

The differences between large and small companies



There is big different between large organization and small and medium sized companies (SMEs), thus, some theories, tools and techniques which has been defined and widely used in marketing may not as relevant or useful to SMEs in application. At the same time, the constant and rapid changes occurring in the markets force SMEs to continuously look for ways on how to survive, grow and be competitive. The objective of this report is to find the components of the traditional marketing and see which are important to the enterprise introduced in the provided case. At the same time, to explore how relevant these components to the case firms and make advice how to adapt those marketing strategy to reinforce its ability to grow and allow it to compete and innovate in dynamic business environments.

Through research of the academic marketing literature in both areas of traditional marketing and SMEs marketing, the orientation, branding, networking, planning, buyer behavior and marketing environment are all considered to be the core elements which influence the performance of SME marketing. In this report, the first three elements were mainly introduced and discussed as the success of company depends on its collaboration with other organizations that influence the creation and delivery of its products or services. And also depends on the way entrepreneurs manage the business and the strategy they use to build brand.

Definition of the SME

Small and medium enterprises are companies whose headcount or turnover falls below certain limits. The limitations of SMEs may include: limited resources, such as finance, time, marketing knowledge and lack of specialist expertise. And the characteristics of SMEs may be defined as haphazard,

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informal, loose, unstructured, spontaneous, reactive, built upon and conforming to industry norms (Gilmore et al., 2001).

Definition of entrepreneurial orientation

The term entrepreneurial orientation is used to refer to the set of personal psychological traits, values, attributes, and attitudes strongly associated with a motivation to engage in entrepreneurial activities (McClelland, 1962; Dunkelberg & Cooper, 1982; Hornaday & Aboud, 1971; Timmons, 1978). And it should be distinguished from entrepreneurship, which related to new business entry and is concerned primarily with questions such as ,” What business do we enter?” and “ How do we make the new business succeed?” (Orlando C Richard, Tim Barnet, et al, 2004).

Definition of branding

Branding is the process by which companies distinguish their product offerings from the competition. By developing an individual identity, branding permits customers to develop associations with the brand and eases the purchase decision. And the major attention of these multiple perspectives on branding is to build a successful brand that can differentiate from the competition, be held in high esteem, and evoke relatedness with target customers.

Definition of networking

Marketing networking in SMEs is defined as the network processes that are undertaken by SME owner/ manager in managing their marketing activities. The inherent existence of the owner/manager “ networks” is built around their normal interactions and activities such as personal contact networks,

social networks, business networks, industry and marketing networks (Gilmore et al., 2001). The marketing by networking are mainly based around people-orientated activities, so the characteristics of the marketing networking may be defined as informal, discreet, interactive, interchangeable, integrated, habitual, and can either be passive or proactive.

In the research, Carson David and Gilmore Audrey (2004) have considered the marketing networking through three dimensions including structure of network, relational linkage as well as usage. And they explored the concept of marketing networking with these dimensions in much more deep way. The interaction and content of the three dimensions are clearly demonstrated in the graphic below:

Background of the case firm

The company is started by its owner in the year 2007. The owner is a designer graduate from Demontfort University. The product is baby garments which designed by the owner, manufactured in China and sold to baby shops by personal selling and to individual customer through online shop with relative low price. There is only one person in the company and all of the decisions were made by her own responding to current opportunities and circumstances according to personal and business priorities.

2. 1 Orientation

According to market orientation, in big organization, the customer needs are treated as the primary drivers of organizational performance. Which means assessment of market needs will be performed before new product or service development because of huge cost of development. However, small firms

may not have sufficient funding to invest heavily in R&D efforts such as analysis of sales reports and worldwide customer database. So, normally, SMEs prefers to generated new idea according to some intuitive feel and apply it to develop radically new products first. And then check for acceptance market for this new product or service and make incremental product changes. That is how SMEs doing their business and as a result innovation is regarded as the brand of enterprise. But that doesn't mean customer needs and information of competitor are not important to SMEs. In both streams of entrepreneurship and marketing literature, it has been noted that there is a need to continuously gather information on customer needs and competitor capabilities in order to deliver consistently high-quality products and services as well as to create superior customer value (Slater and Narver, 1998). From both practice and research, it has also been found that many SMEs are interested in information on their customers and competitors in order to differentiate their offerings and positioning.

Furthermore, since the limited resources obtained by SMEs, especially the small enterprise like the case firm, it is even harder to acquire market information and other technical support. The customer seems to be more important to enterprise compared to large organization. Thus, entrepreneurs should invest much time and focus on building and maintaining relationships with customers in order to leads to benefits including customer loyalty and higher levels of customer satisfaction. In addition, the close relationship with customer will help the entrepreneurs to access to market information more easily and allow them to make decision based on the information. For small enterprise, the relationship with customers could usually be developed

through person-to-person interactions. Since the customer base of the small enterprise is normally narrow, entrepreneurs could concentrate on maintaining those relationships while searching for the potential customer. And because of the flexibility the small enterprise got, it is more easily and quickly to respond to the customer inquiries and need compared to large organization.

For SMEs, because of the limited resources and investment, it is impossible to act as the same as the big organization. Except the creativity and innovation appearing in the product, the way entrepreneurs act and every decision making are directly or indirectly affects the result of the business performance. During the past thirty years, a lot of research have been done related to the entrepreneurial orientation, and the most widely utilized dimensions of entrepreneurial orientation was developed by Covin and Slevin (1989), which is entrepreneurial aspects of risk - taking, acting proactively and innovativeness.

Porter and Stem (1999) define innovation as:

The transformation of knowledge into new products, processes, and services - involves more than just science and technology. It involves discerning and meeting the needs of the customers.

The innovativeness refers to a firm's tendency to engage in creative processes, experimentation of new ideas, try ways which are different from the existing, adopt new ideas or new methods to their business operation. It may be applied in any period of the business, except introducing new ideas in the products and services, entrepreneurs should keen to find out the <https://assignbuster.com/the-differences-between-large-and-small-companies/>

innovative methods and get them utilized so that to enforce the competitive strength of SMEs over the competitors. For example, as mentioned above, incremental adjustments should be made to the product and service in order to adapt customers' needs more efficiently. During these process, informal communication methods could be applied to collect the information, such as word-of-mouth and person-to-person communications. And all of the customers' needs should be treated very seriously as the source of innovative ideas while searching for efficient solution. And as mentioned by David, the innovation here may mean stocking new lines, approaching a new market segment with a particular service, or improving services to existing customers (David Stokes, 2000).

A vast majority of the literature on innovation in SMEs is focused on ' product innovation'; assuming that this is where most SMEs are innovative. And also, it may be true that SMEs with high degree of product/or service innovation would have more chance to success and be accept more easily. But, in reality as introduced in the case, SMEs develop products that are only marginally differentiated from others. So, product innovation could be included during the incremental adjustment in the manner of response or reaction to customer demand. And instead of simply focus on product innovation, innovative marketing could cover the whole spectrum of marketing activity within an SME. As mentioned by Garson and Gilmore (2000), to be ' innovative' in how entrepreneurs ' do marketing' could be considered as how they present the product or service; how they create ' added-value' within the scope of product/service offering; and in the delivery of this offering. None of this marketing innovation in itself is strikingly

differentiated, but packaged together, amounts to innovative marketing entirely compatible with SME characteristics and limitation.

Risk-taking propensity involves the willingness to commit significant resources to exploit opportunities or engage in business strategies in which the outcome may be highly uncertain (Keh et al., 2002). Entrepreneurs must encounter risk no matter how proactive or reactive an entrepreneur is while running their business, especially when taking creative and innovative actions. And the risk at the same time coming together with the opportunities as well as profit if the entrepreneurs could correctly handle the risk. To handle the risks, entrepreneurs are required to rationally measure risks and deal with them: (Zhan Jun, 2006):

Premeditative understanding of environment where risk lies.

Assessment of the potential risk of all sorts: risk likelihood, risk impact etc.

Readiness of the pre-planned risk handling measures.

Familiarity with and effective utilization of the risk handling measures.

Evaluation of the effectiveness of the risk handling measures.

Modification and improvement of the risk handling activities.

Proactiveness reflects entrepreneurial willingness to dominate competitors through a combination of proactive and aggressive moves (Zhan Jun, 2006).

For example, introducing new products or services ahead of competition and acting in anticipation of future demand to create change and shape the

environment. It requires the entrepreneurs keen to acquire the information of the exogenous factors such as government regulation, technology, competitors, and other environment forces. It also require the entrepreneurs to understand the customers' current needs and anticipate the future needs, or even lead the future demand of a particular product or service in advance of the competitors.

Branding and brand management

2. 2. 1 The performance impact of branding

As defined by as the main marketing strategy to differentiation the enterprise from the others, it is becoming increasingly apparent that SMEs that create strong brands normally gain significant competitive advantage over those that do not. This is because of the brand equity, which linked to a brand's name and symbol, has added value to the product or services based on factors over and above its functional performance. And this value, could directly or indirectly differentiate the enterprise from its competitors and act as barrier to competition, and provide basis of the customer preference and brand extensions.

In addition, in the modern economy, there are many different enterprises provide the similar type of products or service. The choices made for the customer has increased the sophisticated and confident ability of the customers to decide between products and suppliers' offers. For the customers, the brand act as a form of quality certification which could help to reduce search, reduce risk of trying new product or service as well as

provides information of the particular products or services and aid decision-making.

Why should branding be recommended?

As mentioned in the entrepreneurial orientation, the innovativeness is the main factor the SMEs have. But only identify the opportunities to innovate and develop product or services according to the customer need is not enough, entrepreneurs should find ways to exploit them, to make the product or service be aware by the customers. This require entrepreneur to identify, attract and manage the resources required to execute to build brand to ensure the awareness and increase the acceptance.

How the entrepreneurs think of branding

However, although the world of branding is clearly dominated by big organization, the entrepreneurs seems to give very low priority to it because of the barriers of resources, lack of marketing knowledge and misunderstanding about branding.

SMEs, especially the small enterprise, normally obtain limited financial, human and time resource. It is impossible for them to do conventional big budget advertising and promotional campaign like other big organization do. Also, not all of the entrepreneurs are good at marketing. Because of the limited scale of the business, they may think it is ineffective or have little impact on the profit generation to apply the branding to the existing products. Also, as Ho Yin Wong and Bill Merrilees defined in the finding of their report, SMEs have a narrow interpretation of what branding is.

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... Their views on branding are limited to advertising plus the brand name and / or logo. Advertising activities, such as television, yellow pages and promotional leaflets were seen as important to branding, but not seen as critical for SME business...

In addition, compared to impersonal marketing through mass promotions like other big organization, entrepreneurs may feel more convenience by interactive marketing which is mainly consist of personal contact with customers, listen to and respond to the voice of the customer.

How to apply branding to SMEs

As mentioned, the entrepreneurs have faced with a number of problems in the efforts to build the brand. Furthermore, some of them like the entrepreneur in the case introduced the product into a mature market which had not seen any major innovations. Considering all of the barriers above, alternative way of building brand should be introduced for the SMEs. As concluded by Emily Boyle (2003), despite limited resources, entrepreneur can build a strong brand through creation of distinctive brand image based on the attributes of the product, including its name and design and its brand personality and values. In the following, suggest guideline of how to build brand in the SMEs will be introduced:

Must offer the customer real product advantage.

The essential factor of the business is the product, so the number one success factor should be the attribute of the product which is different from the others and deliver benefits and superior value to the customers. So for

any innovation to be successful it must offer customers some significant product advantage, for example the unique attributes, superiority in meeting customers' needs, excellent relative product quality, superior performance and benefits that are highly visible to the customer. For the case, the advantages may result from the interesting of the printed graphic on the clothing, the quality of the material as the target user is the baby, as well as the low price. For every single attribute, the advantage may not be as distinctive as required. But if combine all of the attributes together, it obtain enough advantage to different itself from others.

However, it is very hard to develop the product at the very beginning which is innovative enough and perfectly fulfill the demand of customer, even though the product developed in the big organization based on a lot of marketing research. The market as well as the customer value and demand are always changing. So, to ensure to offer the customer real product advantage, except for the competition and characteristics of customer, the designer needs to regularly update on any change of customers' requirement. Then, with the process of listen to the customer through person to person communication, adjustment should be made to the product to enhance the superior value to the customer. And in particular, designer need to ensure that the change of design should be attractive to the customer and also distinguishable from the competitors.

In addition, as Dye (2000) explains, to be successful in the marketplace a new product should not only be unique but it should also be visible. So in order to attract the attention of potential purchasers, all of the advantages of

the product or service should be designed to be both visible to customer and distinctive from the competitors.

Naming the innovation appropriately

Discussed by Boyle (2003), it is important that the product can be identified by its brand name. Firstly, the brand names provide a consistent and continuing source of differentiation. Secondly, they provide cues for arousing any subconscious feelings that customers may harbor about the product. These feelings are created by the intangible, symbolic elements of the brand that constitute its personality.

Research has also shown that meaningful names for products are much more effective at building brand than nonsensical ones (Kohli, 1997). The attributes of the products should be presented in the name which should be presented in the way that satisfies the customer value or differentiate the brand from other competitors'; The personality of the brand could be expressed in the name in different ways, for example, the sincerity, excitement, competence, sophistication and ruggedness; Strategies could be applying while naming, for example the use of character ' A' in the beginning of the title make the name of the enterprise appearing near the top of any list used by prospective customers, or using the name obtaining the meaning that would attract the target or potential customers.

Inform the purchaser the attributes of the product

Because of limited financial and human resource, it is impossible to enhance to spread benefits of the products through big range of advertisement and

promotion. In order to inform the potential purchasers of the benefits of the product prior to or at the point of purchase, alternative way, which including careful, conscious, rational deliberation of the product's attributes, could be launched. This may include suitable use of personal selling and efficiently use of other media.

In many smaller firms, personal selling is the most common way of marketing strategies. Personal selling, which involve the communication of entrepreneur and consumer, could give the chance to spread the message of the product or service by word-of-mouth marketing. As the entrepreneur is in regular contact with the customers, preferences and needs of customer may easily be obtained. On the other hand, brochure and verbal description of the attributes of new product could be used through the communication. The customer, as a result, may get opportunity to learn the product even though they didn't intend to touch the new product. In addition, as defined by David Stoke (2000), by building of relationships, a feeling of involvement or participation with a small enterprise can encourage customer loyalty and recommendations, so that customers feel an added sense of commitment to it.

The Internet allows organizations to expand beyond traditional product and market perimeters. It is the impetus behind the trend towards global markets and has the capacity to influence individual's ideas.

The internet could also be viewed as available cheap media to use for SMEs. Advertisement and information of the product could be posted on the website and viewable to all of the current and potential customers. Offline

product could be sold through the website channel and interactive marketing between entrepreneur and customer could also be performed. In addition, entrepreneurs could use internet to promote user-to-user collaboration and communication, and also to establish reverse markets, in which customers seek out products from vendors, rather than the other way around. It adds a new channel to inform the advantages, in which message come from customers to customers.

Establishing a brand personality

The entrepreneur plays a key role in the SME and exerts considerable influence on the structure and culture of a company, especially the small enterprise considered in the case which has only one person in the business. So, in this condition the personality of the entrepreneurs could totally shape the culture of the business and brand personality of the brand. Except for make logo, packaging and labels individual enough to the products, how the entrepreneurs acted through communicated or reacted to the customer are also important. As a result, to establish the brand personality is not a simple once-only exercise, it required being included in the daily recurring aspect of its marketing policy.

Networking

What is marketing networking?

The usage of networking for SMEs marketing.

It has been shown in a lot of literature and debate that the topic of networks in entrepreneurial marketing is a prominent and outstanding issue. It has

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also be stated in a lot of literature that the network resources, networking activities and network support are very useful to help SMEs survive in different environment and improve the likelihood of success because entrepreneurs should not be viewed as isolated and autonomous decision makers, but as actors involved into a special micro-context. And also because it is integral to doing business, it is not have to be constructed and contrived, it is not a task to be completed, and it is simply part of everyday business activity and therefore happens anyway (Mile, 2003).

Undoubtedly, numerous studies have shown how the network of SMEs influence their marketing activities through many functions and as a result enhance the entrepreneurship. Brüderl and Preisendörfer (1998) concluded the functions in three mechanisms: (1) Social relations and social contacts are important channels for gaining access to information. And the information, compared to the information received from formal sources, is often assumed more useful, reliable, exclusive, and less redundant. (2) Network contacts give access to customers and suppliers. A diversity network might be very helpful for the SMEs to find customers, because friends and acquaintances as the first customers might spread information on the new firm via their own networks at the same time. (3) Network contacts may open the possibility to broaden the financial basis of a new started firm, because the relatives and acquaintances could give the entrepreneurs informal credits which could be seen as one part of the SMEs equity. In addition, the special network type - the family network - could provide loyal employees to help the entrepreneurs to controlling the workers and provide emotional support.

Besides these general functions generated from the social network and family network, we can address further functions provided from the business network, which has been identified by Dean (1997) as “companies joining together with a common objective, working together, and co-operating through the exchange and sharing of ideas, knowledge and technology”, is also an important content of networking marketing. The effective business networking would help the entrepreneurs with the marketing activities decision making. .

It has been found in a lot of articles that many manufacturing SMEs are keeping long term relationship with other firms and individuals, such as delivery firms, bank managers, PR agencies, product suppliers and marketing consultants. These relationships are proved to contribute strongly to a company's performance across a range of areas, including the cost, quality, reliability and timeliness of input delivery. In addition, developing and maintaining effective relationships competitors could also improve the SMEs business performance as the sharing of technology, information and customers could maximize the opportunities and reduce the effects generated by the SMEs' constraints. Furthermore, the close relationship with customers and clients could be viewed as the most valuable source of assistance in achieving improved business performance since all of the innovative ideas and opportunities were driven directly from customer needs.

Finally, the linkage with big organization, such as universities and mature business organization, could provide considerable professional and reliable knowledge support as well as new ideas and other updated information <https://assignbuster.com/the-differences-between-large-and-small-companies/>

which considered being the main constraints of the SMEs. For example: A mature organization investing in a start-up can provide valuable lessons to young entrepreneurs and a progression path for their new ideas, the challenge lies in allowing the incubator free range and not stifling their creativity with bureaucratic processes (Mile, 2003)

How to do networking in SMEs?

Networking is both a natural and an acquired skill or competency of the entrepreneur. A lot of entrepreneurs may not even be aware of it, since the way they perform networking is a process which is haphazard, disjointed, spontaneous and opportunistic, and consists of one-to-one interactions with a few or a variety of individuals (Gilmore and Carson, 1999). And normally, entrepreneurial networking has no fixed or standard mechanism in operation and there is seldom an agenda or objective because there is no demonstrative process in operation.

However, a lot of literature related to SMEs network agreed that formation and subsequent success of SME networks is largely determined by the owner-manager's efforts and skills to develop cooperative goals with network members (D'Cruz and Rugman, 1994). Chaston and Baker (1998) have introduced thirteen factors which could influence the outcome of network, such as the personalities of entrepreneurs, the knowledge and business skills of entrepreneurs, the frequency and focus of maintaining the contacts, the availability of entrepreneurs, the personal sharing, the culture as well as the consistency of entrepreneurs. In addition, Carson David and Gilmore Audrey (2004) have emphasized the importance of trust, commitment and co-

operation in the managing network relations with other firms and lead to a win-win situation. Furthermore, the experience is very important source both in the developing and maintaining of networks. Entrepreneurs need 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.

Conclusion

Relate specifically to the report's objectives (as set out in the Introduction)

Identify the major issues

Be arranged in order of importance

Be specific, and succinct

Be a list of numbered points

Recommendations

Be action orientated, and feasible

Relate logically to the Conclusions (i. e Conclusion 4. 1 should lead to Recommendation 5. 1)

Be arranged in order of importance

Be succinct

Founded by Audrey (2001), trade associations act as a means for the manager to become known to his peers within the industry. While occasions such as exhibitions or committee meetings ensure a certain degree of formality, they create the opportunity for more social encounters. “ 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.”