



AN EXPLORATORY STUDY ON THE EFFECTIVENESS OF EMARKETING ON MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) IN B2B MARKET OF BANGALORE DISTRICT

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Abstract:

This study on the effectiveness of e-marketing on Micro, Small and Medium Enterprises (MSMEs) in B2B market of Bangalore District basically deals with the analysis through qualitative study on ten selected MSME units in Bangalore district of India to elicit the comprehensive understanding of the issues under investigation in order to know the experiences/perceptions of owners/managers of MSMEs regarding how they use e-marketing tools in the real scenario and to explore the challenges faced while using these e-marketing tools, expenditures incurred, views on how these e-marketing tools are fulfilling their marketing objectives of the company, its benefits, flaws in implementation and recommendations/guidelines of MSME owners on how to use these e-marketing tools as a successful marketing communication tools of the future. The paper concludes that e-marketing is one of the highly effective and beneficial channels of marketing today to local businesses especially to MSMEs in the B2B market of Bangalore district.

Key Words: E-Marketing, MSMEs, Internet & B2B

Introduction:

E-marketing is considered to be a most happening phenomenon in the world today particularly because of its potential to radically change the way the business is conducted today offering a competitive edge ever in the history and a gateway to the world market. An eruptive growth of e-marketing across the globe in the last two decades has opened up a vast area thereby providing innumerable opportunities for businesses, in particular MSMEs to make up their businesses to reach the world market to promote their products and services which would have been otherwise impossible with the conventional traditional marketing. There is an immense potential for MSMEs to effectively trap this powerful tool of marketing to grow bigger and bigger with higher productivity and competitive edge. E-marketing is the only means through which this sector can extend their business across the countries at minimal cost. Only E-marketing has that potential to empower the MSMEs to compete with larger firms in the global market.

In a country like India wherein MSME sector is considered to be a backbone of Indian Economy. The Sector consisting of 36 million units, as of today, provides employment to over 80 million persons. The Sector through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country. The MSME sector has the potential to spread industrial growth across the country and can be a major partner in the process of inclusive growth (Ref: MSME at a glance 2016 published by Ministry of MSME). By considering the facts and figures of the significance of this sector it is evident that the contribution of MSMEs to the economy of India is vital and it can never be underemphasized. Although the e-marketing has experienced tremendous growth worldwide including India, according to the researcher a very little research has been conducted to examine its phenomena especially among MSMEs in India particularly the MSMEs in the B2B market of Bangalore District.

It is therefore of importance that insight be gained into how MSMEs of Bangalore District are currently using the e-marketing and its level of usage among MSMEs in B2B market, the factors that influence their decision to adopt the e-marketing in business and its benefits for establishing some practical guidelines of its usage for the future.

Objectives of the Study:

The main objective of the study is to examine the usage of e-marketing by MSMEs in the B2B market of Bangalore District.

Review of Literature:

E-Marketing Defined:

Many people regard e-marketing similar to Internet marketing. In addition, Internet marketing is similar to online marketing, web marketing, and digital marketing because in general they have many things in common. So, e-marketing can be considered to be similar to other terms. Nevertheless, e-marketing has a broader meaning than Internet marketing because it "includes not only those digital media such as web, e-mail and wireless media but also management of digital customer data and electronic customer relationship management systems (E-CRM systems)" (Chaffey [referred 21.11.2009]).

Small Business Defined:

In India, the MSMEs have been classified broadly into two categories:

- ✓ Manufacturing; and
- ✓ Those engaged in providing/rendering of services.

Both categories of enterprises have been further classified into micro, small and medium enterprises based on their investment in plant and machinery (for manufacturing enterprises) or on equipment's (in case of enterprises providing or rendering services). The present ceiling on investment to be classified as micro, small or medium enterprises is as under

Source:

Micro, Small and Medium Enterprises in India - An Overview - Development Commissioner (MSME) Government of India Ministry of Micro, Small & Medium Enterprises Nirman Bhavan, New Delhi-110 108
www.dcmsme.gov.in

Manufacturing Enterprises – Investment in Plant & Machinery		Service Enterprises – Investment in Equipments	
Micro	Up to Rs.25 Lakhs	Micro	Up to Rs. 10Lakhs
Small	above Rs. 25 Lakhs & upto Rs. 5 Crores	Small	above Rs. 10 Lakhs & upto Rs. 2 Crores
Med	above Rs. 5 Crores & upto Rs. 10 Crores	Med	above Rs. 2 Crores & upto Rs. 5 Crores

New MSME Definition:

The Union Cabinet has approved a proposal to change the definition of Micro, Small and Medium enterprises. Since 1950s Small Scale Industries (SSIs) and later MSMEs have been traditionally defined based on their investment in plant and machinery for manufacturing units, and investment in equipment for service enterprises, and now the new definition defines them based on their annual turnover. This decision, which came on the heel of the Budgetary proposal to the reduce corporate tax to companies having turnover up to Rupee 250 crore, is a welcome one.

According to the new definition, a micro enterprise is a unit where the annual turnover does not exceed Rs. 5 crores, a small enterprise is one where annual turnover is between Rs. 5 crores and Rs 75 crore, and a medium enterprise is where the turnover is more than Rs 75 crores but does not exceed Rs 250 crores. In order to give this new MSME definition into effect, the Section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will be amended in the coming days.

The move also aligns the definition with GST regime. It will be easier now for authorities to verify claims of businesses using the sales data they have from the GST Network. This will eliminate the need for inspections, make the classification system progressive, and contribute to ease of doing business as well. It is also expected that with this new definition the Government will do away with those clauses that exclude medium sector from various promotional schemes for the sector – Source: SME Times Bikky Khosla | 13 Feb, 2018

MSMEs in Bangalore District:

Micro, Small and Medium Enterprises of Bangalore district occupies a place of prominence in the Karnataka economy in view of its massive potential for employment, growth and exports. MSME sector is a vibrant and vital sector of the state economy in terms of employment generation and share of production. Bangalore district is divided into Bangalore Urban and Bangalore Rural consisting of nearly sixteen industrial areas. As per the report of MSME-DI – Bengaluru – Report (2016) there are nearly 1 lakh registered MSME units employing around 10 lakh employees in the entire Bangalore district

Methodology:

This study conducted is basically exploratory in nature. Qualitative data collection method was adopted with personal meeting with the owners of MSMEs with in-depth interviews. The population consisted of management personnel of MSMEs located in Bangalore district. The respondents were selected based on convenience and judgmental sampling technique. Non-probability sampling technique was used by the researcher to enable respondents to be selected based on their relative ease of access to the e-marketing and how often their business utilizes it. This technique was appropriate for the study because it would provide the researcher with sufficient answers to questions being asked.

Data Presentation and Analysis:

Qualitative questionnaire was prepared with open-ended questions on how these enterprises use e-marketing in the real scenario. Mainly the questions were focused on understanding the following scenario's: Which e-Marketing tools these enterprise use, challenges they face while using these tools, expenditures incurred, the views on how these tools are fulfilling their marketing objectives, its benefits and flaws in implementation, do they have competitive edge by using these tools, their recommendations and guidelines to use e-Marketing as one of the successful marketing tools in MSMEs. Upon analysing the responses from the respondent population, the following themes and sub-themes have been derived to present the results in an interpretive style. A thematic content analysis of the interview scripts has led to a greater understanding of the use and effectiveness of e-marketing in micro, small and medium scale enterprises in the B2B market of

Bangalore district and has highlighted its significance for future growth and development of this sector as well as for improving the competitiveness of MSMEs to compete with the large scale organisations in terms of reaching out to the target audience and effective communications with the customers and suppliers. The following themes and sub-themes are described in detail in the following section.

Themes:

E-marketing Tools
E-marketing Effectiveness
Factors Influencing Use of E-marketing Tools
Adoption and Implementation of E-marketing

Sub Themes:

E-marketing Tools	Level of Usage in MSMEs	
	Types of E-marketing Tools Used	
	Estimated E-marketing Expenditure	
E-marketing Effectiveness	Benefits	Marketing Objectives
		Comparative Advantage
	Advantages for the Business	
	Challenges and Flaws in Implementation	
Factors Influencing Use of E-marketing Tools	Future Growth	
	Competitive Edge	
Adoption and Implementation of E-marketing	Recommendation for Successful Adoption of E-marketing Tools	
	Practical Guidelines for Effective Implementation	

1. E-Marketing Tools:

Level of Usage in MSMEs: In the current research the MSMEs in the B2B segment of Bangalore district have reported to be utilising various e-marketing practices and techniques as part of their overall marketing strategy to enhance the effectiveness of their marketing strategy by diversification of the marketing techniques and drawing simultaneous benefits from the information and communications technology in today's global and highly competitive business environment.

Types of E-marketing Tools Used: Rapidly increasing popularity of social media and other interactive web-based platforms has contributed to the increased use of different e-marketing tools for innovative marketing strategies. A variety of modern day e-marketing tools and techniques such as SMS marketing, Search Engine marketing, Social Media marketing, Blog Marketing, Online Video marketing, E-banner and E- directory marketing and B2B portals are some of the most popular e-marketing tools used by enterprises in the B2B segment of Bangalore district as per the findings of this survey. While E-mail is one of the most popular e-marketing tools as most of the respondents agreed to use e-mail marketing in addition to several other e-marketing techniques. For instance, director of a Medium scale enterprise mentioned that their company employs "E-mail, Social Media, E-Directory, SEO, B2B Portals, Google Ads, Blogs" as their e-marketing tools. Another interviewee informed about the use of "E-mail, Social Media, E-Directory, B2B Portals, SEO" for e-marketing in their B2B small scale enterprise. There were some MSMEs that limited to the use of e-marketing tools to mostly "E-mail, E-Directory, B2B Portals" and "E-mail, Digital Directory, Online Portals, Website". Such enterprises are mostly belonging to the micro and small enterprise categories and do not seem to have evolved their marketing strategies to a higher level incorporating the more popular and effective e-marketing based social media tools and search engine optimisation techniques.

Estimated E-Marketing Expenditure: E-marketing expenditure budgets of the MSMEs vary greatly from company to company starting with small expenditure budgets as low as Rupees 30,000/- to as high as Rupees 4.7 lakhs. It can be observed from the analysis of the qualitative data collected that enterprises with higher capital investment to the range of more than 1 crore rupees generally set aside a higher e-marketing budget of Rupees 1 Lakh and above. It is also observed that enterprises using a wider array of e-marketing techniques and in particular the social media and Search Engine marketing spend more as their e-marketing expenditure than others. One of the respondents employs "E-mail, Social Media, E-Directory, B2B Portals, SEO" with "Rs. 3.8 lakhs of e-marketing expenditure; another respondent employs "E-mail, Social Media, E-Directory, SEO, B2B Portals, Google Ads, Blogs" for e-marketing with an estimated expenditure of Rs. 4.7 Lakhs; another respondent uses "E-mail, Search Engine, Blog, Social Media, E-Directory" for an estimated expenditure of "Rs. 2.35 Lakhs". On the other hand, a respondent with an estimated expenditure of Rs. 30000 uses only "E-mail, E-Directory" as e-marketing tools; similarly, another respondent use "E-mail, Digital Directory, Online Portals, Website" for an estimated expenditure of Rs. 85000.

2. E-Marketing Effectiveness:

Benefits: The benefits of e-marketing are examined in view of its effectiveness in the fulfilment of the organisation's marketing objectives as well as its usefulness as a successful marketing technique in comparison to other traditional marketing concepts and practices. One of the primary marketing objectives of any firm is to

reach its target customers for which e-marketing practices are considered significantly effective. This view is supported by the interviewees in this survey as highlighted by the responses – “The enquiry received through B2B portals, website etc. through internet search is quite useful to fulfill our objectives of reaching the targeted business” and “E-marketing tools like e-mail, e-directories and portals are very effective in terms of generating business without any personal efforts of meeting the buyers. It has become easy to reach people through websites, Portals and directories”. E-marketing is also effective in terms of providing a wider reach and enhanced communication with the customers and suppliers alike as suggested by this response - “It is very effective in our business to meet our marketing objectives in terms our most-effective communication, 24x7 online promotion, faster reach, wider reach, can be used from anywhere”. Moreover, one of the respondents suggested that e-marketing helps them to “receive immediate response” and “is inexpensive and easy to start”.

Another interviewee highlighted the benefits of e-marketing in comparison to traditional sources of marketing thus – “Today e-marketing campaign is one of cost-effective ways in reaching our most targeted prospects. Where traditional advertising campaigns typically cost a lot, the internet media has rescued a number of enterprises around the globe by offering cost-effective marketing opportunities”. Similarly, another respondent pointed out that “buyers can find you from anywhere which was impossible before with traditional marketing set-up unless you have middle man to promote your products/services”.

Advantages for the Business: The salient features and advantages of e-marketing as described by the interviewees include - “Convenience, Cost-Effectiveness, Market Reach, Effective Communication and accessible at the time”; “Its helps us to communicate faster, Market Reach, Anytime usable, Easy communication with track-record all our communication with customers in the e-mail folders, Increases business opportunities etc.”. Moreover, another MSME entrepreneur rightly emphasized the advantage of e-marketing for small and medium scale businesses in the following words- “The advent of the Internet has in many ways levelled the playing field for small businesses to compete with major corporations. The Internet has allowed fledgling businesses to increase both visibility and revenue, reaching a potential customer population never before seen in history”. Another MSME entrepreneur observed E-marketing techniques’ effectiveness for small businesses by stating that “Internet marketing enables you to build relations with customers and prospects through regular, low-cost personalized communication, reflecting the move away from mass marketing”.

Challenges and Flaws in Implementation: In order to effectively use e-marketing tools to avail advantages such as low cost, wider reach, personalised, 24x7 communication and convenience, a company requires overcoming several challenges in the effective implementation and use of e-marketing tools and techniques. According to the survey respondents, the major challenges faced pertain to costing and budgetary issues for SMEs (“The expenditure to increase our presence in the internet for tools like SEO and membership charges of few B2B portals are high”) as well as the constraints in obtaining expertise and requisite skills for e-marketing (“Obtaining expertise and skills”). Other challenges were also indicated such as one respondent said that “Challenges are generally identified as poor access to technology, lack of capabilities, lack of resources and doubt over the potential returns.” and “Building a quality website, Proving ROI on e-marketing, Managing the e-tools, Getting value from each tool”. Additionally, “Knowing where to focus our efforts when so many e-marketing tools are available is one big challenge. Finding time of using e-marketing tools is one more challenge”. Apart from “Lack of experience and knowledge” and “Lack of expertise, infrastructure and sometimes affordability problems” other flaws in the implementation of e-marketing tools “More efficiency and expertise are required to utilize these tools optimally. An external support also is beneficial if such service providers come forward with competitive prices to educate us on these modern tools”. Another Entrepreneur mentioned that “Unstable Internet connection is sometimes a flaw in our case. Sometimes finding the business enquiry generated online are genuine or not is the question”.

3. Factors Influencing Use of E-marketing Tools:

Future Growth: E-marketing is widely recognised by entrepreneurs as a significant tool for achieving future growth. MSMEs have emphasized the need to grow in accordance to the demands of future clients and as per the modern standards of marketing and promotion. Therefore “Since the future is changing towards online era with mobile phones in everyone's hand and younger generation is changing their buying behaviour totally towards online buying” E- marketing seems to be “the right path to meet the changing demands”. Further, another interviewee stated that “Yes, we are definitely doing a right thing to capture the market unlike our traditional belief to reach people conventionally. E-marketing is a need of the hour to establish closer relationships with customers”. One respondent also agreed with other entrepreneurs on the use of e-marketing for future growth– “Yes, what we are doing is right keeping in view of future growth of this powerful media and younger generation is coming in the market. We definitely need to cope up with the changing world”. It emerges from the analysis of the survey responses that all businesses which are focusing on expansion and reaching out to a wider audience and target market segments with global reach are employing various e-marketing tools to support future growth and expansion plans. Some entrepreneurs also expressed that “it has really helped us to generate business leads whenever buyers are searching our products online”. This indicates the preference of MSMEs to use e-marketing tools over the traditional marketing techniques because “it has reduced a burden of

making personal sales which is literally impossible without a middleman to reach the entire country market". Moreover, they further argued that "since the future is changing towards online era with mobile phones in everyone's hand and younger generation is changing their buying behaviour totally towards online buying I feel we are in the right path to meet the changing demands".

Competitive Edge: E-marketing is essential for earning a competitive advantage in the market and is recognised simultaneously by all the respondents in this survey as being instrumental in lending that edge to their companies. Thus, it can be concluded that 'competitive edge' is one of the most effective influencing factors motivating MSMEs for the adoption and implementation of e-marketing tools. One of the interviewees clearly explained that "if the Internet had not come then, our entire staff wouldn't have gotten a job. The reason behind this statement is that almost all our past, existing and even future clients were sourced through the Internet. Secondly, business networking that is to say linking up with people that can help your business in diverse ways has been very easy". Furthermore, the firms are able to generate competitive advantages through e-marketing tools such as social media-based tools due to the feedback from customers and valuable communications can be constructively used by the companies to improve their products and services offered. According to one of the respondents "You also get to know a lot about the feedback of your products and what other people offer through components like the blogs, Google review and social media. A lot of people from all walks of life are patronizing our services due to the fact that our business is on the Internet".

4. Adoption and Implementation of E-Marketing:

Recommendation for Successful Adoption of E-marketing Tools: This study recommends that "Conventional thinking of many small business owners should be changed especially about their belief in traditional marketing or personal selling". It is also necessary for the successful adoption of e-marketing techniques by MSMEs to "Small firms should utilize the free services provided by the government and other private organizations to improve their knowledge about emerging e-marketing tools and try to implement such tools". Moreover, "in today's digital era, having an online presence for a business is a critical requirement. If you are not online, you do not exist". Therefore, "Policy makers and government should ensure that grants; subsidies and loans are made available to SMEs to be able to effectively adopt E-marketing technology. Public education programmes should be put in place to ensure that individuals and businesses are made aware of the potentials and benefits of E-marketing adoption". Also, as one of respondents suggested that "use of e-marketing should be made as a strategic policy by the owners of the company to sell their product/service" such that "e-marketing is treated appropriately as the objective of the company and more investment on these tools" is considered necessary by all the entrepreneurs.

Practical Guidelines for Effective Implementation: In view of the recommendations for adoption of e-marketing techniques to improve business competitiveness and enhance future growth prospects keeping up with the latest developments in the field of marketing and communications technology, it was suggested by and interviewee that "There is the need for these small-scale enterprises to pull their resources together in the establishment of common websites. This would enable them to expand their market reach and increase their sales". Also, one of the respondents said that "Training programs to enhance awareness, educate MSMEs reference of success stories, train sales people to increase the usage" are required to ensure effective implementation by MSMEs. In additions to the above-mentioned guidelines to bring e-marketing into practice, it is recommended that "one need to learn e-marketing tactics to be in the place" and that "there should be training on e-marketing tools usage to owners of MSME sector about the effective use of modern e-marketing tools and its advantages". This will result in changing the viewpoint of traditional MSME owners who are used to conventional modes of marketing to adopt alternative and innovative modes of marketing using a variety of different e-marketing tools. Accordingly, one of the respondents recommended thus – "I recommend the emerging entrepreneurs in the market to explore the modern tools to reach the market globally unlike earlier using the e-marketing techniques".

Conclusion:

The analysis of the primary data reveals that e-marketing can be very effective for MSMEs and facilitate future growth and business expansion through the employment of targeted customer oriented and cost-effective e-marketing tools harnessing the benefits of the modern-day information and communications technology.

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