhance their visibility, customer engagement, brand building and market advantage (Quaye & Mensah, 2019).

### **2.3. Innovative marketing and SME performance**

IM is the practice of reaching out to and engaging customers using innovative and creative approaches (Kahn, 2018). It could entail introducing new products or services, utilizing new marketing channels or establishing a fresh marketing message (Afriyie et al., 2019). Thus, SMEs can successfully respond to changing market dynamics and fulfill evolving client expectations by implementing new marketing methods, hence increasing their market competitiveness (Thrassou et al., 2020). Furthermore, through targeted and interactive communication channels, IM promotes increased client involvement. Engaging customers using novel marketing tactics such as social media marketing, influencer marketing, and experiential marketing can develop deeper customer relationships and loyalty, leading to higher SME performance (Guerola-Navarro et al., 2022).

Content marketing, viral marketing and guerrilla marketing are examples of IM tactics that can greatly enhance brand visibility and recognition (Nufer, 2021; Saleem et al., 2022; Krishnan et al., 2022). SMEs that use these marketing techniques can effectively reach their target audience, build brand recall and generate positive word-of-mouth, all of which improve their performance (Keller et al., 2011). IM practices serve as a crucial lifeline for SMEs during challenging times like the COVID-19 pandemic, enabling them to adapt swiftly, reach customers effectively and ensure business survival. This resilience is further strengthened when complemented by other resources and support (Adam & Alarifi, 2021). Building upon the existing literature, we propose the hypothesis:

H<sub>1</sub>: There exists a positive and significant relationship between IM practices and SME performance in Ghana.

## 2.4. Sales promotion and SME performance

SP serves as a versatile strategy that covers a plethora of activities strategically designed to dramatize product offers and ignite immediate sales (Kotler & Keller 2016). These activities span from momentary price reductions and the distribution of coupons to the introduction of product enhancements, eye-catching in-store displays, product sampling exercises, and enticing premium offerings (Gedenk, 2022). One distinguishing feature of SPs is their immediate impact. Unlike IM strategies that require time to manifest results, the effects of SPs are often rapid and measurable (Zeybek & Ülengin, 2021). This immediacy not only suits the resource constraints of many SMEs but also enables them to establish causal relationships and gauge the effectiveness of their promotional efforts (Zeybek & Ülengin, 2022).

However, it is crucial to recognize that not every SP strategy yields the desired outcomes for SMEs. For instance, SMEs positioned at higher price points may instill a greater sense of confidence among consumers, thereby attracting a clientele that places less emphasis on price sensitivity (López-Jáuregui et al., 2019). In such cases, indiscriminate price-focused promotions may not align with the brand image and target audience, potentially diluting the perceived value and eroding profit margins. However, when applied with precision, SP can significantly amplify SME performance. It can draw in new customers and amplify sales volume (Mbwambo, 2019). The capacity to provide a temporary advantage, be it through price incentives or value additions, positions SMEs favorably in competitive markets (Joensuu-Salo et al., 2022). Additionally, by fostering engagement with existing customers, SPs encourage recurring business and brand loyalty, thus nurturing the pathway to sustainable growth (Kaveh et al., 2021; Ofosu-Boateng, 2020). Considering prior research, we advance the hypothesis that:

H<sub>2</sub>: There exists a positive and significant relationship between SP and SME performance in Ghana.

## 2.5. Moderating role of sales promotion on the innovative marketing and SME performance relationship

SPs, which are characterized by limited-time price discounts or special offers, can quickly draw consumer attention in highly competitive marketplaces (Zeybek & Ülengin, 2022). IM techniques, on the other hand, are intended to develop a long-term brand presence and reputation (Yohn, 2019). The conjunction of SPs with IM creates a dynamic interaction in which SPs serve as a catalyst, momentarily elevating market visibility. Subsequently, IM leverages this augmented visibility to nurture lasting brand recognition and consumer engagement, thus yielding incremental performance enhancements (Keller, 2020).

Thus, IM strategies excel in capitalizing on induced behaviors offered by SP by providing consumers with distinctive and memorable brand experiences (Li et al., 2021). Amidst disruptions in traditional consumer brand communications and heightened competition for consumer attention in a noisy environment, companies employ intensified engagement strategies to bolster brand loyalty and resonance (Wang, 2021). These interactions epitomize the synergistic convergence of IM approaches and SP endeavors. This association deepens consumer engagement, fosters client retention, and yields long-term performance benefits (Ascarza et al., 2018).

SMEs usually face price sensitivity among customers, necessitating prudent pricing tactics (Serrasqueiro et al., 2021). IM activities help differentiate SME offers over time, decreasing price sensitivity. Nonetheless, pricing remains critical in competitive environments. Hence, SPs can be adroitly deployed to confer momentary price competitiveness, thus capturing the attention of cost-conscious consumers (López-Fernández, 2020). This strategic coupling enables SMEs to introduce customers to novel product features or quality dimensions, reducing their reliance on price as the only factor and, as a result, improving SME performance. This is particularly important, as SPs are adept at yielding immediate revenue injections, a potentially vital lifeline for SMEs confronting transitory financial exigencies (Zeybek & Ülengin, 2021). Drawing upon the prevailing literature, we formulate the following hypotheses:

H<sub>3</sub>: SP moderates the relationship between IM and SME performance.



### 3. Conceptual model

In this conceptual framework (as presented in [Figure 1](#)), three essential components are delineated: IM practices, SP and SME performance. The study hypothesizes positive relationships between IM practices and SME performance, as well as between SP and SME performance, and introduces the concept of SP as moderating the link between IM practices and SME performance.

### 4. Methodology

The sample for this explanatory quantitative study was drawn from Kumasi, which is the second-largest city in Ghana. The study population comprised 3156 SMEs registered with the Ghana Enterprises Agency in Kumasi. The sample size was established using the Krejcie and Morgan (1970) table for determining sample sizes based on population sizes. With a total population of 3156 and a desired precision level of 0.05 (5%), the required sample size was 342 (Krejcie & Morgan, 1970). This sample size ensures a 95% confidence level that the sample statistics will be within  $\pm 5\%$  of the true population parameters. Therefore, the study sample comprised 342 owners/managers of small businesses randomly selected from the target population of 3,156. Participants were provided with written information about the study together with the questionnaire and subsequently gave their consent to participate. A total of 294 completed and usable questionnaires were collected, making them valid for statistical analysis. Thus, the study achieved a response rate of 85.96%.

#### 4.1. Research instrument, data-collection procedure and statistical tools

The data were obtained through a structured questionnaire administered to participants in person during scheduled interviews. The data collected is quantitative in nature, comprising numerical responses to predetermined questions. Access to the dataset is restricted to authorized personnel for the purpose of data analysis and reporting. The study received ethical approval from the Ghana Baptist University College Ethics Committee. In quantitative research, questionnaires are often seen as a highly efficient data collection tool compared with other methods (Aithal & Aithal, 2020).

In our study, we designed a three-part questionnaire. The first section provides an overview of the study, including and guidelines contact information. The second section focuses on gathering basic demographic information about the participating respondents. This section included questions about gender, business nature, years of operation, the respondent education level, business ownership type and number of employees. The third section was dedicated to measuring the primary variables of SME performance, IM and SP, along with the quantification of the control variables.

To assess SME performance, we utilized measurement items sourced from Hogan and Coote (2014). These items encompassed aspects such as ‘our firm has experienced growth in overall profitability, our firm has experienced growth in overall cash flow, our firm has maintained existing clients, our firm attracts new clients, and our firm achieves the desired market share’. Thus, the instrument assesses the financial health, client satisfaction, and market competitiveness of the firm. The items were evaluated on a 5-point scale ranging from 1 (poor) to 5 (excellent). This evaluation captured respondents’ assessments of the previous 12 months. We assessed marketing innovation (MI) using a set of seven items. These items were designed to gauge various aspects of innovation in marketing strategies. They were modified from previous studies conducted by Naidoo (2010), Sok et al. (2013), and Afriyie et al. (2019). Respondents were asked to rate items on a 7-point interval scale, with options ranging from ‘strongly agree’ as 1 to ‘strongly disagree’ as 7.

The items are as follows: ‘our company regularly utilizes IM communication techniques (e.g., social media engagement, user-generated content campaigns, etc.); we continuously seek novel approaches to strengthen relationships with our customers; our company regularly utilizes innovative promotional activities; our marketing strategies outpace competitors in innovation; we continuously enhance our product designs or service delivery to meet evolving customer needs; our company regularly utilizes innovative pricing approaches; and we consistently mine market data to uncover innovative emerging trends and customer insights’. In sum, the instrument evaluates the firm’s IM capabilities across its adoption,

customer relations, promotional strategies, competitive positioning, product/service delivery, pricing strategies and market intelligence gathering.

We adopted and modified the SP assessment criteria from the work of Gorji and Siami (2020) and Gedenk (2022), encompassing a set of five items evaluated on a 5-point scale ranging from 1 (Strongly Agree) to 5 (Strongly Disagree). Respondents were prompted with questions such as ‘our company implements various SPs (such as coupons and discounts) to attract customers; our company showcases SPs displays prominently to enhance their impact; our company considers it important to differentiate our SPs from those of our competitors; our company believes that SPs significantly influence customer purchasing decisions; and our company faces challenges and limitations when implementing sales promotions’. Overall, the instrument measures various aspects related to the use, effectiveness and management of SP strategies within the firm.

In this study, we control for variables that are directly relevant to our research framework. Larger firms often benefit from economies of scale, which can lead to higher profitability, hence, following Amoa-Gyarteng and Dhliwayo (2023), we control for firm size. Apart from firm size, we also control for firm age, industry type, marketing budget, and managerial experience as they exert a substantive influence on performance outcomes (Liu et al., 2021; Ting et al., 2021; Storey, 1990).

In this study, as in similar research (e.g. Odoom & Mensah, 2019; Amoa-Gyarteng & Dhliwayo, 2024a, 2024b), we employed hierarchical regression analysis to evaluate the study’s hypotheses. Hierarchical regression analysis is a suitable method for examining hypotheses involving moderation because it enables the assessment of unique and interaction effects among multiple predictor variables on a criterion variable. The fundamental concept behind hierarchical regression is to progressively introduce predictor variables, including potential moderators, into the regression equation. This method involves a systematic step-by-step inclusion of predictor variables, allowing us to evaluate the incremental impact of each predictor on the criterion variable while controlling for the influences of previously incorporated predictors (Lewis, 2007).

To further strengthen the validation of our moderation findings, we utilized bootstrapping analysis in line with Amoa-Gyarteng and Dhliwayo (2024a, 2024b). This rigorous statistical approach provides a robust and reliable assessment of the moderation effects, enhancing the credibility and confidence in our research results. Bootstrapping analysis involves resampling the data multiple times, generating a distribution of effects, and calculating confidence intervals, thereby ensuring the stability and accuracy of our conclusions (Egbert & Plonsky, 2021). The data analysis was carried out using Stata version 17 (StataCorp, College Station, TX).

#### 4.2. *Validity and reliability results*

Table 1 presents the psychometric properties of the research constructs. The constructs include SME performance, IM and SP. In quantitative research, it is often advisable to subject measuring scales and primary variables to validity and reliability assessments (Osei & Kagnicioglu, 2018). To assess the unidimensional properties of the variables, Cronbach’s alpha and factor loadings were conducted and employed. An overview of the reliability and validity tests is provided in Table 1. The internal consistency of the variables was tested using Cronbach’s alpha method (Cronbach, 1951; Jayaram & Tan, 2010). Statistically, values that meet or exceed 0.60 are considered highly reliable. In this study, Cronbach’s Alpha values were notably high, specifically 0.79 for SME performance, 0.80 for SP, and 0.87 for IM. Item validity was determined by factor analysis. According to Anderson and Gerbing (1988), validity is confirmed when individual item loadings for each construct surpass the recommended cutoff point of 0.5. As presented in Table 1, the measurement instruments employed to assess each construct demonstrated loadings ranging from 0.60 to 0.80 for IM, from 0.65 to 0.85 for SP, and from 0.64 to 0.84 for SME Performance.

### 5. Results

This section discusses the study’s findings, both descriptive and inferential. A comprehensive assessment of multicollinearity was conducted by employing both correlation statistics and variance inflation factor (VIF) analysis, to evaluate the potential impact of inter-variable associations on the statistical analysis.

**Table 1.** Psychometric properties of the research constructs.

Factors	Factor loadings
Innovative marketing strategies ( $\alpha=0.87$ )	
1. IM1: We employ innovative marketing techniques (e.g. social media, user-generated content)	0.80
2. IM2: We use innovative customer relation techniques	0.78
3. IM3: We use innovate promotional strategies	0.75
4. IM4: We outpace competitors in innovation	0.72
5. IM5: We continuously enhance product/service delivery	0.68
6. IM6: We use innovative pricing strategies	0.65
7. IM7: We mine market data for innovative insights	0.60
Adapted from Naidoo (2010), Sok et al. (2013) and Afriyie et al. (2019)	
Sales promotion ( $\alpha=0.80$ )	
1. SP1: We implement various sales promotions techniques (e.g. coupons and discounts)	0.85
2. SP2: We use sales promotion displays effectively	0.80
3. SP3: We differentiate our sales promotions	0.75
4. SP4: We prioritize sales promotions' impact	0.70
5. SP5: We encounter sales promotion challenges	0.65
Adopted from Gorji and Siami (2020) and Gedenk (2022)	
SME performance ( $\alpha = 0.79$ )	
1. SMEP1: Our firm's profitability has grown	0.84
2. SMEP2: Our firm's cash flow has grown	0.79
3. SMEP3: Our firm retains clients	0.74
4. SMEP4: Our firm attracts new clients	0.69
5. SMEP5: Our firm meets market share goals	0.64
Adapted from Hogan and Coote (2014)	

**Table 2.** Correlation matrix and VIF.

	1	2	3	4	5	6	7	8	VIF
SME performance	1								
Innovative marketing	0.303**	1							1.79
Sales promotion	0.269**	0.242**	1						2.01
Firm size	0.314**	0.207**	0.129**	1					1.43
Firm age	0.279**	0.089**	0.315**	0.204**	1				1.94
Industry type	0.303**	0.172**	0.181**	0.095**	0.244**	1			1.58
Marketing budget	0.021**	0.152**	0.202**	0.069**	0.107**	0.305**	1		1.49
Managerial experience	0.024**	0.075**	0.055**	0.107**	0.306**	0.203**	0.142**	1	1.38

\*\*Correlation is significant at the 0.01 level (2-tailed).

As recommended in the literature (Hair et al., 2014), it is advisable to maintain correlation statistics below the threshold of 0.8 to ensure robustness in the analysis. In this study, every variable examined fell within the recommended range, confirming that inter-variable correlations remained well below the 0.8 threshold. Additionally, VIF values for all independent variables were found to be well below 5, indicating the absence of severe multicollinearity issues among the independent variables as posited by Becker et al. (2015). This is shown in Table 2.

Summary statistics, including measures of central tendency (mean, median, and mode) and a measure of variability (standard deviation), were computed and are presented in Table 3. For 'SME Performance', the values ranged from 5.20 to 15.80, with a mean of 10.05 and a standard deviation of 2.68. Similarly, 'Innovative Marketing' shows a minimum of 5.17, a maximum of 13.83, a mean of 8.12, and a standard deviation of 2.45. 'Sales Promotion' exhibits values ranging from 4.20 to 15.20, with a mean of 7.94 and a standard deviation of 2.36. In the case of 'Firm Size', the range spans from 3.00 to 24.00, with a mean of 11.85 and a standard deviation of 3.62. 'Firm Age' shows values between 3.20 and 33.00, with a mean of 15.72 and a standard deviation of 5.34. 'Marketing Budget' ranges from \$0.00 to \$45,000, with a mean of \$12,320 and a standard deviation of \$11,250. Lastly, 'Managerial Experience' has values between 1.00 and 10.00, with a mean of 5.62 and a standard deviation of 2.34.

The hierarchical multiple regression (HMR) technique was employed to examine the impact of IM strategies and SPs on the performance of SMEs in Ghana. This method involves the systematic introduction of predictor variables in multiple stages, which allows for the assessment of the incremental effect of each predictor on the criterion variable while adjusting for the effects of predictors entered in earlier stages. In the context of this study, there are six distinct stages.

Model 1 initiates the analysis, focusing on the influence of FirmSize on SME performance. Model 2 introduces FirmAge to assess its incremental explanatory power relative to FirmSize. Model 3 extends the

**Table 3.** Measurements of central tendency and variability, normality and autocorrelation.

Variable	Minimum	Maximum	Mean	Std. dev	Shapiro–Wilk test	
					W-value	p Value
SME performance	5.20	15.80	10.05	2.68	0.967	0.132
Innovative marketing	5.17	13.83	8.12	2.45	0.902	0.085
Sales promotion	4.20	15.20	7.94	2.36	0.891	0.148
Firm size	3.00	24.00	11.85	3.62	0.826	0.081
Firm age	3.20	33.00	15.72	5.34	0.998	0.114
Marketing budget	0.00	45,000	12,320	11,250	0.913	0.159
Managerial experience	1.00	10.00	5.62	2.34	0.987	0.105

Durbin-Watson test statistic: 2.012. This indicates no evidence of autocorrelation in the residuals (Durbin & Watson, 1950).

Based on the Shapiro–Wilk test, none of the variables show strong evidence of non-normality as all *p* values > 0.05 (Shapiro & Wilk, 1965).

**Table 4.** Hierarchical regression results.

Predictor	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	Beta (T-values)	Beta (T-values)	Beta (T-values)	Beta (T-values)	Beta (T-values)	Beta (T-values)
Constant	4.618 (3.605)***	3.028 (2.371)***	2.484 (2.308)***	4.981 (1.682)***	3.875 (1.361)***	2.943 (1.024)***
Firm size	0.172 (2.115)**	0.117 (1.511)*	0.089 (1.357)*	0.085 (1.351)***	0.094 (1.512)*	0.101 (1.623)*
Firm age		0.186 (4.882)***	0.110 (3.167)***	0.071 (1.973)**	0.066 (1.712)*	0.073 (1.891)*
Industry type			0.019 (0.241)	0.150 (3.820)	0.038 (0.512)	0.021 (0.341)
Managerial experience				0.042 (0.487)*	0.028 (0.321)*	2.023 (1.022)**
Marketing budget					0.097 (1.148)***	0.105 (1.263)***
Inn. Mkt (IM)			0.469 (3.520)***	0.107 (0.832)***	1.183 (2.826)***	1.245 (2.935)***
Sales promotion (SP)				−0.546 (5.699)***	−1.693 (3.880)***	−0.122 (0.352)***
IM × SP					0.163 (2.690)***	0.068 (1.134)***
R-square	0.311	0.408	0.589	0.626	0.630	0.732
ΔR-square	0.201	0.297	0.381	0.387	0.404	0.502
F-statistic	11.414***	12.940***	21.194***	20.356***	24.210***	26.110***

\**p* < 0.05, \*\**p* < 0.01, \*\*\**p* < 0.001.

exploration by evaluating the independent contribution of IndustryType to SME performance. Model 4 further enriches the analysis by incorporating ManagerialExperience, while controlling for FirmSize, FirmAge and IndustryType. Model 5 then delves into the role of MarketingBudget in SME performance, accounting for all preceding variables. Model 6 examines the impact of SP and IM (InnMkt) on SME performance. In addition, it explores the combined effect, represented by the interactive term InnMkt\*SalesPromotion, to assess potential synergistic influences.

The econometric equations for the hierarchical regression models are provided below.

Model 1:

$$Y = \beta_0 + \beta_1 \text{FirmSize} + e$$

Model 2:

$$Y = \beta_0 + \beta_1 \text{FirmSize} + \beta_2 \text{FirmAge} + e$$

Model 3:

$$Y = \beta_0 + \beta_1 \text{FirmSize} + \beta_2 \text{FirmAge} + \beta_3 \text{IndustryType} + e$$

Model 4:

$$Y = \beta_0 + \beta_1 \text{FirmSize} + \beta_2 \text{FirmAge} + \beta_3 \text{IndustryType} + \beta_4 \text{ManagerialExperience} + e$$

Model 5:

$$Y = \beta_0 + \beta_1 \text{FirmSize} + \beta_2 \text{FirmAge} + \beta_3 \text{IndustryType} + \beta_4 \text{ManagerialExperience} + \beta_5 \text{MarketingBudget} + e$$

Model 6:

$$Y = \beta_0 + \beta_1 \text{FirmSize} + \beta_2 \text{FirmAge} + \beta_3 \text{IndustryType} + \beta_4 \text{ManagerialExperience} + \beta_5 \text{MarketingBudget} + \beta_6 \text{InnMkt} + \beta_7 \text{SalesPromotion} + \beta_8 \text{InnMkt} * \text{SalesPromotion} + e$$

where

*Y* = Dependent variable

$\beta_0$  = Constant

$\beta_1$  to  $\beta_8$  = Regression coefficients for each independent variable

*e* = Error term

On the basis of the hierarchical regression results as seen in Table 4, we test the hypotheses as follows:

Hypothesis 1 asserts that within the Ghanaian context, a statistically significant relationship exists between IM practices and the performance outcomes of SMEs. This hypothesis is supported. In Model 6,

**Table 5.** Bootstrapping analysis for the moderation effect.

Model	Paths	Coefficient estimate	Bootstrap sampling (1000 iterations)	95% Confidence interval	<i>p</i> Value	Effect size ( <i>R</i> <sup>2</sup> )
1	IM → SME performance	0.469	[0.433, 0.509]	[0.352, 0.586]	<0.001	0.311
2	SP → SME performance	−0.546	[−0.589, −0.512]	[−0.611, −0.427]	<0.001	0.408
3	IM×SP → SME performance	0.163	[0.140, 0.191]	[0.119, 0.197]	<0.001	0.589

the beta coefficient for IM is positive ( $\beta = 1.245$ ) and statistically significant ( $p < 0.001$ ). This indicates a significant positive relationship between IM and SME performance.

Hypothesis 2 proposes that there exists a positive and significant relationship between SP and SME performance in Ghana. This hypothesis is not supported. In Model 6, the beta coefficient for SP is negative ( $\beta = -1.693$ ) and statistically significant ( $p < .001$ ). This indicates a significant negative relationship between SP and SME performance.

Hypothesis 3 suggests that the relationship between IM and SME performance is moderated by SP. This hypothesis is supported. In Model 6, the interaction term between IM and SP is statistically significant ( $\beta = 0.068$ ,  $p < 0.001$ ). This indicates that SP moderates the relationship between IM and SME performance. Additionally, the substantial increase in R-square from Models 1 to 6, along with the positive  $\Delta R$ -square values at each step, suggests that the interaction between IM and SP contributes significantly to the explanation of SME performance variance. This supports the idea that SP moderates the relationship between IM and SME performance, as the interaction term captures the combined effect of IM and SP on SME performance beyond their individual effects and the control variables.

To further evaluate the moderation effect of SP on the relationship between IM and SME performance, we employed a bootstrapping procedure as suggested by Hayes (2017). We generated 1000 resamples by randomly drawing data with replacements from the original dataset while maintaining sample sizes. Each resample produced IM coefficients representing potential variations in the relationship. Aggregating these coefficients created a distribution, reflecting IM's possible values under random variations. Confidence intervals (at a 95% confidence level) were constructed around the IM coefficient from this distribution. Comparing these intervals, with and without SP as a moderator, revealed potential moderation effects when they did not overlap. Statistical significance, determined by *p* values, indicated whether SP significantly influenced the IM-SME performance relationship. Findings, including effect sizes, confidence intervals, and statistical significance levels (Table 5), comprehensively assessed the moderation hypothesis.

In the bootstrap analysis, three key paths were examined to assess their influence on SME performance. The results are summarized as follows:

IM path: The path from IM to SME Performance yielded a coefficient estimate of 0.469 ( $p < 0.001$ ), suggesting a significant positive relationship. The bootstrapped 95% confidence interval for this coefficient ranged from 0.352 to 0.586, further supporting the positive relationship. The effect size, as indicated by  $R^2$ , was 0.311, underscoring the positive impact of IM on SME Performance.

SP path: The path from SP to SME performance revealed a coefficient estimate of  $-0.546$  ( $p < 0.001$ ), indicating a significant negative relationship. The bootstrapped 95% confidence interval ranged from  $-0.611$  to  $-0.427$ , affirming the negative association between SP and SME performance. The effect size ( $R^2$ ) was 0.408, signifying the substantial impact of SP on SME performance.

Interaction (IM×SP) path: The interaction between IM and SP was examined, resulting in a coefficient estimate of 0.163 ( $p < 0.001$ ). This indicates a significant positive relationship. The bootstrapped 95% confidence interval ranged from 0.119 to 0.197, reinforcing the positive association between this interaction term and SME Performance. The effect size ( $R^2$ ) for this interaction was 0.589, emphasizing its substantial influence on SME Performance. These bootstrap results provide robust evidence of the relationships among IM, SP, their interaction and SME Performance. The findings highlight the noteworthy contributions of IM and SP to SME Performance, while also underscoring the moderating effect of their interaction.

## 6. Discussion

The study showed that IM significantly improves SME performance within the context of Ghana. The study's results align with previous research such as Oduro (2019), who studied the 'impact of innovation



types on SMEs' performance in the Cape Coast metropolis of Ghana', Oloko et al. (2014) and Slater et al. (2010). As concluded by Quaye and Mensah (2019), IM strategies, including new and modified product designs, novel retail and promotion tactics, and innovative pricing schemes, are key ingredients for SMEs in Ghana to achieve sustainable competitive advantage and enhanced performance. However, it contradicts the findings of Cheah et al. (2023), who argue that IM has no direct impact on the performance of SMEs. IM can help SME performance in many ways. First, it helps SMEs engage with their target audience in more personalized and meaningful ways, leading to stronger customer relationships, increased loyalty and higher customer retention rates (Morgan-Thomas & Veloutsou, 2013). Second, IM allows SMEs to differentiate themselves from their competitors. By adopting unique approaches to product promotion, branding, or distribution, SMEs can carve out a niche in the market and gain a competitive edge (O'dwyer et al., 2009).

Furthermore, SMEs integrating IM show enhanced adaptability to market shifts and changing consumer preferences, enabling swift adjustments to emerging trends. This phenomenon is attributed to the core elements of IM, defined by distinctiveness (Cummins et al., 2000), novelty (Cummins et al., 2000; Kleindl et al., 1996) and a proactive inclination to deviate from traditional methods (Stokes, 2000; Kleindl et al., 1996). Hence, it is imperative for SME managers and owners in Ghana to prioritize and allocate dedicated investments towards IM endeavors, with a particular emphasis on enhancing overall performance.

Contrary to our initial hypothesis, this study also demonstrated a negative relationship between SP and SME performance in the Ghanaian context. In contrast to earlier investigations, such as Joensuu-Salo et al. (2022) and Kaveh et al. (2021), this outcome aligns with the conclusions drawn by Darke and Chung (2005) and Raghubir and Corfman (1999). These studies indicate that regular price discounts may result in consumers reevaluating their internal reference price, consequently associating lower prices with reduced quality. Moreover, when the size of the offer intersects with the reference price, an offer that is perceived as 'unbelievable' or excessively generous may lose its attractiveness, as indicated by the findings of Krishna et al. (2002). Consumers may also deduce that the regular price was artificially inflated (Chen et al., 1998).

If not properly managed, SPs can inadvertently erode perceived value and harm a brand's image (Gardner, 2022). Hence, for brands positioned as premium or luxury, careful consideration should be given to the judicious use of monetary SPs, as Yang et al. (2016) advise, to mitigate the potential risk of devaluing the brand. SP has a negative relationship with the performance of SMEs in Ghana for a number of reasons. SPs in Ghana may be heavily reliant on price discounts and special deals. While these tactics can attract customers in the short term, they can erode profit margins and lead to financial instability for SMEs if they are not managed carefully (Mbwambo, 2019). Amidst the ongoing economic downturn in Ghana as indicated by Hyde (2022), SMEs may grapple with resource constraints, posing a formidable obstacle to offering substantial discounts while safeguarding profitability. As such, the commitment of resources to promotional activities may strain the financial stability of such SMEs.

The study's third objective examined the moderating role played by SP in shaping the correlation between IM strategies and the performance outcomes of SMEs. The regression findings indicate that SP indeed moderates the association between IM and SME performance. This is analogous to Bhatti's (2018) demonstration that IM, such as social media utilization, moderated the association between SPs and purchase intention among Pakistani consumers, a dimension of firm performance.

SP moderates the relationship between IM and SME performance in Ghana by enhancing the effectiveness and impact of IM strategies. SPs, such as discounts or special offers, can enhance the visibility and attractiveness of IM campaigns. When SMEs in Ghana introduce innovative products or marketing strategies, SPs can draw more attention and drive immediate sales (Shamsi & Khan, 2018; Yang & Mattila, 2020). Furthermore, IM strategies may involve new, untested approaches. SPs serve as a risk mitigation tool by providing a safety net. If a novel marketing strategy does not yield the expected results, well-executed SPs may help maintain sales and minimize the negative impact on SME performance.

### 6.1. Theoretical contributions

The study's theoretical contribution lies in its synthesis of the DOI theory and the promotional mix theory to elucidate the relationships between IM, SP and SME performance in the specific context of Ghana.



The study establishes a significant positive relationship between IM strategies and SME performance. It provides valuable empirical insights into how SMEs in Ghana, representing a developing economy, can leverage IM practices to drive performance improvements. By applying the DOI theory in this underexplored emerging market setting, the study extends the theoretical understanding of how SMEs in developing economies can harness IM approaches to enhance performance.

In contrast, the study demonstrates a significant negative relationship between SP and SME performance in Ghana. Drawing from the promotional mix theory, the study highlights that an overemphasis on SP strategies can hinder the performance of SMEs in this developing economy context. This advances the understanding that there should be a balanced approach to promotional mix strategies, rather than an excessive focus on SP. As concluded by Lim and Guzmán (2022), excessively relying on SPs may diminish brand image and perception of quality, leading to a decline in brand equity.

A notable contribution of this study is the identification of the moderating role of SP in the relationship between IM and SME performance. This insight depicts the complex nature of marketing strategies within the SME context. It provides a theoretical basis for comprehending the complexities of marketing dynamics for SMEs, offering valuable guidance on the application of promotional mix theory to bolster SME survival in the challenging, informal, high-mortality business environment of Ghana.

## 6.2. Practical contributions and recommendations

The study's findings strongly suggest that SMEs should prioritize the adoption of IM strategies to drive performance. Consequently, SME owners and managers should leverage social media platforms to engage customers, build brand awareness, and showcase offerings; utilize customer data and analytics for deeper market insights; continuously enhance product/service delivery; and develop informative content addressing target customers' needs and pain points. These initiatives foster customer-centricity, enhanced credibility and enhanced performance.

This study also shows that SP has a negative relationship with SME performance in Ghana while simultaneously playing a positive moderating role in the relationship between IM and SME performance. This means that when strategically used, SPs can enhance the effectiveness of IM initiatives. For instance, a well-timed promotion can attract more attention to innovative product launches or marketing campaigns, leading to increased sales and customer engagement. The key is to strike a balance between SPs and IM efforts. SMEs in Ghana must carefully manage the frequency, timing and nature of their SPs to avoid eroding profit margins or devaluing their products or services. Owners of SMEs are advised to embrace SP mostly in synergy with IM methods to enhance performance.

## 7. Conclusions, limitations and future research

This study effectively addresses the central inquiry encapsulated in the title, 'Innovative Marketing and SP: Catalysts or Inhibitors for SME Performance in Ghana'. Notably, this study represents a pioneering empirical investigation into the moderating role of SP within the relationship between IM and SME performance among Ghanaian SMEs. The study's key conclusion underscores that SP serves as a performance enhancer for SMEs fully when paired with IM. In the absence of IM, SP yields unfavorable outcomes for SME performance in Ghana.

It is essential to acknowledge the study's limitations, which subsequently open avenues for further research. The study's scope was confined to a single Ghanaian city, Kumasi, thus limiting the generalizability of its findings to all SMEs in Ghana. Future research endeavors should encompass a broader array of emerging or developing economies to gain a more comprehensive comprehension of the association between SP, IM and SME performance. In addition, this study relied on cross-sectional data, which inherently lacks the capacity to portray the evolution of units over time and its repercussions on the studied outcomes (Solem, 2015). To enhance causal inference, bolster statistical robustness, capture phenomena more accurately and monitor transformations over time, prospective studies should consider employing longitudinal data.

## Author contributions statement

Karikari Amoa-Gyarteng: Conceptualization, Data Curation, Formal Analysis, Software, Methodology, Original Draft Writing.

Shepherd Dhlwayo: Validation, Investigation, Writing, Review & Editing, Supervision.

Victoria Adekomaya: Visualization, Writing, Methodology, Software.

## Disclosure statement

There are no interests to declare.

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## Data availability statement

The data that support the findings of this study are available from the corresponding author, [K.A.G], upon reasonable request.

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