

Critical thinking regarding marketing practices



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Introduction

The emergence and growth of small to medium enterprises (SMEs) globally has generated increasing interest into research on how the strategy and tactics of these companies differ from or overlap with general marketing theories, as well as theories designed for multinational corporations (MNCs) (Bridge, O'Neill, & Cromie, 2003, p. 123). Through definition, SMEs benefit from less financial and human resources than their large corporate competitors, yet some of these companies managed to gain a competitive position in their respective industries (Chaston & Mangles, 2002, p. 67). With less financial resources dedicated to marketing and significantly smaller marketing teams, SMEs revolutionised areas of marketing through the need to find more creative ways to gain a good position in the market (Burns, 2007, p. 259).

Whilst marketing in the traditional sense through extensive paid for advertising campaigns and price competitiveness requires extensive funds, SMEs have a need for more cost effective campaigns with tangible results, as their ability to invest in marketing initiatives is significantly lower (Storey & Greene, 2010, p. 33). In order to respond to this practical need, an increasing number of scholarly research projects are focusing on tracing the successful strategy of SMEs that thrive in conquering a significant market share (Knight, 2000, p. 13). The impact of the perceived success of small companies has generated a paradigm shift in the entrepreneurial world, hinting at the fact that a well executed vision counts more than a company's cash flow. At the same time, the influence of the internet and globalisation has made its

impact felt on the ability of SMEs to advance beyond their capability to serve local customers (Dholakia & Kshetri, 2004, p. 311).

Often opting for the most effective means of marketing, SMEs have indeed become the role models of other companies in their attempt to communicate with and gain the loyalty of customers (Lu & Beamish, 2001, p. 567). As such, this essay is analysing the relevance of standard marketing practice to SMEs and also the innovative solutions employed by small or medium businesses and their impact on the academic knowledge regarding marketing. Drawing a parallel between available scholarly knowledge and practice exemplified through the successful marketing initiatives of SMEs, this essay attempts to draw a clear conclusion in regards to the emerging paradigm shift in marketing.

Entrepreneurship and organisational structure in SMEs

Entrepreneurs usually become owner-managers of SMEs through launching their business idea and gaining the necessary funding for it from grants, loans or self-funded initiatives (Stokes & Wilson, 2010, p. 35). Due to the fact that the entrepreneur is in charge of all the decision making of a firm, SMEs are often faced with operational and strategic challenges that their large corporate counterparts do not experience (Stokes, Wilson, & Mador, 2010, p. 194). On the other hand, SMEs have the advantage of an organisational structure that presents closer working relationships within the company, which can aid the business to become an industry leader (Chaston, 2000, p. 166). To start with, setting the vision of a company and attempting to inspire all members of a business to share the views of the senior management is a challenging task (Southon & West, 2002, p. 94). More often than not, large

corporations struggle with the resonance of their vision throughout the entire corporation more than small businesses, for obvious reasons. The hierarchical management structures often met in MNCs are inexistent in small corporations, where the success of the team is seen as a result of equal effort from all those involved in the business (Adler, 2001, p. 220). As such, the contact between the leaders of the business and the end employees is more common in SMEs (Bolton & Thompson, 2000, p. 82).

The leaders and employees of a business are the first and sometimes most important brand ambassadors of a company (Morhart, Herzog, & Tomczak, 2009, p. 122). The relationships within a company are usually reflected in the behaviour of employees with external stakeholders and a strong corporate reputation usually stems from the cohesion inside a company (Kuhn, 2008, p. 1227). Close contact with all other members involved in the operations of a firm and constant communication leads to a strong vision and innovative ideas, due to constant exchange of information, often in face to face settings (Crotts & Turner, 1999, p. 116). On the other hand, the complex and formalised communication matrix that can be identified in large companies may inhibit the exchange of views and ideas and may lead to the loss of meaning of the values and vision of a firm, also inhibiting innovation (Dougherty, 1992, p. 180).

Market research capabilities

Uncovering the demands and opportunities of the market can be a complex issue, hence why large corporations delegate this task to teams within the research and development (R&D) function of the company (Von Zedtwitz & Gassmann, 2002, p. 573). The subtleties involved in the market research,

including tactics of audience profiling and anticipation of demands require specific skillsets (Schindehutte, Morris, & Pitt, 2009, p. 93). As already mentioned, SMEs have significantly lower human resources that they can rely on for the purpose of market research and development. As such, they either rely on commonly available market research released by market research companies, due to its accessibility. However, this does not allow SMEs to gather the knowledge necessary to respond to relevant market demand in a quick manner. In addition to this, publicly available information can also be accessed by similar competitors, therefore not offering any of the companies using it the competitiveness of innovation (Wong, 2005, p. 270). Traditional market research conducted through expensive face to face, phone or post methods are more accessible to large corporations that can invest the capital in these initiatives. The internet, particularly social media platforms have opened up new methods, which are much cheaper and arguably more effective for conducting market research (Deakins & Freel, 2009, p. 143).

Granted, large corporations can still use an effective mix of the old and new methods, which would offer them a competitive edge over SMEs, but the depth of the research is only relevant when it can be effectively put into practice (Greenhalgh, Robert, Macfarlane, Bate, & Kyriakidou, 2004, p. 603). The ability to analyse data obtained via any market research method and turn this into relevant information for marketing purposes is still closely linked with the talent available within a company, and once again the MNCs have an edge over SMEs. Nonetheless, the flexibility of operations of SMEs is the core advantage of these companies over MNCs, as they can easily

modify products and services to suit the needs of their consumer (O'Regan, Ghobadian, & Gallear, 2006, p. 35). In the toy industry for instance, the product offerings of smaller businesses translates into significantly lower costs incurred by changes, than in the case of large corporations who have are dealing with higher volume of products.

Opportunity marketing

In terms of market research and responsiveness, one of the advantages of SMEs is the close ties they can develop with local communities, making them stronger as competitors to large corporations in specific regions (Perrini, Russo, & Tencati, 2007, p. 290). The debate regarding localisation of international businesses in specific regions is a result of the perceived influential power of SMEs, as the flexibility of smaller businesses to take advantage of the opportunities presented by each specific market is significantly higher. Whilst global businesses rely on the recognition of brand name and reputation, SMEs rely on the convenience they can offer in the market due to proximity of shops or familiarity with the demands of the local customer base (Stokes, 2002, p. 85).

In regards to opportunity marketing, SMEs can build a competitive edge for themselves through responding to immediate needs of local consumers due to the flexibility in operations that they benefit from (Rae, 2007, p. 72). As such, distributors of toys in the UK, for instance, can take advantage of important events in the local community better than MNCs, as they will be aware of local community events for children faster than the global brands present in the area. The low capital requirement for market entry in the toy manufacturing industry is an advantage for the entrepreneurial initiatives in

the industry (Ecorys Research and Consulting et al., 2013, p. 36). The multitude of options for supply chain management in the UK, through local manufacturing facilities or import of products from overseas is luring for entrepreneurs that can identify a market need in a particular area of the industry or a specific region (Kirby, 2003, p. 269). Although the price competitiveness of large toy chains such as Toys R Us is quite a high threat to the entry of SMEs in this industry, local businesses can take advantage of their knowledge regarding the more subtle needs of the consumers in their attempt to win over the market share (Michman & Mazze, 2001, p. 201).

Positioning is paramount for the success of smaller businesses over their multinational competitors, and the ability to take advantage of proximity of schools is an important factor in the success of SMEs (Patten, 2001, p. 14). Whilst MNCs have an intrinsic need to find or build large stores to accommodate their extensive product range, SMEs can take advantage of strategically placed boutique stores in the vicinity of areas where the footfall of customers can make a significant difference to their financial returns. The product offerings of SMEs can be tailored to suit the needs of their local customer base and individuals with significant entrepreneurial talent will identify the gap in the market which is not fulfilled by MNCs (Davenport, 2005, p. 683).

Innovation and word of mouth marketing

The perceived risks associated with innovation may represent a higher threat for SMEs, due to their investment power, but the focus on niche product offerings could significantly reduce this risk. Therefore, innovation in the context of small business ventures needs to be seen as the ability to respond

to the needs of a niche consumer base, usually referring to a local consumer base and their immediate need (Freel, 2000, p. 27). Whilst MNCs in the toy industry have to balance out the needs of a large consumer base with their ability to market new products, due to the need to respond to the desires of all of their customers, niche small businesses can venture into offering tailored products without endangering their strategy and operations (Carson, Cromie, McGowan, & Hill, 1995, p. 54).

In addition to this, the marketing of large corporations is usually concerned with the ability of their messages to appeal to a large consumer base, whilst smaller businesses can easily tailor their marketing tactics to appeal to a specific consumer group (Dalgic & Leeuw, 1994, p. 39). Through the ability to take advantage of specific needs and wants of local consumers, SMEs have higher chances of being featured in local press or radio, therefore being able to develop more lucrative public relations initiatives. For example, entrepreneurs in the toy industry can identify important school events that they can sponsor, therefore gaining important exposure for their brand and becoming known to the relevant consumer base. Research of these opportunities is not easily accessible to MNCs, therefore leaving a gap in the market for SMEs to gain popularity over the well established chain stores. These initiatives increase the opportunity for SMEs to take advantage of both opportunity marketing and word of mouth marketing.

Children and their parents are the target consumer groups of the companies in the toy manufacturing industry and whilst these groups are sensitive to advertising, there is still significant reliance on impulse buying for these products (Seiter, 1992, p. 240). As a result of this, even though SMEs are less

likely to have the funds necessary for investment in standard marketing tactics such as extensive ad campaigns on TV channels, this is not necessarily seen as a barrier in the toy industry. The ability to reach the customer in person and persuade them to make a purchase is still important in the toy industry and SMEs have the added advantage of proximity to the customer and the chance to reach out into the community at key moments, when the need for their products increases (Brown, 1990, p. 180).

The importance of CSR

Entrepreneurs in the toy industry must realise the primary importance of safety and quality of the products sold (TIE, 2013, p. 2). Increasing concerns of outsourcing of manufacturing and testing to production facilities in developing countries have impacted on the reputation of MNCs. Therefore, the ability to demonstrate a commitment to local or national manufacturing can significantly impact on the perception of customers in regards to the quality of products and the overall image of the small companies (Spence & Schmidpeter, 2003, p. 93). This can diminish the impact of pricing tactics used by MNCs, as customers are willing to pay premium prices for products that they perceive as safe and durable for their children (Trudel & Cotte, 2009, p. 62).

Therefore, instead of seeking to compete with their large corporate opponents from a price perspective, SMEs in the toy industry should focus on quality of products instead and demonstrate that their corporate social responsibility (CSR) abilities are significantly higher than those of mass manufacturers of toys (Perrini, 2006, p. 307). The profitability of SMEs can therefore be increased by persuading customers to pay premium prices that

reflect the added value of locally sourced products and services. In the context of SMEs, effective marketing of products demonstrates that the purchase of a product is part of a cycle that enables the entire economy of a region to prosper (Du, Bhattacharya, & Sen, 2010, p. 10). Managing to demonstrate how a customer's investment impacts on the employability of the region is paramount in the success of SMEs over MNCs, through effective communication with the consumers that outlines how the profits of a company are invested back into the larger economy of a region.

Conclusion

Whilst this paper does not ignore the issues faced by SMEs due to the significantly lower financial and human resources available to them, it outlines the strategies and tactics to overcome any of these issues. Through effective marketing tactics that take into account the needs of local customers, as well as the ability to demonstrate how quality and safety is reflected in the premium pricing of toys sold by SMEs in the UK, the smaller entrepreneurial initiatives of individuals can have a significant competitive edge over the MNCs present in the region. Developing lucrative partnerships with local schools and media outlets can impact on the success of SMEs through the ability to create a stronger reputation of the company and meaningful relationships with the targeted consumers.

To conclude, whilst there are significant distinctions between SMEs and MNCs, there is not an innate need to reinvent the wheel in terms of marketing, only to tailor the tactics to the abilities and needs of a company. Whilst innovation, opportunity, word of mouth and CSR are equally as important to both types of companies, the manner in which the leaders of

the companies can take advantage of these marketing drivers is significantly different. The success of SMEs is possible through focusing on smaller scale research of needs and wants of consumers and the ability to develop innovative solutions to respond to these without being hindered by the price competitiveness of MNCs.

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