

# An Analysis upon Several Marketing Management Techniques of SMEs in Indian Context: A Sample Survey

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**Abstract – Worldwide, the micro small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The major advantage of the sector is its employment potential at low capital cost. This constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. In India too, the MSMEs play a pivotal role in the overall growth of the industrial economy of the country. Rather, Small and medium Enterprises in India are known as the backbone of the economy. The reason behind is that these enterprises are employing about 40% of India's workforce and contributing 45% to India's manufacturing output, they play a critical role in generating millions of jobs, especially at the low-skill level. The country's 1.3 million SMEs account for 40% of India's total exports. The current scenario clearly states that the growth of our economy is impossible without the growth and development of these enterprises but these enterprises are far behind the large counterparts in the economy.**

**Small and medium enterprises (SMEs) have been the backbone of the Indian economy. The good part first. Employing close to 40% of India's workforce and contributing 45% to India's manufacturing output, SMEs play a critical role in generating millions of jobs, especially at the low-skill level. The country's 1.3 million SMEs account for 40% of India's total exports. The bad thing is that SMEs in India, due poor adoption of technology and marketing practices have led to very poor productivity.**

**Although they employ 40% of India's workforce, they only contribute 17% to the Indian GDP. Now SME's have realized the importance of various marketing practices as now they are utilizing various marketing tools like internet platform, digital advertising in metro cities, mobile applications for customers, CRM and many more The study aims to know various innovative marketing practices at SMEs, trends, challenges and other related issues.**

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## INTRODUCTION

Industrial customer gives lot of prominence to quality and after sales service compared to the consumers. The industrial buyers look forward for long term relations with the suppliers and their buying process is complex. The business buyers are well informed and they do research before placing any order to their suppliers 1. The buying centre members play a predominant role in industrial buying decision; this requires holistic marketing approach by SMEs in the contemporary industrial market.

In industrial marketing, needs of the customer can be met only through offering best quality product in time and every time. The product innovation is crucial as the majority of the industrial products are customized and not standardized. There is no scope for any error

what so ever in industrial marketing because the industrial product buyers are limited and computation among the marketers is immense. The innovative marketing techniques can help the industries in building a niche for them in the market and stay ahead of time. Micro and SMEs are the major players in industrial production as they contribute 45 percent of the India's total manufacturing output and there growth perspective looks brighter.

The SMEs have traditionally looked domestic market as their main focus area and now times are changing they are also looking forward to get into international business. The 35 per cent of the total direct export is contributed by them and to achieve that e-business and e-marketing has a great role to play. The modern days industrial customers can be captivated by innovative marketing practices like digital media,

creative product placement, brand consistency, internet as promotional tool to name a few.

Identifying the needs and wants of the consumers and creating goods and services to fulfill these needs is the fundamental task of the marketing function. The main objective is to establish a profitable customer relationship with target customers. Achieving these objectives require far more effort than merely making goods and service available. Every new entrepreneurs must do a great deal of deeper marketing research to understand who are his customers and how best to serve them. Research activities is a must before opening the new ventures and it must continue so long the business exists. A budding entrepreneur must make a concerted effort to establish identify the customer segments and satisfy them by delivering superior value in products and services. The focus must be on long term profitability by creating reputation for service and quality. There must be integration of other business function with the marketing effort. The market research indicates the new opportunities which requires a marketing strategy to be developed by the entrepreneurs to succeed in the market. A well formulated strategy provides guidelines to for the entrepreneurs concerning the objectives to be achieved, allocation of results, tasks to be carried out by the marketing functions and controlling the activity of the enterprise.

Indian MSMEs are in a better position than their counterpart in other Asian countries because of the growth prospects and higher level of incentives by the Govt. of India. The Micro Small and Medium Enterprises in India, constitute more than 90 per cent of the total number of industrial units and they form the backbone of industrial development. These unit are suffering because of the low scale of operation and lack of latest technology. The era of liberalization has created higher competition from the foreign imports, changing manufacturing processes, highly dynamic and changing market condition and the requirement for different strategies. There is need for MSMEs to innovate newer processes and strategies to develop products which differentiate form imported products. To face the higher level of competition from big corporates houses and MNCs, MSMEs need to be dynamic and proactive to the evolving marketing needs and innovations. The MSME sector needs to be supported with better market facilities so that they can sustain themselves and contribute to productivity, employment generation and foreign trades.

Worldwide, the micro small and medium enterprises (MSMEs) have been accepted as the engine of economic growth and a very important source leading to equitable development. The MSMEs constitute over 90% of total enterprises in most of the economies and are generating the highest rates of employment growth and form a major share of industrial production and exports At the International level, in Japan, 99% units are SMEs providing 52% of total export revenue;

whereas in Italy 94% of firms are SMEs contributing 43% of total GDP; and in USA, SMEs generate 54% of sales revenue . In the Indian context, the evolution of SME sector goes back to 1951 with the advent of planned economy. Since 1951 to 1991, Government has given due protection, but, since 1991, with the policy of liberalisation and globalisation, but at the same time the reserved category of items are decreasing year after year. Small and medium enterprises (SMEs) have been the backbone of the Indian economy. In recent years the MSME sector has consistently registered higher growth rate as compared to the overall growth of the industrial sector. There exists several definitions of the term small and medium enterprises (SMEs), varying from country to country and varying between the sources reporting SME statistics.

The paper seeks to present the marketing strategies in small and medium enterprises (SMEs) from service provider's perspective as well as customer's perspective. Marketing strategies are not one time process but a varied and unique action which is prominently necessary to revise year by year to attain predetermined objectives. Whether the turnover is huge or marginal, marketing strategies are applicable and advisable in case of every small, medium and large enterprise. Marketing strategies are quite comparable and measurable in nature so affected by market fluctuations and trends of business cycle. Key change involving the transition to a new kind of economy is not only the concern of the scientific world.

The Indian market is growing rapidly and Indian industry is making remarkable progress in various Industries like Manufacturing, Precision Engineering, Food Processing, Pharmaceuticals, Textile & Garments, Retail, IT, Agro& Service sectors and pertaining industries in the form of small and medium enterprises are increase by leaps and bounds. To sustain the growth of a largely agriculture based Indian economy, the growth of other sectors such as industry, services and manufacturing is imperative. SMEs are an integral part of the supply chain of large-scale industries and provide vital forward and backward linkages to the overall industrial sector. SSI in Indian economy as small scale industries occupies a special place in the economy due to considerable contribution in terms of production, sales and employment. SSI sector in India has been exhibiting a striking export performance; export has grown up to double digit from the last ten years.

In India small manufacturing industries defined on the basis of limit historical value of investment in plant and machinery in the MSMED Act 2006 announced by the government of India. As per the act the small sector has been divided into two categories: Categories 1: units engaged in manufacturing or production. Categories 2: units engaged in providing or rendering of services. In the

category 1 (manufacturing sector) the MSMED Act 2006 defines the small units as an industrial units in which the investment in plant and machinery in more than twenty five lakh rupees but not exceed five crore rupees. In the categories 2(service sector)the MSMED Act2006 defines the small unit as an enterprise where the investment in equipment is more than ten lakh rupees but does not exceed than two crore rupees.

Every reform in an economy is double ended sword which decides success and failure for every individual unit. Liberalization and globalization is critical examples of this view. Liberalization is always seen as negative factor for the SSIs because many industries demolished in the wave of it.

Government has to see the implementation phase of developing industries in backward areas so that ancillary units can get their share in national as well as international markets.

Developing countries are identifying options to the new type of economy by building an information society to citizens, by extending the Internet, electronic commerce, telecommunications, developing small and medium enterprises, supporting scientific research as a vector of competitiveness and the enhancement of human resources, investing in education and training, promoting social protection systems.

The national objective of inclusive growth can be fulfilled only by SMEs through the creation of highly productive labor-intensive jobs, directly and indirectly. SMEs produce from natural and local resources, utilizing local skills, acting as a catalyst in not only increase local employment and consumer growth around their geographic areas, but also by developing the entire region. As large firms outsource more of their value added functions, SMEs get the opportunity to climb up the value chain. In this way SMEs significantly contribute towards economic value chain. SMEs boost industrial growth by augmenting capacities and supplying quality goods and services at competitive prices. Their role in industrial growth, therefore, can hardly be overemphasized.

In the age of liberalization and globalisation any attempt at creation of a competitive small scale sector in the country would need to explicitly take note of the emerging global production and knowledge networks. An attention has drawn to the key policy issues and suggested changes can lead to a fast growing economy in which small firms play their natural and seminal roles. A better understanding of the process of evolution of the modern small scale sector in the late industrializing economies can help India make appropriate policy choices.

Marketing as a strategy is a relevant phenomenon in which 4P's have been considered relevant factors to influence the performance of small enterprises. But in today's contemporary turbulent environment many new and emerging concepts have been added among strategy group likewise relationship marketing, network marketing, innovative marketing, standardization vs. adaptation and clustering. With contingency factors we mean those background forces - firm, managerial, product, market and customer issues - that may influence firms' decision to standardize or adapt their international marketing strategy.

Marketing through three dimensions namely marketing as a culture, marketing as a strategy, and marketing as tactics can be taken into account in respect of SMEs. A model offers straightforward way to diagnose the situation within an SME and the simplicity of the model allows for a clearer understanding of often aroused complex and disorganized situation in these units and their business environment. SER database has been suggested to clarify major issues and obstacles for smaller enterprises. A case study conducted on a vineyard which has given more emphasis on combination of entrepreneurial activities and long term sustainability to thrive out in niche markets. This strategy has been proved to be a milestone in a short span success of Palliser. Small sector is often able to offer the niche services which the larger manufacturers are unable to offer.

Need of relationship marketing with already globally recognized brands has also experienced by a case study. Through dyadic approach the relationship between banks and small and medium enterprises & demand engagement from both sides has been suggested to establish a long term relationship. The relationship building between banks and SMEs helps to create a relationship among SMEs customers and banks which further results in strong corporate image of banks.

Satisfaction with financial institutions (banks) outcomes: switching referrals and preliminary framework have been suggested and also the relationship of satisfaction between banking institutions and SME owners clarified.

## **CONCEPT OF SME PERFORMANCE AND CONTEXTUALIZATION OF SMES**

Generally speaking, performance is simply defined in terms of output such as profitability or quantified objectives. This means that performance of SMEs has to do with both behavior and results. This explanation covers achievements of anticipated levels as well as objective review and setting. When the behavior of management is right, then the

anticipated levels of output would be achieved and vice versa for failure. When behaviors of management towards marketing strategies are geared on a right direction, then this positively affect the performance of SMEs.

This concept is particularly complex as there is no clear definition of performance, more so regarding some aspects of terminology issues, conceptual basis for assessment, and analytical levels (Ginsbert & Venkatraman, 2011). Terziovski & Samson (2010) found that there are three different levels of performance within a SME; distinguished as the business performance, organization performance and financial performance. The authors argue that the overall performance of the SME will depend on appropriate management styles at all three levels of management, namely lower management, middle management and top management.

According to Hartshon & Wheeler (2003), SMEs are more affected in dynamism and turbulence management environment than big organizations because the response to management changes in SMEs is different from that of large organizations. While large organizations can move from one business to another, business of SMEs is limited due to lack of enough resources and strategic management. Therefore, it is necessary to study the marketing management strategies that are in place in the SMEs, that is, investigate individual enterprise adjustment marketing policies in relation to the management policies.

## EXISTING MARKETING FRAMEWORK FOR SMALL BUSINESS SECTORS IN INDIA

Marketing as a tool for success has not yet developed in the small business sector. Professional marketing companies and consultant are not engaged by small entrepreneurs on account of lack of finance. The concept of marketing is not known to the majority of small entrepreneurs in India For majority of the small entrepreneurs, marketing means advertisement or personal contacts. These attitudes towards marketing needs to be changed. Most of the small business markets their product by themselves by establishing a sales department to identify consumers both domestic as well as international. They establish close contacts with a known selected group of customers by finalizing technical and commercial terms to manufacture and supply. The direct consumer contact is generally long term in nature and helps the company to build strong relationship with them. In many cases the profit realization in this process is more than other mode of marketing. Some of the common practice among the Small business in India to market their product and services are as follows,

- i. **Indenting Agents:** MSMEs find an indenting agent who can guarantee a specified business on mutually agreed terms. Indenting agent

books orders on behalf of the company and material will be dispatched to the consumer directly by the producer .Based on the projections of indenting agent, SME manufactures the product. In this mode the MSMEs, gets assured business, without spending on marketing resources.

- ii. **Traders:** MSMEs will identify traders who can guarantee a specified business on mutually agreed terms. Based on projections of traders MSME will manufacture and supply to the traders. The traders stock the material in their warehouse and markets in his jurisdiction. In this mode the MSMEs without spending on marketing resources, gets assured business, but mostly it is of credit sales and fund realization takes long time and the profit margins are low to other modes.

- iii. **Third Party manufacturing:** In third party manufacturing, the MSME manufactures the product as per the specifications of third party and supplies the finished products to them. The MSME will charge the third party on mutually agreed terms; normally it includes production cost and a small profit margin.

- iv. **Propaganda-Cum-Distribution:** The small entrepreneurs appoint region wise propaganda cum distributing agents. The unit manufactures the product as per the agreed formulation. It is the responsibility of the propaganda cum distributor to promote the product and generate the sale in his jurisdiction. In this mode MSME gets assured sale but margins are low.

- v. **Contract manufacturing:** In Contract manufacturing, MSMEs gets all raw materials and packaging materials from contracting organization. Material is manufactured using facilities and manpower of MSME. MSME will be paid for the production cost which will be decided on mutual agreed terms. Any liability in manufacturing is the responsibility of the contractor.

- vi. **Institutional Sales/tender marketing:** Institutional marketing comprises of,

- To State and Central Govt. agencies and Govt. promoted trade exhibitions.
- To Govt. agencies such as Railways, Defense, telecom, etc.
- Large industrial houses or PSUs in India.

- To big corporate groups in Private Sectors in India.

To participate in State and Central Govt. tenders, the MSME should have made the products for a minimum of three years. Entrepreneurs with long standing manufacturing activities would opt for institutional marketing.

Majority of organizations follow combination of all above marketing mode to sale their product. New entrants prefer to tie up with large organization as contract manufacturers.

## REVIEW OF LITERATURE

It is generally accepted that the basic principles of marketing are universally and equally valuable and applicable to both large and small businesses. However, small and medium entities cannot do conventional marketing as large ones do, as they are influenced significantly by both the external and the internal environment. Due to the characteristics and limitations of their owner-manager, resources, market impact and organizational structure, marketing in small and medium businesses is likely to be haphazard, informal, loose, unstructured, spontaneous and more reactive than proactive. Their marketing activities tend to be pragmatic, practical and adopted to suit their unique situation and informal and unplanned, relying on the intuition and energy of an individual, i.e. owner-manager. Consequently, complex marketing theories, formal marketing approach and normative models of marketing practices may not be appropriate and applicable for them. Traditionally, the marketing theory has been developed mainly based on studies on large organizations and, thus, it is argued that it cannot be applied directly to SMEs, where the practices and activities may differ considerably from those of their larger counterparts.

A theoretical framework is developed to examine the relationship among marketing strategy, business environment and performance of construction SMEs. The integration of environmental management perspective, strategic choice approach and resourced-based view provide a warm emergence to marketing strategy which can yield in green posture in survival of SMEs. Contrary to the prediction in the research, environment dynamism is not related to construction SMEs' performance. Resource based theory may produce remarkable success moreover it should be combination of innovation, immediate delivery and appropriate marketing.

Gerald Susman et al. (2006) identify several cases of successful implementation of innovative new product and service development practices. The researcher

develops recommendations to enhance SME competitiveness and the ability of MEP (manufacturer extension partnership) consultants to assist SMEs in this endeavor.

Raju T.V. and Gopal R.K. (2006) consider that key to success in industrial marketing is CRM and in need to be practiced by the organization immaterial of the size of their operation. The CRM practices need to be innovative and it should be based on the capabilities of the marketers. They propagate to classify the customer on the basis of their focus area in terms of relationship and make a cost benefit analysis before involving in CRM.

Akula Ravi (2008) believes that co-branding can strengthen the performance of the existing products. This strategy can be considered as innovative marketing idea to captivate consumers' attention.

Agarwal, Vaishali (2008) has the opinion to evolve the consumers through innovative marketing practices through internet blogs, e-stores etc.

Bhatnagar, Jyotsna (2009) says that to face the competition at international level SMEs need to look for formal cluster approach. This innovative marketing approach will help the SMEs to build on cohesive market strategies to beat competition.

Dikshit, Dheeraj (2010) is having the opinion that SMEs should re-look at their business model and establish their core competencies, through innovation and technological upgrading etc. He also insists on SMEs to look beyond the domestic market to grow.

Egbetokun et al. (2012) found that SMEs would focus on incremental product and process innovation. Critical success factors for the product development process have been explained with the help of an empirical research in SMEs. The cost of product development projects that discourages commitment to new product development and the uncertainty of the market acceptance are found to be the major factors.

R. Gajanayake (2013) points out the most of the criteria about the implementation of the marketing strategies in SMEs in Sri Lanka. The paper find out the main reason about the failure of the SMEs is the less awareness and the less knowledge about the new methods and techniques available in the business world. The findings revealed that there was no significant impact of marketing strategies on their business growth. Moreover there was no impact of

the behavior of the entrepreneurs and the business growth.

## METHODOLOGY

The research is exploratory in nature with a combination of both qualitative and quantitative approach. To achieve the objectives of the study both the primary and secondary information have been collected. Secondary information has been collected from journals, newspapers, websites and reports on managerial practice of small and medium enterprises. Survey method of Simple random sampling method has been applied in this study. The researcher has collected three lists of small and medium business from cooperative societies in Delhi area and chooses 120 SME businesses randomly. Then the researcher has sent 120 questionnaires to these SME business owners through the 3rd year BBA students of Delhi. The students were given instructions and advice on data collection and they collected the data through face to face interview. The data collection has been conducted among SME businesses in Delhi. Out of 120 questionnaires 104 questionnaires have been sent back but 9 questionnaires have been rejected due to insufficient information. Thus the duly filled returned questionnaires are 95 and the response rate is 79.17%. The data has been entered and analyzed by statistical package for social science software (SPSS) version 18.

## CONCLUSION

The marketing can function effectively only when the commitment from the management and people in the organization comes. The SMEs can easily bring in the innovative marketing practices as they don't have layers between the decision makers and the people who implement these decisions. The SMEs need to formulate their goals clearly and then evaluate the various innovative marketing alternatives on the basis of their capabilities and resources. SMEs' innovative marketing strategy can work, if it is based on clearly formulated marketing programme to reach the potential and existing customers.

The marketing can function effectively only when the commitment from the management and people in the organization comes. These enterprises can easily bring in the innovative marketing practices as they don't have layers between the decision makers and the people who implement the decisions. Their innovative marketing strategy can work, if it is based on clearly formulated marketing program to reach the potential and existing customers. Though the medium enterprises are also proposed to be included as the target beneficiaries in the scheme, but at the same time, marketing of products and services of micro and small enterprises, in rural as well as urban areas also has to be stressed. In present economic scenario, these enterprises are increasingly focusing on improved production methods, penetrating strategies

and modern scientific capabilities to sustain and strengthen their operations. These are usually registered business entities but lack of formal business systems in place and operate in both formal and informal sectors of economy. They have always been the engines of growth for every country but used to face marketing challenges with constraints on sustained advertisement and other market promotion.

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