



Article :SME MARKETING IN PRACTICE

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ABSTRACT:

Acknowledges that SMEs (small to medium-sized enterprises) cannot do conventional marketing because of the limitations of resources which are inherent to all SMEs and also because SME owner/managers behave and think differently from conventional marketing decision-making practices in large companies. In this context the discussion focuses on SME characteristics and how these impact upon marketing characteristics within SMEs. In a search for "alternative" marketing approaches, the inherent existence of the owner/ manager's "network" in its various guises such as personal contact networks, social networks, business networks and industry and marketing networks and how these networks are used is considered. Some evidence from an empirical study carried out simultaneously in Western Maharashtra is presented which illustrates how and why networking is used by SME owner/managers as a tool or approach for carrying out meaningful marketing.

KEYWORDS:

Marketing decision making, Marketing strategy, Networking, Qualitative techniques, Small-to-medium-sized enterprises

INTRODUCTION:

This paper advocates that networking is an inherent tool of marketing which is wholly compatible with SME decision-

making characteristics in relation to marketing activities. After a brief overview of relevant SME marketing and networking literature, the research study aimed at understanding how SME owner/managers use networking in their marketing activities. The paper concludes by advocating that networking is a marketing "competence" and as such can be developed as a way of doing marketing for SMEs, that is, marketing by networking.

SMES' LIMITATIONS AND MARKETING CHARACTERISTICS:

It is well documented that SMEs have unique characteristics that differentiate them from conventional marketing in large organisations (e.g. Carson, 1990). These characteristics may be determined by the inherent characteristics and behaviours of the entrepreneur or owner/manager; and they may be determined by the inherent size and stage of development of the enterprise. Such limitations can be summarised as: limited resources (such as finance, time, marketing knowledge); lack of specialist expertise (owner-managers tend to be generalists rather than specialists); and limited impact in the marketplace. In addition, SME marketing is haphazard and informal because of the way an owner-manager does business; they make most decisions on their own, respond to current opportunities and circumstances and so decision making occurs in a haphazard and apparently chaotic way, according to personal and business priorities at any given point in time (Scase and Goffee, 1980). Clearly such limitations will influence, indeed determine, the marketing characteristics of an SME. SMEs do not conform to the conventional marketing characteristics of marketing textbook theories; instead their marketing is characterised by the limitations outlined above. Thus, SME marketing is likely to be haphazard, informal, loose, unstructured, spontaneous, reactive, built upon and conforming to industry norms.

NETWORKING IN SME'S:

For SMEs networking can mean using a variety of networks. The inherent existence of the owner/manager "networks" is built around their normal interactions and activities such as personal contact networks (Knoke and Kuklinski, 1982), social networks (Starr and MacMillan, 1990), business networks (Donckels and Lamb

echt, 1997), industry (Andersson and Soderlund, 1988) and marketing networks (Piercy and Cravens, 1995). Clearly it is important to understand how owner-managers use these networks. Curran and Blackburn (1994) found that owner-managers tend to have relatively small and non-expensive networks with little resort to expected external contacts such as accountants and bank managers. While these networks were used deliberately to solve problems, the formation and development of the networks were largely unstructured and coincidental in nature.

Networking for business activities is about companies joining together with a common objective, working together, and co-operating through the exchange and sharing of ideas, knowledge and technology (Dean *et al.*, 1997). Such networking can occur through trade events, personal contacts, in liaison with marketing intermediaries and as part of the SME owner managers' social endeavours. The characteristics of SME networking are therefore striking in their similarity to SME marketing characteristics. SME networking tends to be informal, loose, unstructured, spontaneous, reactive, structured around and conforming to industry norms.

MARKETING BY NETWORKING:

In bringing together the deliberations on SME marketing and definitions of networks and networking this debate focuses on the notion of "marketing by networking". Networking is a naturally inherent aspect of SME owner-manager decision making, particularly those decisions relating to marketing. This is because owner/managers must go outside the businesses' physical confines in order to do business and this business is marketing-led activity. Thus, SME owner/managers are doing marketing through their natural and inherent networking activity, through all their normal communication activities, such as interacting and participating in social, business and trade activities. Some of the characteristics of "marketing by networking" are that it is based around people-orientated activities, it is informal, often discreet, interactive, interchangeable, integrated, habitual, and can either be passive or proactive.

Marketing by networking is done through personal contact networks (PCNs), carried out with people with whom the owner-manager has had a relationship ± either in the past or currently. The way in which

h marketing by networking is carried out is often pre-determined by industry behaviours and norms through regular or irregular meeting occasions and industry activities or in just doing business. The frequency and focus may vary depending on the nature of the markets in which the company operates; for example, international networks may be more focused than domestic networks because of the need to plan ahead, whereas contact with domestic markets may be more frequent than with international markets because of convenience.

For SME owner-managers, the costs of networking are implicitly hidden because any explicit costs or expenses are low in the immediate term. For example, the cost of networking will include minor expenses such as a club or trade membership, the cost of dinner at trade functions, or the cost of entrance fees to exhibitions. Therefore owner-managers do not consciously need to consider the cost of this "intangible", difficult to access and measure aspect of their marketing activity as opposed to the more tangible, easier to measure aspects of conventional marketing activity. This inherently fits comfortably with SME owner-managers' way of doing business.

Networking occurs as a natural and inherent entrepreneurial activity. An SME owner-manager's personal contact network will be represented by people who can help the entrepreneur in arriving at decisions for the wellbeing of the enterprise. The SME owner-manager/entrepreneur will be the focal point of this network \pm although it may not always seem so in practice. The network will change according to current circumstances, one of the most documented examples being that of a "start-up" network compared with a network belonging to an established entrepreneur of some years. Also, networks will change according to need; for example, new people may be enlisted into a network when some new area of real or potential interest becomes paramount. Some individuals may serve the entrepreneur's network as regular advisers, for example, close friends, family, the company accountant or bank manager, others may simply form part of an ongoing and inadvertent information-gathering process. The entrepreneur may not necessarily appear to be the focal person but rather someone who is part of a broader social gathering of peripheral activity.

In addition to being a natural activity, networking can be an acquired skill or competency for the SME owner/manager. That is, owner/managers can develop networking skills or competencies over time; they can learn from experience who or where to network and how to do it effectively. Sometimes entrepreneurs will consciously seek out information from certain individuals believed to have a contribution to make; on other occasions information will be gleaned subconsciously. Some illustrations of marketing by networking will be provided from a collaborative study of Australian and Irish SMEs which focuses on how SMEs use networking in doing business with competitors and customers.

METHODOLOGY:

This research study sought an understanding of how SME owner-managers do marketing. Large firm models applied to small firm settings have been criticized, and small firm researchers are thus urged to conduct studies that are sensitive to the unique characteristics of small firms. Given that the study of small firms is a relatively new branch of social science research (Churchill *et al.*, 1986; Brockhaus, 1987; Bygrave, 1989) and the relative lack of understanding of small firms, it is argued that emphasis should be placed on empirical research of a phenomenological nature. This points to a qualitative approach where the aim is to explain rather than predict phenomena (Leavy, 1994) and to understand things rather than measure them (Gordon and Langmaid, 1988). Furthermore qualitative methods are considered to be particularly suitable for gaining an understanding of decision making in small and medium-sized firms (Carson *et al.*, 1998).

Qualitative research offers a variety of methods. Based on the specific aims of this research, in-depth interviewing was deemed to be the most appropriate means for collecting the relevant data. In-depth interviews are thought to be one of the best methods to investigate an individual's behavior or attitudes (Tull and Hawkins, 1990); and semi-structured or unstructured interviews have been found to be particularly effective for collecting data from owner-managers of small enterprises (Curran and Blackburn, 1994).

FINDINGS: how SME owners/managers use networks for marketing

The study focused on SME owners and managers who operate in business markets in Western

Maharashtra. The participating companies operated in a wide array of industries including engineering, textiles and food. These SME employed between ten and 250 employees (thus in keeping with the European Commission definition of SMEs).

A second criterion for firm selection was that the firm had been in operation for more than five years. This criterion was included so as to eliminate those firms which were experiencing growth volatility that is normally associated with the start-up phase, especially in the first four years of trading (Storey and Johnston, 1986; Storey, 1989).

Within these criteria, a total of 25 SME owner-managers were selected. The data were collected by means of in-depth interviews. These were tape-recorded with the informants' prior consent. The owner/managers were told that the purpose of the research was to gain an understanding of how SME owner/managers "do business" rather than focusing on their definitions and descriptions of networking. This was a crucial factor in the study as it avoided a scenario whereby the informants would provide answers that they felt the interviewer expected. The interviews were semi-structured insofar as the interviewers had a checklist of areas to cover, rather than a list of pre-determined questions. As such, the interviewers gave the informant the fullest opportunity to relay stories and events which they deemed relevant.

The findings in relation to interfaces of networking activities, networking with competitors and networking with customers, are described and illustrated below.

Networking with competitors

The empirical study highlighted that there is considerably more communication between the SME owner/manager and his/her competitors than is widely reported in the literature. Owner/managers may communicate with competing firms and often are quite supportive of each other. Indeed, many owner/managers claimed to know

ow their competitors personally, and would have no hesitation in contacting them for help or advice.

A high level of co-operation seemed to exist between some competitors. The reason for such collaboration in many cases was to prevent the client taking the work to a company outside the domestic market, "It would have to go outside of (local region), that's the difficulty". In other cases one company might engage in a joint arrangement with a competitor if a particular project is too large for either to complete on their own, or if one company requires new resources or skills.

Many SME owner-managers recognise the advantage of maintaining good relations with competitors for the overall good. In speaking of the benefits of such bodies, most would claim that they inform of general developments within the industry, which includes what other firms are doing and how buoyant their business is relative to their own. Trade associations act as a means for the manager to become known to his peers within the industry. It's not a confrontational group. We all meet professionally and are reasonably supportive of one another. Whilst we compete on service and on price, we don't disagree with each other, we don't bad-mouth one another. That's how I get to know the partners in the other firms; I would know them socially and professionally.

Also SME owner-managers will be reluctant to expend their personal resources in the pursuit of something which will eventually benefit the entire industry. So while competitor collaboration does take place, it is balanced with caution when it is felt that the benefits enjoyed by each party are proportionate to their respective inputs. Managers will guard against speaking too freely about certain things, especially any plans they might have for substantial changes to the firm or its direction. However, in doing all of this, SME owner/managers rely heavily on using their networks and their networking skills for all aspects of marketing in the context of competitor activity.

□ **Networking with customers**

SME owner-

managers often make a concerted effort to include customers and potential customers in their networking. In this study, the customers in most cases were firms, as opposed to consumers. The concept of building relations with another company is more complex than building relations with individuals. In discussing this with the managers in the study, it became apparent that, when they claim to have a relationship with a client company, they are actually referring to their relationship with a few key figures in that company. More importantly, should that person or persons with whom the manager has contact leave the company, very often the relationship with the company dissolves.

SME owner-managers recognise that they are perceived to be the point of contact by their clients/customers. They make themselves available to

speak to these people if requested, even when a member of staff could quite adequately handle the enquiry. These findings illustrate the variety of elements that will impact on how the SME does marketing by networking with customers. It is important to recognise the influence that personality, age and experience of the two communicating parties will have on the networking relationship. The nature of manager-

customer networking and how it is done will either contribute to or spoil the integrative way SMEs do marketing. That is, the creation and existence of effective networking will be concerned with maximising marketing opportunities and ensuring the enterprise's survival and development through successful interactions with customers and competitors.

MANAGERIAL IMPLICATIONS AND CONCLUSION

Marketing by networking will be enhanced and improved with the advent of experience. This is often manifested by owner/managers using their networking abilities. Owner/managers will use their strengths to overcome their inherent weaknesses, learn from mistakes and assess what went wrong in order to avoid such mistakes in the future, learn from successes and assess all of the circumstances that contribute to success. As the composition of the SME owner/manager's network moves between personal and business relationships, the nature of decisionmaking also changes. Where a manager depends mainly on social networks, decisions are likely to be based on incomplete information and will rely more on intuition. As the owner/manager gathers more business contacts and networking becomes more

strategic, his decision making will become more rigorous. Much of this networking development can be attributed to increased experiential knowledge in that, having made certain decisions before in the past, the manager will have learned from previous mistakes and will approach the task in a more structured way.

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