



Importance of appropriate marketing strategies for sustainability of small businesses in a developing country

Case of bakery chains of Kolkata, India

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Abstract

Purpose – The study is designed to explore the importance of appropriate marketing strategies for sustainability of small firms in India, a developing economy.

Design/methodology/approach – A framework based on accepted definition of marketing strategy was developed which could notionally evaluate the appropriateness of marketing strategies and its impact on the market position of the firms. The framework was tested on a set of small scale bakery firms operating in the city of Kolkata. The marketing mix of the firms was studied through case study method. A customer survey was conducted to measure the firms' market offerings with respect to their target segment. For this, data were collected from 546 consumers and analyzed using multivariate techniques.

Findings – It was observed that the firms, which could align their market offerings with respect to the target segment, achieved higher performance.

Research limitations/implications – The framework used was easy and simple to comprehend. The only two input components required were the marketing mix elements and a corresponding survey to understand customer perceptions. The interpretation of appropriateness, which is reactive in nature, is important, particularly for small firms where marketing is mostly informal, unplanned, relies on intuition and differs from that of large companies. The marketing mix elements were composed through qualitative observations and interviews only. Further research may be undertaken to refine the same in future.

Originality/value – The current research addresses the issue of interpreting the appropriateness of marketing strategy adopted by a set of small firms.

Keywords Marketing strategy, Small enterprises, Sustainable development, Developing countries, India

Paper type Research paper

1. Introduction

In recent years there have been signs of substantial research interest in marketing practices of SMEs (Gillmore *et al.*, 2001; Blankson and Stokes, 2002; Hill, 2001; Siu, 2000; Siu *et al.*, 2004; Morrison, 2003; Lee *et al.*, 2001). Most of these studies have indicated the role of marketing to be critical in the sustainability of the small firms. In a study of Australian small firms, (Huang and Brown, 1999) the problems of sales and marketing were reported as important by 40 per cent of the firms surveyed while other important factors reported were human resources (15 per cent), general management (14 per cent) and production/operations (9 per cent). In India, a survey by the All India Management Association among 872 SSI (Small Scale Industry) units pointed out that



in manufacturing, growth fell by 8.1 per cent in 1998-2002. One of the main reasons cited by the units for not being able to do well was problems related to marketing (70 per cent) (Jain, 2003).

However, many recent studies focus on marketing practices of the SMEs with the following findings. According to researchers, SMEs cannot do conventional marketing because of the limitations of resources which are inherent to all SMEs. Also, SME owner/managers behave and think differently from conventional marketing decision-making practices in large companies (Gillmore *et al.*, 2001). Marketing practices within the UK small business sector identified three key issues (management/staff relationship, profitability and changing markets) emphasized by owner managers (Blankson and Stokes, 2002). An assessment of marketing practices among African and Caribbean small businesses in London revealed the patchy application of an adapted market orientation framework. Interestingly enough, it also indicated "informal" marketing deliberations taking place and that marketing in the small business sector seemed to be an informal and unplanned activity that relies on the intuition and energy of the owner-manager (Blankson and Omar, 2002). A study of 57 SMEs in Ireland and UK between 1995 and 1999 sought to identify the key determinants of SMEs marketing activities. It revealed that sales orientation of SMEs is what determines their marketing character. In the study, marketing practice and decisions were also characterized by significant usage of personal contact networks. The marketing decisions were ostensibly operational in character, became strategic and eventually effected strategic change in the marketing practices of the SMEs (Hill, 2001).

Marketing practices of small firms in the developing economy of China have been experienced to be somewhat different from those in developed countries like UK (Siu, 2000). According to Siu, British small firms are more customer-driven compared to Chinese small firms. Also, Chinese small firms perceive marketing as sales function and an order getting activity. Some of the high performing small firms, as experienced by Siu, place marketing in a leading position of corporate planning, set aggressive marketing objectives and undertake some in-house research to collect information. In the recent researches of Siu *et al.*, it was observed that higher performing Taiwanese SMEs were still sales oriented and made less use of strategic planning tools although they were quite aware of those tools (Siu *et al.*, 2004).

Ratnatunga and Romano (1995) explored the role of marketing in the development of small enterprise research through examination of 42 marketing related studies of small firm settings. They identified and discussed three major research thrusts from the literature as – marketing as a culture, marketing as a strategy and marketing as a tactics. Kirby and Siu (1998) provided a critical review of researches into the role and processes of marketing in small firms and attempted to classify the earlier studies. They identified four approaches, namely the stages/growth model; the management styles model; the marketing as a management function model and contingency model.

It was observed that majority of the studies focus on organizational factors leading to the market responsiveness and marketing strategies. There has been, however, limited scope in these researches to explore the relative merits or appropriateness of marketing strategies adopted by the firms. This may be of particular significance for small firms since their marketing activities are mostly unplanned, informal and relies on intuition. Thus the importance of appropriateness of marketing strategies needs to be investigated especially in case of small firms. The current research addresses the issue of interpreting the appropriateness of marketing strategy adopted by a small firm.

Objective of this paper is to study the appropriateness of marketing strategies of small firms in India, developing economy. For this purpose, a framework was developed and it was tested on a group of small firms in the city of Kolkata, India.

2. Background and framework

A number of studies have indicated that higher market orientation leads to better business performance (Kohli and Jaworski, 1993; Narver and Slater, 1990; Greenley, 1995; Pitt *et al.*, 1996; Ruckert, 1992). Market orientation refers to organization wide generation of market intelligence, dissemination of the intelligence across departments and organization wide responsiveness to it (Kohli and Jaworski, 1990). In contrast, Narver and Slater (1990) viewed market orientation as a set of organizational behaviors that were aimed at three groups (customers, competitors and the organization itself), with emphasis on target groups. Both the conceptualizations were an outcome of the marketing concept (Borch, 1957; McKitterick, 1957), the objective of which was to create a satisfied customer base and improved profitability. However, majority of these studies have been conducted in large organizations even though it is now recognized that SMEs are unique and that scaled down large business models may not be suitable for them (Kwaku, 1997).

While the underlying marketing concept has been accepted for several decades (Drucker, 1954), its operationalisation has been difficult, with a result that marketing concept has remained an organizational philosophy of business, rather than a strategic tool (Venkatesan, 2000). Researchers like Gronroos (1990) and Gummesson (1987) take a broader perspective of marketing and advocate that customer relationship ought to be the focus and dominant paradigm of marketing.

On the other hand, many marketing researchers have broadly argued “marketing strategy” to be a concept built on robust platform of segmentation, targeting and positioning (STP) (Kotler, 2005; Ferrell *et al.*, 2002; Walker *et al.*, 2001; Perreault and McCarthy, 2002).

Marketing strategy requires decisions about the specific customers that the firm aims to target and marketing mix the firm may develop to appeal to that target market by positioning it suitably in a superior way (Kotler, 2005). In this context, the study of the effectiveness of the marketing tools is essential for an appropriate marketing strategy. The appropriateness of the marketing strategy may be judged by assessing the difference between the customer’s perception of the market and the firm’s market offering (Perreault and McCarthy, 2002; Cravens, 1997).

Marketing literature has talked much about evaluation and control of business strategies as a whole and marketing strategy in particular, but many researchers like Heracleous (2003) and others admitted that it is an extremely difficult task to realize strategic plans even with most sophisticated analysis and planning. Drummond and Ensor (2001) clearly spelt out success and failure of marketing strategies in the light of execution skills and appropriateness of the strategies. The successful strategies are only those, which are subject to good execution skills and appropriateness of the strategy.

It is interesting that researchers have recently attempted to measure marketing productivity. Roland *et al.* (2004) proposed a framework for assessing marketing productivity. The central problem addressed in their research was how non-financial measures of marketing effectiveness drive the financial performance measures such as sales, profits and shareholder value in both short and long run. The paper was organized around the chain of marketing productivity. The framework included elements of strategies, such as product, promotion, channel, etc. and tactical actions

such as service improvements, advertising, etc. According to the framework, such strategies and tactics would impact brand equity, customer satisfaction, and so on, achieving desired objectives like, market share and sales. It may be observed that the central construct of the above framework revolved round the outcome of the designed marketing mix.

Appropriateness of marketing strategies, as argued earlier, may be viewed as the congruence of market offerings of a set of products and services and its corresponding consumer perception amongst its target segment. More the target segment is able to understand and believe the cues (Richardson *et al.*, 1994) communicated by the firms through marketing mix, more is the effectiveness of the marketing strategies.

Marketing strategy has been viewed as any feasible combination of decisions relating to the components of the marketing mix (Cook, 1983). One may argue that, in spite of many advances in marketing thoughts and conceptualization, including broadening of marketing concept (1970s), emphasis on the exchange transaction (1980s), and most recently, the development of Relationship Marketing and Total Quality Management (1990s), McCarthy's core concept has remained quite robust (Yudelson, 1999). van Waterschoot and Van den Bulte (1992) evaluated the 4P classification based on the criteria proposed by Hunt (1983) and proposed an improved classification broadening the concept of promotion into communication mix and promotion mix.

Based on the above literature, we propose a framework to test the appropriateness of marketing strategies (Figure 1).

The framework is based on widely accepted definition of marketing strategy which is built on STP. The specific customer segment a firm aims to target and developing a marketing mix to appeal to that target market by way of suitable positioning in a superior way. We have taken marketing mix as the basic input, since it is the mixture of elements useful in pursuing a certain market response. However, we have assumed communication mix and promotion mix as constituents of promotion. An appropriate marketing strategy would mean alignment of the target customer's perception with the

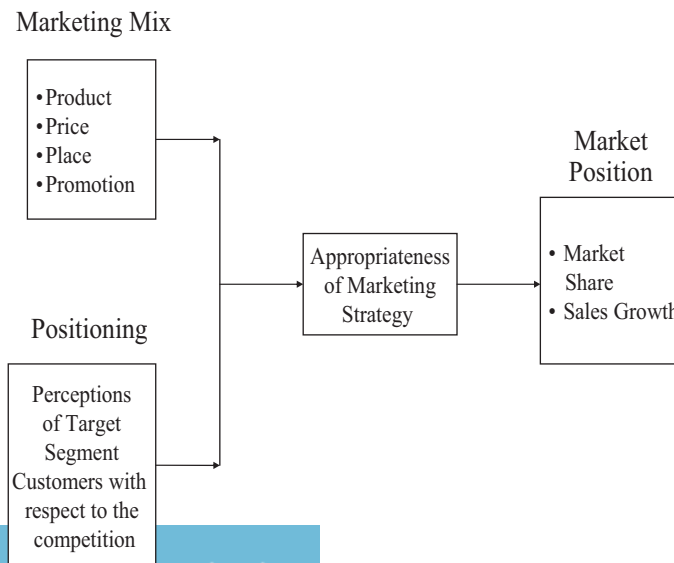


Figure 1. Framework for assessing appropriateness of marketing strategy

cues delivered by the marketing mix. The framework attempts to estimate the gap between the two for each of the firms and notionally evaluate the appropriateness of marketing strategies. It may be further suggested that the appropriateness of marketing strategy would be reflected positively in the market position of the firm in terms of market share, sales growth etc. (Roland *et al.*, 2004).

3. Methodology

The framework discussed above was described and explained empirically by using a number of small business firms of similar nature. Our approach was comparative in nature. The steps adopted in our study were as follows:

- (1) identification of the firms under study;
- (2) study of background of the firms;
- (3) study of marketing mix of the firms and their target segments;
- (4) customer survey to measure perception of the firms' market offerings;
- (5) interpretation of appropriateness of marketing strategies of individual firm;
- (6) impact of appropriateness on market performance for individual firm.

In step 1, we looked for a homogenous market in the city of Kolkata, which was dominated by small firms and important in terms of growth and opportunity. The steps 2 and 3 were mostly case studies and were qualitative in nature, covered by observations, personal interviews and examination of internal reports. In the step 4, we were concerned about the customer perception with respect to the market offerings. For this purpose, a customer survey was conducted. A questionnaire was designed for the purpose of extracting information on the following:

- (1) customer characteristics of respondents;
- (2) general characteristics of the market;
- (3) ratings of a number of selected parameters to evaluate customer's perception on a five-point scale.

Also, level of importance for such individual parameter was collected on a five point scale. In step 5, we carried out exercises to identify the market segments, if any, by using some simple parameters. Then, for each of the segments, customer perception profile was constructed for all the firms, by way of a two dimensional positioning map, one indicating the perceived overall quality and the other the perceived value for money, indicated by the respondents in the questionnaire. The overall quality factors in our case were derived through factor analysis technique. The positioning maps were then examined in a qualitative way to judge the appropriateness of the marketing strategies of firms. The appropriateness of the marketing strategy was thus interpreted. In step 6, we studied the market share and sales growth of the firms, through internal reports, outlet surveys and interviewing the management of the firms. Finally, the market position in terms of market share and sales growth was interpreted in the light of appropriateness of marketing strategies of individual firm.

The bakery sector in India was reserved by the government for small businesses. One of the measures of the policy support for promoting small businesses in India was the policy of reservation[1]. The policy environment for Indian industry in the 1990s underwent an array of changes from broad-based domestic economic reforms launched

in 1991, leading to a series of reforms in industrial and trade policies. The Indian Government decided to introduce de-reservation in a phased manner in the recent past.

As a result of de-reservation, significant inflow of large organizations may be expected, which might lead to increased competition. Thus, it was important to study small firms under any of such de-reserved sectors and the bakery sector was chosen for the purpose of our study.

A set of small scale bakery firms, operating in the city of Kolkata were chosen, namely MN, SS, KT, BS, KJ, UC and JJ (names camouflaged).

They sell a wide range of bakery products like breads, cakes, gateaux, pastries, salted savories, etc. There are around 250 bake shops catered by these firms, which are located usually near market places and important junctions. The firms used their own names to brand their range of products (Table I).

Typical marketing mix of the firms was studied through case study method. The case studies were developed based on business reports and direct interviews with top level managers/owners of the firms based on their perception of the target segment and competition. Also, the market offerings of the firms were studied by way of shop visits, collection of product catalogs, price lists and promotional materials like advertisements.

The consumer survey was based on simple random sampling. Target population was those who bought products from branded bake shops in the city of Kolkata. Sampling frame chosen for the purpose was the phone directory of Kolkata Telephones. 2,812 phone numbers were selected at random (computer generated random numbers were used) from the list. 701 calls did not respond. Out of 2,111, only 1,335 qualified for the survey and we made a note of members' names (those who normally made purchase of bakery products) and the monthly household income. It was observed that such bakery products were consumed mostly by relatively middle and high income groups of the city. In the second stage, those 1,335 respondents were considered valid as buyers of bakery products from branded bake shops. These respondents were approached and from which 578 agreed to be interviewed. Finally, 546 respondents filled in the questionnaire, which was the sample size. Through the questionnaire, an attempt was made to gather facts about the most recent purchase and perception of products and services of various brands the respondents were aware of. As far as the scale for measuring the perception of the brands was concerned, a pilot survey was conducted to identify the parameters. In the pilot survey, a set of 12 parameters was given to respondents and only Nine parameters were found to be suitable for the purpose. These were convenient location, shop décor and ambience, service, food quality, availability of a wide variety, reputation of brand, portion size and

Brand name	No. of shops in the chain
MN	79
SS	58
KT	59
BS	06
UC	11
KJ	03
JJ	34

Table I.
Number of shops of
catered by the brands

Source: Internal reports

freshness. Value for money, a price - perceived quality trade off (Livesey and Lennon, 1978) was identified as another distinct parameter.

4. Results and discussions

4.1. Marketing mix of the firms

The marketing mix of the firms, as described in the framework was investigated with the following observations. The products of the firms under study were observed with respect to their meaning and direction (Kapferer, 2003). KJ products were found synonymous with exquisite craftsmanship, taste and innovation. MN, on the other hand, was associated with affordable snacks for regular consumption.

It was observed that KT’s success in the early 1990s was owing to its product innovations and its effort to popularize celebration cakes. However, with the passage of time, it failed to come up with new innovations and moved into popular snacks by arbitrarily expanding the retail network. The other brands like BS and UC could not come up with any signature product which could differentiate them; most of their products were an imitation of KJ. All of JJ products were commonly available.

All the brands in this study were small businesses having limited funds. Their shops, be it owned or franchised, were the best option for advertisements. Since majority of the shops in the chain were franchised (as observed in the study), management of franchisees was crucial in the implementation of marketing strategies.

It was observed that MN shops were uniform in terms of décor and effectively used the frontage of the store by installing prominent signage. It used in-shop promos, like posters which were hung inside the shops. Also, festive promotions were undertaken occasionally. MN aimed to use its shops to create brand image. SS attempted to replicate the MN model. JJ’s shops lacked uniformity in terms of signage, décor, etc.

KJ utilized the shop décor to create an ambience and used special promotions during festive occasions. KJ built an aura around its brand by making its shop a destination store through occasional print advertisements. Other brands namely, BS, UC and KT lacked uniformity in terms of signage and décor.

Based on the prices of the commonly sold items, an approximate index was composed for each of the brands (Table II).

It may be observed that KJ was the highest priced brand, may be targeting the up market customers. KT, UC and BS targeted the upper middle income customers while MN, SS and JJ targeted the popular segment of middle income buyers (Table III).

4.2. Investigation for the basis of segmentation

The basis of segmentation of the bakery market of Kolkata was investigated for four factors: age, gender, education and income by measuring the dependency of each of the independent factors on brand patronage through chi-square tests. The dependency of income on brand purchase, with a P-value of chi-square test was found to be 0.04 for six income groups. Since, target segment of the firms, as observed from the marketing

Items	Brand name						
	KJ	SS	KT	UC	MN	JJ	BS
Indexed price	200	100	171.4	171.4	100	100	171.4

Table II.
Price index of the brands (taking MN as the base)

Source: Shop observations, price lists

mix, was three distinct income groups, further investigations were carried out. Very low P-value of chi-square at 0.006 in case of income (divided into three different categories) clearly indicated that even at less than 1 per cent level of significance, the market was segmented based on income of the customers. The customers were segmented into three income groups as middle (segment I), upper-middle (segment II) and high (segment III) (Table IV).

4.3. Customer perception

The consumer survey data provided a fair amount of information on consumer perceptions of the brands.

The quality perception variables were clubbed together using factor analysis for each of the brands. It was found that segment III clubbed all the quality attributes in one factor (explaining 87.2 per cent of variance). Segments I and II produced two factors, one on quality attributes and other on convenience (explaining 92.7 and 94.3 per cent of variance respectively). However, only the quality factors for segments I and II could explain 73.2 and 70.2 per cent, respectively. The overall quality perceived was plotted against the value for money for all brands on a scatter plot, which created a positioning map. Three such positioning maps were obtained for the three different segments, based on income groups as mentioned earlier (Figure 2a-c).

It was observed that the perception of MN was similar across all income categories demonstrating high value for money and reasonably high quality. Opposite was the case of JJ, whose position was poor, both in terms of value for money and quality. In all the three figures, UC, BS and KT appeared to cluster together. KJ scored highest in quality across all segments.

In the first segment (Figure 2a), SS was near to MN, though in a relatively inferior position. The cluster comprising of UC, BS and KT was found to be of similar quality as that of MN. But they scored very poorly, with respect to value for money. In the second segment (Figure 2b), the gap between MN and SS got widened as performance of SS was much poor with respect to value for money. In the third segment (Figure 2c), it was interesting to note that KJ was occupying the best possible position. UC and BS scored over MN, in terms of quality and narrowed the gap with respect to value for money.

Segment	Firm	Target segment (Income group)
I	MN, JJ, SS	Middle
II	KT, UC, BS	Upper middle
III	KJ	High

Source: Management interview

Table III.
Target segment of the firms as observed from marketing mix

Factor	P-value
Age	0.808
Gender	0.224
Education	0.494
Income	0.006

Source: Customer survey

Table IV.
Dependency of independent factors on brand patronage through chi-square tests

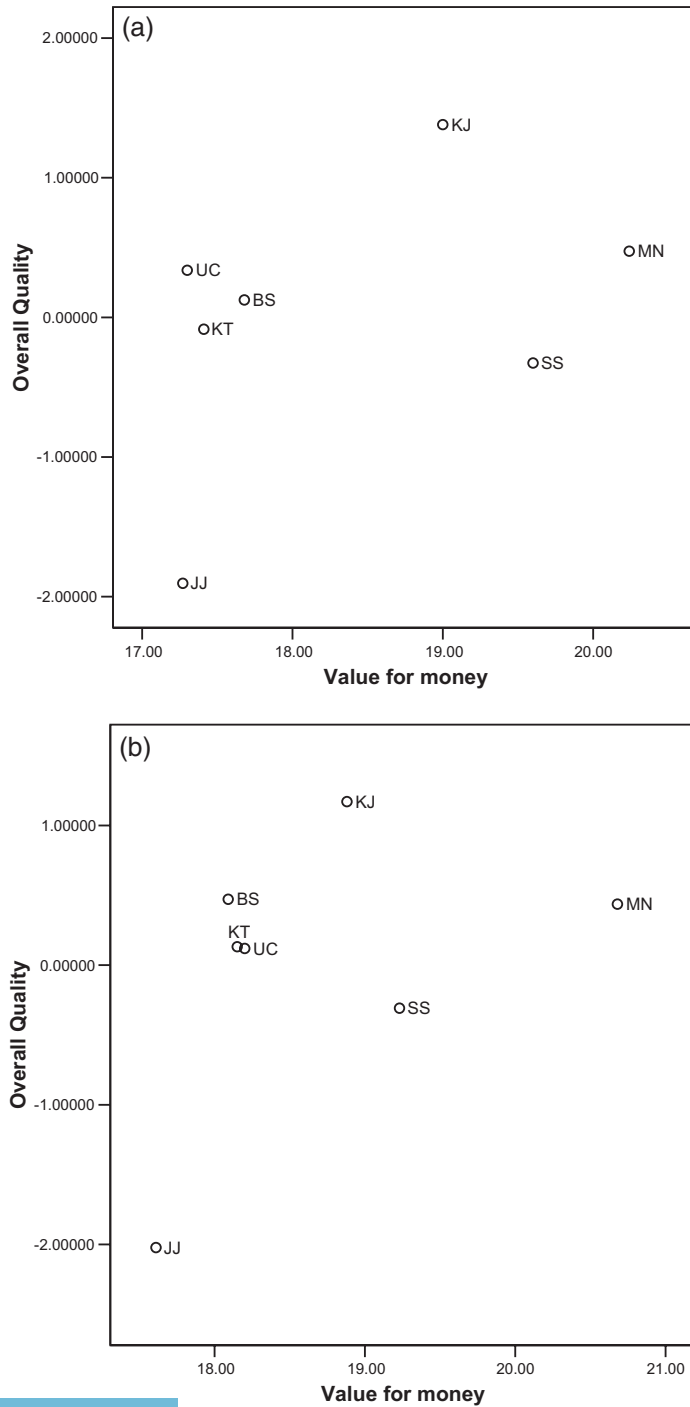


Figure 2.
Customer perception of
(a) segment I;
(b) segment II;
(c) segment III

(Continued)

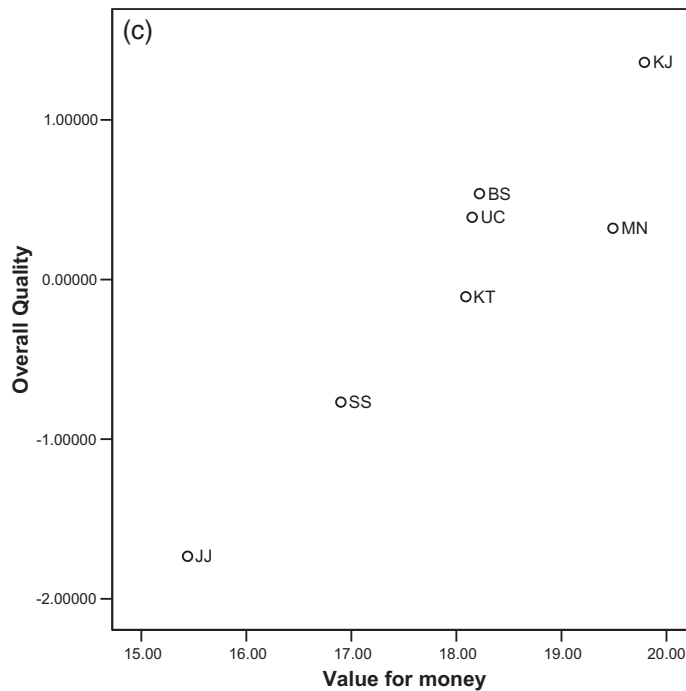


Figure 2.

However, KT scored poorly, both in terms of quality and value for money, compared to MN. The gap between SS and MN further widened owing to its poor performance on both quality and value for money.

4.4. Positioning of the firms with respect to target segments

The alignment of the marketing mix with respect to the perception of customers in the target segment was compared amongst all the seven firms as per the framework mentioned (Figure 1). It was observed that MN, SS and JJ were targeting the first segment. MN was well placed in this segment, closely followed by SS. JJ could not make any mark in this segment, even though it targeted the same. In the second segment, both KJ and MN were in the superior frontier even though this segment was targeted by UC, BS and KT. In the third segment, KJ was the clear leader, which was its target.

It may be interpreted that the marketing mix of MN was in alignment with the perception of its target segment customers. SS was somewhat successful in this direction. Interestingly, KJ, the highest priced brand, was perceived as a feasible brand by the customers of all the three segments. May be, KJ could create an image of an aspirational brand for special occasion (birthday, anniversary, etc.) purchases in the segments I and II. It may be concluded that the three firms – KJ, MN and SS were successful in aligning their customers onto their marketing mix. The appropriateness of the marketing strategies was established for these firms.

The market positions of the firms were studied in terms of sales growth and market share. A longitudinal study of such market positions was conducted (Table V).

It may be observed that firms with appropriate marketing strategies, namely, MN, SS and KJ together enjoy more than 80 per cent of the market share. All the three firms

Table V.
Performance of firms

Parameter	Firm name						
	JJ	MN	SS	KT	UC	KJ	BS
Growth in number of shops in the city (1995-2004)	(-6)	69	54	29	9	2	7
Sales growth (%) from shops in the city (1995-2004)	(-60)	2400	1900	0	(-10)	100	10
Growth (%) in average sales per outlet (1995-2004)	(-58)	220	30	(-52)	(-84)	(-34)	(-86)
Market share (%) in 2005	3.6	44.6	17.9	7.4	5.4	17.9	3.3

Source: Developed from internal reports, shop interviews, management interviews

achieved significant growth in sales during the last ten years. On the contrary, brands like JJ, KT and UC could not achieve any sales growth during the period. For BS, the same was insignificant.

5. Conclusion

5.1. Managerial implications

The framework, which was used for the testing the appropriateness of the marketing strategies of small firms, was simple and easy to implement. The only two input components required to interpret the appropriateness of marketing strategies are the marketing mix elements and a corresponding survey to understand customer perceptions. The test for appropriateness, which is reactive in nature, is important, particularly for small firms where marketing is mostly informal, unplanned, relies on intuition and differs from that of large companies. This is particularly relevant for small firms in the developing countries as they are not customer driven, like those in the developed countries. Small firms in the developing countries like India, which have traditionally enjoyed protection by the government, need to assess the appropriateness of their marketing strategies for long term sustainability in the present liberalized environment.

5.2. Research direction

From a methodological standpoint, it may be worth mentioning that the test of the framework has been carried out in both qualitative and quantitative manner. The marketing mix elements were composed through qualitative observations and interviews only. This certainly needs more refinement in future. The paper primarily concentrated on assessing appropriateness of marketing strategies of small firms and its impact on the market position. The study did not explore further in undertaking any causal analysis for failure or success of the marketing strategies. Further research may be undertaken in this direction. Further research may also be undertaken to assess the importance of appropriate marketing strategies of other small firms in other sectors and also in other countries.

Note

1. The policy of "reservation" initiated by the Government of India in 1967 primarily as promotional and protective measure *vis-à-vis* the large scale sector, grants protection to small scale sector, the only exception being the case of large units which undertaken minimum level of exports as 75 per cent of their total production (Source: DC (SSI) Second All India Census (1987-1988)).

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