Are marketing strategies implemented by SME’s in the Republic of Macedonia?

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Business strategies in general and marketing strategies in particular are a factor of significant importance when it comes to the success and long term growth of companies. This paper tends to test the generally accepted assumption that SME’s in the Republic of Macedonia do not have and implement well defined marketing strategies. As will be noticed, based on the opinions of the owners of 277 SME’s in the Pollog region, business entities in the Republic of Macedonia do recognize the importance of marketing and marketing strategies, but still fail when it comes to their creation and implementation. As proven by the research, SME’s in the studied region randomly implement certain elements of different types of business and marketing strategies, but not based on theoretical approaches and generally accepted literature in this field.

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Introduction
Critics of formal planning systems argue that we live in a world in which uncertainty, complexity, and ambiguity dominate, and in which small chance events can have a large and unpredictable impact on outcomes. In such circumstances, they claim, even the most carefully thought-out strategic plans are prone to being rendered useless by rapid and unforeseen change. In an unpredictable world, there is a premium on being able to respond quickly to changing circumstances and to alter the strategies of the organization accordingly. (Hill, Jones, 2010, pp.21).

At their simplest, strategies help to explain the things that managers and organizations do. These actions or activities are designed and carried out in order to fulfill certain designated purposes, some of them short term in nature, others longer term. The organization has a direction and broad purpose, which should always be clear, articulated and understood, and which sometimes will be summarized in the form of a mission statement. (Thompson, Martin, 2010, pp.6).

Marketing strategy is the marketing logic by which the business unit hopes to achieve its marketing objectives. It shows how strategies for target markets and positioning build upon the firm’s differential advantages. It should detail the market segments on which the company will focus. These segments differ in their needs and wants, responses to marketing, and profitability. The company should put its effort into those market segments it can best serve from a competitive point of view. It should develop a marketing strategy for each targeted segment. Kotler et al, 2005,72).

About business strategies in general
Strategies are the means or the “game plan” by which enterprise mission is put into practice, and objectives achieved. For instance, a manufacturing company might wish to compete on the basis of making available very high quality and reliable products sold under a...
strongly promoted brand name such as Mercedes-Benz, Hewlett-Packard, Orange, or Cadbury. Others might choose to compete by making products or services available at the lowest possible price, which means that they are going to have to keep their costs down to a minimum. A hospital or healthcare system might instead be based on public funds and state provision (as in the UK), or it might be based on market competition between private healthcare companies (as in the USA). (Morden, 2007, pp.15).

Authors have different approaches towards defining business strategies as can be seen from table 2.

### Table 1

**Defining strategy**

<table>
<thead>
<tr>
<th>Author</th>
<th>Definition</th>
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<tbody>
<tr>
<td><strong>Ansoff</strong></td>
<td>The common thread among the organizations, activities and product markets, that defines the essential nature of business that the organization was or planned to be in future.</td>
</tr>
<tr>
<td><strong>Andrews</strong></td>
<td>The pattern of objectives, purpose, goals and the major policies and plans for achieving these goals stated in such a way so as to define what business the company is in or is to be and the kind of company it is or is to be.</td>
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<tr>
<td><strong>David</strong></td>
<td>Strategies are the means by which long-term objectives will be achieved.</td>
</tr>
<tr>
<td><strong>Johnson, Scholes and Whittington</strong></td>
<td>Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations.</td>
</tr>
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When talking about types of strategies, it is almost impossible not mentioning Porter’s and Ansoff’s approach. Michael Porter (1985) determines three major types of generic business strategies: cost leadership, differentiation and focus. The focus strategy on the other hand can be differentiation focus and cost focus. The generic strategies as they are presented by Porter are shown in figure 1.

Figure 1:

Porter’s generic strategies

- **Cost leadership**
- **Differentiation**
- **Cost focus**
- **Differentiation focus**

The main idea behind the cost leadership strategy is the ability of companies to produce with lower costs compared to their competitors. The basis on which companies can manage to produce with lower costs can vary depending on the industry and the capabilities of the company itself. From this point of view the usage of economies of scale, access to raw material at a lower cost, technology are some of the factors that can enable the company to implement the cost focus strategy.

According to the differentiation strategy, the company tries to differentiate itself from its competitors. The many basis of
differentiation include but are not limited to the characteristics of the product itself, the capacities of the company to market the product, the capacities of the company to distribute the product to its customers.

The main idea behind the focus strategy is the company narrowing its competitive scope. In other words the company should determine specific market niches in which it is going to compete and be better than other companies within that market niche. From this point of view cost focus and differentiation focus would be the two main approaches for the company.

Each generic strategy is fundamentally different approach to creating and sustaining a competitive advantage, combining the type of competitive advantage a firm seeks and the scope of its strategic target. Usually a firm must make a choice among them, or it will become stuck in the middle. The benefits of optimizing a firm’s strategy for a particular target segment (focus) cannot be gained if a firm is simultaneously serving a broad range of segments (cost leadership or differentiation). Sometimes a firm may be able to create two largely separate business units with the same corporate entity, each with a different generic strategy (Porter, 1985, pp. 17).

Ansoff on the other hand introduces the Ansoff matrix according to which four main types of strategies can be implemented by business organizations in order to gain growth opportunities: market penetration, product development, market development and diversification. The Ansoff product-market growth matrix is presented in figure 2.
Figure 2: Ansoff’s product/market growth matrix (Johnson, Scholes, Whittington, 2008, pp.258)

The market penetration strategy requires the company to try to gain an increased share in existing markets with existing products. According to the product development strategy, the company tries to gain increased share in existing markets, but by offering new, improved products.

The market development strategy implies that the company will increase its market share by offering its existing products to new market. On the other hand according to the diversification strategy the company should offer new products to new markets.

As it seems the most complex and probably most difficult strategy to implement according to the Ansoff matrix is the diversification strategy. In fact a difference between concentric and conglomerate diversification should be made.

According to the concentric differentiation approach the company differentiates through activities in related markets while according to the conglomerate differentiation approach the company differentiates through activities in non related markets.
Vertical integration and horizontal integration are the two most common growth strategies. According to the vertical integration strategy the organization seeks to control its inputs or the distribution of its outputs. From this point of view vertical integration backward and forward vertical integration can exist.

There are limits to vertical integration. For example, an outside supplier may produce the product at a lower cost. As a result, internal transactions from vertical integration may be expensive and reduce profitability relative to competitors. Also, bureaucratic costs may occur with vertical integration. And, because vertical integration can require substantial investments in specific technologies, it may reduce the firm’s flexibility, especially when technology changes quickly. Finally, changes in demand create capacity balance and coordination problems. If one business is building a part for another internal business, but achieving economies of scale requires the first division to manufacture quantities that are beyond the capacity of the internal buyer to absorb, it would be necessary to sell the parts outside the firm as well as to the internal business. Thus, although vertical integration can create value, especially through market power over competitors, it is not without risks and costs. (Hitt, Ireland, Hoskisson, 2007, p.179).

Horizontal integration is the process of acquiring or merging with industry competitors in an effort to achieve the competitive advantages that come with large size or scale. Managers who pursue horizontal integration have decided that the best way to increase their company’s profitability is to invest its capital to purchase the resources and assets of industry competitors. Profitability increases when horizontal integration lowers operating costs, increases product differentiation, reduces rivalry within an industry, and/or increases a company’s bargaining power over suppliers and buyers. (Hill, Jones, 2009, p. 164).
The nature of marketing strategies
One of the most important facts when it comes to contemporary business in general and marketing in particular is the everlasting change. The lack of “stability”, although usually seen as a threat for contemporary business organizations can sometimes be perceived as a chance by visionary marketers. Competition, customers needs and wants, consumer behavior are some of the main focuses of marketing strategies. Obviously since these factors change permanently, the marketing strategies must change alongside with them in order to ensure to short-term survival and long term success of business organizations.

Another fact about marketing strategy is that it is inherently people-driven. Marketing strategy is about people (inside an organization) trying to find ways to deliver exceptional value by fulfilling the needs and wants of other people (customers, shareholders, business partners, society at large), as well as the needs of the organization itself. Marketing strategy draws from psychology, sociology, and economics to better understand the basic needs and motivations of these people—whether they are the organization’s customers (typically considered the most critical), its employees, or its stakeholders. In short, marketing strategy is about people serving people. (Ferrel&Hartline,2011,24)

All marketing strategy is built on segmentation, targeting, and positioning (STP). A company discovers different needs and groups in the marketplace, targets those it can satisfy in a superior way, and then positions its offerings so the target market recognizes the company’s distinctive offerings and images. (Kotler&Keller, 2012,275).

The determination of marketing strategies is a complex process. According to Hooley, Piercy and Nicoulaud it is a process starting with having a business purpose, environmental and company analysis and includes all elements leading to the marketing mix as presented in fig. 3.
The implementation of marketing strategies by companies in the Republic of Macedonia

Although there is a serious lack in the study of implementation of business strategies in general and marketing strategies in particular by business organizations in the Republic of Macedonia, a major idea that such strategies are underrepresented exists. In order to test such claims a survey of 277 companies of different sizes and industrial backgrounds. Some of the main focus areas of the survey include but are not limited to the following areas: the existence or non-existence of an marketing expert in the company and the general level of the companies satisfaction with such persons, determination of the degree

Source: Hooley et al, 2006, 35
to which companies use marketing strategies, the types of distribution strategies that are implemented by the business organizations, the degree to which companies use price strategies in order to gain a competitive edge over their competition, the degree to which companies use international strategies, the degree to which companies use integration strategy, the degree to which companies use diversification strategy and the overall impression regarding the effects caused by the implementation of marketing strategies. As can be noticed from the data presented in chart 1 only a limited number of companies have employed a marketing expert.

The reasons for not employing marketing experts by the companies range from the lack of financial possibilities, the lack of marketing experts and the fact that most analysed companies prefer to outsource the need for marketing services.
The survey showed a high degree of employers with the duties performed by the marketing experts and their role in the overall growth and success of businesses. In fact only 14% of employers have expressed some degree of dissatisfaction with the performance of their marketing experts and 40% have declared that they are either satisfied or very satisfied with the performance of their marketing experts, chart 2.

The fact that most analyzed companies do not have employed marketing experts, this does not have that they do not have a certain marketing strategy in the sense of having determined a certain path for the development of marketing strategies. As can be noticed from chart 3 only 17% of companies don’t have a marketing strategy.
The analyses show that exclusive strategies are rarely used by companies in the Republic of Macedonia. In fact, as can be noticed from the data presented in chart 4 only a fifth of analyzed companies use exclusive marketing strategy. On the other hand 70% of analyzed companies use intensive strategies and 67% of companies use selective strategies.
Having in mind the importance of price, one of the focus areas of the survey was the issue weather companies in the Republic of Macedonia tend to use product price as one of their main strategies. As can be noticed from chart 5 two thirds of analyzed companies tend to use the strategy of price advantage by charging lower process for their products.
Other parts of the research proves that companies in the Republic of Macedonia have a low degree of implementation of different types of marketing strategies, table 2.

### Table 2.

<table>
<thead>
<tr>
<th>Type of strategy</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product modification</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>E-marketing strategy</td>
<td>21</td>
<td>79</td>
</tr>
<tr>
<td>Control over suppliers</td>
<td>17</td>
<td>83</td>
</tr>
<tr>
<td>Personal sales</td>
<td>83</td>
<td>17</td>
</tr>
<tr>
<td>Intensive strategy</td>
<td>30</td>
<td>70</td>
</tr>
<tr>
<td>Selective strategy</td>
<td>33</td>
<td>67</td>
</tr>
<tr>
<td>Exclusive strategy</td>
<td>20</td>
<td>80</td>
</tr>
</tbody>
</table>
As can be noticed from the data presented in table 2, product modification, personal sales, intensive strategy, selective strategy and exclusive strategy are underrepresented in the companies in the Republic of Macedonia.

Conclusions
The main rationale behind the paper was to determine whether companies in the Republic of Macedonia implement marketing strategies. As the paper proves most companies presented in the sample although have a general idea regarding the role and importance of marketing strategies for the achievement of competitive advantage, in fact fail to make the proper distinction between the different types of marketing strategies. Besides this, it can be easily concluded that the owners are used to non formal approaches to sales and are not prepared to implement proper marketing strategies. Even besides the above mentioned, the fact that most companies have determined an employee to serve as their marketing expert brings hope that in the future these companies as they grow bigger and older will begin with the creation of marketing departments and the creation and implementation of proper marketing strategies.

References