

MARKETING STRATEGIES OF SMEs BASED ON PRODUCT LIFE CYCLE – A STUDY AMONG SMEs IN KOSOVO

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Abstract

There are different views about the contribution of Small & Medium sized Enterprises (SMEs) in the economy of a country. One side tries to argue that are the largest contributors to the reduction of unemployment in a country), while other researchers believe that small businesses are irresistible in today's global economy and the free market and bankrupt more easily and quickly, so it is excessive belief that solving economic problems and unemployment in a country should be based on the development of SMEs. However, to some extent, both parties agree to SMEs impact on the economic situation of a country and it seems especially pronounced in countries with underdeveloped economies and emerging economies. Seems far-fetched even SMEs contribution in Kosovo, where the economic and political environment have created a little business characteristic in relation to markets in Europe and other countries. In Kosovo last decade has seen a rapid growth and development of SMEs, which necessarily is put them in a situation of meaningful competition in the Kosovo market. The large number of imported products, especially those that occur with cheap prices makes Kosovar businesses, especially manufacturing enterprises to think of appropriate marketing strategies, to face competition with imported products, but also that within type of local competitors. Therefore, in these circumstances, it is imperative that SMEs time to develop adequate strategies functional, within which is the marketing strategy and to analyze strategy based on Product Life Circle (PLC), as the most applied strategy of SMBs in Kosovo

Keywords: *Product Life Circle, Marketing Strategy, Small and Medium Enterprises, Economy, Competition*

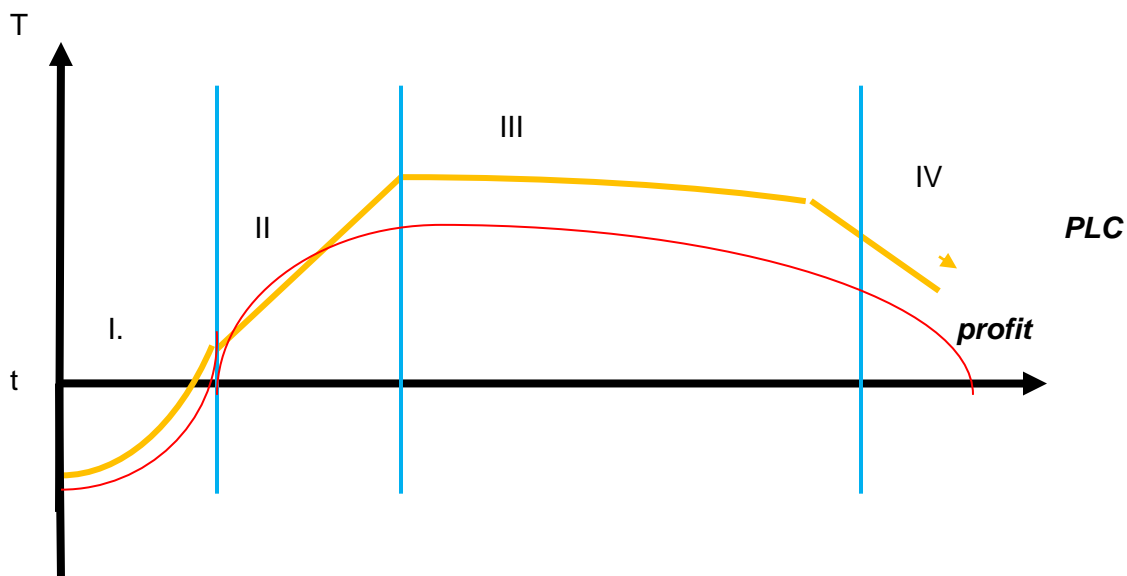
INTRODUCTION

One of the most practiced tools for businesses, especially for *Small & Medium sized Enterprises* (SMEs), used for selection of enterprise strategy, is the strategy based on product life cycle (Carson & Gilmore, 2000).

The concept of product life cycle is based on the analysis of the characteristics of the product development in terms of adaptation to the needs of the market, where the market is based on inclusion and description of product sales positions and as a result, the benefits derived based on sales volume (Kume, 2007)

From analysis is clear that almost all SMEs in Kosovo as a basis for developing the marketing strategy, are using analysis of the Product Life Cycle and determining of stage the where the products position is in this cycle. Depending on the position of the product in the cycle, it may limit its entry into the market. The product can be found in various stages of development based on this cycle. Each of these situations presents the key moments in the development of a strategy for the future of the product. Possible stages of the product life cycle are shown in Fig.1.

Figure 1: The Product Life Cycle



T – Turnover

t – Time

PLC- Product Life Cycle

- I - Introduction
- II- Growth
- III - Maturity
- IV - Degeneration

Each product must necessarily go through this development cycle. For certain products in a particular market, there are different intervals, in certain stages of development. Therefore, many enterprises, especially SMEs make a special moment and cycle analysis, in which the product is. Of course, development of strategy , and especially this on the basis of product life cycle varies substantially, depending on the phase in which the product is at the time of drafting the strategy in a market or market segment (Kotler, 2001), in particular for SMBs.

This way chosen strategy, makes a combined analysis of market development strategy and product development strategy. Depending on which stage of development is the product, enterprises develop strategies based on market developments and the relationship between supply and demand at the moment for certain product (Gunter, 2010).

At the Stage of Product Introduction

Companies have recognized the need and demand for the product, but also considering the possible risks of failure by placing a new product or entry in a new market which can be:

- A high degree of potential failure
- Limited distribution
- The need for continuous improvement of the product
- Negative profit
- Higher marketing expenses

Growth Phase of Product

It presents a more favorable situation in the process of developing the strategy. This phase is characterized with a high volume of sales, with a high growth market and companies can count on a high profit, high product prices and continued to plan its development in such a promising market.

Phase of Maturity of the Product

In such a situation, especially small and medium enterprise must be very careful in developing marketing strategy. This phase differs from the other phases because of its specificity, especially in the length of time that it can be. For many products the maturity stage knows very

long time interval. Mastery of compiler of strategy is to find the exact position of the product of this phase curve. This phase is characterized with a low growth rate of the market, but the company (product) has reached a consolidation in the market, a constant level of sales volume, new investments are not needed for product and economies of scale for this product or business (to SMBs) is relatively constant.

Degeneration Phase of the Product

In this phase better strategy to take, is to find opportunities to extend the life of the product, but without investing in it.

In this situation the market is saturated with product, demand is steady decline. Possible marketing strategies can be:

- Discovery of new markets.
- Application of new forms of distribution.
- Provide various forms more affordable during and after sale.

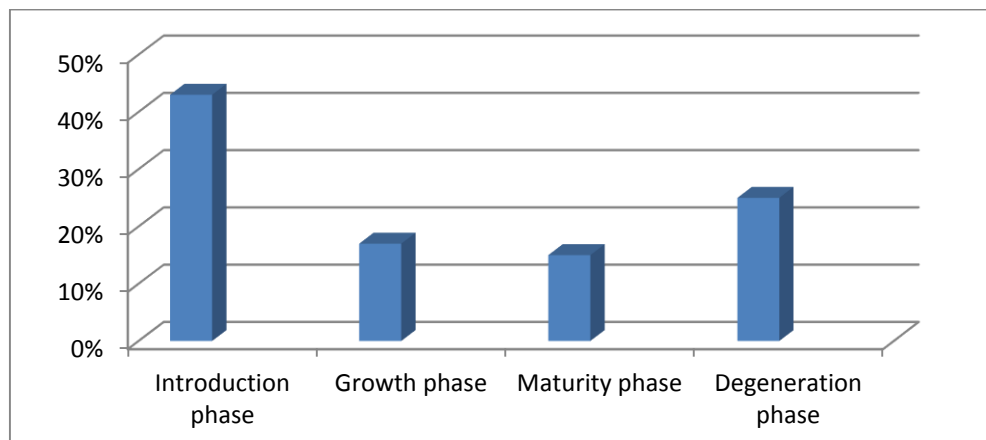
The results of this survey have shown that Kosovo companies, especially small and medium businesses give maximal importance to the product life cycle. For some of them, it can be said that it is the only analysis that they conduct during the planning of the marketing strategy. 95% of the questioned companies have stated that through various forms of survey, they try to know in which life cycle phase their product is. In according to them; through determining the position of the product in product life cycle curve they draft their company's market research. In reality, it is not very common that only one studied parameter (such as product life cycle analysis) to be used put in the company's strategy, but in kosovar business cases it seems more unique than usual. Moreover, most of SME-s in Kosovo that analyze PLC, has stated that this strategy determination has resulted to be successful. This may be true, due to specifics of the market in Kosovo.

This is also due to the fact that in Kosovo market over 80% of the products are imported, which means that most of the companies are trading companies and thus do not deal with product development or strategies for product development which required special analysis.

Another fact is that Kosovar companies have problems when it comes to exporting their products, therefore their market remains within the Kosovo borders and for most of SME-s the strategy for market expansion is unrealistic. Finally, I think that for most of SME-s in Kosovo drafting proper and up-to-date strategies requires detailed analysis of various internal and external factors that in Kosovo's market are not really necessary. They are not necessary because their influence is not really noticed or they are dynamic, interchangeable and unstable that does not allow a long-term strategy for a company.

Therefore, for many companies it is probably sufficient only one product life cycle analysis to do the planning for their future and in some cases also for companies who use the market development strategy or product development strategy. SME-s in Kosovo has given different opinions regarding the difficulties in planning and then application of various strategies, which are also analyzed in PLC prism. Most of them mention the difficulties in the initial and last phase of PLC, as stages that bring most problems in application of strategy. Below we have the graph that shows the statements of the managers of SME-s in Kosovo, related to phases of PLC where they notice most of the difficulties in their strategy application.

Figure 2. Stages of the Product Life Cycle in which Enterprises have Difficulties in Implementing the Strategy



THE MARKETING STRATEGY OF SMEs IN THE INTRODUCTION PHASE OF THE PRODUCT LIFE CYCLE (PLC)

Introduction phase in PLC considered being the largest investment for the company's new product launches. Enterprise has already spent heavily on market research for new product and is in a situation when you add in the promotion expense and a lower volume of sales, then we can consider that this stage is the most dangerous period for the losses of the enterprise.

Kosovo's enterprises are particularly vulnerable at this stage. Limited financial capacity make that even smaller failures of this nature can sometimes be fatal for them. Only those businesses that have more than one business unit have been successful in this period. Higher costs compared to sales, indicating the enterprise losses in this period (see curve) are the most common failure of SMEs in Kosovo. While enterprises with more business units (as Devolli Company) afford easy reach logging covering revenue losses from other units, but only in a reasonable period of time.

The main causes of failures SMEs in product development phase entry are:

- Lack of adequate combinations of 4P's in product development at this stage
- The reluctance of distributors to receive products at this stage of the development cycle and lack of ideas and willingness to stimulate distributors to accept products of this phase.
- Unprocessed strategies in detail.
- Lack of adequate finance and propaganda necessary for this stage.

In this situation Kosovar businesses can find solutions through personal sales as a form of promotion with lowest cost and try to cut as much time developing this phase. Enterprises that have success or not at this stage of PLC's distinguished by the following characteristics:

- a) The role, importance, size and location of the company issuing the product on the market.
- b) The character of the product (degree of innovation, its adaptability to customer requirements, especially for essential products)
- c) The overall situation in the market and the relationship between price and standard of living

Almost all SMEs in Kosovo consider this phase as the most critical for their new product and often for their business in general. The reasons are various. However, the surveys done by these businesses show that the most common factors for product failure at this stage are:

- Low number of buyers prawn to try novelties in the market;
- The resistance of kosovar consumers to change their attitude in buying;
- High prices for these products;
- The fast and uncontrolled appearance of copy products;
- The immediate reaction of the competition with the kosovar logic "I want to do it, too".

In this situation, perhaps the most suitable solution for businesses would be the fast skimming strategy. This, in fact, requires high promotion expenditure, but it also enables high prices and high gross margin. This would create an advantage for the product at least until the competition reaction. High promotion would convince the consumers about the advantages of the product regardless of the high price. One of the most important activities of marketing, especially in moments of planning strategies is marketing research.

Based on data from interview with businesses, can easily be seen that businesses in Kosovo do not give due importance to this activity. Most of them do not have a separate sector for market research, but engage specialized agencies to do the required research. However, these companies do not rely much on data obtained from research. It is not clear what the reasons for their distrust of research data. Only 25% of enterprises have a clear answer to tm his problem. They stated that the lack of professionalism and experience of market researchers makes them to be quite reserved in the data obtained.

THE MARKETING STRATEGY OF SMEs IN THE GROWTH PHASE OF THE PLC

It is the product development phase for each company that has the product on the market at this stage recorded positive performance. Increase the volume of sales and reduced fixed costs per unit. This enables enterprise efficiency and financial sustainability creates its top facing competition. High spending is focused on the promotion and other forms of economic propaganda, and efforts to expand the sales network.

At this stage the Kosovo market is quite characteristic. It is established practice of companies, especially in the last decade, to copy each other. In a small market like that of Kosovo this notices very quickly and in a very short period of offensive noticed other enterprises of the same industry in the market. It is not clear how is developed this enterprise culture! Neither the questionnaire response arises not clear whether this lack of vision and their creativity or fear of enterprises, especially SMBs beginning with its first test of market and customers with new products, but prefer to apply the strategy of following the leader.

Because of this situation at this moment begins the fall of prices which should happen in the next phase (the phase of maturity). It is not an easy situation for enterprises. Especially not to take that first launched the product because it carries a higher cost of expenses from the initial period of product development and launch phase losses of the PLC. In such a situation the company in Kosovo should too early to begin to protect the product and its sales volume by competitors. To overcome this situation, most SMBs in Kosovo prefer to expand the assortment (gamma) of the product, which should also happen in the next phase (phase of maturity PLC's). It should be noted that for most SMBs in Kosovo is not clear when the growth phase begins as the product life cycle. Only some of them say that if sales volume is increased over 10% per annum consider that the product is in the growth phase.

Common strategy of enterprises that have product in the growth stage of its life cycle is that at this moment to keep products at high prices in the market. This is due to several reasons. First, the new product in the market finds a big gap between the market potentials and its sales volume. This means that the demand for the new product is still higher than supply. Therefore, enterprises should use this opportunity to increase sales, but also to maximize the profits from this product, keeping prices high and realizing a large profit margin. This is most necessary for the enterprises because of the need to return as soon as possible big investments that have been made in creating new product.

In most SMBs in Kosovo this is not the case. It's not applicable to almost 90% of businesses which launched a new product in the market. The survey with these businesses has identified numerous reasons. The first is that they have not very clear boundaries of the growth phase of the product. Argue that the dynamics of market development is very high, and those

limits are becoming increasingly relative, and therefore analysis of this phase of the cycle is not very meaningful for them. Another reason mentioned is competition from big businesses and low prices applied from them. And a higher price use, whether in the growth phase of the product would be very dangerous for SMBs and bring a product to failure in the market. According to them, it comes from the reaction of competitors quickly bounds with similar product or substitute products.

So, at this stage of the product life cycle, mostly noted the importance of market segmentation and production of unique products for SMBs.

THE MARKETING STRATEGY OF SMEs IN THE MATURITY PHASE OF PLC

It is the stage that theoretically should have a longer period of time. At this stage the market becomes more vendors (polypolistic). Among the enterprises there is a price war especially for enterprises which results in decreased profits. They must commit to seek higher trade efficiency, optimal utilization of the means of production / service, use of sales channels, market segmentation and research expenditure reduction. Increased sales volume at this stage does not mean increased profits. This is due to the necessity of lowering prices and ongoing promotional activities.

For SMBs in Kosovo the maturity stage PLC's deals as crucial phase for the success of the enterprise. They think that this is the period when enterprises are distinguished successful business with those which are improvising and looking at any situation requiring market gains momentum. The latter also characterized by lack of vision for their companies and have not clear what is the basis on which the industry thinks to develop their business in the future. On the other hand, SMBs in Kosovo that have clear vision and are strongly established for the industry in which they are to grow and doing business in the future, the maturity stage of product life cycle scrambling to end. Despite the fact that at this stage marked decline in profits (although the volume of sales marks stability), serious SMBs in Kosovo continue on additional costs in different forms of promotion. Most practiced form of SMBs in Kosovo is advanced sales Kosovo, like different forms of bonuses and other forms of growth product attributes.

MARKETING STRATEGIES TO SMBs IN DEGENERATION PHASE OF PLC

In phase of saturation significantly is reduced sales volume, as well happen to revenues and profits. Category of variable revenue increases. The costs for actions taken to keep the product are not reasonable. Efforts focus on intensifying promotional activities and technical-technological development, in an effort to re-design the product. Doing market research to

identify specific segments where the demand for this product is yet. However, most suppliers leave due to lack of profit.

It is clear that Kosovo enterprises at this stage of the product life cycle do not make large commitments. Only those companies that consider themselves leaders in the market continue the necessary activities to characterize this situation. Kosovo SMBs that have entered the market through product imitation removed immediately upon submission of this phase. They also apply the strategy of following the leader and are already in the distribution of a product / service that is somewhere else in the preliminary stages. Even enterprises that deal with the life cycle of the product do not have any more enthusiasm to continue in its efforts to maintain the product in the market. The reasons could be:

- Small segment of the market for the sale of the product / service - most SMBs in Kosovo operate within the territory of Kosovo, which has limited absorption capacity, i.e. potential seller is relatively low even in the best of circumstances for selling product.
- Lack of modern technical-technology capacities - which would reduce the cost of production / service necessary for this stage
- Lack of research to identify specific segments within the geographic variables - which would allow time for a product / service to reach breakeven point.

The most common action SMBs in Kosovo to keep the product / service longer in a market, founded at this stage, is his simplifying (reducing production costs in packaging, promotion and market development) and to identify any special segment (usually conservative and loyal customers to the product / service).

SUMMARY

One of the weakest points of the Small and Medium Enterprises in Kosovo is their financial inadequacy to implement and end successfully a desired marketing strategy. In such a situation the way Kosovo businesses often change their strategies or abstain completely from them. Besides this reason, there are other factors that these businesses bring in such a situation. In Kosovo there is still a high degree of informal business and fiscal evasion. For businesses in Kosovo, especially for SMEs that doing business legally, which already has a relatively small profit margin, the difference in gross costs mean a lot. The situation looks even worse for manufacturing enterprises. They have far more difficult to establish a profitable product, because the high cost of manufacturing the product. This was due to the small quantity of production / sales. In such a situation the market expansion strategy would be the best solution, but for many reasons it seems to be difficult for Kosovo SMEs. Kosovo is a small market and any market expansion within its borders will not showed any significant differences in the

number of customers. Another reason that creates these barriers is that still small and medium businesses in Kosovo and the larger ones as well are not competitive in the international sector. This is due to the lack of quality products and customer ignorance and distrust outside Kosovo, for Kosovo products. Lack of modern technology, innovation and funding for a major promotion of these products did not competitive in those markets. Perhaps, these are exactly the reasons that over 50% of SMEs in Kosovo operate in trade sector with small investment and impractical.

RECOMMENDATIONS

- For SMEs in Kosovo differentiated marketing strategy and marketing strategy of focusing, for now may be the most appropriate strategies
- Strategies based only on the life cycle of the product may result in a suitable moment, but cannot be calculated in such an application in the long term.
- SMEs in Kosovo must engage in strengthening the international competitiveness of enterprises.
- The introduction of the use of international standards in quality management system
- Developing innovative joint center for SMEs
- Continuous training of staff management and for entrepreneurship
- Finding forms through joint arrangements for investment and institutional support for the development of small and medium.
- Removal of the phenomenon of copying one another in action "me too...", but the commitment to creativity and innovation.

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