

Knowledge, Perception, and Application of Strategic Marketing in MSMEs (Micro, Small, and Medium Enterprises) in Bogota

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Theory states Strategic Marketing as one of the most important components of management of any organization. In this work, some aspects regarding the use of this management tool in Bogota's MSMEs were researched. Although, the attitude about the utilization of Strategic Marketing was positive, some benefits and barriers for its application were found. The results makes pertinent to analyze the focus of the Colombian support programs, to this kind of companies, about the Marketing Management elements. Academics and practitioners should propose theoretical and practical concepts to apply this tool in a more extensive way in Colombian MSMEs.

INTRODUCTION

MSMEs are an important source of employment and Gross Domestic Product (GDP) in the countries. In the case of low income countries, they represent 31 percent of employment and 15 percent of the GDP; for countries of middle income, SMEs are around 55 percent of employment and 40 percent of the GDP. And in high income countries, they achieve levels of around 65 percent in employment generation and 50 percent in their GDP. (Ayyagari, Beck, and Demirgüç-Kunt 2003). In Colombia, MSMEs are 99.8 percent of the country's businesses (National Planning Department (NPD) 2006). In 2005 in Bogota, there were 219.000 MSMEs or 27 percent of the country's companies (Bogota Chamber of Commerce (BCC) 2006).

For this article, MSMEs are defined based on the Colombian norms (Diario Oficial 2004) dividing them in Micro Companies, with a number of employees no more than 10 workers or total assets less than 500 legal monthly minimum wages (LMMW) (approximately US\$132.581 in 2010). Small Companies are businesses with a number of employees between 11 and 50 workers or total assets between 501 and 5.000 LMMW (approximately between US\$132.581 and US\$1'325.809). Medium Companies are companies with a number of employees between 51 and 200 workers, or total assets between 5.001 and 30.000 LMMW (approximately between US\$1'325.809 and US\$7'954.856). And Large companies are enterprises with more than 200 employees or total assets greater than 30.000 LMMW (approximately US\$7'954.856 or more).

STRATEGIC MARKETING MANAGEMENT IN MSMEs

Strategy is defined as the process "to define the reach and purpose of the business, its objectives, the initiatives and the resources to achieve those objectives" (Cravens, and Pierce 2007). And the process to apply this management tool is the strategic planning whose essence is "in all levels of the company to identify possible risks to avoid them and identify opportunities" (Mullins, Walker, Boyd, and Larréché 2007). Porter (1991) says that "the strategic success requires the choice of a relatively attractive position given industry structure, the firm's circumstances and the position of competitors. It also requires bringing all the firm's activities into consistency with the chosen position."

One of the most important elements of the strategy is the marketing strategy, and Mullins, Walker, Boyd, and Larréché (2007) establish that the main interest of this part of the strategy is "to assign and to coordinate effectively the marketing activities and resources in order to achieve the company's goals in a specific market, specifying the target markets for a particular product or line of products."

Furthermore, Uncles (2000) states that the marketing strategy "is concerned with the processes and activities associated with creating and satisfying customers by continually assessing their needs and wants, and doing so in a way that there is a demonstrable and measurable impact on business performance." Palmer and Pels (2004) say that "Market orientation is therefore a component of the overall business strategy, which is seen to contribute positively to business performance."

But, it has been found that strategic marketing is not broadly applied in the SMEs like it could be thought (Lancaster and Waddelow 1998), and it is affected primarily by three elements, interrelated to each other: the attitude that the company has in front of the importance that should play the marketing in the firm, the focus of the managers' work in the SMEs, and the availability of resources to implement this process. About the first element, Murdoch, Blackey, and Blythe (2001) found that in Welsh SMEs the marketing is perceived more as a short term activity than as a strategic function and then there is a general indisposition to invest money in this activity seen as something 'expensive' and ineffective.

One of the main barriers is that the MSMEs consider the process too long (poor return on the invested effort) and it will be outdated when it is finished (a waste of resources) (Lancaster, and Waddelow 1998). It is not seen as a continuous process of adaptation to the environment, but as an element that provides useless information.

Their attitude in front of this process comes from the misunderstanding that the marketing is impossible to evaluate in terms of cost, and its results are intangible and of difficult measurement. It is considered more a cost than an investment. The marketing becomes a peripheral activity and it does not have a significant impact on the business performance (Carson, and McCartan-Quinn 1995).

Murdoch, Blackey, and Blythe (2001) say that in this kind of organizations, managers put more emphasis in 'doing' than in 'thinking.' They are more focused on the day by day activities than on the medium and long term thinking that demands the strategic planning, and in the case of Colombian SMEs, they do not write formal marketing plans (Zapata 2005). Lancaster and Waddelow (1998) affirm that the SMEs managers' focus is 'the processes' more than 'the strategy.'

Lancaster and Waddelow (1998) add that few managers understand that 'thinking' is one of their most important activities. They jump from one task to another and are oriented towards the achievement of results in the short term. Their 'work ethic' and their culture are based on 'getting things done'. They feel that it is better to make things than simply to think about them. This takes them to plan based on the firm's tradition and on tactical things according to their day by day managerial reality. The positive part of this situation is that it takes them to generate action plans they consider can be implemented.

Their conclusion is that this situation has four consequences: a constant pressure with the work; failings in the prioritization process becoming problem solvers; it is rewarded more the loyalty that the effectiveness in their employees; and they enter in a vicious circle of the 'here and now,' believing that if they do not solve the urgent problems there won't be future for the company (Lancaster, and Waddelow 1998). As the proverb says, "urgent things do not permit to do the important ones". This characteristic is intensified because many of these managers do not receive a formal education and training in business administration (Kirby 1990).

Regarding the available resources to do strategic planning in SMEs, Knight (2000) affirms that this kind of enterprises, because of their size, lack the capabilities, the market power, and other resources that large companies have. The mentioned situation is reflected in the little experience and training in marketing in this type of companies (Murdoch, Blackey, and Blythe 2001).

Lancaster and Waddelow (1998) found that SMEs cannot offer competitive salary packages that offer big companies and for this reason they hire personnel that provide more empathy and loyalty that attitudes and abilities in its work. Also, they do not have enough time to develop strategic planning.

As a consequence of this situation, a certain number of theories and formal models attempts have been proposed for the strategic planning in SMEs. Murdoch, Blackey, and Blythe (2001) say that none of these models and theories has been adopted by SMEs and those meaningful guides have not been created to this respect. The findings show that strategic marketing planning is discouraging in this type of organizations and generates resistance against it (Murdoch, Blackey, and Blythe 2001). But these authors complement that this fact is more related to the way marketing concepts are implemented than to the possibility to transfer them to the SMEs.

Lancaster and Waddelow (1998) concluded that the process of marketing strategic planning is created for big companies and a simpler methodology is required in the case of SMEs. But they recognize that marketing strategic planning is like accounting. There are common principles that can be adapted depending on the specific necessities of each organization. The problem for them is to find a practical way to put in practice the principles of marketing strategic planning in such a way that it covers the organizational characteristics of SMEs.

There is an entire theoretical framework to develop marketing strategic planning independently of the firm's size, but there are also many barriers that hinder the application in the case of SMEs. The necessity to propose theoretical solutions with pragmatic applications to resolve this situation in a given environment appears (Watkin 1986; Alpander, Carter, and Forsgren 1990). But this position will be more coherent if there is a previous characterization of the current state of the context in front of the application of the marketing strategic planning.

METHODOLOGY

This research was developed using a descriptive and transversal design with Bogota's MSMEs.

Based on the Murdoch, Blackey and Blythe (2001) classifications, the following research areas were defined, related to the knowledge and attitude of the businesses about the strategic marketing:

- customer and customer focus
- competitive advantage
- market research
- marketing communications
- marketing plans formalization
- importance of the different time horizons (short, medium, and long term) in marketing planning
- benefits perception of marketing planning
- barriers to apply marketing planning

In the survey applied, the demographic data were collected first and then the areas researched and defined above. The questionnaire could be answered in a short time (between eight and 12 minutes) to improve the response level, including open and closed questions.

The invitation to participate was sent by e-mail to a database compiled by the researcher and where Bogotá's MSMEs were covered. The mail included a link to the auto-applied survey that was filed in the Spanish website www.encuestafacil.com. When the application of the surveys finished, the data was exported to Excel to do the results analysis that are showed in the next section.

RESULTS

The initial sample contained 1074 companies and was the number of mails sent. 74 surveys were recovered or 6.8 percent of gross response rate. 19 responses were eliminated giving 55 final valid surveys with a 5.1 percent of net response rate, similar to other response rates found in similar studies that fluctuated between 2.95 percent and 10.19 percent (Siu, Fan, and Lin 2004). The elimination reasons of the 19 questionnaires were: 14 surveys were no ended, one of the companies was not from Bogotá, one was a large firm, one business repeated the process, and in two cases the demographic data was inconsistent.

Classification of the Companies (Figure 1)

Businesses were classified on the basis of the number of employees according to Law 905/2004 of the Colombian Ministry of Industry, Trade, and Tourism and this norm defines the companies based on their number of employees or total assets. It was considered more conveniente to use the number of employees, because it was easier to obtain and more reliable data than the asset information.

The final sample had 62 percent of microcompanies, 33 percent of small enterprises, and five percent of medium companies that matched very well with the proportion of businesses created in the period 2003-2005 in Bogotá being 79 percent microcompanies, 16 percent small enterprises, four percent of medium companies, and one percent of big businesses. The sample reflected in a good way the relative composition of the enterprises in this city.

Industrial Sectors of the Companies (Table 1)

The companies were classified based on the ISIC (International Standard Industrial Classification). 15 firms were manufacturing companies and 40 enterprises were services businesses showing the importance of the service sector in this kind of companies in Bogotá.

Marketing Management Orientation (Lamb, Hair, and McDaniel 2006; Mullins, Walker, Boyd, and Larréché 2007)

31 of the 55 enterprises of the sample had a market orientation and eight had a sales orientation focused on the satisfaction and knowledge of their customers complemented with an adequate distribution system, and 15 companies were focused more on internal factors and were divided between a product orientation (9 of 55) and production orientation (6 of 55).

Competitive Advantage Conceptualization (Lamb, Hair, and McDaniel 2006; Porter, 1991)

It was a multiple choice question and 98 answers were obtained, but just seven firms covered the three defining characteristics of the competitive advantage: benefits of the product, perception of the value of the benefits by the client, and being sources of differentiation in front of the competitors. The results are presented in figure 2.

40 of the 98 answers pointed out the benefits of the product, 26 the attitude of the clients in front of those benefits, 26 the advantage created by the benefits vs. the competence, in 1 answer no alternative was chosen and in five cases other answers were specified. In general, there was a partial conceptualization of the competitive advantage and more importance was assigned to the internal factor generated by the business, in terms of benefits of the product, than to the external factors as the client and the competitors.

Customers`Necessities Detection Process

The results can be seen in figure 3. This question was of multiple choice and 92 answers were collected distributed this way: in 40 cases the knowledge was obtained by their own experience, 16 enterprises surveyed their customers, 29 detected the necessities in the sales process, just one firm used the outsourcing, and in five cases they used other elements including one company that accepted a great weakness in this point.

Based on these responses, it can be said that in most of the cases a structured market research processes did not exist, most of the businesses trusted in their knowledge of the industrial sector and in the information obtained in the sales processes (69 of 92 answers). In only 17 of the answers, interest in the formalization of this process through surveys applied by the business (16) or hiring a market research company (just one case) was detected.

Communication Mix Elements (Lamb, Hair, and McDaniel 2006; Mullins, Walker, Boyd, and Larréché 2007)

The results are in figure 4. It was a multiple choice question and for this reason 111 answers were collected or almost in average 2 responses by firm. Public relations was the element with the highest utilization (29 of 111), in similar proportions direct marketing (25 of 111) and sales forces (23 of 111) and in the lowest proportions advertising (19 of 111) and sales promotions (10 of 111). But the final objective of this question was to induce to the next question where it was possible to know the conceptualization of the surveyed business people about the elements of the communication mix.

Conceptualization of the Communication Mix Elements

In this case the definition of the materials and actions developed to implement each of the communication mix elements answered in the previous question was asked. 20 answers were obtained for advertising, 22 for public relations, and 16 for direct marketing. In other words, in only 58 of the 111 answers the people gave a concrete answer. It is possible that the people surveyed were not sure about the correct response and for this reason they did not complete the answers. In part, this was confirmed because only 11 of the 20 responses about advertising were right, 13 of 22 in the case of public relations, and 10 of 16 of direct marketing (Lamb, Hair, and McDaniel 2006; Mullins, Walker, Boyd, and Larréché 2007). It was evidenced a conceptual weakness in a significant proportion of the enterprises of the sample.

Formalization of the Marketing Plans (Figure 5)

29 of the 55 companies did not formalize their marketing plans using in a high proportion implicit strategies in this type of organizations.

Planning Time Horizon (Figure 6)

19 of 55 businesses planned in the short term horizon, almost half (25 of 55) in the medium term horizon, and only seven of the 55 companies planned in the long term horizon which is coherent with the answers of the formalization of the marketing plans. Four responses were "Other" and three of these firms answered that they did not have any planning time element. These answers raise the short term horizon to 22 of the 55 surveyed organizations.

In other words, there were a low formalization and short horizon planning times to look the future of the companies in the sample.

Perceived Benefits of the Marketing Planning (Figure 7)

This was a multiple choice question and 178 answers were collected, in average three responses by company. Almost half of them (86 of 178) put the client as the central element of the marketing planning in the aspects of customers' recruiting (48 of 178) and retention (38 of 178). Other important proportions (43 of 178) are related to the growing of the firm, in 25 of the 178 responses the definition of the products' characteristics was considered and in 22 of the 178 answers it was done to analyze the competitors. The obvious question is if the benefits are so clear for business people, ¿why the strategic marketing planning is used in a significant low proportion? One part of the answer is contained in the barriers that they reported in the next question.

Barriers to the Marketing Planning (Figure 8)

It was a multiple choice question and had a total of 102 responses. Few barriers are related directly with the planning process by itself: in four of the 102 answers they said the process does not contribute to solve the company's problems, in four responses it was expressed that this is a more theoretical than practical concept and in other four answers they thought that there is not a clear return on investment. But the main barriers are lack of resources (33 of 102), low training in the subject (31 of 102), and lack of time to develop the planning process (19 of 102).

These barriers were consistent with the previous answers, like the low conceptualization of the basic marketing elements, low formalization of marketing plans, and the short term horizon in the planning process.

CONCLUSIONS AND RECOMMENDATIONS

Business people in this context have a clear concept about what the role of marketing in the organizations should be, stating that the client has the central role in the marketing processes, but this conceptualization is not reflected on the day by day management of Bogotá's MSMEs.

One of the main causes for this situation is the low level of knowledge they have about basic marketing concepts, like competitive advantage and communication mix, that are necessary in order to define strategic plans in the enterprises. For this reason, it is difficult that they apply those concepts in their business commercial management.

Another significant aspect is the function assigned to the market research process in Bogotá's MSMEs. The attitude is to consider, in a high proportion, that they know sufficiently the customers because of their experience in the sector and for the knowledge they acquire in the sales interviews. They developed market research in a low proportion and the outsourcing of this function is a rare event, avoiding the utilization of one of the most powerful tools in order to gain competitiveness in their markets. This behavior is not centered in the client and it is not congruent with the opinions given in the point about marketing management orientation.

This knowledge and attitude about strategic marketing planning is also reflected in two formal elements of the process, the low generation of written marketing plans and the short term planning horizon they apply in the marketing processes. They are managing marketing in an informal and short-time way and this situation is similar to the findings in other contexts.

Complementary to the aspects analyzed before about the application of strategic marketing management in this kind of enterprises, there are some barriers impeding the use of this management tool. The most frequent barrier is the low training in marketing planning that their employees have. The other significant barriers are the lack of resources and time to implement this process.

There is a clear perception about the benefits they could get of the strategic marketing management process, but it is not complemented with its practical application because of the lack of resources, attitudes, and barriers detected.

Although this research is descriptive, transversal and the sample is small, it would be pertinent to develop other qualitative and quantitative longitudinal researches to detect the structural elements that give the results found in this work. These works can be extended to other geographical areas of Colombia in order to analyze the situation all over the country.

Another implication is the revision of the Colombian entrepreneurship and MSME's support programs about their marketing components and analyze if they include the concepts, practical tools, and long term follow-up elements to do an effective and useful marketing management or if they are more focused on the financial or other management aspects.

With the results of this work in mind, Colombian researchers have the challenge to structure conceptual and practical frameworks in order to improve the strategic marketing management in this type of companies in the country and to reduce their high mortality. A possible option is the research of specific industrial sectors to generate the recommendations adapted at each one of them.

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TABLES

TABLE 1
CLASSIFICATION OF COMPANIES BY INDUSTRIAL SECTOR

Industrial Sector	Number of Companies
Others	17
Manufacturing	15
Health services	7
Retail	6
Communications	3
Educational services	2
Construction	1
Auto repair, services and parking	1
Restaurant	1
Financial activities	1
Real state	1
Total	55

FIGURES

FIGURE 1
CLASSIFICATION OF COMPANIES BY NUMBER OF EMPLOYEES

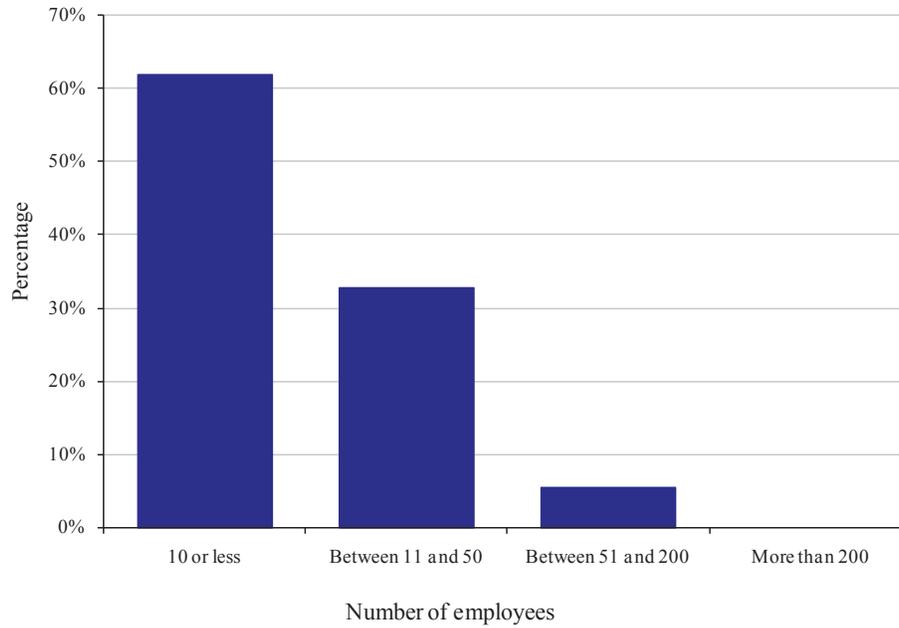


FIGURE 2
COMPETITIVE ADVANTAGE CONCEPTUALIZATION

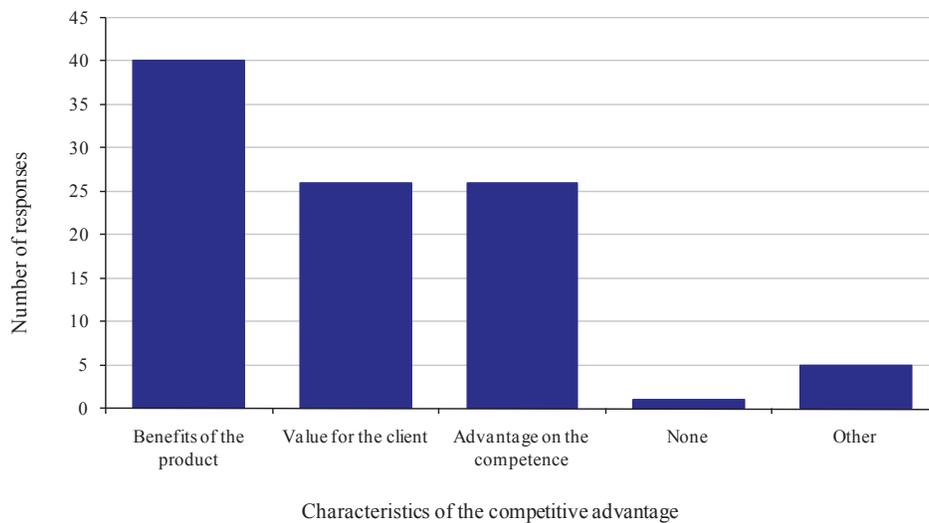


FIGURE 3
PROCESSES USED FOR DETECTION OF NECESSITIES

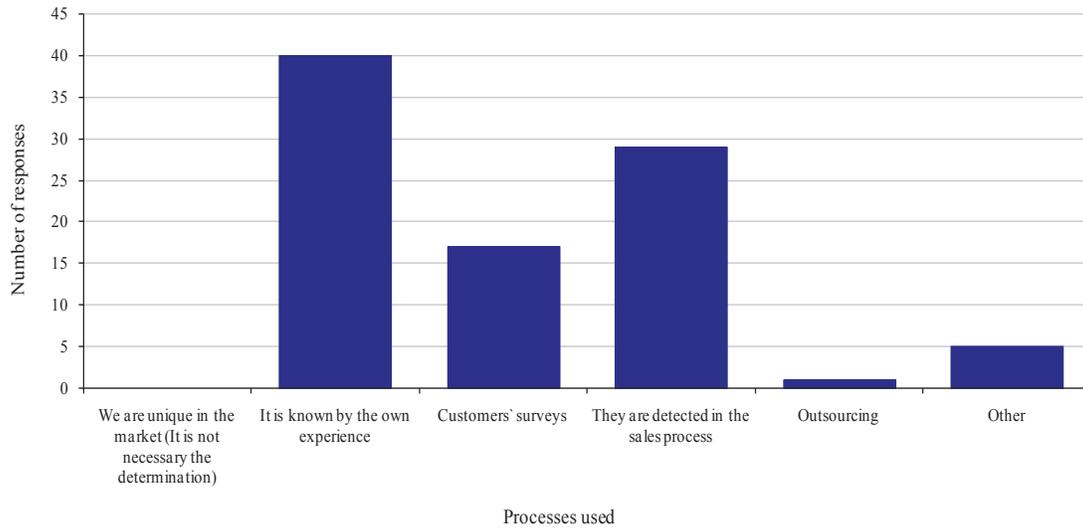


FIGURE 4
ELEMENTS OF COMMUNICATION MIX

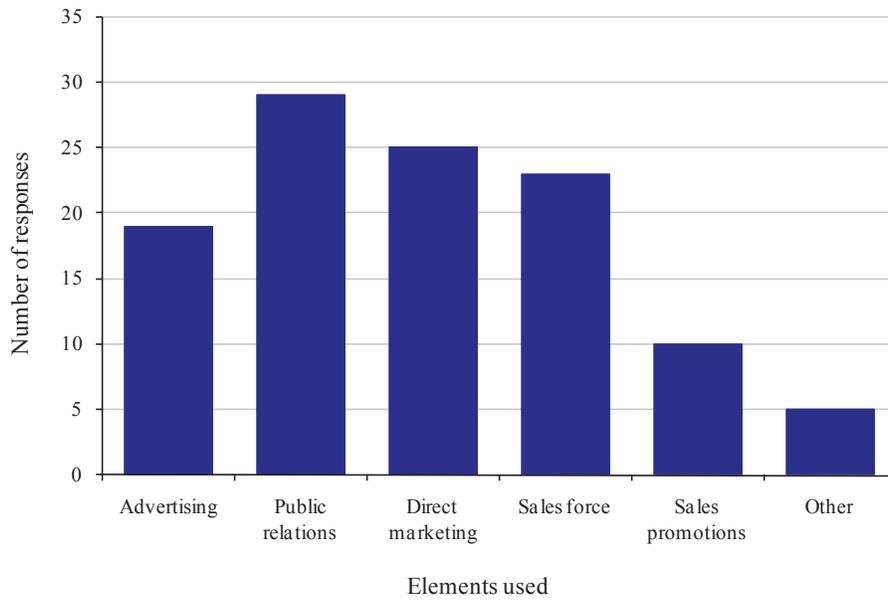


FIGURE 5
FORMALIZATION OF THE MARKETING PLAN

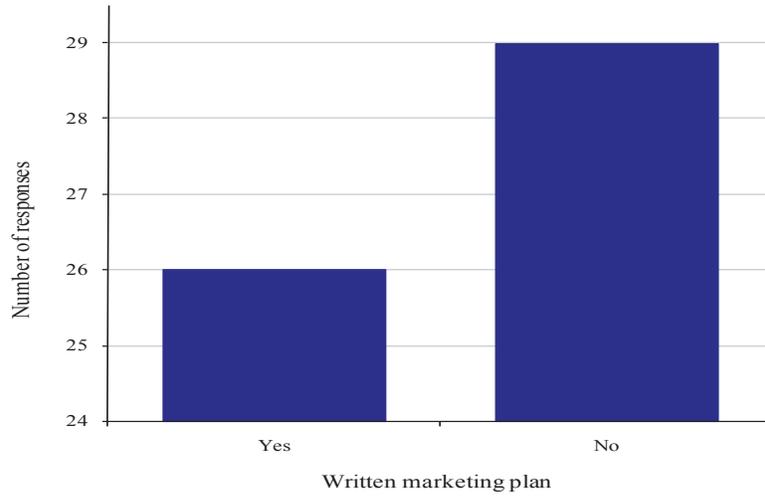


FIGURE 6
PLANNING TIME HORIZON

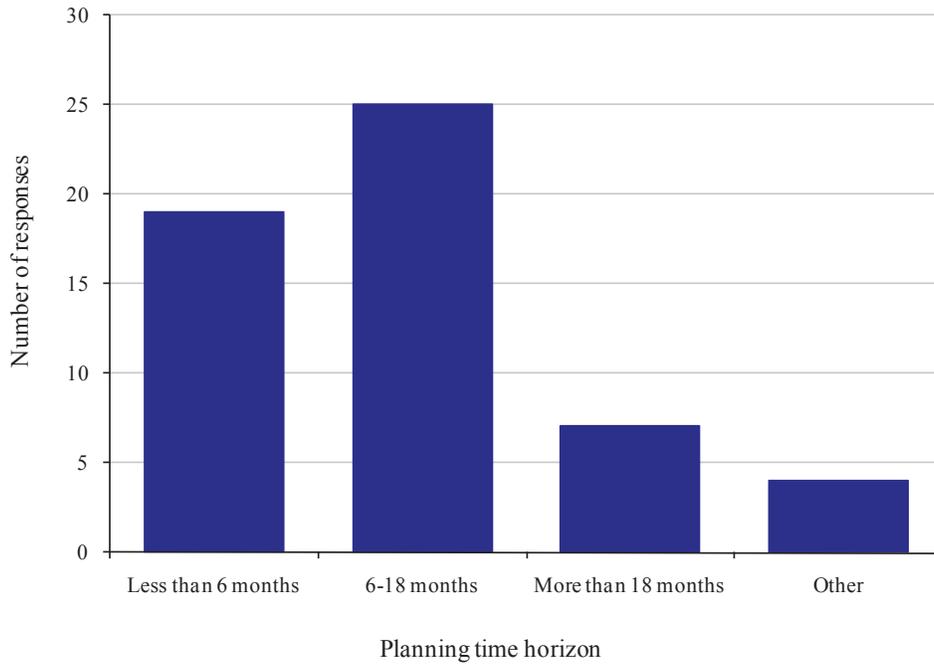


FIGURE 7
PERCEIVED BENEFITS OF THE MARKETING PLANNING PROCESS

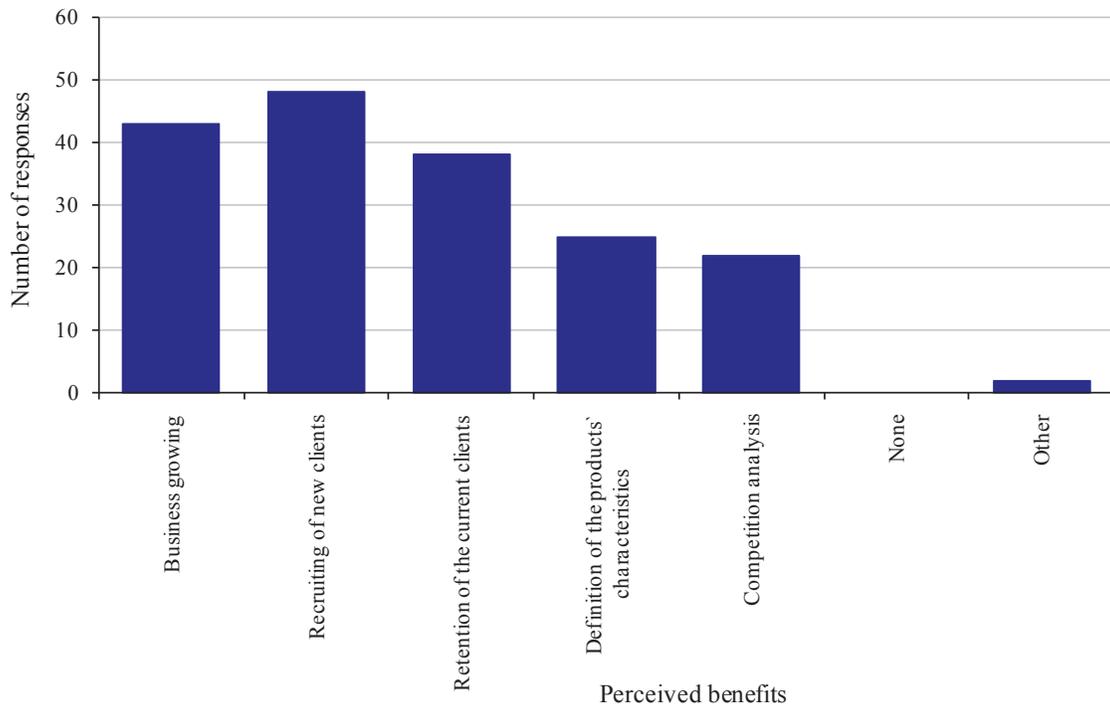


FIGURE 8
DETECTED BARRIERS IN THE MARKETING PLANNING PROCESS

