

INNOVATIVE MARKETING STRATEGIES FOR MICRO, SMALL & MEDIUM ENTERPRISES

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Abstract

The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. SME sector is the most neglected and unorganized sector of the Indian economy. The very fact that 40% of exports in India come from SME sector shows that this sector has the maximum potential to create employment opportunities. But they lack in getting required support from the concerned Government Departments, Banks and other financial institutions and corporates, which is handicap in becoming more competitive in the national and international markets. SMEs meet difficulties in adapting their strategies to market changes, and in competing with big enterprises. Marketing management capabilities in terms of marketing research, marketing strategy, planning and implementation, control and evaluation play a key role in the SMEs performance in the market. The existing marketing strategies reached the saturation point, where new innovative strategies need to percolate.

Keywords: Small scale industry, innovation, marketing strategy, sustainability, integrated business strategy, internet, CRM.

1. INTRODUCTION

India is one of the very few countries to have consistently supported small-scale enterprises in order to promote greater employment and perhaps also a more egalitarian distribution of wealth. This led to the growth of small enterprises in terms of output, employment and exports. Since the time of independence, the small-scale sector in India has been a major contributor to country's Gross Domestic Product (GDP). Phrases such as 'lifeblood of the economy' are used by politicians to describe SMEs' contribution to the economic welfare of society.

Small and medium business types are well-known for its strong roots and foundation. Through the experience and aid coming from the financial institutions, the small and medium enterprise can compete in both domestic and international market. Small and Medium Enterprises (SMEs) play a vital role for the growth of Indian economy by contributing 45% of industrial output, 40% of exports, creating 1.3 million jobs every year and produce more than 8000 quality products for the Indian and international markets. SME's contribution towards GDP in 2011 was 17% which is expected to increase to 22% by 2012. There are approximately 30 million MSME Units in India and 12 million people are expected to join the workforce in the next three years.

SMEs are the fountain head of several innovations in manufacturing and service sectors, which plays a major role in the supply chain of corporates and the PSUs. SMEs are now exposed to greater opportunities than ever for expansion and diversification across the sectors. Indian market is growing rapidly and Indian entrepreneurs are making remarkable progress in various industries like Manufacturing, Precision Engineering Design, Food Processing, Pharmaceutical, Textile & Garments, Retail, IT and ITES, Agro and Service sector.

But in India SME's lack competitiveness. Competitiveness describes the ability of Small-Scale Industries (SSIs) to generate income/output and maintain employment levels in the face of domestic and global competition. Consequently, in the absence of competitiveness, SSIs may face the problem of sickness or closure (Narayana, 2004).

Smaller units cannot afford a large managerial cadre and, as a result, are dependent upon the time, effort, and skills of the entrepreneur. Moreover, small units necessarily are more vulnerable to extraneous shocks. At the same time, smaller units are more flexible and quicker to respond to changing circumstances. Support to SSIs should be able to strengthen them without affecting their flexibility and ability to respond rapidly to changes in the market. A large scale business can have its own formal marketing network, media campaigns, and sales force, but a small unit may have to depend totally on personal efforts and resources, making it informal and flexible. Marketing is the process of satisfying the organization's stakeholders by creating value for them. Marketing is the common thread that ties all the stakeholders together. Ideally, marketing is the business philosophy which embraces the process of doing things, a state of mind, or a view of how business should be done. This is critical in the smaller organization where every person's actions count. Drucker (1954) took a broader perspective when he wrote. "Marketing is not only much broader than selling; it is not a specialized activity at all. It encompasses the entire business. It is the whole business seen from the point of view of its final result, that is, from the customers' point of view. Concern and a responsibility for marketing must, therefore, permeate all areas of the enterprise". It mobilizes latent economic energy, contributes to the rapid development of entrepreneurs and managers, and finally, makes possible economic integration and fuller utilization of whatever assets and productive capacity an economy already possesses. There is sufficient evidence that small business failure can result from either a lack of marketing, or poor marketing practice (Bruno and Leidecker, 1988), and that they may be more vulnerable to competitive threat (Carson and McCartan-Quinn, 1995). Marketing enables the entrepreneurs to improve the quality of their goods and services. Hence, the strong skills of marketing become inevitable for SME sector. The marketing function in SMEs is hindered by constraints such as limited access to resources, and a lack of marketing expertise on the part of the owner/manager, it is expected that SME marketing differs from marketing in larger organizations (Hill, 2001). This is where our efforts to bridge this gap comes into picture.

2. LITERATURE SURVEY

Our research is linked with the literature on innovative marketing strategies required in Small and Medium scale Enterprises (SMEs). Given that micro and SMEs are major providers of new jobs (Audretsch et al., 2002), increasing understanding of the key determinants of their success is essential. It is understood that SMEs in pursuit of organizational goals do not adopt the marketing concept to the same extent as larger firms (Pollard and Jemicz, 2006), and that marketing practice in SMEs is situation specific, and variable, regarding the levels of sophistication and effectiveness (Hill, 2001). "However, it is recognized that small firm owner-managers do engage in marketing, but that the form this marketing takes is not fully understood" (O'Donnell, 2004).

As with larger companies, SMEs must generate sales to survive, but need to market their products to generate sales (Carson, 1993). SME growth stems from engaging in some form of marketing activity, which will focus on attaining and retaining competitive advantage by engaging in marketing practice, that addresses *market share, market development, product promotion, product pricing, product differentiation and distribution* (Carter and Tzokas, 1999).

The marketing function in SMEs is hindered by constraints such as poor cash flow, lack of marketing expertise, business size and strategic customer-related problems (Doole et al., 2006). Much of this successful marketing is driven by innovation, however, to date, the preponderance of Innovative Marketing Research has focused on firm-specific characteristics of innovation, and/or the effect of external environment (Wolfe, 1994); large firms (Damanpour, 1991); market based constructs (Daneels and Kleinschmidt, 2001); barriers to SME innovation (Fritz, 1989; Sweeney, 1983); product innovativeness (Schmidt and Calantone, 1998); product or business success (Sethi et al., 2001), with little research undertaken into the core of this research: Innovative Marketing Strategies in SMEs. Therefore, the primary aim of this research project is to investigate the importance and problems in innovative marketing in SMEs for the purpose of identifying, clarifying and evaluating the nature.

3. INTEGRATED BUSINESS STRATEGY

In today's market, the pressure of competition has increased and bargaining power of customers (i.e.; the people who create the demand), have strengthened. Customers are unable to deal with the flood of information and perceive that, the different products and services as substitutable in terms of quality and performance. At such stage, it becomes a herculean task for SMEs to draw the attention of customer and have a hold on target market and market share.

In such a situation the SMEs should have an integrated business strategy which combines *Business and Market insights*, *Brand Positioning*, *Processes and Management* and *Operational Marketing* as represented in figure below.



3.1 Business and Market insights: 'One needs to know the rule of the game to play it'. It is important that SMEs understand the market well in terms of pricing, location, positioning, competitors and market behavior to survive and innovate.

3.2 Brand Positioning: It is very important for an organization to understand where they stand in the customer's mind. The whole exercise would be successful only if 4P strategies are properly executed, leaving an imprint in the customers mind.

3.3 Operational Marketing: The major concerns of the Indian SMEs are operations and supply chain management (SCM). Non-durable goods face this issue the most. So in order to market better and position differently, the company has to be strong in the operational aspects. Sustainability of the SME depends on the solution to this factor.

3.4 Processes and Management: Several SMEs lack the skills of technology and management. Strong training, understanding of the business, knowledge of the processes and handling people and relationships should be the components of the successful business strategy which will lead to the sustainability of SMEs.

The measuring of company's success is possible only when all these strategies are applied innovatively. These strategies needs to be bundled as an integrated strategy to survive, compete and win the game while the continuous up gradation and progress is a must.

4. INNOVATIVE MARKETING PRACTICES FOR SMEs

Today's innovative methods of marketing should incorporate the above mentioned model of *integrated business strategy*. These methods once implemented can enable the SMEs to compete and sustain in the competitive global environment. The advancement in technology has left no option for the SMEs but to adapt to these new innovative practices for prompt and accurate decision making. Implementation of the few innovative practices as mentioned below can help the SMEs to fasten their decision making process and get closer to being customer oriented.

4.1 *Internet as a Promotional Tool*

It is an inevitable aspect to understand the importance and benefits of internet in today's competitive era. Malosi (1999) intimated that internet is growing faster than all other communication technologies that have preceded it. This promotional tool is efficient, cost effective and its reach is unassuming and overwhelming. It is of utmost importance that every organization has its own website and must operate and update it regularly. Just having the website is not sufficient; it needs to be viewer friendly, well informative, self explanatory with the latest information available, and should be interactive in nature. New international marketing paradigms may have to be developed to explain the internationalization process in electronic age (Hamill and Gregory, 1997). Due to the global competitiveness, having a strong presence in the internet is a must for SMEs. Despite some attempts on internet use by SMEs, there is lack of systematic empirical evidence regarding the extent of its use and the role of firm-and-industry specific factors affecting internet adoption by SMEs, in emerging market economies (Kula and Tatotglu, 2003). This is a supporting statement which we can bank upon to prove the need of more usage and understanding of internet by SMEs.

4.2 *Customer Relationship Management (CRM)*

The business cannot survive without understanding the importance of CRM. The 80:20 principle of Pareto's law holds good even in industrial marketing as well. The 20% of the business customers bring 80% of the business and 20% of the sales executives bring 80% of the revenue to the organization. CRM can be the most interesting factor that SMEs can look into these days. The easiest way for SME to play larger role in international space is by embracing strategic advantage of adopting information technology driven supply chain management (SCM) and Customer Relationship management (CRM). While 80% of SMEs are using SCM component of e-business, but it has given only compartmentalized support into business development as many of them have not implemented CRM (Meshram and Chavan, 2011). It is need of hour that innovation in the perspectives of CRM should be highlighted in SMEs too.

4.3 *Digital Advertising*

The overall aim of the digital agenda is to deliver sustainable economic and social benefits from a digital single market based on fast and ultra-fast internet and inter-operable applications (European Commission 2010a). Digital marketing tactics, marketing automation tools and the latest best practices can result in a tremendous revenue growth opportunity for SMEs.

The world of digital marketing assists the SME entrepreneurs to spread the wings and experience global presence of the business through websites, blogs, social networking, eNewsletter, eMail Marketing, eCRM. There exist gaps in awareness and confidence levels among the SME sector in actively engaging in the digital advertising (ACCA, 2011). Digital advertisement can be used innovatively through incorporation of the advanced digital solutions in the areas of cloud computing, e-invoicing, social lending and e-commerce.

4.4 *ICT as a tool*

The potential for information and communication technologies (ICT) to deliver efficiency gains is widely accepted. While large firms are often at the forefront in recognising and investing in IT advancements, small firms can be slower to catch up and appreciate the benefits that these can deliver (Giannakouris and Smihily 2010). The adoption and use of information and communications technology (ICT) is widely seen as critical for the competitiveness of SMEs in the emerging global

market. Appropriate ICT can help SMEs cut costs by improving their internal processes, improving their product through faster communication with their customers, and better promoting and distributing their products through online presence. ICT is playing a crucial role in SMEs across the internal as well as external value chains and reshaping their business models to strengthen the competitive performance. Effective utilization of an information and decision support system will provide SMEs a disciplined business environment.

4.5 Permission Marketing

Permission Marketing is a term used in e-marketing. It is a part of Email marketing with a focus on user experience, if users receive e-mail that has no value to them, it would only result in spam. The user has to increase the visibility of the business; where especially major brands have found results by focussing on it. But small and medium enterprises are yet in the implementation stage of e-mail marketing. Neglecting this key aspect may only result in the desecration of the marketing of company.

Permission marketing via email is named one of the important points in the marketing strategies. The success of this with MNEs can stand as proof for the implementation of the same in SMEs too. This method will assist the industrial marketer to turn the stranger into friend and friend into customers.

4.6 Re-establish Technological Listening Posts

Listening posts help organization achieve the unachieved through better understanding of their customer's needs. Technological listening posts as a means for technological knowledge sourcing were seen to be a widespread empirical phenomenon in centers of technological excellence and innovation clusters. Customers need to know not only who they are and what they buy, but why they buy and why they choose to buy from SMEs. They need to double their efforts and dialogue through social media and get direct feedback from customers or clients through listening posts.

4.7 Focus on Fresh Ideas

SMEs need not have to rely exclusively on a small team or just the marketing staff to produce fresh ideas. It is up to the companies to take advantage of the scope available for fresh ideas and products. Building the reputation of SME, is on their courage to shoulder responsibility, and on their performance. Manager of the enterprises need to make innovation as everyone's responsibility this fall with brainstorming sessions, company retreats or by giving special recognition to individuals with the smartest suggestions. Openness to ideas may give an organization a new perspective in whole and ensure in being innovative.

4.8 CSR Activities

Customers today are well aware of social responsibilities and also want to associate themselves with those organizations who understand the same. CSR is mainly discussed in the context of larger enterprises; but it is also a strategic tool to enhance the competitiveness of SMEs. Generally, CSR may positively influence SMEs' competitiveness and thus increase the turnover/sales in the following ways:

- Improved working conditions including health and safety at work leads to higher motivation and loyalty of employees, resulting in a higher creativity and innovativeness.
- Improved environment friendly products or production processes, resulting in a better customer satisfaction and loyalty.
- CSR activity can be undertaken through promotional campaigns to raise charitable funds for noble causes.
- Businesses that rely on local customers will benefit from helping community-based causes and help increase the goodwill among customers which can spread through word-of-mouth or viral marketing.

Enterprises need to provide help where it's needed most and earn appreciation from customers that leads to sales. All these activities are undertaken by the majority of the MNEs but not in SMEs, even if some do, they are not in an organized way.

4.9 *Cluster Approach*

According to Porter (2001), we define clusters as regional concentrations and networks of companies, specialized suppliers, service providers, firms in related industries, and associated institutions (i.e. universities, standards agencies, and trade associations) that compete partially at the marketplace but also cooperate in pre-competitive fields. SMEs can adopt cluster approach to with stand the competition. This approach relies upon the mutual understanding and trust between the cluster members. The cluster member must be involved in complementary business rather than competitive business to ensure the working of this approach. The formal way of establishing the cluster will enhance the market capabilities of the SMEs and gives the cluster members the power to bargain. This approach can surely help SMEs get better facilities and subsidies from the Government and can also help in co-branding to reach potential customers.

5. SUSTAINABLE DEVELOPMENT COMPONENT

Since the 1990s, environmental and social factors have become increasingly important strategic considerations for enterprises of any size. Emerging 21st century market conditions are now creating truly new lenses through which the world must be viewed (Friedman, 2005). By ignoring the “hidden connection” between business and the environment, business is missing many new sustainable development opportunities that may prevent the threat of an inevitable collapse of society (Capra, 2002). Sustainability strategies create many synergistic effects for SMEs working collaboratively, as well as systemic benefits for the commons. The different incentives for SMEs to optimize sustainability are:

- (1) Becoming valuable sustainable investment targets for larger firms;
- (2) Creating highly competitive networks of sustainable SMEs in market spaces where large enterprises are less successful;
- (3) Becoming highly efficient suppliers in global supply chains through sustainable practices.

While several successful models of the sustainable SME are evolving, it may be that networks of SMEs will become essential for addressing the systemic problems that underlie industrial ecology, enterprise resilience, and global supply chain sustainability. SMEs represent the majority of all enterprises, and rapidly evolving communication technologies allow for various routes of network formation.

The integrated business strategy in the innovative marketing practices should involve sustainability component to overcome the hurdles faced by the SMEs on their business front.

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