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## **THE IMPORTANCE OF MARKETING RESEARCH FOR THE COMPETITIVENESS OF SMALL ENTERPRISES IN REPUBLIC OF MACEDONIA**

### **Abstract**

Meeting the global needs of consumers by applying a marketing concept is one of the key factors for competitive success and is a basis for positioning of enterprises, regardless of the nature of their activity or size.

All enterprises need a marketing concept, regardless of their size and business activity. Even though small enterprises, in terms of their size and flexibility have many specifics and differences, marketing is a universal concept in terms of fulfilling numerous factors of competitiveness.

To achieve sustainable growth and competitive position, small enterprises should be oriented towards exploring the factors of the immediate and more wider environment and should identify approaches and strategies for market positioning according to the needs and demands of consumers.

In this paper, a theoretical and empirical review has been made on the application of marketing research in small enterprises in Republic of Macedonia, in relation to several factors of their competitiveness. The analysis of the current situation of the use of marketing research, in terms of improving competitiveness, shows that small enterprises in the country do not sufficiently apply the marketing concept and marketing research for improving their competitiveness and their successful positioning in the global market.

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## **Introduction**

In order to ensure survival in a dynamic environment, small enterprises need to have certain competencies and knowledge about the market. To achieve sustainable growth and a competitive position, they need to constantly be oriented towards exploring the factors of the immediate and more wider environment and should identify approaches and strategies for market positioning according to the needs and demands of consumers.

Meeting the global needs of consumers by applying a marketing concept is a crucial factor for competitive success and a basis for positioning of enterprises, regardless of the nature of their activity or their size. The challenges in this sense are greater for small enterprises, if one takes into consideration the numerous factors in the immediate and more wider environment.

In the broader literature in the field of marketing, many aspects have been identified for its application in small enterprises in relation to their competitiveness. Basically, it is about mutual conditionality and determination of marketing and entrepreneurship in the direction of increasing competitiveness. Basically, such determination is based on the development of the marketing concept as a new paradigm in relation to the classical marketing mix, whereby consumer needs are the basic marketing focus. According to this concept, marketing is viewed from the perspective of the individual who is “networked” in a system of value-creating, which at the same time is the crucial link between competitiveness and marketing research. The basis of this connectivity is the practice of a marketing concept that is based on information from the marketing research of the wider and immediate environment, research of consumers and their needs and opportunities for greater competitiveness by creating a new value for consumers (the market). Within the framework of the empirical research, an analysis has been made of the data received from the research on small enterprises on the territory of Republic of Macedonia in terms of several factors of competitiveness.

## **1. MARKETING RESEARCH IN SMALL ENTERPRISES – THEORETICAL REVIEW**

Given that market research is defined as systematic defining, gathering, interpreting and summarizing information that help the business in solving specific problems on the market, or making use of favorable market situations, it is necessary to define how much they are actually used in the enterprises themselves. Putting consumers of products and services in the center of an enterprise is a starting assumption for business success of marketing oriented enterprises. Satisfying the needs, wants and preferences of consumers in solving their problems and demands with adequate products and services, is a starting point for initiating all business decisions in an enterprise.

Entrepreneurs as founders and owners of small enterprises usually have limited resources, because of which only a small number of them manage to survive and develop over a longer period of time. At the beginning, only those who base their strategy on the marketing concept manage to succeed: to satisfy the needs of consumers and to achieve competitive success on the market. Without applying marketing in business operations, it is hardly possible for any enterprise to achieve market success.

Research in some countries shows that in practice, small enterprises do not apply marketing strategies that essentially are the same with the theoretical views and concepts for their application.

Research carried out for determining the application of marketing activities as part of the behavior (managerial and operational aspects of market orientation), in the category of small businesses in the Split-Dalmatia region, shows that small businesses have inadequate capacity (both quantitatively and qualitatively) for a more systematic autonomous implementation of all marketing activities. This unfavorable situation points to the notion that there is successful merging of small entrepreneurs, namely, it has been concluded that most of the small businesses operate through personal and informal networks. Furthermore, the results of this research show that the marketing activities in many small business entities are implemented without previously being planned and managed. Mainly, they are not implemented systematically, much less through a formal organization of the marketing function, or through cooperation with external experts. These findings are confirmed also by results of other surveys that refer to the absence of a methodological approach

for marketing research and marketing planning in small businesses, which is usually replaced with a strong emphasis on customer care, reliance on intuition and environmental awareness.<sup>1</sup>

Another study indicates the type of marketing activities that are implemented by small enterprises in Albania and the reasons that condition this. Research shows there is limited knowledge about marketing among the interviewed entrepreneurs, with one aspect that refers to the focus of consumers and their needs. Also, it has been confirmed that small enterprises do not have marketing resources and use traditional marketing, while the gathering of information from the market is carried out through a network of personal contacts, instead of with systematic market research.<sup>2</sup>

According to the third research, the changes taking place in the marketing practice of companies in the Czech Republic in the period 1999-2003 show that despite the progress, in most of the small enterprises in 2003 there is a lack of independence in the operation of the marketing sectors and that clearly defined marketing strategies are not implemented. In another study, a comparative analysis is made in regards to the practice of building linkages in small companies in Poland and the Czech Republic. Small enterprises in the Czech Republic have better developed marketing skills and are more oriented towards long-term benefits in relation to the Polish small enterprises.

In Republic of Slovenia, more research has been conducted on how small enterprises understand and apply marketing in their working. It has been concluded that the application of marketing in these enterprises is informal, unstructured, pragmatic, reactive, limited in its size and intensity.<sup>3</sup>

Similar characteristics have been noted in small enterprises from other countries in the region, especially in terms of the lack of independence of the marketing sectors, the role of the owner/manager, manner of acquiring information through close connections with clients and lack of marketing planning.

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<sup>1</sup> Draganic D., Marketing activities of small businesses in Croatia: the case of Splitsko-Dalmatinska country, *Management*, Vol. 14, 2009, 1, pp. 39-58, <https://moj.efst.hr/management/Vol14No1-2009/3-Dragnic.pdf> , 21.9.2016

<sup>2</sup> Gorica K., Buhaljoti A., Entrepreneurial marketing : Evidence from SMEs in Albania, *American Journal of Marketing Research* Vol. 2, No. 2, 2016, pp. 46-52, <http://www.aiscience.org/journal/ajmr> , 21.9.2016

<sup>3</sup> Bodlaj M., Rojšek I., Marketing in small firms: the case of Slovenia, *Economic and business review*, Vol. 16, No. 2, 2014, p. 101–119

## **2. MARKETING RESEARCH IN SMALL ENTERPRISES IN REPUBLIC OF MACEDONIA**

As globalization proceeds, transition and developing countries and their enterprises face major challenges in strengthening their capacities to increase their competitiveness. In market economies, the enterprise sector is predominantly private and spans through the whole spectrum of economic activity in agriculture, manufacturing and services, including trade, and increasingly also infrastructure and social services. Within the private sector, there are different types of market players: the self-employed, micro, small, medium and large enterprises and multinational companies.

Private small and medium sized enterprises (SMEs) typically account for more than 95% of all firms, constitute a major source of employment and generate significant income from participation on domestic and export markets. Improved SME competitiveness could obviously contribute to economic and social development and poverty reduction. In developing and transition economies in a globalizing world, SMEs need to: i) build local SMEs' capacities to trade and take up expanding regional and international trade opportunities, and ii) strengthen SMEs' linkages with foreign investors and thus enhance FDI benefits to the local economy.<sup>4</sup>

Globalization and the rise of emerging market economies have increased the competition faced by firms in the Western Balkans. At the same time, the relatively small domestic markets of the Western Balkans mean that the wider opportunities offered by internationalization may be crucial for enterprises' further advancement. For SMEs, especially, accessing international markets can open up new possibilities for growth. They can achieve economies of scale in a way that might not be possible by operating in the domestic market only. Increased exposure to foreign firms further encourages innovation, quality improvements and enhanced productivity. Consequently, competition can also foster the long-term sustainability of firms.<sup>5</sup>

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<sup>4</sup> 2nd OECD conference of Ministers responsible for small and medium sized enterprises (SMEs) promoting entrepreneurship and innovative SMEs in a global economy: towards a more responsible and inclusive globalization, Istanbul, Turkey 3-5 June 2004, Promoting SMEs for development organization for development, OECD, 2004, p. 46

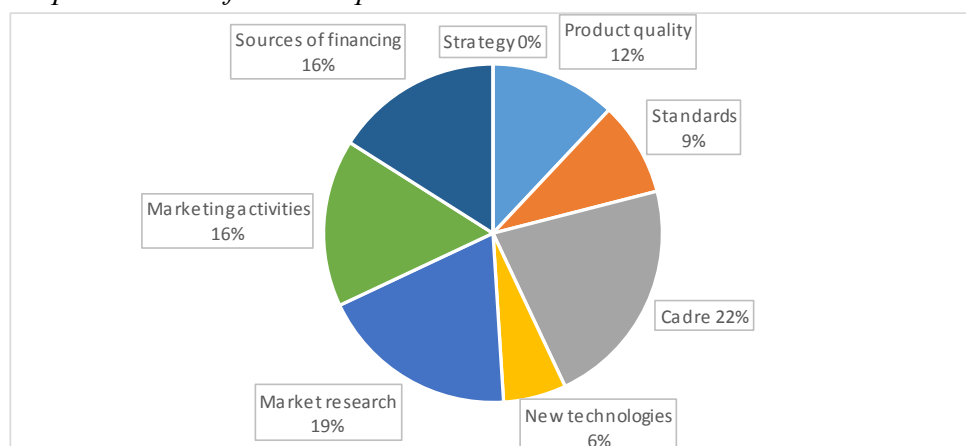
<sup>5</sup> SME Policy Index Western Balkans and Turkey 2016, Assessing the Implementation of the Small Business Act for Europe, p.197

With the purpose of determining the situation in regards to the application of marketing research in small enterprises, from the perspective of their competitiveness, a survey was conducted on small and micro enterprises on the territory of the country. The questionnaire was answered by 32 firms, from 17 cities and all 8 regions in the country. The survey was carried out in the period August-December 2016.<sup>6</sup>

In terms of the business activities of the firms that responded to the questionnaire, most of them, namely 38% operate in the service industry, 25% in trade, 22% in production, 9% operates in the field of information technology and 6% in construction.

In regards to the factors that small enterprises lack for market competitiveness, it has been concluded that there is a lack of staff for market research. They equally lack funding sources and marketing activities, as factors that would contribute to greater competitiveness of enterprises. They also have insufficient quality of products along with a lack of standards and of new technologies (see Chart 1).

**Chart 1:** Which of the given factors are lacking in terms of the competitiveness of the enterprise?

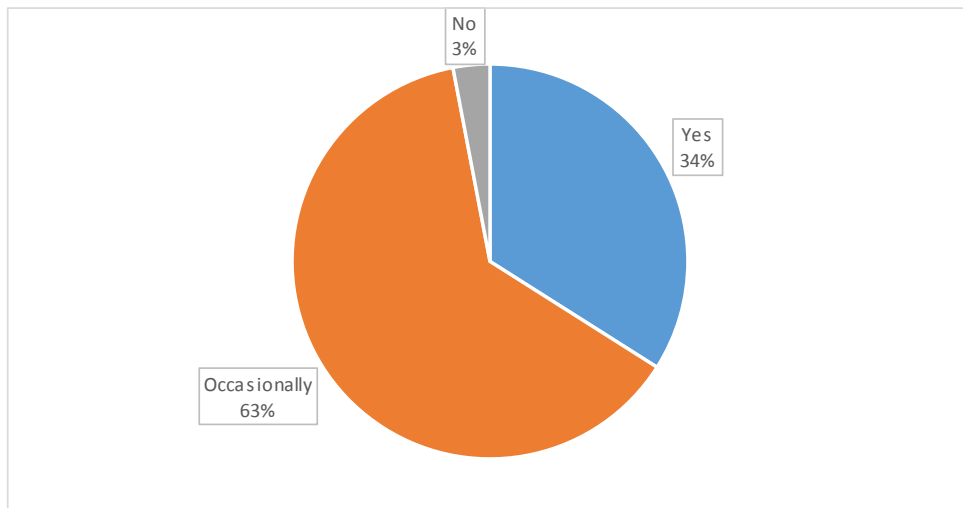


Source: Analysis of questionnaire results

Regarding the introduction of new products on the market, only one-third of small enterprises regularly introduce new products in their production program, whereas 3% do not introduce such products. Almost two-thirds of firms, however, introduce new products occasionally (see Chart 2).

<sup>6</sup> “Application of marketing concept for small enterprises in Republic of Macedonia” (results of conducted research), Institute of Economics, 2015-16

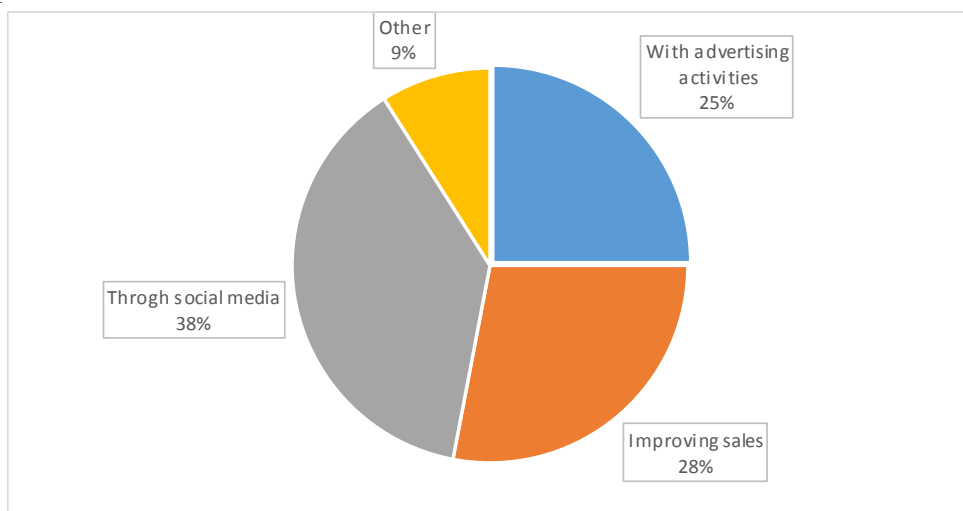
**Chart 2:** Do you introduce new products in your production program?



Source: Analysis of questionnaire results

Small enterprises usually promote their new products through the social media, followed by promotion of sales and advertizing activities. Some enterprises use other methods, more specifically, as they have stated, “direct communication”, “personal meetings” and “personal communication” (see Chart 3).

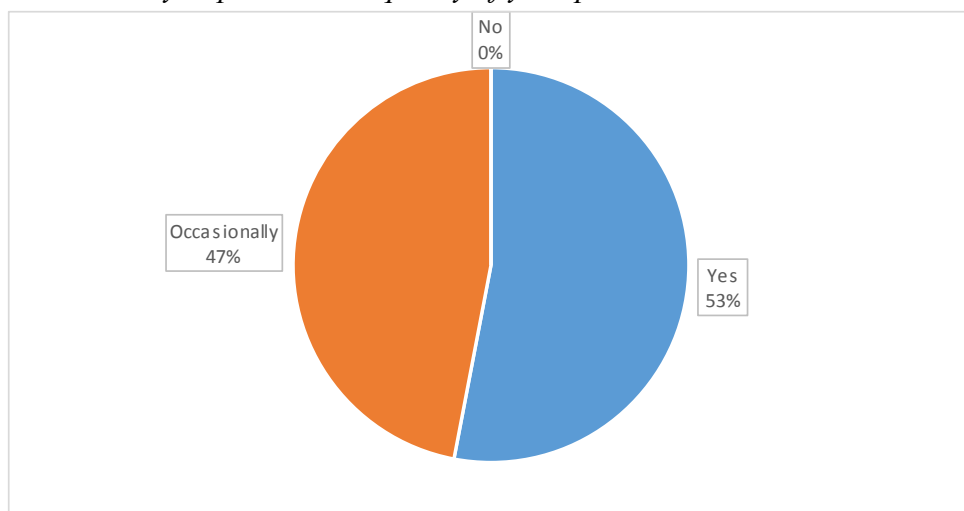
**Chart 3:** If you are introducing new products and services, how do you promote them?



Source: Analysis of questionnaire results

All surveyed enterprises stated that they do promote the quality of their products and services. A little over half of them (53%) say that they do this continuously, while 47% stated that they do this occasionally (see Chart 4).

**Chart 4:** Do you promote the quality of your products/services?

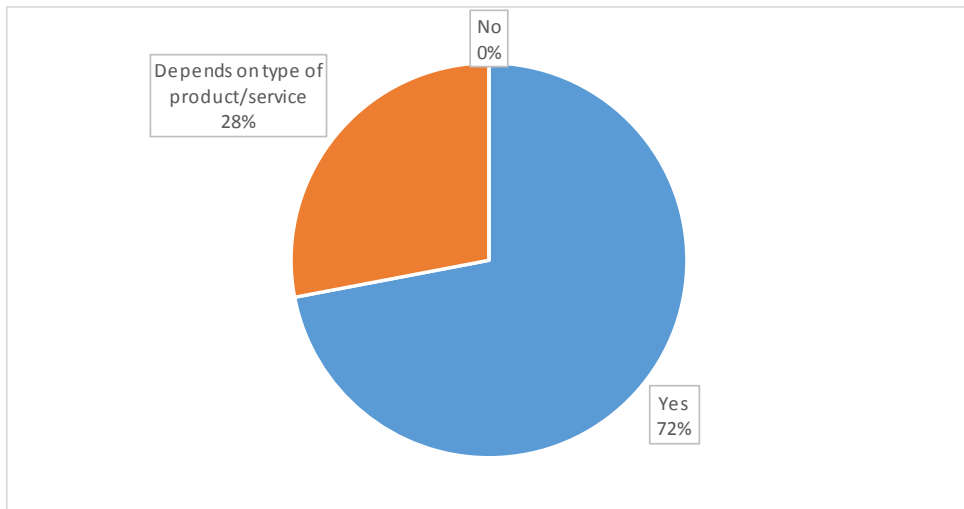


Source: Analysis of questionnaire results

One of the most important factors of competitiveness is the promotion of quality and standardization for greater competitiveness on the market. In terms of this factor, almost three-fourths of the enterprises surveyed (72%) consider that promotion of quality and standardization are significant for greater competitiveness of their products and services on the market. A smaller part (28%), think that it depends on the type of product and service, while there are no enterprises that do not recognise this significance (see chart 5).



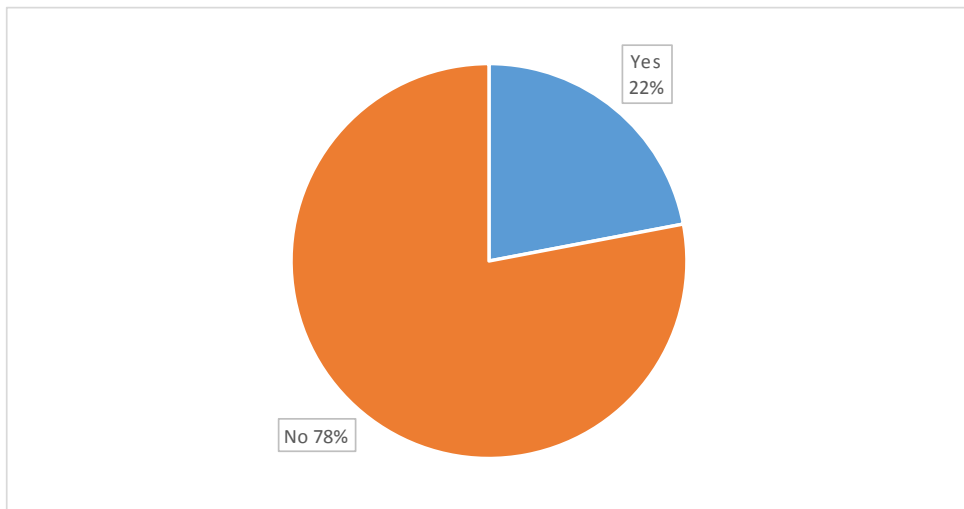
**Chart 5:** Do you consider that promotion of quality and standardzation are important for greater competativeness of your products/services on the market?



Source: Analysis of questionnaire results

Regarding the export of products and services, only 22% of enterprises export thier products and services, while a majority of them (78%) offer their products and services on the domestic market only (see Chart 6).

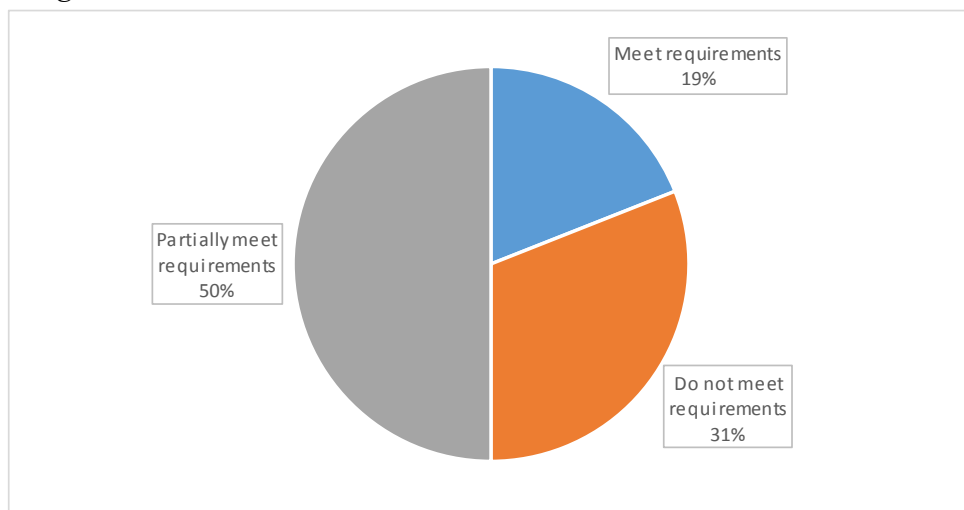
**Chart 6:** Do you export your products and services?



Source: Analysis of questionnaire results

A third of the enterprises consider that they do not meet the requirements of the foreign market, and up to a half of the firms think that they meet the requirements only partially, while 19% of the firms consider that they do meet the requirements (see Chart 7).

**Chart 7:** *If you export, assess the competitiveness of your enterprise on the foreign market:*



Source: Analysis of questionnaire results

The results of the research show that in terms of promoting the factors of competitiveness in small enterprises – marketing research is in the second place. Small enterprises introduce new products on the market, but use only some of the available media for their promotion. Around three-fourths of the enterprises surveyed consider that improving quality and standardization are important for greater competitiveness on the market. In regards to improvement of quality of the existing products and services, most of the enterprises believe that they are necessary and important for increasing competitiveness. Nevertheless, only a small number of export oriented enterprises only partially meet the requirements of foreign markets, which just indicates the low competitiveness of the export oriented small enterprises from Republic of Macedonia.

## **CONCLUSION**

In current conditions, small enterprises are treated as key initiators of innovation, drivers of employment and social integration. Although competitiveness is a firm level phenomenon, macroeconomic and microeconomic environments influence market signals. However, competitive advantage is measured in relation to the rivals in the markets that firms compete in. Integration into regional and global trade and investment networks will require much effort, although it is not an impossible proposition.

Small enterprises are especially sensitive to turbulent changes in the business environment. From the perspective of the marketing concept and developing entrepreneurship, both at the global and regional level, these enterprises are facing more or less exposure to market oscillations under the influence of various factors. Changes entail the need for treating marketing as a dynamic rather than a static category, with the ultimate aim of convincing consumers to orient themselves towards an a supply on the market that refers to more competitive products/services.

Because of the strong and unequal competition of enterprises with different sizes and power, it is necessary to continuously keep innovating and introducing new products and services in the production programs of small enterprises. The risks resulting from changes in the market, both in terms of the supply and the demand, can be minimized only if these enterprises create and apply innovative and creative strategies based on information and knowledge about the market.

The research that has been performed in small enterprises in the country refers to the current situation in regards to the application of marketing in Republic of Macedonia. Based on the elaboration of theoretical knowledge and practical experience on the application of the marketing concept in small enterprises, as well as from the analysis of the results of the conducted survey research in Republic of Macedonia, conclusions have been made in regards to the research topic. As to the need for applying the marketing concept, there is no dilemma that it is necessary and an essential part of the development policy of small enterprises. The dilemma that arises concerns the manner of applying the marketing concept according to the specifics and size of the enterprises in terms of the available resources. Experiences in this field

and the results of the conducted research in Republic of Macedonia show a latent attitude to the issue of applying marketing in small enterprises, with the absence of a consistent, essential and methodological approach in its implementation. The improvement of the current situation should be sought in the direction of acquiring knowledge and experience for the application of marketing research in improving the competitiveness of small enterprises and their successful positioning on the market.

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