

A Study on Marketing Strategies of MSMEs in U.P

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Abstract:

Research Problem: MSMEs encounter challenges while trying to compete with large corporations and adapt their tactics to changing market conditions. The performance of MSMEs in the market is heavily influenced by their marketing management capabilities in terms of marketing research, marketing strategy, planning and implementation, control, and assessment. Since so many MNCs have entered the market and created intense competition, the existing marketing strategies have reached a point of saturation, and new, innovative strategies are now needed. It is crucial to understand the strategies used by Indian MSMEs to promote and make their products compatible with the market.

Research Aim: This paper focuses on the marketing strategies employed by Micro Small and Medium Enterprises to stand out against fierce competition and market their goods in a competitive marketplace.

Design/Methodology/Approach: Primary data has been collected through well-structured questionnaire from entrepreneurs of 100 MSMEs selected on random basis and a simple statistical analysis which includes descriptive statistical analysis is carried out to assess whether entrepreneur is satisfied from the prevailing marketing strategies. Secondary data was collected through referred journals, articles and reports published by Ministry of MSMEs.

Research Findings: The study reveals that the application of appropriate marketing strategies by MSMEs is not satisfactory in this competitive environment. Their differentiation strategy is weak. The present paper suggests various innovative marketing tools like Customer Relationship Management (CRM), Digital Advertising, Mobile Application and B2B Marketing. The tools help MSMEs to improve their performance and gain real time insight about the business.

key words: Marketing strategies, Marketing Intelligence System, Marketing Tools.

Inception of The Study:

The present paper focuses on Marketing Strategies of MSMEs in U.P (India) where MSME sector forms the backbone of economic progress and development as it contributes to employment generation, flexible, widened approach, industrial productivity and contribution in export. State of Uttar Pradesh has the largest number of estimated MSMEs with a share of 14.20% of MSMEs in the country and it accounts for almost 60% of total industrial output in U.P (Annual Report 2020-2021).

The Indian market is growing rapidly and Indian Industry is making commendable progress in various industries like Food Processing, Textile and Garments, Retail, Manufacturing. IT and Pharmaceuticals the appertaining industries in the form of MSMEs are thriving at a good pace. (Sheetal, et al, 2012). Globally fast changing and developing economic scenario has thrown up various opportunities and challenges to

the MSMEs in India. It has put an obligation to upgrade their competencies and strategies to meet the competition as new products are launched at astounding pace and are available worldwide in short time. MSMEs do not have any strategic tools for their business / market development as available with large industries. Presently Marketing is one of the weakest areas wherein MSMEs face major problems (Venkatesh, 2015). The existing marketing strategies of MSMEs have reached the saturation point and they need to implement and execute innovative marketing strategies and should adopt suitable marketing intelligence system as many MNCs have entered and created a heavy competition which has become important for MSMEs to understand.

Region-wise Composition of MSMEs in U.P.

The state has been classified among four economic regions namely as East, West, Central, and Bundelkhand region. The Bundelkhand region is the smallest consisting of only 7 districts and Eastern region is the largest consisting of 27 districts, while the western region consists of 26 districts and Central 10 districts.

The below table presents the details of each economic region in terms of number of units of MSMEs, investment made in the units and employment generated by the MSMEs. As can be seen from the table, at the end of Eleventh Five-year plan 7,47,413 SSI units were established with the capital investment of Rs 19,334.31 cr. and employment generation for 31,04,641 persons.

Sr. No.	Name of the Region	No. of Units	Employment	Investment (cr)
1	Bundelkhand	45,046	138409	575.78
2	Central Region	1,20,964	4,74,411	3,267.19
3	Eastern Region	2,07,124	7,56,549	3,101.73
4	Western Region	3,74,279	17,35,272	12,389.60
Total		7,47,413	31,04,641	19,334.31

Source: Annual report of MSMEs (2020)

Review of Literature

Valusama (2002): The author observed that sufficient and timely availability of working capital and marketing facilities for the small-scale products should be ensured for improving their competitive strength in the domestic and global markets. The findings suggest that there is a need to provide better information network besides development of quality infrastructural facilities.

Simpson, et al (2006): Enunciated a theoretical and practical insight into the issue of marketing in SMEs in the study, conducts to report on a full-scale testing of the role of marketing and its relevance in small and medium enterprise. The role and relevance model of marketing in SMEs has been thoroughly investigated and tested in the study.

Gajanayake (2010): The author conducted a study in Srilanka to examine the implementation of marketing strategies in SMEs. The paper addresses that the main reason about the failure of SMEs is the less awareness and knowledge about the new methods and technique available in the business world. The findings revealed that there was no significant impact of marketing strategies on their business growth.

Kumar (2012): The author conducted an empirical study covering the socio-economic conditions and marketing strategies of SSIs. The author aimed to generate awareness to the SSIs regarding blind spots in marketing of their products. The findings revealed that market forces are governed by the criteria of efficiency, productivity and competitiveness.

Kumar and Kamal (2013): The author aimed to investigate the factors influencing the price decisions, selection of distribution channels by the SSI. The five-point likert scale have been used and major findings reveal that small manufacturers are not using well versed with the marketing mix techniques do not use latest marketing tool such as e-marketing or web marketing.

Trivedi (2013) The author aimed at finding the marketing practices adopted by small and medium sized enterprise and innovative marketing strategy applicable to such industries as well as benefits of marketing tools adopted by them. It was observed that marketing function can be carried out effectively only when both management and people work in a coordinated way. SMEs can implement innovative marketing strategy there is no such case of hierarchy like in large enterprises.

Gbolagade et al. (2013) The study examined the impact of marketing strategy adopted by small sector entrepreneurs on the performance of the firm. The study undertook in Oluyole local government area Ibadan, Nigeria. Product, Price, Place, Promotion, Packaging and after sale service were taken as independent variable and firms' performance was taken as dependent variable and the outcome of the study revealed that the independent variables were responsible for huge return on investment, profitability and market share to a great extent. Subsequently the study recommended to offer quality product with distinct design and feature at reasonable price and effectively promoted and distributed to gain the confidence of customers.

Awan & Hashmi (2014) The study was conducted amongst small and medium sized enterprises in Multan and aimed to analyze marketing strategies adopted by entrepreneurs in Multan. The result showed that it is through innovation that firms products established their name and brand in the market. Innovative approach was followed not only for producing products but also for delivering services and thereby satisfying customers. Thus, the study recommended to adopt and follow innovative approach for providing better services to customers.

Liao et al. (2014) undertook study in Taiwan and introduced marketing strategy model for micro enterprises. The model enunciated by the authors proposes that micro enterprises can adopt any of the five strategies namely, focus cost leadership, overall cost leadership, cost leadership and differentiation, differentiation and focus differentiation based on their product/ services and customers.

Kingsley & Pokubu (2019) The study investigated the effect of marketing mix strategies on small scale industries. It examined the relation between marketing mix strategies and performance of small-scale unit. The result showed a positive and significant relation between marketing mix strategy and performance of small-scale industries in Nigeria and emphasized on the usage of compatible marketing mix strategy because a well-designed strategy pushes up the sales volume of the firm and so the image of the firm in the market.

Need of The Study:

MSMEs are facing various problems and the major problem is difficulty in adopting their strategies to market changes. The most intricate problem is their inability to understand accurately the prevailing trends

in the market. There is a need to change the existing marketing strategies in accordance with Market Intelligence System and innovative technique and models. MSMEs are not well versed with more and accurate information systems used in contemporary environment to be at par with globally recognized enterprises (Beverland and Lockshin, 2005).

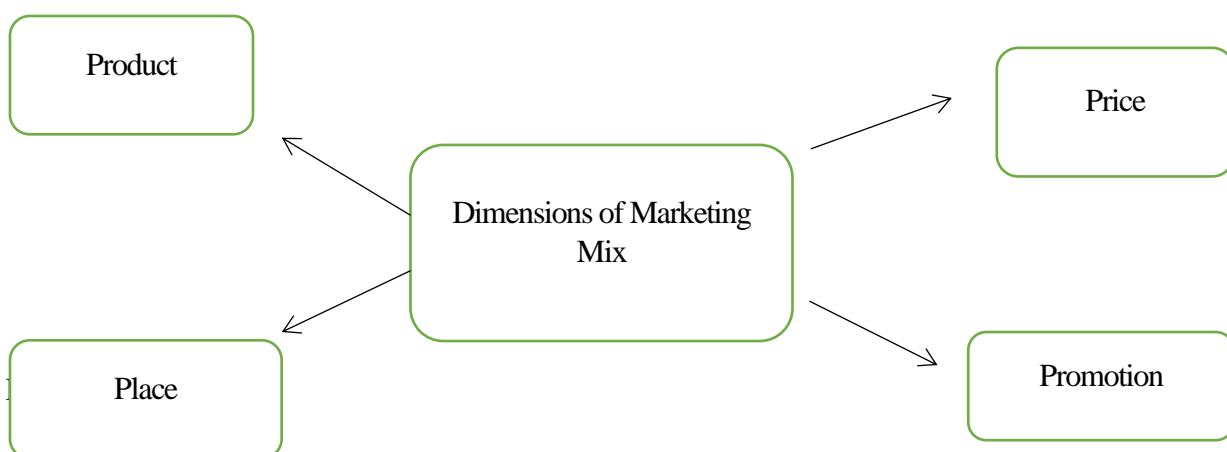
Marketing Strategies for MSMEs

A Marketing Strategy is a set of decisions on the activities involved in marketing of the product, how efficiently a firm puts its resources and competencies to effectively market their product. The studies (Simpson, Gajanayake, Kumar) on marketing strategy emphasizes on need to maintain a strategic fit between the internal strength and weakness and external threats and opportunities.

Marketing Strategies serve as the fundamental basis of marketing plans designed to fulfil market needs and attain marketing objectives. The success of any business lies on its marketing strategies and skills. MSMEs need to understand that each and every aspect of marketing be it the products, pricing, channels of distribution or marketing communications greatly affects the consumers response to a product. The whole spectrum of marketing strategy for any product is required to be addressed whether it is product differentiation, branding issue, incremental feature of the product, post-sale service etc.

Some of the popularly evolved marketing strategies like relationship marketing, niche marketing, cluster specific marketing, database marketing is vital for a business to progress and prosper. If these marketing strategies are properly implemented can give the MSMEs a better platform to go beyond the generic marketing applications, will create huge acceptance, the brand will be strengthening and it will compete globally. With successful strategies, marketing efforts and operational efficiency the brand can create a strong foothold in the market.

DIMENSIONS OF MARKETING STRATEGIES:



Successful marketing strategy depends upon a marketing mix of all the marketing elements and resources. The basic marketing mix is the blend of four inputs or sub-mixes which form the core of the marketing system (Product, Price, Place, Promotion). Despite the limitations, the marketing mix strategies commonly remains based on the 4 Ps (Goi, 2009).

Product Strategy:

Product strategy is a set of interrelated decisions regarding product design, packaging, branding, product positioning and product warranty. Marketing mix in terms of product can be enhanced by increase product line, depth and width according to market demand (Kotler & Kotler 2008). The relationship between marketing mix elements and brand image among small enterprises in Pakistan and their study (Riaz & Tanveer 2011) revealed that decisions on marketing mix element influence the brand image.

A survey by Tripathi et al, conducted in five metropolitan cities of India and concluded that MSME sector has to be supported three major areas mainly product design, packaging, and marketing.

Pricing Strategy:

Pricing is an extremely important decision in marketing strategy as it affects the financial performance of a firm. For MSMEs pricing decisions can determine their fate as entering into a price war (like big firms) is hardly possible for them so, pricing demands extreme attention so that it ensure profitability.

Price strategy plays an important role in influencing consumers behavior in choosing a retail store. Danziger et al conducted a study among consumers in Israel and concluded that a consumer chose a retailer who offered an Every Day Low Pricing strategy (EDLP) and price discount. The various strategy that can be followed by MSMEs are market segmentation, discount strategy, price skimming, penetration pricing, yield management or revenue management.

Place Strategy:

Place strategy is one of the important dimensions of marketing strategy as it involves systematic planning of making the goods and services physically available to the consumer in the market. Decisions have to be made whether distribution should be via retailer, wholesaler or direct approach to consumer. Novel techniques of marketing like the use of social networks can be used by MSMEs to gain market share and consumer purchase. Kumar & Rohtak conducted a study and analyzed place strategy adopted by small scale industries in India. The author suggested that these sectors can use e-marketing and web marketing to improve their share in the market.

Promotion Strategy:

Promotion strategies are the decisions to be taken to create awareness, persuade and inform customers about an organization's goods, services, ideas, image or impact on society (Evans and Berman, 2007). Promotion mix consists of six major methods of communication namely, advertising, sales promotion, public relation and publicity and events and experience. Promotion is undoubtedly, the utmost important ingredient of marketing strategies. Promotion of MSMEs is thriving by usage of clustering, networking and technological innovation (Sheetal, Sangeeta et al.).

Marketing Intelligence System and MSMEs

Marketing Intelligence System, a set of procedure for capturing pertinent information and supplies data for business marketing decision making (Hutt and Speh 1989, Kotler 2000). It aims at providing information about marketing environment, changing trends, taste and preference of customer, the prevailing competition in the market, updated technology so that decisions can be made in a more systematic way.

Marketing Intelligence System is necessary for MSMEs because of the reason that environment factors under which a firm operates are dynamic in nature and the changing nature of marketing environment compels the marketer to manage their marketing intelligence system effectively. In this era of globalization, MSMEs need timely and accurate marketing information about the changing patterns of fashion / tastes in the domestic as well as international market so that such a marketing strategy can be implemented that will help in achieving the desired results.

Research Methodology:

Sample method

The study has incorporated the sample survey using a self-administered questionnaire by several professionals encompassing 100 industrial units of randomly selected MSMEs in U.P. but as a researcher it comes under the limitation of time period for the present paper, it could not be possible to take the large samples. We have selected units randomly around 24-25 units from each region.

1.Survey development and measurement:

As we are developing the marketing strategies for MSMEs in U.P. (India), the major five marketing strategies identified namely strategies related with product, price, place, promotion and market intelligence system.

A simple statistical analysis which includes descriptive statistical analysis is carried out to assess whether entrepreneur is satisfied from the prevailing marketing strategies. Factor analysis was conducted to reduce the underlying variables among a set of specific attributes. Varimax rotation was applied. The Kaiser-Meyer-Olkin criterion is used to retain the factors having Eigen value greater than one. The value of KMO should lie between .500 to 1.

Factors and variances

Factor s	Descriptive names of factors	Eigen Value	Variance (%)	Cumulative Variance
F1	Strategies regarding Products positioning	4.955	30.972	30.972
F2	Strategies regarding promotion of the product	1.826	11.415	42.386
F3	Strategies regarding markets intelligence system	1.515	9.471	51.857
F4	Integrated marketing strategies	1.345	8.405	60.262
F5	Strategies regarding pricing	1.197	7.483	67.746

Extraction Method: Principal component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Data Interpretation and Analysis:

For determining and integrating marketing intelligence and marketing mix strategy of MSMEs in U.P. the principal axis procedure of exploratory factor analysis (Zikmund, Churchill et al 1998) was used along with varimax rotation (Kamakura and Wedel 1983). The analysis proved a better data reduction tool and procedure for strengthening the relationship among items taking an overall dimensional structure of the domain in question. The factors finally emerged were put under scree test so as to know which of the items are contributing significantly to the total variance in the result obtained. These factors have explained 67.746% of total variance and first factor explaining 30.972% of the total variance shown in table. All the factors are both conceptually and empirically different from each other (Fornell and Larcker, 1981).

These factors have been recalled as strategies regarding product positioning (F1), strategies regarding promotion of the product (F2), strategies regarding market intelligence system (F3), Integrated marketing strategies (F4), strategies regarding pricing (F5).

Findings and Suggestions:

The study reveals that the application of appropriate marketing strategies by MSMEs is not satisfactory in this competitive environment. Their differentiation strategy is weak. As MSMEs are following low cost pricing strategies so it becomes imperative for them to follow product differentiation for product development. MSMEs should use selective product positioning strategies for different types of products as it is futile to use same product strategies for different products.

Pricing decision is one of the areas where MSMEs need to be very careful. Product should be offered at highly competitive price after doing comparative market analysis. MSMEs should focus on pricing strategies as it affects their overall marketing strategies.

Brand is an identifying mark and has the power of instant sale. It differentiates place the product in the heart and mind of the customer. Customers are not well aware about the brand name of MSMEs so they should work on brand endorsement of increasing profitability. They need to improve their product design as well as their branding.

The study also reveals that MSMEs are not satisfied with their distribution channel so there is a need to improve their distribution channel. For maximum coverage of the market various marketing tools such as digital advertising, mobile application, CRM, B2B marketing strategies should be adopted by MSMEs as in this era of globalization product, promotion, placement, sales maximization and brand building depends on the right type of promotion strategy.

Extant research shows that small business faces problem to tap foreign markets for their products due to inadequate information about the potential market and customers. The study suggests that MSMEs should develop proper marketing intelligence system as it gives them insights to real time data and market information.

Conclusion:

In the present scenario, if MSMEs want to compete with the large industries and capture their show in the market then they should use marketing mix model as a tool to implement marketing strategies. It is important to understand that the marketing mix strategies will not only satisfy the needs of the customer within the target market but simultaneously maximizes the performance of the organization. The marketing mix strategies and adequate marketing intelligence system will help the firm to establish strong positioning tactically in the minds of the target customers. MSMEs need

to understand that each and every aspect of marketing be it the products, pricing, channels of distribution or marketing communications greatly affects the customers response to a product. This paper attempted to compile studies on marketing strategies, various dimensions of marketing strategy in order to provide a comprehensive understanding of the various factors influencing marketing strategy and their interrelationships.

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