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Marketing Orientation of Small Firms During Polish Economy Transformation

Orientacja marketingowa małych firm podczas transformacji polskiej gospodarki

REASONS FOR APPLYING THE MARKETING ORIENTATION

Polish economy consequently tends toward market system. Developed market economy is characterized by appearance of many independent economic subjects acting the demand and supply rules, active competition and free prices creating as well as capital allocation. Experiences of such economics show that arising and development of small firms can be dynamic factors for economy and accelerative ones for structural changes. In Polish conditions, the developing sector of small business is an essential element of property transformation. The dynamic quantitative increase of these subjects was started in 1989, when formal, legal and political barriers of private business development were broken. Former market effects of small and medium enterprises activities of various organizing-legal types are significant and consist in bridging a gap in production structure and clients support, playing an important role in reconstruction of market balance as well as increasing participation in creating new work places and national product.

In market economy conditions, businessmen in their activities have, in general, to take into account the marketing orientation. Marketing activity conception is based on the following rules¹:

1) priority of customers' needs, that is conscious orientation of all firm's activities to sale and client in order to recognize well clients' needs and to satisfy them fully;

¹ H. Meffert: Marketing. Grundlangen der Absatzpolitik, Gabler, Wiesbaden 1986, s. 31.

2) continuous observation and investigation of the market, that is a requisite and precedes enterprise's decisions concerning its market offers;

3) systematical influence and shaping the market with system of instruments being the so-called marketing-mix described in the marketing program.

In a broad sense, marketing strategy means the choice of purposes, kinds, bases or rules that in the particular period direct enterprise's marketing activity, set sizes, combinations and allocations of means depending on changing market situation (environmental conditions and competition)². Another definition of marketing describes it as a system of approaching successes on market due to orientation toward customers, permanent investigation and learning their needs, production and supporting the products to customers — together with information and promotion — in the right time, right places and right prices³. Thus marketing strategy means that the most important aim for businessman's decisions is the consumer — the final customer of goods and services on market. Enterprise acting according to marketing conception not only can satisfy the customers' demands but also reach its own economic benefit in shape of resources rationalization and profit maximization.

Marketing orientation usually forms in conditions when there are that make firms change their way of acting on the market. Such phenomena most often arise in the situation of the buyer's market. Development phases of general firm's orientation that precede marketing conception are production and sale conception⁴. Production orientation of an enterprise functioning is focused on production process and the product; it usually forms in conditions of resources and product demand limitations. In sale (distributive) phase the importance of the market arises and the firm's effort concentrates on a sale of produced goods without an earlier demand recognition.

Market orientation as a base for marketing concentrates on market investigations while making operative and strategical decisions as well as application of instrumental systems for firm and market interactions. The composition of various means and forms of activity is used in proper ratio, with less or more intensification depending on actual enterprise's situation, kind of sold products, market features, consumer attributes, sale system and the like. They are included in an integrated system

² P. Kotler: *Marketing Management. Analysis, Planning and Control*, Prentice Hall, Englewood Cliffs 1980, s. 14.

³ T. Sztucki: *Marketing. Sposób myślenia — system działania*, Agencja Wydawnicza „Placet”, Warszawa 1992, s. 44.

⁴ Meffert: *op. cit.*, s. 29.

comprising the product, its equipment, price, distribution and promotion (services).

The aim of own investigations of small and medium firms (mainly private) carried out in 1992—1993 in Lublin region was to define their market situation, knowing the marketing conception and its role in practical firm activities. Results of this research are presented in subsequent chapters.

EXTENT AND MARKET STRUCTURE OF SMALL FIRMS

Conditions in which private firms arise and function are such that, at the moment of registration, their owners declare to carry a broad range of economic activity that is productive-trading-service. In practice, a great number of them are engaged only in trade or also production and services but with little participation in sale as a whole. Trade individuals having superiority in the private sector of small business also displayed the largest development dynamics at the beginning of the 90s. The dynamic development of trade resulted from the possibility of fast reaching the benefit, however less than in production of capital intensity of firm starting, less stable costs and less profit of carrying the activity.

The extent of small firms on the market is in spatial and real view much less than that of big enterprises. Relatively little participation on the market usually means high specialization of activity of small firms. For majority of investigated firms (61%) domestic market (quarter, city, district) was basal place of sale. About fourth part of all goods and services offer were directed to whole country and 13% of investigated firms carried out an export. Some part of economic individuals declared starting activities leading to beginning of export of both products and services (mainly constructional). Over half of investigated firm judged that produced and sold goods (services) fully covered the needs of domestic market.

A symptomatic phenomenon in the economic activity of half of investigated firms was the decreasing market for their goods and services in 1992—1993 compared with 1991. In judgement of the rest, the market, equally increased or stayed the same in relation to the last year. Main reasons of reduction of activity field of private economic subjects are: at lack of monetary means in investors, wrong credit policy of the state, social impoverishment, prices increase, market inundation by imported goods, domestic competition. Enterprises that spread their selling markets motivated this favorable change by increasing their offer and activity area as well as application of competitive prices for goods and services.

The attribute of small firm market is growing competition of individuals carrying the same, or similar economic activity. Only 4% investigated firms considered themselves as monopolists on the market and for the rest other private firms, state firms, import, unrecorded workers, co-ops and foreign subjects were competitive. From research it also results that market competition has mainly price (65% of answers) character which means that enterprises should cope with price challenges of other acting on market, economic subjects. Competition realized by significant number of firms has out-of-price character and it is connected to aesthetics of package, access to goods and services, their quality and design as well as having good mark of firm or product.

Every participant on the market judges the results of competition existence in a different way. Quite positively, this phenomenon is judged by consumers. There was asked a question about results of competition to subjects taking part in it. Almost 70% of investigated firms stated positive effects of competition, the rest found them negative. To positive results of competition there were included first of all: improvement of goods (services) quality, price decrease, costs decrease due to improvement of activity and mobilization for better work, better attend to clients. The offers of goods and services also recognize negative effects of competition such as: limitation of sale market, difficulties of selling, incomplete usage of production possibilities, stopping of firm development, necessity of margin price minimization, unfair price competition of unregistered workers.

MARKET INVESTIGATIONS

Market investigation is a condition of success and market competition of enterprise; its aim is to learn of demand and needs, market subject structure, competition, analysis of marketing instruments that interact with market⁵. Observation, information gathering and analysis of market phenomena let to recognize the successful chances and avoid the wrong localization, kind of activity and costs connected with it. This is because such activities are important for both firms coming into being and existing ones. To describe the market means to find non-satisfied needs, to recognize the demand for products and services, prices, distribution, to investigate the competition. The condition of possible market competition is to recognize the competitors, their weak and strong points, good and bad points of product, sale environment and so on. Market investiga-

⁵ L. Garbarski, I. Rutkowski, W. Wrzosek: Marketing, PWE, Warszawa 1992, s. 131—136.

tions become necessary and much more complicated in face to permanent situation changes around small firms. Costs of their carrying also increase which significantly limits their range with lack of larger financial resources. Simple investigations (of small costs) sometimes give approximate but helpful results⁶. Thus, in small firms, significant meaning is connected with such types of investigation as: direct market observation, questioning the clients, conversations with suppliers, written information from banks, newspapers and research institutes.

The majority of investigated firms declared the carrying of investigations before starting the economic activity. At present, during activity 90% of firms declared market investigation in a view of firm's demands for products (services), sale possibilities, prices, existing competition. However, answer to question about expenses for such investigations indicates that it was made rather occasionally during current firm management. Among investigated firms, only few of them commissioned professional organisations to carry marketing investigations.

JUDGEMENT OF MARKETING INSTRUMENTS APPLYING

Among four traditionally viewed marketing-mix instruments the application of various promotion forms can be positively judged. It was not applied by approx. 17% of investigated firms; they motivated that it was not necessary or too expensive in relation to expected profits. The main type of advertisement were press and local radio ads. In the next place in respect of universality of promotion activities there is participation in exhibitions and fair as well as street adverts (large illustrations, sign-boards, inscriptions on means of communication). Complementary form of promotion was edition of product catalogues, offers, canvassing, sending advertisements. There were not used such types of popularization of their own activity as sponsoring, coupon sale and complementary promotion. Expenses assigned for promotion activity were of different level and very low; they were from several tenth of percent to several percent relative to annual sales.

Price policy of the firm can play similar function of sale activation as goods and services promotion. In strategy of price settlement the question is how to choose the methods of their level settlement depending on accepted criterion of choice of price policy purposes (sale, profit, participation on the market) as well as whether to use the discounts, instal-

⁶ I. Hejduk: Marketing w małej firmie, „Ekonom. i Organiz. Przedsiębiorstwa” 1992, 2, s. 9.

ments and credit sale. The most popular method of price settlement in investigated firms was calculation of costs born by individuals relative to prices in competitors. Quite large group of small firms applied the former method: product's price equals to costs plus defined price spread. Few producers, particularly offering overstandard and fashionable things decided for price settlement on any level accepted by market. A big care in detached connection of good and service prices with costs of producing them surely results from demand barrier, decreasing the production profitability and will for keeping the participation on the market on the same level.

Goods and services distribution system effects stability of firm's economic situation to a great extent. Distribution channels in which products are moved from productive sphere to final consumer should be shaped depending on type of product, attributes of the market, enterprise's possibility. Small firms have the need of carrying selective distribution strategy consisting in direct sale (in services) and through chosen types of trade units. In practice, it is hard to say about such desired distribution direction. The goods and services sale of investigated firms having various economic activity was very dispersed among direct clients, small retailers, wholesalers and foreign co-operants and mediators. Productive and sale firms being engaged to wholesale often pointed to stable trading contacts with some group of consumers. The most important consumer used to buy usually several to 30% of the whole offer. Results from the research also pointed of that it is harder to come into permanent contact with receivers by retailer and service individuals.

In the whole of marketing-mix instruments the product strategy is first placed. Activities directed to subject of an offer are important conditions of economic success of the firm.

Essential decisions on product strategy are following: forming of assortment and quality of products, programming and investigation of product's lifetime cycle, giving the market attributes to the product that is name and mark, guarantee system of after-sale services. In the past practice of investigated firms these instruments of marketing activity could be treated as the least developed. It refers particularly to planning and revival (development) of products on a base of known needs, customs and motivations of market segments being supplied.

STRESZCZENIE

W artykule przedstawiono orientację marketingową małych i średnich przedsiębiorstw na podstawie wyników własnych badań empirycznych, przeprowadzonych w regionie lubelskim. W szczególności znajdują w nim rozwinięcie następujące problemy: 1) przesłanki i potrzeba stosowania orientacji marketingowej w działalności rozwijającego się w polskiej gospodarce sektora małego biznesu, 2) zasięg i struktura rynku małych firm oraz konkurencja, 3) badania rynku prowadzone przez przedsiębiorców, 4) ocena stosowania instrumentów marketingowych (promocji, polityki cenowej, systemu dystrybucji i strategii produktu).

W podsumowaniu zwrócono uwagę na niewykorzystywanie jeszcze w pełni przez właścicieli firm szans, jakie stwarza podejście rynkowe w praktycznej ich działalności.

