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## COMMON MARKETING PRACTICES OF MICRO ENTERPRISES

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**Abstract:** *The study aimed at finding the common marketing practices of micro enterprises in Tuguegarao City. It sought some practices that brought good profit to businessmen and some practices that entrepreneurs have to undergo in setting up business that have affected the profit of the industry they are in.*

*In any business plan, it is important that the proponent has wide knowledge about the kind of business to be set up. Important concerns are to be taken into consideration like the assurance whether the plan is feasible or not. This would require an analysis of the strengths and weaknesses of the proposed business, identifying opportunities in the community that would contribute to its success and the threats that might jeopardize its operations in the future. Other concerns like business location, financial sources, management and organization, availability of skilled manpower and raw materials in the area, procurement system, business name, among others, will follow. It is also of great importance if the entrepreneur will have to undergo trainings for entrepreneurial development. It is through trainings and mastery in the formulation of marketing strategies would spell the sustainability of any enterprise.*

**Key Words:** *Marketing practices, micro-enterprise, marketing strategies, entrepreneurs, business opportunities*

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## **INTRODUCTION AND SCOPE OF WORK**

Business, in all its forms, is considered as key contributor to a nation's economy. Throughout the years, businessmen in all parts of the world are the key players in terms of bringing more profits to enable their economy on a jumpstart. Every businessman believes that access to profitable markets is a key factor which determines the long-term success for all businesses. For small and microenterprises, however; various constraints limit this access, such as inadequate technology, geographic isolation, lack of raw materials and inefficient production. By providing ways to overcome these constraints, marketing service providers play an essential role in developing the businesses of small and micro producers. Marketing service providers are specialized intermediaries that facilitate access to profitable markets, whether through direct sales or via brokering or sub-contracting. In addition, these intermediaries offer a variety of ancillary services, and although the demand for these services may vary depending on the targeted sector and market, this study will show that ancillary services often prove just as essential as market access. It is at this point that the College of Business, Entrepreneurship and Accountancy of the Cagayan State University Andrews Campus has designed ancillary services to build linkages to other government, private sectors, and private individuals especially men and women in the community who could contribute to economic development.

The long-term sustainability of the services provided depends on the ability of the entrepreneur to maintain his financial capacity. This is an important factor to implement plan of actions to realize marketing strategies. Using a trading mechanism can generally provide sustainable manner of buying and selling, or brokering. Small scale businesses are at times difficult to subsidize because clients may be unwilling to pay (debts). It is for the reason that they do not foresee any short-term benefits; clients may have limited ability to pay, or past practices by service providers may have created a situation where these services are expected to be provided for free. Some customers, who have the financial capacity, may choose to ignore payment. At times of losses, cost-recovery is enhanced through the client's positive feedbacks of the services received and his willingness to pay is an indicator of the relevance of the service. Full cost-recovery for additional service is difficult to achieve in the short-term basis. However, on a long term basis, higher possibilities



of costs recovery could be achieved in business because interests in different enterprises can be complementary with development needs.

An outstanding service given to customers is a competitive advantage, which can propel the business organization to prosper. It is very common that products introduced to different market segments are closely similar in product form. Each of these products compete to be the best brand, thus the decision to expand product line is a common practice. With the dynamic world of business, so many changes are happening. The core of marketing now is to understand the customer target in order to be able to craft marketing programs that are customer-oriented. It is through a specialized marketing service that would spell the difference in surviving competition. To be involved in this kind of endeavor requires expertise and dedication. The financial benefits are satisfying but what is gratifying is the opportunity to help small producers market their goods.

Based on case studies of marketing service providers dealing with handicrafts, non-traditional agricultural products, household goods, and service-oriented business, this study focused on the possibility for short and long-term sustainability of marketing services. The study discussed the impact ancillary services have on the ability for partial or full cost-recovery and for institutional sustainability, and the business strategies adopted by each marketing service provider.

This study further identified the marketing practices that would sustain business enterprise in the region. It aims to identify linkages in the other business endeavor that would bring wider scopes of opportunities which would extend to one's business connections through the key players in the different fields.

## **METHODOLOGY**

The survey method has been used to find out the common practices of small scale enterprises in the city. The researcher has randomly approached stores in the barangays and asked questions in line with finding out the different marketing practices they perform in running their business. Specifically it sought to answer the following questions:

1. What are the things you do to run your store?
2. Did you undergo training to have idea how to start your business? If yes, from whom?



This study has limited its scope on the common marketing practices and finding out as to whether the businessmen have consulted ancillary services as to how their business would run and sustained. Computation of the percentage has been applied to interpret the data gathered.

## **RESULT**

The following services are the benefits the small enterprises could enjoy upon the college' commitment to extend to men and women in the city and in the nearby barangays:

- Provide technical assistance in entrepreneurial development, business planning, formulation of marketing strategies with appropriate programs/tactics, and packaging of products
- Technology transfer of livelihood projects like mushroom production, which may include mushroom spawn production
- Conduct seminars/trainings on identified needs of the target area.

In today's very challenging business activities, the role played by business institutions primarily open the gates for entrepreneurs to have wider view of the business . . .

## **MARKETING INTERMEDIARIES AND THEIR FUNCTION**

To businessmen, planning to penetrate new markets or improve their position in the current market, the use of an intermediary may significantly reduce marketing costs, provide important consumer feedback, and open up access to a larger client base. Though for some small-scale businesses, they may not have the capacity to hire or pay the services like what professionals offer, they can still enjoy the assistance some extension workers may bring to their barangays. The time-consuming tasks assumed by marketing service providers include identifying new clients or markets, consolidating existing ones, sourcing good raw materials, or figuring out how to ship various kinds of goods to different destinations by various means of transportation. They can also assist the small-scale businesses for the continuous improvement of product quality. From working in specific sectors, marketing service providers often become experts on relevant issues, such as consumer preferences, new trends and designs. This expertise translates into important feedback for the producers in terms of what to produce and how. Greater value is added to a product with each transaction that takes the product further from the source, and with each process that transforms or alters the form of the product. When carrying out a number of functions,



marketing service providers can shorten this value-added chain considerably by limiting the number of actors. Both producers and consumers are interested in keeping the chain short and reducing the costs of bringing the goods to market. Decreased costs for the producers would translate to efficient operations and for the consumers, lower prices.

### **WHAT ARE MARKETING SERVICES?**

For the purpose of this paper, marketing services are characterized as services related to different stages of production and sale, when offered as a package by the same service provider. The various services may be offered separately, and then may not necessarily be characterized as marketing. The variety of marketing services can be divided into an input phase, or the phase prior to production, and an output phase, which is the phase after production. Marketing Services in the Input Phase includes activities such as technical assistance or training, product development and design, provision of raw materials, or credit for production. Training and technical assistance are services for which it is perceived that there is a large necessity, and consequently many institutions providing business development services offer technical assistance or training in some form. Whether provided to groups or to individuals, training for which there is a demand, and which help the entrepreneurs develop their skills or their businesses, may be provided for a fee. A number of demand-driven training programs claim high levels of cost-recovery.

- ❖ Product development and design are services that are especially important where products or markets are constantly changing, such as in the case of handicrafts. These services may be provided through advice or suggestions for change or development of a product, which makes it difficult to measure the exact cost or benefit. In other cases, outside consultants may be brought in for shorter periods of time, and thus the exact cost may be calculated.
- ❖ Access to raw materials is limited for many small producers. By grouping together or pooling their requirements, or by developing special arrangements with buyers or marketing service providers, purchases can be made in bulk at lower prices. Some marketing service providers provide raw materials instead of credit, with a surcharge or added interest at the time of payment.

### **MARKETING SERVICES IN THE OUTPUT PHASE**



The output phase includes activities such as quality control, packaging, transportation, and market information.

**Quality control** can be performed at different stages of production and delivery. Marketing intermediaries exercise quality control independently of production and may thus enforce consistent quality standards. Depending on the product, performing quality control objectively and critically can be a very time-consuming and expensive task, and could be priced accordingly. One example is the time involved when examining handicrafts from different producers that must comply with certain pre-set standards.

The **need for packaging and transportation** very much depends on the nature of the product, and the final destination. When required, both services are costly. These are functions that could be separated into isolated cost-effective functions (one of the case studies will show how one organization is attempting to let producers take over the separate function of packaging).

By making available to the producers **information on prices, consumer preferences, competition, new raw materials, and potential markets**, the marketing service provider adds transparency to the market, and gives the producers the opportunity to make intelligent decisions about future production.

**Table 1. Examples of Ancillary Services that could be provided, supervised and sustained**

	GARMENTS	AGRICULTURAL PRODUCTS	HOUSEHOLD PRODUCTS	SERVICES
INPUT PHASE	- production techniques/technology - cost management	- seeding, harvesting, natural fertilizers etc. - technology - cost management - production techniques	use of new machinery /technology (software for suitability/practicability - cost management - production techniques	-use of state-of-the-art equipment/technology
PRODUCT DEV'T.DESIGN	- changing colors, shape, form, materials according to trends - introducing new designs	- developing quality seedlings for organic growth	- introducing new models and materials according to trends - developing of new and practical household needs	-production of organic materials for hypo-allergenic or free from radical elements for body-pampering use
RAW MATERIALS	- selecting and providing required quality - buying in bulk	providing seeds/seedlings,	- buying raw materials in bulk - providing required quality	Selecting and providing quality materials



FINANCIAL SERVICES	- provision of raw materials in advance - advance pay for production - invoice guarantee	- provision of raw materials - advance pay for production - invoice guarantee	- provision of raw materials - advance pay for production - invoice guarantee	- provision of raw materials - advance pay for production - invoice guarantee
OUTPUT PHASE				
QUALITY CONTROL	- setting standards before production - rejecting non-compliance, low-quality	- checking quality in terms of size or freshness.	- setting standards before production - checking quality, conformity, sizes	- setting standards before production - rejecting non-compliance, low-quality
PACKAGING	- providing uniform and attractive presentation of products	- preventing damage to fragile goods - providing uniform presentation - preserving freshness	- providing uniform presentation - bulk packaging	- providing uniform and attractive presentation
TRANSPORTATION	- providing bulk transportation	- bulk transportation - refrigerated storage and trucks	- providing bulk transportation	- providing bulk transportation esp. for far-flung health centers
MARKET INFORMATION/PENETRATION	- identifying new buyers - participation in trade fairs	- identifying new buyers - market research - information on prices - contacts to buyers	- contacts to buyers - identifying new buyers - market research	-contacts/links to customers -service research
PAPER WORK/LEGAL ASSISTANCE	- exportation logistics - taxes/customs	- certification of organic products - exportation logistics - taxes/customs	- exportation logistics - taxes/customs	- certification of organic products - exportation logistics - taxes/customs

## HOW SHOULD MARKETING SERVICES BE PROVIDED?

Given wide differences in products, producers, and economic sectors, it is difficult to develop generally applicable guidelines for providing marketing services. A set of principles for good practice has been established for how best to deliver non-financial or business development services to micro, small and medium enterprises. These principles are in general applicable to marketing services, and include:



- providing the service in a business-like and demand-led manner aiming at long-term sustainability;
- specializing in a service or related set of services; and
- providing sub-sector specific services (tailoring programs to specific needs).

The first two principles are related to the issue of sustainability and the last two to the development of a strategy.

### **Sustainability**

The long-term sustainability of the services provided depends on the level of cost-recovery. The service of buying and selling, or brokering, can generally be provided in a sustainable manner, using a simple mark-up mechanism. But some of the ancillary services may be less viable, such as training or the provision of market information. These activities are often subsidized, for a number of reasons: clients may be unwilling to pay because they do not foresee any short-term benefits; clients may have limited ability to pay, or past practices by service providers may have created a situation where these services are expected to be provided for free. The combination of services, or an integrated service package, may therefore prove less profitable, and may narrow the margins of the marketing service provider. By charging fees, service providers can enhance cost-recovery as well as obtaining important feedback about the demand for the service - the client's willingness to pay is an indicator of the relevance of the service, thus; making the services part of their business practice development. In the short term, full cost-recovery for additional services may be difficult to obtain, at least in the short-term. Business interests can be compatible and complementary with development needs on a long-term basis, however, and as markets develop, higher levels of cost-recovery can usually be reached.

### **Discussion of the Research Result**

<b>Sources of Ideas on Marketing Techniques</b>	<b>Problems Encountered</b>	<b>Total</b>
Practical briefing	General Setting up	42
Ideas from friends in the business	Procurement	10
Formal schooling in business	Sales	7
Seminars/trainings	Profit	5
	Sustainability	





The data gathered from micro enterprises around Tuguegarao City and its nearby barangays has shown that 42 out of 64 respondents have never been briefed about marketing practices that would most likely bring bigger profit/income, 10 respondents have taken ideas from friends and relatives, 7 respondents have learned marketing techniques through seminars and formal school, and the last 5 respondents have taken ideas from trainings and seminar workshops in their barangays. Under the forty-two respondents who started business without thorough preparations as to how feasible the business could be, have suffered multitudes of problems along the process of setting up, procurement, sales, profit, sustainability. In the above table, all the respondents have admitted that they suffered all the identified problems from start.

Starting a business is risky but the chances of success are enhanced if the problems anticipated are understood and addressed prior to the start of business. Small and medium enterprises are widely regarded as the key economic growth and job creator. Among the many factors identified as problems in starting business are the following: environmental, marketing, financial (severe drain of cash reserves), and managerial to name some.

The profit and long-term sustainability of business depends on the knowledge of one who has endeavored to do any sort of business. In Tuguegarao City, it has been observed that many micro enterprises have gone with good start but have went bankrupt very soon without even realizing the return-on-investment. It is at this point, that the research committee of the College of Business, Entrepreneurship and Accountancy has designed an extension program which would cater to the needs of the people in the region like giving them lectures and trainings on business planning and implementation; marketing practices, sustainability, and viability of business; and educating them on the whole structure of table 1 - Examples of Ancillary Services by Sector.

With the importance of the small business sector being increasingly recognized, especially as a source of employment and economic growth, it is vital that small businesses are able to survive and prosper. Problems encountered by small business and hence issues that negatively influence business success are numerous and can be described amongst others as being environmental, marketing, financial or managerial in nature. An awareness of the problems negatively influencing small businesses is a vital first step in the managing and avoiding of these issues.



Entrepreneurial training forms a cornerstone of a supportive environment as it equips small business owners/managers with the skills necessary to drive successful new venture creation and contributes towards the survival and growth of enterprises. One training perspective is that failure can be avoided by exploring the circumstances from which failure arises. Another is that the awareness of possible future problems facing entrepreneurs will enable them to be forewarned and proactive in their decision-making. Starting a business is risky at best, but the chances of success are more than welcoming and fulfilling with entrepreneurs who are equipped with skills as front runners of any business entity.

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