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## CASE STUDY

# Pilot Study of 8 SMEs in Pakistan

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### ABSTRACT

**T**hese (eight) cases study small firms (with 1-50 employees) in Pakistan to determine marketing factors that lead to success. Information is gathered through in-depth interviews with owner-managers on their premises. Convenience sampling is used within the city of Karachi. Firms included relate to production, and services (including retail). It was found that most of the firms are not marketing oriented and they do not understand marketing. Thus they will benefit from some kind of marketing training conducted by the government or through their own resources.

**Keywords:** Small Firms; Marketing Philosophy; Strategic Aspects; Entrepreneurial Marketing.

It was difficult to assign independent variables in my study of Pakistani SMEs. There was not sufficient basis for the same. Literature was limited to a few studies and these studies were mostly old. None of them focused on marketing in SMEs. Thus a need was felt to conduct a pilot study of some selected firms. This was done by me in Feb to April, 2007. A convenient sample of 8 firms was chosen and in depth interviews were conducted on premises of the firms. Interviews were done in two or more sessions. All interviewees were owner managers of the firms.

Sample was chosen on basis of convenience and agreement of owner managers to talk freely and share information unless the nature of information was sensitive. Most of the studied firms are struggling to survive. They are still in the product oriented stage or sales oriented stage. They are interested in day to day existence. There was a strange feeling of hopelessness that is difficult to explain. It is some kind of despondency. Culturally Pakistanis leave things to God. Thus they seem to resign to their fate and hope that things will settle one day. It appears that apart from a few cases most of them are not taking charge of their business. The attitude is generally of being inactive or reactive. Proactiveness was not visible nor was interactiveness with the forces in the environment. This is a cultural trait which needs in depth study.

Marketing philosophy, planning and strategic aspects of SMEs studied

	Essa	Ping	Fashion vibes	MPL	Applied engineering	Karsaz estate	Ego	Husain Minimart
Philosophical aspects of marketing	Product oriented. Using product development as tool.	Sales oriented. Pushing product. Not into customer knowledge seeking.	Medium marketing orientation. But no active market research yes. Some entrepreneurial marketing	Medium market orientation. Strong inside and outside sales	Medium customer orientation. B2B business.	Sales oriented. Now wanting to be MO. Strong inside and outside sales.	Highly marketing oriented. Involves customer in product design.	Sales oriented
Planning aspects	No formal plan. No written plan.  Sales forecast made by retail outlets	No formal plan. No written plan.  Informal planning in head of owner manager	No formal plan. No written plan.  Sales forecast in head of owner manager	Some formal and written planning. Sales forecast done by owner manager.	No formal plan. No written plan. Sales forecast done by owner manager.	No formal plan. No written plan. Sales forecast done by owner manager with employees	No formal plan. No written plan.  Only 5 months old. Lifestyle business. wants only to break even	No formal plan. No written plan.  Interested in bottom line only.

Strategic aspects	Essa	Ping	Fashion Vibes	MPL	Applied Engineering	Karsaz estate	Ego	Hussain Minimart
product	Continuous product development. Introducing new equipments	No product development. No enhanced product	Constant introduction of new products in line with market demands	Constantly developing enhanced product	Product differentiated from competitors in quality and reliability	Standard product. Some efforts at niche marketing	Product developed in participation with elite customers (brand ambassadors)	Standard product. Home delivery and credit offered to some.
pricing	Competitor based pricing	Competitor based pricing	Competitor based pricing. Some premium pricing	Standard pricing. Enhanced product	Bid based pricing.	Standard pricing.	Premium pricing based on high quality image	Standard price
promotion	Personal selling and PR. Strong word of mouth	Personal selling. Aggressive branding. Some word of mouth	Some advertising and PR. Some branding	Strong personal selling. Strong word of mouth	Strong PR and networking	Some advertising. Strong PR	Strong PR. Strong word of mouth. Strong branding	Point of sale advertising
Creativity/innovation	Medium	Weak	Medium	Strong	Medium	Low	High	Weak
Ent Mktg	High	High	High	High	Medium	Medium	High	Medium

From their conversation it appeared that the macro forces were against the small business. And that no one cared. There was also an impression of owner managers being entangled in lot of unproductive stuff. There were complaints of having to fill too many forms and answer too many questions. Complaints were aplenty regarding lack of infra structure. And failing utilities in spite of exorbitant costs of the same.

None of the firms studied including medium sized ones did any planning. Some did say they planned but what was planning to them was not what is academically called planning. These so called plans were mostly in the heads of the owners. They were not written down. And they were not done at regular intervals of time.

There was also no indication of crisis planning or opportunistic planning. There was the usual reaction that they knew what they had to do so they saw no need to plan.

Product development was visible with some. Product line additions were also seen. But they were mostly done on judgment and not on basis of any formal research. Most owners had a good practical sense of their business and in a way knew their markets. But they were not used to out of box thinking. They were not striving to come up with something new all the time. And if suggestion was given they had ready answers as to why the idea needed to be killed. Some of them during discussions agreed that they knew they had to do some activities but no reason was given as to why the same was not done. For example one of the interviewees said that he had asked some one to do planning some time ago but was not sure if that person actually did it. This showed a low priority to conceptual thinking including using modern tools of management and marketing. It seemed they had the belief that they knew the market and that there was nothing that could be done to improve the situation. I found an empty look in the face of some when told what they were doing about marketing.

Networking was one thing which most of them did quite well. And this was their way of survival. It was as if they knew their survival was in togetherness. Networking was found even among competitors. And they shared work overloads with each other. Many among them were close friends with their competitors.

They all used word of mouth for promoting themselves. This was done in a creative way. And as the number of customers was small and only few additional customers were expected to be added word of mouth was adequate enough to do the job. There was little use of advertising. If any was done it was through give aways or local leaflets. Surprisingly none used mailing lists, even though they had access to computers. Direct mail was used by MPL through qualified lists which they bought from the market at attractive rates. MPL also used e marketing and had a kind of cotton exchange working through the net and serving the buyer and seller of cotton.

Most of the firms were set up by the owners themselves or their fathers. All owners had college education. Out of the eight owners half had some kind of similar experience from before but none had a firm before. One of them was managing director of a firm doing same kind of business till he started his own business and became a competitor. All had strong professional and personal network. Out of eight only two firms were started by a team. And these were doing well.

All firms were located in high buyer areas. All of them believed in and delivered high quality. None did any active branding. But some were aware of the need to brand. Most of the firms were taking reasonable care of the employees. Training was also being provided to the employees on the job. Staff was being adequately paid except in one case. And in this case strangely the owner was complaining that it was difficult to find and retain good people. None of the firms were using professional advisers. There appeared to be no belief in the usefulness of advisers and there was no culture of using them, though it appeared that they could be quite useful.

All firms had a good product. But the product was not sufficiently perceived to be such. This shows lack of use of promotions to the firm's advantage. In case of fashion products there was some niche strategy to be seen. Innovation was also observed in these two firms. But what I found lacking the most was strategic marketing. This might have made the difference. There was no scientific analysis of all aspects of the situation and designing of a strategy to suit it. Nor was there evidence of dynamism and quick response to the changing market realities.

All this leaves a lot to be desired in running of small firms in Pakistan. And it is not surprising that they are not doing all that well as reported by Rana et al., 2003 in their assessment of 650 manufacturing firms.

#### **GAP IN LITERATURE**

Almost nothing is known in a scientific way about the Pakistani SMEs. Study by Rana et al., 2003 is more than 4 years old. The study relates to manufacturing firms only with no mention of services or of trading firms. These now comprise of a high percentage of the firms. 15 % of labor is in services and 14 % in commerce or trade (Pakistan Statistical Yearbook, 2006). In the meantime a lot has changed in the Pakistani environment. There have been changes in macro environment including the media scene and growth of foreign investment in Pakistan. Also return of some Pakistani professionals living abroad and getting into their own business has changed the scene to an extent. There also has been tremendous growth in telecommunications. Media has come in a big way to play a role in marketing. Due to the proliferation of media (there being more than 70 local channels in Pakistan) TV is now becoming approachable by the SME sector. E commerce is also emerging. Broadband internet has seen drastic reduction in rates. And computer and

computer literacy is increasing rapidly. Thus e commerce role in SMEs marketing cannot be ruled out. And there have been some changes in government policy in SMEs. New SME policy was announced in May, 2006. It promised SMEs many incentives but it is in press that same is slow to come about in practice.

Founder characteristics of Pakistan small business owner needs to be studied. We need to know across the board in all industries what the typical characteristics of business owner are. What is his education, his industrial experience, his entrepreneurial background? We need to know the effect of age of owner on performance. We need to study how he conducts his business. Is he alert or proactive? Does he go and create opportunities or wait for customers to approach him. How does he motivate his employees? Does he have a climate in the firm that promotes commitment of employees? Does he train them in the important areas of his business? Can he hire and retain his employees. In case of Taiwan soft skills have assumed great importance. It needs to be studied what kind of skills Pakistani small business owner has. We need to take a bigger picture in terms of businesses including services and trading. Owner manager is the most important entity in small business. Without his education, his understanding of some of the modern management techniques he cannot steer his firm toward success. We also need to study role of partnership in success. Joint ownership/joint management is important factor to examine.

Firm attributes is another area of great importance in small firms. It needs to be seen if all vital systems are in place. What is keeping small firm from having HR, Finance, Marketing and other important functions? What about accounting? Do they have bank accounts? Why they do not have confidence in financial institutions and why they don't apply for loans. It is about time Pakistani SME start using professional advice where it does not have expertise of its own. Why there is no culture of using advisors. Is it lack of education and related shyness or is it the costs.

It needs to be seen if marketing can play a role in these firms and can owner managers be made to understand marketing in a simple way in their language. How do they do marketing now and what improvements can be made in their use of marketing.

Do they for instance now do things which are related to marketing but are not understood by them as such. What about the role of entrepreneurial marketing, and how about strategic marketing. How about marketing planning. Is it happening? If not why they don't plan. And if they do what is the level of sophistication of their plans.

**CASE ONE : ESSA LABS**  
(Medium sized enterprise, 230 employs)

**HISTORY**

Essa labs were established in 1987 by Dr. Essa father of Dr. Farhan Essa. It is a family owned business and is mostly run by the father and son team. They started with one lab in North Nazimabad. From that they have expanded to over 96 branches over the next twenty years. It is basically a pathological laboratory but expanding into other types of diagnostics. Thus growth of Essa has been phenomenal and this is attributed to hard work, a good product which is essential for most people's health and shortage of supply of quality set ups doing the same.

Pathological labs business is a kind of business in which there is ample scope as there are significant entry barriers and few good labs. Health sector in Pakistan is inadequate to say the least. Most people have no proper health coverage. In both rural and urban areas western medicine, i.e. Allopathy is still not in line with culture and most people believe in traditional healthcare including hakims (herbal medicine), ayurvedic or homoeopathy. Or even no treatment at all, depending on the will of God to heal them. Going to doctors is a chore for most of them. Doctors are not available in rural areas and those that are available are not up to the mark. This also means there is no demand for pathological tests.

Even those that do go to the doctors in rudimentary rural health centers end up not following doctors' instructions or getting tests done. This means that market for such labs is essentially an urban phenomenon. In spite of this market in the urban areas remains quite large due to almost 45 % of population now residing in urban or suburban areas. And even if most of them do not have health cover there is a large segment of population which has need for testing whether it is in government hospitals or in private ones. As government labs have poor quality if at all one is able to get tests done through government facilities, need for private labs is indeed quite huge. And this is specially the case for those established on professional lines. Essa labs finds itself in this comparatively small group of labs. It is said out of the nearly 2000 labs or so in the country, about 80 % are quacks, an unbelievable number! Government regulation is weak and cannot control proliferation of such outlets. Therefore those who need to have reliable tests done have to go to the private albeit expensive labs.

Among them foremost is the Aga Khan Labs associated with the Aga Khan University of Medical Sciences. This is the penultimate facility in the country established some 20 years ago by the Aga Khan Foundation. Their elaborate network of labs is connected to the main facility in the heart of Karachi. Pick up points serve as collection units and specimens are taken to the main labs within the hospital by

their collection vans and results are displayed on computers mostly within 24 hours. They are available online to the treating doctors.

It is in this scenario that Essa has found a gap for its services. Though Aga Khan has almost 50 % of the market share there of the professional market, there is still a large unfilled gap which is met through the private labs. There are almost 4 or 5 chain of labs in Karachi. But Essa has the biggest network within Karachi having 96 labs strategically situated throughout the city. Thus they do have an extensive distribution in Karachi. The gap that is filled in by the likes of Essa is the one for professional service at affordable prices. Prices of Essa thus being about 50 % of those charged by Aga Khan. Even then in a city of a population of 16 million the demand is far short of supply. And the prices are out of reach of most people. Thus the logic of quack labs which give semblance of medical care where none exists.

#### MACROENVIRONMENT

##### ECONOMIC

As majority of the people in Pakistan cannot afford allopathic medicine market for pathological labs is much less than expected. Thus most of those who go for tests out of sheer need look for cheapest labs. Due to low education levels they cannot distinguish between the properly equipped labs and those that are not. The ‘quacks’ are having a good time. Some of them are alleged not to even conduct the tests at all and just make fake results. Or at best their results are not reliable.

A small percentage of people can afford the expensive tests and they don’t care how much they cost. And others who work for organizations get some sort of cover for medical expense. But this seldom allows them to use the top labs. Thus they also sometime go to the less than reliable labs.

##### CULTURAL AND SOCIAL

There is hardly any tradition among the rural population to go for pathological tests. They only do when forced by a life and death issue. In the urban areas those who can afford do use these facilities whereas the vast majority does so very infrequently. Thus majority of people remain ignorant of what such labs have to offer. Even when some of them do use these tests they may not follow the results and usually leave treatment half way due to traditional disbelief in western system of medicine.

##### COMPETITIVE

There are only a few chains of labs in the country. In Karachi there may be 4 or 5. Others are isolated ones with each one or few outlets. They do not have highly



motivated owners dedicated to growth or to acquiring latest technology by increase of revenue through growth. Competition is still not very high for professional labs as market is growing rapidly. This is due to secular increase of about 3 % in population as well as growth in incomes of people and the influence of education with increased awareness of preventive health and diagnosis of disease. It can be said that in future there is likely to be a vast increase in the lab business as new hospitals come into existence and as more and more people come into the health cover bracket. In this situation value for money is the USP of Essa. They want to create image that they are offering value for money for the market which is value and price conscious. And to do this they need to emphasize their competitive edge which is lower prices and distribution.

#### TECHNOLOGICAL

In this industry there is rapid growth in technology. It is known that medical engineering is one of the fastest growing technologies in the world. And this fast growth also finds itself into leading labs in Pakistan. Now for most of the sophisticated tests one does not have to go abroad and they can be done locally. Still there is a wide gap between demand and supply. Newer and more sophisticated equipments are making their way into Pakistan. In order to compete, Essa is investing a lot in the newer machines including CT SCAN and other state of the art diagnostic equipment. It is one of the main points in the unwritten Essa philosophy to keep ahead of technology in their field and remain a change agent rather than just a place where one goes to get tests done. They want to be a part of introducing the most sophisticated technology in the country at affordable prices. Each lab of Essa is equipped to get the basic tests done on sight unlike Aga Khan which has to transport specimens to their central lab which may take several hours and according to Essa may compromise the quality of results.

#### REGULATORY

Though laws do exist in general about all kinds of foul play and quackery these are seldom applied. The public has to pay the price for this poor governance. And labs like Essa have their task made more difficult in their difficulty to explain the community why their service is high priced compared to the non professional labs. The burden of quackery is thus shifted from the government to the business community and the consumers in this highly sensitive product.

#### MICROENVIRONMENT

Essa has enough capital available for expansion now due to a good and rapidly growing business in the last 20 years or so. Also it has one of the better trained manpower in the industry. It is said by Farhan that manpower trained by them is

absorbed quickly in the industry with as prestigious a hospital as Aga Khan. Essa are one of the leaders in training of manpower in this field and have collaboration with Dow Medical College and others for training of technical staff and for programs leading to a degree in diagnostic sciences. Also their programs are popular and have demand. And they are thinking of going into academics and research. Farhan is himself an academic and is a lecturer in Dow Medical University.

Essa believe in value added services. They achieved ISO 9001 qualification in 2003. This qualification has helped them enhance quality. They also have Pakistan Nuclear Regulatory Authority certification. They were declared Best Lab in Pakistan for the year 2005-6. Having each outlet as independent one and not needing specimens to be taken to head office each time is an advantage in terms of quality of the tests performed. Specimen does not expire and is more reliable. All tests can be done under one roof. Essa also have certification from IQAS (International Quality Assurance Society).

#### MARKETING

Now the question remains what Essa is doing in terms of marketing. And what are marketing problems of Essa. And what is the kind of marketing that can be done by a firm like this.

Marketing within Essa is not the marketing of the 4 Ps. No doubt there is the product, price, promotion and place but not at the conscious level. Firstly what is the meaning of product of Essa to the typical consumer? Whether it is the issue of being a tool in achievement of health, as it may be for some; or it is the difference between life and death as it is surely for many others. And what is it that the customer is paying for. In other words what is the total product concept of Essa? It is not the test itself for sure. It is what the test can do. For some it can be a back breaker and useless activity leading to vast expenses. In other words for Essa to understand why a consumer comes into his outlet they have to understand what does the product mean for the customer. What is the core product and what is the enhanced product. And what ancillary products are associated with it. As the product is a service the four characteristics of product assume significance.

Pathological service is intangible. So how is Essa to tell the customer that what they will do will be good. To this aspect they have hired 10 executives dedicated to customer service. They are consciously trying to improve their product in terms of the range and comfort of the patients. And the technology. This is the first thing that needs to be done as the first thing is the product itself. Essa are not doing any formal marketing research to establish the need of the market but are using their judgment and think that they already know what their customer wants. With regard to price they have knowledge of what price of their competitors is. But they are not selling on

price. With regard to promotion they say they have no formal promotion and no significant advertising. The small amount of advertising they do is in professional journals locally. They are using below the line advertising in terms of conferences, seminars, free camps, and other such events.

Distribution of Essa appears to be their main strength. They are present in all of Karachi. At the same time they have not presented themselves in rest of the country. This is like a local chain of service outlets. And they consider Karachi and its vicinities as their prime trading area.

#### HOW ESSA ACTUALLY DO MARKETING?

Essa do not have conventional marketing. In discussion with Farhan, he said marketing is important but so far they have not been able to do it. They think it is now the time to take a look at their marketing and do something about it. There are no written marketing objectives. And no analysis of the overall situation of business in the country though this is all in the head of the top management including the father and the son. Marketing strategy has not been chalked out.

Recently Essa have appointed 10 customer relationship persons. They are responsible to improve customer relationships. And these employees are also making calls on organizations to introduce Essa and promote business. This is the first conscious effort on the part of Essa to increase sales in an organized way. Essa are in a kind of oligopolistic situation. There is far more to do than they can handle. Medical field in Pakistan is critically short of capacity and allopathic treatment is not available to majority of population. The middle class who can partly afford treatment and tests looks for cheaper version. Whereas all lab facilities together are short in capacity. So consciously or unconsciously marketing does not occur to them. What takes place instead is image building. As most of the facilities available are fake and according to Dr. Essa they do not perform tests as they should, quality services are in great demand.

Some thoughts have been given to branding in terms of a uniform color theme and projection in professional journals but there is no active branding as such. He feels though that the time has arrived when this needs to be done.

Under image building are softer measures such as trying to get into academics. Essa wish to establish a medical university in the next 5 years. They are already training personnel for some medical colleges in Karachi. They would like to start research facilities. Dr. Essa himself is on faculty in one of the top medical colleges in Karachi and is also writing his PhD dissertation on a local topic. Image building also includes free camps they run from time to time.

Image building in Essa consists of customer friendliness and good service to the satisfaction of customer. Quality is part of this. And CME, (continuous medical education) is a means to achieve this. There are newer challenges in Pakistan today, e.g. Dengue fever, depression, etc. Recently Essa got certification from Nuclear Regulatory Authority for safety in use of nuclear diagnostic facilities. Also they are now consciously engaged in CSR, corporate social responsibility.

Essa is adding top of the line facilities and machinery in its labs. They are now installing CT SCAN. They have established new departments including clinical chemistry, infectious diseases, etc. As mentioned before most of the customers for Essa are through word of mouth. They do not depend on advertising.

Marketing planning is not done as understood by the marketing text. Planning is in terms of each branch giving an estimate of what they intend to do in the next year and then trying to meet this target.

#### MARKETING ORIENTATION.

It is clear that marketing orientation in this business is practiced to an extent only. And that is to understand customer satisfaction and improve it. It is not in terms of doing marketing research with an effort to find out what is it that the customer really wants. This in part is due to the fact that it is very much a sellers' market in this business. There is no effort at gathering marketing intelligence. And since it is not available it cannot be consciously be disseminated. As mentioned above, efforts are made starting recently to improve customer satisfaction but this is based on the judgment of the owner managers rather than as a result of any market search.

#### MARKETING PLANNING

Marketing planning is not done. There is no written plan. Though there is indication that at least verbally planning is considered as important, no systematic efforts are made to plan. There are inputs regarding what is happening in the market based on observations and this translates into expectations of increased revenues on the part of individual outlets. These outlets are supposed to give their next six months forecast to the top management. This is mostly an educated guess. Typical increase in yearly revenues is about 10%. And not much pressure seems to be put on managers of individual labs to meet these projections. In discussions with Essa it was found that they are aware of their weakness in the field of marketing and expressed the desire to hold some kind of marketing training for their staff. In this regard they said they would appreciate if a business school were to hold some kind of short course in marketing for their lab managers and the new 10 employees of the customer service department.

Planning as done in marketing function starting with the vision and mission and moving on to objectives is unknown in this set up. It is indeed an eye opener that a professionally run organization full of doctors and other highly technical personnel does not seem inclined to consider marketing as important. This in part reflects on the discipline of marketing and its inability to penetrate where it is most needed that is in the SMEs which form the backbone of the economy of a country like Pakistan. It is a surprise that marketing in most of these firms is considered to be only a means of enhancing revenues, i.e. a short term approach without regard to the long term role of marketing in society and in business community as a means of maximizing stakeholders value and interest.

#### BRANDING

This is one area that Essa consider as one which needs emphasis. And brand building within Essa is image building. Concerted efforts are made to improve image. As mentioned above image building consists of adding activities to the already existing ones. This may be training, academics, conferences and providing leadership in the industry on issues of importance, including technology, total service at your doorstep”, etc. Still brand building does not include promotion as such. The brand name itself is not pushed as being something to plant in the mind of the audience. There is no effort to acquire brand logos, themes, colors, trademarks, and any such other brand assets which make big brands. Efforts at public service and philanthropy also do not push the brand name or add to its advantage.

There is no advertising carried out by Essa. Some very limited one may include inclusion of a few ads in local medical professional journals to announce presence in some areas or in acquiring new technology.

#### NETWORKING

Now we come to the foremost tool used by Essa, i.e. networking. This is what is considered by them important in theory and in practice. Efforts are made to keep in the evoked set of doctors and the medical community. Business of Essa is split between organizational and individual. To get organizational business and be constantly referred by doctors Essa has to keep constantly in touch with them. This is not easy. There is constant need to be in forefront and be visible. Essa is in always ahead of others in taking lead in the industry and this aspect of their operations is emphasized in networking. Medical schools and colleges are another segment which is approached through networking.

#### OTHER MARKETING ACTIVITIES

Product development is the most important activity in business development and it must respond to the needs of the market. And it depends on market intelligence. But

in Essa market intelligence is not carried out and dependence is made on judgment. Then as regards other promotion activities are concerned, personal selling is the one they consider as most important marketing activity. Public relationing is also emphasized and carried out naturally but not consciously as a business development activity but as an image building activity. It is clear that with increased capacity now available to Essa in terms of the number and types of tests they can do as well as other related activities, they can benefit from a conscious effort to market themselves.

#### ANALYSIS AND LEARNING

It can be concluded that conventional marketing does not find place within Essa. There is no 4 Ps seen. Conscious product development is there to an extent but not due to understanding of market's need. Rather it is competition and technology driven. Pricing is to an extent based on what market is offering. But pricing methods are not clear. Also there is no conscious promotion. There are efforts at building image but it is not clear what image is aimed for. Also why image building is done and with what purpose?

The only thing going for Essa as regards 4 Ps is placement or distribution. They are good at that. And it is not in order to meet requirements of the 4 Ps but to be everywhere in order to saturate Karachi. This does not need a genius or an understanding of marketing.

Word of mouth is the main thing which Essa is using in order to generate customers. But even this is being done not consciously but rather unconsciously. That is it would have happened even if Essa did not think about it. If the product or service is good the word will spread around.

The kind of product has a lot to do in this case with what works in the Karachi market. Pathology labs diagnostic service is a product which is in great demand. And it is an essential product in which the customer does not have a choice. As it is health related even those who cannot afford it try and get service from a reliable outlet even if they have to cut off budgets for other purchase items which are more discretionary.

Networking is practiced in Essa labs with the medical profession. Essa are very active in many social services including activities of Rotary Club. There it is an ideal place to meet lot of elite of the city who are there to be seen in such circles. Networking is extremely important for Essa in case of organizational clients. They need to have organizations on their panel to create a relationship base. Here networking plays a major role. This is done in two ways now. One is Farhan's own efforts with the medical community. And the other with the help of the customer relationship people who are supposed to call on organizations.

Actually marketing for Essa is just being there and being visible. Their marketing might be successful for the time being but it is unlikely that they can carry on this passive marketing approach in the face of growing competition. In marketing if you are not doing it and others are you either face lost business or you have to also react. In this situation it is better to be proactive rather be reactive.

## **CASE NO. 2: PING SYSTEMS**

### **HISTORY**

Ping Systems is established and owned by Asaf Maruf Ali. He is a graduate of King Fahd University, Saudi Arabia where he did MS Engineering in 1996. He has been in business for the last 6 years. Ping has recently relocated themselves to a new office on the mezzanine floor of a commercial building occupying about 1700 sqft. This area is in an upscale suburban locality of Karachi. They have 6 full time employees. Ping has a Novell Practicum testing lab in their premises, the only one in Pakistan. This means they can conduct Novell certification exams on their premises. There are two marketing persons and four application and technical persons in the company. Asaf supervises most of the projects that Ping undertakes. It seems marketing is not a prime activity in this organization. And there is not enough emphasis to generate orders but to serve those that are in hand.

Their main product is Linux which is an answer to Windows of Microsoft Corp. Linux has the unique privilege of being an open system. That is changes can be made by the user to the system based on his needs. Linux was introduced by Linus Torvalds (a Finnish man). He was helped by Richard Stallman a very active and energetic man who together created the FSF (free software foundation). Idea behind this move was to freely provide users with a system which is more flexible and far more stable and effective. And in the process they wanted to do a social service for the community. Linux was the glue that connected all this together and was created in 1991.

On other services like installation of mail, web, proxy server has a different cost structure. This results in saving of a vast amount on the part of businesses adopting the Linux system. For example for a company using ten desktops the costs of non-pirated software and services from windows will be approximately Rs. 900,000 compared with only Rs. 150,000 with the Linux system. And the system will be far more stable, flexible and fast. Thus it is clear that Linux makes an offer to the user which the user 'cannot refuse', or should not refuse.

Then why most companies fail to see this. Of the 3.2 million economic units in the country at least a third should be such as to be able to benefit from and use a computer. Thus there are a million users of computers. Of these if only 10% have 10

or more desktops to justify such a migration it is a figure of 100,000 to say the least. Of these at least 25 % should be in Karachi. That leaves a figure of at least 25,000 installations in Karachi. These will include mostly the small and medium enterprise. The MNCs usually have either the system installed or have to have head quarter permission to do so. Thus they are out in most cases.

With only about 5 competitors in the field it gives a figure of 5,000 per Linux dealer to achieve in the next few years. It is our understanding that only a minuscule fraction of this has already been sold by the firms in this market. Not more than 200 systems appear to have been installed in Karachi. This leaves a market for a lot of sales to the remaining organizations.

The interesting question is why has such an attractive product not been sold in the market which is very cost conscious. The most obvious reason seems to be lack of awareness in the market of the existence of such a system and appreciation of its benefits. Ping lacks the manpower to spread the word around in the market. And even if they are able to get the orders they do not seem to be in a position to service them. This is classic example of a ‘gold mine’ left unexplored waiting for some one else to do it. The most obvious reason for lack of awareness on the part of the market is absence of any worthwhile campaign to inform the prospect of about the product.

## MACROENVIRONMENT

### ECONOMIC

Main customer segment for Linux are small organizations. There has been a growth in the economy of nearly 6.5 % last year. The number of cars on the road have increased by about 40 % in the last one year indicating there is money in the market. Personal computers ownership in Pakistan is growing at the rate of 50,000 to 70,000 per year. This indicates there is a substantial market for computer related products. As the import of computer is duty free, pcs have made great inroads into Pakistan market.

### SOCIAL AND CULTURAL

Computer culture is fast growing in the country. Even small retailers who did not know the name of computer 15 years ago have removed their ‘fear’ of computer and are learning how to use them. If for nothing else then for emails, web surfing and typing only. Though a great segment of the organizational users are doing more with computers, i.e., using sophisticated software related to their field. Computer is no longer a novelty in Pakistan. And like mobile phones which are in excess of 50 million in the country, personal computers are fast becoming a household thing, and



even those who do not use them are familiar with them and know roughly the purpose of them. Any small organization will be shy to be caught without one.

#### COMPETITIVE

As far as another operating system is concerned, windows is the only competitor for Linux. And almost all personal computers come with windows installed. But this is usually a pirated one. The price of a non pirated one which organized sector uses is about Rs. 20,000, which is prohibitive for an individual or a small organizational buyer.

There are 5 main competitors in the field in Karachi offering Linux. They include Emergen, Arpatech, IKS, and Khawar Nehal and Ping. Ping consider themselves to be number one or two occupying about 25 % market share. So far they have sold only 30 systems. Their competitors also have been slow in sale of this valuable system which offers unique and obvious advantages to users compared to windows. Ping do not feel there is much competition at this stage in their business. Karachi is a vast market of 15 million people and the 5 competitors leave a lot of ground to be covered. Most of the prospects do not know about Linux and thus are left untapped.

There is good understanding between competitors. Often they share work overloads and also ask each other to do tasks they cannot do themselves. For example one of the competitors recently requested them to do training on their behalf as they could not handle it themselves. So networking with competitors is good.

#### TECHNOLOGICAL

In this business technology is the name of the game. Most of the computer users know in which direction technology is going and thus can be called technology savvy. At the same time in computer technology it is important to keep abreast of what is happening in the field and what typical customer wants. They also need to know how to help consumers achieve satisfaction and how the system can help integrate with their requirements. This business also requires constant knowledge update and knowing what is happening in the field and which way the newer technologies are headed. Thus this is not a business for the novice. It requires substantial know-how. This may be an entry barrier. It needs understanding of the Linux system and how to install, apply, and modify to suit the users' needs and how to trouble shoot later.

#### REGULATORY

This is relevant to the extent that due to anti piracy laws it is getting tougher for at least the organized sector to buy pirated products. And this will eventually help Linux as most of the windows installed in the country is pirated.

## MICROENVIRONMENT

Ping has sufficient assets to do business. Recently they have acquired new premises in the new location. But they do not have sufficient number of qualified and clever staff who can take the challenge. Asaf believes in hiring university graduates as he thinks it is important to have a degree to be able to think scientifically. His major problem is to find the right kind of manpower to hire. He says deserving manpower just does not exist or do not want to join or stay long enough in the company. In discussions it came out that he needed greater liaison with universities and business schools to not only introduce product early to the future users but also to be able to attract manpower to work with Ping. Also getting financing in Pakistan is not difficult any more for a going business. And hardware required to do the job is available with Ping in terms of about 20 desktops for demo and training for potential clients; and to do the expansion into other areas which Asaf is thinking about. Motivation seems to be a problem as staff seems to feel they are under paid. This is the chicken and egg situation. Should Asaf pay them highly first and then expect them to do the job or vice versa.

## MARKETING

In the interview with Asaf it came out that marketing was mentioned as important but actions needing to be taken for marketing were lacking. As found in SMEs literature the world over, most emphasis in Ping is on personal selling. Selling is done mostly by one individual Emmad Hameed a young man, energetic, fast and abrupt wanting to do many things but needing to plan and organize efforts in a planned way. Marketing in Ping relates to selling only. Emmad goes out to make presentations to some organizations to generate their interest in Linux He is usually accompanied by a technical person who answers the technical questions. And they are recently accompanied by a young female Mahrukh who has joined in the past week and is being groomed to take on the role from others.

In depth interviews carried out by me twice in the premises of Ping led to some understanding of how they operate. They are mostly waiting for word of mouth from their customers to their prospects who they expect will talk to others of their good product. But word of mouth is not generated consciously. In other words word of mouth is left to itself to generate. It may or may not happen. There is no incentive provided to anyone to do word of mouth. The thumb rule that a satisfied customer tells 3 others is not used to advantage. And customers are not actively asked to do word of mouth.

Ping has not given thought to a vision or mission of the company. But they would like to have one.

## MARKETING ORIENTATION

This is not well understood within Ping. Though their product is standard, it needs some tailoring to suit the needs of the buyer. But at the same time much needs to be done to find out why customers are not buying in big numbers. Is it lack of awareness, or lack of understanding of the benefits of Linux? Or is it the perceived risk of going for something new? Sufficient market intelligence does not exist regarding who the prime prospects in the market are and how they can be reached. Thus there is lack of communication with the prospects. This kind of product needs for the marketer to saturate the market with information about the product and what it can do and the value for money it offers. As there is no formal or informal intelligence generation there is nothing to disseminate among employees. Except once in a while sales meeting are held to discuss efforts. These meetings seem to discuss what was done and not what was not done which could have been done.

## INTELLIGENCE GENERATION

This aspect is lacking. Ping agree on the need to work on it. They mostly depend on in house research for this. And personnel in the field who go out to meet customers bring in the news of what is going on in the market. Regarding response to customer product preferences, it is a bit slow. They take up to two days or more to respond to customers' product preferences. They do not talk to end users to assess quality of product. And talking to those who can influence sale of product is not structured. Meetings with industry are also not taking place often. Similarly gathering information on competitors is also not formalized. They however do keep abreast of industry changes but are not fast enough.

## INTELLIGENCE DISSEMINATION

Ping does talk about competitors' tactics and strategies. They discuss differences in prices, and scope of supply. Marketing personnel are always discussing needs with other departments. In fact they are often working hand in hand as they call together and discuss each customer's requirement in house.

## RESPONSIVENESS

Ping does not respond to competitors' price changes immediately. As the customer base is small there is no formal segmentation in this business though informally Ping understands the difference between say educational institutions and business houses regarding needs. Needs of customers are not changing appreciably in this business as Linux is just starting to enter Pakistan. There is little product development in this field. Yet once the order is obtained the product is developed according to customer's requirements. Most of the work is done for a particular customer thus it is

a customization business. In other words the product is designed for the customer. Business plans are not driven by technological advances but by market considerations. Emphasis is on core business issues with standard technology. It does not happen often that competitors target customers of Ping for sale of their service. Customer complaints are taken care of quickly. If a new marketing idea was generated it can be and is quickly implemented. Requests for modification are addressed as part of the nature of business.

Compared to the competitors, level of customer service in Ping is average. They are striving to be better. Emergen is doing good. They give that impression. They are smart marketers.

#### MARKETING PLANNING

They do not have a formal marketing plan. They do make plans from time to time but they are not formal. They do not do critical point planning or opportunistic planning. Planning is an unusual activity. A so called plan that I saw was no more than a list of 'things to do' in day to day work. Benefit of planning is not understood well. Objectives of marketing are not sufficiently understood or disseminated. Purpose of marketing plan, the target customer, benefits of product, or the USP (based on SWOT Analysis), positioning of company, marketing strategy and tactics, and marketing budget all need to be established.

#### PERSONAL SELLING

Usual marketing technique on which Asaf seems sold is making presentations with customers including companies and educational institutes. This presentation is generally made by the sole salesman Emmad along with the support staff including applications engineer/s. In the half day workshop, focus is on exposure to what Linux is, its applications, cost savings, value for money, after sales service, flexibility of the system and compatibility with old hardware. This area also needs improvement. Presentations need to be more professional. They need to focus on customer's needs and therefore a meeting with the customer is important before this presentation is made. Presentation itself needs to be attractive, connect with the customer and dwell on value for money. And after sales support and other things of value to the customer need to be included.

#### PUBLIC RELATIONING AND DIRECT MAIL

This can be very useful for this company. Ping had a news letter which was discontinued after 4 months of publication. This was a good opportunity for projection which should be used to put their name in front of prospects. This was in

form of a leaflet of one page. It would be better to make it a bit longer and Ping can support it with some ad material and include some text to appeal to readers.

#### INSIDE THE ORGANIZATION

There is a reward system that allows for opportunity for initiative including bonuses, dinners, etc. Ping employees have good commitment but need to be pushed a bit to accomplish more.

Lack of infrastructure is the common problem in all of Pakistan's industries. There is frequent shortage of electricity and power interruption is happening many times a day. This results in disruption of work and erosion of motivation. In the new location of Ping, transport is also a limiting factor. There are no public buses available for the staff and it is inconvenient specially for the female staff to commute. Karachi is a huge city, and many living in the far flung areas find it hard to come to the place of work.

#### BRANDING

Asaf considers branding to be important but accepts they have not been able to do much in this regard. They are now thinking of using give-aways as one economical way to promote themselves. Advertising is considered as expensive and out of reach. It was suggested to them to adopt banners and roadside hoardings but it does not appear to be very attractive for them. Word of mouth is the main source of promotion in addition to presentations made by marketing personnel. Value of branding is not understood fully. And the magic and dynamics of powerful brand names needs to be exploited.

#### OVERALL PERFORMANCE

Asaf thinks his is a clean business. And he is happy with this aspect of the business. There are no under hand deals to be made, and no bribes to be given to the government officers. It is a knowledge based business and this is a source of satisfaction. Also this poses serious entry barriers. So how successful is Ping. In terms of financial measures it is still to realize its potential profitability. And though this is confidential, it is felt that the business could not have achieved break-even if salary and all overheads of the organization were accounted for. Specially since the new office was bought by Asaf for Rs. 7 million amounting to Rm. 420,000.

#### ANALYSIS AND LEARNING

In essence if we look at Ping Systems we can arrive at the following conclusions:

Ping is not marketing oriented. They do not study the market before offering their product. Their contention is that irrespective of whatever marketing study they do the product offered will remain the same. It cannot be changed. It is a standard product. If any modifications are required they can be done at the time of installation of the product. And all buyers need this modification. And everyone who has 10 or more computers installed is a prospect for Linux. Ping is selling just what the others in the business are selling. They think the product is the core product itself. There is no effort to differentiate the product from others. This can be done in many simple ways. Some include financial arrangements. Others may include related products which can be tied to the product or can be separately offered. Still other options not considered seriously are of expansion of the market or going into diversification using the existing arrangements. Asaf has the option of either offering products that his customers need in addition to Linux or offering other products related to his field to other customer, i.e. new market. He is looking at this now. One of the areas he is considering is education and training in various computer related areas using his impressive set up including classrooms and desktop computers.

Company does not offer any financial packages though this may be one of the things to explore. There may be some prospects that want the product but may not be able to put up front the money. Leasing arrangements could be considered for them in collaboration with some leasing companies.

Another dilemma seems to be that on the one hand there is such a big market out there but on the other hand there is not enough capacity within Ping to cope with that. Actually this is the problem due to lack of planning. There has not been enough forecasting for the coming years and there is not enough medium term and long term vision. Without this it is difficult to hire and train enough manpower. It is the chicken and egg situation which comes first. Whether Ping should invest more in manpower and then look for market or whether it should wait for market to come and then add manpower. This is a strategic decision and requires cash inputs and thus needs thorough analysis and study.

Next point is about networking. It appears enough networking is not happening with either the competitors or with customers. If so there would be much more business flowing into the company. Ping only has 30 customers which means that they are able to gain only 5 customers per year. Whereas the market is such that at least 100 new customers may be gained per year. This means the company is only achieving 5 % of its potential. This business is a gold mine if tapped well.

USP of Ping is not clear or at least not being put across effectively enough to motivate the prospect to buy. There is not enough homework before calling on a client. Ping is waiting for word of mouth but are not making it happen. Word of mouth means someone else will do your job, but it does not happen automatically.

Someone has to urge others to do it or create conditions for it to happen. This means you make it known to your customers that you will appreciate their involvement in your business by sending others to be your customers. It is also to be appreciated that it will pay in the long run to create your advocates in the market. Advocates are those customers who are so satisfied with your product that they start selling it for you on your behalf to others.

Emailing also has not been fully exploited. Lists are available in Karachi. A list of 100,000 emails is available for Rs. 5,000 or so. And even if there are 100 queries resulting out of it and only 25 result in sale, it would mean doubling their customer base.

### CONCLUSION

Moving from Essa to Ping what do we see? Both companies are not doing planning. Both are dependent on word of mouth. Both lack marketing orientation. And both do not think in terms of the 4 Ps. If they do it is done on a sub conscious level. There is lot of scope to play with the product but this is not happening. Both products can benefit from creativity and creation of competitive edge but this is not happening. Though Essa is a medium sized organization with much more resources and money to spend, efforts at marketing have been lukewarm.

Both consider advertising to be expensive and not fruitful. Low budget advertising has not been seriously considered. Public relationing has been used by both to some effect. Social marketing has also been touched upon but the objectives of marketing are not very clear. There are no well defined laid down targets to achieve. Business is taken as it comes. Aggressive marketing is not practiced.

There is no evidence of marketing planning in both firms.

Branding is only done as an image building activity. The power of brand names, brand logos, typesets trade marks, themes, brand themes and brand associations is not there at all. Market is not saturated with promotion of brand and thus an opportunity to gain share is lost.

Networking seems to be done extensively. But networking is not stretched to the limit. There are many gaps in the networking efforts. For Ping it was suggested to offer presentations to colleges specially those offering IT related education. This will put the name of Ping in the evoked set of Linux solution outlets in the minds of the graduating class. Many possibilities of publicity can be created for Linux as well as Essa by appearance on the vast TV networks in the country. Educational programs can be offered for public by both organizations.

Judgment seems to be the dominant modus operandi in case of Ping and to an extent Essa. It seems entrepreneurs in Pakistan are making marketing decisions by themselves without involvement of professionals. And marketing occupies a back seat in the organization.

(To Be Continued)

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