

Coopetitive Marketing and Sales Performance of Smes in Ibadan

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ABSTRACT

This study was carried out to examine the effect of Coopetitive Marketing on Sales Performance of SMEs in Ibadan, Oyo State. The study was guided by the specific objectives; leveraging shared resources, increasing market size, and driving innovation. A survey research design was adopted, and data were collected through questionnaires administered to selected SMEs in Ibadan. Descriptive analysis was used to analyse the data collected, presented and described using frequency distributions and percentages. Findings revealed that Coopetitive Marketing enhances the Sales Performance of SMEs in Ibadan. Further survey revealed that leveraging shared resources, increasing market size, and driving innovation have significant effect on Sales Performance of SMEs. The paper therefore recommends that with the right strategies and support, SMEs in Ibadan can harness the power of coopetition to enhance their competitive position and drive sales performance.

Key word: Coopetitive Marketing, Sales Performance, Leverage shared resources, Increase market size, Driving innovation.

1.0 INTRODUCTION

Coopetition, a blend of cooperation and competition, is a strategic concept where companies collaborate with their competitors to achieve mutual benefits. This strategy has gained significant attention in recent years as businesses recognize the potential for enhanced performance through shared resources and knowledge. Particularly within the context of Small and Medium Enterprises (SMEs), coopetition can be a powerful

approach to overcome the limitations often faced by smaller firms, such as resource constraints and limited market reach (Bengtsson & Kock, 2000).

In the competitive business environment of Ibadan, Nigeria, SMEs are continually seeking innovative ways to improve their sales performance. The traditional approach of purely competing for market share is being complemented by strategies that involve cooperation with competitors. This shift is driven by the realization that SMEs can benefit from shared marketing efforts, joint ventures, and strategic alliances that enhance their competitive edge and market presence (Chin, Chan, & Lam, 2008).

Coopetitive marketing can significantly impact the sales performance of SMEs by leveraging shared resources. When SMEs collaborate, they can pool their financial, technological, and human resources to achieve economies of scale that would be difficult to attain independently. This resource-sharing can lead to cost savings, improved product offerings, and enhanced customer service, all of which can contribute to increased sales and market share (Ritala & Hurmelinna-Laukkanen, 2009).

Another key benefit of coopetitive marketing for SMEs in Ibadan is the potential to increase market size. By working together, SMEs can expand their reach into new markets and customer segments that might be inaccessible individually. Joint marketing campaigns, shared distribution channels, and co-branded products are examples of how coopetition can open up new revenue streams and enhance the overall market presence of participating firms (Dagnino & Padula, 2002).

Innovation is a crucial driver of sales performance, and coopetition can play a significant role in fostering innovation among SMEs. When firms collaborate with their competitors, they can exchange ideas, technologies, and best practices that spur the development of new products and services. This collaborative innovation can lead to a more diverse product portfolio, increased customer satisfaction, and ultimately, higher sales (Gnyawali & Park, 2009).

Despite the potential benefits, coopetition also poses challenges such as trust issues, the risk of knowledge leakage, and the complexity of managing cooperative relationships with competitors. Therefore, it is essential for SMEs to carefully design and manage their coopetitive strategies to mitigate these risks and maximize the benefits. Effective communication, clear agreements, and a strong focus on mutual goals are critical for successful coopetition (Walley, 2007).

The current study aims to fill the gap in understanding the specific effects of coopetitive marketing on the sales performance of SMEs in Ibadan. While existing literature provides insights into the general benefits of coopetition, there is limited empirical evidence on its impact within the context of SMEs in this region. This study seeks to achieve the following objectives: 1) Leverage shared resources to enhance operational efficiency and cost-effectiveness; 2) Increase market size through collaborative marketing efforts and expanded customer reach; and 3) Drive innovation by fostering a collaborative environment for the exchange of ideas and technologies. By

addressing these objectives, the study will contribute to the strategic management literature and provide practical recommendations for SMEs in Ibadan to enhance their sales performance through coopetitive marketing.

LITERATURE REVIEW

The concept of coopetition, where businesses simultaneously cooperate and compete, has been explored extensively in academic literature. Bengtsson and Kock (2000) were among the pioneers to delve into this hybrid strategy, highlighting how firms could gain competitive advantages through strategic alliances with their rivals. They argue that such alliances allow companies to leverage each other's strengths, leading to mutual benefits. This foundational work set the stage for further exploration into how coopetition can specifically benefit SMEs by overcoming resource limitations and enhancing market presence.

Several studies have examined the benefits of resource-sharing in coopetitive arrangements. Ritala and Hurmelinna-Laukkanen (2009) discuss how SMEs, through coopetition, can pool resources to achieve economies of scale, which are typically difficult for smaller firms to accomplish on their own. By sharing financial, technological, and human resources, SMEs can reduce costs and enhance their capabilities, leading to improved operational efficiency and sales performance. This concept is particularly relevant in the context of SMEs in Ibadan, where resource constraints are a common challenge.

The expansion of market size through coopetition is another well-documented benefit. Dagnino and Padula (2002) highlight that by collaborating, companies can access new customer segments and geographic markets that would otherwise be unreachable. Joint marketing efforts and shared distribution channels are practical examples of how coopetition can help SMEs expand their market presence. This expansion is crucial for SMEs in Ibadan, where market reach is often limited due to financial and logistical constraints.

Innovation is a critical aspect of coopetitive strategies, as highlighted by Gnyawali and Park (2009). They posit that collaboration between competitors can lead to the sharing of ideas and technologies, fostering an environment conducive to innovation. For SMEs, this means developing new products and services that meet changing customer demands, thereby enhancing their competitive edge and driving sales growth. This collaborative innovation is particularly beneficial in dynamic markets where continuous improvement is necessary for survival and growth.

Trust and relationship management are critical to the success of coopetition, as discussed by Walley (2007). Building and maintaining trust among competitors can be challenging, but it is essential for the effective exchange of resources and information. Effective communication and clear agreements are vital to mitigate the risks associated with coopetition, such as knowledge leakage and opportunistic behavior. These insights

are particularly relevant for SMEs in Ibadan, where building strong, trust-based relationships can be a key determinant of successful coopetitive endeavors.

In the Nigerian context, limited research has been conducted on the impact of coopetitive marketing on SMEs' performance. However, studies in similar emerging markets suggest that coopetition can lead to significant performance improvements. For instance, Chin, Chan, and Lam (2008) found that in the Hong Kong SME sector, coopetition strategies led to enhanced innovation, improved market reach, and better overall performance. These findings imply that similar benefits could be realized by SMEs in Ibadan, although specific empirical evidence is still lacking.

Despite the potential advantages, there is a notable gap in the literature concerning the specific effects of coopetitive marketing on the sales performance of SMEs in Ibadan. This gap highlights the need for targeted research to understand how these strategies can be effectively implemented in this unique context. The current study aims to address this gap by exploring how coopetition can help SMEs in Ibadan leverage shared resources, increase their market size, and drive innovation, thereby enhancing their sales performance. Through this investigation, the study seeks to provide actionable insights and practical recommendations for SMEs looking to adopt coopetitive marketing strategies.

THEORETICAL FRAMEWORK

Resource-Based View (RBV) Theory was adopted for the purpose of this study. This theory, developed by Barney (1991), posits that a firm's competitive advantage is primarily derived from the unique bundle of resources it controls. These resources include tangible assets, intangible assets, and capabilities that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). The RBV emphasizes the strategic management of these resources to achieve sustained competitive advantage and superior performance.

The RBV is particularly relevant to the concept of coopetitive marketing among SMEs, as it provides a framework for understanding how collaboration with competitors can lead to resource optimization. When SMEs engage in coopetition, they can share and access resources that they might lack individually. This sharing of resources can include technology, market intelligence, distribution networks, and marketing capabilities, all of which can enhance their competitive position and drive sales performance (Ritala & Hurmelinna-Laukkanen, 2009). By pooling resources, SMEs can achieve economies of scale and scope, which are essential for their growth and sustainability.

In the context of SMEs in Ibadan, the RBV underscores the importance of leveraging external resources through strategic alliances. Given the resource constraints often faced by SMEs in developing economies, coopetitive strategies enable these firms to overcome limitations and improve their market competitiveness. For example, a small firm with limited marketing budget can collaborate with a competitor to launch a joint marketing campaign, thereby reaching a larger audience without incurring prohibitive costs. This

collaborative approach not only enhances market reach but also improves sales performance through increased brand visibility and customer engagement (Chin, Chan, & Lam, 2008).

Furthermore, the RBV suggests that the unique capabilities developed through coopetitive arrangements can be a source of sustained competitive advantage. For instance, when SMEs in Ibadan collaborate, they can combine their unique strengths and capabilities to innovate new products or services. This innovation, driven by the exchange of ideas and knowledge, can lead to the development of offerings that are difficult for competitors to replicate, thus providing a distinctive market advantage. Gnyawali and Park (2009) highlight that such collaborative innovation is crucial for small firms to remain competitive in dynamic markets.

Another key aspect of the RBV is the importance of strategic management in resource optimization. Effective coopetition requires careful planning and management to ensure that the shared resources are utilized optimally and the benefits are maximized. SMEs must establish clear agreements and communication channels to manage the coopetitive relationships effectively. This strategic approach helps mitigate potential risks such as opportunistic behavior and knowledge leakage, thereby ensuring that the collaboration is beneficial for all parties involved (Walley, 2007).

Applying the RBV to the study of coopetitive marketing among SMEs in Ibadan also highlights the role of trust and relational capital. Trust is a critical intangible resource that facilitates the smooth functioning of coopetitive relationships. Building trust among competing firms can lead to more effective collaboration and resource sharing. The relational capital developed through these alliances can become a valuable asset that enhances the firms' ability to collaborate on future projects, further driving sales performance and competitive advantage (Bengtsson & Kock, 2000).

In summary, the Resource-Based View of the firm provides a robust theoretical foundation for understanding the impact of coopetitive marketing on the sales performance of SMEs in Ibadan. By leveraging shared resources and capabilities, SMEs can overcome their inherent limitations, innovate, and enhance their market competitiveness. The strategic management of these coopetitive relationships is crucial for maximizing the benefits and achieving sustained competitive advantage. This theoretical perspective underscores the potential of coopetition as a viable strategy for SMEs seeking to improve their sales performance and overall market position.

EMPIRICAL REVIEW

Empirical research on coopetition has increasingly demonstrated its positive impact on firm performance, particularly among SMEs. A study by Luo, Slotegraaf, and Pan (2006) examined how coopetition influences market performance in high-tech industries. They found that firms engaged in coopetition experienced significant improvements in market share and profitability. The study highlighted that the dual strategy of cooperating

and competing helps firms leverage shared resources and enhance their innovative capabilities, leading to superior market performance. These findings are relevant to SMEs in Ibadan, suggesting that coopetition could be a viable strategy for enhancing sales performance.

In the context of SMEs, research by Gnyawali and Park (2009) explored how coopetition affects technological innovation and performance in small firms. Their study revealed that SMEs involved in coopetitive relationships were more likely to achieve technological breakthroughs and introduce innovative products to the market. This collaborative innovation was found to be a key driver of competitive advantage and sales growth. For SMEs in Ibadan, which often face resource constraints, engaging in coopetitive marketing can facilitate access to new technologies and enhance their innovation potential, thereby improving sales performance.

Further empirical evidence comes from a study by Ritala and Hurmelinna-Laukkanen (2013), which investigated the impact of coopetition on firm performance across various industries. They found that firms that effectively managed coopetitive relationships experienced higher levels of innovation and market performance. The study emphasized the importance of trust and clear communication in managing coopetition. For SMEs in Ibadan, these findings suggest that building trust and establishing clear communication channels with competitors can help them reap the benefits of coopetition, such as increased sales and market reach.

In emerging markets, research by Chin, Chan, and Lam (2008) focused on the critical success factors for coopetition strategies among SMEs in Hong Kong. Their findings indicated that coopetition led to enhanced market reach and improved operational efficiency. The study identified factors such as mutual trust, complementary capabilities, and shared goals as crucial for successful coopetition. These insights are particularly relevant for SMEs in Ibadan, as they highlight the importance of strategic alignment and mutual benefit in coopetitive arrangements to drive sales performance.

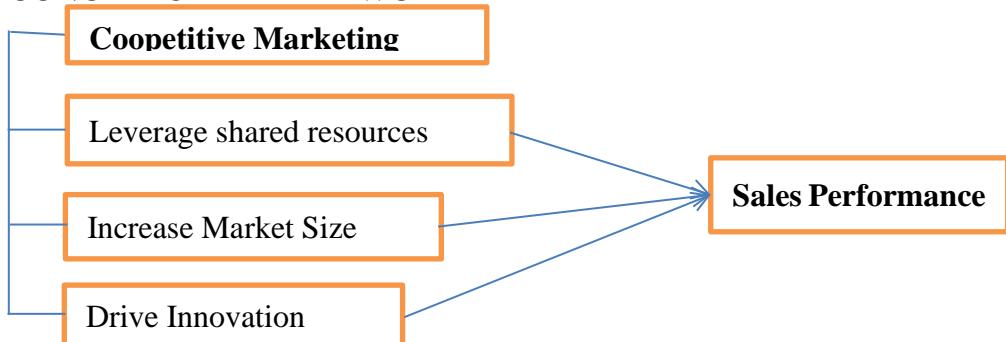
A study by Gast, Filser, Gundolf, and Kraus (2015) examined coopetition among SMEs in the European context and its effect on innovation and performance. The researchers found that SMEs engaged in coopetition were more likely to innovate and achieve higher sales growth compared to those that did not. The study suggested that coopetition allows SMEs to combine their strengths and overcome individual weaknesses, leading to better market performance. For SMEs in Ibadan, this implies that coopetitive marketing can help them leverage collective strengths and improve their competitive position.

Empirical research by Bouncken, Gast, Kraus, and Bogers (2015) on coopetition in the tourism sector demonstrated that firms engaging in coopetition achieved higher customer satisfaction and loyalty. The study found that cooperative relationships with competitors allowed firms to offer more comprehensive and attractive services, enhancing their market appeal. For SMEs in Ibadan, particularly those in the service

sector, coopetitive marketing can enhance their service offerings and customer satisfaction, leading to increased sales performance.

Despite these positive findings, some studies also highlight challenges associated with coopetition. Walley (2007) pointed out that managing coopetitive relationships can be complex due to potential conflicts and trust issues. Effective management practices are essential to mitigate these risks and maximize the benefits of coopetition. For SMEs in Ibadan, understanding and addressing these challenges is crucial for successfully implementing coopetitive strategies and achieving desired sales outcomes.

CONCEPTUAL FRAMEWORK



Researcher, (2024)

METHODOLOGY

The methodology for this study adopted a quantitative approach to examine the effect of coopetitive marketing on the sales performance of selected SMEs in Ibadan. A sample size of 50 SMEs was used, determined based on feasibility and representativeness within the local context. The target population include SMEs across various sectors, ensuring a diverse and comprehensive sample. Stratified random sampling was employed to categorize SMEs by industry type, ensuring that each sector is proportionately represented in the sample. Data collection was conducted through structured questionnaires, which was distributed to the selected SMEs. The questionnaires measured key variables such as the extent of coopetitive marketing activities, sales performance, resource sharing, market expansion, and innovation. The data collected was analyzed using descriptive statistics, specifically the percentage method, to quantify responses and identify trends. The percentage method facilitated a straightforward comparison of results, highlighting the prevalence and impact of coopetitive strategies across different sectors. Statistical software was utilized to perform the analysis, ensuring accuracy and reliability of the findings. The sample size of 50 was selected based on a balance between

obtaining sufficient data for meaningful analysis and practical constraints such as time and resource availability.

ANALYSIS OF THE DATA COLLECTED

1. Demographic Analysis of respondents' business

Variable	Frequency	Percentage%
Retail	8	16
Manufacturing	17	34
Service	13	26
Others	12	24
Total	50	100

Source: Field Work, 2024

2. Time of operation

Variable	Frequency	Percentage%
Below 1 year	18	36
1 – 3 years	8	16
4 – 6 years	10	20
7 – 10 years	14	28
10 years above	0	0
Total	50	100

Source: Field Work, 2024

3. Number of employees

Variable	Frequency	Percentage%
1-10 employees	25	50
11-50 employees	16	26
51-100 employees	5	10
More than 100 employees	7	14
Total	50	100

Source: Field Work, 2024

4. Business's annual revenue

Variable	Frequency	Percentage%
Less than ₦1 million	25	50
₦1-5 million	16	32
₦6-10 million	5	10
More than ₦10 million	4	8
Total	50	100

Source: Field Work, 2024

S/N	Questions	SD	D	N	A	SA
5	Our business engages in cooperative marketing efforts with competitors.	3 (6%)	2 (4%)	8 (16%)	18 (36%)	19 (38%)
6	Coopetition has allowed us to reach new customer segments.	4 (8%)	1 (2%)	10 (20%)	10 (20%)	25 (50%)
7	Sharing resources with competitors has reduced our operational costs.	4 (8%)	1 (2%)	3 (6%)	20 (40%)	22 (44%)
8	Collaborating with competitors has led to product/service innovation.	3 (6%)	2 (4%)	3 (6%)	20 (40%)	22 (44%)
9	Our sales performance has improved as a result of coopetition.	4 (8%)	3 (6%)	1 (2%)	19 (38%)	23 (46%)
10	We face challenges in maintaining trust in coopetitive relationships.	5 (10%)	4 (8%)	5 (10%)	25 (50%)	11 (22%)
11	Clear agreements and communication have facilitated successful coopetition.	3 (6%)	5 (10%)	1 (2%)	22 (44%)	19 (38%)
12	Coopetition has allowed us to expand our distribution channels.	4 (8%)	1 (2%)	10 (20%)	10 (20%)	25 (50%)
13	We have achieved better market positioning through coopetitive strategies.	5 (5%)	5 (5%)	5 (5%)	40 (40%)	45 (45%)
14	Overall, coopetition is beneficial for our business.	3 (6%)	4 (8%)	1 (2%)	19 (38%)	23 (46%)

Source: Field Work, 2024

SUMMARY OF FINDINGS

The demographic analysis reveals that the majority of respondents' businesses are in manufacturing (34%), followed by service (26%), retail (16%), and others (24%). Most businesses have been operating for below 1 year (36%), with the next significant groups being those operating for 7-10 years (28%) and 4-6 years (20%). In terms of employee count, half of the businesses employ 1-10 people, while 26% have 11-50 employees. Business annual revenue is predominantly less than ₦1 million (50%), followed by ₦1-

5 million (32%). The survey on coopetition shows that most businesses engage in cooperative marketing (74% agree or strongly agree) and see coopetition as beneficial, with 84% agreeing or strongly agreeing that it has improved sales performance and allowed for better market positioning. Challenges such as maintaining trust are noted (72% agree or strongly agree), but clear agreements and communication are seen as key facilitators for successful coopetition (82% agree or strongly agree). Overall, the findings indicate that businesses perceive coopetition positively; citing benefits like reduced operational costs, innovation, and expanded distribution channels.

CONCLUSION

Conclusively, the analysis reveals that coopetition is widely embraced across various business sectors, including manufacturing, service, retail, and others. Despite the relatively young age of most businesses, with a significant number operating for less than a year, coopetition strategies have proven to be beneficial. These strategies have facilitated marketing efforts, cost reduction, innovation, and improved sales performance. While challenges such as maintaining trust persist, the importance of clear agreements and communication is evident in ensuring successful coopetitive relationships. Overall, the findings underscore the positive impact of coopetition on business growth, market positioning, and operational efficiency, highlighting its significance as a strategic approach in the current business landscape.

RECOMMENDATIONS

Based on the conclusion drawn from the findings, the following recommendations are suggested:

1. **Encourage Coopetition:** Businesses should actively seek opportunities for coopetition to leverage the benefits of shared resources, reduced operational costs, and expanded market reach. This is particularly crucial for younger businesses aiming to establish themselves.
2. **Enhance Trust-Building Mechanisms:** Given the challenges in maintaining trust within coopetitive relationships, businesses should invest in trust-building activities. This includes regular communication, transparency, and setting clear expectations and agreements.
3. **Formalize Agreements:** To facilitate successful coopetition, businesses should formalize agreements through written contracts. This helps in clearly defining roles, responsibilities, and the scope of collaboration, thereby minimizing misunderstandings and conflicts.
4. **Focus on Communication:** Effective communication is key to successful coopetition. Businesses should establish robust communication channels and protocols to ensure all parties are aligned and informed about joint activities and objectives.

5. **Leverage Innovation through Collaboration:** Businesses should capitalize on the innovation potential that coopetition offers. By collaborating with competitors, they can combine expertise and resources to develop new products and services, thus staying competitive in the market.
6. **Monitor and Evaluate Coopetition Efforts:** Regular monitoring and evaluation of coopetition activities are essential. Businesses should track the outcomes of their collaborative efforts to identify areas of improvement and ensure that the benefits outweigh any potential drawbacks.
7. **Training and Development:** Providing training to employees on the principles and practices of coopetition can enhance the effectiveness of such strategies. Understanding the dynamics of coopetition will enable employees to better manage and contribute to these relationships.
8. **Expand Distribution Channels:** Businesses should explore coopetition as a means to expand their distribution channels. Collaborating with competitors can provide access to new markets and customer segments, thereby increasing overall market presence.

By implementing these recommendations, businesses can maximize the advantages of coopetition, fostering a more collaborative and innovative business environment that drives growth and success.

SUGGESTION FOR FURTHER STUDIES

Further studies should explore the long-term impacts of coopetition on business sustainability and growth, particularly focusing on different industry sectors and business sizes. Investigating the specific trust-building strategies that are most effective in various contexts would provide deeper insights into overcoming the challenges of coopetition. Additionally, research could examine the role of technological advancements and digital platforms in facilitating coopetition, as well as the impact of cultural and regional differences on coopetitive relationships. Finally, a comparative analysis of businesses that engage in coopetition versus those that do not could shed light on the tangible benefits and potential drawbacks, offering a more comprehensive understanding of this strategic approach.

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