

**A CONCEPTUAL FRAME WORK OF MARKETING
STRATEGY: A STUDY ON SMES IN POSTWAR
ENVIRONMENT OF NORTHERN PROVINCE
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ABSTRACT

The purpose of this research to reveal a framework of marketing strategy for struggling SMEs in the postwar market, in Northern Provinces, Sri Lanka. This paper discuss a detailed and new insights of marketing strategic model for the development of SMEs in this postwar frontier environment. Particularly Northern Province in Sri Lanka has been sustaining the war wound of local war, there is huge need to develop the unique framework of marketing strategies to face dynamic, competitive world and postwar environment. Pilot study revealed that SMEs in postwar market contains huge marketing problems, literature explains that frontier market have high risk for investors. Based on the theories and model of marketing strategies, energetic framework was put forward for marketing strategies in the postwar situation. The recommend three dimension of marketing strategies are effective marketing mixed strategies, diversification and environmental marketing strategies. The size of the organization is deliberated to generate this specific marketing strategic model for the SMEs. This study has practical implication with suggesting three major strategies for sustainable development of SMEs in the postwar frontier market, these strategies are also roadmap to foothold the nation towards the emerging market. This conceptualized framework model revealed very practical, realistic and applicable strategic insights of marketing strategic for postwar SMEs, instead of recommending any common strategies for organizations. This marketing strategic framework will contribute some extent for competitive advantage and the sustainable development of the SMEs.

Keywords: Marketing Strategy, SMEs (Micro, Small, Medium Enterprises), Post war environment

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Background

SME sector was seriously affected by nearly three decades of separatist war between 1983 and 2009 in Sri Lanka and post war environment contains destruction of infrastructure, poverty, regional imbalance, low income, poor education, psychological effects on society and women headed families. While war affected entire Sri Lanka, the Northern Province suffered the worst damage. Both combination of post war and frontier market condition with competitive, global, environmental and technological challenges creates a critical marketing situation for entrepreneurs in Northern Province (NP). SMEs in NP have captured 99% of enterprises, at the same time low and fluctuating gross domestic product (GDP) contribution of NP which reveals poor performance of SMEs.

SMEs and Postwar frontier market

SMEs play prominent role in any economy through employments generation, GDP contribution, embarking innovations and stimulation of other economic activities. In Sri Lanka, 80% of business are SMEs business and 35% employment opportunity (NHREP, 2012) are offered by the SMEs in 2012. In Sri Lanka the micro establishments, which represent around 92% of the establishments, generate employments only for 45% (Economic Census, 2013/2014). SME sector is envisaged to contribute to transform lagging regions into emerging regions of prosperity (Ministry of Industry and commerce, 2015). In the Northern Province 99% (micro 92.9%, small 6.4%, medium 0.6%) of business are under the SMEs sector (Economic census, 2013/2014).

Significance of study

Day, Weitz and Wensley (1990) conceive marketing strategy as marketing decisions and activities related to generating and sustaining competitive advantage. This marketing strategic conception ascertain some utility to SMEs in post war frontier markets. Jeanine Meyers & Harmeling (2011) described that understanding the marketing strategies is critical for the success and long term survival of organizations. Further this study has attempted to identify both market strategy based on the problems and risk of SMEs and its components as relationship marketing strategy, competitive marketing strategy, innovative marketing strategy, diversification and green marketing strategy by using the literature and

research models. Finally this study has articulated passionate the new trend of theory to SMEs in this dynamic, competitive and ecological consideration in this world.

Marketing strategy

Marketing strategy is a broad principles and marketing logic by which business units achieve its marketing objectives (Kotler, 1990; Kotler, Armstrong. Saunders and Wong, 1999). Ansoff (1957) revealed corporate strategy-growth strategies as penetration, product development, market development & diversification. Porter (1980, 1985 & 1990) designed corporate strategies as Cost leadership, differentiation and focus strategies. Borden (1964) suggested marketing mix strategies, then McCarthy (1960) drafted the effective Marketing Mix as the first mix checklist (12 Section, two –dozen subsections). McCarthy (1960) created 4 Ps marketing mix strategies. Skimming and Penetration as pricing strategy was deliberated by Dean (1951). Marketing strategies mostly consider the competitive forces, Alderson (1937, 1957) presented competitive strategies for differential advantages.

Yang, Zhao, Lou, & Wei (2013) exposed environmental marketing strategy effects on market-based assets listed firms in China. Basu, (2014) revealed product market strategies and innovation types: finding the fit covered multidivisional and multinational corporations, these strategies were Market penetration- Incremental innovation, Product Development - Modular innovation, Market development- Architectural innovation and Diversification- Radical innovation.

Frame work of marketing strategy for the SMEs in the post war

SMEs in Northern Province have been struggling from severe competition by local and international brands. Further these SMEs are situated in the problematic and challengeable postwar frontier market. These marketing problems of pilot study are categorized under poor relationship, lack of innovation, poor competitive activities, inadequate related diversification and poor environmental consideration. Frontier SMEs in Sri Lanka contains high risk that is fluctuating performance. Problems can be dealt with the marketing mixed based strategies. There is huge need to create a proper conceptual framework of marketing strategy to overcome the challenges in the post war market, it will help the management in its choice of marketing strategic decision for SMEs. Our proposed conceptual framework is based on the understanding of the post war and frontier market. The size of the institution has considerable factor to determine the marketing strategic application of

SMEs (LeCern&Ozanne, 2011).Universally there are many kind of marketing strategies, but applicability of strategic marketing planning process has come under scrutiny in the post war market. Hence instead of attempting to develop a common strategy for postwar markets, we propose a unique framework that provide useful strategy in this trend of competitive and dynamic environment for sustainable development. Effective marketing strategies coordinates the environment, management and performance to sustain competitive advantage and long term survival of organization (Nieminen, Larimo, & Springer, 2002).

Swami and Porwal (2005) put forwarded the innovative strategic link with the entrepreneurship success. (Basu, 2014) focused on product market strategies applications on marketing mixes. Hsu (2011) explained that Taiwanese Organizations easily deal with global competitions when they adopt innovative marketing strategic applications in terms of their product design and they applied an integrated innovation marketing strategic model. Innovative marketing strategic application is the social media, which companies create brand pages in social media. TsimonisandDimitriadis, (2014)developed a conceptual analysis of innovation strategic marketing, and examined their contribution for the success of an organization, and provide value to the customer. The Innovative strategy is recommended to micro, small and medium enterprises in Northern Province.

Effective strategy aims to sustain the competitive advantages by applying competitive strategies. Goloband Podar (2007) explained the organizational competitive advantages with the product based application.Alderosn (1937,1957)presented competitive strategies for differential advantages. Clark (1961) expressed about workable competition and strategies, and exposed the dynamic competitive strategies. Hunt and Morgan (1995)put forward Comparative advantage theory of competition.” applications on marketing mixes. Sharp (1991) explained how the competitive advantages can be achieved with the marketing mix based application. Whan Park and Smith (1990) described an approach to competitive analysis that focuses on inter-industry learning and it delivers innovative ideas to develop within particular industries.SMEs has been facing severe competition by local and foreign brands. SMEs want to consider and observe the competitors’ applications on marketing mixes, then initiate or imitate the competitive strategies to capture the market. Competitive advantage can be achieved through cost

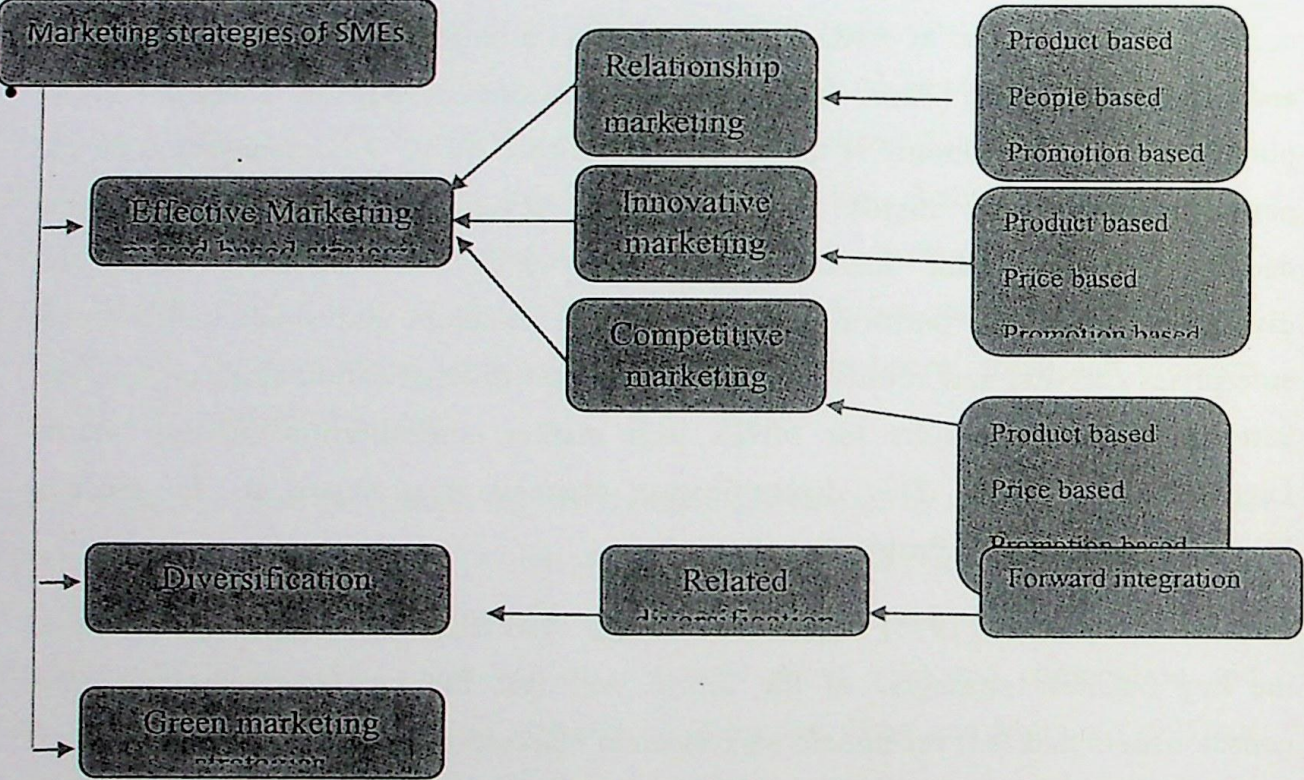
leadership or differentiation (Davies, 1992).Goloband Podnar(2007) described how it is possible to gain a competitive advantage through different product mixes in European Union (EU) firms. With the above theoretical and researches, this study advocates that all micro, small and medium enterprises are essential to apply three effective marketing mixed based strategies: relationship marketing strategies, innovative marketing strategies and competitive marketing strategies for their success and survival. '

Second marketing strategy is diversification. Medium enterprises are successful and they try to expand their market into national, international and global with some structural changes. Ansoff(1957) suggested the diversification can be related or unrelated of business, the related diversification includes the backward integration, and forward integration. Powerful firms wants to strength operations, and flow of materials, uninterrupted circulation of products and quality and prompt work by adopting backward and forward integration (Zhao, 2010). Diversified business groups have become active players in Chinese economy in the recent years(Zhao, 2010). Top managers in banks' parent companies are highly involved in the design of strategy diversification decisions within bank markets, and Investigates the influence of market diversification on the performance of 450 large, medium and small multinational enterprises (MNEs) and results indicate that market diversification strategy produces better performance results for MNEs than market concentration strategy (Batiz-Lazo& Wood, 2003). This diversification strategy is proposed to the medium enterprises in Northern Province.

McDaniel&Rylander (1993) argued that "Green Marketing" is taking shape as one of the key business strategies of the future, and that the increasing environmental consciousness makes it incumbent on consumer marketers not just to respond to it, but to lead the way in environmental programsThe most consumers have expressed a great interest in the protection of the environment and they are strongly concerned about the environment and its degradation.DeviJuwaheer, Pudaruth& Monique Emmanuelle Noyaux (2012)indicated an overall positive correlation between effective green marketing strategies and customers' purchasing patterns for green products. LeCren&Ozanne (2011) presented an exploratory study of the consequences of environmental marketing strategies in New Zealand organizations and the research will provide guidance for marketing and management leaders in organizations to gain

a greater understanding of the consequences associated with environmental strategies. Managers need awareness of the potential impacts of choosing an environmental orientation and strategy (LeCren&Ozanne, 2011). Dean & Pacheco (2014) described that environmental marketing strategy represent promising opportunities for value creation and market growth. In the case of developing countries, environmental considerations are very poor in SMEs. Newly establishing firms in NP are instructed and ruled to follow the environmental regulations. Already established organizations are not restricted to follow the environmental rules. But it very important to concern, protect and balance the environment. This strategy is very strictly scoped and recommended to small and medium enterprises in Northern Province.

Figure 1: Marketing strategic Model of SMEs



As suggested by Shaw (2000) the size of the enterprise was considered as the criteria to apply the strategies. This framework provides three different strategic alternatives. Effective marketing mixed based strategy is suggested micro, small and medium enterprises. Entrepreneurs are in medium sized started to related diversification and then spread and progress to unrelated diversification(Zhao, 2010).Diversification strategy is suggested to apply by the medium enterprises only. Compared with larger firms, smaller firms are less likely to carry out proactive environmental activities

(Russo & Fouts, 1997) and are more likely to react to stakeholders' environmental appeals. Green environmental consideration is explained to apply for the small and medium enterprises.

Implications of Research

This study has practical implication with suggesting three major strategies for sustainable development of SMEs in the postwar frontier market, these strategies are also roadmap to foothold the nation towards the emerging market. It considered the relationship marketing strategy as the major dimensions in the marketing strategy. Relationship marketing strategy emerges a new marketing paradigm based on marketing mix. Total quality movement drive among the companies has led to the enhancement of relationship marketing. Relationship marketing attempts to involve and integrate customers, suppliers and other infrastructural partners into a firm's developmental and marketing activities. Sophisticated technology application like computers and telecommunications that allow the producers to interact with the customers. In addition this study investigate the competitive marketing strategy and its findings can potentially be applied to take competitive advantage of SMEs. Fundamental problems of SMEs is to compete with the local, national and international brands. The proposed conceptual frame work offers unique path to competitive advantage in post war market. Another practical contribution from this study is innovative marketing strategy in the SMEs. Firms can employ innovation marketing strategies in product design, distribution and promotion to deal with global competition. This innovation marketing strategy comprises a unique, innovative and coherent design of the strategic marketing model's components for the SMEs. Micro organizations pay their focus on timely introducing changes to products and delivery methods, effectively coordinating interdepartmental activities, and on timely responding to competitors' actions, they will be able to maintain innovativeness. Diversification also drives high performance in medium enterprises. So SMEs need to organize a period review of customers' need and preferences, monitor environmental factors and carry out in-house market research activities. Medium enterprises can focus these diversification. Finally, green environment is very needful application to small and medium enterprises to enhance their social considerations. Environmental marketing can represent promising opportunities for value creation and market growth. Companies often confront the challenge of positioning with the green attributes of their products or services.

Finally, this study suggests many insightful directions for future researchers, which will make a useful contribution to knowledge in the future.

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