

# “SMEs and product mix decisions: fact or fiction”

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## SMEs and product mix decisions: fact or fiction

### Abstract

Research over the years has shown that in order for any business to survive, the correct product mix must be offered to the market. If the product does not satisfy the needs of the market, its reason for existence can be questioned. This principle applies to all businesses – big or small. The question arises if SMEs adhere to this fact and, if so, how they go about doing this. SMEs over the world make huge contributions to economic growth and job creation and are seen to be a driving force for economic growth and development in any economy. In the highly competitive environment that SMEs operate in, selecting the right merchandise for the right customer is important and, in most instances, its ability to survive or perish. This study aimed to determine if SMEs in South Africa make decisions regarding the product mix and, if so, if they conform to different profiles regarding the decisions that they make. A questionnaire was used to collect the data and was sent to SMEs around South Africa operating in different industries. The results indicated that SMEs in South Africa consider product characteristics, consumer behavior and strategic aspects when making product mix decisions.

**Keywords:** merchandising, product, SMEs, product mix, business, South Africa.

**JEL Classification:** M00, M300, M310.

### Introduction

A business can have the best location and offer the best price, but the business will not be profitable if it does not provide the target market with products that they want (Kurtz, 2015, p. 493). Merchandising is, thus, an essential task for any business. Merchandising is defined as the planning involved in marketing the right products or services at the right time, in the right quantities and offering these products or services to consumers at the right price (Seshanna, 2015, p. 130). It involves identifying the right merchandise to sell and making the right product mix decisions based on customers' needs and wants (American Marketing Association, 2014).

The right merchandise is referred to as product mix or product assortment which is the total number of product lines that a retailer offers to its customers (Kurtz, 2015, p. 493). For example, a small retailer (SME) may sell various product lines. These product lines may be fairly similar such as washing power and liquid soap, which are used for cleaning purposes or it may be totally different such as milk and screws. A business that is able to deliver the right merchandise to their customers is more likely to be successful in the long term (Erdis & Cant, 2015, p. 65).

The purpose of the product mix is to provide products to as many customers as possible, thus, increasing sales opportunities for the business (Clerk, 2014). The product mix should, therefore, have an assortment of products that suit the needs of a variety of

consumers (Joseph, 2014). Small businesses are often limited regarding the amount of product lines they are able to offer (Joseph, 2014).

Small and medium size enterprises (SMEs) are considered to be the drivers of economic growth of a country (Hove & Tarisai, 2013, p. 57). There are, however, many challenges that SMEs face such as harsh market conditions, changing environments, lack of skills, lack of financial assistance, etc. One way in which SMEs can increase their chances of success is by ensuring that their product offering will keep customers interested and coming back. The products that the SME offers to their target market are essential to the business, as without the right products the business will not make a profit (Erdis & Cant, 2015, p. 65). It is, thus, important to determine if SMEs have strategies when deciding the on what products to sell. This study, thus, aimed to identify if SMEs develop strategies when deciding on products to sell and if so what factors do SME owners consider when deciding on what products to sell in their businesses.

### 1. Literature review

**1.1. SMEs in South Africa.** Small and medium size enterprises (SMEs) are considered to be the drivers of economic growth of any country (Hove & Tarisai, 2013, p. 57). SMEs contribute to the economy by creating employment, ensuring equal distribution of income, they assist with the alleviation of poverty and encourage innovation within a country (Ngek & Smit, 2013, p. 3044). The definition of a SME varies depending on the country's economy and regulations. According to the National Small Business Act 102 of 1996, SMEs in South Africa are defined as business enterprises that employ less than 100 employees (Government Gazette of the Republic of South Africa, 2003).

It is estimated that SMEs contribute to 60 percent of employment in South Africa and the total economic

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output of SMEs accounts for between 51 and 57 percent of the country's GDP (The Banking Association of South Africa, 2014; Cant & Wiid, 2013, p. 707). SMEs also make up about 91 percent of South Africa's formal business entities (The Banking Association of South Africa, 2014). Despite the importance of SMEs to the country and its economy, there is a high failure rate of SMEs in South Africa. It is estimated that about 70-80 percent of SMEs fail within two years of operation (Fatoki, 2014, p. 922; Neneh & van Zyl, 2012, p. 120).

Business strategies and decisions of SMEs are developed differently compared to larger businesses. Decision making in SMEs is less formal and is less complex compared to larger businesses (Salles, 2006, p. 230; Kraus et al., 2007, p. 20). Decisions in SMEs are also usually made by the owner or manager (Blaga, 2012, p. 191). Due to the many environmental challenges faced by SMEs, more time and resources are spent on operational and sales activities and not a lot of time is given to strategic decision making such as the product mix to carry (Kraus, Rieche & Reschke, 2007, p. 20; Ngek & Smit, 2013, p. 3044). Research has, however, shown that incorrect decisions by management can account for almost 60 percent of bankruptcies in businesses (Blaga, 2012, p. 191).

SMEs are important in driving job creation, economic growth and the overall stimulation of the South African economy and, as such, it is important that SMEs grow and succeed (Ngek & Smit, 2013, p. 3044). It is, thus, important to look at various avenues that can have an influence on the success of SMEs such as merchandise and product decisions.

**1.2. Product mix decisions.** A product mix refers to the number of products that a business has in their stores at a given time (Lamb, Hair & McDaniel, 2012, p. 338). It is the variety of products that are offered by a business (Saxena, 2009, p. 179). The product mix contains a number of product lines. A product line refers to the different products that the store offers, that are closely related, as they have similar functions, are sold to the same type of customers and fall within the same price range (Cant & Van Heerden, 2013, p. 177).

The product mix of a business has four dimensions, namely, the width, length, depth and consistency. The width of the product mix refers to the number of product lines that the business offers (Cant & Van Heerden, 2013, p. 179). A wider product mix increases the type of customers the business is able to target. The length of the product refers to the total number of products that are in the product mix (LearnMarketing.com, 2014). The depth of the product mix refers to the number of products and its variations that are found within a product line (Bose, 2012). Consistency of the product mix refers to the degree to which the various product lines are similar in terms of

end use, production requirements and techniques and the distribution channels used (Saxena, 2009, p. 229).

The market environment is always changing, consumer preferences and tastes change, new competitors arise and the objectives of the business can change. The businesses product mix should, thus, be adapted to these changes (Seshanna, 2015, p. 231). There are various decisions that the business can make regarding the product mix. This includes eliminating an existing product, adding a new product to the product mix or increasing the product line to increase the profitability of the business (Patidar, 2013). There are also a number of aspects that are considered when making product mix decisions; these include aspects that relate to the attributes of the product (quality, benefits price), aspects that are based on the perceptions of consumers and what and how they make purchases, the type of consumer the store caters to, aspects that relate to the strategic aspects of the business (aims and objectives, target market). Other aspects include the ease of selling the product, does the product suit the store, does the store have the expertise to sell the product and how much of the merchandise can the store offer, etc. (Erdis & Cant, 2015, p. 66).

There is limited research available with regards to the product mix decisions of SMEs. Previous research has focused on the marketing mix as a whole and on strategic decision making in SMEs. This study, therefore, aimed to determine what decisions SMEs make when it comes to selecting a product mix, and if they conform to different profiles regarding the decisions that they make. This could provide greater knowledge on how SMEs make strategic decisions and, ultimately, assist in developing strategies that can contribute to the survival of SMEs.

## 2. Research objective and methodology

The objective of this study is to determine whether SMEs make decisions regarding the product mix that they offer in their businesses. The study further aims to determine what type of decisions do SMEs consider when determining the product mix and if they conform to different profiles regarding the decisions that they make.

**2.1. Methodology.** To determine whether SMEs develop product mix strategies and, if so, do they conform to different profiles regarding these strategies, a sample of small business owners were asked to quantitatively rate how important they perceive different product and strategic aspects when selecting products to sell in their business. A questionnaire was designed which consisted of quantitative questions designed to elicit importance ratings and perceptions about various aspects that are considered to be involved in developing product strategies from SME owners.

The questionnaire was administered to small business owners operating in the provinces of Gauteng and KwaZulu Natal who registered their small businesses at an official state institution for SMEs. The combined contribution of these provinces to the national GDP is 50% (Gauteng 33.9%; KwaZulu Natal 16.1%) (Gauteng Online, 2015) and can, therefore, be regarded as representative of SMEs in South Africa. The sampling methodology utilized was that of non-probability, convenience sampling, which enabled the researcher to collect the data quickly and easily. A sufficient number of questionnaires (approximately 200) were distributed to achieve a confidence level of 95% and an error margin of 10% at 50% response distribution. A total of 105 usable responses were received which is an error margin of 9.26% (Zikmund, Babin, Carr & Griffin, 2013, p. 305). The missing responses could be attributed to incomplete questionnaires received which were then excluded from the sample.

The small business owners were presented with three different sets of aspects that could influence their choice of products to sell. The first set included aspects regarding the products themselves, the second set included a number of beliefs about consumer behavior that may be relevant to their product strategies and the third set included strategic factors that could have an effect on how they go about deciding which products to sell.

### 3. Findings

The research findings indicated that majority of the respondents were female (58.62%) and most of them were older than 40 years of age (56.9%). The respondent group consist of owners (79%) managers (19.7%) and staff (1.3%). The majority (60.8%) of these businesses are in operation for less than 5 years and almost half (41.8%) reported an annual turnover of less than R100 000. These SMEs operated mainly in the following sectors: construction (20%), business services (10%), manufacturing (10%) and retail (7.1%).

#### 3.1. Product selection based on product attributes.

The small business owners were presented with a set of eight aspects regarding products that they could use to guide their selection of a product range. They were asked to rate the importance of each aspect on a five point scale that ranged from not important (1), slightly important (2), important (3), very important (4) and extremely important (5). To uncover distinct patterns among the respondents regarding how important they rated the various product aspects that may be relevant when deciding which products to sell, the eight aspect items were subjected to K-means cluster analysis.

Table 1 indicates the mean level of importance of the product characteristics and the clusters that were identified.

Table 1. Mean level of importance of product characteristics and clusters

Product attributes	N	Minimum	Maximum	Mean	Std. Deviation
Quality	102	1	4	3.67	0.635
Benefits	100	0	4	3.25	0.903
Popularity	96	0	4	3.17	0.902
Customer demand	97	2	4	3.53	0.647
Price of the product	100	0	4	3.19	0.918
Competition	95	0	4	3.13	0.914
Brand name	98	0	4	3.24	0.909
Sale rights	97	0	4	3.00	1.000
Valid N (listwise)	88				
Clusters	Customer focused	Sales orientated group	Quality focused group	External factors group	Overall mean
Product characteristics					
Quality	3.625	4.000	3.500	3.320	3.65
Benefits	3.125	3.970	2.955	2.480	3.55
Popularity	3.375	3.879	2.364	2.920	3.26
Customer demand	3.875	3.939	3.000	3.400	3.24
Price of the product	1.875	3.818	3.000	3.200	3.22
Competition	1.750	3.848	2.455	3.160	3.18
Brand name	3.625	3.909	2.227	3.120	3.11
Sale rights	2.250	3.788	1.909	3.200	3.01

Four different groups (customer focused group; sales oriented group; quality focused group and external factors group) were identified, indicating that respondents do have different opinions regarding which product aspects they consider important when

deciding about the range of products they will offer in their businesses. The groups were named based on what each group tended to focus their importance on. The customer focused group tended to focus on what would be important to the customer, the sales oriented

group indicate that they were focused on generating sales through any means possible, the quality focused group indicated that their focus was on delivering quality products and the external focused group indicated that they placed higher importance on external aspects of the product.

On average, the respondents as a single group (overall) rated quality, customer demand, benefits and brand name as the most important aspects to consider when selecting products to sell.

The **customer focused group** had the largest variation in their importance rating across the different product attributes, displaying strong opinion differences among the aspects. They tended to consider three of the aspects, quality, customer demand, brand name, as very important and to a lesser extent they tended to consider popularity and benefits as important when selecting products to sell. This group echoed the quality, customer demand and brand name ratings of the group as a whole, although the importance of customer demand and brand name is more pronounced. The importance rating of price, competition and sale rights, on the other hand, is much lower than that of the group as a whole.

The **sales orientated group** judge all of the product aspects to be very important when deciding which products to sell and rated them all above the overall average importance. This group is most likely focused on generating sales, and looks at all the aspects that can lead to generating sales when choosing a product to sell.

The **quality focused group** rated all of the product aspects as less important than the overall average, with

quality being the only aspect that they rated as more than just important when selecting products to sell. Customer demand and price are only just important to them while popularity, competition, brand name and sales right seem not to be considered when selecting a product range.

The **external factors group** tended to follow the overall average importance for all aspects except quality, benefits and popularity which they rated below the overall average importance. For them, benefits are the least important. This group is focused more on the external factors such as price, brand name, competition and demand rather than internal factors of the product.

The only product aspect for which all groups are in relative agreement on is quality.

**3.2. Beliefs about consumer behavior.** The small business owners were presented with a set of five statements representing a number of beliefs about consumer behavior that could influence their product mix decisions. They were asked to indicate the extent to which they agree with each statement by using a scale of one to five with higher values corresponding to higher levels of agreement. To uncover possible patterns among the respondents regarding the extent to which they agree or disagree with the various consumer behavior beliefs which may influence their decisions when selecting products to sell, the five statement items were subjected to K-means cluster analysis.

Table 2 indicates the mean level of agreement with the consumer behavior perceptions and the cluster groups that were identified.

Table 2. Mean level of agreement with consumer behavior perceptions and clusters

Consumer behavior perceptions	N	Minimum	Maximum	Mean	Std. deviation
If I offer many products I will have more clients	102	1	5	3.36	1.521
You can sell low quality products as long as your price is good	102	1	5	2.00	1.421
If you sell well known brands, location is not important	103	1	5	2.56	1.512
People will pay a premium price for brand names	101	1	5	4.21	1.125
Price is not as important as the products that I sell	102	1	5	2.70	1.597
Valid N (listwise)	98				
Cluster	Lack of consumer behavior perception	Multiple consumer behavior perception	Product focus consumer perception	Variety of quality brand perception	Overall mean
Consumer behavior perceptions					
People will pay a premium price for brand names	3.167	4.500	4.615	4.500	4.204
If I offer many products I will have more clients	2.208	4.500	2.885	4.147	3.388
Price is not as important as the products that I sell	1.333	3.643	4.538	1.941	2.724
If you sell well known brands, location is not important	1.250	4.286	2.154	3.059	2.551
You can sell low quality products as long as your price is good	1.708	4.071	1.808	1.500	2.000

Four different groups were identified, indicating that there is variation in the philosophies of the respondents regarding the buying behavior of customers. The group names were based on the distinct element that was identified in each group.

On average, the respondents as a single group (overall) tended to agree the most with the statement that "people will pay a premium price for brand names", followed by the statement "if I offer many products I will have more clients". The respondents tended more

to disagree with the other three statements, with “you can sell low quality products as long as your price is good” being the statement they disagree with most.

The first group can be characterized as having a **lack of consumer behavior perceptions**, since their agreement level is generally lower than the overall agreement level of the group as a whole for all the consumer behavior statements. They tended to disagree totally (agreement scores close to 1) with the statements “price is not as important as the products you sell” and “if you sell well-known brands, location is not important”, while disagreeing somewhat less with the other three statements. Generally their agreement level range from about neutral down to more disagreement. Thus, this group tends to have strong feelings about what they do not agree with and do not really express opinions about what they do not disagree with.

The second group can be characterized as having **multiple consumer behavior perceptions**, since they have an agreement level that is generally higher than the overall agreement level of the group as a whole for all the statements. They tended to agree totally (agreement scores above 4) with all the statements except with the statement “price is not as important as the products you sell” with a mean score below 4 but closer to 4 than to 3. It seems as though this group simply does business, prepared to allow for any strategy that may work to promote their business and respecting the fact that customers may also exhibit different patterns regarding their buying behavior.

The third group seems to have a **consumers are product-focused rather than price-focused** perception, since they tended to agree totally with the statements “people will pay a premium price for brand names” and “price is not as important as the products you sell” with feeling neutral down to disagreeing with

the rest of the statements. Thus, this group seems to believe that popular products will sell at any price.

The fourth group seems to focus on a **brand names as well as price is important to consumers**, since they tended to agree totally (agreement score of 4.5) that “people will pay a premium price for brand names” and that “if I offer many products I will have more clients” (4.2), while feeling neutral down to not agreeing with the other three statements. Of all the cluster groups, this one tends to follow the general overall trend the closest. Thus, this group seems to believe that customers are looking for quality and variety and that selling a wide range of quality brand names is key to creating a sustainable business.

The second, third and fourth groups are in agreement about their belief that “people will pay a premium price for brand names” and groups one, three and four are in agreement about not believing that “you can sell low quality products as long as your price is good”.

**3.3. Product selection based on strategic aspect.**

The small business owners were presented with a set of six strategic aspects that could have an effect on their product mix strategy. They were asked to indicate how important each was to them when selecting their product range using a five point scale that ranged from not important (1), slightly important (2), important (3), very important (4) and extremely important (5). To uncover distinct patterns among the respondents regarding how important they rated the different strategic aspects that may have an effect on their product mix strategy, the six items were subjected to K-means cluster analysis.

Table 3 indicates the mean level of importance of the strategic product aspects and the cluster groups that were identified.

Table 3. Mean level importance levels of strategic product aspects and cluster

Strategic aspects	N	Minimum	Maximum	Mean	Std. deviation
Aims of the business	105	2	4	3.45	.747
Range of products	102	0	4	3.12	.859
Target market	104	1	4	3.58	.706
Competitor products	104	0	4	3.03	.886
Price of the products	104	1	4	3.25	.833
The brand of the product	103	1	4	3.30	.861
Valid N (listwise)	101				
Cluster	Non-aligned	Conformists	Demand suppliers	Enthusiasts	Overall mean
Strategic aspects					
Target market	2.000	3.767	3.389	3.905	3.564
Aims of the business	2.273	3.467	2.944	3.905	3.426
The brand of the product	2.455	3.567	2.278	3.786	3.307
Price of the products	2.455	3.333	2.333	3.786	3.248
Range of products	2.273	2.500	2.889	3.857	3.109
Competitor products	1.818	2.833	2.500	3.643	3.000

Four different groups were identified, indicating that respondents consider different sets of strategic aspects to be important or not when selecting products to sell. The groups were named based on the most distinct element that was found in each group.

On average, the respondents as a single group (overall) rated all aspects at the middle value of the scale or higher with Target market being the most important and Competitor products the least important aspect to consider when selecting products to sell.

The **Non-aligned** group tends to consistently rate all aspects lower than the overall mean importance and exhibit a pattern across the different aspects that appear to be the opposite to the overall trend: those aspects rated higher overall is rated lower by the non-aligned group, on average, and vice versa. Thus, the non-aligned group seems not to consider the listed aspects as very important and also they seem to do business without considering any specific aspects as more important than others.

The **Conformists** tended to follow the overall average importance for all aspects except in the case of “range of products” which they rated below the overall average importance. Thus, these respondents exhibit an average approach to selecting products to sell and proceed without being very concerned about offering a range of products or whether products are also offered by the competition.

The **Demand suppliers** tended to rate the importance of all aspects below the overall average, with “target market” and, to a lesser extent, the “range of products” being the most important aspects for them when selecting products to sell while the “brand of the product” and the “price of the product” is not important to them. Thus, these respondents seem to do business with the purpose of satisfying customer demand rather than create new demands in the market.

The **Enthusiasts** consider all aspects as very important when deciding which products to sell and rated all aspects above the overall average importance and close to the maximum value of the scale. Thus, these respondents seem to take all aspects into consideration when deciding which products to sell.

Three of the groups are in agreement about the importance of a target market when deciding which products to sell.

**3.4. Product mix strategy profile.** In the preceding section, the respondents were split into groups that are distinguished by their patterns of allowing

product-specific attributes to influence their choice of product range; they were grouped based on the patterns of their importance rating of different strategic product aspects and they were distinguished based on the perceptions they have regarding consumer behavior. Considering these classifications simultaneously, the respondents could be characterized as customer focused, sales oriented, quality focused and external factors.

The **Customer focused group** have definite opinions about all the different product characteristics with customer demand, brand name and product popularity being considered as very important, while not really being concerned about the price of the product and the competition in the market. They are very enthusiastic about all the strategic product aspects and they tend to believe that consumers are product rather than price-focused.

The **Sales orientated group** believe that all of the product aspects are very important when deciding about their product range. They are also highly enthusiastic about all the strategic product aspects and they tend to believe that consumers are both brand-focused, as well as price-focused.

The **Quality focused group** deems only the quality product aspect as something to consider when selecting their product range. Their strategic product aspect ratings basically followed the average importance rating of the respondent group as a whole, except that the range of products and the competition in the market are not important to them. Their business focus is on satisfying customer demand and they believe that brand name, as well as price is important to consumers and that they should not be second-guessed.

The **External factors group** tended to follow the average pattern of importance rating of the product aspects, except for the fact that they tend not to consider the benefits of a product when selecting a product range to sell. They also exhibited an average importance rating pattern regarding strategic product aspects, although offering a range of products is not something they feel is important. They tend mostly to believe that consumers are product-focused rather than price-focused, although they entertain multiple perceptions about consumer behavior, including that one should not second-guess them and that there could be circumstances where price will also be a factor.

Table 4 indicates the strategy tendencies and perceptions of consumer behavior of the different product characteristics groups

Table 4. Strategy tendencies and perceptions of consumer behavior of the different product characteristics groups

Consumer behavior perception groups	Product characteristic profile groups				
	Customer focused	Sales orientated group	Quality focused group	External factors group	Total
Lack of consumer behavior perceptions	1 12.5%	10 31.3%	6 30.0%	5 20.8%	22 26.2%
Multiple consumer behavior perceptions	2 25.0%	2 6.3%	3 15.0%	6 25.0%	13 15.5%
Product focused consumer perceptions	4 50.0%	5 15.6%	4 20.0%	7 29.2%	20 23.8%
Variety of quality brands perceptions	1 12.5%	15 46.9%	7 35.0%	6 25.0%	29 34.5%
Total	8 100.0%	32 100.0%	20 100.0%	24 100.0%	84 100.0%
Strategy profile groups					
Non-aligned	2 25.0%	1 3.0%	4 18.2%	2 8.3%	9 10.3%
Conformists	1 12.5%	7 21.2%	9 40.9%	11 45.8%	28 32.2%
Demand suppliers	1 12.5%	0 0.0%	8 36.4%	5 20.8%	14 16.1%
Enthusiasts	4 50.0%	25 75.8%	1 4.5%	6 25.0%	36 41.4%
Total	8 100.0%	33 100.0%	22 100.0%	24 100.0%	87 100.0%

Figure 1 illustrates the strategy tendencies of the different product characteristic groups.

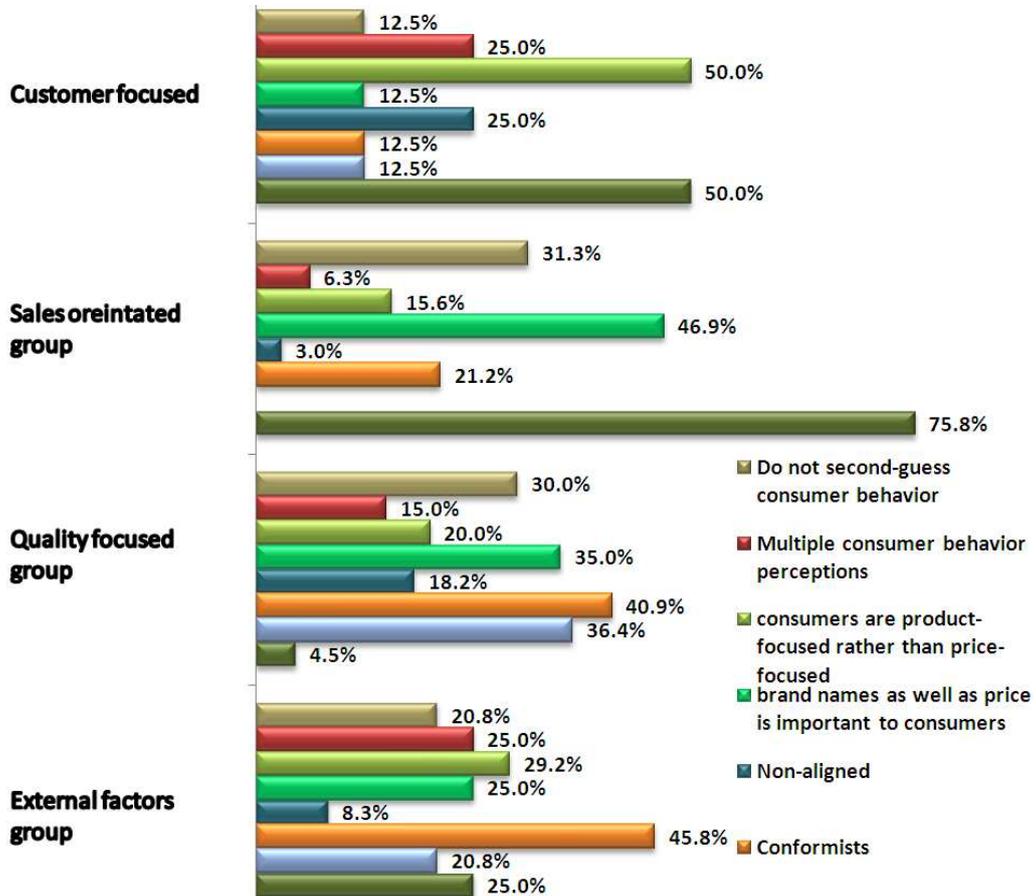


Fig. 1. Strategy tendencies of the different product characteristics groups

#### 4. Discussion

The current study looked at three aspects that could have an influence on the decision making of SMEs with regards to product mix, product attributes, consumer behavior perceptions and product selection based on strategic aspects.

The results of the study identified four groups when identifying what product attributes influenced their product mix decisions. This indicates that respondents do have different opinions regarding which product aspects they consider important when deciding about the product mix they will offer in their businesses. The first group identified was customer focused which included those respondents that focused their decisions based on the quality of the product, customer demand and brand name. The second group was sales oriented, as it focused on generating sales. Hence, these individuals made decisions based on what would generate the most sales. The next group was quality focused, which focused their decisions based on quality of the product. The final grouping was external focused, meaning they tended to focus their decisions of external factors.

The second aspect that was looked at was the beliefs about consumer behavior held by SMEs that could influence their decision making. This indicates that respondents do consider a variation of perceptions about the consumer that they regard when deciding which products to sell. The research identified four groupings: lack of consumer behavior perceptions, multiple consumer behavior perceptions, and consumer are product focused rather than price-focused and brand name, as well as price are important to consumers.

The final aspect looked at was product selection based on strategic aspects. This indicates that respondents do consider different sets of strategic aspects to be important when making product decisions. The results identified four groups that could influence the decision making of SMEs with regards to product mix. These groups are non-aligned, who do seem to take any aspect into consideration, the conformists, who tend to follow an average approach when selecting products to sell, the demand suppliers, who tend to do business with the customer in mind and the enthusiasts who considered all the strategic aspects when making product mix decisions.

From the results, it can be seen that SMEs make strategic decisions regarding their product mix and what to sell. The way in which SMEs make these strategic decisions is, however, different to larger organizations. The results also found two common aspects that could influence SMEs in their product mix decision making, quality and the target market. Quality of the products and target market was also identified as

aspects that could influence product mix decision making in the literature.

#### Conclusion

The aim of any SME should be to satisfy the needs and wants of their customers. This is done through offering their customers products that they want. It is, therefore, important for SMEs to select the right products to sell, as selling the wrong products can result in loss of profit for the SME. It is, thus, important for SMEs to have a strategy or to consider various factors when making decisions regarding the product mix to sell in their stores. This study thus aimed to identify if SMEs develop strategies when deciding on products to sell and, if so, what factors do SME owners consider when deciding on what products to sell in their businesses.

In determining if and how SMEs made decisions regarding their product mix, this study looked at three different sets of aspects that could have an influence on the SMEs choice on which products to sell, product attributes, beliefs about consumer behavior and strategic factors.

The study revealed that South African SME owners consider product characteristics, consumer behavior and strategic aspects in making their product mix decisions. Product quality is regarded as the most important product characteristic by these SMEs. SME owners are in an agreement that people or customers will pay a premium for brand names and that the most important strategic aspect is the aims of the business when making a product mix decision. It is clear from the study that clusters or categories of SME owners can be formed based on product characteristics, consumer behavior and strategic aspects when it comes to finding the right merchandise to sell to consumers.

Based on the findings of this study that considered only a limited set of aspects that could be involved in making product mix decisions, it is clear that SMEs do make decisions regarding the product mix and they do exhibit different profiles regarding these decisions. This fact could contribute to reasons why certain SMEs are successful and others are not. This research also provides a greater understanding of SMEs and how they make their strategic and product mix decisions.

Future research could build on these findings by possibly extending the sets of aspects that could influence the forming of product mix decisions to determine the extent to which the resulting product mix decision profile groups tend to be successful or not. Future research could also focus on specific characteristics and determine the exact set of characteristics that influence product mix decision making. It is recommended that SME training should also focus on their business products and how to make

appropriate product mix decisions. The results of this study can provide SMEs with a base of what aspects to use or look for when making product mix decisions.

There were a few limitations to this study. The study followed a convenience sampling method and, as such, cannot be generalized to the entire population.

Further research should also be done on a larger sample size in order to obtain a holistic view of what aspects SMEs consider when making product mix decisions. This study also only focused on a limited number of aspects that could be involved in making product mix decisions.

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