Severity of Problems of Marketing Faced by the Struggling Small Scale Enterprises to Survive: A Study on Selected Industrial Units of BSCIC Industrial Estates of Sylhet Division

[1*]Md. Abdul Latif, [2] Shahida Khanom

Department of Business Administration, Sylhet International University, Sylhet, Bangladesh

ABSTRACT:

Small scale industries are suffering most from the marketing problems due to their owners' attitudes, units' capacity, and quality of products along with the scale of production. The researchers analyzed the problems of selected twenty small scale industrial units of various industrial groups of industrial estates of Sylhet division of Bangladesh to get insights of the problem. Primary and Secondary data were used for that research where primary data were collected from selected entrepreneurs by stratified sampling through a structured questionnaire. The collected data were processed through Excel 07 by the help of simple statistical tools like frequency, ratio, percentage etc. From the findings, it can be inferred that most of the enterprises (15 in number) are suffering from marketing problem in different aspects like competition, slow market demand and other problems. The researchers recommended the units to adopt aggressive attitude of marketing, select proper channel and mode of distribution, along with proper promotion method to combat with big firms and ensure their survivals.

Keywords: *Small scale industries, Attitude, Capacity, Channel, Mode of distribution*

INTRODUCTION

Small scale industries have to face various types of problems and struggle for survival. Products are produced in small arrangements but have to compete with national and international brands. Threats are not only come from large enterprises but also from struggling other small scale enterprises. The different problems lead to failure of the units due to failure in producing quality products, scarcity of raw materials, power, and lack of technological supports. But above all marketing problem is the most alarming. Small scale enterprises start with small capital and do not use adequate promotional activities to promote the products. As the products qualities are not so high, have to offer at lower price that generate poor profit.

According to McCarthy and Perreault (1990), quality means the ability of a product to satisfy customers' needs. Quality in many respects is derived from the successful management of the other key products and services (Jones and Pizam, 1993). But small scale enterprises lacks in producing quality products. Proper distribution of products is also important to compete and to stay in the market. Ability to attract proper channel of distribution is absent in many of the small firms. Whereas large companies are giving more emphasis on promotion and distribution to marketing the product, small scale enterprises are still dependent on only high cost traditional methods like personal selling. Kotler (2009) argues that, selling products and services

Corresponding Author, Email: *novalatif@gmail.com*

to a company is different than selling to individuals. Small scale enterprises are not in the competition race to sell the product to organizational customers because of their financial and marketing limitations. Thus boundary of marketing of SSE is limited to only local small traders. In order for firms to be competitive and remain in business, their products, prices and promotional activities must be satisfactory and offer as good a value as most rivals and industry leaders (Mujtaba and McFarlane, 2007). SSEs (small scale enterprise) are also absent in the race of being competitive in their product, price and promotion. Day by day customers are becoming more quality conscious and SSE is unable to produce such quality products that meet customers' requirements. Customers group who purchase the products are more scattered that increase the distribution costs also. Now more reliable, long lasting and reasonably priced substitutes are also offered in the market increasingly. Lao (2001) states that pricing is a science, but it is not necessarily an exact science since it require some skill and research. According to O'Hara (1995), pricing plays a major role in any business establishment. He suggested that the determination of prices involves three primary considerations such as cost, competition and customers. Most of the SSEs are unable to provide the most reasonable price because of their lagging in cost effective operation, in facing the competition and in attracting mass customers. Industrial Estates are specific areas of industrial units allotted by authority to accelerate the industrial development of a country. In Bangladesh 74 industrial estates are established in different districts to facilitate balanced industrial growth (www.bscic.gov.bd/). Sylhet is one of the seven divisions of Bangladesh comprising four districts (www.bbs.gov.bd) and five industrial estates namely; Gutatiker, Khadimnager, Moulabibazer, Hobigonj and Sumangonj (www.bscic.gov.bd). As this division is situated in the north east corner of Bangladesh, the marketing facilities of products are comparatively limited but it is rich in natural resources and foreign remittance. But this region is industrially backwards compared to other regions of Bangladesh except in tea industry where it is pioneer (www.sylhet.gov.bd). It is important to analyze the reasons of backwardness of Sylhet in other industrial sectors. Limitation in marketing activities is the major problem of optimum performance of industrial units especially in the small scale industries. The problems of industrial units of the estates are different because of different location, facilities and advantages of the estates. Problem which is more serious for one estate may be not so severe for others. This research attempted to identify and explain the severity of problems encountered from marketing and competition from struggling SSE. Magnitude of the problems varies based on the nature of industrial estates.

Objectives: The overall objective of the study is to have an overview of the problems encountered from marketing and competition of struggling small scale enterprises on industrial units. In order to achieve the objective, it was important to achieve following objectives.
1. To understand the magnitude of the problems relating to marketing, finance, and raw material, and power, labor and technological.
2. To understand the severity of problems of marketing and competition.
3. To find out the reasons responsible for the problems in regards of destination of sales, selection of channels, modes of distribution, methods of promotion and receivable management as a strategy to attain a good market share.
4. To make some recommendations to overcome the problems.

RESEARCH METHOD
To achieve the objectives, researchers identified twenty (20) entrepreneurs in five BSCIC industrial estates. This study is basically based on primary data. Data are collected from selected entrepreneurs by questionnaire and interview method through stratified sampling to have representation of all the available industrial sectors. Beside primary data, necessary secondary data have been collected from the sample enterprise. Secondary data covered government publications, research articles, textbooks, and various published and unpublished research works on the subject. After collecting the information data have been analyzed by using simple statistical tools such as ratio, percentage method etc.

RESULTS AND ANALYSIS
Problems Encountered at Present

An analysis of the problems currently faced by the enterprises is done to evaluate the magnitude of problems of entrepreneurship. Entrepreneurs are asked to mark the difficulty they are experiencing regarding marketing, finance, Human relation, raw materials, technical, power or managerial problems. Further they were asked to pinpoint their problems and all the data are tabled accordingly.

Magnitude of the Problems Encountered Estate-Wise

Estate wise information of the magnitude of the problem the entrepreneurs encountered are tabled below:

By analyzing the table 1, it is apparent that from the five industrial estates 15 out of 20 entrepreneurs (75% of the units) are facing the marketing problems. The problems regarding power and labor are 65% and 60% respectively. The entrepreneurs encountered by technical and raw materials problem the least. Estate wise analysis makes it clear that problems relating to marketing are more severe for most of the industrial units in the estates.

Analysis of the Problems by Industry Group

It is not sufficient to analyze the problem on the basis of industrial estates only, but it is important to analyze the problem on the basis of industrial group to get more insights. An industry wise account of the problems is revealed in table below.

From the table 2, it can be analyzed that the food and allied industry faces marketing problem most, next the chemical industry. The chemical industry faces raw materials problem most. The food and technological industry faces labor problem most. The food and technological industry suffer for lack of high skilled labor. The food and chemical industry suffers from power problem also. It is also clear from this distribution that marketing problem is more severe in different industrial sectors.

Problems of Marketing

Some enterprises consider the marketing problem as number one and some as secondary. The specific marketing problem may arise from competition from large and small units, slackness in demand and other problems like distribution, product and pricing problem.

From table 3, it is found that ten enterprises mentioned problems of marketing as number one difficulty and five of them as subsidiary. About 50% of the enterprises facing the marketing problem, the number one difficulty are competition from large scale units. Other two units mentioned competition from small scale unit as number one difficulty. In addition two units specified slackness in demand as number one difficulty and other problems like transporting bottlenecks and seasonal demand by one unit. Five enterprises specified marketing problems as subsidiary difficulties, and of the 5, two enterprises complained of competition from large units, one enterprise from small units; slackness in demand is number two difficulty for one unit.

Table 1: Problems encountered at present estate wise

Estates	Problems					
	Marketing	Finance	Raw materials	Labor	Power	Technical
1. Gutatiker, Sylhet	5	2	2	4	4	2
2. Kadimnagar, Sylhet	5	2	2	4	5	2
3. Giasnagar, Moulabibazer	3	1	1	2	2	0
4. Dulaikhal, Hobigonj	2	2	0	2	2	1
5. Sunamgonj	0	0	0	0	0	0
Total	15	7	5	12	13	5
Percent	75	35	25	60	65	25

Source: Filed survey conducted on Jan-April 2013

Table 2: Major problems encountered by the units at present: Distribution by industry groups

Industrial groups	Facing Problems from											
	Marketing		finance		Raw materials		Labor		Power		Technical& managerial	
	Units	%	Units	%	Units	%	Units	%	Units	%	Units	%
1. Food and allied	4	0.8	2	0.4	1	0.2	3	0.6	3	0.6	1	0.2
2. Textile	2	1	0	0	1	0.5	1	0.5	1	0.5	0	0
3. Forestry	0	0	0	0	1	0.5	0	0	1	0.5	0	0
4. Paper, printing and board	0	0	0	0	1	0.5	0	0	1	0.5	0	0
5. Glass & ceramics	1	1	1	1	1	1	0	0	1	1	0	0
6. Chemicals & Pharmaceuticals	2	0.5	1	0.25	3	0.75	2	0.5	2	0.5	2	0.5
7. Technological	0	0	0	0	0	0	3	1	2	0.67	0	0
8.Others	1	1	1	1	1	1	1	1	1	1	0	0
Total	10	0.5	5	0.25	9	0.45	10	0.5	12	0.6	3	0.15

Source: Filed survey conducted on Jan-April 2013

Table 3: Problems of marketing encountered at present as primary and secondary concern

Industrial Group	Number one difficulty				Total Units Facing the Number One Difficulty	Secondary difficulty				Total Units Facing the Secondary Difficulty
	Competition from small units	Competition from large units	Slackness in demand	Other problems		Competition from small units	Competition from large units	Slackness in demand	Other problems	
1. Food and Allied	1	1			2	1	1			2
2. Textile		1	1		2					
3. Forestry			1		1			1		1
4. Paper, Printing and Board		1			1					
5. Glass & Ceramics		1			1					
6.Chemical&PharmaCeuticals	1	1			2		1			1
7. Technological									1	1
8.Others				1	1					
Total	2	5	2	1	10	1	2	1	1	5

Source: Filed survey conducted on Jan-April 2013

Marketing Problems of Different Industrial Groups

The enterprises that are facing the marketing problems as number one difficulty can be analyzed more by industry wise. From this analysis it would be more evident about the problem-ridden enterprises.

Distribution of marketing problems as number one difficulty faced by industrial group is shown in table 3. This table reveals that almost all groups are suffering from marketing problems. As number one difficulty food and allied, chemical and pharmaceuticals units are facing both the problems relating to Competition from small scale units as well as competition from large units. Competition from large scale unit is insignificant for jute and jute products, forestry, tannery, hide skin and rubber and for technological also. But it is significant for textile, Glass and ceramic units. Another major problem is slackness in demand is mostly suffered by forestry and textile units.

Enterprises those face marketing problem as secondary can be analyzed more on industry basis. It is shown on the table 3. It is revealed that problems regarding competition from large units are faced by food and allied, chemical and pharmaceutical units. Competition from small units as number two difficulty is also faced by food and allied group. Slackness in demand is insignificant for almost all the industrial groups except forestry.

Destination of Sales

Destination of sales confines the activities of marketing to different area. It is one of the main causes of marketing problem. Destination of sales as local, divisional, national or international depends on the attitude, capacity, market demand, product quality etc... The conservative entrepreneurs confined their activities to only local area, where the ambitious, aggressive entrepreneurs look forward to the divisional, national and even international markets as their destination. Percentage distribution of sales among different markets like local, district, national and international level is shown in table 4 to analyze the status of entrepreneurs in this respect. It is necessary to find out the causes of marketing problem more perfectly.

Textile unit supply nearly 65% of their products to their parent units. The spread among the different market is more even in case of textile. It is 10% in local market, 15% within the district falling outside the local market, 10% within the country falling outside the local and district market. Next the spread is more even in case of paper, printing and board units which supply 45% of their product to their parent unit. It is 10% in local market, 15% within the district market, 30% within the country falling outside the local and district market. Next to them is more even in glass and ceramic units. Forestry and technological units mostly depends upon local and district markets. The destination of sale in case of food and allied unit is 45% in local market, 40% within the district, 10% within the country falling outside the local and district market, and 5% is sold outside the country.

Table 4: Destination of sales

Industrial group	Parent units	Percentage distribution of sales among different markets				Total
		Local	District	State	International	
1. Food and allied		45	40	10	5	100
2. Textile	65	10	15	10		100
3. Forestry		85	15			100
4. Paper, printing and board	45	10	15	30		100
5. Glass & ceramics	20	35	31	14		100
6. Chemicals& Pharmaceuticals		30	45	25		100
7. Technological		47	23	30		100
8. Others		25	45	30		100
Total		45	40	10	5	100

Source: Filed survey conducted on Jan-April 2013

Distribution of Enterprises by Main Buyers

Selecting the distribution channel is one of the factors of effective marketing strategy. Analyzing the selection of distribution channel would help to understand the nature of problem created by such selection. The researchers tabulated the distribution channel of the entrepreneurs in table 5:

40% enterprises sell their products directly to the consumers, and 40% enterprises use retailers. Participation of wholesalers is also present and it is 13.3% to the overall distribution. Food and allied industry sell products through direct marketing as well as through retailers, where as chemical and Pharmaceuticals industry use combination of wholesale and retail to reach the product to final consumers. From the analysis, it is apparent that the nature of industry is the factor to select the distribution channel. The technological industry specially repairing shop has to deal their consumer directly. The sample printing industry is producing the packages to be used for other industry, so they have to adopt direct marketing. Other industry has the tendency to minimize the channel by selling directly or by retailers. There is reduced attitude to use agents to minimize the distribution cost. But the small scale industry is lacking the capacity of establishing show rooms to sell the products directly to the consumers and it is not profitable to maintain the huge recurring expenditure of the show rooms. So they are using retailers for their established network.

Distribution of Enterprises by Modes of Distributing the Products

The cost incurring the distribution of products to the destination is another factor of marketing problem as the increasing cost of distribution disqualifies a firm in the race of competitions. So it is important to analyze the distribution mode of the sampled industrial units. From table 5, it is found that textile, forestry, glass & ceramic unit use truck as the only mode of distributing the products. In case of food and allied industrial group 55% enterprises use pickups, 35% use rickshaw vans, and 10% use mini micro bus to distribute the products. The industrial units like chemical and pharmaceutical, 80% enterprises use pick up vans and 20% enterprise use rickshaw van as the modes of distribution. It is inferred that the selection of the modes depends on the quantity of product distributed, the nature of products, the capacity of entrepreneurs to arrange the economy mode like trucks, pick up and the attitude of entrepreneurs to extend credit facilities to the buyers. The large firm can use the pickup and trucks as the modes of distribution, while the small firms are using rickshaw van and other small vehicles for distributing. The suppliers of perishable products use small vehicles while the durable product producers can use the economy vehicles. The liberal entrepreneurs can use the economy vehicles while the conservative suppliers use the small, expensive vehicles.

Table 5: Distribution of products by the enterprises

Industrial group	Channel of Distribution						Modes of Distribution				
	Consumers /producers	Wholesalers	Retailers	Suppliers	Govt. agency	Total	Trucks	Pick ups	Rickshaw Van	Cycle/ Motorcycle	Mini microbus
1. Food and allied	2		2			4		0.55	0.35		0.10
2. Textile		1		1		2	1.00				
3. Forestry	1		1			2	1.00				
4. Paper, printing and board	1					1			1.00		
5. Glass & ceramics	1					1	1.00				
6. Chemicals & Pharmaceuticals		1	2			3		0.80	0.20		
7. Technological	1					1					
8. Others			1			1			1.00		
Total	6	2	6	1		15					
Percent	40%	13.3%	40%	6.7%							

Source: Filed survey conducted on Jan-April 2013

Distribution of enterprises by Mode of Promotion: The promotion is the elements where the entrepreneurs face the shut down as the small entrepreneurs cannot afford the huge cost of promotion by advertisement and sales promotion. The contact per person for promotion by sales person is more than other element like advertisement and publicity. But the involvement of huge expenditure of advertisement is not affordable by the small entrepreneurs where the larger firms are availing the opportunities of facing the small firms and bound them to close their operation. So the researchers are keen to analyze the promotional method of the entrepreneurs and presented it in table 6:

Almost all the industrial group uses promotional activities to promote the product. Personal selling is mostly used modes of promotion, nearly 74% enterprises use personal selling to promote and sell the product. 13% enterprises use advertising as modes of

promotion and rest 13% use direct marketing as modes of promotion. It is apparent that the smaller units are not using advertisement but the larger units of food and allied, chemical and pharmaceuticals are \using this mode of promotion. The technological industry of repairing nature is not using promotional tool because of their nature of business but they are using the most powerful inexpensive tool of promotion that is the word of mouth. The benefited consumers are carrying the message of the entrepreneurs by the word of mouth.

Distribution of company by Sales on Credit and its collection periods: Credit sale is a good strategy of marketing as it extends the capacity of the reseller in selling more products of the company. But it is more complex to handle the receivables management effectively as it may hamper the necessary fund flows of the enterprises. The researchers collected the information and tabulated it in the following table to get more insights of that strategy:

Table: 6: Promotional mix and receivable management

Industrial group	Promotion Mix				Receivable management	
	Existence of promotional activities	Personal Selling	Advertisements	Direct Selling	% of Credit Sale	Collection period
1. Food and allied	Yes	2	1	1	70%	7 days
2. Textile	Yes	2			80%	30 days
3. Forestry	Yes	2			00%	--
4.Paper, printing and board	Yes	1			100%	30 days
5.Glass & ceramics	Yes	1			00%	--
6. Chemicals & Pharmaceuticals	Yes	2	1		60%	15 days
7. Technological	No			1	00%	--
8.Others	Yes	1			80%	10 days
Total		11	2	2		
Percent		74%	13%	13%		

Source: Filed survey conducted on Jan-April 2013

It is revealed from table 6 that, paper, printing and board make 100% of their sale on credit and allow at least 30 days to the customer for payment. In case of textile industry, enterprises make 80% of total sale on credit and collection period is 30 days whereas food and allied industry allow only 7 days for credit sale. The extension of credit to the resellers along with rapid collection of receivables enabled the firm to do the business effectively. The frequency of transaction to resellers is a technique to shorten the collection period and increasing the receivables turnover that is necessary for proper fund flow to smoothly operates the activities. So, the food and allied industries are enjoying a good receivables turnover ratio. The producers of durables like textile, chemicals and pharmaceutical have to approve the longer collection period in order to reducing the transporting cost by using economy volume of transport to the reseller.

RESULTS AND DISCUSSION

From the study (table 1), it is clear that the most severe problems of SMEs of industrial units of the Estates (75% of units) is marketing related problems. As they are facing problems in creating more demand through aggressive marketing, the problem of utilization of capacity is created that apparently turns the enterprises towards failure by incurring losses year to year. The problems of enterprises is also depends on the type of industry. The marketing problems are most severe in Food and Allied industry. The other problems like lack of raw materials, skilled labor, and power problem are identified as major problem by Chemical, Technological, and Chemical industry respectively (table 2). Nature and magnitude of demand of the product and facing the competition from large and small enterprises are the major causes of marketing problem. 50% of the surveyed enterprises, suffering from marketing problems marked the problem as major and 25% as supplementary problem. Among the various facets of marketing problems, competition from the large unit is most alarming as such firm can operate in most economy style and offer more to their customers. But the large unit who cannot utilize the capacity can face the challenge of small units' competition. Nature of magnitude of demand is

also a major cause of marketing problem. The enterprises, who failed to do the proper demand assessment prior to establishing the enterprise, are facing the problem of seasonal and slackness of demand of product (table 3). The boundary of market is an important factor of marketing success. The firms, who can increase the horizon, enjoy more demand for its products. It is also difficult to increase the boundary of market from a corner of Bangladesh. Nature of industry is another important factor of increasing the boundary of market. Textile industry cannot handle the marketing from that corner of Bangladesh, so the industrial units of that industry confined themselves in supplying the products to the parent company. Paper, Printing and Board Mill Industry is also supplying most of their product to parent company. Food and Allied industry is selling most of their products (85%) to the local and district market. Forestry and technological industry is doing the same. The nationwide market of the industrial units is very limited (5%-10%). The international market is narrower for these units. So, it can be concluded that the conservative attitude of marketing is the main cause of limited marketing activities of these units (table 4). The zero level channel of distribution along with one level (retailer to customer) is dominating among the surveyed enterprises. Direct marketing is used solely by repairing units of technological industry, printing industry and majorly by food and allied industry. There is a tendency towards direct marketing but the ability to arrange the network especially in cases of SMEs and profitability of such arrangement are the major issues in such decision. The used of agent, wholesaler is prevalent in some industries to take the service of them in expanding network. But the cost of added value by the wholesalers is also a major concern in competition ridden present businesses (table 5). Mode of transporting the product is also a major determinant to allow a firm to survive in the stiff competition. Using small size vehicles for transporting small amount of product is not economical. But the demand of the product and capacity of the firm allow in using large vehicles. The nature of the product also bound the firm in selecting the vehicles of transport. Intention and ability to extend credit facilities to the middlemen is also a determinant

in choosing the vehicle of transport. Small firms are suffering due to increased transportation cost as they have to select small sized vehicles to transport their product because of small demand of product and poor ability of them (table 5). In selecting promotional tools, the enterprises have to mostly depend on no cost mode of promotion i.e., word of mouth. But other tools used by them are not cost effective. They cannot use advertisement in electronic media to expand their market more widely because of their financial limitations. Rather dependency on salesmanship and sales promotion is increasing their marketing expenditure (table 6). In short, SMEs of industrial Estates surveyed in a corner of Bangladesh i.e. Sylhet region are suffering from marketing problem severely because of the conservative mind set of the entrepreneurs and the ability to carry out marketing in large scale in nationwide and internationally. These barriers are to be minimized to enjoy the good health of the enterprises though they are situated at a corner of Bangladesh lacking the facilities of marketing the product in lower cost but enjoying facilities of producing the products in lower cost because of available utilities.

RECOMMENDATIONS AND CONCLUSION

1. SSE should develop a complete customer data base regarding customers' expectations taste, preferences, and choice of products to improve their products to satisfy the consumer need and improve the market share. Then the problem of minimizing the marketing cost ratio would be optimized.

2. Small-scale units should develop a proper marketing plan, that must be aggressive in nature to extend marketing activities to national boundary and if possible to the foreign market by analyzing the strength and weakness.

3. Problems from competition should be minimized by adopting proper marketing plan, innovative products and modifying the products to the need of consumers. Reducing the proportion of marketing cost regarding channels' cost, transporting cost and promotional cost must be addressed by adopting proper strategy.

4. Extending the credit facilities to the buyers to enhance their capacity is an important strategy to increase the market share but proper management of receivables management is a

must because it may block the fund and hamper the proper flow.

5. It very difficult for Small-scale units to compete with the product of large-scale units and imported articles which are comparatively very cheap and of better quality than small units' product. So government should adopt policies to protect their industries from the competition of powerful counterparts.

The problem ridden small scale enterprises are facing marketing problem the most. Majority of the sick industries are due to weak marketing plan and improper execution. The recommendations from the research can be adapted to relief the enterprises from marketing problems. It is not possible by the enterprises but the govt. and authority should come forward to facilitate the small scale entrepreneurs to strengthen national economy by solving the problem of unemployment and drainage of foreign remittance in importing the essentials products.

REFERENCES

Jones, P. and Pizam, A. (1993). *The International Hospital Industry,* John Wiley and Sons Inc.

Kotler, Ph. (1996). *Marketing Management*. The Millennium ed. US Prentice Hall.

Lao, F. M. (2001). *Marketing Management Concepts and Applications for Strategic Marketing Planning*, 1st ed., Rex Printing Inc.

Mc Carthy, J. and Perreault, W. (1990). *Basic Marketing*, 10th ed., Irwin Inc: USA.

Mujtaba, B. G. and McFarlane, D. (2007). Competitive Advantage and Market Organizations in the 21st Century: Market Driving or Market Driven. chapter (45) in the *Handbook of Globalization, Governance, and Public Administration*, edited by Ali Farazmand and Jack Pinkowski. Taylor & Francis, Boca Raton, USA. pp. 981-1002.

O'Hara, P. D. (1995). *The Total Business Plan*, Canada: John Wiley and Sons Inc.

Pagaso, C. M. and Dela Cruz, M. M. (2000). *Principles of Marketing*. 2nd ed., Nelson Publishing.

http://www.bscic.gov.bd/index.php?option=com_industrial&Itemid=17&lang=en

http://203.112.218.66/WebTestApplication/userfiles/Image/PocketBook10/Chapter-1.pdf

http://www.sylhet.gov.bd/node/91915