



A study of SMEs marketing capabilities in relation to four P's of marketing

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Abstract

The marketing capability of a firm denotes several aspects in relation to arranging complex combination of human resources or assets, market assets and organization assets. These three assets help in deciding the actual capability of the organization. Along with these assets it is equally important to understand the scope of firm capabilities with respect to the four P's of marketing. The purpose of the study was to find out the role of marketing practices in small and medium industries in some selected cities of Madhya Pradesh state. To analyze the facts the present study is designed to understand the scope of marketing practices followed in smaller and medium industries of M.P. The main aim of the study is to examine the approach and growth perspective of small and medium scale industrial units towards marketing function and its problems.

Keywords: SMEs marketing capabilities, macro environment and its analysis, environment and its relation

Introduction

SMEs (Small and medium enterprises) constitutes a significant part which is responsible for the growth and development of Indian economy. It is contributing considerable proportion in the industrial output (45%), exports (40%), which is creating one million jobs yearly and generating more than 8000 products quality products for the Indian and international markets.

While the large no. of MSMEs and their contribution present immense potential, they are beset with challenges, which when addressed would unleash this capability to propel India's economic growth significantly.

The present scenario of India focuses on grooming and strengthening the smaller and medium enterprises apart from boosting the larger industries. Many government assisted schemes have been designed to accomplish the goal. The public and private sector are equally promoting the Industrial development in India. Various industrial policies have been introduced by Indian government to promote and encourage the small and medium industrial sectors. As a result of it, today Indian industries have reached to a good position. There are also some industries which are depending on main industries. The small and medium industries today have become equally participative to remain competitive in the market. The Indian market today is more dynamic and progressive. Hence to draw best results in terms of profit, marketers should adopt a vigilant approach. The proper mix of marketing practices may lead SMEs to achieve their objectives.

Small and medium enterprises (SMEs) have been measured as the engine of economic growth and pillar for promoting impartial development. The sector benefits majorly in employment generation at stumpy capital cost. The absorption of labor is far more exist in SMEs in comparison to large industries. SMEs are occupying an established role in the economic and social development of the country. This sector nurtures the entrepreneurship which is the result of individual creativity and innovation. Generally, The SME sector is important for the creation of employment, facilitation of broad-based development, and the distribution of income. Its income generation activities contribute to

both resource accumulation and poverty reduction. It can be said more clearly that the SMEs development is assisting more in increasing the achievement of wider and broader objectives of economic and socio-economic including poverty alleviation.

Marketing capability

The marketing capability of a firm denotes several aspects in relation to arranging complex combination of human resources or assets, market assets and organization assets. These three assets help in deciding the actual capability of the organization.

The human assets are the most important and intellect assets and are resource persons which helps in determining the decision related to marketing related activities

The market assets are those which represent the position of the organization in the market. The variables like market share, customer relationship, marketing channel position and other physical facilities for the smooth flow of work of marketing for instance sales subsidiaries, logistic systems, communication network with customers, suppliers, etc. (Elssaser 1984 and Johansson and Mattsson 1985).

The organizational assets represent the marketing solutions and the marketing strategies of the organization. The marketing solutions provides the basis on which the company is willing to operate over its marketing activities as well as how well the marketing function is integrated with the other functions of the organization. The other aspect of marketing strategies comprises of policies, plans and programs developed and acted upon the company.

At next level the marketing capability deals with two types of domains under the scope of marketing domain. The external and internal domain forms the part of marketing capability as the overall position of the company can be assessed. The external domain helps in understanding the environmental position of the firm by evaluating the customer and competitor behavior, as well as maintaining relations with the stakeholders. At macro level it can be labeled as macro or industry or task environment.

Another sub domain of marketing capability deals with the internal environment of the organization. This domain is closely related to the management of the firm. Thus the

whole concept consists of four-level perspective applicable on classifying the responsibilities of managers and the tasks. Below are the four perspectives:

1. Describing the business and its strategy of the firm.
2. Integration of key functions of the firm R&D, marketing, production.
3. Managing the marketing functions.

4. Operational planning and management system of the firm.

In order to understand the above-mentioned domains practically, it equally becomes important to understand them in detail.

The two domains and are discussed and presented in figure as follows:

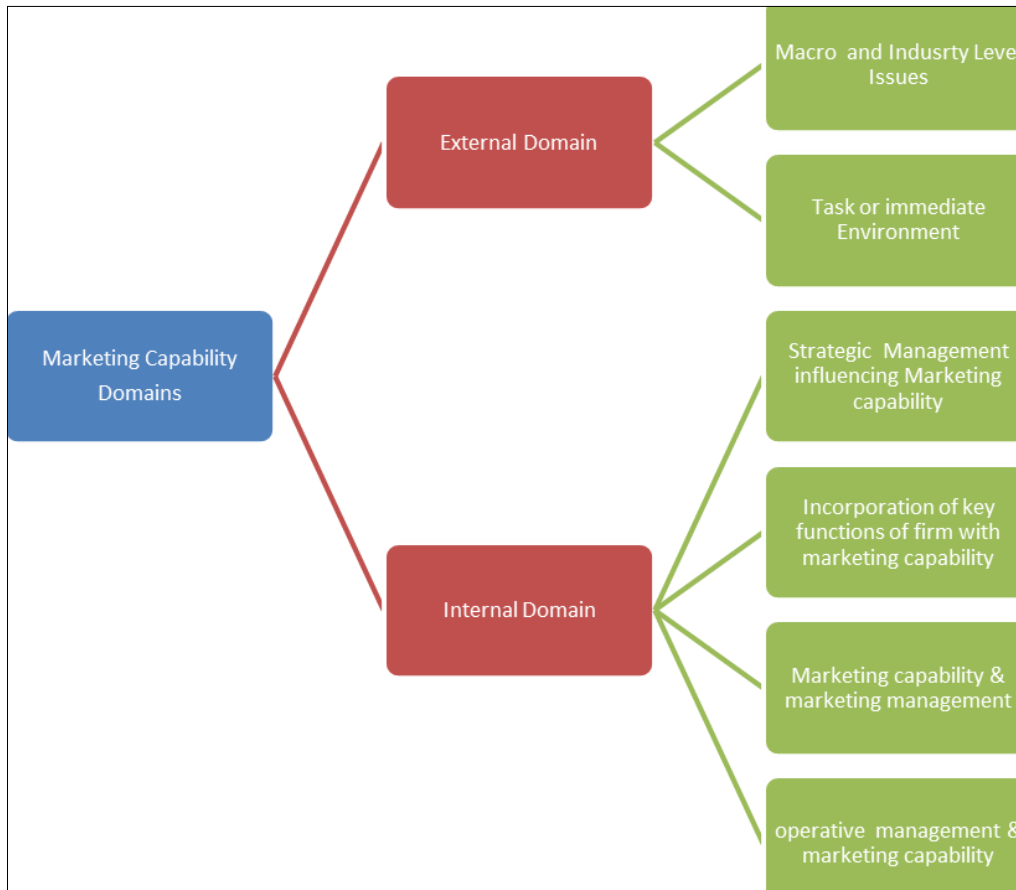


Fig 1

External domain

As discussed above the external domain helps the firm in taking care of the environment over which the firms do not have any control. This environment has a considerable influence on firm’s performance, potential and strategic decision options in daily routine of the organization. The marketing capability is highly associated with the macro environment of the firm. It can further be understood by dividing the external environment into.

- a. Macro and Industry level issues
- b. Task environment.

The macro environment and its analysis with respect to marketing capability

The macro environment deals with the issues on large scale. All types of environment like political, technological, cultural, economical, social etc come in it. The macro environment influences the day-to-day operations of organizations. The small and medium firms are affected on a huge scale and so their marketing capability gets affected. Proper monitoring, analysis and understanding of macro environment issues become essential for any firm in order to understand the external marketing capability of the organizations. Some important points to be remembered at

its analysis are identifying the macro factors affecting the industry, understanding the demand of the industry, grasping of competitive opportunities, to know the supplier markets. The external analysis is based on analyzing the human aspect under the scope of marketing capability. Different levels of competency in managers can be considered as some of the factors which lead to success or failure.

Task Environment and its relation to Marketing capability

The task environment comprises of the factors which are directly related to the work of the organization. This directly influences the day-to-day operations of the organization. Customers, competitors, distributors and consultants are some of the examples of task environment. Marketing capability plays a crucial role in satisfying these stakeholders. For taking out the advantages of competition the above are the basis and requirements for designing of strategies (Porter 1985).

The four factors discussed here with define the key dimensions of customer related marketing capability:

1. Pre facto analysis of customer needs and wants towards product/services.

2. Understanding the purchasing strategies of customer.
3. To assess the interdependence structure of key stakeholders.
4. Able to manage successful customer strategies.

The factors discussing the marketing capability issues in relation to competitor's knowledge and analysis are:

- a. To understand the position and strategies of the key competitors towards their customer base.
- b. To carry out the SWOT analysis of competitive parameters of the firm.
- c. Management ability to analyze competitors strategies towards their customers
- d. To understand the relationship of the competitors with their stakeholders.

Internal domain

Internal domain is the sub domain which considers the internal management of the firm. It takes care of internal strategic management, as well as the proper integration among the other functions of the organization. The classification mentioned in the figure is discussed as follows:

Strategic management influencing Marketing capability

The capability of marketing is highly influenced by the strategic decisions of the firm. The strategies should be designed in order to fulfill the long term goals of the firm as well as meeting competitive advantage over the rivals. A proper strategic advantage can be availed if applied in right direction. The important areas of strategic management are the analysis of customers, competitors, distributors combined with other strategic inputs such as finance, R&D and Human resources. Marketing sees management of the firm as being market-driven. Marketing concepts its tools and techniques, such as market segmentation, positioning and the product life cycle concept, helps in defining the firm's environment and frame strategic choices in terms of customer (Biggadike 1981).

The strategic management in terms of marketing capability can be defined as

Management's capability of applying market- and marketing-oriented concepts and tools for (1) determining the business mission of the firm, (2) the development and maintenance of the competitive advantage of the firm, and (3) the development of subsequent business strategy.

Thus according to the above definition the marketing capability refers to the human assets aspect of marketing capability. Its proper implementation may lead to manifest the strategic planning system of the company.

Incorporation of key functions of firm with marketing capability

The marketing capability can be enhanced with the proper incorporation among marketing business strategies with the other functions of the organization. It has been evident from prior researches that the larger corporate or the manufacturers very rarely involves in any kind of conflicts between various functions of the organization like marketing function with other functional areas of Human resource, production, R&D or any other, while this may not be in the case of small firms (Weinrauch and Anderson 1982). In smaller firms the degree of conflicts is higher as there is much involvement of owner-manager is there. Thus

there are possibilities of mismanagement of functional relations which may hamper the growth of the firm. Thus in order to flourish the capability of marketing it has to be well integrated with the other functions of the organization.

Marketing capability and marketing management

The well managed marketing system may lead to increase the marketing capability of the firm. All the marketing practices like decision in terms of 4 P's or 7 P's in case of service marketing, STP strategy (Segmentation, Targeting and Positioning), building profitable customer relationships, Branding and many more are required for successful implementation of marketing program in the firm. All this depends upon the competence of the manager and his/her intellect to deal in the competitive market. Now apart from sole managerial competence, efficient marketing depends on a sufficient number of marketing personnel as well as physical facilities for carrying out marketing activities (sales office, warehouse, customer relation department etc.).

Operative management and marketing capability

Lastly the operative management is the sub area which is very important to be implemented in right direction. The plans and programs drawn successfully do not guarantee its successful implementation too. For achieving or utilizing the full potential of marketing plans it should be launched most efficiently on its operative stage. The marketing capability of the firm can be evaluated in following way:

1. Quality of marketing planning and the management system.
2. Sufficient utilization of marketing information in the management system.
3. Incorporation of marketing operations and control items into the system and check for its flexibility.
4. The use of control information system in education and motivation of marketing personnel, i.e. the management by objectives perspective.

Literature review

Marketing is the most significant function of an organization required for the growth of any business. It helps in creating an awareness about the product in the market or else nobody would know of their existence (Hawes in: fin24 2013). SMEs due to their small scale of operations and lack of experience in the market face various challenges as discussed in the previous section. The growth and success of small businesses is not only possible on the ground of products and markets only, but efficient marketing is also needed in the markets (Smith, D., 1990). Small firms in the beginning phases often face marketing challenges which can determine the success or failure of the business. Srinivasan. R. in 1997 quotes in State Bank of India Report which identified that financial management, lack of planned and organized approach are the major cause of failure of SMEs. Research indicates that small businesses tend to have a higher failure rate as compared to large organizations, although they are commonly perceived as an engine of a country's economy (Woldetsadik Kagnew Abebaw, Sisay Mulate, Lemma Nigussie., 2018). The beginning of any small business will decide its possibility of success or failure. It is significant to be understood that even a small mistake on the management part could be a big loss to the small enterprises hence there is no opportunity to be learned from its mistakes.

The causes like inefficient arrangement of finance and its management, poor planning can also be called as important causes of SMEs failure.

Marketing can take on a variety of forms; however, the two main methods that are prominent in modern day society are that of traditional and e-marketing activities (Salehi *et al* 2012:385). Traditional marketing tools can be described according to Taherdoost and Jalalivoon (2014) as business cards, magazines, newspapers, posters, commercials on television as well as brochures and billboard. In essence traditional marketing includes all promotional efforts except digital marketing tools. Traditional marketing tools fall under four categories, namely print media, Broadcast media, Direct mail and telemarketing (Marketing-schools.org, 2012; & seriously simple marketing, 2015). While new forms of marketing communication are emerging in the 21st century such as e-marketing, many businesses still make use of traditional marketing tools to promote their merchandize, and especially small businesses, due to their limited marketing budgets (Marketing-schools.org, 2012). Traditionally during early times the SMEs had less focus on marketing practices due to their small size and other problem areas like competition with larger firms, inadequate infrastructure and lack of social support, high taxes, lack of accounting knowledge, managerial incompetence, poor marketing and sales efforts, poor economic conditions, inadequate planning of operations, financial problems. Thus common forms of advertising methods that one sees every day, and has four main categories, namely: telephone, broadcast, print and direct mail were used as marketing tools by SMEs (Marketing-schools, 2012). The well mentioned marketing tools & techniques for SMEs can be described as referencing, outdoor advertising, television advertising, print media, yellow pages, directories, networking, radio, digital marketing Walter (1990) in Etim (2010) Although some of these techniques are expensive, if properly utilized they can catapult SMEs to a greater height. The marketers when use information technology to communicate, deliver value and build relationships with customers in such a way so as to benefit investors and the organization as a whole then they are using e-marketing (Liew & Loh in: Rentschler & Hede 2007:38,40). Thus it can be said that e-marketing is a fruitful result of information technology applied to traditional offline marketing principles and techniques (Hasan 2011:201). Amhed and Hussain (2014:189) found in their study of comparison between traditional marketing and e-marketing identified that the cost involved in e-marketing is relatively low which makes it a viable option for small businesses and so makes e-marketing more affordable to small entrepreneurs than traditional marketing.

For achievement of marketing goals in SMEs, the management becomes an essential element (Thornton & Kagan 2005). By this it is meant that measures taken by the management becomes very important for the performance of SMEs. The overall performance of SMEs gets affected with the decision-making capability of the entrepreneur. Hendrick & Singhai (2005) argue that management actions and managers activities are very important in today's business activities. The actions and dealing done by management in SMEs decides whether the enterprise performs effectively. Many a times SMEs try to beat competitors or related services for the betterment and improvement in their key businesses processes. Day by day

the level of competition is increasing whether it is from traditional players or new entrants. The ever changing consumer behavior, attitude, disintermediation, globalization etc are creating new-new challenges for the SMEs. Chorafas, 2014; Ardjouman 2014 advocates that by being innovative SMEs can defend themselves against rising competition, Moreover demanding consumer, monitoring cost are necessary. Many studies have been performed but it is unfortunate that none has geared attention towards significance of marketing management strategies in improving SMEs performances

Traditionally it was hard to focus on the marketing functions by small and medium firms. The use of rare marketing practices has been evident from the researches of various authors such as Stokes (1994); Gilmore, Carson and Grant (2001). Due to smaller size of these firms they were more dependent on owner's capability of decision making and skill. Marketing activity within the small firm is related to the owner/manager's attitude to, experience of, and expertise in marketing. The small firm owner/manager has little time to think strategically about the business (Brown, J., 1995), with resource constraints necessitating intuitive decision-making (Tibbits, G. E., 1981). It was also the lesser formal training leads to the reduced orientation towards marketing strategies. Evidence suggests that many successful small businesses do not practice what is conventionally described as strategic management (Pleitner, H. J., 1989). Formal marketing planning is often rejected by SMEs due to a number of reasons. First, the top-level corporate goals (survival vs. growth) might impact the organizational function of marketing.

Varinder Kumar in 2002, in his study emphasizes the effect of marketing environment on small scale industries with difficulty in performing their marketing functions even with the government Assistance.

Research methodology

Purpose

The purpose of the research is to find SMEs marketing capabilities in relation to four P's of marketing

Research design

The present study is conceptual in nature. In the research, the data was collected through questionnaire and survey was conducted in Bhopal Region.

Sampling technique

Simple random selection technique

Sample Size and structure

The present study was conducted on a sample size of 500 people.

Data analysis and interpretation

The data collected from the research is analyzed using mean and correlation test.

The questionnaire aims to understand the overall marketing practices of some selected cities of Madhya Pradesh. The design of questionnaire was on the basis of pre-facto analysis. The factors selected were based on the secondary data comprising majorly research papers and books. The research gap was identified and continued with the present study. The questionnaire comprises of five sections and the data generated was based on components of questionnaire:

a. The product related strategies: The first section comprises of quality, customer expectations, company

- product review, and new product development as product strategies feature.
- b. The price related strategies: This section comprises of competitive pricing, profitable pricing, customer price negotiation, pricing methods, price v/s performance relation as pricing features.
- c. The place related strategies: This section comprises of location benefits to customer, demand and supply management, warehouse facility, transport facility as place features.
- d. The promotion related strategies: This section comprises of promotion mix, advertising mix, customer information, promotion policy, convincing promotion policies as promotional strategies.

This section comprises of companies capability of responding to environmental changes, good salesmanship, relationship marketing, and close integration of marketing

with other functions, firm understands of industrial environmental factors, competent workforce, marketing control system, good physical facilities. In this research the marketing capability is considered as the performance of the firm because the firm will be able to perform its best when it is doing better in the above-mentioned parameters. The capability of the firm develops its potential to be competitive and enhance its performance in form of its turnover and profitability.

Data interpretation

Here Marketing Capabilities reflects Firm Performance, So four sub hypotheses were established for Marketing Practices and tested.

H₀1.1: There is no significant relationship between product strategy and firm performance The marketing capability/ firm performance

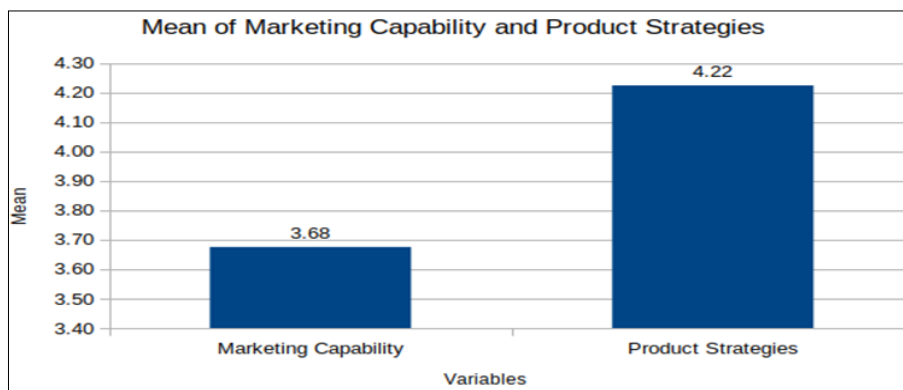


Fig 1.1: Mean comparison

Table A: Correlation Test between Marketing Capability and Product Strategy

Variables	t-value	D f	Confidence Interval	Correlation	p-value
Marketing Capabilities	3.6622	520	0.0737	0.2411	0.1585
Product Strategies					

Here Marketing Capabilities reflects firm performance, the above Table A shows that the relations between Product Strategies and Firm Performance have low degree positive correlation. The p-value is less than 0.05, means the relation between Product Strategies and Firm Performance is

significant. The figure 1.1 also shows that respondents prefer marketing capabilities lower in ‘product’ strategies.

H₀1.2: There is no significant relationship between price strategy and firm performance.

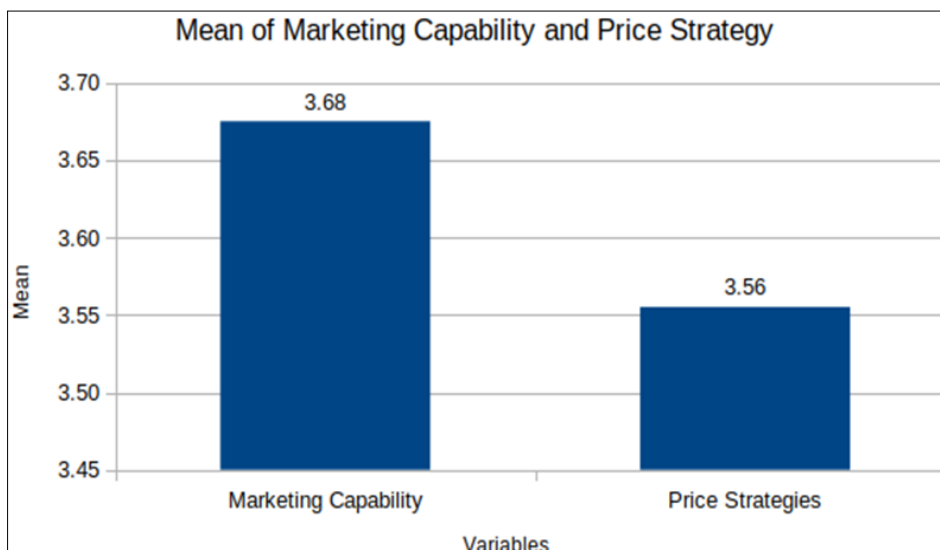


Fig 1.2: Mean Comparison

Table B: Correlation Test between Marketing Capability and Price Strategy

Variables	t-value	D f	Confidence Interval		Correlation	p-value
Marketing Capabilities	17.972	520	0.5630	0.6692	0.61899	< 2.2e-16
Price Strategies						

Here Marketing Capabilities reflects firm performance, the above table B shows that the relations between Price Strategies and Firm Performance have high degree positive correlation. The p-value is less than 0.05, means the relation between Price Strategies and Firm Performance is significant.

Fig 1.2 shows that respondents perceive marketing capabilities higher in pricing strategies.

H₀1.3: There is no significant relationship between place strategy and firm performance.

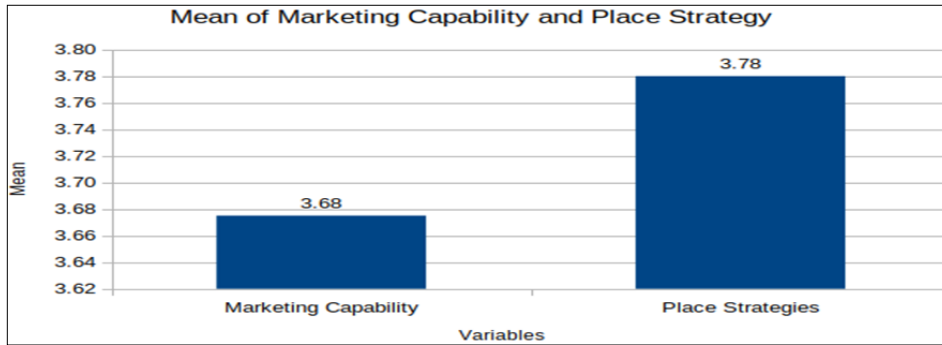


Fig 1.3: Mean Comparison

Table C: Correlation Test between Marketing Capability and Place Strategy

Variables	t-value	D f	Confidence Interval at 95%		Correlation	p-value
Marketing Capabilities	12.245	520	0.4036	0.5371	0.4731	< 2.2e-16
Place Strategies						

Here Marketing Capabilities reflects firm performance, the above Table C shows that the relations between Place Strategies and Firm Performance have moderately positive correlation. The p-value is less than 0.05, means the relation between Place Strategies and Firm Performance is significant.

Figure 1.3 shows that respondents perceive marketing capabilities lower in 'place' strategy of SMEs.

H₀1.4: There is no significant relationship between promotion strategy and firm performance.

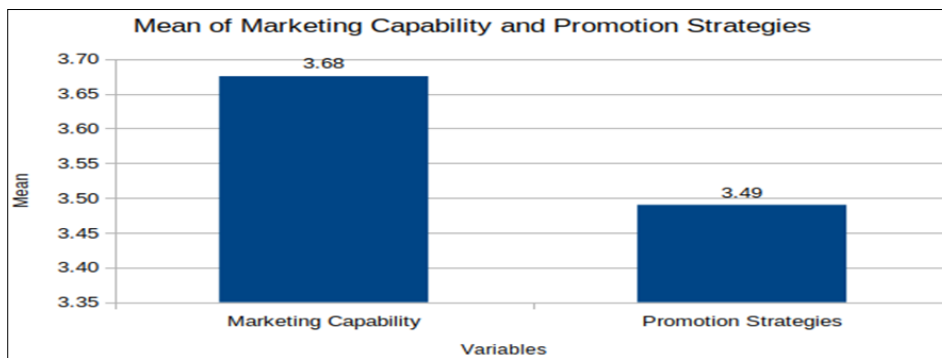


Fig 1.4: Mean Comparison

Table D: Correlation Test between Marketing capability and Promotion strategy

Variables	t-value	D f	Confidence Interval at 95%		Correlation	p-value
Marketing Capabilities	24.887	520	0.6955	0.7741	0.7373	< 2.2e-16
Promotion Strategies						

Here Marketing Capabilities reflects firm performance; the above Table D shows that the relations between Promotion Strategies and Firm Performance have high degree positive correlation. The p-value is less than 0.05, means the relation between Place Strategies and Firm Performance is significant. Figure 1.4 shows that respondents prefer marketing capabilities higher in promotion strategies. Finally studying all sub hypotheses (H₀1.1 to H₀1.4) we

concluded that there is significant relationship between marketing practices and firm performance.

Conclusion

The existing study is based on a conceptual framework designed on the basis of determined factors. The present study is an attempt to understand the practices of marketing function adopted in small and medium industries of Madhya

Pradesh. The results from the hypothesis suggest that there is significant relation between marketing practices and firm performances. The role of marketing practices in small and medium enterprises came into consideration due to the immense competition and spreading scope of businesses. The marketing practice includes the four P's (product, price, place and promotion) of marketing. The marketing practices of SMEs were checked in terms of four P's. Marketing Capabilities reflects firm performance, thus the relation found between Product strategies and firm performance have lower degree positive correlation which shows that SMEs marketing capabilities are lower in 'product' strategies. The relation found between Pricing Strategies, Promotion strategies and Firm Performance has high degree positive correlation which means that SMEs marketing capabilities are higher in 'pricing' and Promotion strategies. The relation between place strategies and Firm Performance is found to be moderately positively correlated which shows that SMEs are doing lesser in place strategies.

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