Marketing Behavior of Micro Businesses: The Case of Street Vendors in Tanzania

Nelly Samson Maliva
University of Dar Es Salaam Business School
nellysamsonm@gmail.com

Abstract: Street vendors who are famously known as Machinga, they are micro business people who have a significant contribution to the economy of country. The statistics shows that about 2,754,697 individuals in Tanzania owned and ran 3,162,886 small businesses. Moreover, these businesses have been able to develop the behaviour which has influenced the selling, shopping and social behaviour but still given little academic attention. Therefore, this article studies their marketing operations by using the exchange marketing theory and use qualitative approach to interview 25 street vendors. The results showed that when they facilitate exchange, they find places to chase after customers and sell their products. Thus, they make instant and reactive decisions, bargain with customers, and scramble for customers. This study showed that street vendors require the attention of academicians and policy because they required more skills and exposure to their business undertakings.

Keywords: Marketing behaviour, Street vendors, Micro businesses, Tanzania

1.0 Introduction

Since the 1990s there has been the growth of a body of knowledge about marketing for small businesses (Carson, 1990, 2003; Graham, 2004; Hultman & Shaw, 2003; Siu & Kirby, 1998; Siu, 2000; Marek, 2014; Franco et al., 2014; Magembe, 2019). The marketing of small business is not only important because of its characteristics but also because of its contribution to the economy of country. The characteristics of small businesses includes the inseparability between business operators and owners (Reijonen, 2008), operators independent decisions (Calson, 1990, Gomes et al., 2010; Schollhammer & Kuriloff, 1979) and entrepreneurial decisions (Jones & Rowley, 2011; Siu & Kirby, 1996).

The categories of the businesses in Tanzania have been defined and distinguished ranging from large to micro. The number of employees and size of capital have been used to categorize businesses into large, medium, small, and micro (URT, 2012; OECD, 2016; UNIDO, 2012). Statistically, these categorizations vary across countries (OECD, 2016). By using the number of workers, the limit set for each category varies; usually the lower limit for small scale businesses is set at five to ten workers and the upper limit at fifty to hundred workers. The upper limit for medium scale businesses is set between a hundred and two hundred and fifty employees (Hallberg, 2000). The lower limit for micro businesses can be set at one and the upper limit at four (URT, 2012).

Micro businesses contribute significantly to the Small and Medium Business Enterprises (SMEs) sector, which constitutes 95 percent of all businesses in Tanzania and contributes 35% of GDP
(Magembe, 2019; Yahya & Mutarubukwa, 2015). Apart from its contribution to solving the unemployment problem and ensuring sustainable economic growth, the sector also creates an avenue for inclusiveness of the majority of the people in economic development (Magembe, 2019). According to the National Baseline Survey Report of 2012, about 2,754,697 individuals in Tanzania owned and ran 3,162,886 small businesses as at September 2010 (FSDT, 2012). Nearly half (47 percent) and over half (52 percent) of this population of small business owners is made up of the urban living, youth and women respectively (IMED, 2016; Tanzania-Invest, 2019). Some of these businesses are registered and formal while others are not but are actively conducted along the city’s busy streets (ibid.). So, it is worthy understanding their behaviour which can be used to develop models and policies that fit to their operations.

Marketing behaviour includes the activities that marketers do in the process of identifying their customer needs and interacting with them and satisfying them (Kotler & Keller, 2012; Kotler & Armstrong, 2014; Harrell, 2017). However, despite of the developed knowledge about small businesses, little has been studied about the marketing behaviour of street vendors. The street vendors have developed the marketing behaviour which has influenced the selling, shopping and society behaviour yet not academically studied. This study draws from the marketing exchange theory in which the behaviour is captured by the activities done when the seller facilitates the exchange with the buyer (Hunt, 1983).

It explores the marketing operations of street vendors in order to understand their behaviours when they seek to sell their products directly to customers. The term vendors include those who display their products along the streets in the shades known in Kiswahili acronym as vibanda or small business kiosk in English as well as those who carry their products around looking for customers. These are the informal petty traders in the urban centres who are popularly known in Kiswahili acronym as Machinga or petty traders in English. In this study, they are also referred to as vendors or hawkers and they represent micro-businesses, which are the focus of this study.

The study is aimed at understanding the marketing behaviour of the Machinga in order to document the activities that they do to facilitate the exchange with their customers, and which make them different from other small businesses as well as large businesses. The study used the marketing theory, as developed by Hunt, 1983, which explains the function of marketing as the process that is used to consummate exchange. By using this theory, the research question was what and how they facilitated exchange when they found and meet their customers?

There has been an increased number of Vendors who are doing their trade along the streets in cities like Dar-Es-Salaam, Arusha, and Zanzibar (UNICEF Tanzania, 2018; IMED, 2016). Out of these cities, Zanzibar was selected because of the increased number of vendors who target tourists. According to statistics from NBS and BOT (2017), most tourists come to Zanzibar. Most of the Machinga or petty traders in English place their ventures along the beaches and hotels to target tourists who are busy with their leisure activities.
2.0 Literature Review

2.1 Small and Micro Business

SMEs and micro businesses are heterogeneous and include a wide variety of firms covering different sectors. However, despite their tangible appearance, SMEs are distinguished from micro–businesses. SMEs are usually formal, employ workers, pay formal wage, and focus on aspects such as growth and innovations (IMED, 2016). Micro businesses are operated by a single person and some of them are informal while others are formal. Most of the micro enterprises are mainly based on a ‘lifestyle entrepreneurship’ model, operating in a very local context and are motivated by their need to generate income and finding a place to engage rather than staying idle (Maliva, 2021).

Being informal (IMED, 2016), the majority of the micro–enterprises are commonly categorised as petty traders, together with other middlemen and retailers who do small businesses in Tanzania. These traders represent themselves as Machinga, and they are generally regarded as being of low status because their businesses do not require any special skill to operate in, and their earning usually is very low (Ogawa, 2006).

Although small and large businesses differ by size, other characteristics are important because they are the ones that make them unique. Culkin and Smith (2000) emphasize that small businesses are not just smaller versions of large businesses; but they also differ in terms of their objectives, management style, and marketing (Carson, 1990). Moreover, independence in the operations of small businesses means the owner or a manager has ultimate authority and control over the business. He or she is not part of a complex enterprise system like it is in large enterprises. In management style, small businesses are managed in a personalized fashion where owners participate in all aspects of managing a business (Schollhammer & Kuriloff, 1979). That means there is no consultation in most small businesses’ decisions making.

2.2 Small Business Owners/Managers

Based on their characteristics, small and micro businesses are explained from the point of view of the owners and managers. They are an essential part of the businesses and thus the functions of small ventures depend on their personal decisions (Reijonen, 2008). They are also called entrepreneurs because of their tendency to look and go for new opportunities and they take personal financial risks in their businesses (Moon, 2010). This makes their operations fluid despite the fact that they regard themselves as ventures; that is, their personal characteristics can be reflected in their ventures (Carson, 2003; O’Dwyer et al., 2009). Because the characteristics of micro–businesses are reflected on the owners and managers, the study captured marketing behaviours based on their views, actions, and decisions. Therefore, the study explored business owners/managers to discover the elements that can be used to identify the marketing behaviours of micro businesses in order to design the different ways of supporting them.

3.0 Marketing Theory

This article has adopted the definition of marketing that focuses more on its primary function of facilitating exchange relationships (Kotler & Zaltman, 1971; Hunt, 1983). It explains the exchange relationship between buyer and seller (Hunt, 1983). According to traditional
marketing, a buyer and a seller meet when the buyer has recognized the problem, searched for information, evaluated alternatives and intends to buy a product (Kotler, 2010; Kotler & Keller, 2012; Harrell, 2017). Hunt (1983) came out with four dimensions that can be used to explain the exchange relations, namely, the behaviours of the buyers and sellers directed at facilitating exchanges, the institutional framework directed at consummating and/or facilitating exchanges, the consequences of behaviours of buyers and sellers on society, and the marketing institutions directed at consummating and/or facilitating exchanges (Hunt, 1983:13). Because the focus the this study was on the machingas’ activity when facilitate exchange, it extracted the sellers behaviour part of this theory.

In order to describe the sellers’ behaviours, questions asked was; what and how and why they make decisions about the places, products, prices they offer and how they promote their products. These questions enabled to capture the activities they do to market their products and eventually determine their marketing behaviour. However, because the buyers have to respond to the seller’s behaviour it means they are also influenced. Buyers also represent the shopping behaviour and society who are influenced by the sellers’ behaviour.

4.0 Empirical Review on Marketing and Small Businesses

The flexibility of small businesses gives them a limited strategic framework and a weak processes (Carson, 1990). This leads to constraints in addressing some marketing functions in the way large organizations do (Chasten, 1997; Gilmore et al., 2001; Hill & Wright, 2001; Dwyer et al., 2009). This also makes marketing planning for small businesses spontaneous or non-existent (Carson, 1990). It has been found out that many small firms do not employ the marketing concept because they always concentrate on how they can sell their products (Ford & Rowley, 1979; Hultman & Shaw, 2003). The importance of the marketing concept is that it shows that marketing is more than the promotion and sale of existing products. Basically, marketing is an extensive function that begins long before a product exists (Harrell, 2017; Kotler & Keller, 2012).

In his study, Shephard (2005) found out that some small business managers use self-marketing. He defines self-marketing as “varied activities undertaken by individuals to make their products and brands known in the marketplace” (Shephard, 2005: 590). He also views self-marketing to be closely related to the concept of personal branding. The notable issue in self-marketing is that owners and/or managers represent their organizations. In other words, they are brands by themselves as their decisions focus on their firms’ wellbeing, and thus they are motivated to set their individual goals (Reijonen, 2008).

5.0 Methodology

The research was informed by the interpretive approach whereby the researcher interpreted the findings from the in-depth interviews with the vendors. In connection with this paradigm and marketing theory, the study was able to obtain individual’s self-knowledge of the world and the way they used their knowledge to interact with it, as well as how this knowledge contributes to shaping their ways of encountering it (Jennings, 2010).

This research used qualitative approach and the respondents were purposively selected and the basis of selection was their selling style, to capture those who were selling from their temporary
structures, called vibanda in Kiswahili, and those who were carrying around their products in their hands. Unstructured interviews were used in which respondents were asked to narrate how they view their markets/customers and the activities they perform in marketing their products. A total of 25 interviews were conducted with the Machinga (16 females and 10 males), lasting from 30 minutes to 1.15 hours. This number was reached because the researcher did not get any added information, and the researcher declared that it was a saturation point (Jennings, 2010). The age of interviewees ranged from 16 to 38 years, and their level of education ranged from primary school to secondary school. There was no respondent with the post secondary education.

The narrations were captured by voice recorders during the interview, which was in Kiswahili language; later the responses were translated into English. The recorded information was transcribed with the aid of the ATLAS.ti package, which also enabled the use of open codes. The coding was based on the Marketing Theory because the themes that determined to code the collected information were based on the sellers’ behaviour directed at consummating exchange. The four themes, namely, product, pricing, promotion, and place were used. The hypothetical names were used in presenting the narrations in order to observe respondents’ anonymity.

6.0 Research Findings
In answering the research question about the machingas marketing activities when they facilitate exchange, the study found out that they make decision concerning the places where they will meet customers and they chase after the customers.

6.1 Machingas’ Market Place
The Machinga consider any place where there was a collection of people in a marketplace. They didn’t wait for potential buyers to come to the marketplace and buy. As long as they had products to offer, they will walk around looking for potential customers. For them, anyone they met was a potential customer. Many prefer to sell their products along beach areas, shopping streets in Stone Town, and around the hotel areas. Generally, they visited places where tourists were busy with their own activities because those were the potential areas where they could sell. A young Machinga who was interviewed at the beach said, “If you really want to sell your products, you had to time them”. The Machinga had different products and prices especially set for tourists compared to products and prices for local customers. Some of the Machinga exploit the available local materials by innovatively converting them into sellable products that attracted tourists.

Mwanana, a woman who owns a small hotel in Paje area said, “We have plenty of natural materials that we use to make different items that we think the tourists like. We use palm tree leaves to make handbags, spices to make cosmetics, and seashells to make ornaments”. This has given rise to cultural tourism in Zanzibar because of handicrafts (See also Maliva, 2017). The increasing tourist inflow also motivates some immigrants and foreigners to enter into the Machinga business. These come from Tanzania Mainland and nearby countries such as Kenya and Uganda. One of the immigrant Machinga called Dhahabu gave the following testimony:

“One of our friends told us that there are a lot of opportunities to sell curio products to tourists here in Zanzibar.”
For the Machinga, the increasing number of sellers trading in similar products meant more competition. They compete to get strategic locations to display their products, for example near entrances to buildings or places frequented by tourists. They displayed their merchandise along the tourists’ paths, e.g. to and from the beach, hotels, restaurants, and other tourist recreation and entertainment places. Normally, the sellers carried out their business in simple make-shift structures, referred to earlier as “vibanda”. Every seller, therefore, struggles to occupy those spaces.

For those who do not use vibanda at all, they did not need to compete for spaces because they just carried their products around; those vendors were sometimes called “Juakali”, a Kiswahili word which means “scorching sun”. Those who used Juakali were more mobile because they could easily follow the customers wherever they were. Sometimes they competed to grab customers before they arrived at the vibanda to buy products. When necessary, even those who had vibanda move out of their shops and join the juakali to chase for customers. Dhahabu had this to say: … with this business, if you don’t get out of the shop and look for customers you may end up selling nothing the whole day. If you cannot chase customers during the day then other people like the Maasai will.

Generally, the Machingas view of customers included the place, the people and competition. So they thought that selecting where to walk or place their vibandas had to be strategically selected.

6.2 Machinga’s Activities

Like other authors Ford and Rowley (1979), Hultman& Shaw, (2003) considered Machinga selling their products as the main activity in their businesses. So one of the basic activities was to find products first and then find the ways of selling them to consumers. For them exploring the customer need was not the first thing as it is written in the mainstream marketing books (Harrell, 2017; Kotler & Keller, 2012). This section describes the activities that the Machinga did in facilitating exchange after obtaining the products to sell. Mostly, vendors dealt with handicrafts such as mats, paintings, sculptures, handbags, wallets, earrings, necklaces as well as cosmetics, soaps and creams. The following were the activities found by this study:

- **Chasing after customers**

Both vendors in the vibanda and Juakali scramble to get customers for their products, most of times without being sure if customers wanted to buy or not. They approached all people who they met by showing their products while promising them about the quality of the products and discounts if they buy their products. They expressed by words while displaying their products. Sometimes asked how much the customer is willing to pay for products. For those in the shades, they did not wait the customers to get in, but they followed them outside. Naweza explains:

“I sometimes take a lot of effort to entice customers into my shade. If I note that a customer doesn’t know where to start, I let him/her inside my shade and show them products.”

One of the factor that enabled them to get customers before their rivals was the ability to speak different languages. They knew that customers were more comfortable to do business with the vendors who communicated in their own languages. So the vendors take deliberate attempts to
learn foreign languages, as Mjasilia testified: “It is important to be able to speak different languages here”.

Apart from understanding customers’ needs, chasing after customers also require energy and tactics. Napambana, a young lady who sells her items by hawking, at Kiwengwa beach, said:

“In order to sell here, one must be very sharp; one must be able to read the faces of customers at the same time approach them by speaking their language.”

- Selling
The main activity that vendors did in selling was setting the prices. The prices for products sold by vendors were not fixed. In the course of scrambling for customers, vendors sold products for very staggering prices; the aim was to entice customers to buy more products. According to them, this was the most strategic part of selling, and it was one of the criteria that could be used to measure the ability of different vendors.

“Sometimes a customer would come and buy an item at a low price …this is okay…you have to make calculations…you may sell at a low price to one customer…but after a while, you may get a customer who does not bargain and compensate the loss. We sometimes accept low prices because we do not want to leave a customer unserved; they must be made to buy because if they do not buy from you they will move to another shop and buy the same items”.

Machingas also had to be able to calculate faster in order to determine the price for customer, because each customer was charged differently. So for machinga the pricing strategy was based on customers willing to pay and their expectations to get other potential customers.

There were various factors that vendors took into consideration when they were bargaining with their customers. If a customer seemed to be willing to pay the highest price, then they set a specific price for that customer. They also considered time and the location of the customer, as Sijali explains:

“I can say that this business is tough because you have to consider the fact that there are some other people who buy items and sell them in the streets as vendors. The tourists may have spent most of their money in the streets and by the time they get here they are left with very little money to spend. If you come across such customers, you start bargaining until you both arrive at a price that is agreeable”.

Talking of bargaining, Mjasilia says:

“I normally do not give up with customers until the last minute; I make sure I make friends so that customers buy from me next time. I do all this because I know what I want. We meet customers of different behaviours, some insult us but we become do not answer back …We need money from them, so we sometimes give them the freedom to suggest how much they can afford to pay. After finding out how much one is willing to offer you can then give a relatively higher price that will allow both sides to bargain making sure that no one loses. Sometimes, when you meet with customers that are ready to enter into a bargain, you are likely to get a relatively higher profit if you use this strategy”.

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7.0 Discussions

This study explored the marketing behaviour of Machinga when they were engaged in trade exchange with their customers considering the Marketing Theory (Hunt, 1983). Their selling behaviour was seen from two major activities captured from the in-depth conversation chasing after customers and setting prices. From those activities, the marketing behaviour was established and the marketing mix strategies were found. They made decision about the product, they set price, and they promoted and distributed the products. Based on the results of this study, it was evident that the small businesses had their own ways of executing marketing functions differently compared to large organizations, which was similar to other studies (Carson, 1990; Culkin & Smith, 2000; Gilmore et al., 2001).

The decision about the product depends on what they had and their ability to innovatively make some items using the available materials. According to the conversation, most respondents showed that if they had strategic places, they were likely to convince their customers to see their products. In Zanzibar, the main products were paintings, handbags, sandals, and clothes. They designed the products according to their traditions, they packaged and label them based on what they thought customers, especially tourists, would like.

Promotion by the Machinga started when they chased after customers. They promoted their products by displaying them as well as by speaking to customers face-to-face. The vendors had the ability to customize their promotional language to different customers. The Machinga also did promotion during pricing and when offered significant discounts to various items. One of the interesting aspects of promotion was the need for the Machinga to communicate in the languages of the customers. In Zanzibar, some buyers could speak English well and others were found to be fluent in speaking Italian. This simplified promotion via effective communications to potential buyers and hence the potential to do business with them.

For the Machinga, pricing was one of the key ways of selling their products. It was during pricing that the sellers considered the characteristics of their customers. They looked at the personality of the buyers and any other people who might be accompanying such buyers. They also looked at the mood of the customers at the time of buying. The price was also determined by how they get customers. For example, if there were many buyers, a Machinga was likely to charge a lower price. When pricing, they could use penetration and skimming strategies to the same customer. The more the customer was attracted to buy more items, the more a Machinga was tempted to raise the prices. During pricing, the sellers were very smart to ensure that they did not make losses.

The Machinga looked for places where most people assembled for their marketplace; they did not sell in shopping centres. They distributed their products, whether in the vibanda or carrying those products around. Some of the Machinga acted like channels of distribution for large companies and they cooperated, conflict, and competed with other channel members who were also working for different companies or other competitors.
Generally, the ways Machingas acted and make decisions when they performed selling function made them to be institutions by themselves. This means, the same individual planned, made decisions and implements at the same time. This was in line with other authors, such as; Schollhammer and Kuriloff (1979) who also observed that street vendors as owner managers participated in all aspects of managing a business (Reijonen, 2008). The Machinga also worked for themselves and they possessed the products like the middlemen as such they took risks (Moon, 2010).

The behaviour of Machingas and their customers had brought another type of exchange where buyers and sellers could meet and do marketing exchange. It might not be necessary for some customers to go through the whole decision process such as searching for information and evaluating the different alternatives. This has led to increased number of vendors in the streets, entertainment centres and workplaces. By this behaviour, the micro, small, and informal enterprises grew because this behaviour provided simple paths for everyone who was willing to enter into small and micro business sector. It gives an opportunity for entrepreneurs to come out with innovations as well as creating employment.

The practices and behaviours of the Machinga had an influence on others’ behaviours. This was because by accepting to buy from Machingas they could also buy without taking time to think about the place and time to do shopping. Moreover, by choice and execution of the strategies they had been using to facilitate exchange, they had impacted the society. People now knew that they could shop anywhere, and they didn’t have to go to the formal markets. This had also resulted in constructing another segment of shopping which continues to gain popularity in the country.

8.0 Conclusion

This study has found out that the marketing behaviour of micro businesses was different from other small businesses and large ones. It also found out that street vendors, stand-alone during the facilitation of exchange, they needed to make quick decision and be independent during selling moments.

8.1 Machingas Marketing Behaviour

From Machinga’s activities, this study identified three types of behaviours that the small businesses had, namely, instant and reactive, bargaining, and scrambling behaviour.

- **Instant and Reactive**
  Chasing after customers had brought out an instant behaviour. This was an addition of behaviour explained by other authors such as; Schollhammer and Kuriloff (1979) as well as Reijonen (2008) about the single person’s participation to all segments of business and they were a part of business.

- **Bargaining**
  The Machinga engaged in bargaining in many instances during their operations. This started when they were looking for places to display and sell their products. The most substantial bargaining function was carried out during the pricing of the product. They did quick and fast
calculations; they determined profits, loss, and consequences of the profits to customers and their firms.

- Scrambling for customers
The Machinga also scrambled to get customers. They believed that without chasing after customers, they would not cope with the stiff competition in the market.

9.0 Theoretical Implication

The use of the Marketing Theory as introduced by Hunt (1983), which defines the marketing as a process of facilitating exchange had contributed by adding value to small business literature. By this theory, it was possible to design models which explained micro businesses behaviour.

10.0 Policy Implications

The output of this study has the potential of being used by policymakers to know how best to address street vendors’ needs such as identifying a conducive environment for their businesses. Moreover, the Machingas required more skills and exposure to their business undertakings.

11.0 References


The Institute of Management and Entrepreneurship Development (2016); a study on the informal sector with a view to formalisation, IMED AND BEST Dialogue.


