

Marketing Strategies of SMEs and Performance: Empirical Evidence from Pharmaceutical Sector of Khyber Pakhtunkhwa

Mian Daud Nazim PhD. Scholar, Department of Management Sciences, Qurtuba University of Science and IT, Peshawar, KP, Pakistan.

Saima Batool Associate Professor, Department of Management Sciences, Qurtuba University of Science and IT, Peshawar, KP, Pakistan.
Email: dr.saimabatool90@yahoo.com

Saima Urooge Assistant Professor, Department of Economics, Islamia College University, Peshawar, KP, Pakistan.

Abstract

The study finds the effects of marketing strategies on the SME performance. Further, it explores the marketing strategies adopted by the pharmaceutical companies in various industrial sectors of KP. The Industrial Estate Hayatabad, Industrial Estate Hattar and Industrial Estate Gadoon were taken as sample areas for the selection of firms. Data was collected from 300 pharmaceutical firms in these Industrial Estates. Closed-ended questionnaire was used to collect data. The segmentation strategy, differentiation strategy, cost leadership strategy i.e. porter generic strategies were analyzed. The study used the correlation and regression model. Results reveal the cost leadership, differentiation strategy, segmentation have positive relationship with the firm performance. The findings also show that the cost leadership and differentiation strategy have significant effect while the segmentation strategy has insignificant effect on the performance of a firm.

Key Words

SME'S, Pharmaceutical Sector, Cost Leadership, Differentiation Strategy, Segmentation Strategy

Introduction

The marketing managers of the firm always make or prepare plans for the different products or events in the firm and also develop procedures to follow the plans (Kotler, 2014). The firm managers with the help of market research managers and product development managers and with the help of team of subordinates determine the needs of the customers for the services and products offering by the firms in the market. Addition to these responsibilities, the managers are responsible to identify the potential markets in the region i.e. government, public, retail firm and wholesales. The policies of the marketing have been developing in order to maximizing the share in the market and also might be helpful in estimating the prices of the products to ensure the customer satisfaction.

The concept of SME has been considered to be an organized work which is intended to return the economic outcome or profit with the help of services and products to an outside member. As per Meredith (2001) argued which daily works of SMEs needs the speculation of capital and time to improve, expand or creates the business operations. The studies have argued that the employees less than 250 in the firm will be considered as the small and medium enterprises.

As for the position of SMEs owners and managers, in keeping with McNamara & Watson (2005), many SMEs proprietors and administrators consider their capacity is to determine issues and issues that gain up in power in their organizations. In spite of the way that this will be taken as veritable, it's miles handiest less huge piece of their action. The most extreme extensive procedure of SMEs proprietor or administrators is to anticipate troubles and issues. This reaches a resolution that if SMEs control does never again blast bolster for a finished change, or if they have now not outfitted incredible administration, at that point this outcomes in squandered power. On the off chance that SMEs lose center in their center supplier, they at last experience. While the board of SMEs is awful, faculty' resolve and the organization atmosphere endure (Fisher, 2011). This implies the administration of SMEs should as a rule again up their assertion with fine actions.

The performance of any firm can be defined as the output which can be measured or quantified objective. This shows that the SME performance has been related with both results and behavior. The stated definition can include the attainment of objectives and anticipated level and

setting. The definition has further added that when the behavior of firm management is appropriate then the anticipated level of results can be achieved.

This idea is especially mind boggling as there is no reasonable meaning of execution, all the more so with respect to a few parts of phrasing issues, theoretical reason for appraisal, and investigative dimensions. When the management behavior regarding the marketing strategies are appropriate then there will be a positive relationship of these strategies with performance of SME. The study conducted by Ardjouman and Asma (2015) who evaluated the marketing strategies of SME's in Chinese manufacturing firms and evaluated the interpersonal and technological strategies in the SME's marketing strategies. But the study argued that the parameters should be changed, and the marketing strategies might be evaluated in the developing markets. Another study which has been used for the adaptation of strategies proposed by Michael Porter in the work of Tanwar (2013) who evaluated the five direction of porter strategies and concluded a significant effect in organizing the marketing strategies for any type of firm. The gap has been adopted the above stated studies and concluded to evaluate the effect of segmentation strategy, cost leadership strategy and differentiation strategy on the firm performance (SME's working in the Industrial Estate KPK)?The current study will address the following questions;

- Is there any role of segmentation strategy in the firm performance?
- Does the cost leadership strategy might enhance the SME performance?
- Are there any effects of differentiation strategy on the firm performance?

Research Objectives

- To explore the importance of marketing strategies in SME at Hayatabad Industrial Estate.
- To find out the effect of segmentation marketing strategy on SME performance.
- To check the effect of relationship cost leadership strategy on SME performance.

Literature Review

Technology is considered by Namusonge (2014) to be one of the responses to most troubles as well as confinements in business. It might help SMEs rise up out of the past and enter to progressively proficient, more promising time to come. There are a few and a scope of advancements that might influence the advertising the executive's methodologies of SMEs. In the vast majority of creating nations like Cote d'Ivoire, mechanical technology is yet to take off; consequently, the greater part of SMEs has not embraced and utilized ICT adequately. The test confronting the vast majority of SMEs is the manner by which to introduce and use technology in their business.

Absence of know what regarding the knowledge hold various variables, which incorporates absence of direction, vulnerability of technology advantages and newness of advances (Vilaseca, 2013). As per Alila (2011), absence of innovative condition as well as inaccessibility of perfect skill, e-business foundation, absence of minimum amount use are primary outer confinements impeding knowledge use and selection by SMEs.

According to Iacovou et al. (2009), contend that greater part of outside troubles originates from business connected obstructions. As indicated by Muraya (2006), sees that there are three obstructions being used and reception of knowledge by SMEs. These are: authoritative preparation, outer weights (aggressiveness from different players and necessities by exchanging accomplices) and saw advantages of the technology. These apparent advantages frame primary motivation behind why numerous SMEs proceed to utilize and receive the technology (Mingaine , 2013).

According to Siu and Liu, (2005), the exploration incorporates these three overwhelming points of view dependent on structures that were suggested or received in past examinations. In the examination, promoting methodology is comprehensively arranged into two classes: aggressive marketing system and relationship advertising technique. The focused promoting technique expects to send assets and capacities to contend in the market while relationship advertising methodology endeavors to manage systems management and collusion assets. The theoretical structure recommends that development Performance of SME is fundamentally reliant on three dimensions of builds: focused advertising technique, relationship marketing system and business condition by featuring the focal job of checking methodology in deciding development Performance of SME.

Research Methodology

The nature of present research study is qualitative in nature. The study objectives were achieved by using primary instruments i.e. questionnaire and interview session. The study adopted questionnaire from the literature and then fulfill the objectives by collecting the data from the sample respondents. The study also used the interviews methods to evaluate the marketing strategies

Moreover, the design of the present study is experimental. This design needs a blueprint of the activities that needs the researchers to get control over the variables which might affect the results of the experiment. The study attempts to predict or determine what may happen in the course of study. The method might use the different steps need to withdraw from the literature, the hypotheses drawn from the previous studies, the tools of data collection recommended from the previous studies and the models of data analysis needs to testify for the acceptance of hypotheses.

Population and Sample size

The study was conducted in the industrial units working in the Industrial Estates. The study tried to understand the marketing strategies adopted by these pharmaceutical industrial units. The pharmaceutical Industries working in the different industrial sectors of KPK was taken as the population of the study. The study was conducted in the industrial Estate Hayatabad, Industrial Estate Hattar and Industrial Estate Gadoon. On the basis of purposive sampling technique, 300 pharmaceutical units were selected from the whole industrial unit for the data collection and were treated as the sample of the study. The study used to collect data from the managers of these sample units because they are the people who are involved in making decisions regarding the marketing of the firm.

Data collection techniques

The current study was based on the secondary data which were collected from the marketing managers of sample industrial units at Industrial Estate Hayatabad, Industrial Estate Hattar and Industrial Estate Gadoon. The study adopted questionnaire based on the literature and then used for the data collection. The closed ended questionnaire will be designed by 5 likert scale. The questionnaire was started from the general questions to the specific questions. The pre-reliability i.e. pilot study was conducted to check the validity of the questionnaire.

Regression Analysis

In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables (or 'predictors'). More specifically, regression analysis helps one understand how the typical value of the dependent variable (or 'criterion variable') changes when any one of the independent variables is varied, while the other independent variables are held fixed. Most commonly, regression analysis estimates the conditional expectation of the dependent variable given the independent variables – that is, the average value of the dependent variable when the independent variables are fixed.

$$PER = \alpha + \beta_1 DS + \beta_2 SS + \beta_3 CL + \epsilon$$

Where:

PER represents Performance

DS is Differentiation strategies

CL represents Cost Leadership

Reliability Statistics

Considering the qualitative in nature of the variables, “the data of each variable will be considered for the reliability test. To test the reliability, Cronbach Alpha coefficient will be measured. A variable having Cronbach alpha coefficient equal or greater than 0.70 will be considered reliable.”(Cronbach, 1951).

Results & Discussions

Table 1. Descriptive Statistics

	Minimum	Maximum	Mean	Std. Dev.	Skewness	Kurtosis
	Statistic	Statistic	Statistic	Statistic		
Cost leadership	2.90	4.00	3.4877	.31083	.095	-1.024
Differentiation strategy	3.22	4.22	3.6942	.28584	-.011	-1.225
Segmentation strategy	3.11	4.11	3.7126	.26657	-.856	-.189
Firm Performance	2.78	4.33	3.7165	.35720	-.396	.000
Valid N (listwise)						

The above is the table of descriptive statistics which has been used to check the characteristics. The mean value shows the average reply of the respondents for the specific variable in the questionnaire. The mean reply shows that the answer of the scale is almost all near to 4 which is the agree scale.

Table 2. Reliability Statistics

S.No	Variable	Alpha	Discriminate	Convergent
1	Firm Performance	.910		
2	Cost Leadership	.871		
3	Differentiation Strategy	.803		
4	Segmentation Strategy	.859		

The table is the findings of reliability statistics used in the study to evaluate the validity and reliability of the variables. The study used the cronbach alpha which has the standard value of .70. The value of alpha in the table for the variables shows the internal consistency of the variables and they are reliable for the data collection.

Table 3. Correlation

		PER	CL	DS	SGS
Firm Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	301			
Cost Leadership	Pearson Correlation	.656**	1		
	Sig. (2-tailed)	.000			
	N	301	301		
Differentiation Strategy	Pearson Correlation	.379**	.795**	1	
	Sig. (2-tailed)	.000	.000		
	N	301	301	301	
Segmentation Strategy	Pearson Correlation	.292**	.554**	.638**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	301	301	301	301

** Correlation is significant at the 0.01 level (2-tailed).

The table is the statistics for the correlation test used in the present study to know the correlation among the variables to evaluate the nature of relationship. Different authors suggested different models to check the relationship of the variables and the current study used the Pearson Correlation test to check out the relationship among the SMEs marketing strategies and their firm performance among the firms working in the industrial zones in KPK. The findings of the table exhibit that the firm performance might be enhance when the firm is having cost leadership. The value shows that the firm performance and cost leadership are related about 65 percent. The values show that the firm performance will be increases when they have their cost leadership and this change will be 65 percent in positive direction. The values show that the firm performance and differentiation strategies are related about 38 percent in the firms working in industrial zones in KPK. The positive value show that the firm performance will be increased about 38 percent when the differentiation strategy is increased. The relationship among the firm performance and differentiation strategy is significant. The values show that the firm performance and segmentation strategies are related about 29 percent in the firms working in industrial zones in KPK. The positive value show that the firm performance will be increased about 29 percent when the segmentation strategy is increased. The relationship among the firm performance and segmentation strategy is significant.

Discussion

The study conducted by Iacovou et al., (2009) who found huge barriers in the business which are related to the external markets and then these barriers have been evaluated by Muraya (2006). The study has evaluated that the SMEs are facing barriers in adopting the technology for their future growth and effective operations. The technological updating might be helpful in managing the competitive advantage and also benefits from the strategies.

Mega marketing is a term used to describe the type of marketing activity required when it is necessary to manage elements of the firm's external environment (governments, the media, pressure groups, etc.) as well as the marketing

variables; but two more Ps (public relations and power) are sometimes added to the marketing mix so as to ensure that the firm is competitive in the market. (Kotler, 1986).

The findings are consistent with the study of Kotler (1986) who argued that the external environment is the factor which needs to be considering while making the effective marketing strategies. It is also important that the management should formulate effective strategies to get competitive advantages. The results are linked with the findings who argued that the firm technology strategies might be the effective tool to get higher performance of employees and enable the firm to get both short and long run growth.

The findings are also consistent with the results of Fillis (2000) and Paige and Littrell (2002) who conducted studies on the marketing strategies and argued that the creative marketing strategies are necessary to get more efficient planes executing to get firm's goals. The findings suggested that the firm segmentation and differentiation strategies might be used to manage the market segments to get competitive advantage and firm's long-term growth. The studies argued that the technological adaptation i.e. internet, smart phones etc. are the tools to get practical creative marketing. The creative marketing approach might be used to get more effective marketing strategies, and this is the tool which might lead to get more firm's goals.

Table 4. Regression

Model Summary										
Model	R	R Square	Adjusted Square	R Std. Error of the Estimate	Change Statistics					F
					R Change	Square F Change	df1	df2	Sig. Change	
1	.697 ^a	.486	.481	.25736	.486	93.634	3	297	.000	

F:value: 93.6

The table is the statistics for the model summary in the regression model. The study was based on the statement that to check the marketing strategies effect on the firm performance working in the industrial zones in KPK. The regression model is significant in the case when the problem is based on cause and effect. The regression model is important because this might be helpful in getting the relationship of the variables with the dependent variable by the correlation coefficient and also it is significant in estimating the variance explained in the dependent variable due to the independent variables. The value of R or correlation coefficient in the table is .697 which means that the cost leadership, differentiation strategy, segmentation strategy are 69 percent related with the firm performance. The value for the R-square or variance explained in the firm performance due to the cost leadership, differentiation strategy, segmentation strategy is 48 percent and the overall model is significant.

Table 5. Findings

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.624	.222		7.318	.000
	Cost leadership	1.107	.079	.963	13.982	.000
	Differentiation strategy	-.489	.093	-.391	-5.256	.000
	Segmentation strategy	.011	.073	.008	.145	.885

a. Dependent Variable: performance

The table is the findings of coefficient estimated for the independent variables to measure the unit change in the firm performance due to cost leadership, differentiation strategy, segmentation strategy. The values show that the cost leadership have positive beta and explained that the firm performance will be change by .96 units when the cost leadership is changed. The t-value is 13.9 which exhibits that the cost leadership is having significant effect on the firm performance. The beta of differentiation strategy is -.391 which shows that the firm performance will be decreased by .39 units when the differentiation strategy is increased. The t-value is -5.2 which show that the differentiation strategy is having significant effect on the firm performance. The beta of segmentation strategy is .008 which shows that the firm performance will be increased by .008 units when the differentiation strategy is increased. The t-value is .14 which shows that the segmentation strategy is having insignificant effect on the firm performance.

Conclusion

The findings of correlation model taken in the study argued that the firm performance is positively related with the cost leadership, differentiation strategy and segmentation strategy. The findings are consistent with the study of Muraya (2006) who evaluated the issues and problems in adopting the most effective marketing strategies in the firms. The study argued that the pressure from the competitor are the force which enable the firm to use the most cost effective and efficient strategies, policies and technologies to survive and growth in the market. According to Paige and Littrell (2002) who evaluated the marketing strategies adopted by the firm, the study concluded that the creativity in the advertisement, cost minimizing, and most efficient medium might make the most successful marketing strategies. The study argued that in the present time the firms might adopt the internet medium which is the cost-effective strategies and might contact most of the customers in the market.

Contribution

The study was conducted in KPK small industrial sector to evaluate the marketing strategies of SMEs and their role in the enhancement of firm performance. The gap highlighted by the study of Ardjouman and Asma (2015) for the marketing strategies of SME's i.e. interpersonal and technological strategies in the SME's marketing strategies. But the study argued that the parameters should be changed, and the marketing strategies might be evaluated in the developing markets. Another study which has been used for the adaptation of strategies proposed by Michael Porter in the work of Tanwar (2013) who evaluated the five direction of porter strategies and concluded a significant effect in organizing the marketing strategies for any type of firm. The gap suggested by the studies have been adopted in the present study to evaluate the SME marketing strategies. No study has been found by implementing the Michael Porter's dimension of marketing strategies, the present study will check the porter's principles in the Pakistani based SME's. The present study is significant for the researchers as there is no other work has been conducted on the marketing strategies of SMEs in Pakistan. So, the current study will provide methodological guidelines for the new researchers who are interested in conducting study on SMEs marketing strategies in developing countries. The study findings are helpful for the policy makers to revise their policies by supporting the SMEs in the small industrial areas in KPK, Pakistan so that they might show their better performance with the support of government and might take part in the economic growth of area and country. The findings of the study are significant for the management of SMEs to revise their policies and to find out the weak points in their strategies to get superior quality of strategies which might show 100 percent results.

Future Work

The study was conducted in small industrial sector of KPK, in future the study might also be conducted by using the larger industrial sector i.e. manufacturing firms, pharmaceutical firms etc. The study might also be conducted by using other marketing strategies and using other theories of marketing strategies. The study adopted quantitative methodology for the data analysis but to get more precise findings, interview schedule might another option for the future studies.

References

- Ardjouman, D., & Asma, B. (2015). Marketing Management Strategies Affecting Performance of Small and Medium Enterprises (SMEs) in Cote d'Ivoire. *International Journal of Business and Social Science*, 6(4).
- Armstrong, G., Adam, S., Denize, S., & Kotler, P. (2014). *Principles of marketing*. Pearson Australia.
- Azizi, S., Movahed, S. A., & Khah, M. H. (2009). The effect of marketing strategy and marketing capability on business performance. Case study: Iran's medical equipment sector. *Journal of Medical Marketing*, 9(4), 309-317.
- Bessant, J., Francis, D., Meredith, S., Kaplinsky, R., & Brown, S. (2001). Developing manufacturing agility in SMEs. *International Journal of Technology Management*, 22(1-3), 28-54.
- Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. *psychometrika*, 16(3), 297-334.
- Day, G. S., & Montgomery, D. B. (1999). Charting new directions for marketing. *The Journal of Marketing*, 3-13.
- Elkington, J. (2013). Enter the triple bottom line. In *The triple bottom line* (pp. 23-38). Routledge.
- Fillis, I. (2000). Being creative at the marketing/entrepreneurship interface: lessons from the art industry. *Journal of Research in Marketing and Entrepreneurship*, 2(2), 125-137.
- Frost, J. J., & Darroch, J. E. (2008). Factors associated with contraceptive choice and inconsistent method use, United States, 2004. *Perspectives on sexual and reproductive health*, 40(2), 94-104.
- Gummesson, E. (1999). Total relationship marketing: experimenting with a synthesis of research frontiers. *Australasian Marketing Journal*, 7, 72-85.
- Iacovou, C. L., Thompson, R. L., & Smith, H. J. (2009). Selective status reporting in information systems projects: a dyadic-level investigation. *MIS quarterly*, 785-810.
- Kotler, P. (1997). *Marketing management*, 7th.
- Kotler, P., Saliba, S., & Wrenn, B. (1991). *Marketing management: Analysis, planning, and control: Instructor's Manual*. Prentice-hall.
- Martin, M. S., & Namusonge, M. J. (2014). Influence of innovation on small and medium enterprise (sme) growth. *International Journal for Innovation Education and Research*, 2(5), 31-41.
- Mingaine, L. (2013). Challenges encountered by Principals during implementation of ICT in public secondary schools, Kenya. *Journal of Sociological Research*, 4(2) 1-1
- Muraya, D. (2012). The Cultural Perspective of International Operations by Barclays Bank of Kenya. *Unpublished MBA Thesis*.
- Nohria, N. (2012). What business schools can learn from the medical profession. *Harvard business review*, 90(1-2), 38-38.
- Paige, R. C., & Littrell, M. A. (2002). Craft retailers' criteria for success and associated business strategies. *Journal of small business management*, 40(4), 314-331.
- Pomeroy, A., Noble, G., & Johnson, L. (2008, July). A sustainability roadmap for contemporary marketing education: thinking beyond the 4Ps. In *Academy of Marketing Conference, Aberdeen, Scotland*.
- Siu, W. S., & Liu, Z. C. (2005). Marketing in Chinese small and medium enterprises (SMEs): The state of the art in a Chinese socialist economy. *Small Business Economics*, 25(4), 333-346.
- Tanwar, R. (2013). Porter's Generic Competitive Strategies. *IOSR Journal of Business and Management (IOSR-JBM)*, 15 (1), 11-17
- VilasecaRequena, J., Torrent Sellens, J., MeseguerArtola, A., & Rodriguez-Ardura, I. (2007). An integrated model of the adoption and extent of e-commerce in firms. *International Advance in Economics Research Journal*, 13(2), 222-241
- Wamba, S. F., & Carter, L. (2016). Social media tools adoption and use by SMEs: An empirical study. In *Social media and Networking: Concepts, methodologies, tools, and applications* (pp. 791-806). IGI Global.
- Yudelson, Julian (1999) "Adapting McCarthy's four P's for the twenty-first century" *Journal of Marketing Education* Vol. 21 (1) pp. 60-67