MARKETING PRACTICES OF SMALL & MEDIUM SIZE ENTERPRISES: A CASE STUDY OF SME’S IN MULTAN DISTRICT.

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ABSTRACT: Small and Medium Size Enterprises are the backbone of every major economy and empirical studies prove that small firms are more efficient and innovative in their operation, product development and marketing strategies. The objective of this research study is to analyze marketing practices (strategies) of Small and Medium Size Enterprises running entrepreneurs in Multan. This study is qualitative in nature in which we have studied the major characteristics of selected Small and Medium Size Enterprises. Primary Data was collected through a structured questionnaire by having interviews with the entrepreneurs. At least thirteen Small Medium Size Enterprises operating in Multan District were selected as a sample of study and a formal questionnaire was prepared. A field survey method was applied and faced to faced interviews were recorded to analyze the marketing strategies of SME’s. The evidences show that SME’s under study achieved success and established their names and brands through innovations. Their innovations were in the shape of unique designs that not only meet the need of customers. Their services are innovative in a sense that they satisfy the customers. Thus our consistent with previous studies which pinpoint that small medium enterprise are innovative and more efficient than large firms.

KEYWORDS: Innovation, Marketing, SME’s, Entrepreneurs

INTRODUCTION

Definition of what actually qualifies a small business as small is a fundamental problem that should have to be addressed: A small firm is actually defined as follows:

1. **Micro:** one to nine employees
2. **Small:** ten to ninety nine employees
3. **Medium:** 1 hundred to four hundred and ninety nine employees
4. **Large:** five hundred or more employees

Small firm is basically defined as “an independent owner/managed business organization of limited significance in the industry, in which less than one hundred employees are employed. Small firms tend to be more innovative and creative than larger ones. Small firms have the capacity of operating on that of slim margins and can take the decisions very quickly. The marketing of
small firm characterized as unstructured, loose and informal. SME marketers may consider marketing as a synonym of either advertising or selling basic marketing concepts such as segmentation, targeting, positioning, customer orientation and seeking for competitive advantage apply to small as well as large ones. This is a general understanding among researchers, public commentators and politicians that now in this new economic era we are moving towards favoring of small firms. Its sign is contribution to employment by small businesses in an economy that is growing uniformly across this industrialized world small firms are doing better than that of big firms in the economy. A general understanding of small firms can be summarized as follows:

1. In all of the economies the majority of the firms are small.
2. They are important to the development of economy.
3. They are net providers of new jobs and innovation.
4. They open up new markets and expand customer choices.
5. Benefits associated are opportunity to self development, contributing to society, making money and having a more enjoyable life.
6. Draw backs are uncertainty, hard work, economic risk, a greater burden of responsibility and lower quality of life.
7. Financial planning with cash management is very important to that of small firms
8. Market focused small firms, close to their all customers have a larger chance of their survival .the main function of small firm is to create and maintain customers.

Entrepreneurial marketing defined as marketing carried out by managers/owners of entrepreneurial ventures and entrepreneurs. Entrepreneurship can be divided into two broad categories:
1. Personality study of individuals that identify common psychological and social traits among entrepreneurs compared to non-entrepreneurs.
2. Behavioral investigation about what entrepreneurs do and the process for carrying out their activities.
Entrepreneurial marketing concept is basically focused on the development of new ideas and innovations with an intuitive understanding of marketing needs entrepreneurs target customers through a bottom up approach to the market place, not through the targeting positioning and top down segmentation of traditional marketing. Entrepreneurial marketing is characterized through by gathering of informal information through networks of personal contacts rather than that of systematic market intelligence gathering in traditional marketing texts.
Marketing variables (alternative channel, product enhancement, altering the marketing mix and product distribution), modification, customer focus, unique proposition, market focus and integrated marketing traditional marketing theories fail to account for marketing in small firms.
Marketing is described as a means to inform the customers about the firm, its product and services. Marketers in small and medium size enterprises are interested in maintaining and creating the customer relationships. The main aim of marketing is to create sales. SMEs tend to be focused on their sales, because firm’s survival is highly and often dependent on its sales.
Four elements of marketing have been found:
1. As philosophy
2. As strategy
3. As tactics/methods
4. As market intelligence(Rat Natunga and Romano,1995; Stokes 2000)
LITERATURE REVIEW

Stokes (1995) argues that “Definition of what actually meant by a small business as "small" is a fundamental problem that should have to be addressed if more is to be understood about small businesses and the ways in which these businesses are operating and carrying out their tasks and activities” (Stokes, 1995). Stanworth and Curran (1981) in their paper examined that Defining the small firm is perceived as a very difficult Task (Stanworth and Curran 1981), with no consensus in the literature as to what actually constitutes a "small" firm (Ibrahim and Goodwin, 1986; Keats and Bracker, 1988; Kenny and Dyson, 1989; Cromie, 1994; Karlsson and Ahlstrom, 1997, and Deakins, 1999). Eyre and Smallman (1998) reproduce the Commission of the European Communities (1992) and the European Network for SME Research (1994) groupings as follows, “small firms are categorized on the basis of number of their employees” which are as follows:

- Micro: Nought to nine employees.
- Large: Five hundred or more employees
- Medium: One hundred to four hundred and ninety nine employees.
- Small: Ten to ninety nine employees

The small firm is to be defined as: “an independent owner/managed business organization employing less than one hundred employees with a significance that is limited with in an industry, where the omnipresence of owner and manager creates a management style that is highly personalized. Evans and Moutinho (1999) examined that they are very close to their markets, have a lot of flexibility which they value most (Evans and Moutinho, 1999). Rogers (1990) says that they have the capacity to operate on that of slim margins, and can take the decisions quickly (Rogers, 1990). They also have limited material, human, financial and informational resources (Stasch and Ward, 1987; Shrader, Mulford and Blackburn, 1989; Rogers, 1990; Fletcher and Peters, 1997). Me Gaughey (1998) argues that small firms are believed to have an edge over the larger firms in innovation, flexibility and overhead costs; while on the other hand, they are limited by their amount of capital, market power and managerial resources (Me Gaughey, 1998).

Gronroos (2006) argues that “Marketing is a task of whole organization not just a task of marketing department” (Gronroos, 2006). Marketing focuses on the use of marketing mix as tactics/methods (4 P’S product, price, place, promotion). Simpson (2006) examined in his paper that “There is no clear theory of marketing in SME’S” (Simpson, 2006). APIAH-ADU (1998) identified that performance of small firms is enhanced on the basis of customer orientation and such firms will generate more profits than the less customer oriented ones (APIAH-ADU, 1998). CARSON, D (1993) recognized that marketing thoughts could not be regarded as same or either uniform within SME, s. They vary on depending, e.g. on firm size and customer markets by (CARSON, D, 1993). McCartan-Quinn (2003) has identified that Marketing practices depend on manager’s/owners attitude, experience and expertise in marketing (McCartan-Quinn, 2003). Service marketing adopt 7Ps which are: “product, price, place, promotion, people, process and physical evidence”, importance of promotion and word of mouth is stressed by entrepreneurs and their focus on the four ‘Is’; “information, identification, innovation and interaction” by (dwyer, 2009) (stokes, 2000). Smith. D., (1990) examined that small business success is dependent not only
on the presence of products and markets, but also on the efficacious marketing of those products is also necessary within those markets for the success of firms (smith. D,1990).

Drucker linked the innovation to the marketing function. “Continuity of innovation, attributes of innovation, nature of innovation and degrees of innovation” are characteristics of innovation in business. “The element that forms the basis of innovative marketing are categorised in terms of”:

1. Modification,
2. Customer focus,
3. Integrated marketing,
4. Market focus,
5. Marketing variables and
7. The case study research method basically was used to investigate the nature of innovative marketing within SMEs operating in a market environment which is turbulent. The research goal was to understand the complex and critical issue of innovative marketing in SMEs. According to Harker and Harden (2000), “SMEs and their marketing experiences benefit from being relayed for discussion in case study format, as this provides better and good understanding of the research issue in its natural and real context”. Eisenhardt (1989) commends case study research as being highly complementary to incremental theory building, so facilitating the emergence of new theoretical relationships.

One of the early contributors to the literature based on innovation, Schumpeter (1939) “out-lined two types from a microeconomic perspective, “managed innovation and entrepreneurial innovation” (Schumpeter, 1939). Storey (1994) holds that “innovation is basically associated with more rapid growth within that of small firms”. Heunks (1998) found that “innovation of any kind fosters and increases the growth of small firms”. The competitive environment by (Nolan and Dong, 1990), psychological traits by (Guo, 1990) and the entrepreneurial spirit by (Kirby and Fan, 1995; Siu et al., 1993,) are essential to the success of small firms. Friesen and Miller (1982) discovered that Customer tastes/choices and their expectations fluctuate or competitors introduce their new products, the pressure on firms to innovate will be greater and the level of innovation will become more high. Rumlet (1984) and Liao (2009) says in his article that increasingly, innovation in new products/services and the implementation of key processes are becoming vital sources for firm competitive advantage (Rumelt, 1984; Liao, 2009).

Skyrme and Arnindon (1997) discovered that knowledge management is understood to have the ability to increase competitive advantage in firms, such as developing and increasing employees and lowering overall costs and (Skyrme and Arnindon 1997). Teece (1997) discovered that “The resource-based view suggests that “competitive advantage can be obtained from unique bundles of tangible and intangible assets that are rare, inimitable, valuable, and sustainable. Knowledge based resources have been described as one of the most important resources as knowledge can affect the transformation and manipulation of other resources in order to add value to a firm” (Teece, 1997). According to Rigby and Zook (2002), there appears to be a relationship between
innovation and knowledge, with research suggesting that knowledge flows are important in the process of innovation.

The approaches that both reflect and contribute to SME marketing are:

- Network Marketing
- Adapting standard textbook marketing frameworks
- Competency marketing
- 'Innovative' marketing

Innovation in SMEs is focused on product innovation; “assuming that this is the point where most SMEs are innovative. SME’s develop products that are only marginally differentiated from others and much of the product innovation is in response or reaction to the demand of the customers. Innovative Marketing in SMEs is much wider than simply product innovation, and much research in the area recognizes this wider spectrum. Innovative marketing is not simply focused on product innovation; instead it covers the whole spectrum of marketing activity within an SME. There is likely to be more innovation in other aspects of marketing activity than there will be around the product or service ”. These three dimensions of SME marketing “networking, competencies, innovation” will be used and will contribute to the fourth dimension of adapting marketing techniques and tools for the unique characteristics of SMEs. This will result in marketing activities which can be described as “marketing in context” for SMEs.

Women entrepreneurs are increasingly recognizing that they are playing an important role to the unprecedented growth of the Small and Medium Enterprises. Global Entrepreneurship Monitor (GEM) is an annual study that measures these changes, while offering insight into emerging trends and practices from around the world. According to that of its most recent output, the last year has seen a significant shift in the performance of female entrepreneurs. For the first time in previous 13 years, women are creating businesses at a greater rate than men in three of the 59 surveyed economies, while they are also performing on an equal footing with their male counterparts in four additional nations. Kamberidou and Fabry (2012) identified that “New models of work are emerging due to globalization, social attitudes and changing demographics, and For example, parenthood is a role that men are increasingly sharing, and not only that! Men are also seeking the so-valued family-career balance.

**RESEARCH METHODOLOGY**

Research methodology is basically a systematic way to solve a problem. It is a science of studying how research is to be carried out. Essentially, the procedures by which researchers go about their work of describing, predicting and explaining phenomena are called research methodology. It is also defined as the study of various methods by which knowledge is being gained. Its aim is basically to give the work plan of research. Based on the view of marketing practices of small and medium size enterprises and consistent with the philosophical assumptions, this research will use qualitative methodology which is used for exploration (i.e., hypothesis-generating) or for explaining puzzling quantitative results. Quantitative methods, by contrast, are used to test hypotheses. This can increase our appreciation of how marketing practices of small and medium size enterprises are being performed. Either they are innovative or not? Second, qualitative studies
can be helpful in developing theory as they give us real constructs context bound understanding which may be explained in the shape of theory that can then be tested and generalized (Bell, 2007 and Bryman).

The research method used in this study is a case study with a pattern matching technique. The choice also stems from my natural desire as being to work on this topic to get real experience to broaden my vision on small and medium size enterprises. “Case study is an empirical inquiry that has strength in investigating and explaining a phenomenon in its real-life context (Gummesson, 2000 and Yin, 2003). Case studies are analyses of events, persons, periods, decisions, projects, policies, institutions, or other systems that are studied holistically by one or more methods. Based on the view of marketing practices of small and medium size enterprises and consistent with the philosophical assumptions, this research will use qualitative methodology, as qualitative methods are used for exploration (i.e., hypothesis-generating) or for explaining puzzling quantitative results. Quantitative methods, by contrast, are used to test hypotheses. This can increase our appreciation of how marketing practices of small and medium size enterprises are being actually performed. Either they are innovative or not?

Sources of data are Bibliographical research and Internet search. Population &Sample is Business owners of small and medium size enterprises running their businesses in Multan district. We have mainly selected 13 Small & Medium Size Enterprises that include Araish Enterprises, Naseem Akhter Enterprises, Rukhma Enterprises (Electronic items), Rukhma Enterprises (Furniture items), Zahra Enterprises, Sahrish Enterprises, S.N. Traders, Attire Boutique and Beauty, S O M G International, Zakfas Pharmaceuticals Pvt. Ltd, Al-Khair industries, Multan Spinning Mills and Digital Dreams as sample.

Hypotheses
“Small and medium size enterprises carrying out their marketing practices either they prefer to do innovative marketing or not?” Hypotheses are being drawn on the basis of these studies and previous researches given in the articles:

H1: SMEs do not conform marketing strategies often practiced by their competitors.
H2: By assessing the market information from their personal contacts and through different sources, entrepreneurs are kept informed about market and identify market opportunities.
H3: By assessing the market information from their personal contacts and through different sources, entrepreneurs respond to the innovative ways often with the involvement and development of new products.
H4: Sound judgments are being able to identify market opportunities and key personnel help entrepreneurs to capture customers and entertain them.
H5: SMEs emphasize on personal relationships in developing the customer base and on the significance of customer satisfaction to competitive success.
H6: SMEs do differentiation largely based on market and market information.
H7: Knowledge of the product and market helps entrepreneurs to build and maintain their customers.
H8: Communication skills will help entrepreneurs to build and maintain their customers.
H9: Demand for the product and service is established by an entrepreneur by fostering informal relationships with customers, products are modified and they consistently meet the demand of customers.

H10: SMEs will get information about customers from networks. They use this information for determining the prices of their products.

H11: Networks contribute to the product pricing and promotional decisions of entrepreneurs.

Selected Variables
1. Marketing variables (Product enhancement, alternative channels and methods of product distribution, and altering the marketing mix),
2. Modification (Change management and proaction)
3. Integrated marketing (Marketing integration and the permeation of marketing),
4. Customer Focus
5. Market focus (Vision, profit and market-centred)
6. Unique proposition (Uniqueness, newness and unconventionality)

Estimation Techniques
The research method used in this study is a case study with a pattern matching technique. To analyze the interviews I use `pattern matching` technique which means that the expected outcomes will precisely match the predicted ones.

THEORETICAL FRAMEWORK

Gronroos (2006) identified that “Marketing is a task of whole of the organization not just a task of marketing department” (Gronroos, 2006). Me Gaughey (1998) and J (2001) mentioned that “Small firms have a limited impact in their given markets, and limited network access and identified several drivers that enhance closeness between the small firms and their customers (ME GAUGHEY, 1998 and J, 2001). Scott (1996) discovered that these drivers include: “knowing the customer personally, feeling of locality, easy accessibility, lack of bureaucracy and concentration on profitability that will be long term”. Scott (1996) and Carson. D (1993) says that “Marketing thoughts could not be regarded as same or either uniform with in all SME’s. They vary on depending, e.g. on firm size and customer markets” (HOGARTH-SCOTT, 1996 and CARSON.D, 1993). Marketing practices depend on managers/owner’s attitude, experience and expertise in marketing by (McCarty-Quinn, 2003). Marketing characteristics of small firms are derived from experiential knowledge of owner/manager and the firms characteristics such as ownership, independence and having limited resources (Carson D and Mc Carton-Quinn,1995). Service marketing adopt 7Ps (product, price, place, promotion, people, process and physical evidence).importance of promotion and word of mouth is stressed by entrepreneurs and their focus on the four Is; “information, identification ,innovation and interaction” by (dwyer, 2009 and stokes, 2000). Arias-Aranda (2001) discovered that “firms innovate in response of an business environment which is appropriate and limited growth conditions. Small firms have been found to have higher rates of innovation than that of larger ones. Drucker linked the innovation to marketing function. Continuity of innovation attributes of innovation, nature of innovation and degrees of innovation are characteristics of innovation in business. The elements that form the basis of innovative marketing are categorized in terms of:
1. Modification,
2. Customer focus,
3. Integrated marketing,
4. Market focus,
5. Marketing variables and
6. Unique proposition by (carson et al., 1998; Cummins et al., 2000; kloendl et al., 1996).

One of the early contributors to the literature based on innovation, Schumpeter (1939) “out-lined two types from a microeconomic perspective, “managed innovation and entrepreneurial innovation”. Freeman, Clark, and Soete (1982) summarized “entrepreneurial innovation occurs when new developments in technology and science yield economic opportunities that are seized by enterprising entrepreneurs; small, dynamic and ever fast growing firms emerge and will become the primary engine of innovation”. As the markets and industry matures, the surviving firms will become larger, differentiation between competing products is less, and competition basically shifts to price. Storey (1994) holds that “innovation is basically associated with rapid growth within that of small firms”. Heunks (1998) found that “innovation of any kind fosters growth of small firms”. The competitive environment (Nolan and Dong, 1990), psychological traits (Guo, 1990) and the entrepreneurial spirit (Kirby and Fan, 1995; Siu et al., 1993) are essential to small firm success. Russell and Russell (1992) note that; ‘One of the few sets of findings in the literature of innovation is that “innovation is positively co-related with uncertainty of environment. There are two clear explanations for this finding. The first is that a high degree of innovation leads to increased uncertainty among managers, i.e. innovation causes uncertainty in the environment. In contrast, the alternative holds that high levels of uncertainty will generate more innovation. “The innovation literature commonly suggests that firms are likely to pursue more proactive” by (Ozsomer 1997). The more complex the environment, the greater they will innovate and the more innovative they are likely to be by (Bhide, 2000; Miller and Friesen, 1982). Barney (1991) commends that “There lies an intersection of the resource-based view of the firm, the knowledge based view of the firm (Barney, 1991). According to Rigby and Zook 2002, there appears to be a relationship between innovation and knowledge, with research suggesting that knowledge flows are important in the process of innovation.

FINDINGS & RESULTS

We summarize our findings in the followings:-

1. The analysis undertaken for this research on the topic of “Marketing practices of small and medium size enterprises” utilized the framework of TAPE to facilitate an overview of the literature review and the research findings. Our study shows that the marketing practices of small medium size enterprises are innovative and efficient in their operation, product development and marketing strategies. The findings illustrate that “transformation; assimilation and prediction (TAP) are strongly relevant to the innovative marketing activities and practices of the SMEs.2. The SME’s do not follow traditional marketing strategies but opt their own unique marketing practices. For example, SME’s involve in fashion of cloth introduce new style of fashion and design of clothes. This does not only establish their brand in the market but also maintain the loyalty of their customers
3. As we have conducted the interviews from SME’s, the enterprises have maintained a strong customer base. They are market focused and they have earned a lot of success by making exhibitions for the sale of their products. Their marketing network consists of their regular customers, old friends and suppliers and distributors. Entrepreneurs running their enterprises are very much customer focused for the sake of competitive advantage. Knowledge of the product and market is very necessary for strong customer base. Innovative aspects of manufacturing sector enterprises includes: launching of new products with new unique designs e.g Digital Dreams (Software house) and providing new software’s to their customers on their demand. SMEs engage in designing, identifying and implementing product improvements, which transform services and products for making them more attractive to their customers.

On the basis of the analysis our hypothesis are proved and accepted above 90 percent that are:

1. SMEs do not conform marketing strategies often practiced by their competitors.
2. By assessing the market information from their personal contacts and through different sources, entrepreneurs are kept informed about market and identify market opportunities.
3. By assessing the market information, entrepreneurs respond to them in an innovative ways often with the involvement and development of new products.
4. Sound judgments are used to identify market opportunities and a key personnel helps entrepreneurs to capture customers.
5. SMEs emphasize on personal relationships in developing the customer base and on the significance of customer satisfaction to competitive success.
6. SMEs do differentiation largely based on market and marketing information.
7. Knowledge of the product and market helps entrepreneurs to build and maintain their customers.
8. Communication skills will help entrepreneurs to build and maintain their customers.
9. Demand for the product and service is established by an entrepreneur by fostering informal relationships with customers, products are modified and they consistently meet the demand of customers.
10. SMEs will get information about customers from networks. They use this information for determining the prices of their products.
11. Networks contribute to the product pricing and promotional decisions of entrepreneurs.

CONCLUSIONS

Our topic of thesis was “Marketing Practices of Small and Medium Size Enterprises: A Case Study of SME’s in Multan” and for this purpose we selected thirteen small medium size enterprises working in Multan District. Field research survey method was used to study the characteristics of SME’s. The distinction of our study is that we conducted face to face interviews of the most of female and male entrepreneurs who had a variety of marketing experience. Before initiating this research study, we have the problem whether small medium size enterprises operating in Multan are following innovative marketing practices. Our research is about business owners running their small firms in Multan are not focusing more on traditional marketing. Our objective is to interpret the way they are carrying out their marketing activities either they prefer to opt innovative marketing or using traditional marketing strategies? According to our research study, the small and medium size enterprises in Multan are practicing their marketing as follows:
SMEs in Multan do product enhancement with the improvements in products which transform the products and services making them more innovative to customers. They exclude the traditional marketing elements. The marketing mix comprises of Product, Price, Promotion and Placement. Marketing activities and practices of SMEs in Multan integrated into all organizational functions. SMEs personnel engage in more marketing roles and undertake the marketing activities and practices as an integral part of their business such as key personnel in SMEs entertain customers and thus capture more customers on the basis of their kind attitude and communication skills. Customer and market orientation are founded on forecasting and predicting customer and market needs. Customer focus is the central element to predict and then satisfy customer needs more profitably. SMEs in Multan are both customer focused and market focused in anticipating and identifying marketing activities and practices for maximizing efficiency, effectiveness and profitability in future.

Variable “new” refers to SMEs introduction of new products, processes/services as a part of marketing activities and practices. Unique focuses on the uniqueness of each new element. SMEs in Multan introduce the products in their own enterprises that are different from their competitors. Uniqueness is also present to some extent in their services and products, I have found uniqueness very rare in small and medium size enterprises. This research develops a framework that categorizes SME innovative marketing constructs (marketing variables, modification, integrated marketing, customer focus, market focus and unique proposition) in accordance with their role in innovative marketing and practices in SMEs. Hence, the theoretical framework TAPE was developed to encapsulate and explore elements of SME innovative marketing. Building on these elements the framework categorized these constructs in accordance with their role in transforming SME marketing activities and practices; assimilating marketing practices throughout the SME, predicting SME marketing requirements, and developing an exceptional service or product. The framework facilitates the identification of themes, and the exploration of the significance of such themes which contributed to the theory building required for this research.

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