

Small business management

[Business](#), [Management](#)



Our topic for cluster assignment was the Electronic Market of Karachi, which is popularly known as Saddar Electronic Market. However it encompasses the surrounding area and shops as well which are in its immediate vicinity. Some claim that the Naz Electronic Plaza is now also a part of the Electronic Market. The electronic market comprises of shops which both sell as well as serve as a storage facility for larger shops that prefer having their stocks close by.

The shops include merchandise revolving around Televisions, Refrigerators, Mobile Phones, Dvd Players, Washing Machines, Ovens and Stoves, electronic cables and dish systems and even computer repairers and peripherals providers comprise this cluster. Our main contact was a local shop owner which is a direct contact of one of the group members. The owner is a family run small business and has two to three shops of his own and is running a successful and well established business in the electronic market.

One shop is responsible for selling TV Dish systems along with cables and the other is retailing washing machines, ovens and fridges. The receiver business falls under the category of wholesale and the fridge and home appliances business falls under the retailer category. The supply chain includes a direct contact with the company for large items mainly and at times a very properly integrated and built distributor network system to ensure that timely delivery of new items is there along with up to date appliances.

As in the case of receivers and cable products they are directly imported from China and even exports go to Dubai. The set-up is quite a fine establishment, and the business owner is secure in terms of business and has reliable long term structure laid down. The Human resource policies undertaken by this small business is usually of hiring someone known and is on a trust basis. Both the shops have around 5 employees each. The finance dealings are such that credit period and payment is allowed though cash is the life blood of the business and credit period is often given to only proper established parties.

When questioned about the marketing techniques they looked at us as if we cracked a joke and told us that they do not consider this important or useful at all. They believe in just word of mouth and reference base which they do not categorize as marketing. This according to our material in the course SBM is contradictory as these small business owners have a different perception and mindset of what marketing really is. They would be involved with a very close relationship with the customer and this is quite observed in this sector but they would not classify this as marketing.

They said they have no such issues with the local authorities here and there are hardly any electricity woes. They have one shop on rent and the other they own it. In regards to a Union council or a regulatory body they said that yes there is a local council by the name of “ KIDA” – they didn’t know the full name either and that they do not have much information about its activities are not so much involved with the council. This was a basic background

establishing as well as a local example to get us familiarize with the cluster and the electronic market in its entirety.

The rest of the details about the analysis of the cluster are as follows. HR handling techniques Since the market that we have visited is mostly an informal one, so there are no proper HR managers and employees are selected mostly on some informal selection techniques. However there are also other big businesses that exist in the electronic market, which apply formal HR handling techniques. The most part of the market, mainly 90% of the businesses, works on the HR recruitment, selection and management techniques.

These businesses are very small in terms of their physical structure and size, but their actual turnovers are in crores. Their structure mainly consists of an owner or sometimes a manager appointed by the owner and two or three employees, so mainly the HR personnel here is the owner, who appoints the employees on his own. This appointment and management is done according to his experience and judgment ability. The employees mostly come to the owner by reference or may be through the community of the owner.

As Saddar electronic market is mainly memon dominated, so they have a soft corner for their own community and they appoint mostly people from their own community due to factors such as trusting issues. Another type of employees that the owner keeps is people from the family, as these are mostly family businesses, so the owner tries to teach his brother or son about how his business works and for this he makes them work with him in the business. The firing of an employee happens mostly due to laziness of

the employee, fraud by the employee or if any conflict occurs between the owner/manager and the employee.

The other 10% of the market contains businesses that are relatively of a bigger size but still land in the category of small family businesses. These rely on the formal HR management techniques, like these have formal HR managers, these are not paid much but they work mainly to gain experience here. Employees in this sector of the market are formally interviewed by both the manager and the owner, as this is a small business but relatively large, so in this sector employees vary from 15 to 100. In Saddar there are businesses like Audionic, Q mobile and Digicom.

These also consist of service centers, where there are lots of employees, which are selected on the basis of communication skills, technical skills and management skills. Employees do have contracts here and are observed and appraised according to their performance. Firing is also done formally here. Obtaining of Business Finance Techniques The Shops in electronic market are majorly run in an informal manner, so the financial activity is usually held by the owner/manager or superior in the shops. There are 2 ways of the ownership of the shops.

One the private ownership by the shop owner and second is shop given/taken on Rent. Normally rented shop rates are from RS30000-70000 per month. The rent rates are low at the internal side of the market whereas rates increase at the front side of the road. Because of the football effect, they are able to capture greater visitors. When asked about such a high rent, the shopkeeper told that if they had their own shop, they could have made

much more profits. The shops purchase items in bulk from direct dealers. They have a storage space in most of the shops for stock keeping.

The inventory method is usually Just in Time followed. They usually have 2 sales men in normal size electronic shop and 2 loaders for special delivery items like fridge or TV. Few of the shops have their contract with drivers of the logistic workers example of shezore or mini trucks to deliver the goods at home of the customers. They then give a commission to shops owners for bringing each customer. The monthly cost of running a shop (Utility bill) is usually Rs 2000 to 4000 and in case of display shops like TV or Fridge, it's up to Rs8000.

The daily expenses include 2 times food for workers and tea expenses which hardly come around Rs80-100 per worker. Out of the salary, a commission is also given to salesmen on Premium sale. The relationship with their supplier and customer is very important. As the structure is informal a credit lineage is given to suppliers and regular customers. The suppliers give them credit period (Udhaar) of about 20 days for electronic items and a week for mobile products. The credit period can be extended depending upon their relations with the suppliers.

When asked about the monthly profits, all the shopkeepers refused to tell but it seems that they were pretty much satisfied with their earnings.

Marketing Techniques Marketing is usually done by the owner of the business and marketing techniques and procedures are informal. However there are also other big businesses that exist in the electronic market, which

apply formal marketing techniques. Mainly the marketing personnel here are the owner, who decides the marketing process on his own.

This marketing for the shop is done according to his experience and judgment ability. The customers mostly come to the owner by reference from previously satisfied customers or may be through the attractive marketing purpose sign board or display items that block the pedestrian sidewalks. Saddar electronic market is mainly the center of electronic equipment's where everything from cellphones, computers, irons, refrigerators, air conditioners, heaters, satellite dishes, DVDS, stereo systems, TV and much more is available.

Since there are a cluster of various electronic items all available in the same area a lot of people across Pakistan and from within Karachi travel to Saddar to make electronic related purchases. This kills the purpose of identifying and segmentation. No shopkeeper uses the identification marketing technique as the customers are all those seeking electronic items. One of the best marketing techniques available for these shops is word of mouth. The next important and most continually and easily used marketing technique used is displays.

Mostly shop keepers in the electronic market all consider that the sidewalk that the government initially built for the pedestrians is actually a bonus to shop and they think that this area has been allocated to them as a gift of appreciation from the government. So they successfully take up the sidewalk and place bulky electronic equipment on the sidewalks to market the product

and get attention from passing by potential customers as driving through the area is literally impossible.

Many shops also use techniques like free delivery and provide such incentives to promote their business and market their shops. Some mobile shops use printed polythene bags to advertise their shops. The other 10% of the market contains businesses that are relatively of a bigger size.

Customers in this sector of the market are formally identified by both the manager and the owner. These businesses use interactive methods such as personal selling and both top-down and bottom-up approach of marketing. They use small exhibitions and trade shows to along with retail selling to market their product.

Grievances The major grievances are that the small businesses in the sadder electronic market were against the continuous harassment by the police and the continuous collect of Bhata by them. Since many of the shopkeepers in the electronic market area place bulky electronic items on display on sidewalks which is illegal the police allows them to keep those on the sidewalks then as part of rent the police officers the usually demand expensive electronic items in return such as TVs or Refrigerators. The shopkeepers are also concerned about the security issue of the area.

Although not much violence has gripped the sadder area but traders are demanding that more security should be provided. From the provincial government and the city government the traders and small business owners are demanding better infrastructure facility such as a constant and smooth traffic flow and continuous electricity supply. The traders in the market are

demanding sufficient parking space for both owners as well as customers. They believe that the parking plaza built all the way across in Lines Area is too far and that customers and employees are reluctant to go there.

Therefore a near and close by parking plaza should be built. Learning This exercise turned out to be a fruitful one in terms of learning and the benefit we derived from this included the importance of proper planning and team work. Also as we went along in a group and talked to people in the cluster most of them were hesitant and thought we were doing some sort of documentary or related to media. However when we informed them that we are from an academic institution did they relax a bit and opened up to our queries.

The importance of the cluster, its location and practices became clearer to us and it also helped as a bonus that we had some direct contacts in the cluster that helped us out in gathering this information and building this report. Among the members there was proper work divisions as in the final visit two of the members could not make it to the cluster and were not included in the group picture thus to make sure that there was equitable distribution of work, proper tasks were distributed to them to ensure that everyone participated and played an active role and that there be no free riders at all.