

Failure Rate of Small and Medium Enterprises: Can Trade Fair reverse the trend?

HENRIETTA ABHAMESO OLUMESE, ROBINSON OSARUMWENSE OWENVIUGIE
University of Benin, Nigeria

Abstract. The study assessed trade fair as a panacea for reversing failure rate of SMES. The study was guided by four research questions and a null hypothesis tested. A sample of 235 respondents was used for the study from a population of 1117 registered business owners. A proportionate sampling technique was employed to arrive at the sample. A descriptive survey was used. The reliability of the instrument was 0.77 using Cronbach alpha formula. A structured questionnaire was used to collect data. Mean and standard deviation were used to answer the research questions, while t-test for the hypothesis. From the result, it was discovered that trade fair influenced profit, employment, creativity and advertisement of business owners positively to high extent. The two groups of SME owners used for the study did not show any significant difference in their opinion on influence of trade fair in reversing failure rate of SMEs. Consequently, it was recommended that business owners should form cooperative society that will reduce their cost in participating in trade fair and also increase their profits. Business owners should embrace trade fair in order to expand their businesses and able to establish other branches within the State. Since trade fair generates more employment opportunities, government and non-governmental organizations should encourage trade fair as a means of generating more job opportunities. The organizers of trade fair should ensure a high level of creativity in order to become a point of reference for SMEs' owners.

Keywords: Trade fair; Profit margin, Employment Generation; Creativity; Advertisement.

1. Introduction

The rate of failure of small and medium enterprises has propelled attention among business owners.

However, different reasons have been adduced by researchers why the failure rate of SMEs has been increasingly high, but have not been able to proffer solution to this frightening trend. This gap appears to have existed for so long that new entrants are weary in establishing SMEs for the fear of failure. This study tends to find out if trade fair as a concept will be able to a large extent help reduce this ugly trend. This is why Owenviugie (2020) opined that Small and medium enterprises (SMEs) are essential instruments that pilot the desired development of any nation be it developed or developing. The development could be in the area of the creation of job as well as socio-economic realities.

Small and medium-sized enterprises appear to be the pillar that binds the development of a nation in providing employment opportunities and other services, aimed at encouraging growth and development as well as poverty reduction. Udechukwu (2003) opined that SMEs are essentially important to the overall socio-economic growth and development of many nations including Nigeria. The yardstick for ascertaining what constitutes small and medium-sized enterprises differs from country to country as well as one industry to another. Innovation, Science and Economic Development, Canada (2020) sees a medium-sized business as one that has no fewer than 500 workers. Financial System Strategy (2020) sees SME as a businesses with a volume of sales that is less than N100 Million per annum and/ or less than 300 workers.

In spite of the monumental contributions of SMEs across the world, the failure rate appears to be on the increase.

This is why McIntyre (2020) stated that about 20% of small businesses in the United States of America fail in their first year, 30% of small businesses fail in

their second year, and 50% of small businesses fail after five years in business. About 80% of businesses with employees will survive their first year in business. In Nigeria Alli and Jimoh (2013) said approximately 80 per cent of Small and Medium Enterprises fail in Nigeria in their first five years of their establishment probably due business owners' ineptitude. Watson (2003) pointed out that the reason for failures of SMEs may be as a result of ill-health of the respective owners.

After Nigeria's independence in 1960, it appears that much emphasis has been placed on the growth of small and medium scale enterprises (SMEs) as a means of reducing the incidence of poverty, and unemployment in the country. Apart from the potentials of SMEs for self-reliant industrialization using local raw materials, they are also in a better position to boost employment, guarantee even distribution of industrial goods and services, as well as facilitate national growth. However, many SMEs owners in Nigeria appear not have launched into trade-fair as a means of promoting their businesses. Promotion of such enterprises in developing economies like Nigeria is expected to bring about equal distribution of income and wealth creation, economic dependence, entrepreneurial evolution, employment generation and other socio-economic development (Aremu, 2004).

The world today has become a global village and the ways and manners individuals, business owners, and nations are reacting to globalization has changed the manners and ways things are being done. Specifically, in this globalized world, businesses require aggressive advertisement of its products to a target audience or market to survive and grow through trade fair. A trade fair is a display put together by business owners to exhibit and show their ultimate goods and services, meet with other competitors as well as to examine new tides, and opportunities (Wikipedia, 2018). In the same vein, Izabela (2012) stated that trade fair is the act of showcasing, promoting, and exhibiting different assortments of goods and services to audiences in a targeted market. This may also include trade associations among different companies and business owners. Trade fair as practiced by small scale enterprises owners involves conferences, trade exhibitions, consumer exhibitions and wealth creation, amongst others. Bellafricana (2019) emphasized that the importance of trade fair includes networking, branding, open competition, fact finding mission, product review, showcasing, product launching, and face to face interaction.

Asikhia and Van-Rensburg (2015) stated that trade fair has the capacity to increase profit margin of businesses, business expansion, and cash flow, employment generation, and level of creativity, advertisement and competition. For business to stay afloat, it has to make profit to enable it to grow and expand. Profit may be seen as the amount of income a business generates over a given time frame. This could be gross profit or net profit. This is why Johnson (2019) stressed that business must make profit when she is able to borrow money to expand business, attract investors' financing as well as hire more employees. Making profit in a business is an important ingredient that will encourage expansion of business vis-a-vis opening other branches within and outside its location, targeting larger markets. Business profit may encourage foreign investors. Emphasizing the importance of profit, York (2019) opined that for business to make profit, it must change its mode of operation, and reduce costs at all levels of business operations. York further maintained that business owners should maximize cash flow, raise market bar, staying visibly connected, streamlining management costs, and making everybody sales representatives. For a profit of a business to increase, there must be increase in sales. Accounting Tools (2020) sees sales volume as the unit number of goods sold over a time frame. This is why, Kokemuller (2020) stated that sales volumes are used to measure the performance of employees. It aids business owners in determining incentives and bonuses to be given to workers for their commitments to organizational goals. Cash determines the solvency of a business. Corporate Finance Institute (2020) defined cash flow as the amount of money available to a business. Cash flow seems to represent revenue growth, operating margin as well as capital efficiency of a business. It is used to describe the availability of cash that is generated or consumed over a period of time

The level of creativity during trade fairs or trade shows allows a variety of products being exhibited to demonstrate how creative business owners are. Most of small business owners come with new products, and new ideas in terms of advertisement, and trade shows. These allow exhibitors to promote their products and services, reach new customers and generate new sales. Trade exhibitions allow competitors or SME owners to get something that someone else is also trying to get (Expometalica, 2018). When business owners are able to make profit as a result of creativity, as well as increase in sales volume, wealth creation is certain, thus able to stay in business without fear of failure.

Financial Dictionary (2018) sees wealth creation as a means of gathering of assets, especially those that generate income over a given time frame. Barbora (2017) stated that wealth refers to the accumulation of assets in terms of cash, land, property, gold, shares, bonds put together. Business owners create wealth by investing in these assets with an expectation of getting returns on investment at a higher price. This rise in price over a period of time is what will lead to growth in wealth.

Most participants of trade-fair learn from others who were co-participants. Hence, this stimulates their performance in the business. A trade fair encourages a healthy competition among the SMEs as participants tried to impress the public or target audience and a process of outshining one another, this invariably makes individual SMEs compete with other competitors which may in turn affects the product quality and services.

The level of awareness and knowledge of trade fair by SMEs appears to be low considering the frequency of trade fair activities happening in Edo State. In some places, where trade fair takes place, some companies participate not to make immediate sales but to create awareness through trade fair, stimulate demand and expose people to the new products, new ideas and new methods or what is generally called technological development. Though, trade fair has been most occurring events in mega cities such as, Lagos, Abuja and Port-Harcourt, Kano, Aba and Onitsha, but the extent of the use of trade fair among SMEs in Edo State may still be in a infancy phase. This is based on the frequency of its happenings across the state.

The extent to which trade fair helps to create wealth and profitability for SMEs cannot be overemphasized. A large market usually awaits trade fair launch, as many customers troop en-masse both for sight- seeing and purchasing of goods and services. At least there will always be a take-home from a fair if not the awareness about the product/services, must turn out to be sales and profits for SMEs. This is not expected to be different in trade fair events in Edo State. It appears that failures of SMEs seem to have defied all known solutions globally; will regular trade fair exhibitions reverse the trend?

2. Research Gap and Contribution of Study

A number of researches have been carried out in many parts of the world on trade fair. It appears that not many researches have been conducted in Nigeria. None conducted in Edo State that dealt on variables

looked at in this study (Profit margin; employment generation; creativity; and advertisement). This present study intends to fill the obvious gap. The findings of the study may be of help to business owners whose businesses are already collapsing.

3. Research Objectives

The study was to assess the influence of trade fair on survival for SMEs. The specific purposes established the extent trade fair influences:

- Profit margin
- Employment generation
- Creativity
- Advertisement

4. Research Design

A descriptive survey was employed. One thousand one hundred and seventeen (1117) known business owners in Edo State constituted the population. Proportionate sampling technique was used for the study. A sample of one hundred (235) respondents who are business owners formed the sample which is 21% of the population. These respondents were contacted through their e-mail as a result of COVID-19. Data was collected with the aid of a questionnaire made of two parts. Part 'A' is respondents' bio-data; while 'B' had 24 item statements measuring the various constructs identified in the research questions. The instrument was administered on a sample of 20 respondents used for the pilot study. A Cronbach alpha form of reliability was carried out and a reliability coefficient of 0.77 was obtained. The researchers engaged the services of four research assistants in administrating the questionnaires to business owners. Three weeks was used to collate and analyze the data. The value of 2.50 was the mean criterion. Therefore, a calculated value greater than 2.50 was high extent while below 2.50 was low extent.

Hypothesis: Male business owners do not differ from female business owners in their opinion of the influence of trade fair in reducing failure rate of SMEs

Results

Objective 1: Trade Fair and Profit Margin of SMEs

Item Statement		VLE	LE	HE	VHE	Total	Mean	Remark
The business owners have additional profit because we attend trade fair.	N	48	120	160	72	400	2.64	High Extent
	(%)	(12)	(30)	(40)	(18)	(100)		
The cost of engaging trade fair is higher than the profit.	N	52	160	128	60	400	2.49	Low Extent
	(%)	(13)	(40)	(32)	(15)	(100)		
Trade fair makes many customers patronize our business.	N	40	128	168	64	400	2.64	High Extent
	(%)	(10)	(32)	(42)	(16)	(100)		
Due to trade fair workers have more workload and generate more income for us.	N	48	120	160	72	400	2.64	High Extent
	(%)	(12)	(30)	(40)	(18)	(100)		
Through trade fair, we have more channels of income.	N	40	100	168	92	400	2.78	High Extent
	(%)	(10)	(25)	(42)	(23)	(100)		
Through trade fair we have access to cheaper and quality raw materials which increase our income.	N	60	132	120	88	400	2.59	High Extent
	(%)	(15)	(33)	(30)	(22)	(100)		
Grand Mean	2.63						High Extent	

Note: VHE= Very High Extent, HE= High Extent, LE= Low Extent and VHE =Very Low Extent
Source: Field Survey, (2020).

The table 1 showed the influence of profit margin on SMEs in Edo State through trade fair. Most of the respondents cumulatively agreed that the profit margin of SMEs in Edo State through trade fair influences SMEs. This is evident in the grand mean of 2.63. All the respondents in items 1-6 except item 2 agreed that trade fair influenced profit margin of their businesses to a high extent.

Objective 2: Trade Fair on Employment Generation of SMEs

Item Statement		VLE	LE	HE	VHE	Total	Mean	Remarks
Through trade fair we engage more staff in our businesses.	N	140	100	112	48	400	2.17	Low Extent
	(%)	(35)	(25)	(28)	(12)	(100)		
Trade fair increases the number of jobs and we share part of our work to others.	N	100	80	120	100	400	2.55	High Extent
	(%)	(25)	(20)	(30)	(25)	(100)		
We get more consultants with required skills into our business.	N	88	112	80	120	400	2.58	High Extent
	(%)	(22)	(28)	(20)	(30)	(100)		
Trade fair generates jobs for designers, event planners etc.	N	40	120	60	180	400	2.95	High Extent
	(%)	(10)	(30)	(15)	(45)	(100)		
Trade fair helps to get business partners who also market our products and earn a living.	N	60	40	100	200	400	3.1	High Extent
	(%)	(15)	(10)	(25)	(50)	(100)		
Trade fair brings many trainees and apprentices to our business	N	72	72	60	196	400	2.95	High Extent
	(%)	(18)	(18)	(15)	(49)	(100)		
Grand Mean	2.71						High Extent	

Note: VHE= Very High Extent, HE= High Extent, LE= Low Extent and VHE =Very Low Extent
Source: Field Survey, 2020.

The table 2 showed the influence of trade fair on employment generation on SMEs in Edo State Most of the respondents cumulatively agreed that the profit margin of SMEs in Edo State through trade fair influences SMEs. This is evident in the grand mean of 2.71. All the respondents in items 7-12 agreed that trade fair influenced employment generation of employees to a high extent.

Objective 3: Trade fairs and creativity of SMEs

Item Statement		VLE	LE	HE	VHE	Total	Mean	Decision	
Trade fair allows creative ideas among business owners.	n	88	72	100	140	400	2.73	High Extent	
	(%)	(22)	(18)	(25)	(35)	(100)			
Trade fair allows creative ideas among staff in business.	n	80	80	120	120	400	2.70	High Extent	
	(%)	(20)	(20)	(30)	(30)	(100)			
Trade fair allows creative ideas among customers.	n	64	208	40	88	400	2.38	Low Extent	
	(%)	(16)	(52)	(10)	(22)	(100)			
Trade fair gives room for invention.	n	100	80	100	120	400	2.60	High Extent	
	(%)	(25)	(20)	(25)	(30)	(100)			
Trade fair allows introduction of technology into business operation.	n	80	60	120	140	400	2.80	High Extent	
	(%)	(20)	(15)	(30)	(35)	(100)			
Trade fair allows transfer of creative ideas among business owners	n	40	56	112	192	400	3.14	High Extent	
	(%)	(10)	(14)	(28)	(48)	(100)			
Grand Mean		2.72							High Extent

The table 3 showed trade fair influenced creativity of SMEs in Edo State to a large extent. This is evident in the grand mean of 2.72. All the respondents in items 13-18 agreed that trade fair influenced creativity to a high extent.

Objective 4: Trade Fair and Advertisement of SMES

Item Statement		VLE	LE	HE	VHE	Total	Mean	Remark	
Trade fair helps in improving our advertisement.	N	64	80	120	136	400	2.82	High Extent	
	(%)	(16)	(20)	(30)	(34)	(100)			
Trade fair brings our products easily to popularity.	N	60	72	120	148	400	2.89	High Extent	
	(%)	(15)	(18)	(30)	(37)	(100)			
Trade fair introduces our products to other States/counties.	n	72	80	112	136	400	2.78	High Extent	
	(%)	(18)	(20)	(28)	(34)	(100)			
Trade fair teaches how to advertise our products.	n	60	72	128	140	400	2.87	High Extent	
	(%)	(15)	(18)	(32)	(35)	(100)			
Trade fair complements our business advert.	n	80	80	168	72	400	2.58	High Extent	
	(%)	(20)	(20)	(42)	(18)	(100)			
Trade fair helps us reduce our cost of advertisement.	n	40	100	140	120	400	2.85	High Extent	
	(%)	(10)	(25)	(35)	(30)	(100)			
Overall Mean		2.79							High Extent

Note: VHE= Very High Extent, HE= High Extent, LE= Low Extent and VLE =Very Low Extent

Source: Field Survey, 2020.

The table 4 showed that trade fair influenced rate of advertisement of SMEs in Edo State to a large extent. This is evident in the grand mean of 2.79. All the respondents in items 19-24 agreed that trade fair influenced advertisement to a high extent.

Hypothesis

Male business owners do not differ in their opinion from female business owners on the influence of trade fair on reversing SMEs failure rate.

Sex	N	Mean	Std. Deviation	Calculated t-value	df	Critical t-value	P-value
Male	180	3.60	0.36	29.802	398	1.966	0.0001
Female	220	1.96	0.66				

Source: Field Survey, 2020.

From the table 5 the calculated $t=29.802$ was above critical $t= 1.966$, $df= 398$, $n=400$, $P=0.0001$. Since the calculated t value (29.802) is greater than critical t value (1.966), the null hypothesis was rejected. That is, there is a significant difference between the opinions of male and female business owners on the influence of trade fair on SMEs failure rate.

5. Results and Discussion

The result from research question one indicated that trade fair influenced profit margin of SMEs to a great extent. This finding is in consonance with Koolman consulting (2016) which maintained that trade fair helps to generate sales and turnover, leads SMEs to sell more known products to existing customers, helps to sell new products to existing customers, as well as fosters business contacts. This finding is also in agreement with Neven and Kanitz (2014) who reported that as part of a company's medium and long-term strategy, participation in trade fairs can play an important role in positioning the company on the market to have a larger share. Taking part in trade fairs can improve the cost-to-benefit ratio, since company's sales are not confined to a local region, a company's sales meets a sufficiently broad customer base. The products are likely to attract great interest at trade fairs. Visitors come expecting to discover and advance the products to others. The finding is also in agreement with Obiakoeze (2014) who maintained that trade fair activities of an organization is very beneficial to improving the marketing performance of such firm by increasing the customer base, increasing the profitability index as well as promoting product information. The finding is in agreement with Okolo, Okolo, Mmanel, Okonkwo, and Obikeze (2017) who maintained that trade fair has contributed immensely to the total company's market shares and profits.

The result from research question two indicated that trade fair influenced employment generation to a high extent. This is also in agreement with Redfern and Snedker (2002) who maintained that trade fair reduces poverty level of people through employment by these small businesses during fair exhibitions.

Result from research question three revealed that trade fair influenced creativity to a high extent. This finding is in consonance with the findings of Bathelt and Schuldt (2010) who stated that the business owners' 'get-together' brings about a specific atmosphere, which is helpful for learning and knowledge diffusion. Exhibitors, visitors, customers, suppliers, and professionals, congregate in the same space-time and bring considerable heterogeneous information and distinct knowledge. The finding is also in agreement with Bathelt and Gibson (2015) who opined that trade fair increases the opportunities for participants to discover something unique; and the peers, institutions, or information as the exhibitions enlighten participants with inspiration at the scene or after the activities. This plays an important role in information updating knowledge spillover, creation of new ideas, as well as innovation. The finding also

agrees with Neven and Kanitz (2014) who stated that trade fairs provide a setting for real-life encounters between people and products and services. They represent a medium through which communication takes place and provides a backdrop for personal dialogue and an environment in which people and products can come together without interference through media.

Result from research question four revealed that trade fair influenced advertisement to a high extent. This finding is in agreement with Okolo, Okolo, Mmanel, Okonkwo, and Obikeze (2017) who opined that trade fair brings awareness of customers to the products of participating companies. They added that firms participating in trade fair exhibition have contributed to promoting made-in-Nigeria goods, as well as in bolstering the image of participating companies. In the same vein International Trade Centre (2012) opined that trade fairs have the capacity to make available goods for wider market across the globe, as well as attracting business collaborators, external investments and transfer of technological know-how

Conclusion

This study has empirically examined the influence of trade fair on reversing the failure rate for small and medium scale enterprises owners in Edo State. It is concluded that trade fair has influenced profit margin, business expansion, employment generation, creativity, and advertisement of SMEs to a high extent. Based on the findings the following recommendations are made from the study that business owners should form cooperative or organizations that will reduce their cost in participating in trade fair and also increase their profits. Business owners should embrace trade fair in order to expand their businesses and able to establish other branches within the states. Since trade fair generates more employment opportunities, government and non-governmental organizations should encourage trade fair as a means of generating more job opportunities. The organizers of trade fair should ensure a high level of creativity in order to become a point of reference for SMEs' owners.

References

- Accounting Tools (2020). Sales volume. Retrieved from <https://www.accountingtools.com>
- Alli, F. & Jimoh, W. (2013). Eighty per cent of SMEs fail within 5 years – finance experts. Retrieved on 15th April 2020 from <https://www.vanguardngr.com/2013/10/eighty-per-cent-smes-fail-within-5-years-finance-experts/>

- Aremu, M. A. (2004). Small Scale Enterprises: Panacea to poverty problem in Nigeria, *Journal of Enterprises Development*, International Research and Development Institute, Uyo, Akwa Ibom, Nigeria, 1(1), 1 – 8.
- Asikhia, O. U. & Van- Rensburg, J. M. (2015). SMEs Wealth Creation Model: A Conceptual Development. *African Journal of Hospitality, Tourism & Leisure*, 4(1), 1-19.
- Barbora, L.P. (2017). The difference between wealth creation and regular income. Retrieved from <https://www.livemint.com/Money/rdGBksPCIV1wCeE1XT6pXJ/The-difference-between-wealth-creation-and-regular-income.html>
- Bellafricana (2019). The importance of exhibitions and trade shows. Retrieved from <https://bellafricana.com/importance-of-exhibitions-and-trade-shows/>
- Bathelt, H & Gibson, R. (2015). Learning in organized anarchies: The nature of technological search processes at trade fairs. *Reg. Stud.*, 49, 985–1002
- Bathelt, H.; Schuldt, N. (2010). International trade fairs and global buzz, part I: Ecology of global buzz. *Eur. Plan. Stud.* 18, 1957–1974.
- Corporate Finance Institute (2020). Cash flow. Retrieved from <https://corporatefinanceinstitute.com/resources/knowledge/finance/cash-flow/>
- Expometalica (2018). Reasons why trade fairs are important for businesses. Retrieved from www.expometalica.com/reasons-why-trade-fairs-are-important-for-businesses/
- Financial-Dictionary (2018). Wealth Creation. Retrieved from <https://financial-dictionary.thefreedictionary.com/wealth-creation>.
- Financial System Strategy (2020). FSS 2020 International Conference on SME: Issues, challenges and prospects. Retrieved from <https://www.cbn.gov.ng/fss/wed/SME>
- Innovation, Science and Economic Development, Canada (2020). Departmental Plan. Retrieved from <https://www.ic.gc.ca/eic>
- International Trade Centre (ITC). (2012). Basics for organizing trade fairs- A Guide for Developing Countries, ITC, Geneva. 68.
- Izabela K. (2012). Influence of trade fairs on a host city brand. *Public Policy and Administration* 11(4), 629–640.
- Johnson, R. (2019). What are the benefits of making profits? Retrieved from <https://smallbusiness.chron.com/benefits-making-profit>.
- Kokemuller, N. (2020). Advantages and disadvantages of sales volume-based quota system. Retrieved from <https://smallbusiness.chron.com/advantages-disadvantages-sales-volume-based-quota-system>
- Koolman Consulting (2016). Foreign trade fair participation. Retrieved from https://www.importpromotiondesk.com/fileadmin/user_upload/Publikationen/andere/IPD_Fair_Trade_Guide_web.pdf
- McIntyre, G (2020). What percentages of small businesses fail? (and other need-to-know stats). Retrieved from <https://www.fundera.com/blog/what-percentage-of-small-businesses-fail>
- Neven, P. & Kanitz, S. (2014). Successful participation in trade fairs. Zappo, Berlin. 53
- Obiakoeze, J. (2014). Trade fair as an instrument of increasing marketing performance in Nigeria business (a study of trade shows in Asaba). Retrieved from <https://projectsxtra.com/Mobile/index.html>
- Okolo, V. O., Okolo, J. U., Mmamel, Z. U. & Okonkwo, R. V.(2017). Assessing the relevance of trade fair in the marketing of industrial products in Nigeria: The Enugu experience. *International Journal of Academic Research in Business and Social Sciences*, 7 (11), 246-266
- Owenvbiugie, R.O. (2020). Influence of Resilience on Survival of Small and Medium Enterprises. *International Business Education Journal*, 13(1), 127-132.
- Redfern, A. & Snedker, P. (2002). Creating market opportunities for small enterprises: Experiences of the fair trade movement. Retrieved from http://www.oit.org/wcm/5/groups/public/-/ed_emp/---emp_ent/---ifp_seed/documents/publication/wcms_117707.pdf
- Udechukwu, F. R. (2003). Survey of small and medium scale industries and their potentials. Retrieved from <https://internationaljournalofresearch.or/>
- Watson, J. (2003). Failure rate for female-controlled businesses: are they any different? *Journal of Small Business Management*, 41(3), 262-27
- Wikipedia, (2018): Trade Fair. Retrieved from https://en.wikipedia.org/wiki/Trade_fair
- York, M. (2019). 6 ways to increase profits for your small business. Retrieved from

<https://www.thebalancesmb.com/steps-to-increase-small-business-profits>